Gooch & Housego
ENABLING PHOTONIC TECHNOLOGIES

INTERIM REPORT AND ACCOUNTS

MARCH 2016

G&H

the specialist manufacturer
of optical components and systems

FOR FURTHER INFORMATION PLEASE CONTACT:

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NOTES TO EDITORS:

1. Gooch & Housego is a photonics technology business headquartered in Ilminster, Somerset, UK with operations in the USA and Europe. A world leader in its field, the company researches, designs, engineers and manufactures advanced photonic systems, components and instrumentation for applications in the Aerospace & Defence, Industrial, Life Sciences and Scientific Research sectors. World leading design, development and manufacturing expertise is offered across a broad range of complementary technologies.

2. This announcement contains certain forward-looking statements that are based on management's current expectations or beliefs as well as assumptions about future events. These are subject to risk factors associated with, amongst other things, the economic and business circumstances occurring from time to time in the countries and sectors in which G&H operates. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a wide range of variables which could cause actual results, and G&H's plans and objectives, to differ materially from those currently anticipated or implied in the forward-looking statements. Investors should not place undue reliance on any such statements. Nothing in this announcement should be construed as a profit forecast.

“Our first half performance was as expected and full year trading remains in line with our expectations”

INTERIM REPORT FOR THE SIX MONTHS ENDED 31 MARCH 2016

Gooch & Housego PLC (AIM:GHH) (“Gooch & Housego”, “G&H”, the “Company” or the “Group”), the specialist manufacturer of optical components and systems, today announces its interim results for the six months ended 31 March 2016.

FINANCIAL HIGHLIGHTS

Period ended 31 March	HY 2016	HY 2015
Revenue	£38.4m	£38.9m
Adjusted profit before tax[1]	£5.6m	£6.3m
Adjusted basic earnings per share[1]	17.0p	19.3p
Net cash	£12.3m	£11.9m
Statutory profit before tax	£3.5m	£5.1m
Basic earnings per share	10.8p	15.6p
Interim dividend per share	3.3p	3.0p

[1] Adjusted for amortisation of acquired intangible assets, restructuring costs and site closure costs.

HIGHLIGHTS

- First half performance as expected
- Full year trading remains in line with our expectations
- Robust order book of £39.1 million as at 31 March, a 13.1% increase on the same time last year
- Mixed markets
  - Industrial laser market improved in Q2
  - Strong performance from telecommunications and fibre sensing products
  - Aerospace & defence markets lower due to programme timings
- Continued investment for the future - £5.6 million invested in the Group’s facilities and equipment and £3.5 million in R&D and new products
- Interim dividend increased to 3.3p (2015: 3.0p)

MARK WEBSTER, CHIEF EXECUTIVE OFFICER OF GOOCH & HOUSEGO PLC, COMMENTED ON THE RESULTS:

“ G&H is well-positioned to benefit from improving market conditions and has the capacity to respond to increasing demand. Our commitment to diversification has enabled us to navigate a challenging period at the beginning of the year and still be on track to deliver our full year expectations.

We remain committed to our strategy of diversification and moving up the value chain whilst continuing to invest in our continuous improvement programme, which will underpin future performance.”

“The increase in our interim dividend by 10% reflects our confidence in the business going forward and is underpinned by our strong balance sheet”

PERFORMANCE OVERVIEW

The Company saw a steady recovery in the second quarter after a slower than expected start to the year, characterised by sustained demand for our products. This move from a weak first quarter to a much stronger Q2 is demonstrated by the 57% increase in order intake between the two quarters. Half year revenues were only marginally lower than those of 1H 2015, which was a record half year for the Company. We continue to expect a good second half trading performance driven by orders for our fibre business, in particular high reliability undersea fibre components, fibre based satellite communications and fibre optic sensing, in addition to a recovering microelectronics sector.

The increase in our interim dividend by 10% reflects our confidence in the business going forward and is underpinned by our strong balance sheet.

Revenue

Six months ended 31 March	2016		2015	
	£'000	% of total	£'000	% of total
Industrial	24,764	65%	22,313	57%
Aerospace & Defence	8,064	21%	10,314	27%
Life Sciences	3,941	10%	4,317	11%
Scientific Research	1,592	4%	2,001	5%
Group Revenue	38,361	100%	38,945	100%

Group revenue for the half year was £38.4 million, a fall of £0.6 million, or 1% over the comparative period last year. On a constant currency basis, revenue was 5% lower.

Order intake in the first half of the year has been encouraging. The order book at 31 March 2016 was £39.1 (31 March 2015: £34.6 million) million and the Company has booked £41.1 million in orders since 1 October 2015.

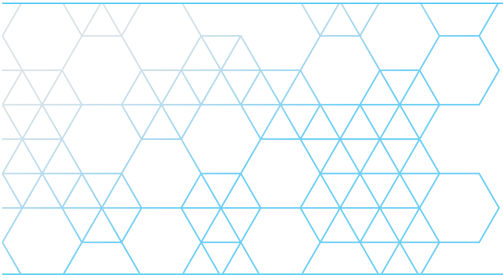
Products and Markets – Industrial

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

Overall, business in our industrial market was good in the first six months of the year. Overall sales of products into our industrial markets in the six months to 31 March 2016 were 11% higher compared with the equivalent period last year.

The industrial laser market was weaker in the first half of the year driven by lower demand from China for lasers used in microelectronic manufacturing. The shortfall in demand in our industrial laser market was more than offset by increases in our fibre-optic sensing and telecommunications markets.

In fibre-optic sensing G&H's Fibre-Q products continue to be adopted and lead the way in this fast growing market place, with the result that the Company is now benefitting from positive market trends in fibre optic sensing and generating meaningful revenue streams.



In telecommunications, whilst sales of lithium niobate wafers for modulation applications continue to be strong, the significant growth has come from demand for fibre optic components for under-sea telecommunications applications. We expect this growth to continue to strengthen throughout this year and into next, as non-traditional companies enter this market and look to lay their own undersea networks. The overall telecommunications market segment increased by 18% compared with the equivalent period last year.

Products and Markets – Aerospace & Defence

Product quality, reliability and performance are paramount in this sector and that plays to G&H's strengths, along with our commitment to provide value. We have strong, well established positions in target designation and range finding, ring laser and fibre optic gyroscope navigational systems, infrared and RF countermeasures and space photonics.

The Aerospace & Defence market for G&H is characterised by high-value, long-term programmes involving the main US and European defence contractors. G&H's precision optics and acousto-optic technologies have contributed most to the Aerospace & Defence markets in the last six months, with navigation, range finding and target designation being the principal applications.

This sector was down for G&H during the first six months. The major part of this reduction is a direct function of order and programme timing. This sector is expected to recover in the second half of this financial year. Moreover, with the continued adoption of technologies which play to G&H's core capabilities, together with the investment that the business has made in business development and R&D in this market sector, we continue to believe there is strong growth potential for us going forward.

Products and Markets – Life Sciences

G&H's three principal Life Sciences revenue streams are derived from diagnostics (fibre-optic modules for optical coherence tomography (OCT) applications), surgery / treatments (electro-optics and acousto-optics for lasers) and biomedical research (acousto-optics for microscopy applications). In each application area the Company is making steady progress in moving up the value chain and is currently selling sub-systems as well as components to several larger customers.

This market sector fell by 9% in the six months to 31 March 2016, compared with the equivalent period last year, driven mainly by lower demand requirements from two major customers.

The principal commercial application of OCT systems is retinal imaging, and G&H continues to be the leading provider of fibre optic solutions (products and design services) to this industry. Gooch & Housego considers OCT to be a growth technology and is investing both in the development of new products and in keeping its current products cost competitive.

Products and Markets – Scientific Research

The key application in Scientific Research is laser inertial confinement fusion ("laser fusion"), where lasers are used to create the conditions found in the core of a star. In addition to pure research in high energy and plasma physics, these vast laser systems are being used to investigate whether this technology could provide clean, carbon-free energy to reduce dependency on fossil fuels. G&H is continuing to supply crystals, precision optics and fibre components for new system construction and expects ongoing business to service replacement and maintenance requirements.

Strategy

G&H's strategy is based around a continued commitment to the twin pillars of diversification and moving up the value chain. A more vertically integrated and balanced business, which is more robust and less exposed to the cyclical nature of some of our core products is one of the key aims. The progress to date against this goal has enabled us to navigate a challenging period at the beginning of the year and still be on track to deliver our full year expectations, despite slower than expected sales in the first quarter. Further investment in R&D and market focused business development aim to provide the momentum that will drive rates of organic growth above historical norms. In addition management continues to actively look for strategic partnerships and acquisitions.

R&D: In the first six months of the current financial year, G&H invested £3.5 million in research & development. This represents 9.1% of revenue and is 8% higher than the same period last year (2015: £3.2m). G&H's continued commitment to investing in targeted R&D programmes is bearing fruit, with a record thirteen new products launched at the Photonics West trade show in February 2016.

Diversification: G&H seeks to develop, through R&D and acquisition, a presence in new markets that offer the potential for significant growth as a result of their adoption of photonic technology, whilst also reducing exposure to cyclicality in any particular sector. We will continue to invest in all of our key sectors in order to ensure we maintain a balanced portfolio and over time achieve a critical mass in Life Sciences and A&D, as well as the Industrial sector.

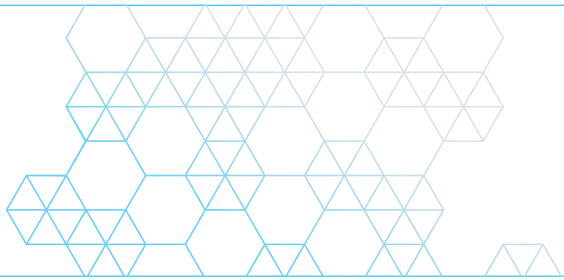
Moving up the Value Chain: G&H seeks to move up the value chain to more complex sub-assemblies and systems through leveraging its excellence in materials and components, and by providing photonic design and engineering solutions for our customers. This will enable G&H to transition from a components supplier to a solutions provider. A significant proportion of our business in the Aerospace & Defence market now comes from the sale of sub-systems rather than discrete components.

As well as continuing to develop a leadership position in space photonics, the Systems Technology Group is actively engaged in near-market developments in OCT, fibre lasers and fibre optic sensing as the Company leverages its components expertise to move up the value chain into systems.

Operations

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-Rel undersea fibre couplers. Further investment in capacity at this site will continue throughout 2016.

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 2016 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.



Acquisitions

G&H will continue to evaluate acquisition opportunities that have the potential to accelerate delivery of the Company's strategic objectives. Having established a presence in its target markets, G&H is now focussing on moving up the value chain in each of those markets. Whilst the business will continue to evaluate bolt on businesses in our core component technologies, continued strong focus is being placed on acquisition opportunities that enhance the Company's ability to wrap electronics and software around core photonic products to yield system-level solutions.

Reconciliation of adjusted performance measures

	Operating Profit		Net finance costs		Taxation		Earnings per share	
Half year to 31 March	2016 £000	2015 £000	2016 £000	2015 £000	2016 £000	2015 £000	2016 pence	2015 pence
Reported	3,560	5,248	(33)	(148)	(913)	(1,363)	10.8	15.6
Amortisation of acquired intangible assets	733	802	–	–	(191)	(209)	2.2	2.5
Restructuring costs	223	417	–	–	(58)	(108)	0.7	1.2
Fremont site move costs	883	–	–	–	(230)	–	2.7	–
Abortive transaction fees	194	–	–	–	(50)	–	0.6	–
Adjusted	5,593	6,467	(33)	(148)	(1,442)	(1,680)	17.0	19.3

As expected, adjusted profit before tax was £5.6 million, down 11.1% on the prior year (H1 2015: £6.3 million). Margins were impacted by the product mix and the one off costs associated with the delayed Fremont site relocation.

Cash Flow and Financing

In the six months to 31 March 2016 G&H generated cash from operations of £2.9 million, compared with £5.8 million in the same period of 2015. 1H 2016 operating cash flows include a net cash outflow of £0.9 million relating to the relocation of the Palo Alto facility.

As part of the preparations for moving its Palo Alto site to nearby Fremont, the business built inventory levels to satisfy expected customer requirements while the new facility was brought on line. Since the completion of the move, inventory levels at our new Fremont site are $1.7 million lower than at 30 September 2015 as the strategic inventory build has been unwound. At the same time the business has invested in inventory at our Torquay facility in order to meet the demanding customer ramp programmes. The utilisation of the Fremont strategic inventory build, together with the impact of exchange rates and the working capital investment at our Torquay facility, have resulted in a net inventory increase of £0.3 million to £16.3 million since the year end.

Capital expenditure on property, plant and equipment was £5.6 million in the period (2015: £1.1 million). The main fixed asset additions were in relation to the Fremont facility move and expanding our Torquay site. G&H has completed the upgrade and expansion of two of its key sites in the last six months. In addition the Company has commenced the modernisation of its Cleveland facility. These investments, together with our continued

> “Gooch & Housego is well positioned to benefit from improving market conditions”

commitment to the principles of lean manufacturing are vital to improved manufacturing performance in the medium term.

The Company's net cash position remains robust at £12.3 million, down from £17.3 million at 30 September 2015, following the investment in our Fremont and Torquay facilities.

Staff

The Company workforce reduced from 700 at 30 September 2015 to 665 at the end of March 2016. This reduction was facilitated by the efficiency measures that the business has introduced in the last twelve months.

Dividends

The Directors have declared an interim dividend of 3.3p per share (2015 : 3.0p per share), a 10% increase on the prior period, which is reflective of the Directors' confidence in the business going forward and is underpinned by our strong balance sheet. This will be payable on 18 July 2016 to shareholders on the register as at 24 June 2016.

Prospects and outlook

G&H remains committed to the twin pillars of our strategy, namely diversification and moving up the value chain. Current mixed market conditions have emphasised the value of having a more diversified business where the strong performance of our fibre business has allowed us to ameliorate some of the first half impact.

G&H is well-positioned to benefit from improving market conditions and has the capacity to respond to increasing demand. Our commitment to diversification has enabled us to navigate a challenging period at the beginning of the year and still be on track to deliver our full year expectations.

The Company will continue to pursue its strategy and invest in our continuous improvement programme prioritising further operational excellence, enhanced business development in our key markets and a more focused R&D portfolio; all of which will underpin our future performance.

Gareth Jones	Mark Webster	Andrew Boteler
Chairman	Chief Executive Officer	Chief Financial Officer

7 June 2016

GROUP INCOME STATEMENT

Unaudited interim results for the 6 months ended 31 March 2016

	Note	Half Year to 31 Mar 2016 (Unaudited) £'000	Half Year to 31 Mar 2015 (Unaudited) £'000	Full Year to 30 Sep 2015 (Audited) £'000
Revenue	5	38,361	38,945	78,702
Cost of revenue		(25,252)	(23,385)	(47,659)
Gross profit		13,109	15,560	31,043
Research and Development		(2,889)	(2,921)	(5,712)
Sales and Marketing		(2,976)	(2,687)	(5,626)
Administration		(5,247)	(5,723)	(10,353)
Other income and expenses		1,563	1,019	942
Operating profit	5	3,560	5,248	10,294
Net finance costs		(33)	(148)	(188)
Profit before income tax expense		3,527	5,100	10,106
Income tax expense	6	(913)	(1,363)	(2,647)
Profit for the period		2,614	3,737	7,459
Earnings per share	7	10.8p	15.6p	30.9p

Reconciliation of operating profit to adjusted operating profit:

	Half Year to 31 Mar 2016 (Unaudited) £'000	Half Year to 31 Mar 2015 (Unaudited) £'000	Full Year to 30 Sep 2015 (Audited) £'000
Operating profit	3,560	5,248	10,294
Amortisation of acquired intangible assets	733	802	1,604
Restructuring costs	223	417	1,204
Fremont site move costs	883	-	-
Abortive transaction fees	194	-	-
Adjusted operating profit	5,593	6,467	13,102

GROUP STATEMENT OF COMPREHENSIVE INCOME

	Half Year to 31 Mar 2016 (Unaudited) £'000	Half Year to 31 Mar 2015 (Unaudited) £'000	Full Year to 30 Sep 2015 (Audited) £'000
Profit for the period	2,614	3,737	7,459
Other comprehensive income			
Fair value adjustment of interest rate swap net of tax	-	16	21
Currency translation difference	2,289	2,871	1,800
Other comprehensive income for the period	2,289	2,887	1,821
Total comprehensive income for the period	**4,903**	**6,624**	**9,280**

GROUP BALANCE SHEET

Unaudited interim results for the 6 months ended 31 March 2016

	31 Mar 2016 (Unaudited) £'000	31 Mar 2015 (Unaudited) £'000	30 Sep 2015 (Audited) £'000
Non-current assets			
Property, plant and equipment	29,645	24,031	24,915
Intangible assets	21,074	21,312	20,155
Deferred income tax assets	2,382	2,797	2,552
	53,101	**48,140**	**47,622**
Current assets			
Inventories	16,269	16,304	16,013
Income tax assets	800	401	854
Trade and other receivables	15,532	15,690	14,394
Cash and cash equivalents	17,810	17,240	22,556
	50,411	**49,635**	**53,817**
Current liabilities			
Trade and other payables	(11,675)	(13,591)	(14,059)
Borrowings	(10)	(5,349)	(39)
Income tax liabilities	(312)	(96)	(411)
Provision for other liabilities and charges	(380)	(389)	(342)
	(12,377)	**(19,425)**	**(14,851)**
Net current assets	**38,034**	**30,210**	**38,966**
Non-current liabilities			
Borrowings	(5,482)	-	(5,189)
Deferred income tax liabilities	(3,169)	(2,478)	(3,032)
	(8,651)	**(2,478)**	**(8,221)**
Net assets	**82,484**	**75,872**	**78,367**
Shareholders' equity			
Called up share capital	4,852	4,812	4,818
Share premium account	15,530	15,515	15,530
Merger reserve	2,671	2,671	2,671
Hedging reserve	-	(5)	-
Cumulative translation reserve	3,319	2,101	1,030
Retained earnings	56,112	50,778	54,318
Equity Shareholders' Funds	**82,484**	**75,872**	**78,367**

STATEMENT OF CHANGES IN EQUITY

Unaudited interim results for the 6 months ended 31 March 2016

	Share capital account £'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 period	–	–	–	–	3,737	3,737
Other comprehensive income for the period	–	–	–	16	2,871	2,887
Total comprehensive income for the period	–	–	–	16	6,608	6,624
Dividends	–	–	–	–	(1,101)	(1,101)
Proceeds from shares issued	38	95	–	–	(35)	98
Fair value of employee services	–	–	–	–	220	220
Tax credit relating to share option schemes	–	–	–	–	94	94
	38	95	–	–	(822)	(689)
At 31 March 2015 (unaudited)	4,812	15,515	2,671	(5)	52,879	75,872
At 1 October 2015	4,818	15,530	2,671	–	55,348	78,367
Profit for the period	–	–	–	–	2,614	2,614
Other comprehensive income for the period	–	–	–	–	2,289	2,289
Total comprehensive income for the period	–	–	–	–	4,903	4,903
Dividends	–	–	–	–	(1,254)	(1,254)
Proceeds from shares issued	34	–	–	–	(34)	–
Fair value of employee services	–	–	–	–	319	319
Tax credit relating to share option schemes	–	–	–	–	149	149
At 31 March 2016 (unaudited)	4,852	15,530	2,671	–	59,431	82,484

GROUP CASH FLOW STATEMENT

Unaudited interim results for the 6 months ended 31 March 2016

	Half Year to 31 Mar 2016 (Unaudited) £'000	Half Year to 31 Mar 2015 (Unaudited) £'000	Full Year to 30 Sep 2015 (Audited) £'000
Cash flows from operating activities			
Cash generated from operations	2,911	5,771	14,692
Income tax paid	(465)	(692)	(1,067)
Net cash generated from operating activities	**2,446**	**5,079**	**13,625**
Cash flows from investing activities			
Purchase of property, plant and equipment	(5,639)	(1,090)	(3,053)
Sale of property, plant and equipment	–	631	635
Purchase of intangible assets	(654)	(337)	(793)
Interest received	20	11	26
Net cash used in investing activities	**(6,273)**	**(785)**	**(3,185)**
Cash flows from financing activities			
Drawdown of acquisition borrowing facility	–	5,168	5,168
Repayment of borrowings	(29)	(8,731)	(8,777)
Proceeds from issues of share capital	–	98	115
Dividends paid to ordinary shareholders	(1,254)	(1,101)	(1,823)
Interest paid	(50)	(178)	(189)
Net cash used in financing activities	**(1,333)**	**(4,744)**	**(5,506)**
Net (decrease)/increase in cash	**(5,160)**	**(450)**	**4,934**
Cash at beginning of the period	**22,556**	**17,094**	**17,094**
Exchange gains	414	596	528
Cash at the end of the period	**17,810**	**17,240**	**22,556**

NOTES TO THE GROUP CASH FLOW STATEMENT

	Half Year to 31 Mar 2016 (Unaudited) £'000	Half Year to 31 Mar 2015 (Unaudited) £'000	Full Year to 30 Sep 2015 (Audited) £'000
Profit before income tax	3,527	5,100	10,106
Adjustments for:			
- Amortisation of acquired intangible assets	733	802	1,604
- Amortisation of other intangible assets	110	88	301
- Depreciation	1,428	1,355	2,715
- Loss on disposal of property, plant and equipment	–	–	508
- Share based payment obligations	319	220	485
- Finance income	(20)	(11)	(26)
- Finance costs	53	159	214
Total adjustments	2,623	2,613	5,801
Changes in working capital			
- Inventories	220	(816)	(729)
- Trade and other receivables	(811)	(1,160)	(1,101)
- Trade and other payables	(2,648)	34	615
Total changes in working capital	(3,239)	(1,942)	(1,215)
Cash generated from operating activities	2,911	5,771	14,692

Reconciliation of net cash flow to movements in net cash

	Half Year to 31 Mar 2016 (Unaudited) £'000	Half Year to 31 Mar 2015 (Unaudited) £'000	Full Year to 30 Sep 2015 (Audited) £'000
(Decrease)/increase in cash in the period	(5,160)	(450)	4,934
Borrowings	–	(5,168)	(5,168)
Repayment of borrowings	29	8,731	8,777
Changes in net cash resulting from cash flows	(5,131)	3,113	8,543
Translation differences	121	92	99
Movement in net cash in the period/year	(5,010)	3,205	8,642
Net cash at start of period	17,328	8,686	8,686
Net cash at end of period	12,318	11,891	17,328

Analysis of net cash

	At 1 Oct 2015 £'000	Cash flow £'000	Exchange movement £'000	At 31 Mar 2016 £'000
Cash at bank and in hand	22,556	(5,160)	414	17,810
Debt due after 1 year	(5,189)	–	(293)	(5,482)
Finance leases	(39)	29	–	(10)
Net cash	17,328	(5,131)	121	12,318

NOTES TO THE INTERIM REPORT

1. Basis of Preparation

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

The Interim Report was approved by the Board of Directors and the Audit Committee on 7 June 2016. The Interim Report does not constitute statutory financial statements within the meaning of the Companies Act 2006 and has not been audited.

Comparative figures in the Interim Report for the year ended 30 September 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 comparative figures to 31 March 2015 are unaudited.

The Interim Report will be announced to all shareholders on the London Stock Exchange and published on the Group's website on 7 June 2016. Copies will be available to members of the public upon application to the Company Secretary at Dowlish Ford, Ilminster, Somerset, TA19 0PF.

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 30 September 2015, as described in those financial statements.

2. Application of IFRS

Adoption of new standards

During the current reporting period there were no new standards or amendments which had a material impact on the net assets of the Group. In addition, standards or amendments issued but not yet effective are not expected to have a material impact on the net assets of the Group. However, the Group is closely monitoring the IASB projects on Contract Revenue recognition and the Lease accounting overhaul as they could potentially have a material impact on the Group's results.

3. Estimates

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

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 30 September 2015.

4. Financial risk management

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

The interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual financial statements as at 30 September 2015.

There have been no changes to the risk management policies since the year end.

5. Segmental analysis

For half year to 31 March 2016	Aerospace & Defence £'000	Life Sciences £'000	Industrial £'000	Scientific Research £'000	Corporate £'000	Total £'000
Revenue						
Total revenue	8,064	3,941	27,365	1,592	–	40,962
Inter and intra-division	–	–	(2,601)	–	–	(2,601)
External revenue	**8,064**	**3,941**	**24,764**	**1,592**	**–**	**38,361**
Divisional expenses	(7,364)	(3,271)	(20,059)	(1,375)	(462)	(32,531)
EBITDA[1]	**700**	**670**	**4,705**	**217**	**(462)**	**5,830**
EBITDA %	8.7%	17.0%	19.0%	13.6%	–	15.2%
Depreciation and Amortisation	(248)	(178)	(985)	(66)	(60)	(1,537)
Operating profit before amortisation of acquired intangible assets	**452**	**492**	**3,720**	**151**	**(522)**	**4,293**
Amortisation of acquired intangible assets	–	–	–	–	(733)	(733)
Operating profit	**452**	**492**	**3,720**	**151**	**(1,255)**	**3,560**
Operating profit margin	5.6%	12.5%	15.0%	9.5%	–	9.3%
Add back non-recurring items	21	23	1,055	7	194	1,300
Operating profit excluding non-recurring items	473	515	4,775	158	(1,061)	4,860
Adjusted profit margin %	5.9%	13.1%	19.3%	9.9%	–	12.7%

For half year to 31 March 2015	Aerospace & Defence £'000	Life Sciences £'000	Industrial £'000	Scientific Research £'000	Corporate £'000	Total £'000
Revenue						
Total revenue	10,314	4,317	25,421	2,001	–	42,053
Inter and intra-division	–	–	(3,108)	–	–	(3,108)
External revenue	**10,314**	**4,317**	**22,313**	**2,001**	**–**	**38,945**
Divisional expenses	(8,993)	(3,598)	(16,716)	(1,556)	(589)	(31,452)
EBITDA[1]	**1,321**	**719**	**5,597**	**445**	**(589)**	**7,493**
EBITDA %	12.8%	16.7%	25.1%	22.2%	–	19.2%
Depreciation and Amortisation	(296)	(164)	(852)	(70)	(61)	(1,443)
Operating profit before amortisation of acquired intangible assets	**1,025**	**555**	**4,745**	**375**	**(650)**	**6,050**
Amortisation of acquired intangible assets	–	–	–	–	(802)	(802)
Operating profit	**1,025**	**555**	**4,745**	**375**	**(1,452)**	**5,248**
Operating profit margin	9.9%	12.9%	21.3%	18.7%	–	13.5%
Add back non-recurring items	64	35	295	23	–	417
Operating profit excluding non-recurring items	1,089	590	5,040	398	(1,452)	5,665
Adjusted profit margin %	10.6%	13.7%	22.6%	19.9%	–	14.5%

[1]EBITDA = Earnings before interest, tax, depreciation and amortisation.
All of the amounts recorded are in respect of continuing operations.

5. Segmental analysis (continued)

Analysis of revenue by destination

	Half year to 31 Mar 2016 (Unaudited) £'000	Half year to 31 Mar 2015 (Unaudited) £'000
United Kingdom	8,351	7,400
America	15,189	17,144
Continental Europe	8,687	8,128
Asia-Pacific	6,134	6,273
	38,361	**38,945**

6. Income tax expense

Analysis of tax charge in the period

	Half Year to 31 Mar 2016 (Unaudited) £000	Half Year to 31 Mar 2015 (Unaudited) £000	Full Year to 30 Sep 2015 (Audited) £000
Current taxation			
UK Corporation tax	448	562	1,480
Overseas tax	319	380	724
Adjustments in respect of prior year tax charge	–	–	(983)
Total current tax	767	942	1,221
Deferred tax			
Origination and reversal of temporary differences	146	421	274
Adjustments in respect of prior year deferred tax	–	–	1,152
Total deferred tax	146	421	1,426
Income tax expense per income statement	**913**	**1,363**	2,647

The tax charge for the six months ended 31 March 2016 is based on the estimated effective rate of the tax for the Group for the full year to 30 September 2016. The estimated rate is applied to the profit before tax.

7. Earnings per share

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

	Half Year to 31 Mar 2016 (Unaudited) No.	Half Year to 31 Mar 2015 (Unaudited) No.	Full Year to 30 Sep 2015 (Audited) No.
Number of shares used for basic earnings per share	**24,213,432**	24,041,328	24,115,878
Dilutive shares	**393,973**	373,847	405,311
Number of shares used for dilutive earnings per share	**24,607,405**	24,415,175	24,521,189

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

	Half Year to 31 Mar 2016 (Unaudited) £000	Half Year to 31 Mar 2016 (Unaudited) p per share	Half Year to 31 Mar 2015 (Unaudited) £000	Half Year to 31 Mar 2015 (Unaudited) p per share	Full Year to 30 Sep 2015 (Audited) £000	Full Year to 30 Sep 2015 (Audited) p per share
Basic earnings per share	2,614	10.8p	3,737	15.6p	7,459	30.9p
Adjustments net of income tax expense:						
Amortisation of acquired intangible assets	542	2.2p	593	2.5p	1,184	4.9p
Restructuring costs	165	0.7p	–	–	–	–
Fremont site move costs	653	2.7p	309	1.2p	891	3.7p
Abortive transaction fees	144	0.6p	–	–	–	–
Total adjustments net of income tax expense	1,504	6.2p	902	3.7p	2,075	8.6p
Adjusted basic earnings per share	4,118	17.0p	4,639	19.3p	9,534	39.5p
Basic diluted earnings per share	2,614	10.6p	3,737	15.3p	7,459	30.4p
Adjusted diluted earnings per share	**4,118**	**16.7p**	**4,639**	**19.1p**	**9,534**	**38.9p**

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

8. Dividend

The Directors have declared an interim dividend of 3.3 pence per share for the half year ended 31 March 2016. This dividend has not been accounted for within the period to 31 March 2016 as it is yet to be paid.

	Half Year to 31 Mar 2016 (Unaudited) £000	Half Year to 31 Mar 2015 (Unaudited) £000	Full Year to 30 Sep 2015 (Audited) £000
Final 2015 dividend paid : 5.2p per share	1,254	–	–
2014 Interim dividend paid : 2.6p per share	–	–	722
Final 2013 dividend paid in 2015 : 4.0p per share	–	1,101	1,101
	1,254	1,101	1,823

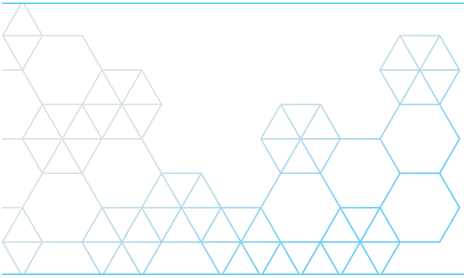
9. Borrowings

The group's banking facilities with the Royal Bank of Scotland comprise a committed revolving credit facility of $15m and an uncommitted flexible acquisition facility of $20m both available until 30 April 2019.

The revolving credit facility attracts an interest rate of between 0.9% and 1.8% above LIBOR dependent upon the Company's leverage ratio.

10. Called up share Capital

	2016 No.	2015 No.	2016 £'000	2015 £'000
Allotted, issued and fully paid				
Ordinary share of 20p each	24,260,024	24,062,036	4,852	4,812



G&H

the specialist manufacturer
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