For immediate release **3 December 2019**

Gooch & Housego PLC

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

PRELIMINARY RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

Gooch & Housego PLC (AIM: GHH), the specialist manufacturer of optical components and systems, today announces its preliminary results for the year ended 30 September 2019.

Year ended 30 September	**2019**	2018	Change
Revenue (£m)	**129.1**	124.9	3.4%
Adjusted profit before tax (£m)*	**15.0**	18.8	(19.9%)
Adjusted basic earnings per share (pence)*	**46.8p**	57.2p	(18.2%)
Statutory profit before tax (£m)	**6.0**	10.1	(40.6%)
Basic earnings per share (pence)	**15.1p**	29.3p	(48.5%)
Total dividend per share (pence)	**11.5p**	11.3p	1.8%
Net debt (£m)	**14.3**	10.6	£3.7m

*adjusted figures exclude the amortisation of acquired intangible assets, impairment of goodwill, adjustments to accrued contingent consideration, non underlying items being restructuring costs, site closure costs, transaction costs, and interest on deferred consideration, together with the related tax impact.

Operating & Strategic Highlights

- Trading: as previously disclosed, challenging macro-economic environment in our industrial laser sector, contrasted with record levels of demand for fibre optics, hi-reliability fibre couplers used in undersea cables and life science products
- Industrial laser products: we believe that technical innovation in end markets and new laser based manufacturing techniques combined with our market leading position will ultimately drive improved demand
- Strategic investment: we invested in order to deliver a multi-year growth phase of hi-reliability fibre couplers and new US A&D contracts. Further investment made in R&D projects that represent the highest potential for our photonics technologies
- Life science business: more than doubled in size compared with last year, driven by growth in our existing market areas, strongly supported by the addition of ITL, which has performed ahead of expectations since its acquisition in August 2018
- Strategic goals: we made considerable progress with further diversification and moving up the value chain, in large part due to the continued growth in A&D and Life Science business

Financial Highlights

- Revenue of £129.1 million, increased by 3.4%
- Adjusted profit before tax of £15.0 million, down 19.9%. This reflects both lower market demand for relatively higher margin critical components for industrial lasers and the investment required to deliver multi-year growth in hi-reliability fibre couplers and new US A&D contracts
- Adjusted earnings per share down 18.2%
- Capital expenditure of £5.9m. Net debt of £14.3m (c.0.7 x adjusted EBITDA)
- Dividend increased to 11.5p, reflecting the Board's long term confidence in the business
- Order book of £94.4m, 1.8% lower than the same time last year, reflecting strong demand for fibre optics, hi-reliability fibre couplers and our A&D and Life Science capabilities, with industrial laser demand yet to recover to more "normalised" levels

Mark Webster, Chief Executive Officer, commented:

"Trading reflected a challenging macro-economic environment for industrial lasers and in contrast record demand for fibre optics, hi-reliability fibre couplers used in undersea cables and life science products. We believe that ultimately technological innovation in industrial laser end market applications and new laser based manufacturing techniques will drive improved demand for our industrial laser products.

"During the year we invested in manufacturing capacity for areas of high growth such as hi-reliability fibre couplers and in R&D projects that represent the highest return for our photonic technologies.

"Considerable progress was made on our strategic goals of further diversification and moving up the value chain, with life sciences more than doubling compared with last year.

"Our order book reflects strong demand for fibre optics, hi-reliability fibre couplers and our A&D and Life Science capabilities, with industrial laser demand yet to recover to more "normalised' levels. G&H's forecasts and plans are not dependent on an industrial laser recovery. The Board is confident the Company is well positioned to deliver progress in FY20 and beyond."

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Analyst meeting

A meeting for analysts will be held at 9.30am today, 3 December 2019, at the offices of Buchanan, 107 Cheapside, London EC2V 6DN. For further details please phone Buchanan on 020 7466 5000 or email g&h@buchanan.uk.com.

Expected Financial Calendar

Annual General Meeting	19 February 2020
Payment date for final dividend for the year ended 30 September 2019 to shareholders on the register at close of business 24 January 2019. Subject to approval by shareholders at the Annual General Meeting	28 February 2020
Half year Trading Update	7 April 2020
Interim Results announcement	June 2020
Financial Year End	30 September 2020
Preliminary announcement of results for the year ended 30 September 2020	December 2020

Gooch & Housego
CHANGING THE WORLD WITH PHOTONICS

Chairman's Statement

2019 was a challenging year for the business with the industrial laser market declining as a result of a cyclical downturn in that market and the uncertainty that has resulted from trade disputes between the world's two largest economies. Despite this the Group has continued to make progress on its strategic objectives of offering our customers more complex sub-assemblies and system solutions whilst seeking new market applications for our products and capabilities.

Offsetting the weakness in the industrial laser market the Group succeeded in delivering good growth in its A&D and Life Sciences businesses where our market leading products and capabilities remained highly attractive.

We are seeing unprecedented levels of demand for our hi-reliability fused fibre couplers thanks to major telecommunications infrastructure projects and this will provide an important underpin to the Group's revenue for FY20.

Since its acquisition in August 2018 our ITL business has performed ahead of expectations and we are exploiting the synergies this acquisition provides by demonstrating the Group's broader product capability to our existing customer bases. Gould Fibre Optics ("GFO"), acquired in September 2018, has performed below our expectations at the time of acquisition, but as the earn-out portion of the acquisition price was not paid, we believe the company was acquired at an appropriate price. GFO is helping to consolidate G&H's position as a world leader in the provision of fused fibre technology to the US A&D sector.

The consolidation of our manufacturing facilities into three technology differentiated manufacturing centres has been completed and this has facilitated a more efficient, cross Group approach to the prioritisation of investment in people, plant and processes. We are now in the process of supporting this by bringing together our commercial teams into a single Group-wide organisation that will allow us to better respond to the broad and complex needs of our customers.

The execution of these changes in the face of a challenging environment in our industrial laser markets would not have been possible without the hard work and dedication of our people across all of our business areas. I am delighted with the contribution made by our staff throughout the Group, particularly in the areas of operational efficiency, supply chain improvement and health and safety management. On behalf of the Board I would like to thank all of our employees who have contributed to our business performance in the financial year.

As previously announced, Andrew Boteler left the business in June 2019 and was replaced as Chief Financial Officer by Chris Jewell who was formerly at TT Electronics plc. I would like to thank Andy for his very significant contribution to the Group and welcome Chris to the Board. Alex Warnock our Chief Operating Officer left the business in November 2019. Alex has put in place a strong and experienced management team to lead the three manufacturing centres and as a result we do not currently intend to replace Alex and the three manufacturing centre heads will report directly to the CEO. I wish Alex well for his future endeavours.

As a Board we are committed to diversity and the need to improve female representation at all levels. We have an active search underway to add an experienced female Non-Executive Director to the Board which we expect to conclude successfully in the New Year. We are also seeking to improve the representation of women in senior leadership positions throughout the Group.

Whilst the macroeconomic environment remains uncertain we enter the new financial year with a solid order book and the continued investment we have made in new technologies, capabilities and business processes means that the Group remains well positioned to deliver progress in FY20 and beyond.

Gary Bullard
Chairman
3 December 2019

Chief Executive Officer's Statement

FY19 Performance

In the year ended 30 September 2019 G&H achieved revenue of £129.1 million representing an increase of 3.4% over the previous year or excluding foreign exchange, flat, excluding acquisitions and foreign exchange, a decline of 8.0%. Adjusted profit before tax was £15.0 million, a decline of 19.9%.

Trading during the year reflected a challenging macro-economic environment in our industrial lasers sector, contrasting sharply with significant opportunities across the rest of the business. The cyclical downturn in demand for critical components used in industrial lasers for microelectronic and semiconductor manufacturing has been well documented. In the rest of our business, demand for our fibre optic products, hi-reliability fibre couplers used in undersea networks and our life science products was at record levels.

G&H believes that technical innovation in industrial laser end market applications, such as 5G and the introduction of new laser based manufacturing techniques, combined with our market leading position will ultimately drive improved demand for our industrial laser products.

Our fibre optics business has performed strongly. In particular hi-reliability fibre couplers are experiencing a multi-year growth phase and we have invested accordingly to take advantage of our market leading position in this area.

A&D has performed well and we secured a number of new US A&D contracts in FY19.

Our Life Science business has now established itself as a substantial sector within G&H. This has been driven by growth in our existing life sciences market areas, strongly supported by the addition of ITL, which has performed ahead of our expectations since its acquisition in August 2018.

G&H has entered its new financial year with a good order book which, at 30 September 2019 stood at £94.4 million (30 September 2018: £96.1 million), 1.8% lower than the same time last year, or a reduction of 5.1% excluding the impact of foreign exchange. The order book reflects strong demand for fibre optics, hi-reliability fibre couplers and our A&D and life science capabilities, while industrial laser demand is yet to recover to more 'normalised' levels.

Strategically important investments were made in people, process and capital equipment in order to ensure we are able to deliver on the multi-year growth of hi–reliability fibre couplers and to put in place the enhanced organisational structure required to deliver our new US A&D contracts. Elsewhere we have 'right sized' our organisational structure to ensure that we respond to the current demand levels in the industrial laser sector in a manner that retains core skills, but enables us to sensibly manage the profitability of the affected manufacturing sites.

G&H was able to make further R&D investment in areas we identified as having high growth potential for our photonic technologies, such as the latest industrial laser systems, 'harsh environment' sensing, unmanned aerial vehicles ("UAVs"), novel A&D programmes, space satellite communications, laser surgery and medical diagnostics. This year we were also able to combine our medical photonics capabilities, such as optical coherence tomography ("OCT") with ITL's system capabilities which resulted in the presentation of more complete and compelling medical diagnostic projects for our customers.

Strategic goals

We remain committed to our twin strategic goals of further diversification and moving up the value chain. This enables us to more fully exploit our photonic technologies and to continue to bring greater balance to our business thereby further reducing exposure to industrial lasers and the economic cycle.

A&D and Life Sciences provide a counter balance to our industrial laser business. Our customers are typically tier one A&D and multi-national medical diagnostic companies which often prefer us to provide them with sub-system and system solutions, therefore providing a strong impetus to move up the value chain. This coupled with the regulatory and compliance hurdles inherent in these sectors provides a high barrier to entry. The direction of travel in both sectors is towards greater use of photonic technologies, which means we are increasingly well placed to serve these customers. Both of these sectors provide G&H with the opportunity for robust growth going forward.

Our aim is to achieve a "critical mass'" in both the A&D and life science sectors and in an "ideal world" there would be an equal split between the three market sectors across G&H.

This was achieved in large part in A&D, which represented 34.2% of our business in FY19. Historically life sciences has provided 10% or less of our revenue, though this year through a combination of organic growth in our three main life science areas and the performance and full year impact of ITL, it now represents 18.7% (FY18: 8.9%) of the Group's revenue.

Sub systems and systems now represent 35.7% of our revenue, compared with 25.6% last year, the increase in large part due to the increased contribution of our A&D and Life Sciences sectors.

Acquisitions

In August and September 2018 we acquired ITL and Gould Fiber Optics, respectively.

ITL is a UK-based specialist in the design, development and manufacture of high quality medical devices. It has been a significant factor in G&H more than doubling the size of its life sciences business and moving up the value chain, as all of ITL's sales come from system based products.

ITL has exceeded our expectations, has achieved 100% of its first year earn out and has integrated well with the rest of G&H. There are a number of early stage joint photonic and system based projects which have been presented to prospective customers and which we expect will make a significant contribution to life science growth in years to come.

GFO is a US-based market leading supplier of key enabling fibre optic components to tier one US A&D customers. We have invested in the manufacturing site to bring it up to G&H standards and good progress has been made by the new management team at the Baltimore location.

GFO did not meet its earn out goals for this year, which meant the earn-out portion of the acquisition price was not paid and as such, we believe the price paid for the business was appropriate. It is a high net margin business which provides G&H with a strategic platform to access tier one US A&D companies with our fibre based product portfolio. The write back of deferred consideration and appropriate impairment of goodwill are considered in the Performance Overview.

Research and Development ("R&D")

There has been continued benefit from concentrating our R&D efforts on fewer higher return projects. During FY19 we introduced 48 new products, with 5 patents granted and we expect the full value of these products to come to fruition over the next three years. Revenue generated from new products this year was £13.5 million (FY18: £12.0 million).

Good progress has been made in the areas which have been identified as offering the highest growth potential for our photonic technologies.

Microelectronic manufacturing is entering a new phase of ultra fast lasers, which allow for improved capabilities in existing areas of use and new areas, such as Via Drilling techniques and extreme UV lithography, which is utilised in the production of nanoelectronics. The next generation of precision lasers and laser systems are being developed with our laser manufacturer and laser system partners.

We have capitalised on our expertise and knowledge gained on space laser communications to provide solutions for applications such as 'harsh environment' sensing which utilises our 'ruggedised' photonic technologies. Two recent examples are projects in the areas of LIDAR wind detection for wind farms and oil pipeline security systems.

Unmanned aerial vehicles ("UAVs") have a variety of commercial and military uses and this is an area where we see significant potential for G&H. We design, engineer and manufacture bespoke complex optical arrays that form part of the imaging system contained in the UAV's gimbal. They typically provide targeting, surveillance and LIDAR capability.

We have a number of ongoing R&D defence programmes in the US and Europe, which operate under US International Traffic in Arms Regulations ("ITAR") and / or confidentiality agreements, supporting future growth in what is now a substantial A&D business.

Our space communication group has gone from strength to strength with European and UK space agency funded work as well as substantial commercial contracts to provide satellite communication systems for near term satellite launches. We believe there is significant potential to expand this technology into small satellite platforms for constellations and near space UAVs.

Our optical coherence tomography ("OCT") technology dominates the retinal scanning and imaging arena. The partnerships we have with medical diagnostic companies in the areas of cardiovascular disease and cancer detection are now delivering new product revenue for the group.

We have a range of medical diagnostic R&D collaborations through ITL and have been able to combine our photonic capabilities with ITL's system expertise which we believe will result in R&D collaborations with multinational medical diagnostic companies in the near future.

Performance improvement programme

Our three manufacturing centre approach remains key to manufacturing efficiency, customer service and greater capacity. Ten of our twelve manufacturing sites are now organised into three manufacturing centres based on their areas of technical excellence, namely Acousto Optic / Electro Optic, Fibre Optics and Precision Optics / Systems. Each manufacturing centre has a leader whose role is to ensure best practice is shared, there is process harmonisation and optimal allocation of resource.

ITL's two manufacturing sites remain outside of the structure for the period of their earn out.

There are three customer facing business units which mirror our traditional market sectors of industrials, A&D and Life Sciences / Biophotonics. Each unit is responsible for that sector's strategy and longer term planning. They all come under our newly appointed Chief Commercial Officer ("CCO"), Adrian Meldrum, who will work closely with our manufacturing heads to ensure our production resources match our strategy and longer term planning goals.

This organisational approach is underpinned by improved business systems. An ongoing process with a phased introduction of new financial and business systems is being implemented over a period of three years.

Markets and Applications

Industrial – 47.1% of FY19 Group revenue

Our industrial division declined by £12.0 million or 16.5% compared with the previous year.

Industrial splits into four distinct areas: industrial lasers, optical communications, 'harsh environment' sensing and scientific research. The first two areas represent the majority of the sector's business. The Industrial sector's year on year decline was due to a cyclical downturn in the industrial laser market and a very strong comparator year in FY18.

The cyclical downturn in FY19 for industrial lasers used in microelectronic and semiconductor manufacturing has been well documented by both G&H and external commentators. We believe that the downturn has lasted longer than the last time we had an equivalent event, our FY12, due to the overlay of the US / China tariff dispute and other one-time factors such as the Japan / Korea trade dispute.

G&H believes that technological innovation in end market applications, such as 5G and the introduction of new laser based manufacturing techniques, combined with our market leading position in this area will ultimately drive improved demand for our industrial laser business. We will continue to seek to reduce the cost of producing critical components for industrial lasers to ensure that we remain competitive. It is interesting to note that following the FY12 industrial laser downturn G&H went through a period of strong growth, more than doubling our business through to FY18.

Optical communications is dominated by hi-reliability fibre couplers for undersea cables. Hi-reliability fibre couplers are undergoing a multi-year growth phase. This is driven by well capitalised 'Silicon Valley' companies sponsoring the laying of their own cable networks and a doubling in the number of fibre couplers used per repeater (the repeaters boost the signal every few kilometres of undersea cable). G&H has invested in people and equipment in order to meet an order book which has seen the demand nearly double in FY19, then triple as we move into FY20.

'Harsh environment' sensing has performed well and we have picked up new orders for our laser engines used for directional sensing in wind farms and security related to oil pipelines.

Scientific research covers high profile 'Big Science' projects such as supplying critical components to the world's most powerful laser system at the National Ignition Facility at Lawrence Livermore National Laboratory ("LLNL") in Northern California and to the European equivalent, Commissariat a l'energie atomique et aux energies alternatives ("CEA") in Bordeaux, France. As the primary supplier of critical laser components to these facilities this represents a profitable and prestigious part of our industrials business.

A&D – 34.2% of FY19 Group Revenue

A&D grew year on year by £3.4 million or 8.4%, on an organic basis by 5.9%.

G&H is able to bring a wide range of photonic capabilities together that very much represent the "direction of travel" in this sector. These include target designation, range finding, ring laser and fibre optic gyroscopic navigational systems, infra-red and RF counter measures, periscopes and sighting systems for armoured vehicles, opto-mechanical sub-systems for UAVs and long range secure communications.

The acquisition of GFO provides enhanced access for our fibre based business to tier one US A&D companies.

Delivering product quality, reliability and performance in "harsh environments" is essential in the A&D arena and this very much plays to G&H's strengths. Our customers encompass the major US and European A&D companies.

During FY19 we were able to win a number of high profile US A&D contracts and have put in place an enhanced organisational structure in order to deliver these multi-year projects.

Space satellite communication is undergoing a technological revolution. The use of fibre optic lasers to transmit information means satellite communication systems are more efficient and robust, as well as being significantly lighter and more secure. This has changed the economics of the sector and has helped lead to smaller satellites and encouraged the move towards the use of satellite constellations and near space UAVs, as part of a communications network. The investment we have made in this segment is allowing us to contribute at the forefront of these developments globally.

Life Sciences / Biophotonics – 18.7% of FY19 Group Revenue

Life Sciences / Biophotonics revenue grew year on year by £12.9 million or 114.7%, on an organic basis by 22.4%.

FY19 was a watershed year for G&H life sciences. Historically it has represented 10% or less of G&H's revenue, but during FY19 was able to more than double in size through a combination of organic and acquisitive growth and now represents 18.7% of Group revenue.

The principal photonic applications are in OCT, laser surgery and microscopy and we had organic growth across all three main areas. OCT is widely used in ophthalmology for 3D retinal scanning and G&H has a leading position in supplying critical components and sub-systems to the main equipment suppliers. The use of the same technology in cardiovascular and cancer disease detection has now started to drive revenue from US based medical diagnostic companies.

Laser surgery is a fast growing segment particularly in ophthalmology, prostate and cosmetic surgery and has significant potential to be exploited beyond these current areas of use.

Microscopy had a good year with an increase in use of laser based microscopy.

ITL, acquired in August 2018, has exceeded our expectations with its business based around the design, development and manufacture of high quality medical diagnostic systems. These range from the supply of antibiotic testing and cancer detection systems through to DNA sequencing. Their electronic, software and mechanical engineering capability greatly enhances our ability to integrate our photonic technology as part of a sub-system or system. During FY19 this has resulted in us being able to present a number of OCT based systems to new and existing customers. We expect this to be a significant business driver in future years.

There is potential for photonic technology to be used in minimally invasive surgery, endoscopy and robotic surgery. This sector remains an area where G&H will continue to invest in R&D and to look for further strategic acquisitions with the aim of at least bringing the revenue into line with the other sectors.

Board changes

Chris Jewell joined the Group as Chief Financial Officer on 9 September 2019. He replaced Andy Boteler who after more than ten years as CFO decided to step down as a public company executive. Andy has been an important part of G&H's success over many years and his knowledge of the business, energy and considerable ability will be missed.

Alex Warnock, after five years as Chief Operating Officer decided to step down from the role and the Board after the end of the financial year. He left on 8 November 2019. Alex has been an important part of G&H's success and his hard work, commitment and considerable experience will be missed. Alex has put in place a strong and experienced management team based around the three manufacturing centres, which has been operating successfully in its current structure for the last two years. The three manufacturing heads will report directly into the CEO and there are no plans to recruit a replacement COO.

Summary and Outlook

Trading during the year reflected a challenging macro-economic environment in our industrial lasers sector, which contrasted with record levels of demand for our fibre optics products, hi-reliability fibre couplers used in undersea cables and life science products.

G&H believes that technical innovation in industrial laser end market applications, such as 5G and new laser based manufacturing techniques, combined with our leading position will ultimately drive improved demand for our industrial laser products.

We made strategically important investments in people, process and equipment to ensure we are able to deliver on the multi-year growth phase of hi-reliability fibre couplers and put in place an enhanced organisational structure to deliver our new US A&D contracts.

Elsewhere G&H has 'right sized' the organisation to ensure that we respond to the current demand levels of the industrial laser sector in a manner that retains core skills, but enables us to sensibly manage the profitability of the affected manufacturing sites.

We will continue to seek to reduce the cost of producing critical components for industrial lasers. When necessary, we will continue to make considered and proportionate organisational changes in order to ensure we are able to take optimal advantage of the opportunities and challenges we have in the business.

G&H is committed to making further investment in R&D target areas that we believe represent the highest growth potential for our photonic technologies. These include the latest industrial laser systems, "harsh environment" sensing, UAVs, novel A&D programmes, space satellite communications, laser surgery and medical diagnostic systems.

We will continue to actively pursue our strategic goals of further diversification and moving up the value chain. The aim is to achieve "critical mass" in the A&D and Life Science sectors, which means in an "ideal world" each of the three sectors representing one third of our business, through a mixture of investment in R&D and acquisitions.

The order book as at 30 September 2019 reflects strong demand for fibre optics, hi-reliability fibre couplers and our A&D and life science capabilities, whilst industrial laser demand is yet to recover to "normalised" levels. We believe that technical innovation will ultimately drive future growth in the industrial laser sector. Our forecasts and plans are not dependent on a recovery in the industrial laser market.

The "direction of travel" in our main target sectors is very much towards greater use of photonic technologies. This combined with the technological platform and market presence that we have in these target sectors means that the Board is confident that the Company is well positioned to deliver progress in FY20 and beyond.

Mark Webster
Chief Executive Officer
3 December 2019

Performance Overview

Trading performance in the year suffered from a cyclical slowdown in our Industrial laser markets and underlying operating profit fell 14.9% to £16.3m. Revenue and underlying profit before tax were, however, in line with revised management expectations for the year reflecting a level of stabilisation in the second half's trading.

Group revenue for the year totalled £129.1 million. This represents an increase of £4.3 million, or 3.4% over the previous year. On an organic basis and measured at constant currency, revenues declined by 8.0%.

The Group adjusted profit before tax amounted to £15.0 million (2018: £18.8 million) and represented a margin of 11.6% (2018: 15.0%). Statutory profit before tax was £6.0 million compared with £10.1 million last year.

During 2019 the Group continued to invest for the future with R&D spend at 6% of revenue, which was in line with last year's proportional spend when measured on an organic basis. G&H invested £5.9m in property, plant and equipment including investment to provide our manufacturing centres with new capabilities that will help us address emerging customer demands. The business finished the year with net debt of £14.3 million compared with a net debt position of £10.6 million as at 30 September 2018. This represents approximately 0.7 x adjusted EBITDA.

In the financial year under review, adjusted operating profits decreased by £2.8 million to £16.3 million (2018: £19.1 million). At a percentage margin level, adjusted operating margins were 12.6%, compared with 15.3% in 2018. This reduction reflects the impact of lower sales of our relatively higher margin industrial laser products and the investment made in capacity for the multi-year growth of the hi-reliability fibre couplers, and additional costs required to deliver new US A&D contracts.

REVENUE

	2019		2018	
Year ended 30 September	**£'000**	**%**	£'000	%
Industrial	**60,854**	**47.1%**	72,881	58.4%
A&D	**44,203**	**34.2%**	40,789	32.7%
Life Sciences / Biophotonics	**24,076**	**18.7%**	11,213	8.9%
Group Revenue	**129,133**	**100%**	124,883	100%

In our Industrial segment, revenue declined by 16.5%, in absolute terms, from £72.9 million last year to £60.9 million this year. On an organic and constant currency basis, the decline totalled 17.4%.

Revenue in our A&D business increased by 8.4% in absolute terms from £40.8 million to £44.2 million. Excluding the impact of acquisitions and measuring at constant currency, revenues in this segment grew 2.4%.

Life Sciences / Biophotonics revenue increased by 114.7% in absolute terms from £11.2 million to £24.1 million. Excluding the effect of foreign exchange and acquisitions, this segment grew by 18.2%.

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GROUP EARNINGS PERFORMANCE

All amounts in £'000	Adjusted		Reported	
Year ended 30 September	**2019**	**2018**	**2019**	**2018**
Operating profit	**16,254**	19,100	**8,408**	10,796
Net finance costs	**(1,238)**	(343)	**(2,456)**	(683)
Profit before taxation	**15,016**	18,757	**5,952**	10,113
Taxation	**(3,332)**	(4,677)	**(2,191)**	(2,893)
Profit for the year	**11,684**	14,080	**3,761**	7,220
Basic earnings per share (p)	**46.8p**	57.2p	**15.1p**	29.3p

The adjusted effective rate of tax was 22.2% (2018: 24.9%). The reduction in the rate was largely due to a combination of the full year effect of US rate reductions implemented last year and the utilisation of tax losses in the US. The effective rate of tax of 36.8% (2018: 28.6%) was higher than the adjusted effective rate largely because of the effect of the goodwill impairment, which is not deductible in arriving at the Group's tax charge. The rate reflects a combination of the varying tax rates applicable throughout the countries in which the Group operates, principally the UK and the USA.

Adjusted net finance costs increased to £1.2m principally as a result of additional borrowing at the end of FY18 to fund the ITL and Gould Fiber Optics acquisitions.

RECONCILIATION OF ADJUSTED PERFORMANCE MEASURES

	Operating profit		Net finance costs		Taxation		Earnings per share	
Year ended 30 September	**2019 £000**	**2018 £000**	**2019 £000**	**2018 £000**	**2019 £000**	**2018 £000**	**2019 pence**	**2018 pence**
Reported	**8,408**	10,796	(2,456)	(683)	**(2,191)**	(2,893)	**15.1p**	29.3p
Amortisation of acquired intangible assets	**3,690**	2,141	-	-	**(676)**	(276)	**12.1p**	7.6p
Site closure	**(382)**	1,569	-	-	**65**	(359)	**(1.3p)**	4.9p
Impairment of goodwill	**6,258**	2,708	-	-	**(921)**	-	**21.4p**	11.0p
(Credit) / charge in respect of accrued contingent consideration	**(3,075)**	417	-	-	**662**	-	**(9.7p)**	1.7p
Restructuring costs	**1,355**	864	-	-	**(271)**	(169)	**4.3p**	2.8p
Transaction fees	**-**	605	-	-	**-**	(116)	**-**	2.0p
Interest on deferred consideration	**-**	-	1,218	340	**-**	-	**4.9p**	1.4p
Tax credit on US deferred tax due to rate change	**-**	-	-	-	**-**	(864)	**-**	(3.5p)
Adjusted	**16,254**	19,100	(1,238)	(343)	**(3,332)**	(4,677)	**46.8p**	57.2p

Adjusted earnings per share (EPS) reduced from 57.2p in FY18 to 46.8p in FY19. Reported basic EPS was 15.1p compared with 29.3p last year.

NON GAAP MEASURES

The Company uses a number of non GAAP measures which are shown in the table above and in the segmental analysis. These measures are used to illustrate the impact of non-underlying items on the Company's financial results. These are the impact of the amortisation of acquired intangible assets, costs associated with restructuring activities, impairment of goodwill, adjustments to contingent consideration, costs associated with the acquisition and disposal of subsidiary companies, and the interest charge on deferred consideration.

Adjusted Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") is EBITDA excluding site closure costs and restructuring costs identified as non-recurring.

NON UNDERLYING ITEMS

Restructuring costs of £1.4 million (FY2018: £0.9 million) related to expenses arising from the re-organisation of the manufacturing centres, and the Group's commercial and business development teams into a single integrated function.

Site closure costs relate to the profit generated on the sale of the Company's Orlando facility, partially offset by the costs associated with the closure of the Madison office.

As noted above the performance of the Gould Fiber Optic business has not been sufficient to trigger the payment of the contingent consideration provided for in the Purchase Agreement and accrued within the September 2018 balance sheet. As a result the amount of £2.6m was credited to the income statement during the year. Furthermore the excess of contingent consideration compared with that paid in respect of the StingRay acquisition of £0.5m was released in the period.

As part of its annual review of the carrying value of goodwill, the Board has taken the decision to impair the goodwill of the Gould Fiber Optic business. The business was acquired in September 2018 for a consideration of $16.4m including a contingent element of $3.4m and, prior to the impairment, the carrying value of the associated goodwill was £9.2m. Whilst the acquisition has helped provide the Group with further access to the US A&D market the business has not generated the profitable growth required to support the payment of the contingent consideration. The lower than expected performance means that an impairment charge of £3.6m has been recognised in relation to the carrying value of that site's goodwill. Further detail is given in note 17 to the financial statements.

As reported at the half year, the Board took the decision to recognise an impairment of £2.6m in respect of the goodwill relating to the Boston site.

Transaction fees of £0.6m in FY18 related to the acquisitions of ITL and Gould Fiber Optics.

The interest charge on discounted deferred consideration of £1.2m (2018: £0.3m) relates to the unwind of the discount on deferred consideration liabilities.

RESEARCH & DEVELOPMENT (R&D)

G&H continues to invest in R&D and regards this as fundamental to the continued growth of the Company. There were 48 product releases in 2019, together with five new patents granted.

Excluding the impact of acquisitions and divestments, expenditure on R&D in FY19 was maintained at 6% of revenue, only marginally lower than the equivalent figures in the previous financial year (6.4%). The Group capitalised £0.7m of development expenditure (2018: £0.5 million).

OPERATIONS

The Group has completed the establishment of its three Manufacturing Centres which combine the Group's operational expertise into the three technology areas of Acousto Optic/Electro Optic, Fibre-Optic and Precision Optics/Systems. There are three customer facing business units which mirror our traditional market sectors of industrial, A&D and Life Science/ Biophotonics. Each unit is responsible for that sector's strategy and longer term planning. They all come under our newly appointed CCO who will work closely with our manufacturing heads to ensure our production resources match our strategy and longer term planning goals.

We have made further investment in our business systems to better support our operations. We have continued the roll out of our Syspro ERP/MRP system which now forms the core of our sales and operations planning processes enabling us to ensure our in house and supply chain resources are better aligned with our market forecasts.

Following the closure and sale of the Orlando, Florida, light measurement business in the previous year the Group completed the sale of the site for proceeds of £1.5m in FY19. The resultant gain on disposal of the site of £0.8m has been treated as non-underlying income.

As reported in previous years, the Company has been successful in its legal dispute with the landlord of its Fremont facility, as a result of which a Californian court awarded G&H in the region of $2 million in damages plus costs, arising from the landlord's non-performance in respect of the lease. The landlord commenced an appeal against this ruling which is yet to be heard and whilst legal opinion remains confident that the original ruling will be upheld, no recognition of the damages award has been made in this set of financial statements. Any net benefit will be treated as a non-underlying item in a future accounting period.

ACQUISITIONS

G&H continues to evaluate acquisition opportunities that have the potential to accelerate delivery of the Company's strategic objectives. G&H is focussed on moving up the value chain in each of the markets it serves. Whilst the business will continue to evaluate bolt on businesses in our core component technologies, we are focussed on identifying value enhancing acquisitions that can extend our technical capabilities and help us achieve further penetration into the markets that we serve.

In its first full year of ownership the ITL business has exceeded our expectations contributing £12.8m of revenue and £3.2m of operating profit to the Group result. During the period it has secured some important new design wins with new customers.

The acquisition of Gould Technology LLC, trading as Gould Fiber Optics, in the previous financial year has allowed G&H to strengthen its position as the world leader in fused fibre optic technology and brought G&H access to strategic US A&D customers. During the year Gould contributed £4.4m of revenue and £0.7m of operating profit to the Group results. However, this was a level lower than that required to generate payment of the contingent consideration of $3.4m provided for on acquisition of the business and this was, therefore, released as a non-underlying credit to the income statement in the year. The impact of the avoided earn-out payments on the carrying value of goodwill is considered in note 17 to the financial statements.

As a result of strong trading in 2018, earn out payments were made in the year in respect of the StingRay business (£2.6m) and the Kent Periscopes business (£1.7m). These payments were the final amounts due in respect of those two acquisitions.

BALANCE SHEET

The Group's total equity at the end of the year was £112.8 million, an increase of £3.8 million over the prior year. This increase comprised £0.9m from retained earnings, £0.5m from issues of share capital and a net increase of £2.4m from foreign exchange and other movements.

Additions to property, plant and equipment totalled £5.9m. The additions included investment to provide our facilities with new capabilities to satisfy our customers' developing needs.

Working capital was 33.9% of revenue in the current year compared with 28.6% in 2018, due to higher inventory levels as a result of inventory built in anticipation of the return of market demand in the industrial lasers market which has been delayed, and inventory built as a result of the strong multi-year growth of hi-reliability fibre couplers. Whilst it was consistent with the prior year, a heavy weighting of shipments towards the end of the financial year kept accounts receivable high.

Inventory at year end was £33.3 million, an increase of £7.4 million over the prior year. Excluding the impact of foreign exchange inventory increased by £6.6 million, or 25.5%, in the year. This movement is expected to partially unwind as trading levels grow in the coming year.

Trade receivables at year end were £31.1 million, a reduction of £1.1 million compared with the prior year. The reduction was due to the lower trading level albeit the weighting of shipments in Q4 remained heavy. There has been good cash collection post year end, albeit we are seeing some overseas customers extending their payment terms.

Cash balances at 30 September 2019 were £17.5 million, compared with £19.4 million in the prior year. Net cash flows from operating activities totalled £11.6 million, compared with £9.2 million last year, reflecting a cash generated from operations to adjusted operating profit rate of 80% (2018: 63%) as a result of a lower investment in working capital year-on-year. During the year net debt increased by £3.7 million, of which £1.8 million was as a result of exchange rate movement on the Group's US$ denominated borrowings.

MOVEMENT IN NET DEBT

All amounts in £m	Gross Cash	Gross Debt	Net Debt
At 1 October 2018	**19.4**	**(30.0)**	**(10.6)**
Operating cash flows	19.6	-	19.6
Debt repayment	-	0.1	0.1
Acquisitions (deferred consideration)	(3.9)	-	(3.9)
Net capital expenditure	(5.9)	-	(5.9)
Working capital	(6.6)	-	(6.6)
Interest, tax and dividends	(5.4)	-	(5.4)
Exchange movement	0.3	(1.9)	(1.6)
At 30 September 2019	**17.5**	**(31.8)**	**(14.3)**

PRIOR YEAR RESTATEMENT

In support of the establishment of the Group's three manufacturing centres, and to enable a better comparison of operational performance across the Group, the methodology for the inclusion of overhead costs into inventory values was standardised in the year. The effect of this standardisation was to increase inventory values.

In the financial statements for the year the effect of this standardisation has been applied retrospectively to the prior year comparators which have been restated. This adjustment has been made so as not to distort FY19 profitability and is detailed further in note 2 to the financial statements. The effect in FY19 was not material.

ORDER BOOK

As at 30 September 2019, the Group order book stood at £94.4 million, compared with £96.1 million at the end of the 2018 financial year. Excluding foreign exchange the order book was 5% lower. The book to bill ratio for the business as a whole was 0.98 (six month rolling average) as at 30 September 2019 (2018: 0.95). This partly reflects the strong shipments in Q4.

STAFF

The Group workforce reduced from 1,007 at 30 September 2018 to 984 at the end of September 2019. The reduction reflects the action the business has taken to adjust to the lower levels of market demand in its industrial lasers markets whilst ramping up for increasing levels of demand in particular for its hi-reliability fused fibre coupler products.

DIVIDENDS

The Directors propose a final dividend of 7.2p per share making a total dividend per share for the year of 11.5p (2018: 11.3p), an increase of 1.8%. The final dividend, if approved, will be payable on 28 February 2020 to shareholders on the Company's share register as at the close of business on 24 January 2020.

KEY PERFORMANCE INDICATORS (KPIs)

The Group's objective is to deliver sustainable, long-term growth in revenue and profits through the execution of the Board's strategy.

In striving to achieve these strategic objectives, the main financial performance measures monitored by the Board are:

Total revenue growth	**2019**	**2018**	**2017**
At actual exchange rates	3%	12%	30%
At constant exchange rates	-	16%	19%

The Board is focused on driving revenue growth by investing both organically and through acquisitions. The Group's revenue at constant exchange rate was flat year on year with the downturn in our key industrial sector offsetting the performance elsewhere in the business, including from last year's acquisitions.

Target market revenue	**2019**	**2018**	**2017**
A&D (£m)	44.2	40.8	34.9
Life Sciences (£m)	24.1	11.2	9.6

The Group's target markets of A&D and Life Sciences provide a route to sustainable growth, and a more diversified revenue base. These markets also provide significant opportunities for G&H to migrate up the value chain from materials and components to higher value sub-assemblies, modules and systems in response to the trend for our larger customers to outsource increasingly complex parts of their business. The increase in A&D revenue includes the full year effect of last year's acquisition, Gould Fiber Optics in 2018 while the Life Sciences revenue growth includes the full year effect of the ITL acquisition in 2018. Measured on an organic constant currency basis A&D revenues increased by 2.4% and Life Sciences by 18.2%

Net (debt) / cash analysis	**2019**	**2018**	**2017**
Net (debt) / cash (£m)	(14.3)	(10.6)	14.9

In order to balance business risk with the investment needs of the Company, management closely monitors and manages net (debt)/cash. This year, as a result of earn out payments made for the acquisition of the StingRay and Kent Periscopes businesses and the investment in capital equipment and working capital, net debt increased from £10.6m to £14.3m. This represents a Net Debt : Adjusted EBITDA ratio of c. 0.7x.

Earnings per share (EPS)	**2019**	**2018**	**2017**
Adjusted diluted EPS (pence)	46.7p	56.5p	48.5p

As a result of the difficult trading environment in the industrial laser sector, adjusted diluted EPS fell 17.3%, from 56.5p to 46.7p.

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Group Income Statement

For the year ended 30 September 2019 (unaudited)

	Note	2019 £000	2018 £000
Revenue	2	**129,133**	124,883
Cost of revenue		**(84,231)**	(74,811)
Gross profit		**44,902**	50,072
Research and Development		**(7,074)**	(8,229)
Sales and Marketing		**(8,545)**	(9,237)
Administration		**(21,526)**	(22,317)
Other income and expenses		**651**	507
Operating profit		**8,408**	10,796
Finance income		**21**	16
Finance costs		**(2,477)**	(699)
Profit before income tax expense		**5,952**	10,113
Income tax expense	3	**(2,191)**	(2,893)
Profit for the year		**3,761**	7,220
Basic earnings per share	4	**15.1p**	29.3p
Diluted earnings per share	4	**15.0p**	29.0p

Reconciliation of profit before tax to adjusted profit before tax:

	2019 £000	2018 £000
Profit before tax	**5,952**	10,113
Amortisation of acquired intangible assets	**3,690**	2,141
Adjustment to accrued contingent consideration	**(3,075)**	417
Impairment of goodwill	**6,258**	2,708
Site closure costs	**(382)**	1,569
Restructuring costs	**1,355**	864
Transaction fees	**-**	605
Interest on discounted deferred consideration	**1,218**	340
Adjusted profit before tax	**15,016**	18,757

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Group Statement of Comprehensive Income
For the year ended 30 September 2019 (unaudited**)**

	2019	2018
	£000	£000
Profit for the year	**3,761**	7,220
Other comprehensive income – items that may be reclassified subsequently to profit or loss		
Currency translation differences	**2,549**	1,657
Other comprehensive income for the year net of tax	**2,549**	1,657
Total comprehensive income for the year attributable to the shareholders of Gooch & Housego PLC	**6,310**	8,877

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Group Balance Sheet

For the year ended 30 September 2019 (unaudited)

	2019	Restated[1] 2018	Restated[1] 2017
	£000	£000	£'000
Non-current assets			
Property, plant and equipment	**39,621**	38,320	33,890
Intangible assets	**58,598**	65,734	40,250
Deferred income tax assets	**1,539**	1,944	2,703
	99,758	105,998	76,843
Current assets			
Inventories	**33,313**	25,910	22,543
Income tax assets	**-**	-	267
Trade and other receivables	**33,190**	35,028	24,723
Cash and cash equivalents	**17,512**	19,433	26,425
	84,015	80,371	73,958
Current liabilities			
Trade and other payables	**(22,668)**	(25,262)	(23,758)
Borrowings	**(77)**	(75)	(6)
Income tax liabilities	**(1,114)**	(603)	(873)
Provision for other liabilities and charges	**(1,243)**	(988)	(888)
Deferred consideration	**(4,750)**	(5,774)	(4,286)
	(29,852)	(32,702)	(29,811)
Net current assets	**54,163**	47,669	44,147
Non-current liabilities			
Borrowings	**(31,722)**	(29,964)	(11,492)
Deferred income tax liabilities	**(6,409)**	(6,322)	(5,938)
Deferred consideration	**(2,947)**	(8,363)	(4,253)
	(41,078)	(44,649)	(21,683)
Net assets	**112,843**	109,018	99,307
Shareholders' equity			
Called up share capital	**5,008**	4,982	4,903
Share premium account	**16,000**	15,530	15,530
Merger reserve	**7,262**	7,262	4,640
Cumulative translation reserve	**9,780**	7,231	5,574
Retained earnings	**74,793**	74,013	68,660
Total equity	**112,843**	109,018	99,307

[1] See note 1 for details.

Gooch & Housego
CHANGING THE WORLD WITH PHOTONICS

Group Statement of Changes in Shareholders' Equity

For the year ended 30 September 2019 (unaudited)

	Note	Called up share capital £000	Share premium account £000	Merger reserve £000	Retained earnings £000	Cumulative translation reserve £'000	**Total equity £000**
At 1 October 2017		**4,903**	**15,530**	**4,640**	**67,489**	**5,574**	**98,136**
Restatement	1	-	-	-	1,171	-	**1,171**
As restated		4,903	15,530	4,640	68,660	5,574	**99,307**
Profit for the financial year		-	-	-	7,220	-	**7,220**
Other comprehensive income for the year		-	-	-	-	1,657	**1,657**
Total comprehensive income for the year		**-**	**-**	**-**	**7,220**	**1,657**	**8,877**
Dividends	5	**-**	**-**	**-**	(2,647)	**-**	**(2,647)**
Shares issued		79	-	2,622	(45)	**-**	**2,656**
Fair value of employee services		-	-	-	675	**-**	**675**
Tax credit relating to share option schemes		-	-	-	150	**-**	**150**
Total contributions by and distributions to owners of the parent recognised directly in equity		**79**	**-**	**2,622**	**(1,867)**	**-**	**834**
At 30 September 2018		**4,982**	**15,530**	**7,262**	**74,013**	**7,231**	**109,018**
At 1 October 2018		**4,982**	**15,530**	**7,262**	**74,013**	**7,231**	**109,018**
Profit for the financial year		-	-	-	3,761	-	**3,761**
Other comprehensive income for the year		-	-	-	-	2,549	**2,549**
Total comprehensive income for the year		**-**	**-**	**-**	**3,761**	**2,549**	**6,310**
Dividends	5	**-**	**-**	**-**	(2,849)	**-**	**(2,849)**
Shares issued		26	470	-	(19)	**-**	**477**
Fair value of employee services		-	-	-	191	**-**	**191**
Tax debit relating to share option schemes		-	-	-	(304)	**-**	**(304)**
Total contributions by and distributions to owners of the parent recognised directly in equity		**26**	**470**	**-**	**(2,981)**	**-**	**(2,485)**
At 30 September 2019		**5,008**	**16,000**	**7,262**	**74,793**	**9,780**	**112,843**

Group Cash Flow Statement
For the year ended 30 September 2019 (unaudited)

	Note	2019 £000	2018 £000
Cash flows from operating activities	6		
Cash generated from operations		**12,967**	11,949
Income tax paid		**(1,321)**	(2,779)
Net cash generated from operating activities		**11,646**	9,170
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired		**(3,940)**	(24,029)
Disposal of trade and assets		**-**	384
Purchase of property, plant and equipment		**(5,792)**	(5,849)
Sale of property, plant and equipment		**1,480**	-
Purchase of intangible assets		**(1,620)**	(1,377)
Interest received		**21**	9
Interest paid		**(1,116)**	(304)
Net cash used in investing activities		**(10,967)**	(31,166)
Cash flows from financing activities			
Drawdown of borrowings		**-**	17,272
Repayment of borrowings		**(74)**	(16)
Dividends paid to ordinary shareholders		**(2,849)**	(2,647)
Net cash (used by) / generated from financing activities		**(2,923)**	14,609
Net decrease in cash		**(2,244)**	(7,387)
Cash at beginning of the year		**19,433**	26,425
Exchange gains on cash		**323**	395
Cash at the end of the year		**17,512**	19,433

Notes to the preliminary report

1. Basis of preparation

The unaudited Preliminary Report has been prepared under the historical cost convention and in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and interpretations in issue at 30 September 2019.

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

Comparative figures in the Preliminary Report for the year ended 30 September 2018 have been taken from the Group's audited statutory financial statements on which the Group's auditors, PricewaterhouseCoopers LLP, expressed an unqualified opinion. Those financial statements have been restated as described below.

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 30 September 2018, as described in those financial statements, except where newly applicable accounting standards apply. New standards or interpretations which came into effect for the current reporting period, including IFRS 15 "Revenue from contracts with customers" and IFRS 9 "Financial Instruments", did not have a material impact on the net assets or results of the Group.

During the year, in order to support the better operation of the Group's newly formed manufacturing centres, work was completed to standardise the Group's methodology with respect to the costs of the business that are absorbed into our inventory values. The effect of this change has been reflected in a restatement of prior year comparative figures so as not to distort FY19 profitability. The effect was to increase inventory by £1.5m, tax liabilities by £0.3m and retained earnings by £1.2m at both 30 September 2017 and 30 September 2018.

An analyst presentation will be held at 9.30am today at Buchanan, 107 Cheapside, London, EC2V 6DN.

2. Segmental analysis

The Company's segmental reporting reflects the information that management uses within the business. The business is divided into three market sectors, being Aerospace & Defence, Life Sciences / Biophotonics and Industrial, together with the Corporate cost centre.

The industrial business segment primarily comprises the industrial laser market for use in the semiconductor and microelectronic industries, but also includes other industrial applications such as metrology, telecommunications and scientific research.

For year ended 30 September 2019	Aerospace & Defence £000	Life Sciences / Bio-photonics £000	Industrial £000	Corporate £000	Total £000
Revenue					
Total revenue	44,222	25,130	67,931	-	137,283
Inter and intra-division	(19)	(1,054)	(7,077)	-	(8,150)
External revenue	44,203	24,076	60,854	-	129,133
Divisional expenses	(40,505)	(18,538)	(49,905)	3,391	(105,557)
EBITDA[1]	3,698	5,538	10,949	3,391	23,576
EBITDA %	8.4%	23.0%	18.0%	-	18.3%
Depreciation and amortisation	(1,076)	(649)	(2,517)	(978)	(5,220)
Operating profit before amortisation of acquired intangible assets and goodwill impairment	2,622	4,889	8,432	2,413	18,356
Amortisation of acquired intangible assets and goodwill impairment	-	-	-	(9,948)	(9,948)
Operating profit	2,622	4,889	8,432	(7,535)	8,408
Operating profit margin %	5.9%	20.3%	13.9%	-	6.5%
Add back non-underlying items, amortisation of acquired intangibles and goodwill impairment	902	194	540	6,210	7,846
Adjusted operating profit	3,524	5,083	8,972	(1,325)	16,254
Adjusted profit margin %	8.0%	21.1%	14.7%	-	12.6%
Finance costs	-	-	-	(2,456)	(2,456)
Profit before income tax expense	**2,622**	**4,889**	**8,432**	**(9,991)**	**5,952**

For year ended 30 September 2018	Aerospace & Defence	Life Sciences / Bio-photonics	Industrial	Corporate	Total
	£000	£000	£000	£000	£000
Revenue					
Total revenue	41,023	11,440	80,363	-	132,826
Inter and intra-division	(234)	(227)	(7,482)	-	(7,943)
External revenue	40,789	11,213	72,881	-	124,883
Divisional expenses	(34,454)	(9,189)	(59,146)	(1,757)	(104,546)
EBITDA[1]	6,335	2,024	13,735	(1,757)	20,337
EBITDA %	15.5%	18.1%	18.8%	-	16.3%
Depreciation and amortisation	(758)	(399)	(2,450)	(1,085)	(4,692)
Operating profit before amortisation of acquired intangible assets and goodwill impairment	5,577	1,625	11,285	(2,842)	15,645
Amortisation of acquired intangible assets and goodwill impairment	-	-	-	(4,849)	(4,849)
Operating profit	5,577	1,625	11,285	(7,691)	10,796
Operating profit margin %	13.7%	14.5%	15.5%	-	8.6%
Add back non-recurring items, amortisation of acquired intangibles and goodwill impairment	116	17	1,030	7,141	8,304
Adjusted operating profit	5,693	1,642	12,315	(550)	19,100
Adjusted profit margin %	14.0%	14.6%	16.9%	-	15.3%
Finance costs	-	-	-	(683)	(683)
Profit before income tax expense	**5,577**	**1,625**	**11,285**	**(8,374)**	**10,113**

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

Management have added back the amortisation of intangibles, impairment of goodwill, restructuring costs, site closure costs, charge / release in respect of contingent consideration and transaction fees in the above analysis. This has been shown because the Directors consider the analysis to be more meaningful excluding the impact of these non-recurring expenses.

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

2. Segmental analysis (continued)

Analysis of net assets by location:

	2019 Assets £000	**2019 Liabilities £000**	**2019 Net Assets £000**	2018 Assets £000	2018 Liabilities £000	2018 Net Assets £000
United Kingdom	98,624	(57,859)	40,765	93,636	(57,207)	36,429
USA	84,196	(12,933)	71,263	91,522	(20,041)	71,481
Continental Europe	260	(37)	223	495	(42)	453
Asia Pacific	693	(101)	592	716	(61)	655
	183,773	**(70,930)**	**112,843**	186,369	(77,351)	109,018

For the year to 30 September 2019 non-current asset additions were £5.8m (2018: £3.8m) for the UK and for the USA £1.7m (2018: £3.6m). There were no additions to non-current assets in respect of Europe (2018: £nil) or the Asia Pacific region (2018: £nil). The value of non-current assets in the USA was £58.3m (2018: £62.4m), the United Kingdom £41.4m (2018: £45.7m) and Europe £nil (2018: £nil). There were no non-current assets in the Asia-Pacific region.

Analysis of revenue by destination:

	2019 £000	2018 £000
United Kingdom	**32,054**	21,081
North America	**50,097**	44,899
Continental Europe	**25,816**	29,788
Asia Pacific and Other	**21,166**	29,115
Total revenue	**129,133**	124,883

3. Income tax expense

Analysis of tax charge in the year

	2019 £000	2018 £000
Current taxation		
UK Corporation tax	**1,756**	1,895
Overseas tax	**653**	1,381
Adjustments in respect of prior year tax charge	**-**	-
Total current tax	**2,409**	3,276
Deferred tax		
Origination and reversal of temporary differences	**(218)**	481
Impact of change in the US tax rate	**-**	(864)
Total deferred tax	**(218)**	(383)
Income tax expense per income statement	**2,191**	2,893

4. Earnings per share

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

	2019	2018
Number of shares used for basic earnings per share	**24,936,438**	24,629,591
Dilutive shares	**141,696**	265,817
Number of shares used for dilutive earnings per share	**25,078,134**	24,895,408

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

	2019		2018	
	£000	**pence per share**	£000	pence per share
Basic earnings per share	**3,761**	**15.1p**	7,220	29.3p
Amortisation of acquired intangible assets (net of tax)	**3,014**	**12.1p**	1,865	7.6p
Goodwill impairment (net of tax)	**5,337**	**21.4p**	2,708	11.0p
(Release) / charge re accrued contingent consideration (net of tax)	**(2,413)**	**(9.7p)**	417	1.7p
Site closure costs (net of tax)	**(317)**	**(1.3p)**	1,210	4.9p
Restructuring costs (net of tax)	**1,084**	**4.3p**	695	2.8p
Transaction fees (net of tax)	**-**	**-**	489	2.0p
Interest on deferred consideration	**1,218**	**4.9p**	340	1.4p
One off credit due to US tax rate change	**-**	**-**	(864)	(3.5p)
Total adjustments net of income tax expense	**7,923**	**31.7p**	6,860	27.9p
Adjusted basic earnings per share	**11,684**	**46.8p**	14,080	57.2p
Basic diluted earnings per share	**3,761**	**15.0p**	7,220	29.0p
Adjusted diluted earnings per share	**11,684**	**46.7p**	14,080	56.5p

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

5. Dividends

	2019 £000	2018 £000
Final 2018 dividend paid in 2019: 7.1p per share (Final 2017 dividend paid in 2018: 6.5p per share)	**1,772**	1,608
2019 Interim dividend paid: 4.3p per share (2018: 4.2p)	**1,077**	1,039
	2,849	2,647

The Directors propose a final dividend of 7.2p per share making the total dividend paid and proposed in respect of the 2019 financial year 11.5p (2018: 11.3p).

6. Cash generated from operating activities

Reconciliation of cash generated from operations

	2019 £000	2018 £000
Profit before income tax	**5,952**	10,113
Adjustments for:		
- Amortisation of acquired intangible assets	**3,690**	2,141
- Amortisation of other intangible assets	**672**	683
- Profit / loss on disposal	**(741)**	(384)
- Impairment of goodwill	**6,258**	2,708
- Adjustment to accrued contingent consideration	**(3,075)**	417
- Depreciation	**4,548**	4,009
- Share based payment charge	**191**	675
- Amounts claimed under the RDEC	**(350)**	(370)
- Finance income	**(21)**	(16)
- Finance costs	**2,477**	699
Total	**13,649**	10,562
Changes in working capital		
- Inventories	**(6,646)**	(1,295)
- Trade and other receivables	**2,729**	(7,847)
- Trade and other payables	**(2,717)**	416
Total	**(6,634)**	(8,726)
Cash generated from operating activities	**12,967**	11,949