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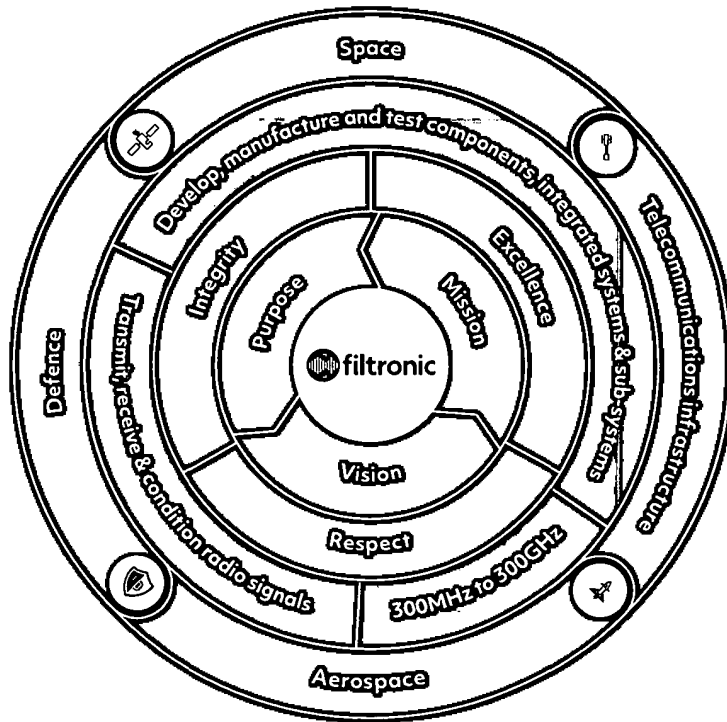
COMPANIES HOUSE

Annual Report and Accounts 2024

Filtronic plc – Stock code: FTC



Our strategy



Our values

Integrity

Act with integrity; being honest, always keeping our promises.

Respect

Be respectful to all; it is the foundation of our culture.

Excellence

Strive for excellence; it is what our customers and colleagues expect and what we endeavour to deliver.

Our purpose

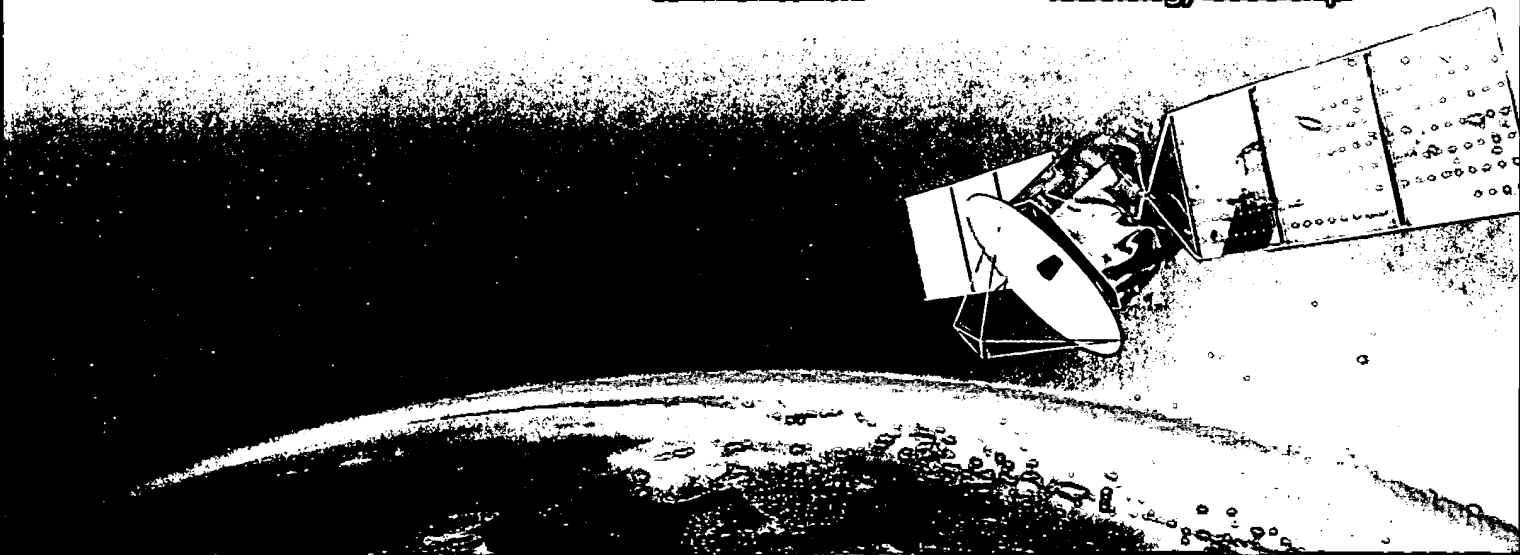
To be the trusted provider of innovative RF solutions.

Our vision

Enabling the future of RF, Microwave and mmWave communication.

Our mission

Creating value for our customers through technology leadership.



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Chairman's statement

"The low earth orbit ("LEO") space communications market, whilst an emerging market, continues to produce sizeable opportunities from a range of prospective clients."

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Chief Executive's review

"Our mission is to create value for our clients through technology leadership. We develop the building blocks of core IP and then utilise this technology to create highly customised solutions for our core markets."

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Strategy

"The strategic markets we are serving of LEO space and aerospace and defence remain the focus of our investments where we can add significant value, and where we can realise long term sustainable margins and deliver shareholder value."

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Financial review

"The business delivered a break-through set of results with significant improvement in revenue, profit and cash reflecting the successful execution of our strategy."

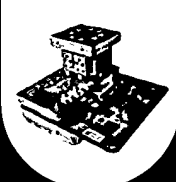
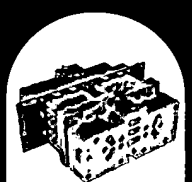



History of Innovation

<p>1970</p> <p>1977 Company founded by Professor David Rhodes at Leeds University.</p> <p>1979 First employees recruited.</p>	<p>1980</p> <p>1989 Filtronic components receive a Queens award for technology. Wireless infrastructure business established.</p>	<p>1990</p> <p>1992 Filtronic Comtek established to focus on 2G – global systems for (GSM).</p> <p>1994 Filtronic Comtek plc listed on the UK stock exchange.</p>
<p>1990</p> <p>1999 Acquisition of Fujitsu Silicon plant in Newton Aycliffe to produce GaAs (Gallium arsenide) wafers.</p>	<p>2000</p> <p>2002 Triton chipset, transmit and receive multi-function MMICs developed for mobile backhaul.</p>	<p>2010</p> <p>2003 Company reorganises into three divisions: Wireless Infrastructure, Handset Products and Integrated Products.</p> <p>2011 Development of mmWave capabilities, including Theseus, Orpheus and Morpheus II.</p>
<p>2010</p> <p>2017 Launch of contract manufacturing services, principally for aerospace and defence.</p>	<p>2020</p> <p>2020 Launched Morpheus II, market leading transceiver product and Tower Top Amplifier range.</p>	<p>2021 Awarded Queens Award for Enterprise: International Trade.</p> <p>2022 Launched Hades E-band Active Diplexer and extended range of Cerus high-power amplifiers.</p>
<p>2020</p> <p>2023 ESA funded project</p>	<p>2023 DTEP Funding</p>	<p>2023 Leonardo - Supplier Innovation Award</p> <p>2024 Strategic partnership with Space X</p>



New Products

 <p>Hercules II The Hercules II combines Filtronic's Morpheus II transceiver and either a Cerus 4 or 8 SSPA module,</p>	 <p>Taurus In terms of performance, our high power amplifier redefines E-band power for commercial and military applications.</p>	 <p>Cerus 32 Cerus, the 71-76GHz and 81-86GHz boost power amplifiers from Filtronic, deliver market-leading transmit power, enabling extended link distances for high-capacity E-band point-to-point, HAPS and Satellite applications.</p>
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New brands we are working with this year



Operational Highlights

Financial highlights

Revenue

£25.4m ▲ (56%)

Adjusted EBITDA*

£4.9m ▲ (285%)

Operating profit

£3.6m ▲ (1,423%)

Cash at bank

£7.2m ▲ (176%)

Net cash (net of all lease obligations except right of use property lease)

£5.2m ▲ (229%)

* Adjusted EBITDA is earnings before interest, taxation, depreciation, amortisation and share-based payments.

Operational highlights



Signed a 5-year Strategic Partnership with SpaceX, a market leader in low earth orbit ("LEO") space communications, for the supply of Cerus solid state power amplifier ("SSPA") products at multiple frequency bands. Given the customer's preference for vertical integration, this is a significant testament to our ability to design and deliver best in class technology.



Contract award of £3.2m from the European Space Agency to develop a series of mmWave products with strategic importance for next generation LEO constellations including payload applications.



Contract wins from strategic target clients, BAE Maritime Services and QinetiQ, for £4.5m and £2.0m respectively for radar systems.



Launched and secured production orders for E-band derivative products from telecommunication infrastructure OEMs and several specialist private telecom network providers.



Secured a fourth programme from DSTL to design and develop a tuneable filter solution for future defence radar applications.

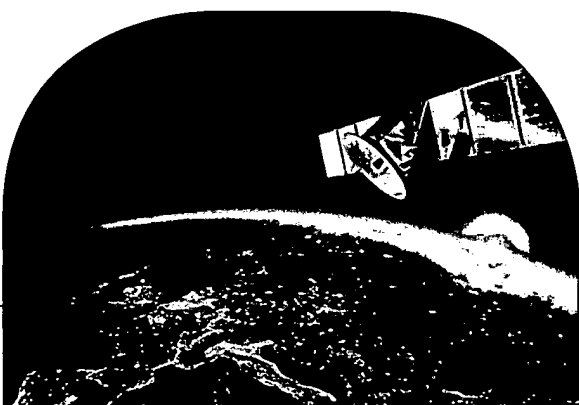


Won the King's award for Enterprise in Innovation recognising our outstanding product development.



Flexed the operation to meet growing market demand for our products demonstrating our ability to respond and scale the business rapidly and efficiently.

Strategic report



Chairman's statement

Dear fellow shareholder

I am pleased to report that the year ended 31 May 2024 has been one of significant progress. We have successfully capitalised on the momentum built in prior years in bringing to market our core technology projects and enhanced market focus. This culminated in the business securing a strategic partnership with SpaceX in addition to numerous contract wins with key target clients including BAE, QinetiQ and the European Space Agency, and our opportunity pipeline continues to grow across our core markets.

These achievements have given us an excellent platform to deliver long-term sustainable growth and is a major step forward in the execution, and de-risking, of our wider strategy. To that end, we will not lose sight of the need to focus developing business opportunities in our core and adjacent markets. Expanding and diversifying our customer base remains key to growth and resilience planning.

Strong trading and workforce commitment in H2 enabled us to deliver good growth in revenue and profit with material improvements seen over the prior year. We have kept the market and investors up to date with this dynamic situation by upgrading market expectations via a series of trading updates during the course of FY2024.

These pleasing efforts and results have enabled us to deliver adjusted earnings before interest, taxation, depreciation, amortisation and share-based payments ("adjusted EBITDA") of £4.9m (2023: £1.3m), and significantly strengthened the balance sheet and cash position. This underpins our ability to invest in growing the operational capability to match the improved orderbook and extend the innovation and technology road map to support our collective revenue growth ambitions.

The Markets

This year we experienced our highest levels of customer engagement, which reflects the growing demand for our core capabilities and innovative products across the markets we serve.

The low-earth-orbit ("LEO") space communications market, whilst an emerging market, continues to produce sizeable opportunities from a range of prospective clients.

The success we have had in the LEO market offers not only the potential for transformational growth, but also for us to accelerate the technology we believe this sector will need. Initially, this is through our innovative Cerus32 E-band product that is being actively deployed into ground stations of the Starlink constellation which is the first and only operational commercial E-band link in the world today. Whilst the market is currently led by a small number of household names, there are many well capitalised companies looking to participate in this market with the aim of providing low-cost internet to remote locations and direct to cell phone capability which will bolster the market opportunity for us to exploit.



The aerospace and defence industry outlook remains strong. There is increasing global need for high bandwidth, fast and secure data telemetry and infrastructure and we continue to explore opportunities on land, sea and air. As well as security and defence market opportunities, the private network and high-speed trading opportunities are a meaningful part of our current and future portfolio.

The telecommunications infrastructure market has become a less dominant part of our growth plan as the rollout of 5G stalls in some markets, but it remains an important market given the leading players tend to be first adopters of new technology. This 'first to market' drive helps accelerate our own technology roadmap and positions us well in adjacent markets where the product offering is highly desirable with strong revenue and earnings potential.

Of critical interest and relevance to new and existing customers is our ability to design, develop, test and manufacture a turn-key solution to a high-quality standard, at volume.

Scaling up our business is a key focus for the year ahead as we keep pace with the increased rate of trading. Financially, the Group's cash position provides the means to make meaningful prudent investments in the business to facilitate further growth. We are currently exploring the possibility of moving to a larger facility which will offer more manufacturing space customised to our precise needs with room to expand our respective teams. We are also mindful that well run businesses are efficient and protecting profit leakage is equally important. Recruiting additional resource into our engineering team will be critical in the year ahead, to not only service the development needs of our current programmes, with their new technology requirements, but the new business opportunities we are pursuing.

Financial performance summary

Group sales increased in the year by 56% to £25.4m (FY2023: £16.3m).

The increase in sales and a stronger sales mix, with a lower concentration of revenue from telecommunications infrastructure, led to an operating profit of £3.6m (2023: £0.2m) and adjusted EBITDA of £4.9m (2023: £1.3m).

The Group closed the year with £7.2m of cash at bank (2023: £2.6m) in addition to the availability of undrawn working capital debt facilities in the UK (£3.0m with Barclays) and the USA (\$4.0m with Wells Fargo).

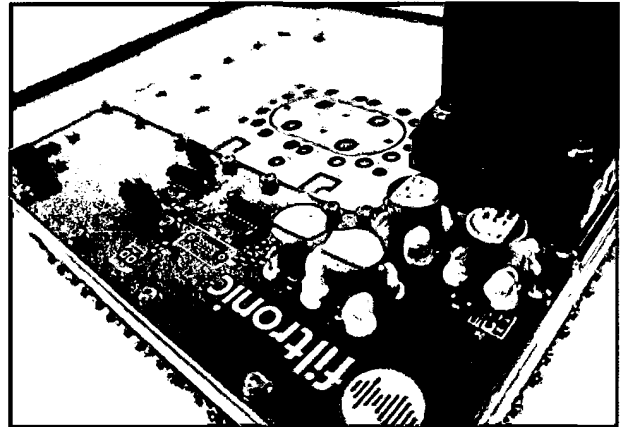
The Group's net cash position, including all debt except right of use property leases, was £5.2m at the end of the financial year (2023: £1.6m). Net cash including right of use property leases was £4.2m (2023: £0.3m).

Dividend

As with previous years, and after continued dialogue with investors the Board supports the view that the long-term interests of shareholders are better served by cash being retained in the business to fund future business development. Consequently, no dividend is proposed for the year (2023: £nil).

Environmental, Social and Governance ("ESG")

We are committed to building a sustainable business for the future, delivering consistent financial returns and long-term value for all our stakeholders. Having formalised our ESG strategy last year we have made appropriate and



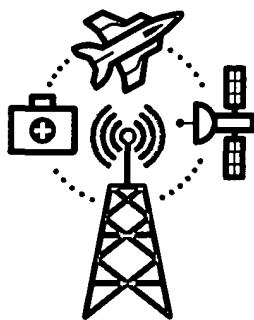
Pictured: Cerus 32

meaningful progress on sustainability, building on the three pillars of:

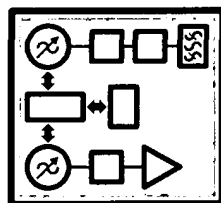
- Sustainable commercial enterprise;
- Sustainable culture and organisation; and
- Sustainable environmental impact.

Full details of the ESG strategy and objectives can be found on the Filtronic website at <https://filtronic.com/investors/esg-strategy/> and more detail can be found in the Sustainability section of the Annual Report.

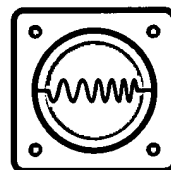
What we specialise in:



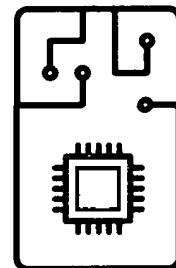
Mission critical communications



Customised RF Sub-systems



300MHz to 300GHz design, manufacture & test



Hybrid manufacturing services



Chairman's statement continued

Board Composition

Following Richard Gibbs's decision to step down from his role as Chief Executive Officer, the Nomination Committee undertook a rigorous selection process to find a suitable candidate to drive the business through its next phase of growth. We were delighted to welcome Nathaniel ("Nat") Edington to the Board on 13 May 2024 as the Group's new Chief Executive Officer. Nat brings a wealth of experience and knowledge in the electronics industry and a pedigree of executing growth plans. I would like to take this opportunity, on behalf of all of us, to thank Richard for his hard work, leadership and dedication over the duration of his tenure. Through his vision and drive, Filtronic has established a solid platform with a much-improved market position.

Outlook

The demand drivers for our business, as I have outlined above, remain strong and the markets we serve are robust. We have increasing confidence in our ability to deliver further growth in the year ahead, but we recognise the need to work fast and not be complacent. We will be matching our resources with the enlarged business that we are now operating, investing in key areas including exceptional and experienced engineering and manufacturing talent, developing opportunities with those in the early stages of their career and leveraging strong commercial relationship builders to deliver greater customer focus and support. We have also identified the essential capital equipment needed to position ourselves to exploit the existing and new market opportunities.

I would like to finish by thanking, on behalf of the Board, everyone who has contributed to the Group's success this year including our talented and driven employees as well as our discerning and demanding customers, suppliers, partners and shareholders.

Jonathan Neale
Chairman
29 July 2024

Chief Executive's review

I am delighted to present my first Chief Executive's review covering the full year results for FY2024. Since joining the business, I have been hugely impressed with the energy and commitment of the organisation, the deep understanding of RF technology and the strength of customer relationships with the industry leaders in our chosen markets of LEO space, aerospace and defence and telecommunications infrastructure.

The Company has delivered an excellent set of results for the FY2024 trading period, and we end the year with revenue growing by 56% to £25.4m (FY2023: £16.3m), ahead of market expectations. Reported adjusted EBITDA also exceeded market expectations at £4.9m (FY2023: £1.3m), based on the strength of second half earnings and is a testament to the controlled scaling of the operating cost base throughout the trading period. We also close the year with a growing, healthy cash balance of £7.2m (2023: £2.6m).

We have invested in the long-term future of the business by building our IP portfolio and strengthening our business development and engineering teams. With a strengthened balance sheet and a record orderbook we are planning for future growth, which includes looking at new facilities to expand our manufacturing footprint in Sedgefield and the continued development of our world class RF engineering capability. I am excited to be leading the business through the next exciting phase of growth.

We are shaping the future of microwave and millimetre wave communications, and a growing number of companies are engaging our services for the design and manufacture of next generation communication products. The ability to undertake rapid cutting-edge RF design and scale the manufacturing of mmWave products enables customers to drive performance improvement and accelerate time to market for demanding applications. Our global reputation, ability to push the boundaries of what is possible in RF design and the service offering of a turnkey solution to design and manufacture remain the key competitive advantages that Filtronic provides to customers in our strategic markets.

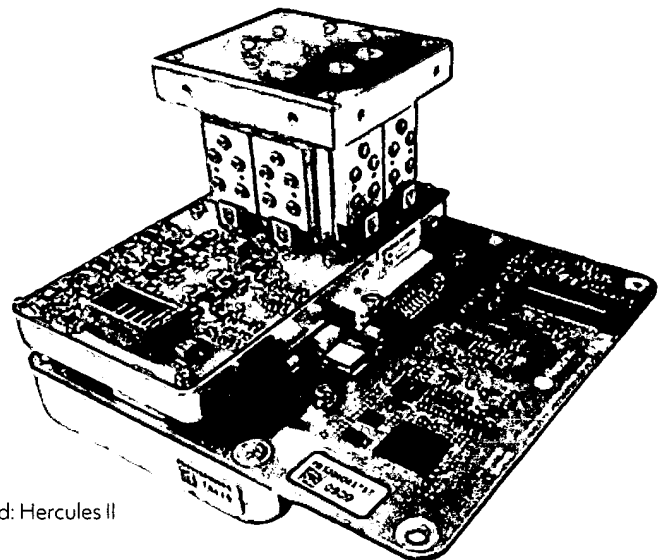
RF design is a complex engineering discipline requiring a highly specialised set of design skills and deep understanding of analogue design principles. Critical to our success is the recruitment and retention of world class RF engineers. Filtronic has over 45 years' experience in the RF market and unrivalled history of innovation and IP development. The ability to offer exciting careers working at the leading edge of RF technology with the world's leading communication and aerospace companies has proved essential in our ability to attract the talent we need.

We have successfully coupled our engineering expertise with investment in state-of-the-art production equipment that enables the rapid transition from product development to full scale manufacturing at volume. The



addition of dedicated engineering lines to create new processes without disrupting mainstream operations, has greatly improved delivery of engineering programmes and allowed us to move at the speed our customers demand. The move to a new purpose-built manufacturing facility would significantly improve the efficiency of our manufacturing operations and enhance our ability to meet future scale-up opportunities.

In the last twelve months Filtronic has released several new high-power products for use in the telecommunications and LEO space market based on specific customer requirements. We end the year with a healthy number of new product developments in the engineering pipeline, and a well-defined technology roadmap aligned with both customer and future market requirements.



Pictured: Hercules II



Chief Executive's review continued

During my first few months in post, I have seen firsthand the strength of relationships with Filtronic's strategic customers, who are amongst the leaders in their respective markets. The engagement with SpaceX, with whom we signed a five-year Strategic Partnership in April 2024, demonstrates the value we bring to all of our clients. Leveraging our engineering capabilities, and the responsiveness and speed of execution to develop product and ramp manufacturing output quickly, we were able to take the Cerus 32 SSPA product from concept to volume production in less than six months, in this rapidly evolving market.

Customers and Markets

Our mission at Filtronic is to enable the future of RF, microwave and mmWave communications, and our focus markets are those that operate at the leading edge and offer growth potential for our products. The strategic markets we are serving of LEO space and aerospace and defence remain the focus of our investments where we can add significant value, and where we can realise long term sustainable margins and deliver shareholder value.

The LEO space market is growing rapidly as the costs associated with the launch and deployment of satellite technology continues to dramatically reduce. Well-funded, private corporations like SpaceX, together with established global aerospace contractors and ambitious regional start-up companies, are racing to build constellations of satellites that will accelerate the delivery of internet and 'direct to cell' services across the globe. Gateway communications between the LEO satellite and the ground enable convergence with the established terrestrial telecommunication networks, that in turn provide the world with high speed, low latency and ubiquitous connectivity. Filtronic's leadership as a supplier of compact, highly integrated, and extremely reliable telecommunication backhaul solutions position us well to respond to the aggressive timelines demanded by the leading players in the LEO space market. The ability to design and build SSPAs, at multiple frequency bands, enabled Filtronic to win initial production orders with SpaceX for the deployment of the first LEO space E-band backhaul communication links in early 2023. Over the past year we have successfully built on this relationship to establish a Strategic Partnership to secure supply of E-band SSPAs and work in partnership to develop the technology roadmap associated with the Starlink constellation over the next five years. In July we announced our first follow-on order since announcing our partnership; a new contract worth \$9.0m (£7.1m).

The accelerating convergence of ground-based telecommunications with LEO space enabled connectivity, will continue to drive demand for efficient use of high-performance terrestrial telecom solutions. Increasing demand for high power transceiver modules and custom power amplifier solutions for private telecommunication networks, demonstrates significant adjacent market opportunities for Filtronic.

The aerospace and defence market has been a consistent long term revenue contributor to Filtronic over the years, and our technology is well adapted for use in electronic warfare ("EW") applications associated with Active Electronically Scanned Array ("AESAs") radar. We have retained a position in the aerospace radar market with the supply of hybrid transmit/receive modules and highly customised filter designs. Whilst supply to this market has seen a hiatus, we remain well positioned for strategic airborne radar programmes that will follow in the next few years once procurement decisions have been made by several governments. In FY2024, after a long selling cycle, we were successful in winning contracts in both land-based radar and maritime radar applications from QinetiQ and BAE respectively. In addition to radar applications, we have continued to make inroads into the UK defence market for the supply of next generation RF communication products. Following an initial engagement with Defence Science Technology Laboratories ("DSTL") for the delivery of our first battlefield communications product in FY2022, we were successful in winning an additional two DSTL programmes in FY2023 and a fourth programme in FY2024. Battlefield communication solutions are evolving quickly, with commercial space and telecommunication technology augmenting the legacy defence communication solutions. Our DSTL engagements will align us closer with UK MoD strategic requirements and ultimately provide consistent and long-term revenue streams for highly customised products.

Outlook

We operate in a period of economic and geopolitical uncertainty. We operate in a world with an ever-increasing demand for broadband connectivity, and with it the search for opportunities to open additional RF spectrum. Filtronic is the leader in the field of millimetre wave solutions, and we benefit from the fact that the expertise we offer is in short supply.

Filtronic's strategic markets represent industry verticals that have a robust outlook and align well with the needs of the post-pandemic world. Public safety, mobile telecommunications, sovereign defence capability and the rapid development of LEO space networks, are well funded sectors that resonate with governments, investors, and the public at large. Alongside the growth opportunities for the business generated from the SpaceX partnership, our pipeline with other customers and in other focus markets is also healthy and increasing, providing good growth opportunities across our markets and customer base.

Business plans for FY2025 and beyond reflect our confidence. We have a dynamic and proactive culture that is highly motivated to drive the Company forward and deliver excellence in all aspects of our business. With momentum behind us we will focus our efforts in the following areas in FY2025:

- Continue to develop the close partnership with SpaceX for the supply and development of ground station applications and continue to try and penetrate into the payload.
- Ensure timely execution of new chip and module developments in alternative frequency bands, to maintain our technology leadership, and underpin our products for several years to come.
- Invest in our sales organisation to accelerate the opportunities in focus markets.
- Position the business to move up the value chain and provide a higher level of integration for UK Defence programmes.
- Strengthen our Senior Leadership Team with key experience to manage growth and scale up the business.

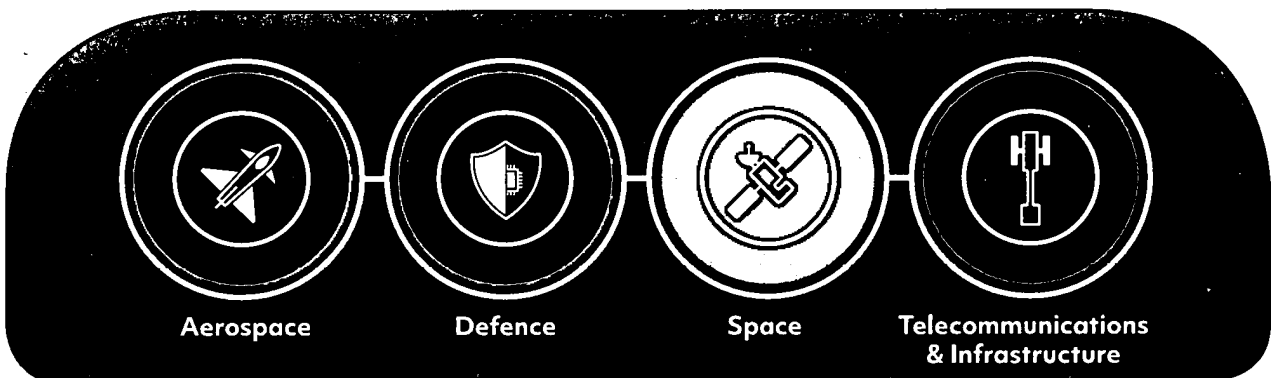
- Move to a new world class manufacturing facility in Sedgefield to further scale manufacturing volumes and support turn-key customer development programmes.
- Develop new manufacturing capabilities to strengthen Filtronic's position as a trusted sovereign supplier of advanced RF packaging for aerospace and defence and high reliability applications.

There is an increasing demand for our high-performance products and unique RF design capabilities, and we are building the IP portfolio, resources, and expertise necessary to scale the business in response to a growing pipeline of opportunity.

Embarking on a new financial year, I am extremely excited by the potential that exists at Filtronic and believe we are well placed to continue to build sustainable shareholder value.

Nat Edington
Chief Executive Officer
29 July 2024

Our core markets



Market review

At Filtronic, we push the boundaries of future technologies using high-frequency RF, impacting, space, aerospace, defence and telecommunication sectors. Our expertise enables seamless data transmission with increased bandwidth, reduced latency, and improved connectivity.

In the space sector, our high-power, low-latency wireless technologies connect Earth to the stratosphere and beyond. We help our customers build high-performance networks that extend to the far reaches of space, ensuring robust and reliable communication channels.

Our contributions to aerospace and defence are pivotal. In aerospace, our advanced RF technologies support critical communications and navigation systems. For defence, our technologies are integral to next-generation radar systems, enhancing threat detection and situational awareness. We help shape the future of defence by solving tomorrow's challenges today.

In telecommunications, our products ensure reliable and high-speed connections, essential for modern digital communications. We enable the transmission of big data over long distances, supporting the ever-growing demand for faster and more efficient networks.

Filtronic's advanced microwave technology also plays a crucial role in the development of next-generation supercomputers, unlocking the potential to explore and understand the universe.

At Filtronic, our innovative engineers bring future technologies to life, shaping a connected world. Innovating Tomorrow, Today!

SPACE

Our RF technology is working hard in space, connecting earth to the stratosphere and beyond

Although more renowned for terrestrial performance and reliability, we are now pushing boundaries in non-terrestrial applications. From our UK facilities, we develop RF components and subsystems, specialising in mmWave for Low Earth Orbit (LEO) and High Altitude Pseudo Satellites (HAPS). We have become a trusted supplier into the new space industry, our technologies are deployed in ground stations and payloads.

Excelling in high-performance amplifiers and transceiver modules for mission-critical environments. Our customers

including SpaceX depend on us for best-in-class RF solutions that meet their rigorous requirements, with proven scalability. We deliver highly integrated Size, Weight, and Power (SWaP) improvements, accelerating market entry, reducing development costs, and enhancing competitive edge.

Our achievements include pioneering the first 40Gbps stratosphere-to-ground link and contributing to the first commercial E-Band earth station antenna, revolutionising 5G performance and latency in the Satcom market.

Off-the-shelf RF components for Low Earth Orbit and High-Altitude Pseudo Satellites

- Experts in mmWave (Ka, Ku, Q, V, E, & W)
- Low weight, high power, improved integration
- SSPAs and transceivers for ground-based terminals



AEROSPACE

Unmatched excellence across the RF spectrum

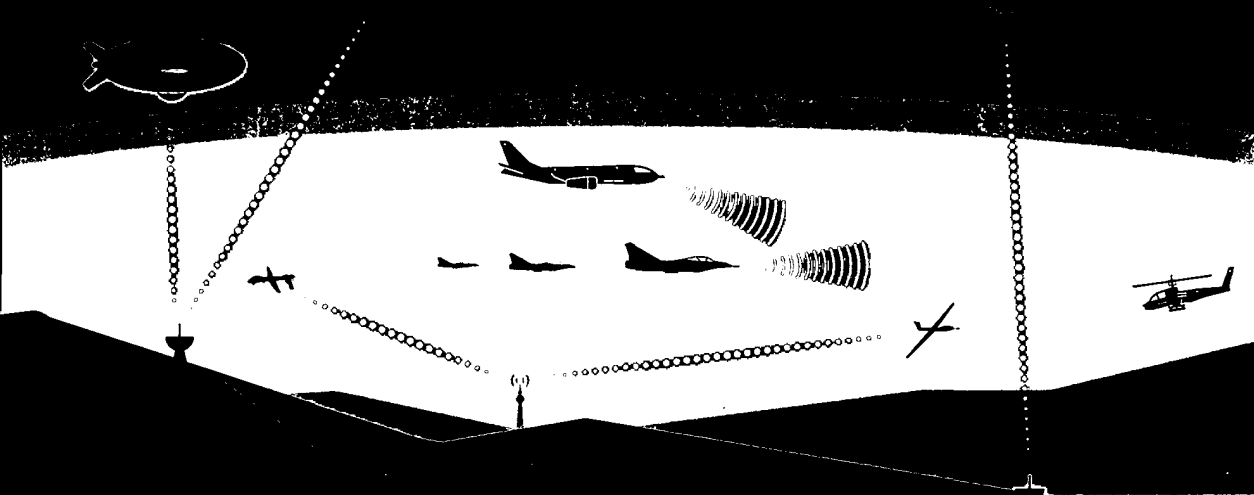
Filtronic designs and manufactures complex transmit and receive modules (TRMs), filters and other active and passive RF components and sub-systems for aerospace applications. We also provide contract hybrid manufacturing services for our customers, producing and testing their precision components at scale to individual specifications in our state-of-the-art facilities.

From our award-winning base in the UK, we have a track record of delivering innovative early TRL projects as well as COTS products at high volume. We are an agile SME, who works

collaboratively with our customers, acting as their high-frequency RF partner to deliver high-performance, high-reliability RF components and sub-systems.

Our track record means we have developed and built complete trust, we communicate openly, ensure compliance, and deliver exemplary products with class leading Size, Weight and Power, minus cost that provide reliable, best-in-class performance.

Strategic report

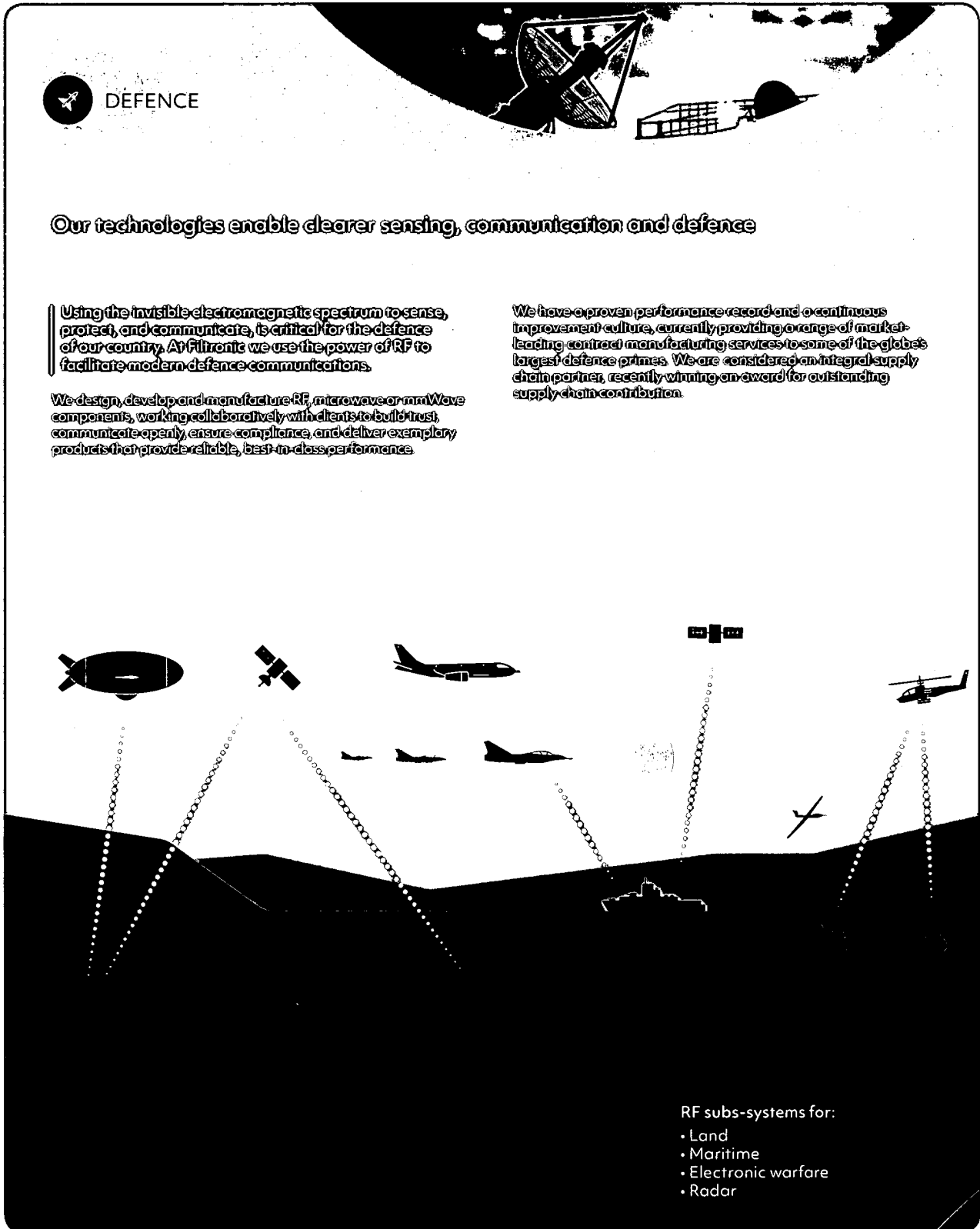


RF subs-systems for:

- AESA radar
- Electronic warfare
- Unmanned systems
- Ultra-wide band digital systems



Market review continued



DEFENCE

Our technologies enable clearer sensing, communication and defence

Using the invisible electromagnetic spectrum to sense, protect, and communicate, is critical for the defence of our country. At Filtronic we use the power of RF to facilitate modern defence communications.

We have a proven performance record and a continuous improvement culture, currently providing a range of market-leading contract manufacturing services to some of the globe's largest defence primes. We are considered an integral supply chain partner, recently winning an award for outstanding supply chain contribution.

We design, develop and manufacture RF, microwave or mmWave components, working collaboratively with clients to build trust, communicate openly, ensure compliance, and deliver exemplary products that provide reliable, best-in-class performance.

RF subs-systems for:

- Land
- Maritime
- Electronic warfare
- Radar



TELECOMMUNICATIONS INFRASTRUCTURE

Our technologies enable the transmission and receipt of big data over long distances

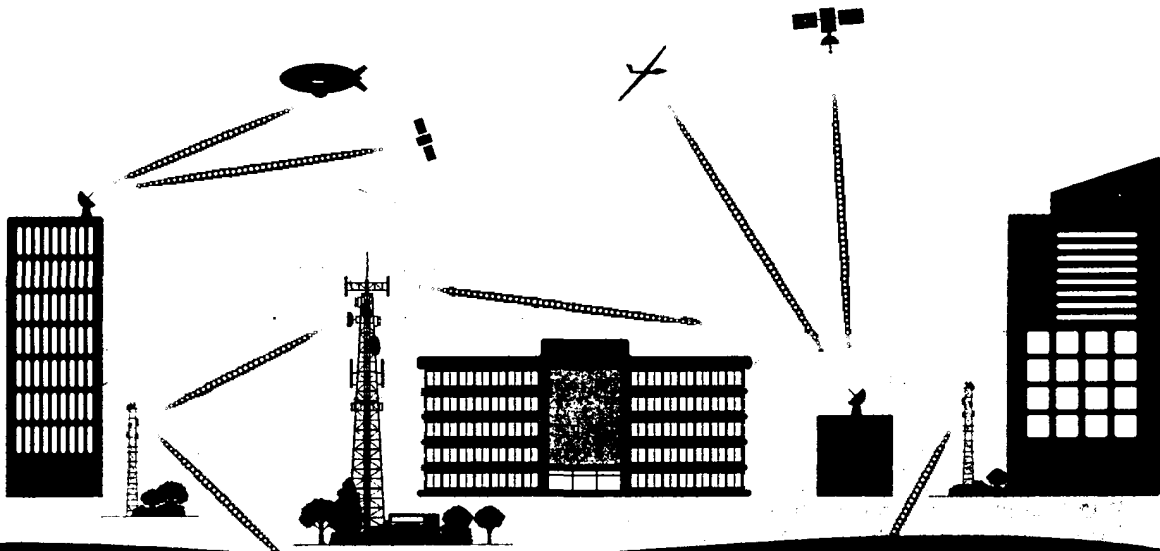
At Filtronic, we design and manufacture high-performance mmWave transceivers tailored for 4G and 5G wireless XHaul applications, covering fronthaul, midhaul, and backhaul requirements.

Our innovative transceiver solutions seamlessly integrate between the baseband modem module and the antenna, facilitating a plug-and-play architecture that eliminates the need for clients to develop in-house mmWave expertise. This streamlined approach significantly reduces time to market, lowers overall development costs, and minimises the cost of quality.

Our microwave and mmWave solutions enable ultra-high capacity, low latency wireless transport of data from cell sites to the core of mobile networks. In telecommunications, power

and linearity are crucial, and our transceivers and amplifiers deliver high speed and high bandwidth with high yields at volume. Filtronic is a trusted partner for two of the big three OEMs globally, delivering them a competitive advantage in power and reliability. Our highly linear solutions are essential for densification and disaggregation in 5G networks. Our product portfolio includes ultra-high capacity mmWave transceivers and diplexers, which have been deployed and field-proven in some of the world's most demanding point-to-point radio links.

Filtronic is the go-to partner for cutting-edge technologies that drive the evolution of wireless network access and XHaul applications, ensuring superior performance and reliability in the rapidly advancing landscape of 5G connectivity.



XHaul for telecommunications infrastructure

- Transceivers
- Amplifiers
- Filters
- Multiplexers

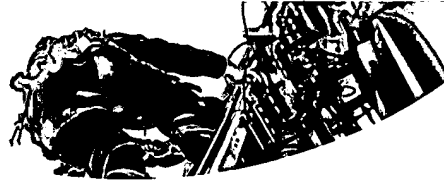
Strategic report



Market review continued



CRITICAL COMMUNICATIONS



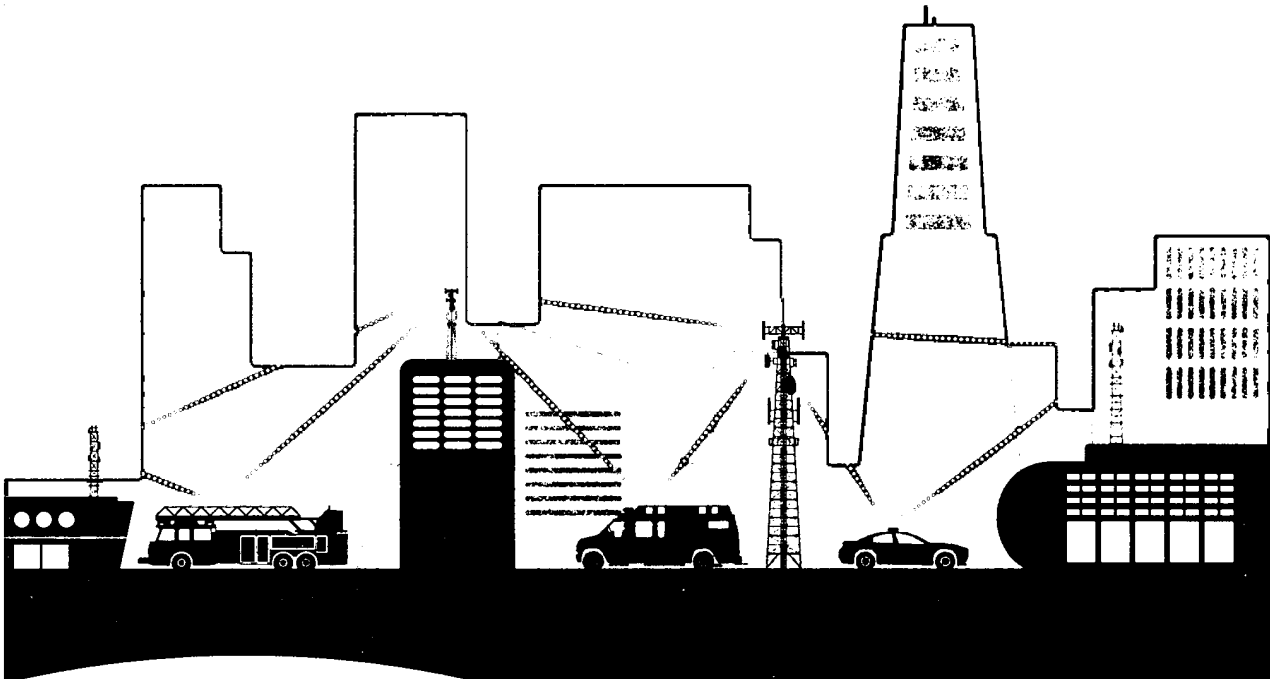
High-performance and high-reliability RF for LMR, LTE and Converged Networks

Filtronic's products are integral to advanced radio networks, ensuring reliable and consistent communication for dispatchers and first responders. We design and manufacture high-performance solutions, offering crucial support when seconds count.

Our precision products include tower top amplifiers, filters, crossband/in-band combiners, power amplifiers, and multiplexers. Collaborating with leading OEMs, we serve as trusted RF partners. Our innovations enhance miniaturisation, reduce component footprint and weight, and increase power and amplification for improved connectivity.

We have a strong reputation in the US Project 25 (P25) public safety market with our high-performance ceramic filter/combiners and RF conditioning products.

With full US-based assembly, Filtronic has been instrumental in reshoring products and processes for our customers, reinforcing our commitment to quality and reliability.

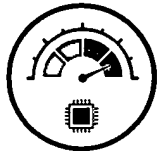


Proven performance in high-performance, high-reliability RF

- Tower top amplifiers
- Diplexers and multiplexers
- Filters
- Combiners

Strategy

Why our customers choose Filtronic



Speed to market



Lower cost of ownership



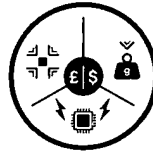
Customisation



Higher performance



Agility



SWaP-C



Engineer to engineer collaboration

Background

Filtronic is a global leader in advanced RF communications products, with a history spanning over 45 years, and various successful incarnations. The business has created a large pool of talent in the North East of England and Yorkshire, with many companies involved in aerospace and defence and RF technology having their roots in Filtronic.

Today, Filtronic is a high growth, highly dynamic business that is leveraging IP and know-how in RF design developed over many years and leading the market in high-frequency communications up to 300GHz. The key focus areas for the business are in the emerging

high growth market of LEO space communications, and opportunities in aerospace and defence from a growing global threat to national security.

We are a larger organisation than we were this time last year in terms of market capitalisation, having had several contract successes to leading players in their respective markets. As a larger business it is important that we maintain the strengths that have been critical to our success. These include rapid development, agile decision making and a track record in quick production ramps to bring products to market. To complement this, we are taking considered action to scale the business, with more employees, appropriate additions to plant and machinery, increased capability and a planned move of

Core 4 markets



Telecommunications infrastructure

Filtronic's high-performance mmWave solutions, deployed globally, leverage our expertise in module integration for plug-and-play functionality. With unparalleled design, manufacturing, and testing capabilities, we continuously enhance performance while reducing size, weight, and costs. We have a proven track record of designing and manufacturing sub-systems and devices with superior characteristics, including high power, exceptional linearity, low noise, and high reliability.



Space

In the new space sector, including Low Earth Orbit and High Altitude Pseudo Satellites, our high-performance RF technology is enabling SATCOM to meet the growing demand for fast, reliable, and scalable communication solutions. Our expertise in mmWave technology helps our customers be first to market, facilitating market capture, technological leadership, regulatory influence, and economic benefits, all of which are critical in this rapidly evolving ecosystem.

Aerospace

Building on our established customer relationships, we specialise in mission-critical, customised components and sub-systems that address unique challenges, ranging from low TRL to high-volume production. Our focus is on creating lighter, smaller, and more powerful products to meet industry demands.

Defence

With a proven track record underscoring our commitment to excellence, we deliver advanced solutions that push the boundaries of innovation for the UK defence industry. Our dedication to innovation drives us to create products that are not only lighter and smaller but also more powerful, aligning seamlessly with the evolving needs of the industry.



Strategic report



Strategy continued

factory to larger premises in the North East of England. This investment in our internal capabilities will ensure we manage more customers, and projects with perfect execution. As we build the organisation, priority will be on building the engineering, programme management and commercial teams. As we execute on these key areas, we will ensure robust financial governance, as well as ensuring we remain nimble, flexible and fast moving.

The addition of a new CEO, in Nat Edington, with a track record in execution of growth strategies for technology businesses, brings a renewed energy to the business. This energy will be harnessed to augment the culture of the Group whilst providing an opportunity to review the strategy with a fresh perspective and new ideas.

Creating value

Our purpose and mission define our strategy and provide the framework in which our strategic focus lies.

Our vision is clear, to be known for enabling the future of RF, microwave and mmWave communication. This is a bold statement but one in which we firmly believe given the strength of our capabilities and successes in pushing the boundaries of technology. We have developed technology that have been world firsts and achieved world leading status with data speeds.

Our mission is to create value for our clients through technology leadership. We develop the building blocks of core IP and then utilise this technology to create highly customised solutions for our core markets. Our IP starts with the chipsets we use in our systems which are developed in-house and designed to perform better than what is available from commercial off the shelf ("COTS") products. This gives our technology a competitive advantage over our competitors. We then use these chips in our core product offering where we are seen as leaders in the technology with substantial know-how having been operating at very technically challenging frequency bands for over 15 years. There are design houses that have capability and there are manufacturers that can process the technology, but Filtronic can offer end-to-end capability with turnkey solutions where we design, engineer and manufacture solutions.

The strategy remains focussed on organic growth to capitalise on opportunities in expanding markets including LEO space, aerospace and defence and telecommunications infrastructure. These are markets where there is significant government and industrial investment in the technology that the Group provides.

In the satellite communications market, we are a trusted partner and supplier to the space industry, as evidenced by our long-term agreement with the market leader, SpaceX. Our mmWave technology for LEO applications in both ground stations and payload is helping accelerate our customers' entry into this market. We continue to penetrate and work with other leaders in this market and have already been successful in multiple projects with the European Space Agency ("ESA"), opening up future commercial opportunities.

Within aerospace and defence, we provide RF, microwave and mmWave solutions that are critical for sensing, protecting and communicating in areas such as Electronic Warfare and AESA radar. Here, military satellite communications is also a fast growing opportunity, and we are already applying our market leading components and subsystems in this area. We have long established specialised hybrid manufacturing capabilities, and this remains a growth area for us.

These are our two key strategic markets that we deliver growth by:

- Developing long-term customer partnerships;
- Encouraging innovation and advancement of technology;
- Identifying and pursuing growth opportunities in new and existing markets; and
- Developing high-quality leadership teams and a high-performance culture in our organisation.

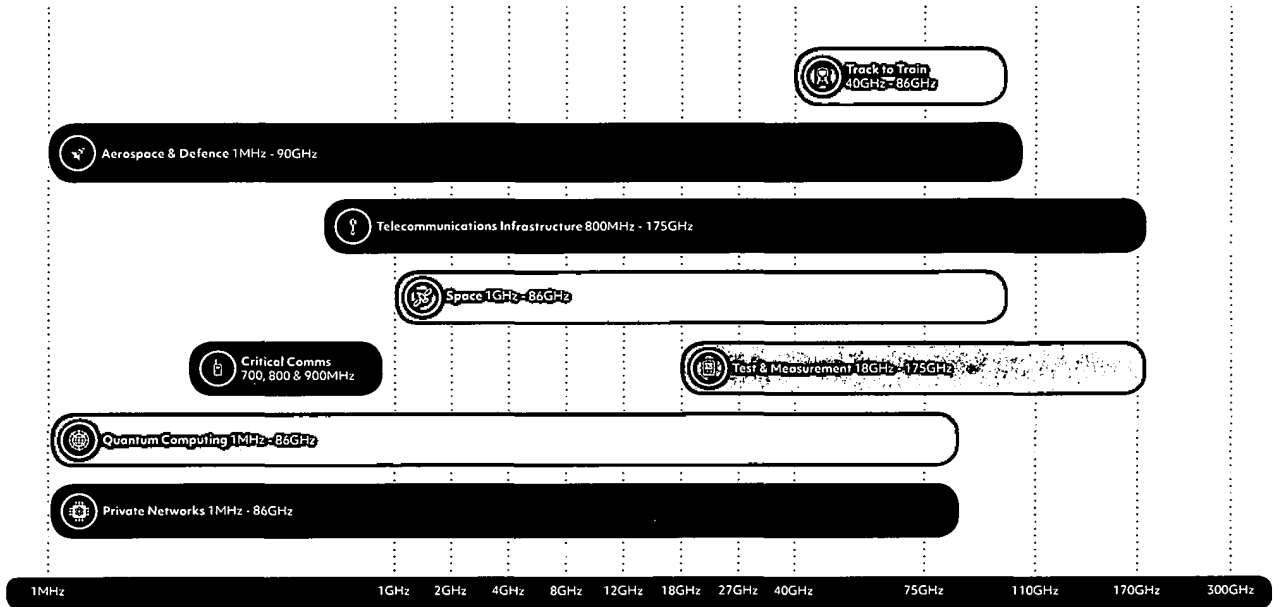
We continue to support our legacy markets of telecommunications infrastructure and critical communications, and we expect these to be good contributors to our business for years to come, but the other strategic markets are now driving our growth. Telecommunications infrastructure will always be an important market for us as it drives much of the technology roadmap. Whilst it is very price sensitive, technology tends to be adopted first by this market, which enables adjacent market opportunities for us.

We have a well-defined, focused technology roadmap and strategy that will ensure we remain a key player in microwave and mmWave communications products for years to come. In order to execute these technology developments at pace, we also utilise the research and academic community along with our industrial partners, as an extension of our internal expertise. We have demonstrated the ability to have technologies available for key customers ahead of their requirements, and also influenced their product plans, which is testament to our deep expertise in the RF arena.

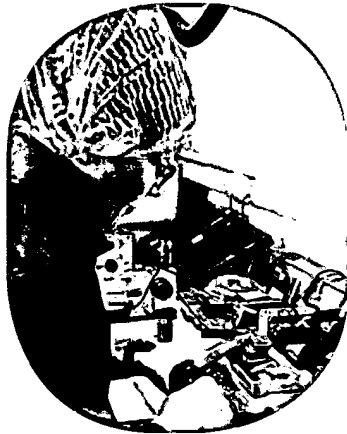
We will continue to operate as a technology and manufacturing company, in markets that align with our mission and purpose, and invest to capitalise on the significant levels of market demand that we are seeing in our opportunity pipeline.

Objective and strategy continued

Frequency table



Strategic report



Financial review

The business delivered a break-through set of results with significant improvement in revenue, profit and cash reflecting the successful execution of our strategy. The strong performance provides the platform to invest in the long-term growth of the Group with momentum building from customer demand and pipeline opportunities.

FY2024 saw major progress for the Group, with the signing of a Strategic Partnership with SpaceX offering potential for significant growth. Revenue growth in the year of 56% and adjusted EBITDA growth of 285% to £4.9m (2023: £1.3m) saw the Group upgrade market expectations a number of times in the year as trading was very strong in H2. Revenue growth initiatives continue to be the major benefactor of investment as we capitalise on market opportunities and deliver on key strategic objectives, particularly to broaden the customer base and increase revenue in the markets we serve. Whilst there have been economic headwinds in the wider economy, we have benefitted from operating in core markets such as space and aerospace and defence, that are seeing huge investment and are high on the priority of government spending plans.

Revenue

Group revenue increased to £25.4m (2023: £16.3m) with the emerging market of LEO space driving much of the growth, mainly due to SpaceX rapidly deploying and expanding their Starlink constellation. As more subscribers are added to the network, bandwidth and low-latency become critical to the end-user experience and therefore more E-band SSPAs are needed to keep pace with the network rollout and new user additions. Whilst we announced significant order wins in the year to strategically important customers such as the European Space Agency, BAE Maritime and QinetiQ, revenue in FY2024 has not benefitted from any meaningful recognition of these contracts, which are expected to positively impact FY2025 and beyond.

Our LEO space customer Space X, contributed 48% of revenue in FY2024. We are mindful of the short-term consequence on customer concentration and dependency arising from this. The three largest customers represent 84% of turnover (2023: 73%). However, we are confident that this will rebalance over time as the sector develops and we continue to win business in other markets.

As expected, the 5G telecommunications infrastructure market has seen a slowdown in demand coupled with the original equipment manufacturers ("OEM") holding excess inventory. This led to sales to this sector decreasing year-on-year by 12% but whilst the cyclical nature of the market meant we were down in the period, we still see this market as an important one for the Group, particularly as we continue to push the boundaries of innovation and technology with our customers, who are often early adopters of new technologies.



Sales of Xhaul products to other markets were up 77% on the prior year mainly due to three new customers that we won orders from covering a range of end markets including high-frequency trading platforms and private networks. These products are a blend of E-band derivative technology products that have been customised from our core offering and use of our highly automated process capability.

Aerospace and defence revenue was lower than the prior year by 49% due to a hiatus in supply of components to airborne radar systems from an established programme. This is a timing issue with demand expected to return as new aircraft orders are received. Despite this, the underlying fundamentals in this market remain strong and it is fully expected that significant growth will be delivered over FY2024 in the coming year based on order intake and opportunity pipeline. This is a key market to our growth plans, and we are investing to further penetrate within the defence primes and the Ministry of Defence ("MoD"). Our technology is highly relevant and the skills we offer are in short supply within our key target customers who are all expressing a need to engage with SMEs who can offer sovereign capability. This is supported by the MoD which has placed increasing importance on maximising small and medium sized enterprises ("SME") integration into defence procurement, not only to invigorate the sector and shorten the supply chain, but to ensure the defence industry has access to the innovation and technologies that SMEs develop.

The legacy products supplied into the critical communications market saw demand return to normalised levels after upstream component issues within the system-level product last year. This resulted in an increase of revenue to this market of 53%. This increase was seen throughout the product portfolio we offer to the P25 network in the USA including the TTA product.

Operating costs and headcount

Operating costs increased by 25% in the year to £12.5m (2023: £10.0m) as investment increased to realise the growing opportunity pipeline. The key area of spend was in our engineering organisation where we increased the headcount, particularly in Q4, and worked with partners to undertake product developments on a variable cost basis. In addition to this, the annual bonus target was met, having not been achieved in the prior year, whilst we also increased manufacturing overhead to facilitate the rapid ramp of production in H2.

As mentioned above, the annual bonus performance target was met in the year as the directors and key management were rewarded for achieving a stretch revenue target. This bonus will be paid in August 2024 payroll, after publication of the audited accounts, but has been accrued in the FY2024 financial statements. We also implemented a one-off bonus in FY2024 for all of our employees who were not already part of a variable bonus scheme, based on the achievement of the same stretch target given the effort needed to enable the production ramp.

The Group's largest overhead is salary-related costs, representing 67% of the operational cost base, which increased by 22% lifting overheads by £1.5m, accounting for much of the overall operating cost uplift. The mix of our manufacturing employees shifted from lower cost production operatives to higher cost specialist engineers in process engineering who are critical for implementing new products and processes.

Engineering resource is key for our growth, and it was pleasing to see that we not only increased the number of engineers, but also the quality and quantity of candidates we are attracting with valuable expertise and experience, which has helped to significantly upskill the team from the prior year. This has enabled us to service a larger opportunity pipeline, increase the number of product developments for customers and expand our technology roadmap, to position us well to execute our strategic plans.

Given some of the changing dynamics described above, the headcount increased to 133 (2023: 130) at 31 May 2024 with a mix change from manufacturing to research and development. An analysis of the Group's headcount is presented below:

Employee Number	2024	2023
Manufacturing	73	78
Research and development	39	33
Sales and marketing	7	6
Administration	14	13
Total headcount	133	130

We are planning to add further business development resource in FY2025, to augment our direct access to market, whilst we also plan to bring in additional engineering resource to deliver scheduled programmes

and accelerate new product delivery. Investment in the engineering team is critical to sustainable financial growth and we plan to maintain this spend at around 13% of revenue. Given the speed of revenue growth and relative difficulty in recruiting RF engineers quickly, this number was around 11% this year (2023: 13%) despite an increase in engineering costs of £0.8m. Continuing to focus on this metric will ensure we have the resource in place to capitalise on growth opportunities and keep ahead of our competitors with the latest technology.

Where product development is customer specific, we seek to receive a Non-Recurring Engineering ("NRE") charge to maintain a healthy flow of cash during the development phase of the engineering projects and ensure commitment from our customer. When developing our own technology roadmap and IP, we invested from our cash reserves. This was the case when we developed technology for the LEO space market, and we'll develop further technology from our own reserves at a range of other frequencies in both ground station applications and the payload. Consequently, we capitalised £0.7m of development costs in the year. Further commentary on these capitalised development costs can be seen in the Research and Development section of this review.

Other costs increased in line with scaling a business including recruitment fees, equipment hire and insurance costs whilst electricity costs reflected a new fixed term contract having concluded the contract that was locked in prior to inflationary pressures in the energy industry.

The Group continues to be active in securing grant funding to further support growth initiatives and investment. We benefitted from a further £0.15m of grant income in the year from the Defence Technology Exploitation Programme ("DTEP") and local support from Business Durham for the purchase of some key machinery. Looking forward, we are engaged in a number of open calls in both regional funding programmes and national technology grants that we hope to be awarded in the next year.

Adjusted EBITDA

The Group utilises an alternative performance measure ("APM") to track performance of the business. This APM is adjusted EBITDA as it measures the quality of earnings without the impact of non-cash expenses such as depreciation, amortisation and share-based payments. Share-based payments have been added to the APM this year, having been calculated as part of IFRS2 fair value accounting, to reflect the grant of options in FY2024 to Executive Directors and key management. More details of this can be found in note 30.

Adjusted EBITDA for the year was £4.9m (2023: £1.3m) representing a 285% increase whilst operating profit was £3.6m (2023: £0.2m) representing a 1,423% uplift. This was the result of stronger gross profit from higher revenue, whilst the sales mix was also stronger due to a reduction to the concentration of low margin 5G telecommunications equipment which is a highly price sensitive market.



Financial review continued

The table below shows the reconciliation of operating profit delivered at £3.6m (2023: £0.2m) to adjusted EBITDA of £4.9m (2023: £1.3m):

Reconciliation of operating profit to Adjusted EBITDA	2024 £000	2023 £000
Operating profit	3,610	237
Depreciation	945	780
Amortisation	287	253
Share-based payments	47	-
Adjusted EBITDA	4,889	1,270

Taxation

A tax charge of £0.2m (2023: tax credit of £0.4m) was recognised in the year, as deferred tax assets were amended to recognise a shorter period of asset usage. The Group also benefits from R&D tax credits, due to the advancement of science and technology in the new products we develop, which lowers the amount of taxable profit on qualifying R&D activities. We also make use of the Annual Investment Allowance ("AIA") which offers tax relief on capital expenditure purchases, and utilise first year allowances on capital purchases above the AIA threshold.

With substantial deferred tax assets, including those not recognised on the balance sheet, the Group will continue to benefit from not having a tax liability for the foreseeable future.

Research and development costs ("R&D")

Total R&D costs in the year before capitalisation and amortisation of development costs were £2.8m (2023: £2.0m). The Group incurred engineering costs on a mixture of customer funded developments and progression of the technology roadmap.

The Group remains committed to investing in R&D for future growth and consequently measures R&D spend as a KPI. Key areas of spend in the year included product development for LEO space applications in both the ground station and the payload, private networks and aerospace and defence. The year ahead will see us continue to invest in the development of our own strategic technology roadmap and proprietary IP, enabling us to build long-term shareholder value in the years ahead.

Recruitment of RF engineers has been an industry-wide issue for some time, but we are pleased with recent successes in attracting new talent to the business at each of our three UK engineering development sites. We will augment this by building an organisation fit for the future, increasing the intake of graduate recruits and augmenting our apprenticeship programme.

The Group capitalises its development costs in line with IAS 38 as set out in note 1 to the financial statements. A reconciliation of R&D costs before capitalisation and amortisation can be seen in the table below:

Reconciliation of R&D costs	2024 £000	2023 £000
R&D costs in income statement	2,408	1,776
Capitalisation of development costs	677	48
Amortisation of development costs	(245)	(222)
R&D cash spent	2,840	2,035

When capitalising development costs, an impairment review is undertaken of each development programme to test the carrying value does not require impairment in line with IAS 36.

Capital expenditure and right of use assets

Capital expenditure in the year remained in line with the prior year, with investments focussed on automated test capability which enables the R&D team to engineer at higher frequency bands, critical for execution of the strategic plans. The total amount of capital purchased was £1.5m (2023: £1.5m).

Warranty provision

In line with industry practice, the Group provides warranties to customers over the quality and performance of the products it sells. Reflecting a full risk analysis of current commercial contracts at 31 May 2024, the warranty provision was £0.4m (2023: £0.3m).

Funding and cash flow

The Group recorded an increase in cash and cash equivalents to £7.2m (2023: £2.6m) at the year-end. Cash generated from operating activities in the year was £6.3m (2023: £1.0m) as adjusted EBITDA performance drove cash generation and customers prepaid an element of the contract value for product development of bespoke solutions.

Net cash, when including all debt except property leases at the end of the period, was £5.2m (2023: £1.6m), whilst overall net cash including property leases was £4.2m (2023: £0.3m).

We also have additional cash headroom available through a £3.0m invoice discounting facility with Barclays Bank plc in the UK. We had a \$4.0m invoice factoring facility with Wells Fargo Bank in the USA but terminated this agreement on 12 July 2024. Both facilities were undrawn at 31 May 2024 (2023: undrawn).

Going concern

In assessing going concern, the Board have considered:

- The principal risks faced by the Group which are discussed within the 'Risk management' section of the Annual Report;
- The financial position of the Group including forecasts and financial plans;
- The healthy cash position at 31 May 2024 of £7.2m (2023: £2.6m) and the additional headroom available through the undrawn invoice discounting facilities and overdraft (2023: undrawn); and
- Economic headwinds with the potential for customers to reassess their priorities, with opportunities postponed or curtailed.

Following the above considerations, the directors are satisfied that the Group has adequate financial resources to continue in operational existence for a period of at least 12 months from the date of this report. Accordingly, the going concern basis has been adopted in the preparation of the Annual Report for the year ended 31 May 2024.

Michael Tyerman
Chief Financial Officer
29 July 2024

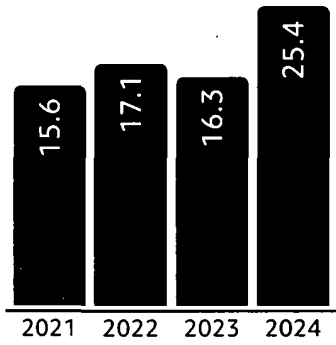


Key performance indicators

The Group's management team uses various Key Performance Indicators ("KPIs") to monitor the financial and non-financial performance of the business. Below are the measures and metrics which the Board believes best indicate the financial performance of the Group's continuing operations.

Revenue (£m)

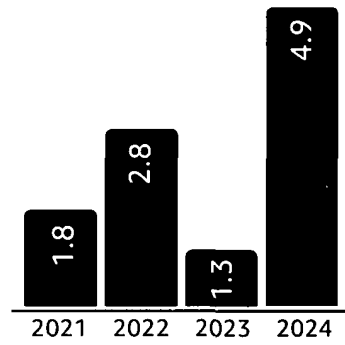
£25.4m



The total amount the Group earns from the sale of products and services.

Adjusted EBITDA (£m)

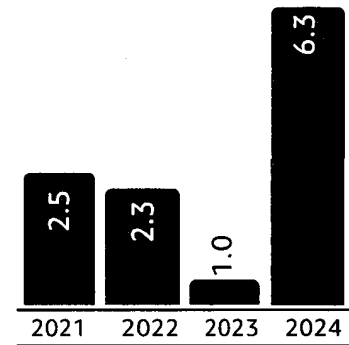
£4.9m



The Board recognises adjusted EBITDA as a key metric of the underlying health of the business.

Cash generated from operating activities (£m)

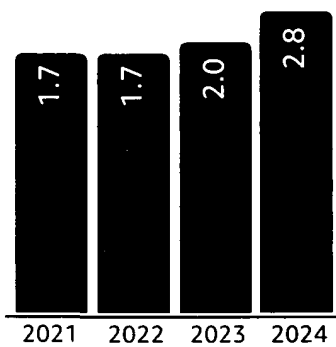
£6.3m



The Board recognises that cash flow from operating activities indicates whether the Group is able to generate sufficient positive cash flow to maintain and grow its operations, or it may require external funding for financing.

R&D costs (£m)

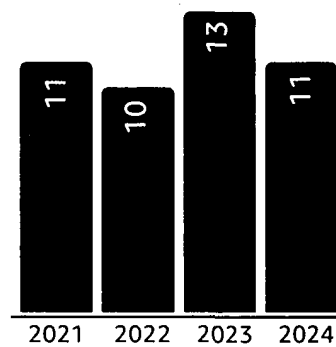
£2.8m



The Board recognises that the Group needs to invest in new products, capabilities and technologies to participate in a technology-driven market and measures the investment made in research and development.

R&D costs as percentage of revenue (%)

11%



The Board recognises that the Group needs to invest in new products, capabilities and technologies to participate in a technology-driven market and measures the investment made in research and development.

Risk management

The Board recognises strong risk management is key to our success and achievement of our strategic objectives. A rigorous assessment of the principal risks facing the Group is regularly undertaken with quick and effective responses taken when needed. These principal risks carry financial, operational and compliance impacts including those that threaten the business model, strategy, future performance, solvency and liquidity. They are identified based on the likelihood of occurrence and the severity of impact on the Group that could result in damage to our reputation or business performance.

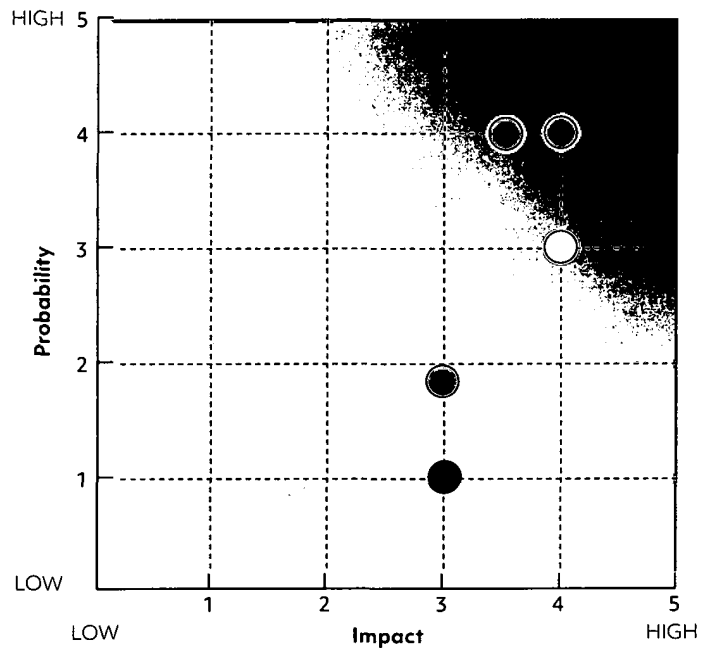
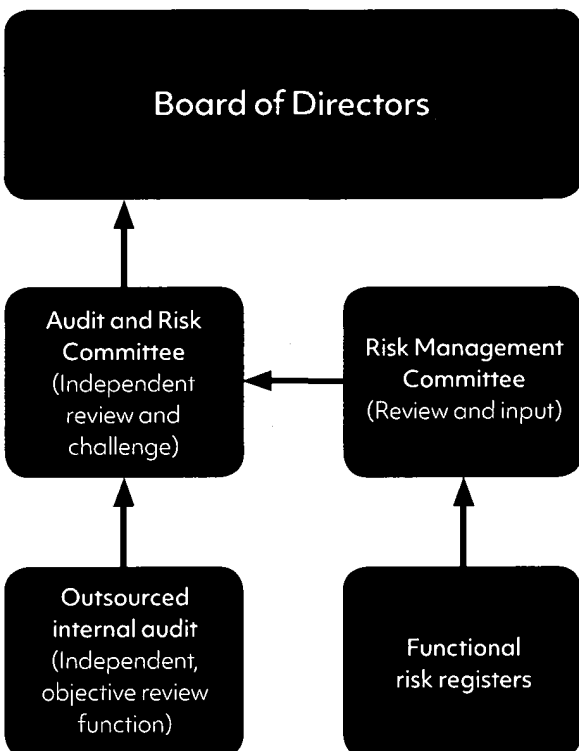
Approach to managing risk

The Board is ultimately responsible for the overall risk management system and internal controls applied throughout the Group to ensure a structured and appropriate approach to risk is taken in line with strategic priorities and risk appetite. The Audit and Risk Committee has oversight of risk management and reports to the Board with its findings. The directors recognise that risk is inherent in any business so actively manages rather than eliminates risk to achieve business objectives which includes review of the effectiveness of these controls.

Risk management within the Group is managed by the Risk Management Committee made up predominantly of the Senior Leadership Team including the Executive Directors.

The team is responsible for:

- Identifying the risk and the negative and positive risk circumstances;



Strategic report

Key:

- Market requirements
- Technology
- ⊙ Recruitment
- Reliance of key customers
- Cyber risk

- Assessing and evaluating the likelihood and impact of those risks;
- Reporting the risk; and
- Managing the key risks in accordance with established processes under the Group's operational policies and controls.

This process includes a regular review of the Group's risk register considering existing and emerging risks, risk scores and mitigation action plans prepared by risk owners to manage and reduce the risk. Reporting within the Group is structured so that key issues can be escalated rapidly through the management team to the Board where appropriate.



Risk management continued

Managing new emerging risks

We monitor new and emerging risks closely. In the year, we have not added recruitment to our risk register as we are trying to scale the business to manage a growing opportunity pipeline and the number of projects we are managing. We have downgraded the risks relating to semiconductor shortages as the global component crisis is now behind us and cost inflation which is now under control. Therefore, we have removed these risks from principal risks and uncertainties.





Risks also present opportunities as well as potential downside; the challenge to scale our business with talented people not only represents a risk, but also an opportunity is it builds our internal capacity and





bandwidth to manage more projects to achieve our growth plans.

We have mitigating plans to cover each of the risks we are managing and met regularly as a Risk Management Committee to discuss these material risks.

In the year ahead, our priorities are focussed on broadening the customer base and winning new clients in our strategic markets. We will also be working to ensure we build capacity in our engineering teams to minimise risk that project timelines are met given the volume of programmes we are actively managing to support customers and develop our own technology roadmap.

Our principal risks and uncertainties

Risk	Risk description	Mitigation actions	Change in year
<p>Failure to deliver projects on time or to specification</p> 	<p>The markets we supply into are time-sensitive and opportunities may be lost if we fail to achieve customer specification or meet the timescales required to match market demand. This may also impact on future revenue. For products in the production cycle, technology insertion is often required as a means of achieving cost reductions to improve product margins. Our product competitiveness is heavily influenced by technology choices at product concept stage and throughout the execution of design to product launch. If the technology we develop is inappropriate this could result in missed opportunities.</p>	<p>Our ability to remain competitive in terms of technology and product design is underpinned by retaining key employees, talent acquisition and effective design methodologies.</p> <p>We work closely with our customers and suppliers to gain a thorough knowledge of the technology being developed in the marketplace. We are also members of key forums such as The European Telecommunications Standards Institute (ETSI). By staying close to the market, we position ourselves to react quickly to any technology changes that develop.</p> <p>When undertaking new product developments, we follow a process which facilitates a thorough review of the engineering development at various milestones throughout the project. This methodology is designed to ensure the product has no design defects, meets the required specification and is on time to exploit the market opportunity. We have a project management team to ensure compliance with our engineering development process and have plans to further strengthen this function in FY2025.</p> <p>In order to protect our intellectual property, we maintain and apply for patents when appropriate and actively encourage innovation in our engineering team through a reward process.</p>	
<p>Failure to identify market requirements</p> 	<p>With the rapid evolution of product technology and other corporate decisions, the size of our addressable market may be affected. Failure to forecast market movements correctly thus missing opportunities or wrongly predicting product longevity could impact on long-term revenue and profit.</p>	<p>In a market of rapid technology changes, it is imperative the Group chooses opportunities that will yield a good rate of return and have an extended product life. All new opportunities are appraised to ensure there is a good match between our capacity, capabilities and likely adoption in a growing market with a good rate of return.</p> <p>The appraisal process includes regular communication with our customers including key members of our engineering teams to ensure we are developing innovative products that deliver the technical solutions needed by the market. This process also assists in the formulation of the technology roadmap to ensure it is aligned to the needs of our customers which augments the work we undertake to develop our own market intelligence.</p>	

Risk	Risk description	Mitigation actions	Change in year
<p>Reliance on key customers</p> 	<p>Our revenue is currently weighted towards our largest customers. The loss of any of these customers, material reduction in orders from any such customer or the timing of customer projects may have a material adverse effect upon Filtronic's financial condition.</p>	<p>Our largest customers are very successful in their respective markets, and each has a long-established relationship with Filtronic. We continue to win further contracts with our existing customers, including the strategic partnership with SpaceX, and have good outlook visibility as well as being actively engaged with them on new opportunities.</p> <p>The Group has strong account management strategies and mitigates this risk by working closely with customers, at all levels, to ensure that we are designed into their new products at an early stage, enabling us to develop products that meet their specifications and requirements.</p> <p>We provide customers with a well-resourced programme and a high level of service with a focus on product quality and delivery which enables high customer retention rates.</p> <p>To broaden the customer base, we won several contracts with new customers in the year, including BAE, QinetiQ and the European Space Agency, across several different markets that may lead to significant business in the future. In the short-term the risk has increased due to significant order intake from SpaceX driving revenue growth.</p> <p>Having strengthened the business development function in FY2024, we are looking to strengthen further in FY2025 in both the direct and indirect channels, giving confidence this risk can be reduced.</p>	
<p>Recruitment</p> 	<p>The Group is reliant on the key skills and knowledge of its people in a range of areas especially in the engineering function. Failure to recruit, develop and retain an appropriate number of suitably qualified people in critical areas could affect our ability to design new products and meet our customers' needs. Due to the highly technical nature of our activities, these skills are not always readily available which could have an adverse effect on the Group.</p>	<p>The Group has a highly competitive remuneration package that is reflective of market conditions for key roles and is under review as conditions change. For an insight into the benefits package the Group offers please see the 'Our people' section of this report. The Group also operates a long-term incentive plan for key employees and a SAYE scheme for all UK employees.</p> <p>We continue to invest in our engineering teams to ensure we have engineers with the right skills to execute our strategy. We also provide regular communications to all employees through communication meetings in each of our business locations along with a newsletter to employees giving updates about business performance. By giving our employees an understanding of our strategic direction and objectives, we believe it enables them to make meaningful contributions to the achievement of our goals.</p>	



Risk	Risk description	Mitigation actions	Change in year
<p>Cyber security and data integrity</p>	<p>There is a risk to the Group if there is unauthorised access to, or integrity issues with, our data systems. This could cause significant reputational damage as well as service disruptions and potential impact on orders, revenue and profit.</p>	<p>As a supplier to the defence industry the Group has strong cyber security credentials including IASME Governance Gold, Cyber Essentials Plus and DART accreditation. We have also worked with a third party to undertake penetration tests of our system to ensure the integrity of all our defensive systems. In the year ahead we intend to upgrade our cyber accreditation to ISO 27001.</p> <p>Regular reviews are undertaken of the network security arrangements and training is provided regularly to users on cyber threats and other data loss/integrity risks. The Group also limits access to data and access is only provided to those users with a genuine business need. Data shared externally is conducted under contractual arrangements.</p>	<p>⊕</p>

Risk key

⬆ Increased risk

⊕ No change

⬆ Decreased risk



Our people

We are extremely proud of our people and their contribution in supporting organisational performance and strategy.

Exceptional people allow us to create exceptional products and solutions for our customers, and the markets we serve. We are proud to have employees who are just that. Our Engineering and Operations teams are very highly regarded by both domestic and international customers and other stakeholders alike.

Our workforce is exceptionally stable; we have an average length of service of over 8 years and an employee turnover rate of under 2%.

Employee Communication and Engagement

On a regular basis, management engages with our employees through a range of formal and informal channels, including briefings and memos from the Executive Directors, team meetings, 1-2-1's, and online publications via various social media outlets.

We consider an open and honest culture critical to success and continuous improvement and have an open door policy throughout the business to encourage informal conversations and accessibility.

Through our HR system we have also enabled surveys covering key aspects of employment such as onboarding and equality, diversity and inclusion. Voluntary leavers are interviewed to provide an additional means of expressing their views enabling us to analyse data to address any retention issues or implement suggested improvements.

Equality, Diversity and Inclusion ("EDI")

EDI is embedded in our culture; procedurally and behaviourally from recruitment, employee development, succession planning through to pay audits. We want to reflect the local communities in which we operate and the diversity in our workforce is largely representative of this.

Filtronic has equal opportunity policies which form part of the Group's core values and which are expected of employees, suppliers and other stakeholders. Our policies and practices emphasise the importance of treating people in a non-discriminatory and inclusive manner across the full employment life cycle.

Our workforce gender split is, female 35%: male: 65%. The majority of technical and managerial positions are held by men. We continue to work towards addressing this and increasing the number of technical, managerial and leadership positions held by women. This is a challenging target as the engineering sector is still very much male dominated particularly in the UK, but we have had success this year recruiting female engineers internationally.

We are confident that our university and apprentice scheme partnerships will assist us in placing more women into technical roles..

Employee Remuneration

Our compensation strategy aims to attract and retain talent whilst promoting and rewarding sustainable performance and contributions at all levels of the organisation. The Board and the Remuneration Committee continually look to ensure that our remuneration provisions support our strategy and business objectives.

The market competitiveness of salaries across the company is assessed at local or national market level, dependent upon role, and is reviewed annually. A full salary benchmarking exercise was undertaken this year for all roles, with significant increases made to manufacturing salaries, to ensure that we recruit and retain the highest quality candidates in this area.

In addition to competitive salaries, we also offer a suite of benefits including, but not limited to, employer matched pension contributions plus 2%, to a maximum of 8%, long-term incapacity benefit, 4 x base pay sum life assurance, childcare vouchers, cycle to work scheme, electric vehicle scheme and paid time off for charity work.

We love to encourage innovation within our business, the Technology Leadership Recognition policy aims to do this by recognising and rewarding innovative thinking and professional personal development. A number of awards were made in the year, under this scheme, for new patent applications and grants as well white papers and technical presentations. To complement this, we have also introduced a 'Bright Ideas' scheme managed through our T-card system, to broaden the reward scope for new ideas and continuous improvement suggestions. Vouchers are presented quarterly to employees with the best ideas.

We also like to reward loyalty and offer an additional days' holiday every five years to a maximum of 15 years. After this, we gift a long service award to our employees recognising their commitment to the Company, and celebrate their commitment with an awards ceremony at our annual summer event.

Strategic report



Our people continued

Employee Share Plans

We have share option plans designed to align employees' interests with the Group's performance and the interest of our shareholders. For information on the share-based compensation plans please see note 29.

UK-based employees of Filtronic are eligible to participate in the Save As You Earn ("SAYE") Scheme. Options are granted at the closing middle market price on the day before issue and vest after completion of a three-year savings period.

Wellbeing

We are committed to supporting our employees, and offer a fully funded Employee Assistance Programme, WeCare, which includes additional mental health and financial advice for employees, as well as their families. Employees have 24/7 access to an online GP, mental health counselling as well as legal, financial, and nutritional advice.

We have integrated medical and wellbeing checks into our performance management processes, to ensure that a proactive approach is taken from and line management perspective. We have offered tailored support packages for individuals where needed and on a broader level offer;

- hybrid working;
- flexible working hours; and

- choice of operational site to work from to aide work-life balance, family support (parent and carer) and pre-retirement scale down and general wellbeing.

We undertake periodic health checks for all shift workers, as well as having a dedicated occupational health service provider, for specialist advice and referrals.

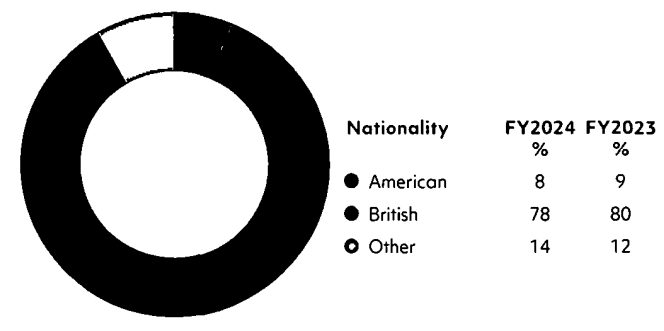
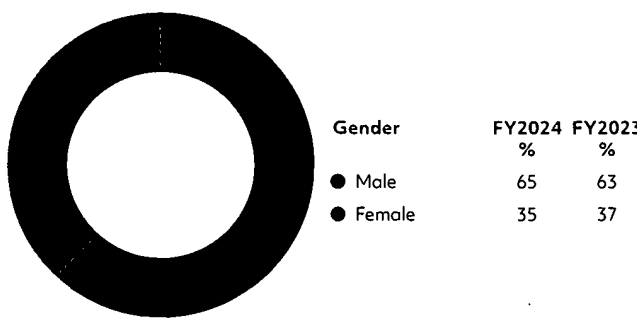
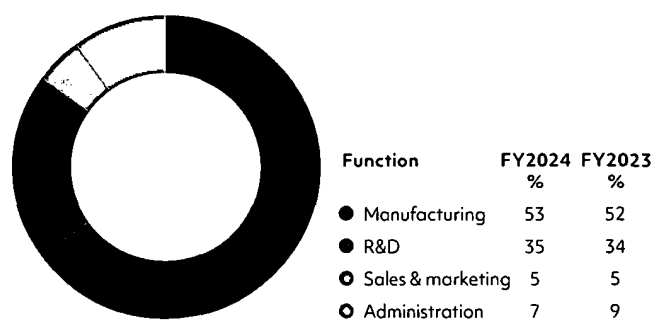
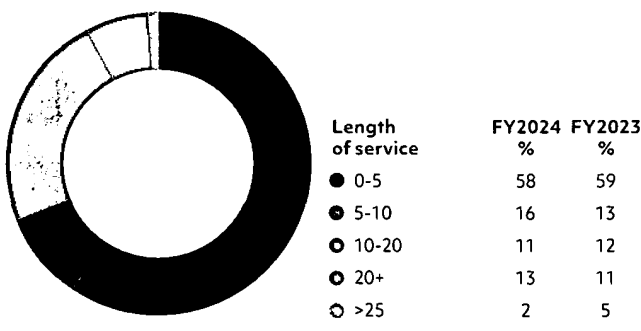
Looking to the Future - FY2025 Priorities

Our people will continue to be a real focus for the business in FY2025; both new and existing talent. Our recruitment plans are ambitious and necessary to deliver medium- and long-term growth plans, and resourcing will be given the utmost priority. We are building the HR organisation to support all people related activities, particularly talent management and employee experience.


The key focus areas are:

- Employer branding;
- Development of a flexible benefits suite and platform;
- Succession planning; and
- Developing strategic partnerships with UTC Durham and the North East Space Skills and Technology Centre ("NESST"), a £50m investment into Northumbria University from the UK Space Agency and Lockheed Martin that we are supporting to build the talent pipeline in the UK space economy.

Current headcount metrics



Linda
Lead Operator



What's the best thing about your job?

The best thing about my job is working with a great team. Every day is different and can be lots of fun, and I really enjoy being part of projects from beginning to end, our products make a difference, which is a good feeling.

What have you learnt since working for our company?

Since joining the company, I've learnt the importance of being flexible and open to new ideas, technologies, and ways to improve what we do. I feel better equipped to lead teams and appreciate even more the value of working with a good team.

Strategic report

Our values

Katie
Management Accountant



What is a milestone or project at work that you're proud of?

I have recently appraised and implemented the salary sacrifice Electric Vehicle Scheme which is very exciting for Filtronic! This allows employees the benefit of leasing an electric car out of their gross salary before tax and national insurance with no up-front cost, whilst also saving the planet! This will also help the business in striving to achieve sustainability.

What does a 'day in the life' look for you?

As a Management Accountant, my tasks vary based on what the business needs each day. At month-end, I focus on putting together the monthly management accounts, comparing actual results with forecasts, and analysing the P&L and Balance Sheet to present to key stakeholders.

What I enjoy most is working with the sales and production teams to review and fine-tune forecasts. It's satisfying to ensure they're reliable, set targets, and figure out ways to tackle any issues. Running the weekly sales forecast meetings leading up to the year-end was particularly rewarding because our teamwork helped us hit our target—a great win for the whole Filtronic team.

Values	<p>Integrity</p> <p>Act with integrity: being honest and fair, always keeping our promises.</p>	<p>Respect</p> <p>Be respectful to all; it is the foundation of culture.</p>	<p>Excellence</p> <p>Strive for excellence; it is what our clients and colleagues expect and what we endeavour to deliver.</p>
	<p>Do the right thing, not the easy thing, speak up if it's not right.</p>	<p>Be inclusive, always respecting and valuing others.</p>	<p>Perform to the highest professional standards.</p>
Behaviours	<p>Deliver on your promises.</p>	<p>Act how you want to be treated; being kind, considerate and respectful of others and their opinions.</p>	<p>Be innovative and pragmatic with problem solving.</p>
	<p>Be truthful, always being honest and open.</p>	<p>Be supportive and positive in all your working relationships.</p>	<p>Take pride in our work, paying attention to detail.</p>
	<p>Be fair and ethical in your work and decision making.</p>	<p>Value the importance of equality, diversity and inclusivity.</p>	<p>Be agile and flexible in your approach.</p>
	<p>Take responsibility for your own actions, learn from mistakes when they happen.</p>	<p>Be open-minded and upfront with people.</p>	<p>Be curious and challenge constructively to improve how we work.</p>



Our people continued

Sam
RF Engineer



What tools do you use day to day?

No two days are the same in my job, day-to-day I get to use the latest CAD software and RF/microwave measurement hardware that we have here in the labs. I use CAD to model and analyse the predicted performance of the high-frequency modules we design at Filtronic. Additionally, I get to use all our top-of-the-range lab equipment, such as signal generators, spectrum analysers, and oscilloscopes, to measure and test prototypes of our products. I really enjoy this thorough testing process and getting to see something through from beginning to end. It is really satisfying to see our prototypes meet our high standards before they proceed to operations.

What have you learnt since working for our company?

Similar to any apprenticeship, Filtronic lured me in by the opportunity to work in such a unique sector of electrical engineering as not many people can say they contribute towards products used for satellite communications - something that everybody interacts with in some form. Further to this, the opportunity to work in a really good engineering team with vast knowledge, experience and feels like a family. Plus, working towards a degree, whilst working a full-time job is a real opportunity!

Daniel
Engineering Apprentice



What do you love most about your job?

One of the aspects I love most about my job is the daily opportunity to learn and grow, benefiting from the knowledge and expertise of my colleagues. Being surrounded by experienced professionals exposes me to innovative solutions to design problems and challenges. This dynamic environment allows me to apply the theoretical knowledge from my day release at Sunderland University to practical situations, enhancing my understanding and communication skills. I also value the collaborative atmosphere within the team, where my contributions are appreciated and my growth is encouraged. The blend of hands-on experience and continuous learning makes my apprenticeship incredibly fulfilling.

What was it about the Filtronic Apprentice scheme that attracted you?

Similar to any apprenticeship, Filtronic lured me in by the opportunity to work in such a unique sector of electrical engineering as not many people can say they contribute towards products used for satellite communications - something that everybody interacts with in some form. Further to this, the opportunity to work in a really good engineering team with vast knowledge, experience and feels like a family. Plus, working towards a degree, whilst working a full-time job is a real opportunity!

Stakeholder engagement

The Board carefully considers stakeholder interests when making decisions on strategically important matters as the directors discharge their duties in alignment with Section 172.

Section 172 (1) Statement UK Companies Act 2006

In compliance with the Companies Act 2006, the Board are required to act in accordance with a set of general duties. The Board consider that they have individually and collectively acted in a way they consider, in good faith, would be most likely to promote the success of the Company.

To achieve long term success, the Board recognises the importance of building and maintaining relationships with key stakeholders as well as considering the likely consequences of its decisions in the long-term.

Regular updates from the executive Senior Leadership Team ("SLT")

Throughout the year, the SLT updated the Board with information on important areas of business focus, in particular those relating to our key stakeholders. The SLT is made up of the Chief Executive Officer, Chief Financial Officer, Chief Commercial Officer, Chief Operating Officer, Chief Technology Officer, Director of Engineering, Chief Scientist and the Head of HR). They each submit a report each month providing comprehensive operational updates and progress against strategic milestones. They are periodically invited to board meetings to present this information and update the Board on key points. This ensures the Board have a good understanding of the priorities of each stakeholder group to aid decision making at board level.

Direct engagement of Board members

The Executive Directors are in daily contact with employees from across the business to understand key topics involving employees, customers and suppliers which are regularly shared with the Board. Regular reporting of customer engagement keeps the Board up to date on customer trends and feedback. A number of board members had meetings with shareholders during the year to discuss strategy, business performance and executive incentives.

Strategic report

Board considerations and decisions

Given the updates from the SLT, some of the topics considered throughout the year are presented below demonstrating how the Board discharged their duties:

Strategy

- Considered The Strategic Partnership and approved the issue of warrants to SpaceX up to a value of 10% of the Company's share capital.
- Considered company performance against its strategy.
- Considered the technology roadmap and required investment to undertake the developments.
- Update on new customer acquisition, strategic milestones and consideration of shareholder value.
- Consideration and approval of the FY2024 interim report.
- Consideration and approval of the FY2025 business plan and long-range forecast.

Employees and culture

- Consideration and approval of an employee engagement survey to get the views of our employees on a range of key issues.
- Requested and considered a diversity and inclusion

report of the Group with the decision to have regular updates given at board level in future.

- Considered succession planning at senior levels of the business.

Governance

- Agreed the appointment of Nat Edington as Chief Executive Officer.
- Approval of the updated Group Policies including a new Anti-Competition and Anti-Trust policy.
- Approval of the increase in headroom allocated for the share incentive plans to align incentives with the interests of shareholders and execution of the strategy.
- Received regular updates from the Audit and Risk Committee relating to risk management issues.
- Update from shareholders in relation to strategy and remuneration matters.

The Group's engagement with key stakeholder groups and the impact our business operations have on the local community and the environment are considered within the implementation of the Company's Objective and strategy and the Sustainability report.



Stakeholder engagement continued

The Board recognises its responsibility to take into consideration the needs and concerns of Filtronic’s key stakeholders as part of its decision-making process. The table demonstrates how the Group engages with its stakeholders and the outcomes of this during the year:

Stakeholder	How we engage	Key outcomes
Customers	The Board receives feedback from its customer facing teams. Each key account has a dedicated account management who acts as “the voice of the customer”. The Chief Commercial Officer briefs the Board each month as to how we are performing with each of our customers.	Increased levels of engagement with customers at a strategic level. A greater understanding of both customer and market trend requirements better informs the development and refinement of our own strategy and technology roadmap to ensure we support our customers to the best of our ability and invest in the right capability to meet their needs.
	The Executive Directors, along with senior members of the sales and engineering teams will attend meetings with strategic-level influencers within our customer’s organisation.	Board-level engagement with our customers helps convey our commitment to understand and meet their business needs. Having customers onsite enables them to see our capability and production facilities demonstrating our credibility as a leading technology company.
	We continually seek opportunities to collaborate at a product and technology strategy level with our key clients, but all collaborations are under Non-Disclosure Agreement (“NDA”) and require director-level approval.	Disclosure of our product development and technology roadmaps to customers increases the opportunity to align our mutual interests and demonstrate we are the ‘go-to company’ when it comes to leading technology; the NDA protects our intellectual property interests.
	Customer feedback is regularly sought and collected by the business through a wide range of channels. This information is processed and analysed as part of our business improvement initiatives.	Listening to the customer enables us to be more effective in pre-empting and meeting their evolving requirements. We undertook a Voice of the Customer (“VoC”) exercise during the year where the Marketing Manager spoke to 35 existing and former customers to gain an understanding of their customer experience, the positives of working with Filtronic and areas where we could improve. The information was anonymised, collated and analysed to find trends to identify consistent feedback. This exercise proved invaluable enabling the Board to use the information to shape the strategic plans and develop the areas of the business where we are able to improve customer satisfaction.
	We regularly participate in a wide range of trade shows, conferences and symposia. They play an important role in our business development planning.	Attendance at trade exhibitions and conferences has materially increased over the last year as we have added more events to our roster to actively promote the business. This has facilitated key engagement, not only with prospective customers, but also having useful discussions with our existing clients.
Employees	The Executive Directors communicate with employees through communication sessions and town hall meetings to update them on the performance of the business and progress on key initiatives. Employees are encouraged to ask questions in a Q&A session at the end of the meetings.	Broad ranging and meaningful communication leads to greater transparency throughout the business and facilitates a more engaged, motivated and effective team. This is done through a range of communication channels including newsletters, emails to all employees and discussion groups with management flow down to employees and informal factory floor-walks.
	The Group relies upon highly specialised skill sets that are in increasingly short supply. We are therefore continually developing our talent management strategy.	The Group is an attractive employer, providing a rewarding long-term personal development opportunity environment, recognising and rewarding those that have demonstrated strong performance. We have also funded a number of training initiatives to develop our employees and enhance the skills in the business including the Filtronic Leadership Academy to upskill all staff who have managerial responsibility.

Stakeholder	How we engage	Key outcomes
Employees (continued)	<p>The Executive Directors are required to be actively visible across our sites to take the pulse of the business and offer an open-door policy to employees who would like to ask a question or offer a view.</p> <p>Participation in the Company Sharesave scheme.</p>	<p>A better informed and consulted workforce is more likely to be both better motivated and more effective. The Group also operates a T-card system where employees can offer ideas for business improvements which are shared with the Executive Directors with the aim of offering feedback to those that have taking the time to share their views and a quarterly prize for the best idea. The Board have also approved an annual employee engagement survey to gain insight into employees' thoughts and attitudes towards their work and overall environment.</p> <p>Share scheme participation aligns the interests of employees with shareholders giving staff the opportunity to hold a stake in the company. The Company has a SAYE scheme in place which is open to all employees.</p>
Investors	<p>The Chief Executive Officer and Chief Financial Officer hold analyst and investor meetings throughout the year both on request and specifically following the release of the annual and half year results. Feedback from these meetings is shared with the Board. Major shareholders are regularly engaged to hear their views on a range of issues such as strategy, remuneration and corporate governance.</p> <p>The Annual General Meeting is our primary method of engagement with private investors along with the Annual Report. We encourage investors to attend and ask questions they may have. At the end of the meeting, the Board engage in an open and informal forum with attendees.</p> <p>The Group's Annual Report and Accounts is available to shareholders in both hard copy form and online. All announcements and presentations are available on the Company's website whilst we also engage on social media platforms such as LinkedIn. There is also a regular newsletters which is sent to those individuals that sign up on the company website.</p> <p>The Company's broker, Cavendish Capital Markets ("Cavendish"), provides briefings to the Board on shareholder opinions and independent feedback from investor meetings. Their views are sought on all market related matters or announcements.</p>	<p>A wide range of communication channels are used to engage with investors during the year. Feedback from investors has informed the Board's discussions and decisions on the Company's strategy. All material information that is worthy of investor announcement is made available simultaneously to both shareholders and potential shareholders. Meetings with shareholders and potential investors were held during the year with meetings offered both in person and virtually.</p> <p>We value the opportunity to meet with our shareholders and engage in an exchange of views and ideas and, post AGM, we review the feedback we have received. We were delighted to welcome shareholders back for the 2023 AGM which was physically held in Sedgfield with private investors encouraged to attend.</p> <p>We respect that not everyone is "on-line" and continue to provide shareholders with a choice to receive a hard copy of the report.</p> <p>Regular and frequent interaction between the Company and our broker ensures we receive regular guidance and remain aligned on our engagement with the investment community. A report collated by Cavendish, after the business results investor roadshow, giving shareholders feedback from each meeting is shared with the Board.</p>
Suppliers	<p>Meetings are held with key suppliers at both their facilities and ours. This ensures a more intimate knowledge of each other's capabilities and objectives and leads to closer alignment of values.</p> <p>Our Supplier Code of Conduct is flowed down to our supply chain to ensure compliance with social responsibility and good governance policies.</p>	<p>The Group's supplier base is a key part of the company's ecosystem and effective relationships with our suppliers are essential to the delivery of Group performance. We engage with our suppliers through our engineering and operations team and we work closely with key suppliers to ensure we take advantage of innovative technical and commercial solutions in the supply chain in order to secure a competitive advantage. We have enjoyed meetings at a number of suppliers' sites in the year, both nationally and internationally.</p> <p>We minimise our exposure to supplier related risks by requiring them to adhere to our Supplier Code of Conduct and group policies. They are required to confirm they are not in conflict with these policies before or during engagement.</p>



Stakeholder engagement continued

Stakeholder	How we engage	Key outcomes
Suppliers (continued)	<p>Supply contracts of material significance to the Group are subject to internal controls with a summary of the key terms being provided to the Executive Directors for approval.</p> <p>The Group aims to play fair with its suppliers and pay in line with the contractual payment terms.</p>	<p>Supplier gating processes ensure management is kept abreast of supplier risks, opportunities and governance matters and able to act promptly when required. The Board receives regular updates, from the Chief Operations Officer, regarding key supplier performance metrics and any issues under review.</p> <p>By playing fair with our suppliers we gain their respect, support and commitment to meeting our own business objectives.</p>

Standards of business conduct

The Board is committed to a culture of integrity and openness. The Board is confident that through our people, our values, our policies and processes we are fostering the right culture to make a positive impact on the business, our employees, our customers, suppliers, the environment and the communities in which we operate. The Board is committed to identifying other means to drive further positive impact through our products, processes and foremost our people, all of which will contribute to the success of the business.

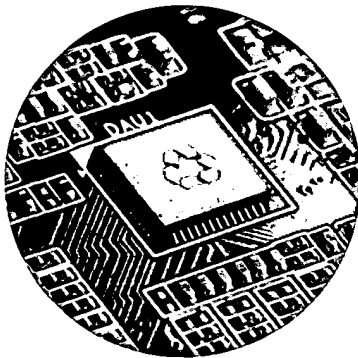
The Group's engagement with key stakeholder groups and the impact our business operations have on the local community and the environment are considered within the implementation of the Company's Objective and strategy and the Sustainability report.



Sustainability report

At Filtronic we have developed an ESG and sustainability strategy that works in unison with our corporate goal to create value for our customers through technology leadership. The aim of the strategy is simple. We will focus on deliverable ESG goals aligned with our corporate strategic targets.

Key Objectives



ENVIRONMENTAL

1. Minimise the environmental impacts of our own activities and reduce our energy usage per £ of revenue generated (reducing carbon intensity whilst supporting growth)
2. Improve our use of sustainable resources by operational site
3. Reduce paper and packaging waste
4. Focus on our work to meet Scope 1 and 2 Greenhouse Gas ("GHG") Emissions of Net Zero



SOCIAL

1. Equality, diversity and inclusion ("EDI") in the workplace and encourage greater gender power balance
2. Provide a great place to work for our employees enabling them to learn and develop, creating professional opportunities
3. Engage with our employees, keep them informed and pay fair salaries
4. Support STEM initiatives in the local community and provide quality employment for young people through apprenticeships and graduate recruitment



GOVERNANCE

1. Provide a robust cyber security framework protecting the data we hold
2. Comply with export control requirements
3. Maintain strong and enforced policies and procedures and promote a strong code of conduct and ethical behaviour in our business

Strategic report

We are committed to enhancing our impact on the world with a robust and clear ESG strategy. Within each area we've highlighted clear objectives which aim to focus our efforts and ensure that we are able to maximise our impact by focusing on the key areas where we can engage and influence our stakeholders. Our objectives

are thought through, aligned to our corporate strategy and aligned to the UN Global Goals, so we can best position our skills and experience to work towards building prosperity for all. We have a clear roadmap ahead of us and we look forward to delivering on our commitments to these goals.



Sustainability report continued

Operating our business in a way that cares for the environment and people has never been more important than it is today. The world is facing significant environmental and social challenges with climate change, environmental destruction, energy availability and increased costs of living.

Improving our sustainability performance plays a key role in the way we both run our businesses today and plan for the future, as we manage our ESG-related risks. We also recognise that our ESG credentials are an increasingly important factor in our ability to attract and retain first-class people. Engaged, motivated, empowered and appropriately skilled employees are integral to our success.

Whilst our approach to sustainability continues to mature, we are committed to implementing transparent policies and procedures, and to fostering an inclusive culture across the Group where everyone does the right thing and takes responsibility for their actions. Increasingly this focus will develop from working as a trusted partner to our many customers and ensuring that our internal standards are fit for purpose, to working with our supply chain to ensure that they too work to the same standards. In doing so we will build a sustainable company of which all our stakeholders can be proud, now and in the future.

Our approach to sustainability

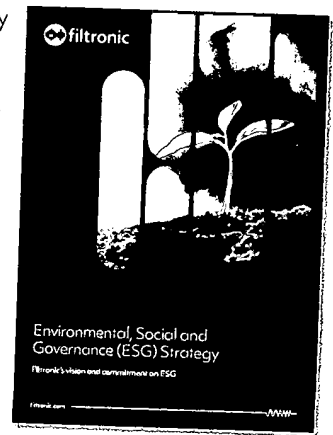
The long-term success of Filtronic can only be enhanced by a positive interaction with all of our stakeholders and therefore a positive and engaged approach to corporate responsibility and sustainability is important to us. Our

approach is focused around the environment, people, ethics and business conduct and governance.

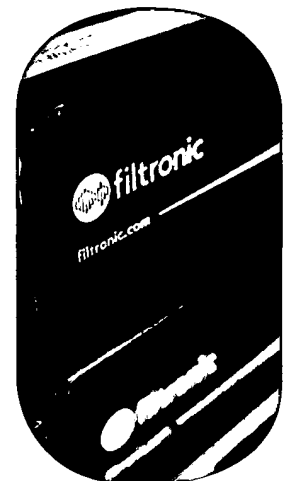
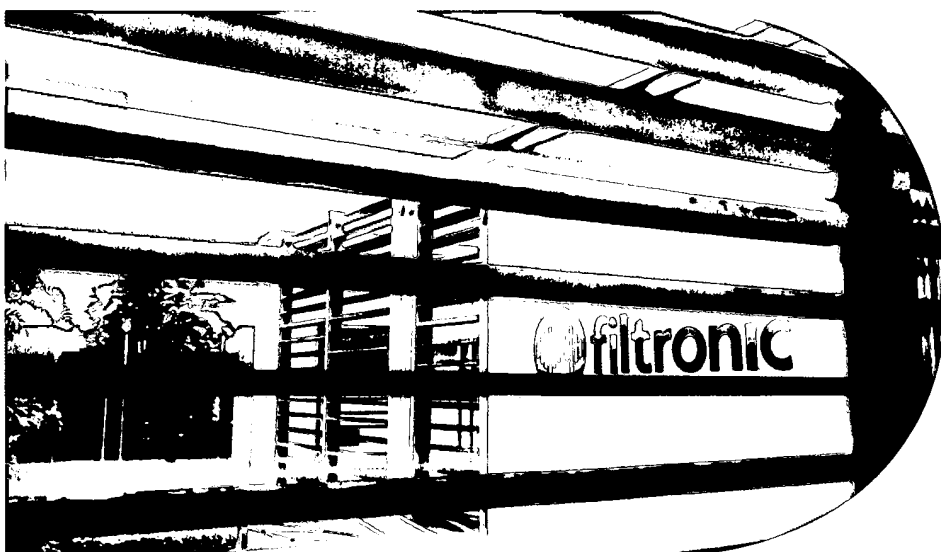
ESG Responsibility

Sustainability forms part of our everyday thinking, from how we run our business from day to day, to long-term strategic planning. ESG is now a regular, scheduled board agenda item and a standing agenda item for every meeting of the Group's Senior Leadership Team.

2024 has seen us make further progress as we proactively manage our sustainability agenda. Focus areas included diversity and inclusion, reducing climate change, employee wellbeing and community engagement. As a business we are committed to building a sustainable company of which all our stakeholders can be proud, both now and in the future.



A sustainable business plan	that delivers growth for shareholders and has purpose
A sustainable organisation plan	that is future focussed on how we deliver
A sustainable climate and waste plan	that is for all and has a positive impact in a broad sense
An ethical and values-based approach to conduct, governance, regulation and the rule of law	that demands integrity and ethical behaviour





Environmental Objectives

The Group is committed to protecting the environment through prevention of pollution and minimising our impact on natural resources. As well as operating in compliance with all relevant statutory and regulatory obligations, the Group strives to implement environmental best practices throughout our activities and continually improve our environmental management system to enhance our environmental performance. As we have now formally documented our ESG strategy, we have collected baseline data of our current performance to enable us to track and monitor progress improvements.

The Group supports, trains and encourages its employees to act responsibly in all matters relating to the environment.

The Group takes account of relevant legislation and regulations and analyses its practices, processes and products to reduce their environmental impact. We also work with our customers and suppliers to achieve a high standard of environmental stewardship. Filtronic looks forward to receiving and implementing the UK government's flow down to industry of its net-zero carbon target which will involve measuring carbon emissions and implementing policies for carbon reduction or offsetting the carbon that is released.

	What we do already	FY2025 initiatives
Reduce our energy usage	<ul style="list-style-type: none"> Metering and monitoring in place at a room level LED lighting replacement scheme in place Motion sensors on all our lighting Invested in newer more-efficient machinery 	<ul style="list-style-type: none"> Implement LED lighting Energy saving equipment purchases Continue to educate our employees in high-energy consumption areas Sustainable energy generation in our buildings
Sustainable resources	<ul style="list-style-type: none"> NetPark and Manchester supplied with 100% sustainable energy Cycle-to-work scheme in place Electric vehicle scheme Electric vehicle charging points Adopted a hybrid working policy 	<ul style="list-style-type: none"> Convert our Leeds site to 100% sustainable energy in line with our Sedgefield and Manchester sites Seek opportunities to create renewable power Promote the electric vehicle scheme we have implemented to our employees Continue to switch to recycled materials removing single use resources where possible
Reduce paper and packaging waste	<ul style="list-style-type: none"> Removed foam from our shipping packaging; replaced with cardboard Implemented docuSign to reduce our need to print documents to sign Implemented digital systems with workflow for HR processes, expense management and timesheets 	<ul style="list-style-type: none"> Identification of key waste driving activities by site Remove single use plastics from our operations Continue to move business processes to digital systems

Strategic report



Sustainability report continued

Environmental updates

The progress to our environmental strategy includes minimising CO2e from:

- Ongoing switch to LED lighting in our buildings for more efficient use whilst lights have had passive infra-red sensors added to automatically switch off when not in use.
- Electricity use with the purchase of new energy efficient machinery by switching electrical equipment off when there is no business benefit to leaving it on.
- When appropriate, we have moved our shipments from airfreight to sea freight where lead-times / other operational constraints allow or purchasing closer to the business location where possible.
- Converted our electricity supply in Leeds to 100% sustainable energy usage aligning it to the rest of the UK sites which are now all powered by sustainable energy.
- Single use plastics are now removed from our business.
- Several administrative processes have switched from paper to digital to reduce our usage of paper and other resources generating waste. This includes invoice processing, accountancy records and document signing procedures with a fully automated digital signature process.

Scope 1 & Scope 2 emissions

We are pleased to present, for the first time, our figures for the reporting of our Scope 1 and Scope 2 emissions, equating to a 35% reduction from our base year in FY2023.

As a company quoted on AIM, there is no obligation to report on Scope 1 and Scope 2 CO² emissions but to maintain a good level of transparency we are voluntarily disclosing information. We recognise our duty as a good corporate citizen, to help in the fight against climate change, and take this obligation seriously. We also understand our investors eagerness to understand how we are performing in our commitment to protect the planet by preventing pollution and minimising our impact on natural resources. The table below presents our Scope 1 and Scope 2 emissions. Emissions for the Group .

We are at an early reporting phase in that we have not defined our scope or targets when comparing to 'The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard' and therefore these figures are an early attempt to quantify our GHG emissions. We recognise our obligation to help with the climate crisis, along with the interests of our key stakeholders, and therefore we recognise the importance of giving visibility in our environmental reporting.

We intend to improve the accuracy of the numbers over time and will engage with a third-party consultant to take the relevant advice on how to refine and augment the approach we have taken. The numbers in the table are taken from our metered gas usage, reported car journeys and metered electricity usage.

Item	FY2023	FY2024
Scope 1 Direct (Heating by gas and car journeys)	85.44	86.87
Scope 2 Electricity (supply is 100% carbon free)	0	0
Total CO2e (tonnes)	85.44	86.87
Annual turnover (£M)	16.3	25.4
Total CO2e/£M revenue	5.24	3.42



Social objectives

Our core values of integrity, honesty and respect, combined with a strong culture and an agreed set of behaviours are critical to our future development. The 'Our People' section of this Annual Report and Accounts sets out how we engage with our employees, providing opportunities and an environment to flourish with everyone given an equal opportunity. It also covers key social points such as employee rewards, behaviours, culture and conduct.

Filtronic recognises that it not only makes a difference to its own employees but also the wider community. This latter point is particularly pertinent to our ESG strategy as we can provide quality education, training and employment within the local community as well as supporting local charities and foundations to help build a sustainable society.

	What we do already	FY2025 initiatives
Actively promote equality, diversity and inclusion ("EDI") in the workplace	<ul style="list-style-type: none"> Regular analysis of workforce demographics EDI training Non-discriminatory working practices and policies Value the individual Female-to-male ratio in our engineering function is above the national average 	<ul style="list-style-type: none"> Further develop a clear EDI strategy Promote Filtronic as a female-friendly workplace Promote females in STEM disciplines Promote diversity EDI surveys Positive actions to increase the ratio of female managers and engineers
Learning and development culture	<ul style="list-style-type: none"> Career development and guidance for everyone Provide training and development programmes for all colleagues Filtronic Leadership Academy Regulatory and mandatory training Expert speakers Technology Leadership Awards for patents, conference papers and peer reviewed publications Detailed training needs analysis from appraisal process Assign an Executive sponsor to all graduate recruits Encourage networking and industry event attendance Comprehensive induction process, for all new starters Graduate programme Apprenticeships with sponsored degrees 	<ul style="list-style-type: none"> Expand the apprenticeship programme Create a knowledge sharing environment Continue to upskill our employees Utilise supported stretch assignments to facilitate personal development and progression

Strategic report



Sustainability report continued

Social objectives (continued)

	What we do already	FY2025 initiatives
Engage with our employees and pay fair salaries	<ul style="list-style-type: none"> Fair pay and reward structure with regular benchmarking Excellent benefits package including access to wellbeing support Flexible working available Celebrate long-term service with awards New values embedded in the business Town hall meetings and team meetings T-card system for continuous improvement and worker participation Employee engagement surveys 	<ul style="list-style-type: none"> Increase frequency of communication Assess current benefits suite, for ongoing competitiveness and flexibility for individual choices Undertake another employee engagement survey
Support STEM initiatives in the local community and provide quality employment for young people	<ul style="list-style-type: none"> 1 day paid leave given to all employees undertaking charitable work Graduate recruitment Apprenticeship programme 	<ul style="list-style-type: none"> Provide opportunities for local young people Build relationships with local learning institutions Implement a structured graduate career framework Support local organisations like the North-East STEM Foundation

This year we supported the North East STEM Foundation and UTC Durham by sponsoring events and taking part in STEM days involving local schools and colleges. We now have STEM Ambassadors employed in the business who are qualified to attend STEM days, representing Filtronic, to inspire the next generation of engineers in our community. We want to encourage more of our talented team to become STEM Ambassadors and will be rolling out an incentive programme across the business to encourage additional participation and representation.

We also saw the first intake of apprentices on our new apprenticeship programme which provides quality employment for young people in the local community. We are training our apprentices through a mix of 'on the job' training and full sponsorship to degree level at local universities. These are fantastic opportunities for talented local young people to have access to a high-quality jobs complemented with higher education, and they in turn enrich our culture through diversification, new perspective and pure enthusiasm! We make use of the apprenticeship levy to help fund this initiative. Investing in this community helps us to build a broader and more diverse pool of talent. We also continued our established graduate programme with another successful intake this year.

We made progress in our talent acquisition strategy and have seen an increase in nationalities diversity, rising from 12% to 14%. We have ensured that all of our employment practices and policies are female friendly and will continue with any positive actions possible which may further improve our success in increasing female representation throughout the business.

Recognising the extraordinary efforts of the entire Filtronic team to deliver revenue growth of 56%, we implemented a one-off bonus for all of our staff who each earned the equivalent of £1,000 pro rata based on service in the year. Ensuring our employees are paid competitively in recognition of their enormous value to us, is of great importance to our retention strategy. In the year, we gave a general pay award above inflation to all employees to recognise the importance of them to our growth ambitions and an inflation-busting award to our manufacturing operatives. This is in recognition of the skills they possess and to pay them a salary that keeps their salary at a competitive level in respect to the rest of the manufacturing community in the north-east of England.



Governance objectives

Filtronic have always believed that sound governance is fundamental to the long-term success of the Company and we follow the QCA Corporate Governance Code which gives a firm foundation for our governance structure. Having been listed on the London Stock Exchange since 1994, the business has a robust approach to governance, but we can always strive for improvement.

The Board and our management team will drive the ESG agenda. We recognise that good governance will be key to ensuring the changes are embedded throughout the business.

Compliance is critical to our operation, particularly as we supply into sensitive markets such as aerospace and defence, and therefore strong governance is at the heart of how we conduct business.

	What we do already	FY2025 initiatives
Cyber security	<ul style="list-style-type: none"> • Cyber Essentials Plus • Defence Assurance Risk Tool ("DART") • IASME Governance Gold 	<ul style="list-style-type: none"> • Implement ISO27001 • Undertake another penetration test programme • Undertake a series of desktop exercises with the National Cyber Security Centre
Export Control	<ul style="list-style-type: none"> • Robust internal control framework • Trained personnel • Regular communication with an export control expert 	<ul style="list-style-type: none"> • Training courses for those with export control responsibility • Review our controls and continually improve
Strong and enforced policies and procedures	<ul style="list-style-type: none"> • Strong Boards and Committees providing strategic oversight and governance support • Adherence to QCA Corporate Governance Code • Strong suite of Group policies and internal controls annually reviewed • Clearly defined and strong company vision and culture • Maintenance of appropriate accreditations and internal audits • Robust internal branding and document control • Annual Report published each year reporting strategic, governance and financial progress 	<ul style="list-style-type: none"> • Review and approve our policies and procedures annually • Develop the ESG strategy further • Ensure employees are suitably trained on policies and conduct which are enforced throughout the organisation

Strategic report

This year we received the news that the IASME Governance Gold certification is awarded to the top 3% of applicants for the IASME accreditation. This is something we are very proud of and demonstrates the quality of our cyber security credentials and robust governance framework that we operate. We feel this is a great segway into the ISO27001 accreditation that we are looking to commence implementing in FY2025. To test our cyber defences, we undertook a series of cyber security exercises including a regular phishing exercise to ensure our employees are well-educated on the latest phishing attacks being conducted in addition to a series of desktop exercises with the National Cyber Security Centre.

We also added a new policy in the year to our Group Policies to set our governance standard relating to Anti-Competition and Anti-Trust following a question from a customer relating to our policy. We have also undertaken

some early action following the update to the QCA Corporate Governance Code in 2023 which includes publishing our remuneration policy for the first time in this Annual Report and implementing annual re-election of directors at the AGM in October 2024.

We will continue to augment our governance standards in FY2025 and ensure we operate the business with an ethos of 'doing the right thing' for all of our stakeholders and the communities in which we conduct business.

The FY2024 Strategic report has been reviewed and approved by the Board of Directors on 29 July 2024 and signed on its behalf by

Michael Tyerman
Chief Financial Officer
29 July 2024

Michael Tyerman



Board of Directors

Executive Directors



Nat Edington
Chief Executive Officer

Appointed to the Board
13 May 2024

Nat brings extensive experience in the high-tech and semiconductor industries. Before joining Filtronic, Nat was CEO of Dukosi Ltd., where he successfully built a fabless semiconductor company in Scotland, transforming it from an early-stage venture into a global technology leader. As CEO of Cambridge CMOS Sensors, he also steered the company through significant growth phases and exited the business to AMS. He has held strategic leadership positions at AMS AG and Wolfson Microelectronics and steered them through periods of rapid expansion. Nat also holds a non-executive position at AIM-listed Concurrent Technologies plc.



Michael Tyerman
Chief Financial Officer

Appointed to the Board
1 April 2016

Michael joined Filtronic in 2007 as Financial Controller of the Broadband business and was promoted to the position of Group Financial Controller in 2009. He served this position until his appointment to the Board. Prior to joining Filtronic, Michael held various positions within Procter and Gamble, Huntsman and Komatsu which included time working in the Benelux and Nordic regions. Michael is a Chartered Management Accountant.

Non-Executive Chairman



Jonathan Neale
Non-Executive Chairman

Appointed to the Board
15 November 2021

Committees: **A** **N** **R**

Jonathan is Chair and Non-Executive Director of Filtronic. He also serves as a Non-Executive Director for the engineering services business Contechs Holdings Ltd and is a Trustee of the incorporated charity The Foundation for Science and Technology. Prior to joining Filtronic, he spent seven years in defence electronics and electronic warfare, 10 years in commercial and defence aerospace with BAE systems and 20 years with McLaren Group Ltd in executive positions across Formula 1, Automotive and Applied Technology.

Committee Key: ○ Chairman of Committee **A** Audit **N** Nominations **R** Remuneration

Non-Executive Directors



Peter (Pete) Magowan
Senior Independent
Non-Executive Director

Appointed to the Board
19 November 2018

Committees: (A) (N) (R)

Pete was previously an early employee and main board member of ARM Holdings, an Executive at Fidelity International Ltd and General Partner at Alta Berkeley Venture Partners. Pete's early operational career was in sales and marketing at leading technology companies. He received a BSc degree in Electrical and Electronic Engineering from UMIST and has a Diploma in Marketing. He is also a Non-Executive Director of Solid State Group plc.



John Behrendt
Independent
Non-Executive Director

Appointed to the Board
1 January 2021

Committees: (A) (N) (R)

John was Head of Principal Investments with Eight Roads, part of the Fidelity network of companies, from 2015 until 2020. John has also held a number of leadership and operational roles, including CEO of Optegra, CEO/CFO of Frontier Silicon Limited, CFO for Teraview Limited, and CFO for Alphamosaic Limited. John is a qualified accountant with the Chartered Institute of Management Accountants (CIMA).



Governance report

Dear Shareholder

I am pleased to present the Filtronic plc Governance report for the year ended 31 May 2024.

The Board recognises the value of good corporate governance as the basis for promoting the long-term growth and sustainability of the business. Governance arrangements are reviewed on an ongoing basis to ensure they are fit for purpose and the Board continues to consider that the Quoted Companies Alliance Corporate Governance Code 2018 and the updated QCA Corporate Governance Code 2023 (the "Code") provides the most appropriate framework for governance for the Company's size and complexity. We intend to implement all of the recommendations in the updated version of the Code. Throughout the year, we complied with all principles of the Code except for the separation of the Company Secretary role which is currently undertaken by the Chief Financial Officer.

The Governance report includes the Corporate governance statement, the Audit and Risk Committee report, the Nominations Committee report and the Directors' remuneration report and describes how Filtronic has applied the main principles of the Code during the year. Further information on compliance can be found on the Filtronic website at www.filtronic.com/investors.

I am aware that it is my responsibility to ensure that Filtronic has the governance arrangements in place to support effective leadership and promote the long-term success of the Company and that these arrangements are followed in practice.

Jonathan Neale,
Chairman
29 July 2024

Corporate governance statement

Introduction

The Board acknowledges the role that the ten QCA Code principles has in providing structure to the Group's corporate governance framework. This section explains how we have adopted the QCA Code, including those provisions where we do not currently comply.

Principle 1 – Establish a strategy and business model which promotes long-term value for shareholders

As explained fully within the strategic report of the Annual Report, our strategy is focussed around four core areas:

- **Space:** position Filtronic in the Space market (LEO/HAPS) by strengthening our position in the market having already secured a Strategic Partnership with SpaceX;
- **Defence:** increasing defence project coverage with major customers requiring RF hybrid solutions;
- **Aerospace:** leveraging our current relationships to secure a bigger role in next generation radar design;

and

- **Telecommunications infrastructure:** defending our current position and target new customers by developing the E-band roadmap to W-band with premium performance high power transceivers, active diplexer and SiP options based on inhouse MMIC design;

The delivery of the strategy remains the focus of the Board's attention. Our objective through the execution of the strategy is to deliver shareholder value and medium-long term growth. As a Board, we will ensure that we continue to challenge ourselves and regularly consider whether we are effective in delivering this objective.

Our business model and execution of the strategy is underpinned by the governance framework outlined in this section.

Principle 2 - Seek to understand and meet shareholder needs and expectations

Great value is taken from maintaining open relationships with our shareholders and the primary point of contact in the Company for this function is the Chief Executive Officer ("CEO"), supported by the Chief Financial Officer ("CFO") and the Chairman.

The CEO and CFO undertake an extensive programme of individual meetings with shareholders at least twice a year. Additionally, the Chairman is available to speak with shareholders at their request. The Senior Independent Director is also available as an alternative communication channel for shareholders who may wish to raise any concerns.

Presentations are also made to analysts to present the Group's results. This assists with the promotion of knowledge of the Group in the investment marketplace and also helps the directors to understand the needs and expectations of shareholders. The Group's website has a dedicated investor section to assist all shareholders. Investors are welcome to send any questions or queries to investor.relations@filtronic.com.

When the Board considers it appropriate, it consults with shareholders on key matters that it would like input relating to strategy, governance and remuneration.

Principle 3 - Take into account wider stakeholder and social responsibilities and their implication for long-term success

The Group takes its corporate social responsibility very seriously and is focussed on maintaining and strengthening effective working relationships across a wide range of stakeholders including shareholders, employees, customers and suppliers.

Our stakeholder engagement recognises the materiality and impact of our stakeholders on the achievement of the Company's strategy. The Section 172 (1) Statement and Stakeholder engagement sections within the Governance report provide more information on this.

The success of the Group's strategy is part built upon the

maintenance of internal and external relationships and good communication with stakeholders.

Principle 4 – Embedded objective risk management considering both opportunities and targets throughout the organisation

The Group faces challenges in the execution of its business strategy. The Board acknowledges that it has overall responsibility for the Group's system of internal controls, which is designed to manage and mitigate rather than eliminate risk, and to review and monitor its effectiveness. The Audit and Risk Committee have been delegated responsibility to oversee risk management, and undertakes regular reviews of the Group's risk register with a view to:

- (i) ensuring the risk register is complete, appropriate and up to date;
- (ii) ensuring adequate processes are in place to detect new or emerging risks;
- (iii) reviewing risk exposures and any changes to the status of risks in the risk register;
- (iv) reviewing risk management assessment and processes;
- (v) reviewing risk mitigation measures and the appropriateness of responses to risks;
- (vi) reporting its findings to the Board.

Risk management, together with a robust set of systems and internal controls are well established within the business. The Risk Management Committee, made up of the Senior Leadership Team in the business, meet on a regular basis to maintain and review the risk register.

A comprehensive business planning process is also completed on an annual basis including the long-range plan which are reviewed and approved by the Board. This ensures the resources in the Group are correctly aligned with the business strategy. In addition, the Group conducts regularly re-forecasts to ensure resources are aligned to the ongoing needs of the business. During the year, the Group's results are compared against the business plan which is reported monthly and discussed at each meeting of the Board.

Principle 5 – Maintain the board as a well-functioning, balanced team led by the Chairman

The Board is currently comprised of:

- the Non-Executive Chairman;
- two Executive Directors; and
- two Non-Executive Directors

The Non-Executive Directors are regarded by the Board as being independent Non-Executive Directors.

The role of Company Secretary is currently undertaken by the CFO. In compliance with the Code, the Board is mindful of the need to develop plans to separate the roles of CFO and Company Secretary at an appropriate time.

Board members are also able to take independent professional advice at the Company's expense in the

discharge of their duties.

There is a formal schedule of matters reserved for the Board. To enhance the Board's communication with management and achieve greater operational transparency, senior management from the sales and marketing, operational and engineering organisations are periodically invited to the board meeting to present their key projects and deliverables.

Board meetings

The Board meets each month against a defined reporting timetable and at times in between the scheduled meetings when required. Board meetings are held at the Group's operational sites to enable local management teams to present operational and strategic programme progress to the Board. The Board believes this arrangement gives greater transparency and enhanced relationships between the management and the Board. During the year, board meetings have been held in person at the Sedgefield, Yeadon and Manchester sites.

Directors' attendance FY2024

The Board normally schedules at least 10 meetings during the year. Last year the Board met formally 10 times.

	Meetings attended
Jonathan Neale	10/10
Nat Edington	1/1
Richard Gibbs	9/9
Michael Tyerman	10/10
Pete Magowan	10/10
John Behrendt	10/10

Principle 6 – Ensure that between them directors have the necessary up-to-date experience, skills and capabilities

At present, the Board is satisfied that its overall size and composition reflects an appropriate balance of sector, financial and public markets skills and experience. The composition of the Board is reviewed at least annually by the Nominations Committee, with a view to ensuring it comprises the skills necessary for executing the Company's strategy.

Details of each director's skills and experience can be found in the directors' biographies section. The members of the Board bring a range of complementary skills and experience from across markets in which the Group operates.

Each member of the Board takes responsibility for maintaining their skill set, which includes formal training and seminars. The directors have also received briefings and training in respect of AIM rules compliance and Market Abuse Regulations. The board undertakes annual training on a range of subject matters that are proposed by the directors where they feel it would be beneficial.

When necessary, external advice is sought, on legal, HR, financial and governance matters. The primary sources



Governance report continued

are the Company's Nomad and the Company's lawyers.

Principle 7 - Evaluate board performance based on clear and relevant objectives, seeking continuous improvements

The Board carries out an evaluation of its own performance at the end of each financial year, reviewing its performance in that year.

The Chairman and the Company Secretary prepare an evaluation questionnaire reflecting the considerations of the corporate governance code as well as significant events over the year.

The performance of the Board and its Committees is assessed. Board members are asked to provide feedback for assessment by the Chairman. The combined feedback is discussed by the Board and actions agreed with progress updates during the year.

As part of the Director's induction process the Company Secretary arranges an induction session with each new director covering such matters as:

- Group and organisation structure,
- Filtronic's values and group policies,
- an introduction to the AIM Rules for Companies,
- the QCA Code,
- Market Abuse Regulation ("MAR") and the terms of reference for the Board's committees.

Where specific training needs are identified, including as a result of the Board evaluation process and individual director appraisals, the Company will organise the relevant training. The Company Secretary supports the Chairman in addressing the training and development needs of directors.

Principle 8 – Promote a corporate culture that is based on ethical values and behaviours

At Filtronic, we believe in collaboration, we work with our technology leadership clients to solve their complex RF, microwave and mmWave challenges.

Our purpose and reason for being is to be the trusted provider of innovative RF solutions. Innovation matters to us, we want to push the boundaries of what is possible with RF communication.

Filtronic are long-term partners in space, aerospace and defence, telecommunications infrastructure and critical communications. These effective partnerships have grown from having a strong value-based culture, where all our employees are encouraged and supported to:

- Act with **integrity**; being honest, always keeping our promises.
- Be **respectful** to all; it is the foundation of our culture.
- Strive for **excellence**; it is what our clients and colleagues expect and what we endeavour to deliver.

The Board monitors and promotes its corporate culture assisted by the SLT, which includes the Head of HR. This team plays a vital role in disseminating the Company's shared values with its employees. The SLT holds monthly meetings, and its members are frequently invited to attend sections of the board meeting which helps the Board assess the Group's culture on an ongoing basis.

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Our purpose and reason for being is to be the trusted provider of innovative RF solutions. Innovation matters to us, we want to push the boundaries of what is possible with RF communication.

Filtronic are long-term partners in aerospace and defence, telecommunications infrastructure and critical communications and have formed partnerships in the emerging market of space. These effective partnerships have grown from having a strong value-based culture, where all our employees are encouraged and supported to:

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- Be **respectful** to all; it is the foundation of our culture.
- Strive for **excellence**; it is what our clients and colleagues expect and what we endeavour to deliver.

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Principle 9 - Maintain governance structures and processes that are fit for purpose and support good decision making by the Board

The Board, led by the Chairman, is committed to a high standard of corporate governance across the Group, recognising its importance in protecting shareholders' interests and long-term success of the Group.

Remit of the Board

Whilst many day-to-day operational matters are managed by the Executive Directors and SLT, other matters, including those listed below, are reserved for the Board:

- Strategy and oversight of the management of the Group;
- Review of business performance and delivery of results;
- Approval of the Company and consolidated financial statements;

- Approval of major corporate transactions and commitments;
- Succession planning (appointment/removal of directors, PDMRs and the Company Secretary);
- Approval of all terms of reference for the committees of the Board;
- Review of the Group's overall corporate governance arrangements including systems of internal controls and risk management; and
- Approval of the distribution of authority.

Committees

The Board is supported by three committees:

- Audit and Risk Committee;
- Remuneration Committee; and
- Nominations Committee.

Detailed written terms of reference for each committee are maintained and are available to view on the company website.

In addition to formal meetings, the Nominations Committee and Remuneration Committee also meet informally during the year to review and discuss board composition and compensation.

Principle 10 - Communicate how the Group is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Company is committed to open communication with all of its stakeholders. Communication with shareholders is driven primarily through:

- the regulatory news service ("RNS"),
- the Filtronic website;
- the Annual General Meeting; and
- meetings after the Group's interim and full year preliminary accounts.

All shareholders receive a copy of the Annual Report and Accounts either as hard copy or electronically depending on shareholder preference. Copies of historic annual reports and notices of general meetings for the last five years are available on the Filtronic website, as are the half-year results.

Engaging with our employees helps to ensure the values and culture the Board wants to promote are embraced throughout the Group. The Company encourages open two-way communication to promote innovative and collaborative working. Communication with employees takes place ordinarily through town hall meetings at each of the Company's sites, the HR system, team meetings, health and safety meetings and training sessions.

The longevity of our business can only be secured through maintaining and expanding our customer base. Communication with customers is a priority and is mediated through dedicated commercial managers and directors, overseen by the Chief Commercial Officer. Customers are solicited for feedback on products and business operations performance, market landscape and demand trends.

Regular contact and openness is key to maintaining good and stable relations with our supply chain. The procurement department, aided by clear website sections, ensures that Filtronic's key policies and values, or their equivalent, are adopted by the supply chain with all suppliers issued with the Filtronic Supplier Code of Conduct which includes, but is not limited to, its policies on issues such as bribery, modern slavery and conflict minerals. Engagement with suppliers is overseen by the Chief Operations Officer.

The group policies were reviewed by the Board during the year and, as a priority for the business, were communicated, via management cascade, to all employees.



Nominations Committee report

Membership

The members of the Nominations Committee and the meetings attended in the year are:

	Meetings attended
Jonathan Neale (Chairman)	3/3
Pete Magowan	3/3
John Behrendt	3/3

Roles and responsibilities

The Committee's role and responsibilities are set out in full in the terms of reference, which are available on the Filtronic website and set out the Committee's responsibilities as follows:

- Ensure the balance of board members remains appropriate as the Company implements its strategy to ensure the business can compete effectively in the marketplace;
- Identify and nominate candidates to fill board vacancies as and when they arise;
- Before such appointments are made, evaluate the overall balance and composition of the Board and in the light of that evaluation, preparing a description of the roles and capabilities required for the appointment; and
- Ensure that each new appointee receives a formal and customised induction to the Group via the Company Secretary and other board members as appropriate.

For terms of reference go to www.filtronic.com/investors/aim-rule-26/



Dear Shareholder

I am pleased to present the Nomination Committee report for FY2024.

The Nomination Committee supports the Board on the crucial topic of Executive and Non-Executive succession planning. Our principal objective as a Nomination Committee is to make sure the Board and the wider management team has individuals with the necessary range of skills and knowledge, and diversity of experiences to lead the Company and deliver the Group's strategy.

The Committee plays a vital role in ensuring the effectiveness of the Board and its ability to deliver long-term success for the business, including having the appropriate balance of skills, experience and knowledge on the Board to both reflect the changing needs of the business and anticipate and prepare for the future.

This year the Committee continued its focus on succession planning with an emphasis on ensuring plans were place for an orderly succession following Richard Gibbs advising us of his intention to retire from the Group. Following a rigorous search process, having appointed a highly reputable search firm to assist in a targeted search and assessment, we were delighted to unanimously recommend Nat Edington as the new Chief Executive Officer, joining the Board on 13 May 2024. Richard has agreed to remain with the business until 30 November 2024 in order to facilitate an orderly transition.

The Committee also took account of the results from the annual board performance evaluation exercise conducted in June 2023. The Committee plays a key role in ensuring the effectiveness of the Board and its ability to deliver long term success for the Company. As the Chairman of the Committee, I review the results of this exercise and share the feedback with the members of the Board both individually to personalise the feedback and as a collective. Nothing significant was raised as part of this evaluation but some improvement actions were identified which are highlighted below:

- Succession planning which becomes more important as the business scales in size; and
- Continuing to keep under review the combined role of the CFO and Company Secretary with a plan to decouple the role at the appropriate time.
- A greater emphasis on the role of diversity and inclusion and the important role it plays in high performance organisations;



In the year ahead, the Committee will continue to work on succession plans for the Board and key management and to oversee any actions coming out of the board effectiveness questionnaires that took place in June 2024 to ensure they are effectively implemented.

Jonathan Neale
Chairman, Nominations Committee
29 July 2024

New appointments and induction of directors

When identifying suitable candidates for board and senior executive appointments, the Committee uses the services of external advisers to facilitate the recruitment search and considers candidates on merit and against objective criteria. The Committee recognises the value of a diverse board and will consider all candidates with the necessary capabilities in accordance with the Company's policies including considerations of equality and diversity.

When a new director joins the Board a full and formal induction process is undertaken including a briefing session on AIM rules with our Nomad. The Company Secretary is tasked with providing the new director with:

- information about the Group including board and committee minutes along with board papers from at least the last six months;
- the Group's policies, procedures and governance information;
- analysis of the Company's key shareholders and share capital;
- guidance for directors on their legal and regulatory

responsibilities in an AIM-quoted company;

- guidance on corporate governance and board effectiveness; and
- relevant information about the markets we operate.

As part of the induction process, the new director also:

- Attends a business briefing with the CEO and CFO;
- Has meetings with the other members of the Senior Leadership Team; and
- Attends meetings with any other employees they would like to see.

Diversity and inclusion

The Committee recognises the importance of a diverse Board and is mindful of the issue of board diversity in its succession plans. Company policy ensures that the selection of directors and, in a wider context, employees throughout the Group, as well as opportunities to progress and develop will be based upon a range of factors including skills, experience, qualifications, background and values. There will be no discrimination or less favourable treatment of employees or job applicants in respect of age, race, religion, gender, sexual orientation, pregnancy, disability or marital status.

Board evaluation

The Nominations Committee undertakes an annual evaluation of the Board's performance and effectiveness. The results of the evaluation exercise are shared with board members and any recommendations are discussed and implemented if deemed to be an improvement.

Activities of the Nominations Committee during the year

The Nominations Committee discharged its responsibilities during the year by:

Area of review	Activities undertaken
Board appointments	<ul style="list-style-type: none"> • Led the search for a new Chief Executive Officer to replace Richard Gibbs. • Recommended the appointment of Nat Edington as Chief Executive Officer. • Reviewed the dual role of the Chief Financial Officer and Company Secretary in line with the guidelines of the QCA code. • Undertook a succession planning review of the Board and Senior Leadership Team.
Board performance evaluation	<ul style="list-style-type: none"> • Conducted a rigorous board performance evaluation exercise and fed the results back as a group and individually.
Governance	<ul style="list-style-type: none"> • Assessed the size and composition of the Board. • Reviewed and approved the Committee's terms of reference. • Reviewed compliance with the QCA code and the output from the revised QCA code 2023.

Governance report



Audit and Risk Committee report

Membership

The members of the Audit and Risk Committee and the meetings attended in the year are:

	Meetings attended
John Behrendt (Chairman)	5/5
Jonathan Neale	5/5
Pete Magowan	5/5

Roles and responsibilities of the Audit and Risk Committee

The Audit and Risk Committee operates within a framework of approved terms of reference which are reviewed annually along with its effectiveness; recommendations made to the Board of any changes required from the review. The terms of reference are available on the Filtronic website, and include the following roles and responsibilities:

- Monitor and make recommendations to the Board in relation to the Company's published financial statements and other formal announcements relating to the Company's financial performance;
- Advise the Board on whether the Committee believes the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy;
- Monitor and make recommendations to the Board in relation to the Company's internal financial controls and financial risk management systems;
- Consider the need for an internal audit function, determine the scope of outsourced internal audit activities, appoint a provider, agree fees and review the results of these activities;
- Make recommendations to the Board in relation to the appointment, re-appointment and removal of the external auditor and approve the remuneration and terms of engagement of the external auditor;
- Review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration the relevant UK professional and regulatory requirements;
- Monitor the extent to which the external auditor is engaged to supply non-audit services; and
- Ensure that the Company has arrangements in place for the investigation and follow-up of any concerns raised confidentially by staff in relation to the propriety of financial reporting or other matters.
- Review the company's risk management systems and processes to ensure their adequacy and regularly review the risk register to ensure it is complete and up to date with appropriate risk mitigation measures in place where required.

For terms of reference go to www.filtronic.com/investors/aim-rule-26/



Dear Shareholder

I am pleased to present the report of the Audit and Risk Committee.

The Audit and Risk Committee continues to fulfil a vital role in the Group's governance framework, providing independent challenge and oversight of the accounting, financial reporting and internal control processes, risk management, the internal audit activity and the relationship with the external auditor. This report outlines how the Committee has discharged its responsibilities during the year, including the onboarding of a new auditor. It aims to provide shareholders with a clear understanding of the work we have done as a committee to provide challenge and assurance on the integrity of the FY2024 Annual Report and Accounts and the Group's regulatory reporting requirements as well as the key issues it has considered.

Meetings are generally held immediately prior to a board meeting to facilitate immediate and efficient reporting to the Board, with additional meetings where necessary. The Executive Directors may attend the meeting by invitation whilst the external auditors attend when requested, as do outsourced internal audit providers when used.

The Company outsources its internal audit activity to third parties as it is not deemed appropriate given the size of the Company to have its own internal audit function. However, the Audit and Risk Committee considers annually whether there is a need for an in-house internal audit function to be established and, were it to conclude that this would be more appropriate than the current arrangements, would recommend this to the Board.

This year, the Committee focussed on completing the tender process that was undertaken in the year resulting in the appointment of Crowe U.K LLP ("Crowe") as external auditor. The Group has worked with Crowe on the transition activities and has now completed the first year of the Group and Company audit. The Committee also had updates on cyber security controls which is a risk area that the Committee wants to keep a focus on although the results are very positive with a strong set of robust controls in place.

The normal pattern of meetings follows the public reporting and audit cycle, with meetings to consider the external audit plan; the half year announcement and the full year Annual Report and Accounts, the latter with the external auditors' observations and opinions. There are at least two additional meeting in the year to review the key risks within the Group, how they are managed and review the adequacy of the arrangements to mitigate those risks.

There is also a meeting to consider the internal audit that has taken place in the year.

As Chair of the Committee, I maintain regular dialogue with the Chief Financial Officer and have direct access to Crowe, the Company's external auditor. The Committee meets separately at least once a year with the external auditor without others being present to facilitate open discussion and the opportunity to discuss any concerns.

Next year, in addition to the normal cycle of matters that the Committee schedules for consideration, we are planning to:

- Undertake an internal audit of the financial internal control system;

- Engage a cyber security specialist to once again test the resilience of our cyber security systems; and
- Continue to monitor emerging risks in the Group.

As Chair of the Audit and Risk Committee I make myself available at the Company's AGM to answer any shareholders questions relevant to the Committee.

John Behrendt
Chairman, Audit and Risk Committee
29 July 2024

Activities of the Audit and Risk Committee during the year

During the year, the Audit and Risk Committee discharged its responsibilities by:

Area of review	Activities undertaken
Financial reporting	<ul style="list-style-type: none"> • Review the Annual Report and Accounts, Interim Report and interim management statements prior to Board approval. • Consideration of whether the Annual Report and Accounts is fair, balanced and understandable. • Review the external auditor's detailed report to the Committee on the annual financial statements. • Review of accounting policies and significant accounting judgements and estimates. • Review of changes in corporate governance and accounting standards and their impact. • Review of the going concern basis for preparation of the financial statements including consideration of the Group's latest business plan and three-year outlook, cash flow forecast and corresponding sensitivities on downside scenarios.
External auditors	<ul style="list-style-type: none"> • Led the tender process for a new external auditor. • Recommendation to appoint Crowe. • Review of the external auditor's plan for the audit of the Group's financial statements, including the identification of key risks. • Review and approval of the external auditor's terms of engagement, remuneration, independence and rep letter. • Review of the external auditors' compliance with ethical and professional guidance on Senior Statutory Auditor rotation. • Assessment of the effectiveness of the audit process. • Committee-only meeting with the Senior Statutory Auditor.
Risk management and internal controls	<ul style="list-style-type: none"> • Review of the Group's risk management register. • Specific focus on risks relating to recruitment, delivery of engineering projects, cyber security as well as the risk relating to the strategic objective of broadening the customer base. • Review of the Group's internal control system and assessment of the effectiveness of those controls in minimising the impact of key risks. • Review of the need for an internal audit function and determine what aspects of the Group's operations should be subject to outsourced internal audit scrutiny. • Ensured cyber security was regularly reviewed. • Reviewed the results of the internal audit undertaken.
Governance	<ul style="list-style-type: none"> • Review of the Committee's terms of reference.

Governance report



Audit and Risk Committee report continued

Key accounting matters

The following key areas of risk and judgement have been identified and considered by the Audit and Risk Committee in relation to the business activities and financial statements of the Group and Parent Company:

Significant issue	Committee action taken
Carrying value of goodwill and other intangible assets	<p>The Committee considered the judgements made in relation to the valuation methodology adopted by management and the model inputs used. These are set out in note 14 to the financial statements.</p> <p>The Committee agreed with the judgements made by management and concluded that no impairment of goodwill should be made in the financial statements of the Group.</p>
Inventory valuation	<p>Filtronic operates in an industry where developments in product technology and the highly customer specific nature of some inventory may result in inventory becoming slow-moving or obsolete. This in turn may mean that inventory cannot be sold or sales prices for such inventory are discounted to less than the relevant inventory's book value.</p> <p>The Committee considered a paper from management analysing this inventory by product and looked at projected future usage relative to current inventory on hand. It reviewed the provision for excess and obsolete inventory and noted that the level of provision and the methodology applied was appropriate and consistent.</p>
Capitalisation and impairment of intangible development costs	<p>The Committee considered the capitalisation of development costs and the impairment assessment prepared by management. It critically assessed the inputs, such as a consideration of the reasonableness of discount rates applied and of reviewing forecasts into individual development product projections.</p> <p>The Group's accounting policy for intangible assets is included within the accounting policies in note 1 and the components of intangible assets are set out in note 14. The products under development, and capitalised, are mainly mmWave technology focussing on space opportunities which are expected to give rise to future economic benefit. Intangible asset impairment calculations and sensitivities are undertaken at least annually by management.</p>

Fair, balanced and understandable

The Company's management and the auditor confirmed to the Audit and Risk Committee that they were not aware of any material misstatements. Having reviewed the reports received from management and the auditor, the Committee is satisfied that the key areas of risk and judgement have been appropriately addressed in the financial statements and that the significant assumptions used in determining the value of assets and liabilities have been properly appraised and are sufficiently robust.

After careful consideration of the advice of the Audit and Risk Committee, the Board has concluded that the 2024 Annual Report and Accounts is fair, balanced and understandable and provides the necessary information for the Company's shareholders to assess the Group's risks, performance, business model and strategy.

Risk management and internal controls

Risk and risk management is delegated to the Audit and Risk Committee although the overall responsibility for the Group's system of risk management and internal controls remains with the Board.

The Group has well established risk management and internal control processes that have been developed since Filtronic was formed in 1977. The Audit and Risk Committee confirms that the effectiveness of the system of internal control, covering all material controls

including financial, operational, commercial and compliance controls and risk management systems, have been reviewed during the year. Further details of risk management can be found in the Risk management section of this Annual Report on page 23.

Auditor independence

Both the Audit and Risk Committee and Crowe have procedures in place to avoid the auditors' objectivity and independence being compromised.

The Committee performs its own assessment of auditor independence satisfying itself on an annual basis that suitable policies and procedures are in place to safeguard the auditors' independence and objectivity. This includes having regard to length of service, provision of non-audit services and the existence of any conflicts of interest. On the latter point, the Company has a policy of not employing anybody from the audit firm within five years of their departure. The auditor also has open access to the Chair of the Audit and Risk Committee and open lines of discussion with the Committee to ensure there is no influence by management.

Rotation of lead audit partner

As part of their review of auditor independence, Crowe has confirmed that it is independent of the Company and has complied with applicable auditing standards. Crowe is in its first year as auditor and therefore the

Senior Statutory Auditor is operating in accordance with professional guidelines of serving no longer than five years to maintain independence.

External auditor

The Committee considers that Crowe has carried out its duties as the auditor in a diligent and professional manner.

In assessing the auditor’s effectiveness, the Committee:

- Challenged the work done by the auditor to test management’s assumptions and estimates in the key risk areas;
- Reviewed reports received from the auditor on these and other matters;
- Received and considered feedback from management; and
- Held private meetings with the auditor that provided the opportunity for open dialogue and feedback between the Committee and the auditor without management being present.

Having completed its review, the Audit and Risk Committee is satisfied that Crowe remained effective and independent in carrying out its responsibilities up to the date of signing this report.

Appointment of the auditor

Crowe were appointed as external auditor to the Group in the year, with Michael Jayson being appointed the lead audit partner for FY2024.

Whistleblowing

The Group has in place a Whistleblowing policy, which sets out the formal process by which an employee, or other stakeholder, may, in confidence, raise concerns about possible malpractice in financial reporting, conduct or other matters to an identifiable whistleblowing officer.

There were no incidents or concerns raised for consideration during the year.

Anti-bribery

The Group has in place an Anti-Bribery policy, which sets its zero-tolerance position. The policy provides the principles for employees and other stakeholders that acts as guidance on how to recognise and deal with issues that may be considered as giving rise to bribery.

During the period there were no incidents reported that required consideration.



Governance report



Directors' remuneration report

Membership

The members of the Remuneration Committee and the number of meetings attended are:

	Meetings attended
Pete Magowan (Chairman)	3/3
Jonathan Neale	3/3
John Behrendt	3/3

The Remuneration Committee comprises the Non-Executive Directors, including the Chairman.

Role of the Remuneration Committee

The Remuneration Committee's role is to define and make recommendations to the Board on the Group's remuneration policy and the employment terms of Executive Directors and senior management along with the effective implementation of that policy. The Committee is also responsible for the review and approval of pay increases, performance related pay arrangements and share incentive plans along with the associated performance targets. The Committee's full terms of reference are reviewed regularly and approved by the Board.

For terms of reference go to www.filtronic.com/investors/aim-rule-26/



Dear Shareholder

On behalf of the Board, I am pleased to present the Filtronic Directors' remuneration report for the year ended 31 May 2024. The report explains the work of the Remuneration Committee during the year and sets out the payments and awards made to directors.

The recently updated QCA Code recommends that it is a good principle of corporate governance to establish a remuneration policy which aligns with the Company's purpose, strategy and culture. The Company is committed to being transparent and demonstrating good governance so the remuneration policy is presented within this Annual Report and will put to an advisory vote at the AGM.

The Remuneration Committee is committed to structuring the remuneration packages of Executive Directors and senior management that are competitive and enable the Group to attract, retain and motivate talented people that can develop and execute the Group's strategy. To promote the long-term success of the Company, the Executive Directors incentive benefits are performance based and earned only subject to the satisfaction of performance conditions. These performance conditions are aligned with the interests of the shareholders.

The Committee remains sympathetic to the increased cost of living our employees are under but recognises the pay decisions we take needs to reflect the current and future needs of the business. In determining pay awards, consideration was given to financial sustainability, enabling the business to produce the returns it needs for further investment whilst ensuring Filtronic remains an attractive proposition to retain and attract the talent needed to deliver our business strategy. Therefore, we undertook an external benchmarking exercise, using third-party experts to compare remuneration packages we offer against similar businesses in terms of size and nature. This resulted in standard salary increases being awarded to the Executive Directors and key management of 5%.

The 'Our People' section of this Annual Report and Accounts offers some greater insight into some of the additional benefits our employees enjoy as well as some of the access they get to third-party services for support with their health and wellbeing.

The Committee reviewed the outcomes for the FY2024 annual incentive plan with the targets being met, and exceeded, in the year resulting in a full payment of the bonus scheme.

The Committee also considered the performance-related bonus plan to be implemented in FY2025, to ensure it aligned with the interests of shareholders. As the Company executes on its growth plans it was concluded that the revenue-based metric for the incentive scheme remains the best metric to assess performance against the scheme. The incentive for FY2025 will be awarded for achieving stretching targets against the FY2025 strategic business plan. The Committee is confident this will drive the right behaviours in the organisation to deliver long-term shareholder value and ultimately increased revenue will lead to improved levels of profit.

To support the long-range strategic plans and further align the interests of the Executive Directors and key management with shareholders, the Committee consulted with our major shareholders in the year in relation to

the Employee Share Option Plan ("ESOP") scheme and performance conditions. The scheme was restructured, with the new performance conditions, during the year to increase the headroom available to grant options to participants, including both the CEO and CFO, that incentive the right behaviours and align the outcomes with those of the shareholders.

The main activities of the Committee in FY2024 are set out in the table. I hope you find this report gives a clear account of the Committee's approach and remuneration outcomes for the year. We are committed to maintaining an open dialogue with shareholders with regards to remuneration and would welcome any comments or concerns, relating to this report, that shareholders may have.

Pete Magowan
Chairman, Remuneration Committee
29 July 2024

Activities of the Remuneration Committee during the year

During the year, the Remuneration Committee discharged its responsibilities by:

Area of review	Activities undertaken
Executive Directors' and senior management remuneration	<ul style="list-style-type: none"> Set the remuneration for the Executive Directors and senior management as part of the annual pay review. Reviewed and appraised the remuneration of the new CEO. Assessed and approved the FY2024 bonus outcomes. Reviewed and approved the FY2025 performance-related bonus plan and assessed the <i>performance criteria remaining as a revenue based metric</i>. Determined the performance targets for the 2025 annual bonus in line with Filtronic's strategic plans.
Share incentive plans	<ul style="list-style-type: none"> Consulted with shareholders on increasing headroom availability in the employee share plans. Approved the grant of share options under the ESOP scheme for the Executive Directors and key management and set stretching performance conditions based on share price growth and adjusted EBITDA. Increased employee share scheme headroom availability to 12.5% from 10%.
Governance	<ul style="list-style-type: none"> Considered and approved the Directors remuneration report. Reviewed and approved the remuneration policy. Reviewed and approved the Committee's terms of reference. Reviewed compliance with the QCA code and the updates to the QCA code 2023.



Directors' remuneration report continued

Directors' remuneration policy

The objective of the Directors' remuneration policy is to attract, retain and incentivise a high calibre of Executive Director, Senior Management and Non-Executive Directors who can direct the business and deliver the Group's core objective of growth in shareholder value, by building a business that is capable of delivering long-term, sustainable growth.

The Board has overall responsibility for the remuneration policy but delegates the operation of it to the Remuneration Committee ("the Committee") which is also responsible for ensuring our reward structure remains both competitive in our market and aligned with the interests of shareholders. It has spent a significant amount of time assessing the policy to ensure it aligns the interests of the Executive Directors and Senior Management with the Group's business strategy, growth ambition, culture and creation of long-term shareholder value. It is structured in compliance with Principle 9 of the

QCA Code and ensures that appropriate incentives are in place to motivate and encourage enhanced performance, with rewards for contribution to the success of the Group being given in a fair and responsible manner. It supports and reinforces the desired corporate culture and aims to promote the right behaviours and decision making within the organisation.

Executive Directors and Senior Management

Pay structures for the Executive Directors and Senior Management have been implemented to be attractive to attract and retain whilst being aligned with shareholders' interests. To achieve this objective, remuneration packages are awarded with elements of fixed and variable pay with share incentives structured to help Executive Directors and Senior Management build and hold a meaningful shareholding in the company.

The table below summarises the key components of remuneration for Executive Directors and senior management:

Element	Objective and Link to Strategy	Operation	Opportunity	Performance Measures
Base Salary	To reflect the individual's skills and experience, providing a competitive base reward to recruit and retain people of the calibre needed to develop and deliver the Company's strategy.	Base salaries are normally reviewed on an annual basis with any changes effective from 1 June.	While there is no maximum salary, any increase will typically be in line with those awarded to the wider employee population. The Remuneration Committee retains discretion to make exceptional salary increases in circumstances that it considers appropriate, for example: i) where the individual has been promoted or gains a clear increase in responsibility. ii) aligning pay with a market competitive rate. iii) There is a material change in the size or complexity of the business.	Base salary levels and corresponding increases are based on individual experience, skills and business performance along with competitiveness against similar companies.
Benefits	To provide market competitive benefits as part of a competitive total remuneration package.	Benefits include, but are not limited to, private healthcare, car allowance, life assurance and income support. Although the latter two are contingent on being a member of the Filtronic stakeholder pension scheme.	The Remuneration Committee retains discretion to approve additional benefits taking into account the role and individual circumstances.	None.

Element	Objective and link to Strategy	Operation	Opportunity	Performance Measures
Pension contribution	To provide a market competitive retirement benefit on the same basis as that available to other employees.	<p>The Executive Directors are eligible to participate in the Group's defined contribution scheme.</p> <p>The Company has discretion to authorise cash payments in lieu of pension contribution.</p>	The Group operates an employer matched plus 2% pension scheme for its UK employees, including the Executive Directors, up to a maximum of 8% of base salary if the employee contributes 6%.	None.
Annual Performance Related Bonus	To provide an incentive to deliver short-term stretching financial performance and growth targets.	<p>Targets (financial and non-financial) are set and reviewed by the Committee annually. Actual bonus payable is determined by the Committee after the financial year-end, based on performance against these targets</p> <p>All employee bonuses are subject to malus and clawback provisions.</p>	<p>The bonus target is 75% of base salary in the case of the CEO and 50% of the base salary in the case of the CFO.</p> <p>Under the financial element of the annual bonus, threshold performance must be exceeded before any annual bonus becomes payable. The percentage payout then increases according to the level of achievement against targets. Bonuses start accruing from a minimum threshold at 20% to the maximum amount payable of 150% of bonus target for exceptional outperformance.</p>	The performance measures, weighting and targets are set annually by the Committee with reference to external expectations and internal financial forecasts.
Employee Share Option Plan ("ESOP")	To drive and incentivise long-term value creation, support retention and promote share ownership by the Executive Directors.	<p>The exercise price of the share option is generally set at the market price on the date of the grant other than in exceptional circumstances.</p> <p>Vesting of the option is conditional on achievement of pre-defined performance conditions, which the Committee considers to be appropriately stretching, and are measured over multiple financial periods.</p> <p>The Committee retains discretion to adjust the choice of performance measures to ensure they continue to be linked to the delivery of the Group's strategy.</p>	The Committee has full discretion as to the participants of the scheme and the number of options granted to each participant.	<p>Awards vest based on the achievement of performance measures. The performance criteria are financial and include measures such as share price growth and adjusted EBITDA.</p> <p>The Committee has discretion to adjust outcomes to ensure that payments accurately reflect underlying business performance over the period.</p>

Governance report



Directors' remuneration report continued

Element	Objective and link to Strategy	Operation	Opportunity	Performance Measures
Participation in other all employee share-based plans including Save As You Earn ("SAYE")	To encourage all employees to make a long-term investment in share ownership of the Company in a tax-efficient way.	The Executive Directors can participate in the Company's SAYE scheme on the same terms as other UK employees. Options are periodically granted at a discount (currently up to 20%) to the market value of the share at the date of invitation. Awards may be adjusted to reflect a change in the capital structure of the company.	Up to the maximum monthly saving amount as permitted by HMRC.	N/A

Notes to the policy table

Performance measures and targets

It is the Board's intention to reward success. Therefore, the aim of the variable pay structure is to reward Executive Directors and Senior Management over and above base salary for the achievement of business objectives.

Performance targets are set to be stretching but achievable, with regard to the particular strategic priorities in a given year. The Committee retains the ability to adjust performance measures or targets if events occur (such as a change in Group strategy, a material acquisition or a change in prevailing market conditions) which cause the Committee to determine that measures are no longer appropriate and that an amendment is required so that they achieve their original purpose.

Annual bonus

The bonus criteria are selected annually to reflect the Group's main KPIs for the year and are designed to encourage continuous performance improvement for the Group.

Group financial performance targets relating to the bonus plan are set with reference to the Group's annual budget, which is reviewed and signed off by the Board prior to the start of each financial year.

Share schemes

The Committee has determined that the performance metrics for the recently announced ESOP scheme are share price growth and adjusted EBITDA performance over three financial periods to align business performance with the interests of the shareholders. Minimum and upper targets are set for achievement where vesting will only materialise if the lower target is met after the three years otherwise the share option will lapse. On achieving the minimum threshold, the ESOP vests at 50% of the total options granted and continues to vest on a straight-line

basis until the upper target is achieved, at which point the maximum ESOP potential will vest.

Limit on sale of share option

To promote share ownership of Executive Directors and Senior Management there is a restriction on the number of shares that can be sold in any six-month period to a maximum of 1% the total share capital of the Company.

Remuneration policy for other employees

The approach to annual salary reviews is consistent across the Group, with consideration given to individual performance, skills, experience, responsibility, group performance, market conditions and salaries paid by similar companies. Pension participation is open to all employees and those enrolled receive life insurance and income protection (long term incapacity benefit). UK employees are also invited to join the SAYE plan on the same terms as the Executive Directors.

Depending upon role and seniority, some employees may also benefit from private healthcare and inclusion in the Filtronic Annual Bonus Scheme. The level of participation in all bonus and ESOP schemes is determined by the Board via the Remuneration Committee in consideration of role, responsibility and individual performance contribution.

Consideration of AIM market practice

The Board aims to keep reward packages and policy in line with AIM market norms and will take soundings from time to time with external advisors to take account of changing governance requirements and tax policy in respect of scheme rules.

Consideration of shareholders' views

The Committee considers feedback received from all shareholders and seeks engagement to consult with major shareholders on key remuneration issues. The

Committee engages proactively with shareholders and ensures that they are consulted in advance where there are any material changes to the remuneration policy or elements of it. During FY2024, a consultation exercise was undertaken with major shareholders to seek feedback on the proposed changes to increase the number of options that could be granted to the Executive Directors and Senior Management.

Recruitment remuneration policy

The Committee recognises the importance of attracting the best talent available to the Company to deliver company strategy and long-term shareholder value.

The Company will, therefore, on recruitment or internal promotion, to Executive Director or Senior Management apply the remuneration policy in full. This includes making use of any, or all of the components of remuneration set out in the table above. The Committee retains discretionary authority to set first year annual bonus performance targets for new recruits different to those for the other participants, in order to reflect a commencement period after business plans have been set and to also offer at commencement the immediate participation in the ESOP scheme.

In determining appropriate remuneration for a new Executive Director or Senior Manager, the Committee will take into consideration all relevant factors including the quantum, nature of remuneration and jurisdiction from which the candidate was recruited to ensure that the pay arrangements are in the best interests of the Group and its shareholders.

The Committee may include additional elements of pay which it considers appropriate in circumstances which may include:

- Interim appointments;
- Non-Executive Directors taking on an executive function on a short-term basis; and
- Where the timing of the recruitment means that it would be inappropriate to provide a bonus or ESOP opportunity for the year, in which case the quantum in respect of the opportunity for the year of recruitment may be transferred to the subsequent year in order that reward is provided on a fair and appropriate basis.

However, the Committee's discretion is not unlimited. As noted above, salary, pension and benefits will be provided in line with the existing policy. The Committee may alter the performance measures and vesting periods of incentive remuneration and the deferral arrangements for the bonus or holding period for the ESOP to reflect the circumstances of the recruitment. The rationale for any exercise of this discretion will be explained in the following year's remuneration report.

In addition to the above elements of remuneration, the Committee may consider it appropriate to grant an award under a different structure in order to facilitate the recruitment of an individual, to replace remuneration, benefits and/or incentive arrangements forfeited on leaving a previous employer.

External appointments

It is the Board's policy to allow each Executive Director to take up one non-executive position on the board of another company, subject to the prior approval of the Filtronic Board. Any fee earned in relation to outside appointments is retained by the Executive Director. No such positions were taken by Richard Gibbs nor Michael Tyerman and so no such fees were paid during the current financial year. Nat Edington currently has two Non-Executive roles that he held prior to joining the Company but this will reduce to one in line with this remuneration policy by the end of the H1 FY2025.



Directors' remuneration report continued

Non-Executive Directors

The policy table below summarises the key components of remuneration for the Chairman and Non-Executive Directors:

Element	Objective and link to strategy	Operation	Opportunity	Performance measures
Fees	To attract and retain high calibre individuals who have the experience to conduct both the statutory duties of a director, as well as advise on company strategy and oversee its implementation.	<p>Fee reviews are conducted annually at the same time as the Executive Directors on 1 June of each financial year and consider economic conditions, market levels and the time commitment and contribution of each individual as well as the affordability for the Company.</p> <p>Fees are payable entirely in cash.</p> <p>Neither the Chairman nor the Non-Executive Directors are permitted to participate in the Company's performance-based incentive plans.</p>	<p>Increases to fee levels will typically be in line with market levels of inflation.</p> <p>In exceptional circumstances (eg. material misalignment with the market or a change in the complexity, responsibility or time commitment required to fulfil the role of Non-Executive Director) the Board retains the discretion to make appropriate adjustments to fee levels to ensure they remain market competitive and fair to the Director.</p> <p>Non-Executive Directors receive an additional fee for Chairing a board committee.</p>	N/A

Directors' service agreements

The Executive Directors are employed under contracts of employment with the Group.

The Non-Executive Directors, including the Chairman, are retained under Letters of Appointment.

Executive Directors' contracts and Non-executive Directors' Letters of Appointment are available to view at the Company's Registered Office. Details of the service contracts currently in place for directors are as follows:

Name	Executive service agreement appointment date	Key current terms	Notice period
Nat Edington Chief Executive Officer	Appointed to the Board on 13 May 2024	Base salary £260,000 Annual bonus Health insurance Long-term incentives Pension allowance	6 months
Michael Tyerman Chief Financial Officer	Appointed to the Board on 1 April 2016	Base salary £158,657 Annual bonus Health insurance Long-term incentives Pension	6 months

Name	Role	Non-Executive terms of appointment date	Fee	Notice period
Jonathan Neale	Chairman and Nominations Committee Chairman	Appointed to the Board on 15 November 2021	£73,500	6 months
Pete Magowan	Remuneration Committee Chairman	Appointed to the Board on 19 November 2018	£47,250	3 months
John Behrendt	Audit and Risk Committee Chairman	Appointed to the Board on 1 January 2021	£47,250	3 months

Exit payments

When determining any loss of office payment for a departing Executive Director or Senior Manager the Committee will ensure that a consistent approach is adopted so that there is no reward for poor performance and the liabilities of the Group are minimised where appropriate.

The underlying principle to be applied is that payment to an individual shall be limited to their contractual

obligations and to honour any pre-established commitments with the exception that, for "good leavers" the committee will retain discretionary authority over the grant of pro-rata annual bonus, SAYE and ESOP awards.

No severance payment shall be made to any employee who is dismissed for serious breach of contract, serious misconduct or any acts or omissions that bring the company into disrepute.

Annual bonus

Reason for leaving	Timing of vesting	Treatment of awards
"Good leaver" including redundancy, retirement etc	Usually paid at the same time as continuing employees. Pro rata payments may also be made early on compassionate grounds to a "good leaver".	Eligible for an award to the extent that performance targets are satisfied, and the award is pro-rated for the proportion of the financial year served.
"Bad leaver" including resignation, dismissal, etc	No annual bonus payable.	Not applicable.
Change of control	Paid immediately on the effective date of change of control.	Eligible for an award to the extent that performance targets are satisfied up to the change of control and the award is pro-rated for the proportion of the financial year served to the effective date of change of control.

ESOP scheme

Reason for leaving	Timing of vesting	Treatment of awards
"Good leaver" including redundancy, retirement etc – awards which are still subject to performance conditions	Continue until the normal vesting date or vest immediately, at the discretion of the Committee. In the event of the death of a participant, the award would vest immediately.	Outstanding awards vest to the extent the performance conditions are or are reasonably considered to be likely to be satisfied and the awards are pro-rated to reflect the length of the performance period served unless the remuneration committee decides otherwise. In the event of the death of a participant during the performance period, the award would vest in full.
"Bad leaver" including resignation, dismissal, etc	Outstanding awards are forfeited.	Not applicable.
Change of control	Vest immediately on the effective date of change of control.	Outstanding awards vest subject to the satisfaction of performance conditions as at the effective date of change of control, and the award is pro-rated for the proportion of the performance period served to the effective date of change of control unless the remuneration committee decides otherwise.

Governance report



Directors' remuneration report continued

Remuneration Report

Total single figure of remuneration for directors - audited

The directors' total remuneration in respect of the year under review is shown below and compared to the previous year.

£000	Salary or fee		Bonus		Benefits		Long-term incentive		Total remuneration excluding pension contributions	
	FY2024	FY2023	FY2024	FY2023	FY2024	FY2023	FY2024	FY2023	FY2024	FY2023
Executive Directors										
Nat Edington ¹	15	-	-	-	1	-	-	-	16	-
Richard Gibbs ²	206	204	107	-	11	11	479	24	803	239
Michael Tyerman	144	137	72	-	1	-	218	11	435	148
Non-Executive Directors										
Jonathan Neale	67	60	-	-	-	-	-	-	67	60
Pete Magowan	44	40	-	-	-	-	-	-	44	40
John Behrendt	44	40	-	-	-	-	-	-	44	40
Total	520	481	179	-	13	11	697	35	1,409	527

¹Nat Edington was appointed to the Board on 3 May 2024.

²Richard Gibbs resigned from the Board on 13 May 2024. He will remain with the Company until 30 November 2024 in an advisory capacity.

Notes to the single figure table of remuneration for directors - audited

Taxable benefits

The Executive Directors are provided with private health insurance and life assurance whilst Nat Edington also receives an allowance in lieu of pension.

Incentive outcomes - FY2024

The Executive Directors were rewarded for delivering revenue targets aligned with the FY2024 Business Plan.

Long-term incentives

The Executive Directors have long-term incentives as part of the Company's share option plan. More details relating to this can be found on page 63 in the 'Management share option plan - audited' section of the Directors' remuneration report.

Annual performance-related bonus plan - FY2025

An annual performance-related bonus plan has been introduced for the year ending 31 May 2025 which will reward the Executive Directors and key management cash bonuses for delivering stretching revenue targets aligned to the FY2025 business plan and achievement of personal objectives that support the growth and development of the business.

Nat Edington can earn up to a maximum of 100% of his base salary whilst Michael Tyerman can earn up to 75% of his base salary. Pay-out is determined by the Remuneration Committee which has discretion to vary the bonus based on performance.

Total single figure of pension benefits for directors - audited

The Executive Directors' total pension benefits in respect of the year under review are shown below and are compared to the previous year.

£000	Pension contributions	
	FY2024	FY2023
Michael Tyerman	12	11
Richard Gibbs	10	-
Total	22	11

Contributions were made to the Company's defined contribution scheme.

Richard Gibbs opted to join the Company's pension scheme in November 2023 having previously elected not to.

Nat Edington chose not to join the Company's pension scheme and opted to be paid an allowance in lieu of pension as an alternative.

Directors' and relevant senior management holdings of Filtronic shares - audited

Directors are not required but are expected to have holdings in the ordinary share capital of the Company.

The interests of the directors, who were serving as at 31 May 2024, in the Company's ordinary shares, which excludes interests under the share option schemes, are set out below:

	FY2024		FY2023	
	Shares	%	Shares	%
Nat Edington	-	-	-	-
Michael Tyerman	581,601	0.3%	339,478	0.2%
Jonathan Neale	265,151	0.1%	199,870	0.1%
Pete Magowan	750,000	0.3%	750,000	0.3%
John Behrendt	200,000	0.1%	200,000	0.1%
	1,796,752	0.8%	1,489,348	0.7%

The above shareholdings include holdings of directors' connected parties.

Management share options scheme - audited

The Executive Directors who were serving at 31 May 2024 held the following options over the ordinary shares of the Company:

	Plan	Exercise period	Option price	FY2024	FY2023
Nat Edington	ESOP	24/05/2027—24/05/2034	17.25p	4,333,333	-
Michael Tyerman	ESOP	01/03/2019—28/02/2026	5.37p	-	300,000
Michael Tyerman	ESOP	24/06/2024—23/06/2031	11.12p	479,988	479,988
Michael Tyerman	ESOP	30/11/2026—30/11/2033	17.25p	1,370,012	-
Michael Tyerman	SAYE	06/05/2024—05/11/2024	6.67p	58,290	58,290
				6,241,623	838,278

The ESOPs granted in June 2021 to Michael Tyerman and key management were granted for the delivery of stretch targets of revenue with the options vesting at various incremental increases of agreed targets. 23% of these options vested based on the performance condition being met. The Remuneration Committee have agreed to extend the scheme for another 12 months, with 50% of the remaining options rolled forward, to vest after publication of the audited FY2025 financial statements. The other 50% of remaining options will lapse.

Michael Tyerman opted to take part in the Company's SAYE scheme which was offered to all employees in May 2021.

The closing middle market price on 31 May 2024 was 59p, and on 31 May 2023 it was 13p. The range of middle market share prices during the year ended 31 May 2024 was 60p-13p.

There was one change in directors' interests between 31 May 2024 and 31 July 2024 as Michael Tyerman exercised 58,290 options granted in the SAYE scheme taking his holding to 639,891. The Company's register of directors' interests, which is open to inspection at the Registered Office, contains full details of directors' shareholdings.

Governance report



Directors' report

The directors present their report together with the audited consolidated financial statements for the year ended 31 May 2024.

Going concern

The Group's business, and the factors likely to affect its future development, performance and position are set out in the Strategic report.

The revenue, trading results and cash flows are explained in the Financial review on page 18.

After a review of forecasts including projections of profitability and cash flows for the year to 31 May 2025 and a further two years, the directors believe that the Group has adequate resources to continue to operate for the foreseeable future and that it is therefore appropriate to continue to adopt the going concern basis of accounting in the preparation of the consolidated and Company financial statements. The basis of preparation, in note 1, provides more detail on this.

Directors and their interests

The directors of the Company during the year, and up to the date of signing this report, were as follows:

Executive Directors

Nat Edington (appointed 13 May 2024)

Richard Gibbs (resigned 13 May 2024)

Michael Tyerman

Non-Executive Directors

Jonathan Neale

Pete Magowan

John Behrendt

Details of directors' remuneration and interests in the share capital of the Company are set out in the remuneration report on page 54.

Nat Edington will stand for election at the Annual General Meeting ("AGM"), being the first one since he was appointed.

The Board has decided to adopt best practice, as recommended by the QCA Code 2023, so all the directors will stand for re-election annually starting at the 2023 AGM.

Directors' indemnity

The Company has in place directors' and officers' liability insurance on behalf of its directors and officers in accordance with the provisions of the Companies Act.

Directors' conflicts of interest

There are no declarations to be made under Section 182 of the Companies Act 2006.

Financial results and dividend

The results for the year are set out in the income statement on page 66. The position at the end of the year is shown in the statement of financial position sheet on page 72.

The directors are not recommending payment of a dividend (2023: £nil).

Research and development expenditure

Research and development costs in the year are set out in the Financial Review on page 18.

Treasury policy

The Group's treasury policy aims to manage the Group's financial risk and to minimise the adverse effects of fluctuations in the financial markets on the value of the Group's financial assets and liabilities, on reported profitability and on the cash flows of the Group. Note 35 sets out the particular risks to which the Group is exposed, and how these are managed.

Significant events and future developments

There have been no significant events since the reporting date. The Group's future developments are disclosed in the Strategic Report on pages 3 to 41.

Share capital

The Company's share capital consists of 0.1p ordinary shares. The rights and obligations attached to each share are equal. Each share carries the right to one vote at the Annual General Meeting of the Company and carries no right to fixed income. There are no limitations on holding or transfer of the shares. The Board has no powers to issue or buy back the Company's shares, other than those approved by the shareholders at the Annual General Meeting held in October 2023.

Substantial shareholdings

Up to 31 May 2024, the Company had been notified, by shareholders, in accordance with chapter 5 of the disclosure and transparency rules, of the voting rights they held as shareholders of the Company. An analysis of shareholders as at 31 May 2024 (as disclosed by shareholders via TR1) is set out in the table below. As at 31 May 2024, the Company had issued share capital of 218,033,210 ordinary shares of 0.1p each.

Top Investors

Rank	Investor	31 May 2024	%
1	Canaccord Genuity Group Inc.	30,725,000	14.15%
2	Mark and Diana Dixon	30,000,000	13.82%
3	David and Monique Newlands	28,196,068	12.98%
4	Schroders PLC	11,016,354	5.07%
5	Harwood Capital LLP	10,940,338	5.03%

Directors' report continued

Corporate governance

The Corporate governance statement can be found on pages 44 to 47 of this annual report and accounts.

Political and charitable contributions

No contributions were made for political purposes (2023: £nil).

The Group made charitable donations of £• in the year (2023: £1,250).

Annual General Meeting

The Annual General Meeting of the Company will be held on 31 October 2024 at 11am at Plexus Building, Thomas Wright Way, Netpark, Sedgefield, County Durham, TS21 3FD.

Full details of the business to be transacted at the meeting will be set out in the notice of the Annual General Meeting.

Renewal of authority to purchase the Company's shares

Last year, a resolution was passed at the Annual General Meeting to give the Company the authority to purchase its own Ordinary shares on the Stock Exchange. This authority expires eighteen months from the passing of the resolution. To avoid this authority expiring during the next year and the need to call an extraordinary general meeting to renew the authority, a resolution to renew the authority will be requested at the Annual General Meeting.

Under the terms of the resolution to be proposed at the Annual General Meeting, the maximum number of shares which may be purchased is 10% of the issued ordinary share capital of the Company. The minimum price payable by the Company for its ordinary shares will be 0.1p and the maximum price will be determined by reference to current market prices. The authority will automatically expire after a period of eighteen months from the passing of the resolution unless renewed.

It is not the Directors' current intention to exercise the power to purchase the Company's ordinary shares, but they believe that under certain circumstances it would be in the Company's best interests to do so.

The Directors consider the resolutions to be proposed at the meeting are in the best interests of the Company and its shareholders. Therefore, they unanimously recommend that all shareholders vote in favour of the resolution at the Annual General Meeting as they intend to do in respect of their beneficial holdings.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and Accounts and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the

directors have prepared the group and the company financial statements in accordance with UK-adopted international accounting standards.

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the Group's and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Group's and Company's auditors are aware of that information

By order of the Board

Michael Tyerman
Chief Financial Officer
29 July 2024



Independent auditors' report to the members of Filtronic plc

Opinion

We have audited the financial statements of Filtronic plc (the "Company") and its subsidiaries (the "Group") for the year ended 31 May 2024, which comprise:

- the Consolidated income statement and statement of comprehensive income for the year ended 31 May 2024;
- the Consolidated and Company balance sheets as at 31 May 2024;
- the Consolidated and Company statements of changes in equity for the year then ended;
- the Consolidated and Company cash flow statements for the year then ended; and
- the notes to the financial statements, including accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK-adopted international accounting standards.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 May 2024 and of the Group's profit for the period then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group's and Company's ability to continue to adopt the going concern basis of accounting included:

- Assessing management's base case and severe but plausible downside cash flow forecasts, including challenging management on the key assumptions underpinning the models, which included sales forecasts, margin performance and working capital assumptions;
- Considering the mitigating actions included in the severe but plausible downside scenario to consider whether they reflected actions within management's control, as well as any costs associated with implementing these mitigating actions;
- Reviewing historic trading results and 'looking back' to compare them with management's original budget for the relevant period, to consider management's historical forecasting accuracy;
- Testing the mathematical accuracy and integrity of management's model;
- Performing additional sensitivity analysis of management's severe but plausible case; and
- Considering the disclosures provided in the financial statements with respect to going concern for consistency with the models that were subject to audit.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Overview of our audit approach

Materiality

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.

Based on our professional judgement, we determined overall materiality for the Group financial statements as a whole to be £215,000, based on 0.85% percent of Group turnover. Materiality for the Company financial statements as a whole was set at £30,000 based on 0.65% of total assets.

We use a different level of materiality ('performance materiality') to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements

made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment. This is set at £150,500 for the group and £21,000 for the parent.

Where considered appropriate performance materiality may be reduced to a lower level, such as, for related party transactions and directors' remuneration.

We agreed with the Audit and Risk Committee to report to it all identified errors in excess of £8,750. Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

Overview of the scope of our audit

Our group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatements at the Group level. For the three significant components we identified, which are Filtronic plc, Filtronic Broadband Limited and Filtronic Wireless Inc., we performed a full scope audit of the complete financial information to component materiality. For the remaining components, we performed analytical reviews and other audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements, either because of the size of these accounts or their risk profile.

The group audit team conducted the audit of all components of the business and no component auditors were used during the audit process.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Our audit procedures in relation to these matters were designed in the context of our audit opinion as a whole. They were not designed to enable us to express an opinion on these matters individually and we express no such opinion.

Key audit matter	How our audit addressed the key audit matter
<p>Carrying value of goodwill (Group)</p>	<p>We considered the carrying value of goodwill and non-current assets by reference to management's value in use model, which was based on discounted cash flows.</p>
<p>Refer to page 77 (Key accounting matters) and note 14 to the financial statements.</p>	<p>We considered the carrying value of goodwill and non-current assets by reference to management's value in use model, which was based on discounted cash flows.</p>
<p>The goodwill balance is £974,000. We focused on this area due to the material goodwill balance held on the consolidated balance sheet and the estimates and judgements required to determine recoverable amount.</p>	<p>We obtained an understanding of the systems and controls in relation to Goodwill and carried out a walkthrough to confirm the design and implementation of these controls.</p>
	<p>We assessed management's determination of CGUs against technical guidance and considered whether the impairment assessment was performed at the appropriate level, considering management's own internal reporting for monitoring of goodwill. We tested the inputs to the model to Board approved budgets, which included short and long-term growth rates. We also tested the integrity of the model and its mathematical accuracy.</p>
	<p>We determined that the calculations were most sensitive to growth assumptions and calculated the degree to which these assumptions would need to move before any impairment was required. We assessed the short-term growth rate assumptions against purchase orders and contracts, along with available market data for the telecommunications infrastructure sector.</p>



Independent auditors' report to the members of Filtronic plc continued

Key audit matter	How our audit addressed the key audit matter
<p>Carrying value of goodwill (Group) (continued)</p>	<p>We also read the disclosures provided in the financial statements regarding goodwill impairment testing, and the associated disclosure of the critical accounting estimates, and found these to be appropriate.</p> <p>Based on the procedures we performed we were able to obtain sufficient audit evidence in respect of the carrying value of goodwill and non-current assets.</p>

Capitalisation and carrying value of development costs

Within the intangible assets held by the group (see note 14 of the consolidated financial statements), there are material balances relating to internally generated, capitalised development costs. The process of correctly identifying and capitalising this development expenditure in the year requires the critical application of judgement by management, and as such is considered a key audit matter.

In carrying out impairment assessments there is a risk that the key assumptions such as revenue growth, terminal growth rate, variability of costs and discount rates used in the impairment review model are not appropriate.

We have reviewed and challenged management's assessment of whether additions met the criteria for capitalisation and whether brought forward developments continued to meet the criteria for capitalisation. We corroborated a sample of the amounts capitalised in the year to supporting documentation including invoices for external costs and an approximate evaluation of internal resource/time capitalised. We reviewed management's assessment of capitalisation criteria in order to conclude if this was appropriate in accordance with IAS38. We have gained an understanding of the group's process and controls around the capitalisation and carrying value of development costs.

We obtained and reviewed management's assessment of indicators of impairment; management's key estimates are set out within the disclosure of critical accounting estimates and judgements on page 81.

We reviewed the appropriateness of the amortisation periods in the context of the continuing development of technologies which may give rise to obsolescence, and the expected recovery of the assets against future sales.

Other information

The directors are responsible for the other information contained within the annual report. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion based on the work undertaken in the course of our audit

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Group and the Company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or

- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 65, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We obtained an understanding of the legal and regulatory frameworks within which the Group and Company operates. We also considered and obtained an understanding of the UK legal and regulatory framework which we considered in this context were the Companies Act 2006 and taxation legislation.

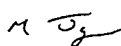
We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be the override of controls by management, misstatement of revenue and misstatement of carrying value of intangible assets including goodwill. Our audit procedures to respond to these risks included enquiries of management about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals. We also reviewed and challenged accounting estimates and assumptions used by management for the impairment assessment of goodwill and intangible assets (see Key Audit Matters above) and recognition of contract income, in order to verify that the calculations and models were reasonable and free of biases.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

These inherent limitations are particularly significant in the case of misstatement resulting from fraud as this may involve sophisticated schemes designed to avoid detection, including deliberate failure to record transactions, collusion or the provision of intentional misrepresentations. A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Michael Jayson (Senior Statutory Auditor)
for on behalf of Crowe U.K. LLP
Chartered Accountants and Statutory Auditors
Manchester
29 July 2024



Consolidated income statement for the year ended 31 May 2024

	Note	2024 £000	2023 £000
Revenue	3	25,432	16,268
Adjusted earnings before interest, taxation, depreciation, amortisation and share-based payments		4,889	1,270
Amortisation of intangible assets	14	(287)	(253)
Depreciation of property, plant and equipment and right of use assets	15, 16	(945)	(780)
Share-based payments	31	(47)	-
Operating profit	4	3,610	237
Finance costs	10	(332)	(231)
Finance income	11	83	58
Profit before taxation		3,361	64
Taxation	12	(220)	400
Profit for the year		3,141	464
Basic earnings per share	13	1.45p	0.22p
Diluted earnings per share	13	1.41p	0.21p

The profit for the year is attributable to the equity shareholders of the Parent Company, Filtronic plc.

The notes on pages 75 to 103 form part of these financial statements.

Consolidated statement of comprehensive income for the year ended 31 May 2024

	Note	2024 £000	2023 £000
Profit for the year		3,141	464
Other comprehensive income			
Items that are or may be subsequently reclassified to profit and loss:			
Currency translation movement arising on consolidation	26	(52)	(1)
Total comprehensive income for the year		3,089	463

The total comprehensive income for the year is attributable to the equity shareholders of the Parent Company, Filtronic plc.

All income recognised in the year was generated from continuing operations.

The notes on pages 75 to 103 form part of these financial statements.

Consolidated statement of financial position as at 31 May 2024

	Note	2024 £000	2023 £000
Non-current assets			
Goodwill and other intangible assets	14	2,271	1,774
Right of use assets	15	3,756	2,889
Property, plant and equipment	16	1,153	1,446
Deferred tax	17	1,047	1,254
		8,227	7,363
Current assets			
Inventories	18	3,273	2,778
Trade and other receivables	19	6,550	5,335
Cash and cash equivalents		7,215	2,610
		17,038	10,723
Total assets		25,265	18,086
Current liabilities			
Trade and other payables	20	5,406	3,673
Provisions	21	493	364
Deferred income	22	1,403	164
Lease liabilities	23	895	617
		8,197	4,818
Non-current liabilities			
Deferred income	22	132	29
Lease liabilities	23	2,121	1,698
		2,253	1,727
Total liabilities		10,450	6,545
Net assets		14,815	11,541
Equity			
Share capital	24	10,798	10,796
Share premium	25	11,213	11,077
Translation reserve	26	(522)	(470)
Retained earnings	28	(6,674)	(9,862)
Total equity		14,815	11,541

The total equity is attributable to the equity shareholders of the Parent Company, Filtronic plc.

Company number 2891064.

The notes on pages 75 to 103 form part of these financial statements. The financial statements on pages 70 to 103 were approved by the Board of Directors on 29 July 2024 and signed on its behalf by

Michael Tyerman
Chief Financial Officer
29 July 2024

Michael Tyerman

Consolidated statement of changes in equity for the year ended 31 May 2024

	Share capital £000	Share premium £000	Translation reserve £000	Retained earnings £000	Total equity £000
Balance at 1 June 2022	10,796	11,060	(471)	(10,342)	11,043
Profit for the year	-	-	-	464	464
Currency translation movement arising on consolidation	-	-	1	-	1
Share-based payments	-	-	-	16	16
New shares issued	-	17	-	-	17
Balance at 31 May 2023	10,796	11,077	(470)	(9,862)	11,541
Profit for the year	-	-	-	3,141	3,141
Currency translation movement arising on consolidation	-	-	(52)	-	(52)
Share-based payments	-	-	-	47	47
New shares issued	2	136	-	-	138
Balance at 31 May 2024	10,798	11,213	(522)	(6,674)	14,815

The notes on pages 75 to 103 form part of these financial statements.

Consolidated cash flow statement for the year ended 31 May 2024

	2024 £000	2023 £000
Cash flows from operating activities		
Profit for the year	3,141	464
Taxation	220	(400)
Finance income	(83)	(58)
Finance costs	332	231
Operating profit	3,610	237
Share-based payments	47	16
Depreciation of property, plant and equipment and right of use assets	945	780
Amortisation of intangible assets	287	253
Movement in inventories	(531)	(157)
Movement in trade and other receivables	(1,235)	(833)
Movement in trade and other payables	1,749	665
Movements in provisions	129	82
Change in deferred income	1,342	(109)
Tax (paid)/received	(16)	16
Net cash generated from operating activities	6,327	950
Cash flows from investing activities	(677)	
Capitalisation of development costs	(107)	(481)
Acquisition of other intangible assets	(666)	(51)
Acquisition of plant and equipment	(120)	(946)
Acquisition of right of use assets	83	(53)
Interest received	(1,487)	9
Net cash used in investing activities		(1,522)
Cash flows from financing activities	(332)	
Interest paid	750	(231)
Proceeds from financing agreements	138	-
Exercise of employee share options	(784)	17
Repayment of principal element of lease liabilities	(228)	(626)
Net cash used in financing activities	4,612	(840)
Movement in cash and cash equivalents	(7)	(1,412)
Currency exchange movement	2,610	16
Opening cash and cash equivalents	7,215	4,006
Closing cash and cash equivalents		2,610

The notes on pages 75 to 103 form part of these financial statements.

Notes to the consolidated financial statements

for the year ended 31 May 2024

1 Material accounting policies

Reporting entity

Filtronic plc is a public company limited by shares registered in England and Wales, domiciled in the United Kingdom, and listed on AIM on the London Stock Exchange. The principal activity of the Company is design, development and manufacture of high performance Radio Frequency ("RF") technology.

Basis of preparation

The Company and consolidated financial statements for the year ended 31 May 2024 have been prepared in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The financial statements have been prepared under the historical cost convention except for forward foreign exchange contracts that are accounted for on a fair value basis.

The accounting policies have been applied consistently throughout the Group.

Going concern

In accordance with corporate governance requirements and the statement of directors' responsibilities, and as disclosed in the Directors' Report, the directors have undertaken a review of forecasts and the Group's cash requirements to consider whether it is appropriate that the Group continues to adopt the going concern assumption.

At 31 May 2024, the Group had cash at bank of £7.2m and access to undrawn invoice discounting facilities of £3.0m and \$4.0m in the UK and US respectively. Details of these facilities can be found in note 35.

As referred to in the Strategic report, the Board recognises the uncertain economic and political environment that the world faces and has reviewed the business outlook to reflect this uncertainty. Cash flow forecasts have been prepared to model various scenarios over a three-year period based on the Group's financial and trading position, principal risks and uncertainties and strategic plans.

A downside scenario was modelled, to stress-test the business forecast, where programme curtailment and/or delays may adversely affect forward-looking demand to levels lower than those initially modelled in the base case scenario including reduced demand from a major customer.

A severe but plausible scenario was also modelled that took the downside scenario and removed a significant contract win that the Group expected to convert from the outlook period.

The scenarios modelled including the severe but plausible model, demonstrate the Group has adequate cash for the next twelve months from the date of the approval of the accounts.

The directors are confident that the Group and company will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore continue to adopt the going concern basis to prepare the financial statements.

Basis of consolidation and foreign currency translation

The financial statements consolidate the income statements, statement of financial position and cash flow statements of the Company and all of its subsidiaries.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. This includes the power to govern the financial and operating policies. In assessing control, the Group takes into consideration potential voting rights. Subsidiaries are consolidated from the date on which control is transferred to the Group, and are not consolidated from the date that control ceases. Intragroup transactions and balances are eliminated on consolidation.

On consolidation, the financial statements of subsidiaries with a functional currency other than sterling are translated into sterling as follows:

- The assets and liabilities in their statement of financial position plus any goodwill are translated at the rate of exchange ruling at the statement of financial position date; and
- The income statements and cash flow statements are translated at the average rate of exchange each month in the financial year, which approximates the rate of exchange ruling at the date of the transactions. Any exchange difference is included in the Consolidated statement of comprehensive income.

Currency translation movements arising on the translation of the investments in foreign subsidiaries are recognised in the translation reserve, which is a separate component of equity.

The functional currency of each Group company is the currency of the primary economic environment in which the Group company operates. The financial statements are presented in sterling which is the functional and presentational currency of the Company.



Notes to the consolidated financial statements continued for the year ended 31 May 2024

1 Material accounting policies (continued)

Transactions denominated in foreign currencies are translated into the functional currency of each Group company at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange ruling at the statement of financial position date.

Foreign exchange gains and losses arising on the settlement of such transactions and translation of monetary assets and liabilities are recognised in the income statement.

Revenue

IFRS 15 establishes principles for determining when and how revenue arising from contracts with customers should be recognised. Filtronic recognises revenue when it transfers goods or services to a customer with an amount of consideration expected to be received in exchange for fulfilling the performance obligation with the customer.

The Group reviews all income streams against the requirements of IFRS 15. Management undertakes an assessment of all contracts and revenue streams across the business using the five-step approach specified by IFRS 15:

- 1) Identify the contract(s) with the customer;
- 2) Identify the performance obligations in the contract;
- 3) Determine the transaction price;
- 4) Allocate the transaction price to the performance obligations in the contract; and
- 5) Recognise revenue when (or as) a performance obligation is satisfied.

In determining the appropriate method of recognising revenue, management is required to make judgements as to whether performance obligations are satisfied over a period of time or at a point in time. For performance obligations that are satisfied over a period of time, judgements are made as to whether the output method or the input method is more appropriate to measure progress towards complete satisfaction of the performance obligation. If performance obligations are not satisfied over time, the Group recognises revenue at a point in time.

Revenue is measured at the fair value of consideration received or receivable for goods and services provided or performed in the normal course of business net of value added tax or sales tax. The nature of our revenue is disclosed below:

Revenue relating to finished goods product

Sales of finished goods product to customers are recognised when control of the product has transferred to the customer and the performance obligation has been satisfied at a point in time. This is usually when title passes, either on shipment or on receipt of goods depending on the delivery terms of the customer contract. The transaction price is specified in the customer contract.

Revenue relating to non-recurring engineering ("NRE")

NRE comprises contracts to provide engineering services, such as the design and development of a product, funded by the customer. The transaction price of the contract is known from inception of the contract. Each contract is reviewed to identify the number of distinct performance obligations and the transaction price is assigned accordingly, usually by the value of work performed on an output method basis; outputs are typically milestones within the development such as design reviews, reports and prototype products. Based on the performance of the obligations in the contract being met, revenue is recognised over time. If relevant, an expected loss on a contract is recognised immediately in the income statement.

Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets is measured at cost less accumulated impairment losses. Goodwill, which is allocated to cash-generating units, is tested for impairment at least annually and when there is an indication of impairment. The goodwill carrying value is written down to its recoverable amount. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

1 Material accounting policies (continued)

Internally-generated intangible assets
All research costs are expensed as incurred.

Development costs chargeable to the customer are recognised as an expense in the same period as the associated customer revenue.

Development costs incurred on projects requiring product qualification tests to satisfy customer specifications are generally expensed as incurred, reflecting the technical risks associated with meeting the resultant product qualification test.

Development costs incurred on projects are capitalised where:

- 1) The technical feasibility can be tested against relevant milestones;
- 2) The probable revenue stream foreseen over the life of the resulting product can support the development; and
- 3) Sufficient resources are available to complete the development.

These capitalised costs are amortised on a straight-line basis over the expected life of the associated product. The estimated useful lives for the current and comparative periods are:

- Capitalised development costs 1 to 6 years

Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is calculated over the cost of the asset less its residual value.

Amortisation is recognised in the income statement on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are as follows:

- Software licence 4 to 5 years

Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

Impairment charges

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In assessing the fair value less cost to sell ("FVLCTS"), an estimated market multiple is determined and applied to the forecast EBITDA of the cash generating unit ("CGU").

For the purposes of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "CGU"). For the purpose of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis. An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes to the consolidated financial statements continued for the year ended 31 May 2024

1 Material accounting policies (continued)

Right of use assets and lease liabilities

The Group assesses whether a contract is a lease at inception of the contract. The Group recognises a right of use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases and leases of low value assets which includes the Group's leased office equipment such as printers. For these leases, the Group recognises the lease payment as an operating expense on a straight-line basis over the term of the lease.

The lease is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or the incremental borrowing rate. This is the rate when it is not possible to determine the interest rate in the lease and represents what we would have to pay for a loan of a similar item and term of repayment. The lease liability is subsequently increased by the interest cost on the lease and decreased by payments made. In the event of a change in future lease payments, the lease liability will be remeasured and the difference recognised in the right of use asset.

The Group remeasures the lease liability and makes a corresponding adjustment to the right of use asset whenever there has been a lease payment change, the lease contract is modified or any other significant event.

The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, and subsequently at cost less accumulated depreciation and impairment losses. The right of use asset is depreciated over the shorter of the period of the lease term and useful life of the underlying asset. Where there is reasonable certainty the Group will purchase the asset at the end of the lease, the asset is depreciated over the useful life. The depreciation starts at the commencement date of the lease.

Where property leases contain a break option the value of the lease liability and right of use asset recognised on the statement of financial position requires judgement to determine the lease term. The Group recognises the full term of the lease, ignoring the break option, as invariably the option will not be exercised.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and less any accumulated impairment losses.

Depreciation is provided on a straight-line basis over the estimated useful lives of the assets as follows:

- Fixtures and fittings 2 to 10 years
- Plant and equipment 3 to 10 years
- Computer hardware 2 to 4 years

Property, plant and equipment are tested for impairment when there is an indication of impairment. If impaired, the carrying values of the assets are written down to their recoverable amounts.

The gain or loss arising on disposal or scrapping of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Deferred taxation

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the Consolidated Statement of Financial Position and the corresponding tax bases used in the computation of taxable profit and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit; or if at the time of the transaction, they do not give rise to equal taxable and deductible temporary differences.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

1 Material accounting policies (continued)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the statement of financial position date. Deferred tax is charged or credited in the income statement, except when

- it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income;
- it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price less estimated costs of completion and sale. Inventory, including work in progress, costs comprise direct materials only. Cost is stated in the consolidated statement of financial position at standard cost, revalued to actual cost, based on a first in-first out basis.

Provision is made for obsolete, slow moving or defective materials where appropriate. This is reviewed monthly.

Trade and other receivables

Trade and other receivables are amounts due from customers for goods and services performed in the ordinary course of business. They are initially recorded at the transaction price and thereafter measured at amortised cost using the effective interest method, less an allowance for expected credit losses.

Cash and cash equivalents

For the purpose of the cash flow statement and statement of financial position, cash and cash equivalents comprise cash at bank and short-term bank deposits with an original maturity of three months or less.

Warranty provision

A provision is recognised in the statement of financial position when there is a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. A warranty provision is recognised when products are sold based on historical warranty data. The level of warranty provision required is reviewed on a product-by-product basis and adjusted accordingly in light of actual experience.

Dilapidations and onerous leases

A provision for dilapidations and onerous leases is recognised in the statement of financial position on a lease-by-lease basis and is based on the Group's best estimates of the required cost to settle the relevant obligations.

Grants

Capital-based grants, when present, are included within deferred income in the statement of financial position and credited to the profit and loss account over the estimated useful economic lives of the assets to which they relate.

Grants that compensate the Group for expenses incurred are recognised in the profit or loss account as other operating income on a systematic basis in the same periods in which the expenses are recognised.

Financial liabilities

Financial liabilities comprise interest bearing borrowings and are initially recognised at fair value and subsequently measured at amortised cost with any net gains or losses, including any interest expense, recognised in profit or loss.

Share capital

Ordinary shares issued are classified as share capital in equity.

Dividends

Interim dividends are recognised in equity in the financial year they are paid. Final dividends are recognised in equity in the financial year they are approved by shareholders.

Notes to the consolidated financial statements continued for the year ended 31 May 2024

1 Material accounting policies (continued)

Share-based payments

The Group operates equity settled share option schemes, under which share options are granted to certain employees. The fair value of the share options at the date of grant was calculated using an option pricing model, taking into account the terms and conditions applicable to the option grant.

The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (e.g. the entity's share price); and
- excluding the impact of any non-market performance vesting conditions (e.g. profitability, sales growth targets).

The fair value of the number of share options expected to vest was expensed in the income statement on a straight-line basis over the expected vesting period. At each reporting period, these vesting expectations were revised as appropriate. A credit is made to equity equal to the share-based payment charge in the financial year.

Defined contribution pension schemes

Defined contribution pension schemes are operated for employees. Contributions are recognised as an expense in the income statement as incurred.

Forward currency contracts

Forward currency contracts are held at fair value. The gain or loss on re-measurement to fair value is recognised immediately in the consolidated income statement.

Accounting developments and new standards

At the date of authorisation of these financial statements, new and revised standards issued but not yet effective are set out below. It is anticipated the adoption of these standards and interpretations in future periods will have no material impact on the financial statements of the Group. These have not been adopted in the Group's accounting policies.

- Amendments to IAS 1 'Classification of Liabilities as Current or Non-Current';
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosure: Supplier Finance Arrangements.
- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability
- Amendments to IAS 1 'Non-Current Liabilities with Covenants' and;
- Amendments to IFRS 16 'Lease liability in a sale and lease back'.
- Introduction of IFRS 18 'Presentation and disclosure in financial statements'.

The Group is assessing the impact of these new standards and the Group's financial reporting will be presented in accordance with these standards from the relevant accounting period.

2 Accounting estimates and judgements

The preparation of the financial statements requires the use of accounting estimates and judgements, that affect the application of accounting policies, which are described in note 1, and reported amounts of assets and liabilities, income and expenses. The directors are required to make accounting estimates and judgements which are continually evaluated. They are based on historical experience and other factors, including expectations and best estimates of the future, that are believed to be reasonable under the circumstances. Actual results may differ from the expected results.

Key sources of estimation uncertainty

The key estimates concerning the future, that have a significant effect on the financial statements are considered below:

Investments in subsidiaries - impairment

Investments in subsidiaries are tested for impairment by reference to their recoverable amount relative to their carrying value. In accordance with IAS 36, recoverable amount is determined as the higher of value in use ("VIU"), determined based on the expected cash generated by the CGU to which the investment relates and fair value less costs to sell ("FVLCTS"). Both models are subject to uncertainties surrounding the EBITDA and cash flow forecasts being used.

The sensitivity analysis in respect of the recoverable amount of investments in subsidiaries is presented in note 4 of the Company accounts.

Goodwill and other intangibles - impairment

Goodwill and other intangibles are tested for impairment by reference to the expected cash generated by the cash generating unit ("CGU") or group of CGUs. This is deemed to be the best approximation of value, but is subject to the same uncertainties as the cash flow forecast being used. The forecasts comprise forecasts of revenue, material costs and overhead costs based on current and anticipated market conditions that have been considered and approved by the Board. Whilst the Group is able to manage most of its costs, significant elements of the revenue forecasts are inherently linked to global demand where uncertainty about both the timing and level of growth remains which is a key sensitivity.

Capitalised development costs - impairment

Intangible assets include development cost assets which have been reviewed for impairment as at the reporting date.

The recoverable amount of each technology development project has been determined based on value in use calculations, using cash flow projections in line with the expected useful economic life of each asset. The value in use calculations are based on management approved risk-adjusted cash flow forecasts for each project and have been discounted using a pre-tax discount rate of 16%.

The key assumptions used in the cash flow projections relate to revenue and gross profit margin for each technology and are based on assumptions about expected customer demand which is inherently linked to the global demand for the technology under development where the timing and level of demand is subject to uncertainty. The Group has carried out a sensitivity analysis on the impairment tests of each of these projects, using various reasonably possible scenarios and concluded there to be no impairment risk.

Deferred tax asset

The recognition of deferred tax assets relating to tax losses carried forward depends on forecasts of the future taxable profits of the Company and its subsidiaries. The Group has assessed the recoverability of its deferred tax assets by reference to Board approved budgets and cash flow forecasts. These forecasts require the use of estimates and judgements about the future performance of the Company and its subsidiaries using the current order book, forecasts and market knowledge.

Deferred tax assets have been recognised within Filtronic Broadband Limited in the UK and Filtronic Wireless Inc. in the USA so a change to forecast customer demand in either of these subsidiaries would impact on the amount of deferred tax asset recognised. A 10% forecast reduction in the profitability of these subsidiaries would see deferred tax asset recognition reduce by an additional £314,000.

Notes to the consolidated financial statements continued for the year ended 31 May 2024

2 Accounting estimates and judgements (continued)

Warranty provision

The Group makes estimates in calculating the warranty provision for existing commitments arising from past events. In estimating the provision, the Group makes judgements as to the quantum and likelihood of the liability arising. Certain provisions require more judgement than others. In particular, the warranty provision has to take account of future outcomes arising from past deliveries of products and services. In estimating these provisions, the Group makes use of management experience, precedents and any specific contract and customer information.

Critical judgements in applying the Group's accounting policies

The critical accounting judgements in applying the Group's accounting policies are considered below and are the judgements that have the most significant effect on the amounts recognised in the financial statements.

Development costs

Development costs are capitalised in accordance with the accounting policy in note 1 if it meets the criteria as per IAS 38. Initial capitalisation of costs is based on management's judgement whether the criteria of IAS 38 is satisfied, when the technological and economical feasibility is confirmed, usually when a product development project has reached a defined milestone and there is commercial interest in the product. As part of this judgement process, management establish future demand relating to the product, evaluate the development plans to complete the product and establish where the development is positioned on the Group's technology roadmap. The directors apply judgement in the review of costs capitalised to determine whether any impairment should be recognised. The directors also apply judgement in its review of impairment of its development costs and assesses this on a regular basis to ensure that any costs still capitalised continue to be commercially viable.

3 Segmental analysis

Operating segments

IFRS 8 requires consideration of the identity of the chief operating decision maker ('CODM') within the Group. In line with the Group's internal reporting framework and management structure, the key strategic and operating decisions are made by the Board, who reviews internal monthly management reports, annual business plans and forecast information as part of this. Accordingly, the Board is deemed to be the CODM.

The CODM has identified one operating segment within the Group as defined under IFRS 8. In turn, this is the only reportable segment of the Group as the entities in the Group have similar products and services, production processes and economic characteristics. Therefore, there is no allocation of operating expenses, profit measures or assets and liabilities to specific commercial markets.

Accordingly, the CODM assesses the performance of the operating segment on financial information which is measured and presented in a manner consistent with those in the financial statements by reference to Group results against budget.

The Group profit measures are operating profit and adjusted EBITDA, both disclosed on the face of the consolidated income statement. No differences exist between the basis of preparation of the performance measures used by management and the figures in the Group financial statements.

The Group has three customers representing individually over 10% of revenue each and in aggregate 84% of revenue. This is split as follows:

- Customer A - 48% (2023: 12%)
- Customer B - 19% (2023: 34%)
- Customer C - 17% (2023: 17%)

Geographical information

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers and the nature of revenue recognised. Segment assets are based on the geographical location of the assets.

Revenue by destination	2024 £000	2023 £000
United Kingdom	2,239	4,762
Europe	2,154	2,600
Americas	17,121	5,711
Rest of the world	3,918	3,195
	25,432	16,268

Split of non-current assets by location	2024 £000	2023 £000
United Kingdom	7,972	6,925
Americas	255	438
	8,227	7,363

Non-current assets relate to property, plant and equipment, right of use assets, goodwill and other intangible assets and deferred tax.

Notes to the consolidated financial statements continued for the year ended 31 May 2024

4 Operating profit

	2024 £000	2023 £000
Revenue from goods and services	24,135	15,362
Revenue from non-recurring engineering ("NRE") projects	1,297	906
Revenue	25,432	16,268
Cost of goods sold including materials and product warranty	9,357	5,992
Wages and salaries	6,092	5,884
Social security costs	650	623
Pension costs	372	336
Bonus	810	-
Temporary employees	208	-
Share options expense	47	16
Staff costs	8,179	6,859
Amortisation	287	253
Depreciation	945	780
Depreciation and amortisation	1,232	1,033
Other operating income	(326)	(187)
Other expenses	3,380	2,334
Total operating costs	12,465	10,039
Operating profit	3,610	237

Development costs of £677,000 were capitalised in the year (2023: £481,000).

Other operating income relates to grants received for plant and machinery and R&D innovation whilst R&D tax credits claimed under the RDEC scheme are also recognised in operating profit.

5 Operating items

	2024 £000	2023 £000
Operating profit is stated after charging/(crediting):		
Depreciation	945	780
Research and development costs in the income statement excluding amortisation	2,408	1,776
Amortisation of development costs	245	222
Amortisation of other intangible assets	42	31
Foreign exchange loss/(gain)	95	(107)

6 Auditors' remuneration

The Company's auditor is Crowe U.K. LLP. The auditors' remuneration was as follows:

	2024 £000	2023 £000
Company auditor:		
Audit of the Group and Company financial statements	45	45
Company auditor and their associates:		
Audit of subsidiaries' financial statements pursuant to legislation	30	85
	75	130

7 Employees

The average number of employees comprised:

	2024 Number	2023 Number
Manufacturing	69	74
Research and development	33	31
Sales	6	7
Administration	13	13
	121	125

Notes to the consolidated financial statements continued for the year ended 31 May 2024

8 Compensation of directors

Details of the remuneration, pension entitlements and share options of the individual directors are set out in the Directors' remuneration report on pages 54 to 63. The compensation of the directors was:

	2024 £000	2023 £000
Salary or fees	505	481
Bonus	179	-
Benefits	12	11
Long term incentives	697	35
Total remuneration excluding pension contributions	1,409	527
Pension contributions	12	11
	1,421	538

The Directors' remuneration is paid through the Company.

The schedule 5 disclosure requirements are included in the Directors' remuneration report in the table entitled 'Total single figure of remuneration for directors - audited' and the table entitled 'Total single figure of pension benefits for directors - audited'. The elements that are audited are identified as such in that report.

9 Related party transactions

Identity of related parties

The Company has a related party relationship with its subsidiaries and with its directors.

Transactions with subsidiaries

The main transactions between the Company and its subsidiaries are management administration recharges to its subsidiaries of £1,069,000 (2023: £1,018,000) and a royalty charge of 1% of filters product sales to Filtronic Wireless Limited of £46,000 (2023: £30,000). These intercompany transactions are eliminated on consolidation.

The Company also acts as a central service to distribute money around the Group to ensure subsidiaries are adequately funded to meet obligations and to invest funds from subsidiaries where surplus cash exists. The total figures for these transactions along with the management and royalty charge can be seen in notes • and • through the movement in the Company's intercompany receivables and payables.

The amount outstanding from subsidiary undertakings to the Company at 31 May 2024 totalled £4.5m (2023: £4.9m). Amounts owed to subsidiary undertakings by the Company at 31 May 2024 totalled £2.8m (2023: £2.8m).

Transactions with key management personnel

Key management personnel are considered to be the Executive Directors of the Company. The remuneration given to these individuals is disclosed in the Directors' remuneration report.

10 Finance costs

	2024 £000	2023 £000
Interest expense for lease arrangements	236	139
Minimum service costs and interest charges on invoice discounting facilities	96	92
	332	231

11 Finance income

	2024 £000	2023 £000
Revaluation of foreign currency denominated intercompany balance	1	49
Interest receipt on treasury deposits	82	9
	83	58

12 Taxation

	2024 £000	2023 £000
Recognised in the income statement		
Current tax charge/(credit)		
Overseas taxation in the financial year	27	18
Adjustment in respect of prior year — R&D tax credit	-	(32)
Total current tax charge/(credit)	27	(14)
Deferred tax charge/(credit)		
Origination and reversal of temporary differences	193	(386)
Total deferred tax charge/(credit)	193	(386)
Income tax charge/(credit)	200	(400)

The reconciliation of the effective tax rate is as follows:

	2024 £000	2023 £000
Profit before taxation	3,361	64
Profit before taxation multiplied by the average standard rate of corporation tax in the UK (25%) (2023:20%)	840	13
Disallowable items	209	46
Deferred tax asset not recognised	237	30
Enhanced R&D tax credit	(589)	(89)
Adjustment in respect of prior year R&D tax credit	-	(32)
Foreign tax not at UK rate	27	18
Recognition of deferred tax asset	(504)	(386)
Taxation	220	(400)

The main rate of UK corporation tax is 25% for companies with profits above £250,000. The US federal corporate tax rate is 21%.

The deferred tax assets recognised in the year have been calculated at the rates expected to be in existence in the period of reversal.

Notes to the consolidated financial statements continued for the year ended 31 May 2024

13 Earnings per share

	2024 £000	2023 £000
Profit for the year	3,141	464
	'000	'000
Basic weighted average number of shares	216,340	215,121
Dilution effect of share options	6,555	1,358
Diluted weighted average number of shares	222,895	216,479
Basic earnings per share	1.45p	0.22p
Diluted earnings per share	1.41p	0.21p

14 Goodwill and other intangible assets

	Goodwill £000	Other intangibles (core technology) £000	Software costs £000	Development costs £000	Total £000
Cost					
At 1 June 2022	974	10,884	380	1,015	13,253
Additions	-	-	51	481	532
At 31 May 2023	974	10,884	431	1,496	13,785
Additions	-	-	107	677	784
At 31 May 2024	974	10,884	538	2,173	14,569
Amortisation					
At 1 June 2022	-	10,884	262	612	11,758
Provided in the year	-	-	31	222	253
At 31 May 2023	-	10,884	293	834	12,011
Provided in the year	-	-	42	245	287
At 31 May 2024	-	10,884	335	1,079	12,298
Carrying amount at 31 May 2023	974	-	138	662	1,774
Carrying amount at 31 May 2024	974	-	203	1,094	2,271

Goodwill and other intangibles relate to the acquisition of Isotek (Holdings) Limited. Goodwill is allocated to the CGUs that were expected to benefit from the synergies of the combination and which represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill may be impaired.

The carrying value of intangible assets and goodwill has been assessed for impairment by reference to its value in use. Value in use was determined by discounting the future cash flows generated from the continuing use of the CGUs. The calculation of the value in use was based on the following key assumptions:

- Budgets incorporating pre-tax cash flows have been prepared to 31 May 2025 based on past experience, actual operating results, known future cash flows and estimates of future cash flows;
- Cash flows for a further four years have been prepared based on the Company's long range plan together with cost inflation and additional overhead assumptions. A perpetuity factor has been applied based on the year to 31 May 2029. A long-term growth factor of nil was applied to the perpetuity cash flows; and
- The Group's pre-tax discount rate of 16% (2023:14%) was applied in determining the recoverable amount of the unit, being the estimated weighted average cost of capital for the CGUs.

Based on the testing above the directors do not consider any of the remaining goodwill or intangible assets to be impaired, even allowing for a reasonable degree of sensitivity to the underlying assumptions, including the discount rate.

Notes to the consolidated financial statements continued for the year ended 31 May 2024

15 Right of use assets

	Property leases £000	Plant and equipment £000	Total £000
Cost			
1 June 2022	1,726	1,938	3,664
Additions	599	579	1,178
Disposals	(595)	-	(595)
Exchange differences	7	1	8
At 31 May 2023	1,737	2,518	4,255
Additions	-	860	860
Reclassification from property, plant and equipment	-	740	740
Exchange differences	(8)	(1)	(9)
At 31 May 2024	1,729	4,117	5,846
Depreciation			
At 1 June 2022	853	518	1,371
Provided in the year	288	290	578
Disposals	(595)	-	(595)
Exchange differences	12	-	12
At 31 May 2023	558	808	1,366
Provided in the year	276	452	728
Exchange differences	(3)	(1)	(4)
At 31 May 2024	831	1,259	2,090
Carrying amount at 31 May 2023	1,179	1,710	2,889
Carrying amount at 31 May 2024	898	2,858	3,756

The Group's lease commitments are made up of property leases and plant and equipment. Plant and equipment classified as a right of use asset is financed under asset finance agreements which usually require the Group to make a deposit against the machinery of 10%-20%.

The Group leases office premises at its sites in Sedgefield, Yeadon and Manchester in the UK, Salisbury, Maryland in the USA and a virtual office space in Suzhou, China. Leases remaining are up to five years.

In addition to the depreciation charges shown in the table above, the consolidated income statement includes the following amounts relating to leases:

	2024 £000	2023 £000
Interest expense (included in finance cost)	236	139
Expense relating to viable lease payments not included in lease liabilities (included in operating costs)	2	2

16 Property, plant and equipment

	Fixtures and fittings £000	Plant and equipment £000	Computer hardware £000	Total £000
Cost				
At 1 June 2022	296	3,418	178	3,892
Additions	133	810	3	946
Disposals	(153)	(91)	(17)	(261)
Exchange differences	-	7	-	7
At 1 June 2023	276	4,144	164	4,584
Additions	5	610	51	666
Disposals	-	(59)	-	(59)
Reclassification to right of use assets	-	(740)	-	(740)
Exchange differences	-	(9)	-	(9)
At 31 May 2024	281	3,946	215	4,442
Depreciation				
At 1 June 2022	182	2,877	132	3,191
Depreciation	38	158	6	202
Disposals	(153)	(91)	(17)	(261)
Exchange differences	-	6	-	6
At 31 May 2023	67	2,950	121	3,138
Depreciation	35	180	2	217
Disposals	-	(59)	-	(59)
Exchange differences	-	(7)	-	(7)
At 31 May 2024	102	3,064	123	3,289
Carrying amount at 31 May 2023	209	1,194	43	1,446
Carrying amount at 31 May 2024	179	882	92	1,153

Notes to the consolidated financial statements continued for the year ended 31 May 2024

17 Deferred tax

	2024 £000	2023 £000
Deferred tax assets		
Opening balance	1,254	868
(Reversal)/origination of tax losses	(270)	559
Utilisation of tax losses	(437)	(47)
Origination/(reversal) of capital allowances	500	(128)
Exchange differences	-	2
	1,047	1,254

Deferred tax assets within the UK and the USA have been recognised as the directors consider that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans for individual subsidiaries in the Group and the reversal of temporary differences.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such deductions are reversed when the probability of future taxable profits improves.

	2024 £000	2023 £000
Deferred tax assets which have been recognised:		
Depreciation in advance of capital allowances	790	287
Tax losses carried forward	257	967
	1,047	1,254

The deferred tax assets have not been recognised where the directors consider that it is unlikely that future taxable profits will be available against which they can be used. There is no expiry date for these unrecognised deferred tax assets which are reassessed at each reporting date. These deferred tax assets are presented below:

	2024 £000	2023 £000
Deferred tax assets which have not been recognised:		
Depreciation in advance of capital allowances	1,229	2,473
Tax losses carried forward	15,803	15,805
Share options deferment	80	80
	17,112	18,358

18 Inventories

	2024 £000	2023 £000
Raw materials	4,220	3,528
Work in progress	975	628
Finished goods	283	426
	5,478	4,582
Inventory provision	(2,205)	(1,804)
Inventories (net of provision)	3,273	2,778

Raw materials, consumables and changes in finished goods and work in progress recognised in cost of sales in the year amounted to £8,567,000 (2023: £5,539,000).

The amount charged to the income statement in the year in respect of write-downs of inventories is £163,000 (2023: £60,000). The amount credited to the income statement in the year in respect of reversals of write-downs of inventories is £nil (2023: £nil).

19 Trade and other receivables

	2024 £000	2023 £000
Trade receivables	5,367	4,351
Other receivables and prepayments	1,183	984
	6,550	5,335

There are no provisions for bad debt.

20 Trade and other payables

	2024 £000	2023 £000
Trade payables	3,792	2,891
Other payables and accruals	1,614	782
	5,406	3,673

Notes to the consolidated financial statements continued for the year ended 31 May 2024

21 Provisions

	2024 £000	2023 £000
Warranty provision		
Opening balance	317	135
Used during the year	(7)	(58)
Released unused during the year	(6)	(60)
Charge for the year	142	300
Exchange differences	-	-
	446	317

The provision for warranty relates to the units sold during the last two financial years. The provision is based on estimates made from historical warranty data. Factors that could impact the warranty provision include the success of the Group's quality initiatives as well as parts and labour costs. The provision is expected to be utilised in the next two financial years.

	2024 £000	2023 £000
Dilapidation provision		
Opening balance	47	147
Used during the year	-	(29)
Released unused during the year	-	(71)
	47	47

The Group leases physical facilities at its three sites in the UK and one in the USA with each of these leases requiring the site to be restored to its original condition. The dilapidation provision reflects management's best estimates and ability to measure the likely costs that may be incurred restoring the building to its original state. Settlement will be made on exit from each property. There are currently no plans to leave any of the Group's properties.

	2024 £000	2023 £000
Total provision		
Warranty provision	446	317
Dilapidation provision	47	47
	493	364

22 Deferred income

	2024 £000	2023 £000
Contract liabilities	1,369	140
Capital grant	34	24
Total current deferred income	1,403	164
Contract liabilities	-	-
Capital grant	132	29
Total non-current deferred income	132	29
Total deferred income	1,535	193

Contract liabilities are invoices raised in advance of NRE work completed for customers that will be recognised as income once the performance obligation of the contract has been met. The majority of NRE contracts are invoiced with a proportion of the contract value upfront which is recognised as revenue, over time, across the life of contract at each milestone based on the percentage of the overall contract value achieved at that performance obligation.

A capital grant of £150,000 was awarded in the year towards the purchase of a new die attach machine to support new product introductions. Capital grants are amortised over a period of up to eight years in line with the preparation period of the machinery.

23 Lease liabilities

	2024 £000	2023 £000
Opening lease liability	2,315	1,820
New leases entered into during the year	1,488	1,126
Payments made during the year	(1,018)	(765)
Finance costs	236	139
Exchange differences	(5)	(5)
	3,016	2,315

	2024 £000	2023 £000
Lease liability payable in less than a year	896	617
Current lease liabilities	896	617
Lease liability payable in one to five years	2,120	1,579
Lease liability payable in more than five years	-	119
Non-current lease liabilities	2,120	1,698
Total lease liabilities	3,016	2,315

Interest bearing loans and borrowings

The following are the cash flows relating to the Group's financial liabilities other than trade and other payables, for which there is no material difference between their carrying value and contractual cash flows:

	Carrying value £000	Contractual cash flows £000	Less than 1 year £000	1-2 years £000	2-5 years £000	Over 5 years £000
Lease liabilities at 31 May 2024	3,016	3,540	1,142	1,008	1,390	-
Lease liabilities at 31 May 2023	2,315	2,725	777	665	1,166	117

Notes to the consolidated financial statements continued for the year ended 31 May 2024

24 Share capital

	Deferred shares of 10p each Number '000	Ordinary shares of 0.1p each Number '000	£000
At 1 June 2022	106,877	214,798	10,796
Exercise of share options	-	323	-
At 31 May 2023	106,877	215,121	10,796
Exercise of share options	-	2,000	2
At 31 May 2024	106,877	217,121	10,798

All shares are allotted, called up and fully paid. Holders of the ordinary shares are entitled to receive dividends when declared, and are entitled to one vote per share at meetings of the Company.

The deferred shares have no rights to vote or receive dividends.

25 Share premium

	£000
At 1 June 2022	11,060
Exercise of share options	17
At 31 May 2023	11,077
Exercise of share options	136
At 31 May 2024	11,213

26 Translation reserve

	£000
At 1 June 2022	(471)
Currency translation movement arising on consolidation	1
At 31 May 2023	(470)
Currency translation movement arising on consolidation	(52)
At 31 May 2024	(522)

The translation reserve comprises foreign currency differences arising from the translation of the financial statements of foreign operations.

27 Dividends

The directors are not proposing to pay a dividend for the year ended 31 May 2024 (2023: £nil).

28 Retained earnings

	£000
At 1 June 2022	(10,342)
Profit for the year	464
Share-based payments	16
At 31 May 2023	(9,862)
Profit for the year	3,141
Share-based payments	47
At 31 May 2024	(6,674)

29 Share options

Sharesave plans

Seven sharesave plans have been offered to employees over the years, at the date of this report. The first six of the schemes offered to employees have now closed. Under these plans employees who join the plan can save up to £500 per month for three years. The members of the plans are granted a number of share options based on the amount they would save over the three years. At the end of the three years, the members have a six-month period in which they can exercise the share options. The scheme has an exercise price calculated by reference to the average of the middle market closing price of the shares on AIM for the dealing day immediately prior to the plan offer date.

Sharesave Plan—Scheme 7

	Weighted average exercise price 2024	Number of options 2024	Weighted average exercise price 2023	Number of options 2023
Outstanding at the beginning of the year	6.67p	1,717,927	6.67p	1,898,193
Cancelled during the year	6.67p	(208,331)	6.67p	(157,598)
Exercised during the year	6.67p	-	6.67p	(22,668)
Outstanding at the end of the year	6.67p	1,509,596	6.67p	1,717,927
Exercisable at the end of the year	6.67p	1,509,596	6.67p	-

Management incentive plans

The options granted in the year have specific performance targets attached to them. The exercise price for an option was the middle market closing price of Filtronic plc's ordinary shares as derived from AIM on the dealing day prior to issue. The exception to this is the options issued in May 2024 which were set at an exercise price in line with those granted in November 2023.

The following options under this scheme were outstanding at 31 May 2024:

Ordinary shares of 0.1p		Date granted	Earliest date exercisable	Latest date exercisable	Exercise price
2024	2023				
-	950,000	01/03/2016	01/03/2017	28/02/2026	5.4p
-	300,000	11/04/2016	11/04/2017	10/04/2026	8.5p
-	200,000	28/03/2018	28/03/2019	27/03/2028	9.0p
-	750,000	24/09/2020	24/09/2023	24/09/2030	8.0p
2,361,760	2,361,760	24/06/2021	24/06/2024	24/06/2031	11.1p
181,814	181,814	12/10/2022	12/10/2032	12/10/2032	11.4p
2,770,012	-	30/11/2023	30/11/2026	30/11/2033	17.25p
4,333,333	-	24/05/2024	24/05/2027	24/05/2034	17.25p
9,646,919	4,743,574				

The weighted average price of the outstanding options under this scheme at 31 May 2024 was 16p (2023: 9p).



Notes to the consolidated financial statements continued for the year ended 31 May 2024

29 Share options (continued)

	Number of share options 2024	Number of share options 2023
Outstanding at the beginning of the year	4,743,574	5,243,574
Granted during the year	7,103,345	181,814
Cancelled during the year	(200,000)	(381,814)
Exercised during the year	(2,000,000)	(300,000)
Outstanding at the end of the year	9,646,919	4,743,574
Exercisable at the end of the year	-	1,450,000

The fair value assumptions relating to the grant of options in the year of 7,103,345 can be found in note 30.

30 Share-based payments

	2024 £000	2023 £000
Share options expense	47	16
	47	16

The share options expense is the fair value of the share options at the date of grant spread over the expected vesting period of the share options. The fair value of the share options at the date of grant was measured using the Black-Scholes model.

The inputs to the Black-Scholes model and the weighted average fair value of the share options granted during the year were as follows:

Share options expense

	2024	2023
Number of share options granted	7,103,345	181,814
Weighted average share price	26.8p	11.37p
Expected volatility*	50%	50%
Expected life	3.0 years	3.0 years
Risk-free interest rate	4.2%	2.5%
Weighted average fair value	6.7p	4.0p

*Expected volatility is the estimate of the volatility of the share price over the expected life of the share options.

31 Share warrants

As part of the Strategic Partnership with SpaceX announced on 24 April 2024, the Company issued a total of 21,712,109 warrants to SpaceX across two tranches, to enable SpaceX to subscribe for up to a maximum of 10% of the Company's existing share capital at the time of the signed agreement, with such warrants expected to vest on a variable basis, with full vesting of the warrants once approximately \$60m (£48m) of orders have been placed by SpaceX. The two warrant tranches, which are split equally, are detailed below:

Tranche 1: a maximum of 5% vesting on a variable basis from order flow of the E-band SSPA platform; and

Tranche 2: a maximum of a further 5%, also vesting on a variable basis, for order flow of products developed at alternative frequency bands which would involve partnering with SpaceX on new product development.

Summary of warrant terms

- 1) Filtronic issued SpaceX with equity warrants up to a maximum of 5% of its share capital at the time of the agreement (10,856,055 warrants) and such warrants will vest based on the receipt of purchase orders against a staged vesting profile for E-band SSPA modules. All warrants in this tranche will fully vest once SpaceX has placed a minimum of \$37m (£30m) of irrevocable purchase orders with Filtronic.
- 2) Filtronic issued SpaceX with additional equity warrants up to a maximum of another 5% of its existing share capital (10,856,054 warrants). Such warrants will vest based on the receipt of purchase orders, against a staged vesting profile for SSPA modules at other operational frequency bands. The warrants in this tranche will fully vest on a similar profile to those in point 1.
- 3) The strike price for the warrant 33 pence, being the closing mid-market price of Filtronic's ordinary shares of 0.1p each on 23 April 2024, being the last business day before the Strategic Partnership contract was executed.
- 4) SpaceX must place a minimum order value in each subsequent 12-month period from the Contract Date of \$10m to be delivered within 12 months. SpaceX must also maintain a cadence of order flow, so that the timing between purchase orders does not surpass a 12 month-period. If order flow is not maintained in accordance with these two tests, within the 5-year warrant period, then the warrants will expire 6 months from that date.
- 5) The warrants will expire five (5) years from the date the Strategic Partnership contract was executed. The warrants will expire earlier if certain minimum order volumes are not met by SpaceX. Vested warrants can be exercised in whole (or in part, in minimum amounts of 500,000) at any time prior to their expiration, to the extent the agreed vesting conditions have been satisfied.

21,512,000 of the warrants are being issued utilising (to their full extent in this particular regard) the existing shareholder authorities granted at the Annual General Meeting of the Company held in October 2023, with the remaining balance (of 200,109 warrants) to be issued following the grant of similar authorities at this year's Annual General Meeting.



Notes to the consolidated financial statements continued for the year ended 31 May 2024

32 Pension costs

	2024 £000	2023 £000
Defined contribution schemes	372	336

33 Capital expenditure commitments

	2024 £000	2023 £000
Capital expenditure contracted for at the statement of financial position date but not provided in the financial statements	480	234

34 Analysis of net cash

	1 June 2023 £000	Cash flow £000	Other changes £000	31 May 2024 £000
Cash and cash equivalents	2,610	4,612	(7)	7,215
Lease liabilities - plant and machinery	(1,020)	518	(1,488)	(1,990)
Net cash when including all debt except property leases	1,590	5,130	(1,495)	5,225
Lease liabilities - property leases	(1,295)	264	4	(1,027)
	295	5,394	(1,491)	4,198

Reconciliation of cash flow to movement in net cash

	2024 £000	2023 £000
Movement in cash and cash equivalents	4,612	(1,412)
Movement in lease liabilities - plant and machinery	(971)	(157)
Movement in lease liabilities - property lease	269	(338)
Exchange differences	(7)	16
Movement in net cash	3,903	(1,891)
Opening net cash	295	2,186
Closing net cash	4,198	295

Cash at bank earns interest at floating rates based on daily bank deposit rates. There are no restrictions on the availability of the cash and cash equivalents at 31 May 2024 (2023: £nil).

IFRS 16 requires the recognition of property leases on the statement of financial position which is classified as a debt item.

35 Financial instruments

Fair value

The carrying amount of all the financial assets and liabilities approximates to their fair value at acquisition as described below.

Cash and cash equivalents comprise bank balances and bank deposits with a maturity of three months or less.

Trade and other receivables are all receivable in less than one year. Trade receivables are generally receivable within 90 days.

Trade and other payables are all payable in less than one year. Trade payables are generally payable within 90 days.

All financial assets and liabilities are held at amortised cost other than derivative financial instruments which are held at fair value.

Liquidity risk

The Group has cash at bank of £7.2m.

Cash is held on bank deposit for varying periods from overnight to six months to ensure all liabilities can be met as they fall due.

The Group has access to a £3.0m sales invoicing facility with Barclays Bank.

The sales invoicing facility with Barclays Bank allows the Company to borrow 70% of the UK entities' debtors denominated in US dollars and sterling up to a value of £3.0m.

The Group had a sales invoice factoring facility with Wells Fargo Bank which allowed the Company to borrow 85% of the US entities' debtors denominated in US dollars up to a value of \$4.0m. The arrangement was terminated effective from 12 July 2024.

The amount of cash available to the Group and the headroom available on debt facilities results in a low liquidity risk.

Credit risk

The exposure to credit risk is limited to the carrying amount of cash and cash equivalents and trade and other receivables in the statement of financial position.

The credit risk related to cash and cash equivalents is considered to be low due to the cash being held at banks with high credit ratings such as Barclays Bank and Wells Fargo Bank.

Credit risk is primarily related to trade receivables. The Group's businesses are concentrated on long-term relationships with a small number of large and long-established OEMs. Payment terms for trade receivables range from prepayment terms to 90 days net. Overdue receivables are regularly monitored and appropriate action is taken to collect payment. The Group has historically incurred only low levels of unrecoverable receivables. Therefore credit risk is considered to be low.

Trade receivables included the following amounts for the Group's largest customers:

	2024 £000	2023 £000
Customer one	2,890	1,571
Customer two	1,005	1,105
Customer three	1,002	369
Other customers	470	1,305
	5,367	4,350

Notes to the consolidated financial statements continued for the year ended 31 May 2024

35 Financial instruments (continued)

The age of trade receivables that have not been provided for was as follows:

	2024 £000	2023 £000
Not past due	5,206	4,347
Past due less than three months	161	4
	5,367	4,351

No expected credit loss is considered necessary in either FY2024 or FY2023.

Interest rate risk

Cash is generally held on short-term bank deposits which earn interest at variable money market deposit rates. At 31 May 2024, there was £nil held on short-term deposit. The remaining cash in the Group is held in very low interest rate bank accounts. Sterling interest rates are very low and therefore interest rate risk is considered to be low.

The interest rate sensitivity of the expected annual interest income/(expense) assuming a balance on deposit or loan of £1,000,000 is as follows:

	Expected annual interest income £000	Expected annual interest expense £000
1.5%	15	(15)
1.0%	10	(10)
0.5%	5	(5)

Foreign currency risk

The Group's reporting currency is sterling. The functional currencies of the subsidiaries are sterling, US dollar and Chinese yuan.

The Group's results and financial position are affected by fluctuations in foreign currency exchange rates.

The Group has generated a surplus of US dollars during the year due to an increasing number of projects being supplied in US dollars. Whilst the Group aims to maintain a natural hedge, it is not adequate to offset the exposure on currency risk. Therefore, the Group has used forward foreign exchange contracts to reduce the currency risk from surplus US dollars. The nature of the Group's businesses means there is limited visibility of the currency required in US dollars. Therefore, when forward contracts are used to reduce currency risk, they are usually only for short periods of no more than six months. If the US dollar were to weaken significantly, this could materially reduce the Group's revenue and operating profit.

There was a forward contract in place at 31 May 2024, the fair value of the foreign currency contract was an asset of £40,000 (2023 : £34,000) liability.

Cash is mainly held in sterling and US dollars.

35 Financial instruments (continued)

The Group's exposure to foreign currency risk for cash and cash equivalents, trade receivables and trade payables was as follows:

	2024			2023		
	EUR £000	RMB £000	USD £000	EUR £000	RMB £000	USD £000
Cash and cash equivalents	3	11	366	337	27	549
Trade receivables	133	-	4,983	-	-	3,084
Trade payables	(73)	-	(820)	(321)	-	(615)
Net exposure	63	11	4,529	16	27	3,018

The sensitivity of the Group operating profit to the US dollar to sterling exchange rate, assuming all other variables remain constant, is as follows:

If the US dollar had been 1% stronger/weaker against sterling throughout the year ended 31 May 2024, then the Group operating profit would have been £184,000 higher/lower. The impact of other currencies is not material.

Capital management

The capital structure of the Group and Company consists of equity and debt. Equity comprises ordinary share capital and retained earnings. Debt includes sales invoice financing facilities with large banks, asset finance and lease liabilities.

The objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to maximise future returns for shareholders.

Cash flow is controlled by ongoing justification, monitoring and reporting of capital expenditure and regular monitoring and reporting of operational costs.

Company statement of financial position as at 31 May 2024

	Note	2024 £000	2023 £000
Non-current assets			
Investments in subsidiaries	4	-	346
Intangible assets	5	55	76
		55	422
Current assets			
Trade and other receivables	7	4,563	4,947
Cash and cash equivalents		36	615
		4,599	5,562
Total assets		4,654	5,984
Current liabilities			
Trade and other payables	8	3,191	3,180
Total liabilities		3,191	3,180
Net assets		1,463	2,804
Equity			
Share capital	9	10,798	10,796
Share premium	10	11,213	11,077
Retained earnings	11	(20,548)	(19,069)
Total equity		1,463	2,804

The Company made a loss in the year of £1,526,000 (2023: £4,500,000).

Company number 2891064.

The notes on pages 107 to 112 form part of these financial statements. The financial statements on pages • to • were approved by the Board of Directors on 29 July 2024 and signed on its behalf by

Michael Tyerman

Michael Tyerman
Chief Financial Officer
29 July 2024

Company statement of changes in equity for the year ended 31 May 2024

	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
Balance at 1 June 2022	10,796	11,060	(14,585)	7,271
Loss for the year	-	-	(4,500)	(4,500)
Share-based payments	-	-	16	16
New shares issued	-	17	-	17
Balance at 31 May 2023	10,796	11,077	(19,069)	2,804
Loss for the year	-	-	(1,526)	(1,526)
Share-based payments	-	-	47	47
New shares issued	2	136	-	138
Balance at 31 May 2024	10,798	11,213	(20,548)	1,463

The notes on pages 107 to 112 form part of these financial statements.

Company cash flow statement for the year ended 31 May 2024

	2024 £000	2023 £000
Cash flows from operating activities		
Loss for the year	(1,526)	(4,500)
Operating loss	(1,526)	(4,500)
Amortisation of intangible assets	22	19
Impairment of investments in subsidiaries	346	3,833
Share-based payments	47	16
Movement in trade and other receivables	383	1,375
Movement in trade and other payables	11	(381)
Net cash (used in)/generated from operating activities	(717)	362
Cash flows from investing activities		
Acquisition of intangible assets	-	(23)
Net cash used in investing activities	-	(23)
Cash flows from financing activities		
Proceeds from exercise of share options	138	17
Net cash generated from financing activities	138	17
Movement in cash and cash equivalents	(579)	356
Opening cash and cash equivalents	615	259
Closing cash and cash equivalents	36	615

The notes on pages 107 to 112 form part of these financial statements.

Notes to the Company financial statements

for the year ended 31 May 2024

1 Material accounting policies

The Company and consolidated financial statements for the year ended 31 May 2024 have been prepared in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The financial statements have been prepared on the historical cost basis except for the remeasurement of certain financial instruments to fair value.

In publishing the Parent Company financial statements here together with the Group financial statements, the Company has taken advantage of the exemptions in s408 of the Companies Act 2006 not to present its individual income statement and related notes that form part of these approved financial statements.

The principal accounting policies adopted are the same as those set out in note 1 to the consolidated financial statements except as noted below.

2 Auditor's remuneration

The auditor's remuneration for audit and other services is disclosed in note 6 to the consolidated financial statements.

3 Employees

The Average monthly number of employees (excluding the Non-Executive Directors) was:

	2024 Number	2023 Number
Administration	10	10
	10	10

All the directors were paid through the company, details of which can be found in the Directors remuneration report.

Notes to the Company financial statements continued for the year ended 31 May 2024

4 Investments in subsidiaries

The Company's subsidiaries are related parties.

The subsidiaries at 31 May 2024, which were owned by Filtronic plc, were as follows:

Name of subsidiary	Country of incorporation	Description of equity held	Proportion held	Activity
Filtronic Broadband Limited ¹	UK	1p ordinary shares	100%	Design and manufacture of microwave products for telecommunication systems
Filtronic Holdings UK Limited ¹	UK	£1 ordinary shares	100%	Holding Company
Isotek (Holdings) Limited ¹	UK	1p ordinary shares	100%	Holding Company
Owned by Isotek (Holdings) Limited:				
Filtronic Wireless Limited ¹	UK	1p ordinary shares	100%	Design and manufacture of filters and related products for telecommunication systems
Filtronic Wireless Inc. ²	USA	US\$1 ordinary shares	100%	Design and manufacture of filters and related products for telecommunication systems
Owned by Filtronic Wireless Limited:				
Isotek Hong Kong Holdings Limited ³	Hong Kong	HK\$1 ordinary shares	100%	Holding Company
Owned by Isotek Hong Kong Holdings Limited:				
Isotek Telecommunications Suzhou Limited ⁴	China	US\$350,000 paid in share capital	100%	Design and manufacture of filters and related products for telecommunication systems

¹ Plexus 1, NETPark, Thomas Wright Way, Sedgefield, County Durham TS21 3FD, United Kingdom

² 700 Marvel Road, Salisbury, Maryland, 21801, USA

³ RM 1501, C1 Grand Millennium Plaza (lower block), 181 Queen's Road Central, Hong Kong

⁴ Room 2-2201 DC49, Dongfangzhi Building, No. 199 Xinggang Street, Suzhou Industrial Park

4 Investments in subsidiaries (continued)

	£000
Cost	
At 1 June 2022, 31 May 2023 and 31 May 2024	21,110
Impairment	
At 1 June 2022	(16,931)
Impairment in the year	(3,833)
At 31 May 2023	(20,764)
Impairment in the year	(346)
At 31 May 2024	(21,110)
Carrying amount at 31 May 2023	346
Carrying amount at 31 May 2024	-

The investments in subsidiaries are assessed annually to determine if there is any indication that any of the investments might be impaired. The assessment of the carrying amount is derived from the higher of the value in use and the fair value less costs to sell. Value in use is determined by discounting the future cash flows generated from the continuing use of the cash generating unit ("CGU") to which the investment relates whilst the fair value less costs to sell is the amount that a market participant would pay for the asset or CGU, less the costs of sale.

The carrying amount was calculated using the value in use model which returned a higher carrying value based on the following key assumptions:

- Budgets incorporating post-tax cash flows have been prepared to 31 May 2025 based on past experience, actual operating results, known future cash flows and estimates of future cash flows;
- Cash flows for a further four years have been prepared based on the Company's long-range plan together with cost inflation and additional overhead assumptions. A perpetuity factor has been applied based on the year to 31 May 2029. A long-term growth factor of 5% was applied to the perpetuity cash flows; and
- The CGU has a pre-tax discount rate of 16% (2023:14%) which was applied in determining the recoverable amount of the unit, being the estimated weighted average cost of capital for the CGU.

The investments in subsidiaries are assessed annually to determine if there is any indication that any of the investments might be impaired. At 31 May 2024 it was identified that the investment in the CGU responsible for RF conditioning products would need to be impaired by £0.3m based on discounting the future cashflows following a review of budgets. The recoverable amount of Enil was determined based on a value-in-use calculation which requires the use of key assumptions. A key input of the model is the discount rate used. Therefore a +/- 1% difference in the discount rate would impact impairment by £249,000 on +1% and £278,000 on -1%.

Notes to the Company financial statements continued for the year ended 31 May 2024

5 Intangible assets

	£000
Cost	
At 1 June 2022	155
Additions	23
At 31 May 2023	178
Additions	-
At 31 May 2024	178
Amortisation	
At 1 June 2022	83
Provided in the year	19
At 31 May 2023	102
Provided in the year	21
At 31 May 2024	123
Carrying amount at 31 May 2023	76
Carrying amount at 31 May 2024	55

6 Deferred tax

	2024 £000	2023 £000
Deferred tax assets which have not been recognised:		
Depreciation in advance of capital allowances	510	510
Tax losses carried forward	14,450	14,043
Share options deferral	80	80
	15,040	14,633

7 Trade and other receivables

	2024 £000	2023 £000
Group receivables	4,497	4,896
Other receivables and prepayments	66	51
	4,563	4,947

There are no provisions for bad debt. The Group receivables in the Company were reviewed in the year for expected credit losses in accordance with IFRS 9.

Amounts owed to Group undertakings are unsecured, interest-free and payable on demand.

8 Trade and other payables

	2024 £000	2023 £000
Trade payables	71	55
Group payables	2,784	2,784
Other payables and accruals	336	341
	3,191	3,180

Amounts owed to Group undertakings are unsecured, interest-free and payable on demand.

9 Share capital

	Deferred shares of 10p each Number '000	Ordinary shares of 0.1p each Number '000	£000
At 1 June 2022	106,877	214,798	10,796
Exercise of share options	-	323	-
At 31 May 2023	106,877	215,121	10,796
Exercise of share options	-	2,000	2
At 31 May 2024	106,877	217,121	10,798

All shares are allotted, called up and fully paid. Holders of the ordinary shares are entitled to receive dividends when declared, and are entitled to one vote per share at meetings of the Company.

The deferred shares have no rights to vote or receive dividends.

10 Share premium

	£000
At 1 June 2022	11,060
Exercise of share options	17
At 31 May 2023	11,077
Exercise of share options	136
At 31 May 2024	11,213

11 Retained earnings

	£000
At 1 June 2022	(14,585)
Loss for the year	(4,500)
Share-based payments	16
At 31 May 2023	(19,069)
Loss for the year	(1,526)
Share-based payments	47
At 31 May 2024	(20,548)

Notes to the Company financial statements continued for the year ended 31 May 2024

12 Share-based payments

All of the Group's share options and share warrants relate to the equity in the Company. Full details of these can be found in notes 29,30 and 31 in the consolidated financial statements.

13 Pension costs

	2024 £000	2023 £000
Defined contribution schemes	54	42

14 Financial instruments

Fair value

The carrying amount of all the financial assets and liabilities approximates to their fair value as described below.

Cash and cash equivalents comprise bank balances and bank deposits with a maturity of three months or less.

Trade and other receivables are all receivable in less than one year.

Trade and other payables are all payable in less than one year. Trade payables are generally payable within 30 days.

All financial assets and liabilities are held at amortised cost.

Liquidity risk

The Company has cash at bank of £36k. Cash is held on bank deposit for varying periods from overnight to six months to ensure all liabilities can be met as they fall due. The amount of cash available to the Company and the money available in the Group results in a low liquidity risk.

Credit risk

The exposure to credit risk is limited to the carrying amount of cash and cash equivalents and trade and other receivables in the statement of financial position. The credit risk related to cash and cash equivalents is considered to be low due to the cash being held at banks with high credit ratings such as Barclays Bank.

Credit risk is primarily related to Group receivables in the form of intercompany loan arrangements. Therefore, credit risk is considered to be low.

The Company has no trade receivables.

Interest rate risk

Cash is generally held on short-term bank deposits which earn interest at variable money market deposit rates. Cash is held in low interest rate bank accounts and therefore interest rate risk is considered to be low.

Foreign currency risk

The Company's reporting and functional currency is sterling with very limited exposure to foreign currency. Therefore, the Company has little foreign currency risk.

Capital management

The capital structure of the Company consists of equity and debt. Equity comprises ordinary share capital and retained earnings. Debt includes lease liabilities.

The objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to maximise future returns for shareholders. Cash flow is controlled by ongoing justification, monitoring and reporting of capital expenditure and regular monitoring and reporting of operational costs.

Company information

Directors

Jonathan Neale - Non-Executive Chairman
 Nat Edington - Chief Executive Officer
 Michael Tyerman - Chief Financial Officer
 Pete Magowan - Non-Executive Director
 John Behrendt - Non-Executive Director

Company Secretary

Michael Tyerman

Company number

2891064

Registered office

Filtronic plc
 Plexus 1,
 NETPark,
 Thomas Wright Way,
 Sedgefield,
 County Durham,
 TS21 3FD
 Tel: 01740 618800

Independent auditors

Crowe U.K. LLP
 3rd Floor
 The Lexicon
 Mount Street
 Manchester
 M2 5NT

Bankers

Barclays Bank plc
 10 Market Street
 Bradford
 BD1 1NR

Financial public relations

Walbrook PR Limited
 4 Lombard Street
 London
 EC3V 9HD
 Tel: 020 7933 8780

Nominated advisor and broker

Cavendish Capital Markets Limited
 1 Bartholomew Close
 London
 EC1A 7BL
 Tel: 020 7220 0500

Registrars

Link Group
 Enquiries regarding shareholdings, change of address or similar particulars should be directed in the first instance to our Registrars, Link Group whose address is:

Link Group
 Central Square
 29 Wellington Street
 Leeds
 LS1 4DL
 Tel: +44 (0)371 664 0300

(calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom are charged at the applicable international rate). Lines are open 9.00am - 5.30pm Monday to Friday excluding bank holidays in England and Wales.

Shareholder portal

You can register online to view your holdings using the Signal Shares shareholder portal, a service offered by Link Group at www.signalshares.com. This is an online service enabling you to quickly and easily access and maintain your shareholding online – reducing the need for paperwork and providing 24 hour access for your convenience. Through the shareholder portal you can:

- Cast your proxy vote online
- View your holding balance and get an indicative valuation
- View movements on your holding
- Update your address
- Elect to receive shareholder communications electronically
- Access a wide range of shareholder information including the ability to download shareholder forms

Filtronic website

Shareholders are encouraged to visit our website (www.filtronic.com) which has more information about the Company.



Glossary

5G:	5th Generation mobile networks
Adjusted EBITDA:	EBITDA before exceptional items and share-based payments
AGM	Annual General Meeting
AESA:	Active Electronically Steered Array
AIA:	Annual Investment Allowance
APM:	Alternative Performance Measure
Backhaul:	The portion of a hierarchical telecommunications network that comprises the intermediate links between the core network and the small subnetworks at the edge of the network
CEO:	Chief Executive Officer
CFO:	Chief Financial Officer
CGU:	Cash Generating Unit
CODM:	Chief Operating Decision Maker
COTS:	Commercial off the shelf
D-band:	130GHz to 175GHz
DART:	Defence Assurance Risk Tool
DSTL:	Department of Science and Technology Laboratory
DTEP:	The Defence Technology Exploitation Programme
E-band:	71GHz to 86GHz
EBITDA:	Earnings Before Interest, Taxation, Depreciation and Amortisation
EDI:	Equality, Diversity and Inclusion
ESA:	European Space Agency
ESG:	Environmental, Social and Governance
ESOP:	Employee Share Option Plan
ETSI:	European Telecommunication Standards Institute
EW:	Electronic warfare represents the ability to use the electromagnetic spectrum - signals such as radio, infrared or radar - to sense, protect and communicate. At the same time, it can be used to deny adversaries the ability to either disrupt or use these signals
FVLCTS:	Fair value less costs to sell used for financial appraisal
FY:	Financial year
GHG:	Greenhouse Gases
GHz:	Gigahertz: 10 ⁹ Hertz
HAPS:	High Altitude Pseudo-Satellites
IP:	Intellectual Property
Ka-band:	26.5GHz - 40GHz
KPI:	Key Performance Indicator
Ku-band:	12GHz - 18GHz
LED:	Light Emitting Diode
LEO:	Low Earth Orbit
LMR:	Land Mobile Radio
LTE:	Long-Term Evolution
MAR:	Market Abuse Regulation
MHz:	Megahertz
MMIC:	Monolithic Microwave Integrated Circuit
mmWave:	Millimetre Wave
MOD:	Ministry of Defence
NDA:	Non disclosure agreement
NRE:	Non-recurring engineering
OEM:	Original Equipment Manufacturer
PA:	Power Amplifier
P25:	Project 25: a suite of standards for digital mobile radio communications designed for use by public safety organisations

PDMR:	Person discharging managerial responsibility
Q-band:	33GHz to 50GHz
QCA:	Quoted Companies Alliance
RAN:	Radio access network. The part of a mobile network that connects end-user devices, like smartphones, to the cloud
RF:	Radio Frequency: a rate of oscillation in the range of around 3kHz to 300GHz
RNS:	Regulatory News Service
R&D:	Research and Development
SAYE:	Save As You Earn
SiP:	System in package. This is a number of integrated circuits enclosed in one or more chip carrier packages that may be stacked package on package
SLT:	Senior Leadership team
SME	Small and medium-sized enterprises
SSPA:	Solid State Power Amplifier
STEM:	Science, Technology, Engineering and Mathematics in an educational context
TTA:	Tower Top Amplifier
UTC:	University Technical College Newton Aycliffe
V-band:	40GHz to 75GHz
VIU:	Value In Use used for Financial appraisal
W-band:	92GHz to 115GHz
Xhaul:	The common flexible transport solution for future 5G networks, integrating the <i>fronthaul and backhaul networks with wired and wireless technologies in a common packet based transport network</i>





Registered Office

**Plexus 1, NET Park,
Thomas Wright Way, Sedgefield,
County Durham, TS21 3FD**

**T: +44 (0) 1740 618800
E: investorrelations@filtronic.com**

filtronic.com