For immediate release **1 December 2020**

Gooch & Housego PLC

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

PRELIMINARY RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

Gooch & Housego PLC (AIM: GHH), the specialist manufacturer of optical components and systems, today announces its preliminary results for the year ended 30 September 2020.

Year ended 30 September	**2020**	2019	Change
Revenue (£m)	**122.1**	129.1	(5.5%)
Adjusted profit before tax (£m)*	**9.8**	15.0	(35.1%)
Adjusted basic earnings per share (pence)*	**30.5p**	46.8p	(34.8%)
Statutory profit before tax (£m)	**5.4**	6.0	(9.4%)
Basic earnings per share (pence)	**15.1p**	15.1p	-
Total dividend per share (pence)	**-**	11.5p	(11.5p)
Net debt excluding IFRS16 (£m)	**6.5**	14.3	(7.8m)
Net debt (£m)	**14.7**	14.3	0.4m

- 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, settlement of lease litigation, interest thereon and interest on deferred consideration, together with the related tax impact.

Operating & Strategic Key Points

- Trading reflected a challenging global economic environment due to the COVID-19 pandemic.
- G&H is proud of the way our staff responded.
- Management actions contributed to a stronger second half. These included ensuring all of our manufacturing sites in USA, UK and China were able to operate at full capacity, compliant with all relevant regulations and guidelines.
- Overall demand for our technologies and capabilities was robust. Medical diagnostics saw strong demand, whilst Industrial lasers were below 'normalised' levels.
- New products contributed record revenue of £16.9m during FY2020 (FY2019: £13.5m). We continued to invest in our high priority R&D targets.
- G&H's plans to streamline our manufacturing are progressing well and on track to deliver the previously announced profitability.
- There remains substantial long term growth potential for our photonic technologies and system capabilities in all of our target sectors.

Financial Key Points

- Revenue of £122.1m, down by 5.5%
- Adjusted profit before tax of £9.8m, down 35.1%, reflecting temporary disruption to G&H's manufacturing sites and lower demand in some subsectors due to the COVID-19 pandemic.
- Improved net debt excluding IFRS16 of £6.5m, reflecting active cash management.
- Year end order book of £92.4m, 0.8% higher than the same time last year on a constant currency basis. Reflecting strong demand for fibre optics, hi-reliability fibre couplers and our A&D and Life Science capabilities. Industrial laser demand at below 'normalised' levels. Improved demand for medical diagnostics, in particular ventilator systems.

Mark Webster, Chief Executive Officer, commented:

"Our priority during the ongoing COVID-19 pandemic remains the health and safety of our staff, customers and suppliers. We are very proud of the way our staff have responded to this unprecedented challenge.

"FY2020 profits were affected by temporary disruption to manufacturing and lower demand in some subsectors due to the COVID-19 pandemic. We have continued to invest in our high priority R&D targets, been able to maintain a strong balance sheet and have improved our liquidity levels.

"Our order book is robust and there remains considerable long term potential for our photonic technologies and system capabilities in all of our target sectors.

"The challenge of the pandemic has validated our long term strategic goals of diversification and moving up the value chain. We intend to vigorously pursue these goals through internal investment and where appropriate, acquisitions."

For further information please contact:

Gooch & Housego PLC	Mark Webster / Chris Jewell	01460 256440
Investec Bank plc (Nomad & Broker)	Christopher Baird / Patrick Robb / David Anderson	020 7597 5970
Buchanan	Mark Court / Sophie Wills / Charlotte Slater	020 7466 5000

Analyst meeting

A conference call for analysts will be held at 9.30am today, 1 December 2020. For further details please phone Buchanan on 020 7466 5000 or email g&h@buchanan.uk.com.

Expected Financial Calendar

Annual General Meeting	24 February 2021
Interim Results announcement	June 2021
Financial Year End	30 September 2021
Preliminary announcement of results for the year ended 30 September 2021	December 2021

Chairman's Statement

Strategic Development

In 2020 we continued to execute our strategic objectives despite the unprecedented challenges created by the pandemic for the majority of the financial year. The year's trading also demonstrated the benefits of the Group's ongoing strategy of further diversification into the Aerospace & Defence and Life Sciences markets, reducing its dependency upon its traditional Industrial markets and making G&H a more balanced and resilient business.

Our sustained investment in R&D and the close relationships we have built with our customers supporting them with their next generation product developments means we are well placed to benefit from the long-term structural growth drivers in our markets. Our photonic technologies and applications are providing our customers with new solutions to their needs. In 2020 we made continued progress in repositioning the Group to provide more complex sub-assemblies and systems. These give more predictable and longer term revenue streams and the opportunity for enhanced returns.

Operational Improvement

During the year the business has remained focused on its operating costs to provide our customers with competitive offerings and our investors with enhanced returns. The project announced in March 2020 to migrate the manufacture of many of the Acousto-Optic products produced at our Ilminster site to our Asian contract manufacturing partner, the creation of an Acousto-Optic design and engineering centre in Fremont, CA, allowing the creation of a UK Precision Optics Centre of Excellence at our Ilminster site, and the subsequent closure of our Glenrothes facility remains on track to deliver on time and with the expected returns.

Our Response To The Pandemic

G&H's primary concern during the ongoing pandemic remains the health and safety of our staff, customers and suppliers.

Progress on our established strategic and operational objectives was achieved alongside our employees having to respond from the second quarter of the financial year with great commitment and agility to the developing pandemic. New policies and procedures were implemented to allow the Group to operate effectively whilst strictly complying with best practice guidelines. Additional training was provided to our managers to help them lead their teams in the new and unfamiliar circumstance of many team members working from home. Some physical changes have had to be made to our facilities to support enhanced social distancing. All of these measures mean the Group is now well placed to withstand the continuing operational disruption that the pandemic continues to bring.

The hard work of our employees ensured we were able to keep our facilities open for the majority of time and able to support our customers' programmes. I am very proud of their achievement and on behalf of the Board I would like to thank all our people for their hard work and dedication in what has been a very challenging year.

Trading Performance

The effects of the pandemic were felt most keenly in our Industrial markets which were already impacted by cyclical downturn and the effect of cross border trade disputes. Our Aerospace & Defence market proved to be more resilient with the exception of some of our commercial aircraft programmes. Life Sciences delivered growth supported by strong trading from our recently acquired ITL business. Thanks to swift adjustments to the cost base the Group continued to be profitable and cash generative despite the impact of the pandemic. Order intake recovered well in the latter part of the financial year and we enter the new trading period with an order book 0.8% higher in constant currency than at September 2019 which provides an important underpin to the Group's revenues for FY2021.

Dividends
In light of the increased global economic uncertainty and in accordance with the Board's priority of conserving cash and managing the Group in a prudent manner through that uncertainty, a dividend will not be declared in respect of FY2020.

The Board will review its position for the current financial year with the intention of reinstating its long term progressive dividend policy as soon as it is appropriate to do so.

The Board

In December 2019 we were shocked and saddened by the death of our Audit Committee Chairman, David Bauernfeind. Since joining the Board in 2017, David had provided invaluable support to the business and his significant contribution to G&H is sadly missed.

In May 2020 we welcomed Louise Evans to the Board in the role of Non-Executive Director and Chair of the Audit Committee. She brings extensive experience from her strategic leadership roles in both listed and privately owned technical engineering groups. Louise has substantial expertise in the areas of financial management and M&A as well as the implementation of internal control and risk management frameworks. We are enjoying working with her.

Looking Ahead

Whilst the macroeconomic environment remains uncertain we enter the new financial year with a solid order book, cutting edge products and technologies and an increasingly competitive cost base. Our strategy is making G&H a better, more balanced business, and subject to the macroeconomic background, I am confident the Group is well positioned to deliver material progress in FY2021 and indeed beyond.

Gary Bullard
Chairman
1 December 2020

Chief Executive Officer's Statement

FY2020 Performance

During the financial year 2020 G&H achieved revenue of £122.1m, representing a decrease of 5.5% over previous year or excluding foreign exchange, a decline of 5.4%. Adjusted profit before tax was £9.8m, a decline of 35.1%.

Overall demand for our technologies and capabilities was robust. There was an improved level of demand for medical diagnostics. Industrial lasers, the part of our portfolio most exposed to the wider economy, was below 'normalised' levels.

Trading reflected a challenging economic environment due to the COVID-19 pandemic.

Our primary concern during the ongoing pandemic remains the health and safety of our staff, customers and suppliers. Wherever possible our employees are working from home and for those that need to work at our manufacturing sites we have implemented a range of new health and safety measures to ensure that we rigorously meet social distancing and cleanliness requirements and all other relevant guidelines and regulations.

In the second quarter of the financial year two of our six US sites were temporarily shut down, due to state wide 'stay at home' orders. All of our five sites in the UK remained open, though Torquay, our largest site, operated at reduced capacity in order to comply with social distancing regulations.

We are very proud of the way that our staff responded to these unprecedented challenges.

In the latter part of the year G&H returned to full manufacturing capacity at all of our sites in the UK, USA and China. Action taken to reduce the Group's cost base and headcount had a positive impact on our second half performance.

Throughout the financial year we have closely controlled the cash resources of the business. As a result, the Group remains in a sound financial position with a strong balance sheet. Liquidity levels improved during the period, supported by a $10m extension to the Group's revolving credit facility, secured in April 2020, taking the total to $50m.

G&H has entered the new financial year with a solid order book. As at 30 September 2020 it stood at £92.4m (30 September 2019: £94.4m), 2.2% lower than the same period previous year, or an increase of 0.8%, excluding the impact of foreign exchange.

The year end order book reflects strong demand for fibre optics, hi-reliability fibre couplers for undersea cables and our A&D and life science capabilities. Demand improved for medical diagnostic equipment, in particular for ventilator systems. Industrial laser demand remains at below 'normalised' levels, though there has been a sustained improvement in the semiconductor subsector.

Industrial laser demand will return to longer term growth through technical innovation in end market applications such as 5G, AI and new laser-based manufacturing techniques, though the exact timings are hard to predict.

Our long term strategic commitment to diversification and moving up the value chain has been validated by the COVID-19 pandemic and has been instrumental in partially offsetting its impact. The Group has continued to invest in the business during the financial year, in line with these long term strategic goals.

New products from R&D contributed record revenues in FY2020 of £16.9m (FY2019: £13.5m). 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 aerospace and defence programmes, space satellite communications, laser surgery and medical diagnostics.

In line with our strategic commitment to improving manufacturing efficiency, customer service and capacity we have continued to move forward with streamlining our manufacturing, as announced in March 2020. This is progressing well and on schedule to complete by the end of the calendar year 2021, with the expected improvement in profitability unchanged.

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 system capabilities.

Aerospace & Defence ("A&D") and life sciences provide a counter balance to the industrial laser business. These sectors both have high quality and compliance barriers to entry and as markets move towards greater use of photonic technologies, G&H is increasingly well placed to serve customers in these markets.

Our aim remains to achieve a broadly equal split between the three market sectors. In FY2020 A&D represented 33.9% (FY2019: 34.2%) of G&H's revenue and life sciences 21.2% (FY2019: 18.7%), which represents considerable progress over the last few years.

G&H will continue to pursue our twin strategic objectives through internal investment and where appropriate, acquisitions.

Acquisitions

ITL is a UK based specialist in the design, development and manufacture of high quality medical devices. This acquisition has been a significant factor in G&H more than doubling the size of its life science business over the last two years. ITL's portfolio consists entirely of systems based products and that systems capability enables G&H to present an enhanced offering of photonic systems to our customers that will form a durable platform for further growth in the life science sector.

ITL was acquired in August 2018. Its performance has exceeded expectations and it has fully achieved its second year earn-out payment for the year ended 30 September 2020.

Research and Development ("R&D")

There has been continued benefit from concentrating our R&D resources on fewer higher return projects that the Group has identified as offering the highest growth potential for our photonic technologies and system capabilities. During FY2020 we introduced 40 new products and delivered record new product revenue.

G&H continues to work with our industrial laser and industrial laser system partners on the latest ultra-fast precision lasers. We recently signed a multi-year partnership contract in order to develop the next generation of extreme UV lithography lasers that will be used in the production of atomic level nanoelectronics.

We have capitalised on our expertise in lasers to provide solutions for 'harsh environment' sensing. The 'laser engine' technology developed for wind detection in wind turbines and oil pipeline security is now being utilised in development of a wider range of security applications.

Unmanned aerial vehicles ("UAVs") have a variety of commercial and military uses. Our expertise in the design, engineering and manufacturing of bespoke complex optical arrays in the IR spectrum for the UAVs' imaging and communication systems represents a rich vein of opportunity for the Group.

G&H's laser based satellite communication system has passed rigorous pre-flight tests for commercial satellites and will be launched in the near future. We continue to work on European and UK space agency funded work, as well other commercial programmes. There is substantial opportunity to expand similar technology into small satellite constellations and near space UAVs.

We have a number of ongoing A&D programmes in the US and Europe which operate under high level security or confidentiality restrictions. At our Boston, MA site we have built on the leading edge development work for existing programmes enabling us to acquire further contracts.

Our ITL business has a range of leading edge medical diagnostic R&D collaborations. By combining G&H's core photonic technologies with ITL's system capabilities we have been able to work on new types of opportunities for our medical diagnostic customers.

Streamlining of G&H's Manufacturing Base

As part of our move towards improving manufacturing efficiency, customer service and capacity, we announced in March 2020 that we will streamline our manufacturing operations.

In the first instance this will be achieved by outsourcing Acousto Optic (AO) Q-switch manufacturing to a contract manufacturer in Asia and creating an AO engineering and design hub at our Fremont, CA site. Secondly, we are establishing a UK Precision Optic (PO) hub for the UK in Ilminster, Somerset by moving our specialist PO manufacturing from Glenrothes, Scotland and then closing the site. The restructuring remains on track to complete by the end of the calendar year 2021 and the expected financial benefits are unchanged.

Our manufacturing sites are organised within three manufacturing centres based around technical areas of excellence. Each manufacturing centre is led by an experienced manufacturing head whose role is to ensure best practice is shared, there is process harmonisation and optimal allocation of resource.

We are in year two of a three year programme of upgrading and harmonising our financial and business systems, which are designed to support and enable improved performance in the manufacturing and commercial functions. This project is on track and has already delivered tangible benefits.

Markets and Applications

Industrial – 44.9% of FY2020 Group Revenue

The industrial division services a diverse range of industrial applications aligned to our world class photonic technologies. It splits into four distinct areas, industrial lasers, optical communications, 'harsh environment' sensing and scientific research.

Our industrial division declined by £6.0m or 9.9% compared with the previous year.

Industrial lasers went through a cyclical downturn in FY2019 on the back of a strong FY2018. As the area of our business most exposed to the wider economy there was no return to demand growth in FY2020 due to the COVID-19 pandemic. In the latter part of the year demand has picked up in certain subsectors, most notably semiconductors.

Longer term technological progress in end market applications will drive demand growth in the high innovation, higher margin section of the market. We are actively engaged with our industrial laser partners in developing the next generation of precision lasers. Outsourcing lower innovation products to a contract manufacturer in the Far East will enable us to compete more effectively in this subsector.

Hi-reliability fibre couplers for undersea cables are undergoing a multi-year growth phase driven by the well capitalised 'Silicon Valley' companies laying their own undersea cable networks. G&H has continued to invest in improving capacity for this section of business as we believe there will be good growth dynamics for the foreseeable future.

'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 and other related areas.

Scientific research includes 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 its European equivalent, Commissariat a l'energie atomique et aux energies alternatives ("CEA") in Bordeaux, France. G&H is a primary supplier to these facilities and this represents a profitable and prestigious part of our industrial business.

Aerospace & Defence – 33.9% of FY2020 Group Revenue

G&H is able to bring together a wide range of photonic capabilities 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 space satellite communication systems.

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

A&D revenue declined by £2.8m or 6.4% compared with the previous year.

During FY2020 we were able to continue to deliver on a number of high profile US contracts and win further business from existing and new contracts. Our revenues in the UK suffered from contract phasing issues. Though all of our tier one A&D customers continued to operate, the effect of working from home meant that many of the demanding, 'high hurdle' quality, compliance and supply chain aspects inherent in this sector took longer to navigate than usual and slowed down the business momentum in this sector.

G&H has exited FY2020 with a record A&D order book in the US and a much improved order book in the UK and Europe as a result of the determined work by our teams throughout the year in order to take advantage of good underlying demand for our capabilities.

We expect to have our laser based satellite communication system in space during FY2021, having passed all of the rigorous pre-flight operating tests. The use of fibre optic lasers to transmit information means satellite communication systems are more efficient, robust and substantially lighter. We believe this will lead to further utilisation of our technology in small satellite constellations and near space UAVs.

Life Sciences / Biophotonics – 21.2% of FY2020 Group Revenue

Life Science revenues grew by £1.8m or 7.6% compared with the previous year.

Our medical diagnostic system business grew strongly during the year and benefited from increased demand for our products as a result of the COVID-19 pandemic. This was particularly true for a product manufactured by ITL which is designed to improve respiratory function and oxygen uptake, as part of a ventilator system for patients in critical care. It is available globally, but has greatest traction in the US.

G&H's principal photonic applications in life sciences are optical coherence tomography ("OCT"), laser surgery and laser microscopy. OCT is widely used in ophthalmology for 3D retinal scanning and G&H has a market leading position in this area. Similar technology is also applied to cardiovascular and cancer disease detection systems for US based medical diagnostic companies.

In contrast to our medical diagnostic business there was a reduction in the number of non COVID-19 medical procedures. This resulted in lower OCT business and a sharp reduction in the number of procedures using medical lasers, in particular for cosmetic procedures. In the latter part of the year demand for our OCT diagnostics and critical components for medical lasers started to demonstrate a return to demand growth.

Outlook

In the short term, there is significant global economic uncertainty due to the COVID-19 pandemic, but G&H's order book remains robust and a testament to the benefits of a diversified portfolio.

During FY2020 a number of management actions have enabled the Group to build in greater resilience to our business. All of our manufacturing sites in the US, UK and China are open, able to operate at full capacity and are compliant with all national and local health and safety requirements. Our manufacturing site at Torquay is now able to operate at full capacity while complying with social distancing regulations due to infrastructure and process improvements undertaken since the start of the pandemic. G&H's six US sites are now all classified as fully or mainly exempt, as they produce products deemed essential or vital for national security.

G&H's plan to streamline its manufacturing is on track and will deliver the improvements in profitability outlined in the March 2020 announcement. Our cost base and headcount has been reduced and is now in line with the demands of the current working environment. Going forwards, we will continue to review further improvements to the Group's operations.

The Company remains in a sound financial position, with a strong balance sheet having improved its liquidity levels through FY2020 and into the start of the current financial year.

New products delivered a record contribution in FY2020 and we will continue to invest in those areas identified as delivering the highest return for our photonic technologies and system capabilities. There remains substantial long term growth potential for our photonic technologies and system capabilities in all of our target sectors.

Our commitment to our strategic objectives of diversification and moving up the value chain has been validated and will provide a robust platform for future growth. G&H intends to continue to vigorously pursue this policy through internal investment and where appropriate, further acquisitions.

Subject to the short term global economic environment, the Board remains confident that G&H is well positioned to deliver material progress in FY2021 and substantial long term growth.

Mark Webster
Chief Executive Officer
1 December 2020

Performance Overview

Overview

The Group's trading performance in the year reflected the impact of the pandemic on demand in our Industrial and Commercial Aerospace markets and some temporary closures of our facilities. Revenue and underlying profit before tax for the year were, however, marginally ahead of management's revised expectations following the advent of the pandemic, reflecting a faster than expected recovery to full operational capacity in the second half of the year.

Group revenue for the year totalled £122.1m. This represents a reduction of £7.0m, or 5.5% over the previous year. On a constant currency basis, revenues declined by 5.4%.

The Group's adjusted profit before tax amounted to £9.8m (2019: £15.0m) and represented a margin of 8.0% (2019: 11.6%). Statutory profit before tax was £5.4m compared with £6.0m in the prior year. Adjusted profit before tax is a key alternative performance measure by which the Board evaluates the Group's performance as it better represents the underlying trading of the Group with restructuring costs, acquisition and disposal items excluded from this measure. Further details of alternative performance measures are provided later in this review.

Cash performance for the year was good with the business generating £21.6m of cashflow from operating activities. In April 2020 the Group entered in to an agreement to increase its revolving credit facility from $40m to $50m, extending the maturity date from August 2021 to April 2023.

Revenue

REVENUE

	2020		2019	
Year ended 30 September	**£'000**	**%**	£'000	%
Industrial	**54,811**	**44.9%**	60,854	47.1%
A&D	**41,390**	**33.9%**	44,203	34.2%
Life Sciences / Biophotonics	**25,894**	**21.2%**	24,076	18.7%
Group Revenue	**122,095**	**100%**	129,133	100%

Revenue for the year totalled £122.1m, compared with £129.1m in the prior year. In the first quarter of the trading year our Industrial business segment was impacted by the ongoing weaker demand in its end markets and then from the second quarter by the COVID-19 pandemic. Industrial revenue declined by 9.9%, in both absolute and constant currency terms, from £60.9m last year to £54.8m this year. However, the sector's H2 revenues grew compared to the first six months of the year supported by the continuing ramp up in revenues from its telecoms markets.

In A&D important milestones were achieved on US development programmes allowing progression to the production stage of the contracts but overall revenues declined year on year by 6.4% (6.1% at constant currency) from £44.2m to £41.4m, primarily due to the completion of programme deliveries to customers of our St Asaph facilities prior to new programmes reaching their production phase in the second half of FY2021.

Our Life Sciences / Biophotonics business delivered year-on-year growth of 7.6% (7.7% at constant currency). Our ITL business saw strong demand for components used in respirator systems, more than offsetting a downturn in the medical laser market as a result of the pandemic. Life Sciences / Biophotonics revenue increased in absolute terms from £24.1m to £25.9m.

Operating Costs
In response to the challenging trading conditions we took a number of actions to reduce the Group's cost base. Group headcount decreased from 984 at 30 September 2019 to 902 at 30 September 2020. Headcount reductions were partially attributable to the restructuring project described later in this review, but other reductions were made to adjust to reduced trading volumes. Labour costs were also mitigated as some employees were furloughed, primarily at our Torquay site which temporarily ran at reduced capacity. There are currently no employees furloughed and Torquay is back operating at full capacity. Actions were also put in place to reduce discretionary spend such as travel and exhibitions which also contributed to the decrease in operating costs.

Research and Development (R&D)
The Group continued to invest for the future with R&D spend at 6.5% of revenue, which was in line with prior year. R&D spend in the period was £8.0m. There were 40 new products released in FY2020, together with five new patents granted. Important developments were completed in the fields of space satellite communications and sighting systems for armoured vehicles. The Group capitalised £0.5m of development expenditure in the year (2019: £0.7m).

Alternative Performance Measures
Alternative performance measures are presented in these financial statements as management believe they provide investors with a means of evaluating the performance of the Group on a consistent basis. These alternative performance measures exclude the impact of non-underlying items on the Group's financial results. The Group's alternative performance measures and their reconciliation to IFRS measures are shown in the table below. In addition to the measure shown in the table below, the Group presents Adjusted Profit Before Tax which is Adjusted Operating Profit less Adjusted net Finance Costs.

Non-Underlying Items
Statutory operating profit was £6.3m (2019: £8.4m) and statutory profit before tax was £5.4m (2019: £6.0m). Non-underlying items are presented separately as the Directors believe that they require separate disclosure on account of their nature and size in order to provide a clear and consistent presentation of the Group's underlying business performance.

Adjusted operating profit declined by 31% to £11.2m (2019: £16.3m) and adjusted profit before tax by 35% to £9.8m (2019: £15.0m) after excluding net charges of £4.4m (2019: £9.1m) in respect of non-underlying items. These comprised restructuring and site closure costs of £2.6m (FY2019: £1.0m), charges in respect of acquisitions and the amortisation of acquired intangible assets of £2.7m (2019: £9.9m) and a non-underlying credit of £1.2m (2019: £nil) in respect of a legal judgement in our favour associated with the lease of our Fremont facility.

The restructuring costs incurred in the year related to expenses arising from the project to establish the Ilminster facility as our UK Precision Optics Centre of Excellence and the resultant closure of our Glenrothes facility. This project is described more fully in the Operations section of this review. The costs recorded in the period principally comprised redundancy costs and the write downs of both tangible fixed assets and inventories of products which will be discontinued at the completion of the project.

In March 2020 long running litigation with the landlord of our Fremont facility was finally concluded and G&H was awarded a total of $3.6m comprising damages, reimbursement of our costs and interest arising from the landlord's non-performance in respect of the lease and this amount was received in full in June 2020. The reimbursement of costs and interest received of £1.2m was treated as a non-underlying credit in the income statement whilst the damages element of the award was credited against the right of use asset held on the balance sheet.

RECONCILIATION OF ADJUSTED PERFORMANCE MEASURES

	Operating profit		Net finance costs		Taxation		Earnings per share	
Year ended 30 September	**2020 £000**	2019 £000	**2020 £000**	2019 £000	**2020 £000**	2019 £000	**2020 pence**	2019 Pence
Reported	**6,334**	8,408	**(942)**	(2,456)	**(1,610)**	(2,191)	**15.1p**	15.1p
Amortisation of acquired intangible assets	**2,676**	3,690	**-**	-	**(397)**	(676)	**9.1p**	12.1p
Restructuring and site closure	**2,609**	973	**-**	-	**(392)**	(206)	**8.9p**	3.0p
Settlement of lease dispute	**(410)**	-	**(818)**	-	**271**	-	**(3.8)p**	-
Impairment of goodwill	**-**	6,258	**-**	-	**-**	(921)	**-**	21.4p
Adjustment to accrued contingent consideration	**-**	(3,075)	**-**	-	**-**	662	**-**	(9.7)p
Interest on deferred consideration	**-**	-	**303**	1,218	**-**	-	**1.2p**	4.9p
Adjusted	**11,209**	16,254	**(1,457)**	(1,238)	**(2,128)**	(3,332)	**30.5p**	46.8p

Interest

The net underlying interest expense of £1.5m (2019: £1.2m) increased by £0.2m. This was largely due to the adoption of IFRS16 from 1 October 2019 which added £0.4m to the Group's interest charge.

Tax and Earnings Per Share

The tax charge for the year was £1.6m (2019: £2.2m) with an underlying tax charge of £2.1m (2019: £3.3m) after excluding a credit on items excluded from underlying profit of £0.5m. This resulted in an underlying effective tax rate of 21.8% (2019: 22.2%), a marginal reduction on the prior year as we were able to increase the utilisation of historical tax losses in our US operations. 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.

GROUP EARNINGS PERFORMANCE

All amounts in £'000	Adjusted		Reported	
Year ended 30 September	**2020**	2019	**2020**	2019
Operating profit	**11,209**	16,254	**6,334**	8,408
Net finance costs	**(1,457)**	(1,238)	**(942)**	(2,456)
Profit before taxation	**9,752**	15,016	**5,392**	5,952
Taxation	**(2,128)**	(3,332)	**(1,610)**	(2,191)
Profit for the year	**7,624**	11,684	**3,782**	3,761
Basic earnings per share (p)	**30.5p**	46.8p	**15.1p**	15.1p

Basic underlying earnings per share decreased to 30.5p (2019: 46.8p).

Balance Sheet
The Group's total equity at the end of the year was £113.4m, an increase of £0.5m over the prior year. This comprised an increase of £2.0m from retained earnings, a £0.3m increase from adjustments to reserves for long term incentives and a net reduction of £1.8m from foreign exchange and other movements.

Additions to tangible and intangible fixed assets totalled £6.8m (2019: £7.5m), equivalent to 1.08 times owned asset depreciation and amortisation (2019: 1.43 times). The most significant additions were new state of the art precision optic cutting and polishing equipment located in our newly formed UK centre of excellence in Ilminster. We made further investments in our IT system with our Keene, St Asaph and Baltimore businesses now migrated on to the Group's core ERP systems.

For the full year there was a £4.7m inflow from working capital (2019: £6.6m outflow). Within working capital, inventory decreased to £30.6m from £33.3m at the beginning of the year reflecting lower business volumes and our continuing work to improve our demand forecasts on which our manufacturing build plan is based.

Trade and other receivables at year end were £26.3m, a reduction of £6.9m compared with the prior year. The reduction was due to the lower trading levels and a continued strong focus on collections, although we are experiencing continued pressure from many of our larger customers for extended payment terms.

Net interest (excluding IFRS 16 interest and interest received on the legal settlement) and tax paid reduced to £2.2m from £2.4m in the prior year.

IFRS 16 Leases
The Group implemented IFRS 16 leases with effect from 1 October 2019. On adoption of the standard the Group recognised right of use assets of £9.6m and a lease liability of £9.4m. The impact on the income statement in the year has been to increase underlying operating profit by £0.3m and interest expense by £0.4m.

Cash and Net Debt

Cash balances at 30 September 2020 were £19.7m, compared with £17.5m in the prior year. Net cash flows from operating activities totalled £20.4m, compared with £11.6m last year, supported by the lower levels of working capital year-on-year. During the year net debt excluding lease liabilities decreased by £7.8m to £6.5m, of which £1.2m was as a result of exchange rate movement on the Group's US$ denominated borrowings. IFRS 16 lease liabilities added a further £8.2m bringing the Group's reported net debt to £14.7m at the year end.

As at 30 September 2020, available undrawn committed and uncommitted debt facilities totalled $36m.

MOVEMENT IN NET DEBT

All amounts in £m	Gross Cash	Bank Borrowings	Net Debt Exc IFRS16	Lease Liabilities	Net Debt
At 1 October 2019	**17.5**	**(31.8)**	**(14.3)**	**-**	**(14.3)**
Adoption of IFRS16	-	-	-	(9.4)	(9.4)
Operating cash flows	16.8	-	16.8	-	16.8
Debt repayments	(4.3)	4.3	-	-	-
Lease repayments	(1.6)	-	(1.6)	1.6	-
Acquisitions (deferred consideration)	(4.8)	-	(4.8)	-	(4.8)
Net capital expenditure	(6.4)	-	(6.4)	-	(6.4)
Working capital	4.7	-	4.7	-	4.7
Interest, tax and dividends	(3.4)	-	(3.4)	-	(3.4)
Legal dispute settlement	1.6	-	1.6	-	1.6
Non cash movements	-	0.1	0.1	(0.8)	(0.7)
Exchange movement	(0.4)	1.2	0.8	0.4	1.2
At 30 September 2020	**19.7**	**(26.2)**	**(6.5)**	**(8.2)**	**(14.7)**

Funding and Liquidity

In April 2020 the Group entered into an agreement to increase its revolving credit facility from $40m to $50m, taking the maturity date out from August 2021 to April 2023.

Borrowings from the Group's revolving credit facility are drawn at the Group level and lent to the operating subsidiaries.

The main financial covenants in the revolving credit facility restrict net debt to below 2.5 times underlying EBITDA, and EBITDA is required to cover net interest costs (excluding IFRS 16 interest) by 4.5 times. As at 30 September 2020, net debt : underlying EBITDA was 0.4 (2019: 0.6) and interest cover was 10.8 (2019: 15.4).

The rationale for preparing the financial statements on a going concern basis is set out below.

Operations
As announced in March 2020, the Group has launched a significant restructuring project to streamline its Acousto-Optic (AO) and Precision Optic (PO) manufacturing facilities. An AO hub is being created at our Fremont, California site which combines the AO capabilities of our Fremont and Ilminster facilities. Fremont will lead the Group's AO technology roadmap. In support of this approach we entered in to an agreement to outsource much of our AO manufacturing currently undertaken by our Ilminster facility to an established contract manufacturer in South East Asia. These plans enable us to consolidate design, engineering and R&D resources and to continue to provide high quality, cost competitive products to the industrial laser market.

As part of this same project the Group is establishing a single UK PO hub at our Ilminster facility fashioned from our two current PO sites at Ilminster and Glenrothes. As part of this plan we are transferring Glenrothes PO manufacturing resources and capabilities into Ilminster and the Glenrothes site will be closed at the end of the current calendar year. The project is expected to be fully complete by the end of 2021 financial year. The total investment is expected to be c. £5m across FY2020 and FY2021 and the one off income statement impact has been excluded from adjusted profit before tax. Total non-underlying charges on the project in FY2020 were £2.4m. Savings are expected to build over time, and to achieve a positive benefit in the second half of FY2021 and an annualised benefit of c. £1.25m by FY2022.

We have now completed the roll out of our Syspro ERP/MRP system to all of the Group's sites with the exception of ITL which had recently upgraded to an Epicor system shortly prior to the acquisition of the business by the Group in 2018. We have developed a suite of business reports based upon data warehousing which has significantly enhanced the quality of information available to the management team.

COVID-19 Pandemic
As a result of the pandemic we implemented a range of measures to keep our employees safe, to continue to support our customers' programmes and to protect the financial position of the business. In the early stages of the pandemic whilst many of our customers' facilities were partially or fully closed and we were in the process of making alterations to some of our facilities, approximately 20% of our employees worked reduced hours. In the UK we utilised the Government's Coronavirus Job Retention Scheme and received a total of £0.4m in furlough grants. In the US we received an amount of $1.4m (£1.1m) under the Government's Paycheck Protection Programme.

In accordance with FRC & ESMA best practice guidance we have not separately identified the impact of the pandemic on the Group's trading performance for the year. Instead we have included all costs incurred and support received within the reported underlying financial results of the business.

The Group's cash flows were temporarily supported by the UK Government's scheme allowing businesses to defer sales and payroll tax payments, however, all amounts owing were fully paid by the end of the financial year.

The cash flow of the Group has been resilient during the pandemic. We have not experienced any deterioration in our collections performance nor has there been any increase in our expected credit loss.

Order Book
As at 30 September 2020, the Group order book stood at £92.4m, compared with £94.4m at the end of the 2019 financial year. Excluding foreign exchange the order book was 0.8% higher. The book to bill ratio for the business as a whole was 1.01 (six month rolling average) as at 30 September 2020 (2019: 0.98). This reflects an improving order intake trend in the latter stages of the year.

Staff
The Group workforce decreased from 984 at 30 September 2019 to 902 at the end of September 2020. The reduction reflects the action the business has taken to adjust to the lower levels of market demand following the onset of the pandemic and initial releases of staff from our Glenrothes site as part of the restructuring programme.

Key Performance Indicators
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	**2020**	**2019**	**2018**
At actual exchange rates	(5.5)%	3%	12%
At constant exchange rates	(5.4)%	-	16%

The Board is focused on driving long term revenue growth by investing both organically and through acquisitions. The Group's revenue measured at constant exchange rate declined by 5.4% year-on-year reflecting the impact of the pandemic on our Industrial and Aerospace & Defence sector partially offset by the growth delivered by our Life Sciences/Biophotonics sector.

Target market revenue	**2020**	**2019**	**2018**
A&D (£m)	41.4	44.2	40.8
Life Sciences (£m)	25.9	24.1	11.2

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. Measured on a constant currency basis Life Sciences revenues grew 7.7% thanks to strong demand for products from our medical diagnostics business which more than offset the impact of the pandemic on revenues for our medical laser products. In A&D, revenues declined by 6.1% on a constant currency basis reflecting the completion of deliveries on some material programmes prior to the ramp up of deliveries on new secured programmes. Our A&D order book at 30 September 2020 is strong and provides a good underpin for revenue growth in the coming year.

Net debt analysis	**2020**	**2019**	**2018**
Net debt (£m)	14.7	14.3	10.6

In order to balance business risk with the investment needs of the Company, management closely monitors and manages net debt. Excluding the impact of the new lease standard, IFRS16, net debt reduced by £7.8m in the year thanks to a reduction in the Group's working capital levels and the benefit of favourable exchange rate movement on the Group US$ denominated borrowing. This represents a Net Debt : Adjusted EBITDA ratio of c.0.4x. Lease liabilities added a further £8.2m within the total reported net debt of £14.7m.

Earnings per share (EPS)	**2020**	**2019**	**2018**
Adjusted diluted EPS (pence)	30.2p	46.7p	56.5p

As a result of the continuing challenging trading environment in the industrial laser sector and then the impact of the pandemic on the Group's markets, adjusted diluted EPS fell 35.3%, from 46.7p to 30.2p.

The effect of adopting IFRS16 in the year was to reduce profit before tax by £0.1m and to reduce adjusted diluted earnings per share by 0.3p.

Group Income Statement

For the year ended 30 September 2020 (unaudited)

	Note	30 September 2020 Underlying	30 September 2020 Non-underlying (Note 4)	30 September 2020 Total	30 September 2019 Underlying	30 September 2019 Non-underlying (Note 4)	30 September 2019 Total
		£'000	**£'000**	**£'000**	£'000	£'000	£'000
Revenue	2	**122,095**	**-**	**122,095**	129,133	-	129,133
Cost of revenue		**(82,845)**	**-**	**(82,845)**	(84,231)	-	(84,231)
Gross profit		**39,250**	**-**	**39,250**	44,902	-	44,902
Research and development		**(7,924)**	**-**	**(7,924)**	(7,074)	-	(7,074)
Sales and Marketing		**(7,440)**	**-**	**(7,440)**	(8,545)	-	(8,545)
Administration		**(13,759)**	**(4,875)**	**(18,634)**	(13,298)	(8,228)	(21,526)
Other income and expenses		**1,082**	**-**	**1,082**	269	382	651
Operating profit		**11,209**	**(4,875)**	**6,334**	16,254	(7,846)	8,408
Finance income		**16**	**818**	**834**	21	-	21
Finance costs		**(1,473)**	**(303)**	**(1,776)**	(1,259)	(1,218)	(2,477)
Profit before income tax expense		**9,752**	**(4,360)**	**5,392**	15,016	(9,064)	5,952
Income tax expense	3	**(2,128)**	**518**	**(1,610)**	(3,332)	1,141	(2,191)
Profit for the year		**7,624**	**(3,842)**	**3,782**	11,684	(7,923)	3,761
Basic earnings per share	5	**30.5p**	**(15.4p)**	**15.1p**	46.8p	(31.7p)	15.1p
Diluted earnings per share	5	**30.2p**	**(15.2p)**	**15.0p**	46.7p	(31.7p)	15.0p

Group Statement of Comprehensive Income
For the year ended 30 September 2020 (unaudited**)**

	2020	2019
	£000	£000
Profit for the year	**3,782**	3,761
Other comprehensive income / (expense) – items that may be reclassified subsequently to profit or loss		
Gains on cash flow hedges	**333**	-
Currency translation differences	**(2,105)**	2,549
Other comprehensive (expense) / income for the year net of tax	**(1,772)**	2,549
Total comprehensive income for the year attributable to the shareholders of Gooch & Housego PLC	**2,010**	6,310

Group Balance Sheet
For the year ended 30 September 2020 (unaudited)

	2020	2019
	£000	£000
Non-current assets		
Property, plant and equipment	**38,741**	39,621
Right of use assets	**6,742**	-
Intangible assets	**54,624**	58,598
Deferred income tax assets	**1,432**	1,539
	101,539	99,758
Current assets		
Inventories	**30,580**	33,313
Trade and other receivables	**26,298**	33,190
Cash and cash equivalents	**19,734**	17,512
	76,612	84,015
Current liabilities		
Trade and other payables	**(17,971)**	(22,668)
Borrowings	**(64)**	(77)
Lease liabilities	**(1,832)**	-
Income tax liabilities	**(1,120)**	(1,114)
Deferred consideration	**(3,250)**	(4,750)
	(24,237)	(28,609)
Net current assets	**52,375**	55,406
Non-current liabilities		
Borrowings	**(26,211)**	(31,722)
Lease liabilities	**(6,364)**	-
Provision for other liabilities and charges	**(1,692)**	(1,243)
Deferred income tax liabilities	**(6,294)**	(6,409)
Deferred consideration	**-**	(2,947)
	(40,561)	(42,321)
Net assets	**113,353**	112,843
Shareholders' equity		
Called up share capital	**5,008**	5,008
Share premium account	**16,000**	16,000
Merger reserve	**7,262**	7,262
Cumulative translation reserve	**7,675**	9,780
Hedging reserve	**333**	-
Retained earnings	**77,075**	74,793
Total equity	**113,353**	112,843

Group Statement of Changes in Shareholders' Equity
For the year ended 30 September 2020

	Note	Called up share capital £000	Share premium account £000	Merger reserve £000	Retained earnings £000	Hedging Reserve £000	Cumulative translation reserve £'000	**Total equity £000**
At 1 October 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	6	**-**	**-**	**-**	(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**
At 1 October 2019		**5,008**	**16,000**	**7,262**	**74,793**	**-**	**9,780**	**112,843**
Profit for the financial year		-	-	-	3,782	-	-	**3,782**
Other comprehensive income / (expense) for the year		-	-	-	-	333	(2,105)	**(1,772)**
Total comprehensive income / (expense) for the year		**-**	**-**	**-**	**3,782**	**333**	**(2,105)**	**2,010**
Dividends	6	**-**	**-**	**-**	(1,803)	**-**	**-**	**(1,803)**
Fair value of employee services		-	-	-	303	**-**	**-**	**303**
Total contributions by and distributions to owners of the parent recognised directly in equity		**-**	**-**	**-**	**(1,500)**	**-**	**-**	**(1,500)**
At 30 September 2020		**5,008**	**16,000**	**7,262**	**77,075**	**333**	**7,675**	**113,353**

Group Cash Flow Statement
For the year ended 30 September 2020 (unaudited)

	2020 £000	2019 £000
Cash flows from operating activities		
Cash generated from operations	**21,561**	12,967
Income tax paid	**(1,119)**	(1,321)
Net cash generated from operating activities	**20,442**	11,646
Cash flows from investing activities		
Acquisition of subsidiaries, net of cash acquired	**(4,750)**	(3,940)
Purchase of property, plant and equipment	**(5,495)**	(5,792)
Sale of property, plant and equipment	**353**	1,480
Purchase of intangible assets	**(1,291)**	(1,620)
Interest received	**846**	21
Interest paid	**(1,399)**	(1,116)
Legal dispute settlement	**1,580**	-
Net cash used in investing activities	**(10,156)**	(10,967)
Cash flows from financing activities		
Drawdown of borrowings	**8,346**	-
Repayment of borrowings	**(12,610)**	(60)
Principal elements of lease payments	**(1,583)**	(14)
Dividends paid to ordinary shareholders	**(1,803)**	(2,849)
Net cash used by financing activities	**(7,650)**	(2,923)
Net increase / (decrease) in cash	**2,636**	(2,244)
Cash at beginning of the year	**17,512**	19,433
Exchange (losses) / gains on cash	**(414)**	323
Cash at the end of the year	**19,734**	17,512

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 2020.

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 2019 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 2019, as described in those financial statements, except where newly applicable accounting standards apply.

IFRS16 leases
IFRS 16 provides a single lease accounting model, requiring lessees to recognize assets and liabilities for all leases.

On adoption of IFRS16, the group recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 October 2019. The weighted average lessee's incremental borrowing weight applied to the lease liabilities on 1 October 2019 was 3.33%

The group applied the modified retrospective approach to transition. The effect of adopting the standard was to increase liabilities (and net debt) by £9.4m at 1 October 2019. Right of use assets of £9.6m were recognised on adoption of the new standard whilst £0.2m previously held in other receivables relating to lease deposits was eliminated on adoption of the new Standard.

The standard had the effect of reducing profit before tax by £0.1m over the prior year. This comprised an increase in depreciation on right of use assets of £1.6m and an increase in interest on lease liabilities of £0.4m. These were partially offset by lease rental payments of £1.9m no longer being recognised in the income statement.

There was no initial deferred tax effect on adoption of IFRS16. Timing differences arising on IFRS16 in the year ended 30 September 2020 gave rise to a deferred tax asset of £0.4m.

In applying IFRS16 for the first time, the Group has used the following practical expedients permitted by the standard:

- accounting for operating leases with a remaining term of less than 12 months as at 1 October 2019 as short-term leases; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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 2020	Aerospace & Defence £000	Life Sciences / Bio-photonics £000	Industrial £000	Corporate £000	Total £000
Revenue					
Total revenue	41,390	27,578	60,280	-	129,248
Inter and intra-division	-	(1,684)	(5,469)	-	(7,153)
External revenue	41,390	25,894	54,811	-	122,095
Divisional expenses	(37,295)	(20,543)	(48,004)	642	(105,200)
EBITDA[1]	4,095	5,351	6,807	642	16,895
EBITDA %	9.9%	20.7%	12.4%	-	13.8%
Depreciation and amortisation	(2,554)	(964)	(3,636)	(731)	(7,885)
Operating profit before amortisation of acquired intangible assets	1,541	4,387	3,171	(89)	9,010
Amortisation of acquired intangible assets	-	-	-	(2,676)	(2,676)
Operating profit	1,541	4,387	3,171	(2,765)	6,334
Operating profit margin %	3.7%	16.9%	5.8%	-	5.2%
Add back non-underlying items and amortisation of acquired intangibles	1,258	263	935	2,419	4,875
Adjusted operating profit	2,799	4,650	4,106	(346)	11,209
Adjusted profit margin %	6.8%	18.0%	7.5%	-	9.2%
Finance costs	(128)	(32)	(189)	(593)	(942)
Profit before income tax expense	**1,413**	**4,355**	**2,982**	**(3,358)**	**5,392**

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**

[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:

	2020 Assets £000	**2020 Liabilities £000**	**2020 Net Assets £000**	2019 Assets £000	2019 Liabilities £000	2019 Net Assets £000
United Kingdom	89,807	(41,676)	48,131	98,624	(57,859)	40,765
USA	86,824	(22,999)	63,825	84,196	(12,933)	71,263
Continental Europe	738	(52)	686	260	(37)	223
Asia Pacific	782	(71)	711	693	(101)	592
	178,151	**(64,798)**	**113,353**	183,773	(70,930)	112,843

For the year to 30 September 2020 non-current asset additions were £5.1m (2019: £5.8m) for the UK and for the USA £3.1m (2019: £1.7m). There were no additions to non-current assets in respect of Europe (2019: £nil) or the Asia Pacific region (2019: £nil). The value of non-current assets in the USA was £44.7m (2019: £58.3m) and in the United Kingdom £39.3m (2019: £41.4m). There were no non-current assets in Europe or the Asia-Pacific region.

Analysis of revenue by destination:

	2020 £000	2019 £000
United Kingdom	**33,994**	32,054
North America	**45,554**	50,097
Continental Europe	**24,101**	25,816
Asia Pacific and Other	**18,446**	21,166
Total revenue	**122,095**	129,133

3. Income tax expense

Analysis of tax charge in the year

	2020 £000	2019 £000
Current taxation		
UK Corporation tax	**1,089**	1,756
Overseas tax	**631**	653
Adjustments in respect of prior year tax charge	**(199)**	-
Total current tax	**1,521**	2,409
Deferred tax		
Origination and reversal of temporary differences	**(255)**	(218)
Adjustments in respect of prior years	**199**	-
Change to UK tax rate	**145**	-
Total deferred tax	**89**	(218)
Income tax expense per income statement	**1,610**	2,191

4. Non-underlying items

	2020 £000	2019 £000
Included within administration expenses		
Amortisation of acquired intangible assets	**2,676**	3,690
Restructuring and site closure costs	**2,609**	1,355
Property litigation settlement	**(410)**	-
Goodwill impairment	**-**	6,258
Adjustment to deferred consideration	**-**	(3,075)
	4,875	8,228
Included within other income and expense		
Site closure costs	**-**	(382)
	-	(382)
Included within net finance costs		
Interest awarded in property litigation settlement	**(818)**	-
Unwind of discount on deferred consideration	**303**	1,218
	(515)	1,218

The restructuring and site closure costs incurred in the year related to expenses arising from the project to establish the Ilminster facility as our UK Precision Optics Centre of Excellence and the resultant closure of our Glenrothes facility. The costs recorded in the period principally comprised redundancy costs and the write downs of both property, plant and equipment and inventories of products which will be discontinued at the completion of the project.

Restructuring costs incurred in the year ended 30 September 2019 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.

In the year ended 30 September 2019, the Board took the decision to impair the goodwill relating to the Boston and Baltimore cash generating units by £3.6m and £2.6m respectively.

Site closure costs in FY19 related to the profit generated on sale of the Group's Orlando facility (£0.8m), partially offset by the costs associated with the closure of the Madison office (£0.4m).

In March 2020 long running litigation with the landlord of our Fremont facility was finally concluded. G&H was awarded a total of $3.6m comprising damages, reimbursement of our costs and interest arising from the landlord's non-performance in respect of the lease and this amount was received in June 2020. The reimbursement of costs and interest received of £1.2m were treated as a non-underlying credit in the income statement whilst the damages element of the award were credited against the right of use asset held on the balance sheet.

The credit in respect of accrued contingent consideration recorded in FY2019 related to StingRay (£0.5m). The final tranche of the earn out was paid in FY19 but the maximum potential was not achieved. In addition in FY2019, the full amount of the deferred consideration in respect of Gould Fiber Optics was written back (£2.6m).

5. Earnings per share

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

	2020	2019
Number of shares used for basic earnings per share	**25,039,519**	24,936,438
Dilutive shares	**174,664**	141,696
Number of shares used for dilutive earnings per share	**25,214,183**	25,078,134

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

	2020		2019	
	£000	**pence per share**	£000	pence per share
Basic earnings per share	**3,782**	**15.1p**	3,761	15.1p
Amortisation of acquired intangible assets (net of tax)	**2,279**	**9.1p**	3,014	12.1p
Goodwill impairment (net of tax)	**-**	**-**	5,337	21.4p
Release of accrued contingent consideration (net of tax)	**-**	**-**	(2,413)	(9.7p)
Site closure costs (net of tax)	**-**	**-**	(317)	(1.3p)
Restructuring costs (net of tax)	**2,218**	**8.9p**	1,084	4.3p
Interest on deferred consideration	**303**	**1.2p**	1,218	4.9p
Property litigation settlement (net of tax)	**(958)**	**(3.8p)**	-	-
Total adjustments net of income tax expense	**3,842**	**15.4p**	7,923	31.7p
Adjusted basic earnings per share	**7,624**	**30.5p**	11,684	46.8p
Basic diluted earnings per share	**3,782**	**15.0p**	3,761	15.0p
Adjusted diluted earnings per share	**7,624**	**30.2p**	11,684	46.7p

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.

6. Dividends

	2020 £000	2019 £000
Final 2019 dividend paid in 2020: 7.2p per share (Final 2018 dividend paid in 2019: 7.1p per share)	**1,803**	1,772
2020 Interim dividend nil (2019: 4.3p)	**-**	1,077
	1,803	2,849

The Directors have not proposed a final dividend making the total dividend paid and proposed in respect of the 2020 financial year nil. (2019: 11.5p).

7. Cash generated from operating activities

Reconciliation of cash generated from operations

	2020 £000	2019 £000
Profit before income tax	**5,392**	5,952
Adjustments for:		
- Amortisation of acquired intangible assets	**2,676**	3,690
- Amortisation of other intangible assets	**984**	672
- Profit on disposal of property, plant and equipment	**(27)**	(741)
- Impairment of goodwill	**-**	6,258
- Adjustment to accrued contingent consideration	**-**	(3,075)
- Depreciation	**6,901**	4,548
- Share based payment charge	**303**	191
- Amounts claimed under the RDEC	**(315)**	(350)
- Finance income	**(834)**	(21)
- Finance costs	**1,776**	2,477
Total	**11,464**	13,649
Changes in working capital		
- Inventories	**2,042**	(6,646)
- Trade and other receivables	**6,812**	2,729
- Trade and other payables	**(4,149)**	(2,717)
Total	**4,705**	(6,634)
Cash generated from operating activities	**21,561**	12,967