

For immediate release**Gooch & Housego PLC****PRELIMINARY RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2009****HIGHLIGHTS****Emerging Stronger**

Gooch & Housego PLC, the specialist manufacturer of optical components and systems, today announces preliminary results for the year ended 30 September 2009.

Financial highlights

- Revenue increased by 9.1% to £36.4m (2008: £33.4m)
- Revenue excluding acquisition and foreign exchange benefit down 24%
- Adjusted¹ operating profit decreased by 26.7% to £4.1m (2008: £5.7m)
- Adjusted¹ earnings per share of 11.5p (2008: 19.6p), down by 41.3%
- Adjusted¹ profit before tax of £3.1m (2008: £5.4m), a decrease of 42.6%
- Total net borrowings at 30 September 2009 amounted to £12.1m (2008 : £3.3m)
- Cash generated from operating activities £7.7m (2008: £4.2m)
- £7.3m cash headroom in its working capital facility at the year end
- Profit after tax of £1.0m (2008: £3.6m), a decrease of 73.2%
- No final dividend is proposed (2008: Nil)

1. after adjusting for amortisation of acquired intangible assets, restructuring and redundancy costs and profit on sale of properties.

Operational highlights

- Sharp decline in demand for core products in late 2008
- Headcount reduced by 96 (18.6%) to 420 since February 2009
- Short-time working and other cost saving measures implemented
- Investment in R&D maintained throughout
- Recovery in core business is gaining momentum
- Order book now rising following prolonged decline
- Full-time working now resumed at most locations
- Exciting opportunities in Aerospace & Defence

Gareth Jones, Chief Executive of Gooch & Housego PLC, commented:

“After an extremely challenging year Gooch & Housego is emerging as a stronger business with a recovering order book and some exciting new opportunities.”

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Gooch & Housego PLC**Chairman's Statement 2009**

With the world-wide recession continuing for most of the year, we again experienced a difficult trading environment in our core industrial laser market. Although revenues increased, this was aided by last year's acquisition and a favourable dollar rate. We took early action to mitigate the downturn by means of reduced working hours, salary reductions by senior personnel, redundancies and other cost reducing measures. While there were costs associated with the restructuring, the business remained profitable and enabled us to maintain our investment for the future.

The reorganisation that we undertook last year, including the creation of a global sales organisation is having a significant impact on our customers' perception of your company. Many of our customers are becoming familiar with the total capability of the group which should enable us to increase our sales to them with an expanding product range. Coupled with the investment in our new world-leading optics facility at Ilminster, we are seeing important and major opportunities in the defence sector for the manufacture of components and sub-assemblies.

Our strategy of market and product diversification is continuing, and the fibre optics business that we acquired in 2007 is producing growing revenues, with new products coming on stream. Our acquisition of General Optics, now called Gooch & Housego (California) LLC, has given us an entry into the US defence and aerospace markets. While the performance of this business has been challenging to date due to the severe downturn in the civil aerospace market, the opportunities open to it give us confidence in its future.

We continue to invest in the development of hyperspectral imaging systems for applications ranging from biomedical and defence to the food industry. A number of systems have been purchased for trials and we believe that our technology will lead to significant sales.

During the year, our banking facility with the Royal Bank of Scotland was renegotiated. Although terms are less favourable than our previous arrangement due to financial market conditions, it is encouraging that we were able to obtain a three-year working capital facility that is sufficient for the foreseeable needs of the business.

Looking to the future, 2010 has started on a positive note with a welcome recovery in orders and opportunities. The business is seeing the benefit of the reported ending of the recession in major economies. As a result virtually all of our sites have returned to full time working and, coupled with the reorganisation that we have made, the Board expects your company to make progress this year.

Finally, in what has been a difficult period, I would like to thank all employees for their contribution during the year.

Dr Julian Blogh
Chairman
1 December 2009

Chief Executive's Review 2009

Overview

The past year has been challenging for Gooch & Housego. We began the year positively with the acquisition of General Optics but by the time of my last annual review we were experiencing a sharp drop in demand for some of our most important products. The full magnitude of the downturn, and consequences it would have, did not become apparent until the start of our second quarter. Although we are now much closer to our customers, and in many cases the end users, than was previously the case there was little visibility of the impending downturn. Orders were being placed and product called off almost as normal up to the point where demand collapsed. We responded swiftly with a series of cost saving measures comprising redundancies, short-time working and salary and benefit sacrifices. These measures were designed to achieve the necessary savings without impairing our future prospects or our ability to respond to a recovery.

After a period of volatility, business began to stabilise towards the end of the second quarter, by which time we had brought costs into line with the significantly reduced level of trading we were then experiencing. The effects of the downturn varied widely across our range of products and market sectors but we saw the sharpest falls in the acousto-optic business, which had hitherto represented over 40% of our business.

Further cost savings were introduced during the third quarter in response to negative developments in the commercial aviation market, and to align our cost base with our revised forecast. By the end of our fourth quarter we were seeing early signs of recovery in our core markets and we were beginning to benefit from our efforts to develop new markets and products. In particular, our focus on developing opportunities in the Aerospace & Defence market was meeting with some success, and our continued investment in research and development in Life Sciences was beginning to generate encouraging results.

In recent months we have experienced a steady recovery across most of our product and market sectors and we are responding well to the increase in demand. After many months of decline, our order books are beginning to recover. While it is too early to predict whether this recovery will be sustained, it makes for a positive start to the new financial year.

Response to the downturn

We responded to the downturn by reducing costs and re-focussing our research and development, sales and business development on opportunities that had the potential to generate new business in the near term.

During the past two years Gooch & Housego has made the transition from a loosely associated group of small optical engineering companies into a single, integrated photonics technology business with a global presence and outlook. One of the objectives of the reorganisation was to enable costs to be reduced through greater efficiency and the elimination of duplication in manufacturing capacity, management and inventory across the organisation. The integration had the benefit of enabling us to act more quickly and make larger savings than would otherwise have been possible.

The greatest savings were made by reducing employment costs. Headcount reductions differed significantly across our operating locations and mirrored the unequal effects the downturn was having on our business. The greatest reductions were made in Ilminster (UK) and Melbourne (USA), reflecting the decline in demand for acousto-optics as a result of the sharp downturn in the semiconductor and microelectronics sector. In contrast, our Cleveland (USA) operation, which serves a predominantly research and scientific market, was least affected. In Norderstedt (Germany) we undertook a comprehensive reorganisation of the business that enabled headcount to be reduced by more than 60% by out-sourcing our electronics manufacturing while retaining essential design, development and sales activities in-house. Across the Company as a whole, headcount was reduced from 516 in February to 420 today, a decrease of over 18%.

Despite the significant headcount reduction further savings were needed. Given the imperative to maintain core skills and capabilities, and the objective of not impairing our ability to respond to an eventual recovery, we achieved additional savings by implementing short-time working (also on a location by location basis) and salary and benefit sacrifices for senior personnel. The combined effect of these measures was to reduce our costs to a level that was consistent with our reduced forecast, while retaining key skills and allowing continued investment in research & development.

Markets and Opportunities

While managing the downturn, we have also been preparing for recovery. While it is clear that we cannot afford to falter in our response to an upturn in demand in our traditional markets, we also recognise that there will be opportunities to gain traction in new markets as the economy improves. Our strategy in recent years has been to develop new products for markets that offer the greatest potential for growth in the next five to ten years, namely Aerospace & Defence, Life Sciences and Research. These sectors have been the focus of our research and development and acquisition activities in recent years. The resulting diversification has helped us during the downturn as these sectors have held up much better than our traditional industrial laser market. We are at an advanced stage in the development of a number of opportunities in these sectors and it has been a priority to maintain the momentum during this challenging period as success in these endeavours will accelerate our recovery.

The Aerospace & Defence market offers significant potential in the near to medium term. The adoption of photonics technology in Aerospace & Defence has been rapid but this is a difficult market to penetrate and it places stringent demands on its suppliers. Our recent investments in facilities (our new factory in Ilminster), acquisitions (General Optics, in October 2008), people (project management) and systems (export control, quality control) have provided us with the infrastructure to satisfy the expectations of this market. The advantages of supplying the Aerospace & Defence sector include the large size and long running nature of the contracts, while the disadvantages include funding uncertainties and delays resulting from the political decision making process behind major programmes. Over the past year we have bid on a number of potentially significant projects and in some cases have successfully supplied pilot production runs as part of our customers' development processes and to demonstrate our capabilities.

Photonics systems are also finding new applications in Life Sciences and Gooch & Housego can potentially provide key enabling technologies. We are currently addressing Life Sciences opportunities at all levels, from components through to complete instruments. At the instrument level we have been developing imaging systems for the past three years for applications in microscopy and biomedical research. Despite the complexity of the systems and their applications, and our status as a newcomer in this specialised market, we are beginning to gain traction with both end users and OEMs and have sold a number of systems in recent months.

We are also developing a small number of highly specific applications for our imaging technology that require us to work closely with potential users. These long term projects will require Gooch & Housego to partner with industry specialists in the respective sectors. We have continued to make encouraging progress in these areas and have maintained research & development activity despite the downturn.

Acquisitions

The acquisition of General Optics (now Gooch & Housego (California) LLC), (hereafter "G&H California") was completed in October 2008. Our priorities over the past twelve months have been to complete the integration of G&H California, to build long term relationships with our new customers and to use the acquisition as a stepping stone into the US Aerospace & Defence sector. As part of the integration process we have harmonised our export control procedures across all of our US operations and we are in the process of establishing a unified registration with the US Directorate of Defense Trade Controls.

The downturn has had a negative impact on G&H California as a result of the fall in demand from the commercial aviation and business jet sectors, and also from non-aerospace markets such as semiconductor manufacturing and test equipment. As a result it has been necessary to bring costs in

line with reduced demand, which has been achieved through headcount reductions. At the same time we have been working with our customers to prepare for new programmes that would lead to a significant increase in requirements should they be awarded. Overall we have managed to make the necessary savings without impairing our ability to fulfil the requirements of the new programmes, although there will be a need for investment in additional capital equipment at a level that will depend on the scale and speed of the ramp in demand.

Overall, we remain of the view that the acquisition is highly complementary to Gooch & Housego and is an important part of our strategy in Aerospace & Defence.

Prospects and Outlook

It is reassuring that the recovery in our core markets has gained momentum since we saw the first signs a few months ago. It is encouraging that some of the recent upturn in demand has been for our Q-switch products and appears to be driven by a recovering semiconductor and microelectronics market. Overall, we are expecting our core markets to remain below historic levels for some time. While we are ready to respond if there is a rapid surge in demand we are also prepared for what may be a slow and perhaps hesitant recovery in the months ahead. Flexibility and responsiveness will be essential.

In parallel, we are striving to deliver new products and market opportunities in order to achieve a level of growth that is independent of general economic recovery. We will continue to invest in the research and development, capital equipment and preparation needed to realise the full potential of these opportunities.

We are excited about the medium to long term opportunities that we are working on in the Aerospace & Defence, Life Sciences and Research markets but we are not expecting these to make a material contribution in 2010. Although potentially transformational, these opportunities are long term and require the development of complex systems, close relationships with partner organisations, regulatory approval and in some cases are dependent on political decision making. In summary, 2010 will be a transitional year during which we expect to benefit from some recovery in our core markets and limited contribution from a number of new business opportunities, underpinned by a lower cost base.

Employees, management and directors

This has been a difficult year for everyone at Gooch & Housego. It was with regret that we found it necessary to make redundancies and ask our employees to work reduced hours or make salary and benefit sacrifices. I would like to thank all of our employees for their understanding and cooperation during this difficult time. I am pleased that we have been able to resume normal working at most locations and reduce the level of salary sacrifice. I believe that we have succeeded in reducing our costs without impairing our future prospects and I am confident that Gooch & Housego, its employees and its shareholders will benefit in future from the lower cost base and more efficient structures that are now in place.

I would like to thank my fellow directors for their support and to congratulate Andrew Boteler on his appointment as Chief Financial Officer. I would also like to thank Paul Heal for acting as Interim Finance Director during the transition period. I believe we continue to have the skilled workforce and experienced management team that we need to respond to a recovering market and exploit the opportunities we have created.

Gareth Jones
Chief Executive Officer
1 December 2009

Chief Financial Officer's Report

Financial Results - Headline

For the year to 30 September 2009 Gooch & Housego PLC ("G&H" or "The Company") returned profit after tax of £1.0m compared to the corresponding period to 30 September 2008 when the Company returned profit after tax of £3.6m.

On an earnings per share basis for the year to 30 September 2009 G&H returned basic and diluted earnings per share of 5.0p (2008: 18.5p) and 5.0p (2008: 18.0p), respectively.

Excluding the impact of the amortisation of acquired intangibles assets, one off costs associated with the Company's restructuring activities and the sale of property, profit before tax in the year to 30 September 2009 amounted to £3.1m compared to profit before tax in the corresponding period last year of £5.4m.

Financing

Total net borrowings at 30 September 2009 amounted to £12.1m (2008: £3.3m)

Following the acquisition of General Optics ("G&H California"), borrowings have increased by £11.6m since 30 September 2008 to £18.8m. The substantial proportion of the Company's committed debt facilities are provided under three and a half year multi-currency loan agreements commencing 7 October 2008. In addition there is a three year US\$10 million working capital facility. All of these facilities are provided by our bankers, Royal Bank of Scotland.

In January 2009, following a sharp decline in the value of Sterling against the US Dollar, the Company renegotiated its banking facilities to provide a robust platform for the future and to reduce the impact of foreign exchange on the covenant calculations.

G&H has reported under its current banking covenants since January 2009 and has been in compliance. The Company monitors its financial performance against these covenants on a regular basis. Based upon its forecast and current trading conditions, the Company considers that it has appropriate headroom to operate within these covenants.

The Company has £7.3m in cash headroom in its working capital facility and is therefore confident in its ability to service its debt obligations and fund growth. The Company is planning to undertake capital projects to facilitate a number of business opportunities it expects to participate in during 2010.

Cash, cash equivalents and bank overdrafts as at 30 September 2009 amounted to a positive cash position of £1.1m, representing a movement of £3.1m from a negative cash position of £2.0m as at 30 September 2008.

Cash generated from operating activities in the year to 30 September 2009 was £7.7m, compared to £4.2m in 2008. G&H has generated cash in spite of difficult trading conditions and a number of one-off costs. This has been achieved by focusing on the collection of receivables, cost control and the minimisation of inventories. This will remain a key focus of G&H.

Financial Performance – Income Statement

Revenue for the year to 30 September 2009 amounted to £36.4m, an increase of £3.0m or 9.1% over the corresponding period last year. After taking account of the G&H California acquisition and foreign exchange, group revenue was down 24% over the same period.

The global economic downturn severely affected G&H's industrial market sector. This was particularly evident in G&H's acousto-optic products, sales of which were down 35% on 2008. These products are predominantly used in industrial lasers for materials processing and suffered as a result of the global decline in manufacturing output.

Gross profit for the year to 30 September 2009 amounted to £13.2m or 36.3% compared to the corresponding period last year when G&H returned gross profit of £15.9m or 47.6%.

EBITDA is an important metric used within the business and for covenant reporting. For the year to 30 September 2009 EBITDA was £6.0m, a fall of £0.8m from last year. On an adjusted basis EBITDA was £6.3m, or £0.5m lower than in 2008.

Operating profit for the year to 30 September 2009 amounted to £2.8m compared to the corresponding period last year when G&H returned an operating profit of £5.4m.

Excluding the impact of the amortisation of acquired intangible assets, one off costs associated with the Company's restructuring activities and the sale of property, operating profit in the year to 30 September 2009 amounted to £4.1m compared to operating profit in the corresponding period last year which amounted to £5.7m.

Net operating expenses for the year to 30 September 2009 amounted to £10.4m or 28.6% of revenue compared to the corresponding period last year of £10.5m or 31.6% of revenue.

Of significance and impacting on Company operating profit in the year to 30 September 2009 was G&H's commitment to research & development, with expenditures incurred amounting to £2.8m (2008: £2.7m) representing 7.7% (2008: 8.1%) of revenue and sales & marketing with expenditures incurred amounting to £2.1m (2008: £1.9m) representing 5.7% (2008: 5.6%) of revenue.

In maintaining investment in research & development in the year to 30 September 2009 the Company has demonstrated its commitment to innovation and continued growth through organic product development. During the year G&H capitalised £0.3m (2008 : £0.1m) of research & development costs.

The increase in sales & marketing expenditures in the year to 30 September 2009 compared to the corresponding period last year results from the further strengthening of the integrated world-wide sales force and the establishment of a sales office in Munich.

The Company incurred expenditure on administration of £6.3m or 17.4% of revenues compared to the corresponding period last year of £6.4m or 19.0% of revenue. After taking account of the G&H California acquisition and restructuring expenses, in real terms, this represents a fall on last year of 20%.

Other income for the year to 30 September 2009 was £0.8m (2008: £0.4m), the increase from last year being attributable to the profit on sale of certain UK properties.

Profit before tax for the twelve month period to 30 September 2009 amounted to £1.4m compared to the corresponding period last year when G&H returned profit before tax of £5.1m.

Excluding the impact of the amortisation of acquired intangible assets, one off costs associated with the Company's restructuring activities and the sale of property, profit before tax in the year to 30 September 2009 amounted to £3.1m compared to adjusted profit before tax in the corresponding period last year of £5.4m.

Profit after tax for the year to 30 September 2009 amounted to £1.0m after an effective tax rate of 32.5% of profit before tax compared to the corresponding period last year when G&H returned profit after tax of £3.6m after an effective tax rate of 30.3% of profit before tax. The increase in the tax rate is primarily due to unrealised tax losses in the Company's restructured German operations.

Financial Performance - Balance Sheet

The Balance Sheet remains strong with net assets of £31.6m, an increase of £2.6m on the year-end position as at 30 September 2008.

The biggest impact on the balance sheet in this period has been the acquisition of G&H California, and this drives many of the movements in the balance sheet this year.

Non-current assets as at 30 September 2009 amounted to £35.7m a net increase of £10.8m compared to the position at the year-end 30 September 2008.

The increase in non-current assets is predominantly within intangible assets resulting from the acquisition.

Net current assets as at 30 September 2009 amounted to £7.4m an increase of £1.7m compared to the position at the year-end 30 September 2008.

Dividends

The Directors are of the opinion that the Company is still in the early stages of recovery. Given that the near term opportunities, that are now presenting themselves, will require investment in order to maximise their benefit, it is appropriate that no final dividend be paid.

Andrew Boteler
Chief Financial Officer
1 December 2009

Group Income Statement

For the year ended 30 September 2009 (unaudited)

	Note	2009	2008
		£000	£000
Revenue	2	36,414	33,369
Cost of revenue		(23,205)	(17,479)
Gross profit		13,209	15,890
Research & Development		(2,789)	(2,703)
Sales & Marketing		(2,066)	(1,859)
Administration		(6,334)	(6,350)
Other income		764	375
Operating profit	2	2,784	5,353
Finance income		26	94
Finance costs		(1,387)	(312)
Profit before income tax expense		1,423	5,135
Income tax expense	3	(463)	(1,558)
Profit for the period		960	3,577
Basic earnings per share	4	5.0p	18.5p
Diluted earnings per share	4	5.0p	18.0p

Reconciliation of operating profit to adjusted operating profit:

	2009	2008
	£000	£000
Operating profit	2,784	5,353
Amortisation of acquired intangible assets	1,095	304
Restructuring and redundancy costs	603	-
Profit from sale of properties	(337)	-
Adjusted operating profit	4,145	5,657

Reconciliation of net finance costs to adjusted net finance costs:

	2009	2008
	£000	£000
Net finance costs	(1,361)	(218)
Costs associated with debt re-financing	330	-
Adjusted net finance costs	(1,031)	(218)

Group Balance Sheet
As at 30 September 2009 (unaudited)

	2009	2008
	£000	£000
Non-current assets		
Property, plant & equipment	16,634	16,376
Intangible assets	17,681	7,440
Deferred income tax assets	1,421	1,152
	35,736	24,968
Current assets		
Inventories	6,691	5,929
Trade and other receivables	6,296	7,470
Income tax receivable	345	971
Cash and cash equivalents	6,714	3,901
	20,046	18,271
Current liabilities		
Trade and other payables	(4,184)	(4,961)
Borrowings	(8,071)	(6,720)
Income tax liabilities	(77)	(665)
Provision for other liabilities and charges	(351)	(264)
	(12,683)	(12,610)
Net current assets	7,363	5,661
Non-current liabilities		
Borrowings	(10,751)	(476)
Deferred income tax liabilities	(534)	(1,113)
Derivative financial instruments	(193)	-
	(11,478)	(1,589)
Net assets	31,621	29,040
Shareholders' equity		
Called up share capital	3,853	3,853
Share premium account	4,105	4,105
Merger reserve	2,671	2,671
Hedging Reserve	(186)	-
Cumulative translation reserve	1,307	62
Retained earnings	19,871	18,349
Equity Shareholders' Funds	31,621	29,040

Group Statement of Changes in Shareholders' Equity
 For the year ended 30 September 2009 (unaudited)

	2009	2008
	£000	£000
Balance at beginning of period	29,040	25,995
Deferred income tax movement on share option scheme	-	(848)
Income tax recognised in reserves	533	-
Currency translation differences	1,246	629
Net income / (expense) recognised directly in equity	1,779	(219)
Profit for the period	960	3,577
Total recognised income and expense	2,739	3,358
Employee share option schemes:		
- Fair value of employee services	28	92
- Proceeds from shares issued	-	454
Dividends	-	(859)
Fair value adjustment of interest rate swap	(186)	-
	(158)	(313)
Balance at end of the period	31,621	29,040

Group Cash Flow Statement

For the year ended 30 September 2009 (unaudited)

	Note	2009 £000	2008 £000
Cash flows from operating activities			
Cash generated from operations	6	7,944	5,658
Income tax payment		(238)	(1,470)
Net cash generated from operating activities		7,706	4,188
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		(12,437)	-
Purchase of property, plant and equipment		(696)	(4,594)
Sale of property, plant and equipment		463	-
Purchase of intangible assets		(505)	(421)
Interest received		25	94
Net cash used in investing activities		(13,150)	(4,921)
Cash flows from financing activities			
Proceeds from borrowings		12,168	454
Repayment of borrowings		(2,554)	(261)
Interest paid		(912)	(554)
Dividends paid to ordinary shareholders		-	(859)
Net cash generated from / (used in) in financing activities		8,702	(1,220)
Net increase / (decrease) in cash, cash equivalents, working capital facility and bank overdraft		3,258	(1,953)
Cash, cash equivalents and bank overdraft at beginning of the period		(1,997)	513
Exchange losses on cash and bank overdrafts		(174)	(557)
Cash, cash equivalents and bank overdrafts at the end of the period		1,087	(1,997)

Cash, cash equivalents and bank overdrafts at the end of the period are made up of:

	2009 £000	2008 £000
Cash and cash equivalents	6,714	3,901
Bank overdraft	(5,627)	(5,898)
Cash, cash equivalents and bank overdrafts at the end of the period	1,087	(1,997)

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 2009.

The Preliminary Report was approved by the Board of Directors and the Audit Committee on 30 November 2009. 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 2008 have been taken from the Group's audited statutory financial statements on which the Group's auditors, PricewaterhouseCoopers LLP, expressed an unqualified opinion.

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 30 September 2008, as described in those financial statements.

The Preliminary Report will be announced to all shareholders on the London Stock Exchange and published on the Group's website on 1 December 2009. Copies will be available to members of the public upon application to the Company Secretary at Dowlish Ford, Ilminster, Somerset, TA19 0PF.

2. Divisional analysis

For year ended 30 September 2009

	Components & Materials	Instrumentation & Life Sciences	Corporate	Total
	£000	£000	£000	£000
Revenue				
Total revenue	35,031	3,541	-	38,572
Inter and intra-division	(1,985)	(173)	-	(2,158)
External revenue	33,046	3,368	-	36,414
Divisional expenses	(25,544)	(3,137)	(1,733)	(30,414)
EBITDA¹	7,502	231	(1,733)	6,000
EBITDA %	22.7%	6.9%	n/a	16.5%
Depreciation & Amortisation	(1,647)	(106)	(368)	(2,121)
Operating profit before amortisation of acquired intangible assets	5,855	125	(2,101)	3,879
Acquired intangible assets amortisation	(1,095)	-	-	(1,095)
Operating profit	4,760	125	(2,101)	2,784
Operating profit margin %	14.4%	3.7%	n/a	7.6%
Net assets employed	27,207	2,130	2,284	31,621

For year ended 30 September 2008

	Components & Materials	Instrumentation & Life Sciences	Corporate	Total
	£000	£000	£000	£000
Revenue				
Total revenue	33,654	3,317	-	36,971
Inter and intra-division	(3,461)	(141)	-	(3,602)
External revenue	30,193	3,176	-	33,369
Divisional expenses	(21,363)	(3,059)	(2,142)	(26,564)
EBITDA¹	8,830	117	(2,142)	6,805
EBITDA %	29.2%	3.7%	n/a	20.3%
Depreciation & amortisation	(927)	(1)	(220)	(1,148)
Operating profit before amortisation of acquired intangible assets	7,903	116	(2,362)	5,657
Acquired intangible assets amortisation	(304)	-	-	(304)
Operating profit	7,599	116	(2,362)	5,353
Operating profit margin %	25.2%	3.7%	n/a	16.0%
Net assets employed	22,429	1,941	4,670	29,040

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

All of the amounts recorded in this Preliminary Report are in respect of continuing operations.

2 Divisional analysis (cont'd)

Analysis of turnover by destination for year ended 30 September 2009:

	Components & Materials	Instrumentation & Life Sciences	Corporate	Total
	£000	£000	£000	£000
United Kingdom	4,207	24	-	4,231
North America	19,543	2,250	-	21,793
Continental Europe	5,256	423	-	5,679
Other	4,040	671	-	4,711
External revenue	33,046	3,368	-	36,414

Analysis of turnover by destination for year ended 30 September 2008:

	Components & Materials	Instrumentation & Life Sciences	Corporate	Total
	£000	£000	£000	£000
United Kingdom	4,036	1	-	4,037
North America	14,071	2,052	-	16,123
Continental Europe	6,975	526	-	7,501
Other	5,111	597	-	5,708
External revenue	30,193	3,176	-	33,369

Analysis of net assets / (liabilities) by division and region as at 30 September 2009:

	Components & Materials	Instrumentation & Life Sciences	Corporate	Total
	£000	£000	£000	£000
United Kingdom	18,487	-	2,284	20,771
North America	8,727	2,130	-	10,857
Continental Europe	(7)	-	-	(7)
Net assets total	27,207	2,130	2,284	31,621

Analysis of net assets by division and region as at 30 September 2008:

	Components & Materials	Instrumentation & Life Sciences	Corporate	Total
	£000	£000	£000	£000
United Kingdom	17,037	-	4,670	21,707
North America	4,830	1,941	-	6,771
Continental Europe	562	-	-	562
Net assets total	22,429	1,941	4,670	29,040

3 Income tax expense

Income tax expense for the year to 30 September 2009 and the corresponding period to 30 September 2008 is set out below.

Analysis of tax charge for the year:

	2009	2008
	£000	£000
Current taxation		
UK Corporation tax	206	(15)
Overseas tax	685	1,488
Adjustments in respect of prior year tax charge	232	(91)
Total current tax	1,123	1,382
Deferred tax		
Origination and reversal of timing differences	(660)	176
Total deferred tax	(660)	176
Total income tax expense	463	1,558

4 Earnings per share

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

	2009	2008
	No.	No.
Number of shares used for basic earnings per share	19,264,390	19,383,631
Dilutive shares	-	493,106
Number of shares used for dilutive earnings per share	19,264,390	19,876,737

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

	2009		2008	
	£000	p per share	£000	p per share
Basic earnings per share	960	5.0p	3,577	18.5p
Acquired intangible assets amortisation (net of income tax expense)	673	3.5p	219	1.1p
Restructuring & redundancy costs	603	3.1p	-	-
Profit on sale of properties	(337)	(1.8)p	-	-
Cost associated with debt re-financing	330	1.7p	-	-
Total adjustments net of income tax expense:	1,269	6.5p	219	1.1p
Adjusted basic earnings per share	2,229	11.5p	3,796	19.6p

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

The diluted earnings per share has not been shown as the difference between basic and diluted earnings per share is immaterial.

5 Dividend

	2009 £000	2008 £000
No interim dividend proposed or paid for 2009 (2008:1.5p per share)	-	291
No final dividend paid or proposed for 2008 (2007:3.0p per share)	-	568
	-	859

The Directors are proposing that no final dividend be paid for the year ending 30 September 2009.

6 Cash generated from operating activities

	2009 £000	2008 £000
Profit before income tax	1,423	5,135
Adjustments for:		
- Amortisation of acquired intangible assets	1,095	304
- Amortisation of other intangible assets	315	177
- Depreciation	1,805	971
- (Profit) / Loss on disposal of property, plant and equipment	(337)	2
- Share-based payment obligations	(9)	(88)
- Finance income	(25)	(94)
- Finance costs	1,387	312
Total	4,231	1,584
Changes in working capital		
- Inventories	(210)	(783)
- Trade and other receivables	3,014	(14)
- Trade and other payables	(1,274)	(387)
- Provisions for liabilities and charges	760	123
Total	2,290	(1,061)
Cash generated from operating activities	7,944	5,658

7 Called up share capital

	2009 No.	2008 No.	2009 £000	2008 £000
Authorised				
Ordinary shares of 20p each	24,000,000	24,000,000	4,800	4,800
Allotted, issued and fully paid				
Ordinary shares of 20p each				
At 1 October	19,264,390	18,924,453	3,785	3,785
Allotted under share option schemes	-	339,937	68	68
At 30 September	19,264,390	19,264,390	3,853	3,853

No shares allotted under share option schemes during 2009 (2008: £453,816).

8 Acquisition of General Optics

On 7 October 2008, the company acquired the trade and assets of General Optics from GSI Group for cash consideration of US\$21.6 million. General Optics is located in Moorpark, California and is the world leader in the manufacture of ultra-high quality optical components and coatings.

The net tangible assets acquired per the net asset statement were US\$6.1 million. The cash consideration of US\$21.6 million was funded by the Company's bankers through a secured multi-currency debt facility. The table below sets out the net assets acquired:

	Net Asset Statement £000	Fair Value Adjustments £000	Fair Value £000
Property, plant and equipment	1,447	(81)	1,366
Intangible Assets	-	2,712	2,712
Cash	1	-	1
Trade and other receivables	1,415	(10)	1,405
Inventory	746	(232)	514
Trade and other payables	(175)	(30)	(205)
Net assets acquired	3,434	2,359	5,793

Consideration paid:

Cash	12,184
Costs of acquisition (net of arrangement fees)	275
Total consideration	12,459
Goodwill	6,666