For immediate release **29 November 2016**

Gooch & Housego PLC

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

PRELIMINARY RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

Gooch & Housego PLC (AIM: GHH), the specialist manufacturer of optical components and systems, today announces its preliminary results for the year ended 30 September 2016.

Year ended 30 September	**2016**	2015	**Change**
Revenue (£m)	**86.1**	78.7	**9.3%**
Adjusted profit before tax (£m)*	**14.2**	12.9	**9.7%**
Adjusted basic earnings per share (pence)*	**42.5**	39.5	**7.6%**
Statutory profit before tax (£m)	**10.1**	10.1	**-**
Basic earnings per share (pence)	**29.1**	30.9	**(5.8%)**
Total dividend per share (pence)	**9.0**	8.2	**9.8%**
Net cash (£m)	**11.7**	17.3	**(32.4%)**

* adjusted figures exclude the amortisation of acquired intangible assets, gain on bargain purchase, impairment of goodwill and exceptional items being restructuring, provision for export compliance and transaction costs.

Operating & Strategic Highlights

- Excellent performance from our fibre based business, in particular telecoms, satellite communications and fibre sensing
- Strong second half performance with good momentum going into FY17
- Two highly complementary acquisitions completed in the Aerospace & Defence sector
- Substantially upgraded a number of our real estate assets
- Ongoing performance improvement initiatives driving efficiencies
- Investment in R&D up 15.4%, 21 new products introduced and 5 new patents granted

Financial Highlights

- Revenue for the year £86.1m, 9.3% higher than 2015. Acquisitions contributed £2.4m in the year.
- Adjusted profit before tax up 9.7%
- Strong cash performance delivering net cash of £11.7m at year end, after investing £5.7m in acquisitions and £9.7m in property, plant & equipment (2015: £17.3m).
- Record year end order book of £52.8m, up 45% from 30 September 2015
- Proposed final dividend of 5.7p. Full year dividend growth of 9.8%.

Mark Webster, Chief Executive Officer, commented

*"*During FY 2016 G&H made good progress with its strategic goals of further diversification and moving up the value chain; we met our financial objectives; made a number of strategically important investments and have acquired two highly complementary companies.

These strategic initiatives combined with a record year end order book mean we are well placed for future material growth*"*

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Expected Financial Calendar

Annual General Meeting	22 February 2017
Payment date for final dividend for the year ended 30 September 2016 to shareholders on the register at close of business 16 December 2016. Subject to approval by shareholders at the Annual General Meeting	3 March 2017
Interim Results announcement	June 2017
Financial Year End	30 September 2017
Preliminary announcement of results for the year ended 30 September 2017	December 2017

Gooch & Housego
ENABLING PHOTONIC TECHNOLOGIES

Chairman's Statement

I am pleased to report that your company has performed well in 2016 and has continued to make good progress in delivering on its strategic objectives. The year was characterised by mixed trading conditions. After a slow start, activity increased as the year progressed and was particularly strong in the second half, following a trend that has continued into the start of the new financial year. This trading pattern presented considerable challenges in terms of manufacturing capacity planning towards the end of the period, but investments in additional skills and a programme of internal efficiency improvements across the organisation ensured that these challenges were successfully met. Other notable achievements include the completion of two acquisitions and the relocation of one of our largest manufacturing facilities.

Headline revenues increased 9.3% year on year, with approximately 55% of total sales in the second half. Your company has continued to deliver profitable growth with adjusted profit before tax increasing by 9.7%. The business remains in a strong net cash position at £11.7 million (2015 : £17.3 million) despite making two acquisitions in the year and making material investments in capital assets to drive the business forward.

We have started the current financial year with a favourable trading environment. This is driven by the order book for our fibre based business, in particular high reliability undersea fibre couplers, fibre based satellite communications, fibre sensing and critical components used in microelectronic manufacturing. At the year end the order book stood at £52.8 million, an increase of 45% compared with the same time last year.

In July 2016 your company completed two acquisitions in the Aerospace & Defence sector; one in the UK and the other in the US. These acquisitions continue to further our strategic objectives of broadening our product offerings and diversifying our markets, both geographically and by sector. Kent Periscopes Ltd designs, develops and manufactures periscopes and sighting systems for Armoured Fighting Vehicles ("AFVs"). Alfalight specialises in diode and diode-pumped lasers for the US defence sector.

Significant progress was made in the year in relocating and upgrading a number of our real estate assets. The relocation of our Palo Alto operations to nearby Fremont was a major undertaking but it has provided much improved facilities and room for growth at a similar ongoing cost. We have continued to upgrade and expand our Torquay facility, allowing us to manage the considerable increases in demand we have seen in this site over the past two years. 2016 also saw the commencement of the refurbishment of our Cleveland facility, which will help drive much needed operational efficiency as well as showcasing the site's unique world leading crystal growth capabilities to customers.

Having spent eight years as a non-executive Director, Paul Heal has decided not to stand for re-election at the AGM in February 2017. Paul has played an integral role in the development of Gooch & Housego as a business over those years and I would like to record my thanks to Paul for his support and guidance, which have been invaluable. We have begun a process to identify a replacement for Paul.

In summary, 2016 has been a busy and successful year for Gooch & Housego. We have acquired two businesses, continued our drive for operational excellence, relocated one of our largest facilities and materially expanded another. All of this has been achieved against a backdrop of challenging, if ultimately favourable, trading conditions. As we enter 2017, the strength of the US Dollar against the British Pound will benefit the business in the short term, but there remains uncertainty in world markets. With a strong balance sheet, good cash flow, excellent order book and enhanced facilities, processes and systems, the Company is well positioned to exploit exciting growth opportunities in photonics. I would like to thank my fellow directors and employees of Gooch & Housego for making 2016 another successful year for the Company.

Gareth Jones
Chairman

Chief Executive Officer's Statement

Overview

Gooch and Housego (G&H) has made good progress towards achieving its twin strategic goals of further diversification and moving up the value chain. We have continued to focus on driving a higher level of organic growth from our portfolio of world leading products and technologies, invested in a number of strategically important areas and have acquired two highly complementary companies during FY 2016.

G&H's FY 2016 financial expectations were met, with revenue and adjusted profit growth of 9.3% and 9.7% respectively. This was achieved despite challenging first quarter market conditions in our industrial laser business and is testament to the resilience of the business and our active policy of diversification designed to offset the impact of the economic cycle on some of our core markets.

In addition to pursuing further diversification we want to build a company that moves up the value chain by selling sub-systems and systems wherever possible. The Systems Technology Group ("STG"), based at our Torquay site, is dedicated to helping G&H achieve this and now has over 30 engineers and scientists. They bring a wide range of skills such as electronic, software and mechanical engineering, which are necessary if we are to present a complete sub-system or system to our customers.

The most notable success of the STG during FY 2016 has been the growth of the strategically important space satellite communications business. Funding has been secured from the European Space Agency, UK Space Agency and other sources to pursue leading edge research and we have won our first commercial contract for the development of critical subsystems used in inter satellite communications.

Our performance improvement plan has made further progress during the course of the year. The aim is to develop a more unified business where the skills, expertise and technologies across our nine sites are better leveraged throughout G&H and our customers are presented with a more complete and professional offering.

G&H's operations group has now established small globally focused teams representing each of the key manufacturing disciplines. They hold each site to the same high standards and have made a good start on introducing lean manufacturing principles. The recently introduced A&D business development executives have brought enhanced access to tier 1 companies and helped develop new A&D focused R&D projects. In FY 2016 we hired our first Life Science business development executive in the USA and intend to achieve similar positive results in this sector. A more targeted approach has been taken towards R&D, with better funded projects and this has resulted in a record 21 new products in FY 2016.

The Industrial sector represents 63% of G&H's revenue and has provided most of the growth during FY 2016. A&D and Life Sciences give a better balance to our business, provide significant opportunities for our technologies and have greater potential than Industrials for moving up the value chain. It is our intention to grow A&D and Life Sciences to levels where we can, over time, establish a similar critical mass to our Industrial sector. This will be achieved through a mix of investment in R&D and acquisitions.

To this end, we acquired two A&D businesses during 2016:

- Kent Periscopes Ltd (Kent) is a UK based supplier of periscopes, vehicle sights and related equipment for land based armoured vehicles. Its proven capability in system level optical products in harsh environments and impressive 'blue chip' customer list make it a great fit. Kent will benefit from G&H's greater global reach and complementary technologies.

- The trade and assets of Alfalight Inc, a designer and manufacturer of high reliability, laser based, electro-optic systems for defence and security applications, based in Madison, Wisconsin. It is highly complementary to our existing Boston, Massachusetts, site and will be incorporated into this business unit.

The completion of substantial infrastructure investment in our Torquay site has enabled us to meet the challenge of the exceptional year on year growth of our high reliability fibre couplers for undersea cables. Our Palo Alto facility has now completed its move across the San Francisco Bay to a purpose-built facility in Fremont, with plenty of room for further growth for its core business, based on fibre lasers and 40G / 100G modulation systems for land based telecommunications. The Cleveland site which houses our strategically important crystal growth facility will complete its upgrade project during FY 2017.

G&H is in a strong position financially and is well positioned to make further investment in the business.

Markets and Applications - Industrial

The Industrial sector represents 63% of G&H's revenue and is composed of a diverse range of industrial applications aligned to our world class photonic technologies, including microelectronic manufacturing, semiconductor manufacturing and test, remote sensing, metrology and telecommunications.

Our Industrials division grew by £8.2 million or 17.9% compared to previous year and this is reflective of a number of positive market trends in this sector. This growth was achieved despite the challenging market conditions for microelectronic manufacturing in China and the far east, which saw a slow down in the first quarter. The industrial laser market did pick up markedly for the rest of the year and when combined with record orders for our fibre based business it led to a higher second half weighting than last year and a strong overall performance.

There is a general trend towards fibre optic solutions across a range of applications and this is especially so for lasers used in materials processing applications. Fibre lasers are gaining share from solid state lasers and at the same time increasing the number of applications where lasers have utility; this is due to fibre lasers often providing improved reliability and flexibility at a lower cost.

G&H is a world leader in acousto-optic products for industrial lasers and is well positioned to take advantage of this trend. Fibre laser components now represent a higher proportion of our business than the traditional conduction cooled or water cooled "Q-switches" for solid state lasers. The ground breaking Fibre-Q used for a range of laser modulation applications was the recipient of a prestigious Queen's Award for Enterprise in the Innovation category this year. We remain committed to further investment in new products and cost reduction initiatives in this area to enable us to retain our market leading position.

This year saw the first contract for our precision measurement system used on smart phone/ tablet production lines and is an area of good future potential.

The semiconductor manufacture and test market showed strong growth during FY 2016. Laser technology is essential to enhance miniaturisation and speed in this fast moving sector, which means that we see this as a good growth driver for G&H over the medium term.

Remote sensing took a step forward this year with a hard-earned security and surveillance contract for an oil pipeline.

The need for ever more data capacity from government, industry and the consumer has driven an especially strong telecommunications performance. G&H provides the more technically challenging elements to both land based and undersea telecommunications systems. There has been a significant 'uptick' in demand for our ultra high reliability fibre couplers which are used in amplifiers on the sea bed in the undersea cable network. This growth is driven by 'non- traditional' investors in these undersea networks from 'Silicon Valley' that want to control their own traffic.

Markets and Applications - Aerospace & Defence

A&D represented 23% of our revenue in FY 2016 and was flat on the previous year. This reflects a sector that for G&H's range of technological capabilities is a target rich environment, but a business that has not yet reached a critical mass. The two recent A&D acquisitions coupled with the investment in new areas of growth such as SWIR lenses, for low light environments and our developing position in space satellite communications are key 'steps on the way' to achieving this.

Product quality, reliability and performance are essential success criteria in the A&D arena and that plays to G&H's strengths. We have well established positions in target designation, range finding, ring laser and fibre optic gyroscope navigational systems, infra red and RF countermeasures and have recently added SWIR lenses, for low light environments and space photonics. The customers for our products encompass the major A&D companies in both Europe and the USA.

Our fibre optic and infrared capabilities very much reflect the 'direction of travel' for this sector as our A&D customers upgrade their products to lighter, more durable and reliable technologies. Many of our customers in this sector prefer to buy sub- systems and integrate them into their systems and though the quality barriers to this are challenging we have succeeded with some high profile companies in selling sub systems' rather than just high quality critical components and are actively trying to move more customers up the value chain.

Space satellite communication is entering into a new period of development based on lighter, more efficient and robust fibre optic technology and G&H is at the leading edge of this revolution.

Markets and Applications - Life Sciences

Life Sciences represents 9% of G&H's revenue and after a strong year last year sales were down. As with A&D we see good potential for our technologies in this sector, a greater ability to move up the value chain than with Industrials, but a business that has not yet reached critical mass. It is therefore susceptible to the ordering patterns of one or two customers. The desired "future state" will be achieved through a combination of investment in R&D and acquisitions.

The principal applications are in optical coherence tomography (OCT), laser surgery and microscopy. OCT is widely used in ophthalmology and G&H has developed a strong position with the main participants in this market. The potential for this technology to be used in other areas of medical diagnostics is high and we have a number of programmes with medical diagnostic companies designed to exploit these opportunities.

Laser surgery is a fast growing area particularly in ophthalmology, prostate and aesthetic treatments and has the potential to be exploited beyond these current areas of high use.

G&H has established a sub-system presence with a number of our customers and our aim is to extend this during FY 2017.

Markets and Applications - Scientific Research

G&H's scientific research market is dominated by a small number of 'big science' projects in the fields of nuclear fusion research and synchrotron radiation sources. It provides 5% of our revenue and revenue is flat year-on-year. This is a prestigious and profitable sector for G&H where we have some unique capabilities and over time this is an area that should provide steady growth, and we will continue to selectively invest in this area.

Outlook

During FY 2016 G&H made good progress with its strategic goals of further diversification and moving up the value chain; we met our financial objectives; made a number of strategically important investments and have acquired two highly complementary companies.

We are committed to make further R&D investment in our targeted high growth areas. These include fibre optic lasers, fibre optic sensing, precision inspection equipment for microelectronic manufacturing, laser surgery, A&D sub systems, OCT medical diagnostics and space satellite communications.

G&H intends to build on the good progress made with our performance improvement programme by: further improving operational efficiency, with particular reference to the introduction of lean manufacturing across all our sites; continuing to invest in A&D business development, establishing similar business development activity in Life Sciences and focussing our resources on fewer, but higher return R&D projects.

We will continue with an active policy of making further progress towards a more diverse and balanced business by building critical mass in A&D and Life Sciences through a mix of R&D investment and acquisitions.

These strategic initiatives combined with a record year end order book mean the Board remains confident that Gooch and Housego is well positioned to deliver further progress in FY 2017 and beyond.

Mark Webster
Chief Executive Officer

Gooch & Housego
ENABLING PHOTONIC TECHNOLOGIES

Performance Overview

The business has once again delivered strong profitable growth.

Group revenue for the year was a record £86.1 million. This represents an increase of £7.3 million, or 9% over the previous year of £78.7 million. During the year Gooch & Housego acquired two businesses, which contributed a combined £2.4 million to group revenue and £0.3m in profit before tax in the year. On a constant currency basis revenue was 3% higher than the previous year.

During 2016, Gooch & Housego invested £9.7 million in property, plant and equipment and £5.7 million in acquisitions. Despite this the business has maintained a net cash position of £11.7 million at 30 September 2016 (2015: £17.3 million), through strong operating cash flows.

In the financial year under review, adjusted operating margins were 16.6%, compared to 16.6% in 2015. Margin was influenced by a number of factors during the year. Whilst there were price pressures in our navigation and fibre laser components businesses, this was counteracted by the business benefiting from volume driven margin increases in our Torquay fibre based and Orlando instrumentation businesses.

REVENUE

	2016		2015	
Year ended 30 September	**£'000**	**%**	£'000	%
Industrial	**54,296**	**63%**	46,054	59%
Aerospace & Defence (A&D)	**19,977**	**23%**	19,804	25%
Life Sciences	**7,904**	**9%**	8,978	11%
Scientific Research	**3,874**	**5%**	3,866	5%
Group Revenue	**86,051**	**100%**	78,702	100%

In our Industrial segment, revenue grew by 18% from £46.1 million last year to £54.3 million this year. Revenue in our Aerospace & Defence business was broadly flat, and our Life Sciences business fell from £9.0 million to £7.9 million. Sales into our smallest segment, Scientific Research, remained stable at £3.9 million.

GROUP EARNINGS PERFORMANCE

All amounts in £'000	**Adjusted**		**Reported**	
Year ended 30 September	**2016**	2015	**2016**	2015
Operating profit	**14,258**	13,102	**10,184**	10,294
Net finance costs	**(88)**	(188)	**(88)**	(188)
Profit before taxation	**14,170**	12,914	**10,096**	10,106
Taxation	**(3,865)**	(3,380)	**(3,048)**	(2,647)
Profit for the year	**10,305**	9,534	**7,048**	7,459
Basic earnings per share (p)	**42.5p**	39.5p	**29.1p**	30.9p

The Group adjusted profit before tax amounted to £14.2 million (2015: £12.9 million) and represented a net margin of 16.5% which is broadly consistent with the previous year. Statutory profit before tax was £10.1 million compared with £10.1 million last year, including the one-off costs associated with the Palo Alto facility move, restructuring costs, provision for regulatory risk compliance and acquisition costs.

The adjusted effective rate of tax was 27.3% (2015: 26.2%). The effective rate of tax of 30.2% (2015: 26.2%) was higher due to the inclusion of the Research and Development Expenditure Credit ("RDEC") within operating profit for the year and the effect of the impairment of goodwill and gain on bargain purchase, neither of which are subject to tax. 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.

The effective rate of tax should benefit in the future from further reductions in the UK tax rate, although the proportion of profit generated in the USA, where tax rates are higher, will affect this.

Adjusted earnings per share (EPS) increased from 39.5p to 42.5p. Basic EPS was 29.1p compared with 30.9p last year.

RECONCILIATION OF ADJUSTED PERFORMANCE MEASURES

	Operating Profit		Net finance costs		Taxation		Earnings per share	
Year ended 30 September	**2016 £000**	2015 £000	**2016 £000**	2015 £000	**2016 £000**	2015 £000	**2016 pence**	2015 pence
Reported	**10,184**	10,294	**(88)**	(188)	**(3,048)**	(2,647)	**29.1p**	30.9p
Amortisation of acquired intangible assets	**1,263**	1,604	**-**	-	**(333)**	(419)	**3.8p**	4.9p
Gain on bargain purchase	**(578)**	-	**-**	-	**-**	-	**(2.4p)**	-
Impairment of goodwill	**771**	-	**-**	-	**-**	-	**3.2p**	-
Provision for regulatory compliance risk	**500**	-	**-**	-	**-**	-	**2.1p**	-
Restructuring costs	**1,652**	1,204	**-**	-	**(391)**	(314)	**5.2p**	3.7p
Transaction fees	**466**	-	**-**	-	**(93)**	-	**1.5p**	-
Adjusted	**14,258**	13,102	**(88)**	(188)	**(3,865)**	(3,380)	**42.5p**	39.5p

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-recurring and non-trading items on the Company's financial results. These are the impact of the amortisation of acquired intangible assets and costs associated with restructuring activities, the provision for regulatory risk compliance and also include the gain on bargain purchase of Alfalight and impairment of goodwill in 2016. The Company also uses the term EBITDA (Earnings before interest, taxation, depreciation and amortisation), which is a commonly used measure of operating performance and cash flow.

SEGMENTAL ANALYSIS

Industrial

Our Industrial business grew strongly during the year, with revenues of £54.3 million, compared with £46.1 million last year. This growth was largely driven by a combination of our sensing, instrumentation and telecommunications businesses. Revenue from the Group's industrial laser business segment, after a poor first quarter, showed an increase compared with the previous year. The traditional Q Switch now represents 10.0% of total group revenue (2015: 9.9%).

After adjusting for the costs associated with the Palo Alto facility move and restructuring, operating profit for the Industrial sector as a whole was 12% higher at £10.8 million, compared with £9.6 million last year. This primarily reflects a combination of the growth in our Torquay fibre business and our instrumentation business.

Aerospace & Defence (A&D)

A&D revenue was £20.0 million, broadly flat on last year, although this is being flattered by the acquisitions which contributed revenue of £2.4m in this sector. The business provides both components and sub-systems to the Company's European and US A&D customers. We continue to believe this business represents a growth opportunity for Gooch & Housego, as optical technologies continue to be increasingly deployed in this market sector. This sector has been significantly strengthened this year with the acquisitions in July of Kent Periscopes and Alfalight. Operating margins in this sector fell as a result of the timing of some programme business and tighter margins on our navigation components business.

Life Sciences

In 2016 Life Sciences revenue was down by 12% compared to the prior year. Sales of electro-optic products into the laser surgery market remained strong, but this was offset by a decline in sales into Optical Coherence Tomography due to customers' product lifecycles becoming more mature. Despite this, adjusted operating profit in this sector was in line with the previous year due to a more beneficial mix. We are working on the next generation products with key customers and continue to believe this market offers a significant growth opportunity.

Scientific Research

Our activities in the Scientific Research market are dominated by a small number of large, long-term programmes. This market was stable in 2016 and this resulted in a consistent financial performance when compared to the previous year.

RESEARCH & DEVELOPMENT (R&D)

Gooch & Housego continues to invest in R&D in all areas of the business and regards this as fundamental to the continued growth of the company. There were a record 21 product releases in 2016, together with five new patents granted.

Expenditure on R&D in the year to 30 September 2016 increased by 15.4% from £6.4 million to £7.4 million. A proportion of this increase was funded through UK and European grant funding. R&D expenditure represented 8.6% of revenue (2015: 8.0%). The Group capitalised £0.7m (2015: £0.7 million) of development expenditure.

SITE PERFORMANCE

In 2015 G&H took the decision to re-locate its Palo Alto facility to nearby Fremont. This decision was based on a landlord change which threatened the long term viability of Palo Alto as a location. This move is now complete and has provided a much improved facility and room for growth at a similar rent. The move itself took longer than expected due to regulatory licence and landlord contractual issues. The delay contributed an additional £0.9 million in costs in the first six months of 2016.

The Torquay site has recently been expanded and upgraded allowing us to manage the capacity challenges that come with a 2.5 fold increase in demand for Hi-Reliability undersea fibre couplers. Further investment in capacity at this site will continue throughout 2017.

Our continuous improvement programme is proceeding well. Operationally the move to a lean manufacturing environment across all of our sites is set to deliver efficiency savings in 2017 and the drive for fewer more productive R&D projects combined with enhanced business development support has started to deliver an increased number of product opportunities.

As reported last year, the Company has committed to upgrading its Cleveland, Ohio facility. This facility, which houses the business's world leading crystal growth capabilities, is a key contributor to current and future profitability and will benefit from the proposed modernisation. The refurbished facility will help drive much needed operational efficiency as well as showcasing our capabilities to customers. The upgrade is expected to be a two-year programme costing in the region of $5 million.

NON TRADING ITEMS

Restructuring costs of £1.7 million (2015: £1.2 million) related to the re-location of our Palo Alto facility to Fremont and to restructuring costs arising from the efficiency savings the business was able to derive from its operational efficiency measures.

Management have booked a provision for export compliance risk of £0.5m in the year.

BALANCE SHEET

The Group's total equity at the end of the year was £90.2 million, an increase of £11.8 million over the prior year. This increase comprised £6.0 million due to foreign exchange and £5.8 million from retained earnings.

Additions to property, plant and equipment totalled £8.4m (excluding acquisitions). The main additions related to investment in plant and machinery, the expansion of our Torquay facility, the refurbishment of our Cleveland facility and the Palo Alto facility move.

Working capital was 24.5% of revenue in the current year compared to 20.3% in 2015. This metric has been adversely affected by the acquisitions in July and the impact of the GBP:USD exchange rate on balance sheet values.

Inventory at the year end was £19.0 million, an increase of £3.0 million over the prior year. Once the impact of currency and the inventory attributable to the acquisitions are removed, the underlying inventory fell by £0.5m, or 3%, in the year.

Trade receivables have increased by £8.8 million from £11.7 million in 2015 to £20.5 million at this year-end. This is a function of a strong shipment profile towards the end of the year, the acquisitions and the impact of foreign exchange rates.

Cash balances at 30 September 2016 were £23.2 million, compared with £22.6 million at 30 September 2015. Net cash flows from operating activities generated £12.6 million, compared with £13.6 million last year. During the year the business moved from a net cash position of £17.3 million as at 30 September 2015 to a net cash position of £11.7 million, following the acquisition of Alfalight & Kent Periscopes and the £9.7 million invested in property, plant and equipment.

MOVEMENT IN NET CASH

All amounts in £m	Gross Cash	Gross Debt	Net Cash
At 1 October 2015	**22.6**	**(5.3)**	**17.3**
Operating cash flows	15.7	-	15.7
Debt repayment (net of drawdown)	5.4	(5.4)	-
Acquisitions	(5.7)	-	(5.7)
Net capital expenditure	(10.3)	-	(10.3)
Working capital	(1.8)	-	(1.8)
Interest, tax and dividends	(3.5)	-	(3.5)
Exchange movement	0.8	(0.8)	-
At 30 September 2016	**23.2**	**(11.5)**	**11.7**

ORDER BOOK

As at 30 September 2016, the Group order book stood at £52.8 million, compared to £36.3 million at the end of the 2015 financial year, a 45% increase. The acquisition of Alfalight and Kent Periscopes added £11.4 million to the order book. On a constant currency basis the order book was 36% higher. Book to bill ratios for the business as a whole were 1.01 times (six month rolling average) as at 30 September 2016.

STAFF

The Group workforce increased from 700 at 30 September 2015 to 755 at the end of September 2016, an increase of 55. This is a net position and therefore reflects both the reductions in staffing resulting from the work the business has done in driving efficiency improvements and the additional headcount that has come from the recent acquisitions.

DIVIDENDS

The Directors propose a final dividend of 5.7p per share making a total dividend per share for the year of 9.0p (2015: 8.2p), an increase of 9.8%. The final dividend, if approved, will be payable on 3 March 2017 to shareholders on the Company's share register as at the close of business on 16 December 2016.

KEY PERFORMANCE INDICATORS (KPIs)

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

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

Total revenue growth	**2016**	**2015**	**2014**
At actual exchange rates	9%	12%	11%
At constant exchange rates	3%	8%	16%

The Board is focused on driving revenue growth by investing both organically and through acquisitions. The Group business has delivered underlying growth which was particularly strong in the second half of the year.

Target market revenue	**2016**	**2015**	**2014**
Aerospace & Defence (£m)	20.0	19.8	18.8
Life Sciences (£m)	7.9	9.0	7.3

The Group target markets of Aerospace & Defence and Life Sciences provide a route to sustainable growth, and a more diversified revenue base. These markets also provide significant opportunities for Gooch & Housego 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 decline in revenue from Life Sciences was driven by lower demand from one area of our Life Sciences markets.

Net cash analysis	**2016**	**2015**	**2014**
Net cash (£m)	11.7	17.3	8.7

In order to balance business risk with the investment needs of the Company, management closely monitors and manages net cash. This year, following the acquisition of Alfalight and Kent Periscopes and the investment in capital assets the net cash position reduced from £17.3 million to £11.7 million.

Earnings per share (EPS)	**2016**	**2015**	**2014**
Adjusted diluted EPS (pence)	41.7p	38.9p	35.2p

As a result of a strong trading performance, the business has been able to deliver growth in adjusted diluted EPS of 7.2%, from 38.9p to 41.7p in 2016.

The revenue, cash and earnings per share targets for the year were met.

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Group Income Statement
For the year ended 30 September 2016 (unaudited)

	Note	**2016** **£000**	2015 £000
Revenue	2	**86,051**	78,702
Cost of revenue		**(53,752)**	(47,659)
Gross profit		**32,299**	31,043
Research and Development		**(6,697)**	(5,712)
Sales and Marketing		**(6,469)**	(5,626)
Administration		**(11,425)**	(10,353)
Other income and expenses		**2,476**	942
Operating profit	2	**10,184**	10,294
Finance income		**39**	26
Finance costs		**(127)**	(214)
Profit before income tax expense		**10,096**	10,106
Income tax expense	3	**(3,048)**	(2,647)
Profit for the year		**7,048**	7,459
Basic earnings per share	4	**29.1p**	30.9p
Diluted earnings per share	4	**28.6p**	30.4p

Reconciliation of operating profit to adjusted operating profit:

	2016 **£000**	2015 £000
Operating profit	**10,184**	10,294
Amortisation of acquired intangible assets	**1,263**	1,604
Gain on bargain purchase	**(578)**	-
Impairment of goodwill	**771**	-
Provision for regulatory compliance risk	**500**	-
Restructuring costs	**1,652**	1,204
Transaction fees	**466**	-
Adjusted operating profit	**14,258**	13,102

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Group Balance Sheet
For the year ended 30 September 2016 (unaudited)

	2016	2015
	£000	£000
Non-current assets		
Property, plant and equipment	**32,384**	24,915
Intangible assets	**29,916**	20,155
Deferred income tax assets	**2,674**	2,552
	64,974	47,622
Current assets		
Inventories	**18,973**	16,013
Income tax assets	**394**	854
Trade and other receivables	**22,679**	14,394
Cash and cash equivalents	**23,167**	22,556
	65,213	53,817
Current liabilities		
Trade and other payables	**(19,624)**	(14,059)
Borrowings	**(4)**	(39)
Income tax liabilities	**(891)**	(411)
Provision for other liabilities and charges	**(940)**	(342)
	(21,459)	(14,851)
Net current assets	**43,754**	38,966
Non-current liabilities		
Borrowings	**(11,494)**	(5,189)
Deferred income tax liabilities	**(4,806)**	(3,032)
Deferred consideration	**(2,256)**	-
	(18,556)	(8,221)
Net assets	**90,172**	78,367
Shareholders' equity		
Called up share capital	**4,852**	4,818
Share premium account	**15,530**	15,530
Merger reserve	**2,671**	2,671
Cumulative translation reserve	**6,984**	1,030
Retained earnings	**60,135**	54,318
Total equity	**90,172**	78,367

Gooch & Housego
ENABLING PHOTONIC TECHNOLOGIES

Group Statement of Changes in Shareholders' Equity
For the year ended 30 September 2016 (unaudited)

	Note	Called up share capital £000	Share premium account £000	Merger reserve £000	Hedging reserve £000	Retained earnings £000	**Total equity £000**
At 1 October 2014		4,774	15,420	2,671	(21)	47,093	**69,937**
Profit for the financial year		-	-	-	-	7,459	**7,459**
Other comprehensive income for the year		-	-	-	21	1,800	**1,821**
Total comprehensive income for the year		**-**	**-**	**-**	**21**	**9,259**	**9,280**
Dividends	5	**-**	**-**	**-**	**-**	(1,823)	**(1,823)**
Shares issued		44	110	-	-	(38)	**116**
Fair value of employee services		-	-	-	-	485	**485**
Tax credit relating to share option schemes		-	-	-	-	372	**372**
Total contributions by and distributions to owners of the parent recognised directly in equity		**44**	**110**	**-**	**-**	**(1,004)**	**(850)**
At 30 September 2015		**4,818**	**15,530**	**2,671**	**-**	**55,348**	**78,367**
At 1 October 2015		4,818	15,530	2,671	-	55,348	**78,367**
Profit for the financial year		-	-	-	-	7,048	**7,048**
Other comprehensive income for the year		-	-	-	-	5,954	**5,954**
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**13,002**	**13,002**
Dividends	5	**-**	**-**	**-**	**-**	(2,055)	**(2,055)**
Shares issued		34	-	-	-	(34)	**-**
Fair value of employee services		-	-	-	-	638	**638**
Tax credit relating to share option schemes		-	-	-	-	220	**220**
Total contributions by and distributions to owners of the parent recognised directly in equity		**34**	**-**	**-**	**-**	**(1,231)**	**(1,197)**
At 30 September 2016		**4,852**	**15,530**	**2,671**	**-**	**67,119**	**90,172**

Gooch & Housego
ENABLING PHOTONIC TECHNOLOGIES

Group Statement of Comprehensive Income
For the year ended 30 September 2016 (unaudited)

	2016	2015
	£000	£000
Profit for the year	**7,048**	7,459
Other comprehensive income – items that may be reclassified subsequently to profit or loss		
Fair value adjustment of interest rate swap net of tax	**-**	21
Currency translation differences	**5,954**	1,800
Other comprehensive income for the year net of tax	**5,954**	1,821
Total comprehensive income for the year attributable to the shareholders of Gooch & Housego PLC	**13,002**	9,280

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Group Cash Flow Statement

For the year ended 30 September 2016 (unaudited)

	Note	**2016 £000**	2015 £000
Cash flows from operating activities			
Cash generated from operations	6	**13,897**	14,692
Income tax paid		**(1,324)**	(1,067)
Net cash generated from operating activities		**12,573**	13,625
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired		**(5,687)**	-
Purchase of property, plant and equipment		**(9,710)**	(3,053)
Sale of property, plant and equipment		**-**	635
Purchase of intangible assets		**(629)**	(793)
Interest received		**39**	26
Interest paid		**(111)**	(189)
Net cash used in investing activities		**(16,098)**	(3,374)
Cash flows from financing activities			
Drawdown of borrowings		**5,426**	5,168
Repayment of borrowings		**(39)**	(8,777)
Proceeds from issues of share capital		**-**	115
Dividends paid to ordinary shareholders		**(2,055)**	(1,823)
Net cash generated from / (used in) financing activities		**3,332**	(5,317)
Net (decrease) / increase in cash		**(193)**	4,934
Cash at beginning of the year		**22,556**	17,094
Exchange gains on cash		**804**	528
Cash at the end of the year		**23,167**	22,556

Analysis of net cash

	At 1 Oct 2015 £000	Cash flow £000	Exchange movement £000	Non cash movement £000	**At 30 Sep 2016 £000**
Cash at bank and in hand	22,556	(193)	804	**-**	**23,167**
Debt due after 1 year	(5,189)	(5,426)	(859)	-	**(11,474)**
Finance leases	(39)	39	-	(25)	**(25)**
Net cash	17,328	(5,580)	(55)	(25)	**11,668**

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 2016.

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 2015 have been taken from the Group's audited statutory financial statements on which the Group's auditors, PricewaterhouseCoopers LLP, expressed an unqualified opinion.

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 30 September 2015, as described in those financial statements. New standards or interpretations which came into effect for the current reporting period did not have a material impact on the net assets or results of the Group.

The Preliminary Report will be announced to all shareholders on the London Stock Exchange and published on the Group's website on 29 November 2016. Copies will be available to members of the public upon application to the Company Secretary at Dowlish Ford, Ilminster, Somerset, TA19 0PF.

2. Segmental analysis

The Company's segmental reporting reflects the information that management uses within the business. The business is divided into four market sectors, being Aerospace & Defence, Life Sciences, Industrial and Scientific Research, 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 and telecommunications. Scientific Research covers academic and government funded research including major multi-national projects.

For year ended 30 September 2016	Aerospace & Defence £000	Life Sciences £000	Industrial £000	Scientific Research £000	Corporate £000	Total £000
Revenue						
Total revenue	19,977	7,904	59,875	3,874	-	91,630
Inter and intra-division	-	-	(5,579)	-	-	(5,579)
External revenue	19,977	7,904	54,296	3,874	-	86,051
Divisional expenses	(18,055)	(6,017)	(42,719)	(2,881)	(1,342)	(71,014)
EBITDA[1]	1,922	1,887	11,577	993	(1,342)	15,037
EBITDA %	9.6%	23.9%	21.3%	25.6%	-	17.5%
Depreciation and amortisation	(545)	(335)	(1,776)	(310)	(431)	(3,397)
Operating profit before amortisation of acquired intangible assets	1,377	1,552	9,801	683	(1,773)	11,640
Amortisation of acquired intangible assets, gain on bargain purchase and goodwill impairment	-	-	-	-	(1,456)	(1,456)
Operating profit	1,377	1,552	9,801	683	(3,229)	10,184
Operating profit margin %	6.9%	19.6%	18.1%	17.6%	-	11.8%
Add back amortisation of intangibles, impairment of goodwill, gain on bargain purchase and non-recurring items	108	53	960	37	2,916	4,074
Adjusted operating profit	1,485	1,605	10,761	720	(313)	14,258
Adjusted profit margin %	7.4%	20.3%	19.8%	18.6%	-	16.6%
Finance costs	-	-	-	-	(88)	(88)
Profit before income tax expense	**1,377**	**1,552**	**9,801**	**683**	**(3,317)**	**10,096**

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

Management have added back the amortisation of intangibles, gain on bargain purchase, impairment of goodwill, restructuring costs, provision for export compliance risk 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 this non-recurring expense.

2. Segmental analysis (continued)

For year ended 30 September 2015	Aerospace & Defence £000	Life Sciences £000	Industrial £000	Scientific Research £000	Corporate £000	Total £000
Revenue						
Total revenue	19,880	8,978	51,892	3,866	-	84,616
Inter and intra-division	(76)	-	(5,838)	-	-	(5,914)
External revenue	19,804	8,978	46,054	3,866	-	78,702
Divisional expenses	(17,112)	(7,067)	(35,885)	(3,058)	(783)	(63,905)
EBITDA[1]	2,692	1,911	10,169	808	(783)	14,797
EBITDA %	13.6%	21.3%	22.1%	20.9%	-	18.8%
Depreciation and amortisation	(572)	(322)	(1,746)	(129)	(130)	(2,899)
Operating profit before amortisation of acquired intangible assets	2,120	1,589	8,423	679	(913)	11,898
Amortisation of acquired intangible assets	-	-	-	-	(1,604)	(1,604)
Operating profit	2,120	1,589	8,423	679	(2,517)	10,294
Operating profit margin %	10.7%	17.7%	18.3%	17.6%	-	13.1%
Add back restructuring costs	20	23	1,156	5	-	1,204
Operating profit excluding restructuring costs	2,140	1,612	9,579	684	(2,517)	11,498
Adjusted profit margin %	10.8%	18.0%	20.8%	17.7%	-	14.6%
Finance costs	-	-	-	-	(188)	(188)
Profit before income tax expense	**2,120**	**1,589**	**8,423**	**679**	**(2,705)**	**10,106**

Management have added back the restructuring costs in the above analysis. This has been shown because the Directors consider the analysis to be more meaningful excluding the impact of this non-recurring expense.

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

Analysis of net assets / (liabilities) by location:

	2016 Assets £000	**2016 Liabilities £000**	**2016 Net Assets £000**	2015 Assets £000	2015 Liabilities £000	2015 Net Assets £000
United Kingdom	70,336	(30,580)	39,756	50,359	(12,999)	37,360
USA	59,077	(9,112)	49,965	50,193	(9,679)	40,514
Continental Europe	726	(318)	408	872	(389)	483
Asia Pacific	48	(5)	43	15	(5)	10
	130,187	**(40,015)**	**90,172**	**101,439**	**(23,072)**	**78,367**

2. Segmental analysis (continued)

Analysis of revenue by destination:

	2016 £000	2015 £000
United Kingdom	**17,247**	14,897
USA	**34,918**	34,762
Continental Europe	**19,189**	16,890
Asia Pacific and Other	**14,697**	12,153
Total revenue	**86,051**	78,702

3. Income tax expense

Analysis of tax charge in the year

	2016 £000	2015 £000
Current taxation		
UK Corporation tax	**1,760**	1,480
Overseas tax	**887**	724
Adjustments in respect of prior year tax charge	**(77)**	(983)
Total current tax	**2,570**	1,221
Deferred tax		
Origination and reversal of temporary differences	**218**	274
Adjustments in respect of prior year deferred tax	**290**	1,152
Impact of change in the UK tax rate	**(30)**	-
Total deferred tax	**478**	1,426
Income tax expense per income statement	**3,048**	2,647

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:

	2016	2015
Number of shares used for basic earnings per share	**24,248,471**	24,115,878
Dilutive shares	**436,112**	405,311
Number of shares used for dilutive earnings per share	**24,684,583**	24,521,189

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

	2016		2015	
	£000	**pence per share**	£000	pence per share
Basic earnings per share	**7,048**	**29.1p**	7,459	30.9p
Amortisation of acquired intangible assets (net of tax)	**930**	**3.8p**	1,184	4.9p
Goodwill impairment	**771**	**3.2p**	-	-
Gain on bargain purchase of Alfalight	**(578)**	**(2.4p)**	-	-
Provision for regulatory compliance	**500**	**2.1p**	-	-
Restructuring costs (net of tax)	**1,261**	**5.2p**	891	3.7p
Transaction fees (net of tax)	**373**	**1.5p**	-	-
Total adjustments net of income tax expense	**3,257**	**13.4p**	2,075	8.6p
Adjusted basic earnings per share	**10,305**	**42.5p**	9,534	39.5p
Basic diluted earnings per share	**7,048**	**28.6p**	7,459	30.4p
Adjusted diluted earnings per share	**10,305**	**41.7p**	9,534	38.9p

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

	2016 £000	2015 £000
Final 2015 dividend paid in 2016: 5.2p per share (Final 2014 dividend paid in 2015: 4.6p per share)	**1,254**	1,101
2016 Interim dividend paid: 3.3p per share (2015: 3.0p)	**801**	722
	2,055	1,823

The Directors propose a final dividend of 5.7p per share making the total dividend paid and proposed in respect of the 2016 financial year 9.0p (2015: 8.2p).

6. Cash generated from operating activities

	2016 £000	2015 £000
Profit before income tax	**10,096**	10,106
Adjustments for:		
- Amortisation of acquired intangible assets	**1,263**	1,604
- Amortisation of other intangible assets	**355**	301
- Gain on bargain purchase of Alfalight	**(578)**	-
- Impairment of goodwill	**771**	-
- Depreciation	**3,042**	2,715
- Loss on disposal of property, plant and equipment	**-**	508
- Share based payment charge	**638**	485
- Finance income	**(39)**	(26)
- Finance costs	**127**	214
Total	**5,579**	5,801
Changes in working capital		
- Inventories	**223**	(729)
- Trade and other receivables	**(4,706)**	(1,101)
- Trade and other payables	**2,705**	615
Total	**(1,778)**	(1,215)
Cash generated from operating activities	**13,897**	14,692