

For immediate release

Gooch & Housego PLC

PRELIMINARY RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2011

Gooch & Housego PLC, the specialist manufacturer of optical components and systems, today announces preliminary results for the year ended 30 September 2011.

Year ended 30 September	2011	2010	change
Revenue (£m)	61.0	44.7	+37%
Adjusted profit before tax (£m)*	10.8	6.0	+78%
Adjusted basic earnings per share (pence)*	38.0	23.1	+65%
Dividend per share (pence)	5.0	2.0	+150%
Net debt (£m)	1.8	5.2	-65%
Statutory profit before tax (£m)	8.8	5.1	+73%
Basic earnings per share (pence)	35.5	24.4	+45%

* adjusted figures are stated after excluding the amortisation of acquired intangible assets, the impairment of goodwill and exceptional items being acquisition costs & the write back of the EM4 earn out provision.

Operating & Strategic Highlights

- Strong organic and acquisitive growth contributes to record results
- Unprecedented demand in core Industrial market
- Further diversification into Aerospace & Defence and Life Sciences sectors
- Completed two strategically important acquisitions
- Consolidated Gooch & Housego's leadership in key products and technologies
- Gained access to new customers and opportunities in long term defence programmes

Gareth Jones, CEO commented: -

"Gooch & Housego has made exceptional progress in 2011. While we expect to face more challenging market conditions in 2012 the Company is well positioned with world leading products and capabilities to weather the current economic climate and deliver on the exciting opportunities we have created"

For further information please contact:

Gooch & Housego PLC	Gareth Jones / Andy Boteler	01460 256 440
Buchanan Communications	Tim Thompson / Nicola Cronk	020 7466 5000
Investec Investment Banking (Nomad)	Patrick Robb	020 7597 5970

Expected Financial Calendar

Annual General Meeting	22 February 2012
Final dividend for the year ended 30 September 2011 to shareholders on the register at close of business 27 January 2012. Subject to approval by shareholders at the Annual General Meeting	02 March 2012
Interim Results announced	June 2012
Financial Year End	30 September 2012
Preliminary announcement of results for the year ending 30 September 2012	November 2012

Chairman's Statement

“We have continued our strategy of diversifying our markets and expanding our product offerings”

Julian Blogh

The results for 2011 show that your company made good progress in the year. Markets were buoyant during most of the period covering all aspects of the business and considerable efforts were made during the first half to ensure that customer demand was satisfied. Towards the final months of the year, with the Eurozone difficulties affecting confidence worldwide, some slowdown in markets became apparent.

We continued our strategy of diversifying our markets and expanding our product offerings. With these objectives, two US acquisitions were made in the year, EM4 in Boston and Crystal Technology in Palo Alto. Both these companies are integrating well and are increasing Gooch & Housego's access to the large US military market. With these acquisitions, the Board considers that Gooch & Housego is well placed to address its chosen markets and has the appropriate skills and facilities. It does not envisage making further major acquisitions in the short to medium term.

Revenues showed a significant increase in the year, both organically and as a result of the acquisitions, and this fed through to a corresponding increase in earnings and EPS. Focus remained on ensuring that these earnings were turned into cash and on maximising cash flow. The combined impact of cash generated by the business coupled with the proceeds of the placing earlier in the year meant that the acquisitions were funded and integrated while leaving the Company with low net debt. In April, we renegotiated our banking facilities with the Royal Bank of Scotland which are now committed through to April 2015.

With such uncertainty in world markets it is not surprising that 2012 has begun a little slowly as some customers hesitate in placing new orders. The Board is watching the situation carefully to ensure that it can take any necessary action in a timely manner. However, with a broadened product and customer base, your company has more resilience than in previous downturns. In particular, we are seeing good potential in the defence market, where Gooch & Housego is able to satisfy customer requirements for more integrated and higher value solutions. We are also continuing to pursue the life sciences market with a range of products and believe that our investment will produce significant rewards in the future. With the enlargement of the Company, a management reorganisation is being planned to ensure these larger opportunities, which run across a number of sites, are addressed efficiently and with clear responsibilities.

I and the Board would like to thank all our employees for their efforts during the year. I would also like to thank Eugene Arthurs, one of our non-executive Directors for his helpful advice and important contribution to Gooch & Housego over the last eleven years. Eugene has informed us that he does not intend to offer himself for re-election at the next AGM.

Performance Overview

“I am delighted to announce record revenues, profits and cash generation for the year ended 30th September 2011”

Gareth Jones

In 2011 Gooch & Housego achieved record financial results, completed two important acquisitions and reached a milestone in its strategic development. The first three quarters of the year were characterised by unprecedented demand in the Company’s core Industrial market, while our continued efforts to diversify the business resulted in substantially increased sales into our target sectors of Aerospace & Defence and Life Sciences.

Sales of Q-switches to our industrial laser customers hit record levels, driven by the increasing use of lasers in manufacturing, particularly in applications such as microelectronics. Precision optics, crystal optics and fibre optics also performed strongly as a result of strong demand from applications such as semiconductor lithography and test equipment, telecommunications and diagnostics. This growth was made possible by our investment in recent years in facilities, equipment, people and acquisitions to build a unique portfolio of world-class products and capabilities. Gooch & Housego is now well positioned to take on the role of critical partner-supplier to our major customers and has made considerable progress in developing these relationships in 2011.

REVENUE			
Year ended 30 September	2011	2010	2009
	£'000	£'000	£'000
Industrial	36,294	23,383	17,096
Aerospace & Defence	15,412	11,304	10,450
Life Sciences	5,655	4,890	3,442
Scientific Research	3,648	5,106	5,426
Group Revenue	61,009	44,683	36,414

Total Company revenue for the year was a record £61.0m (including £10.4m revenue from acquisitions during the year (2010 £nil), 37% ahead of the £44.7m for last year, which itself was a record year. Excluding the impact of acquisitions and on a constant currency basis, revenues grew by 16% in 2011.

GROUP EARNINGS PERFORMANCE				
All amounts in £'000	Adjusted		Reported	
Year ended 30 September	2011	2010	2011	2010
Operating profit	11,556	6,863	9,676	5,929
Net finance costs	(804)	(833)	(868)	(833)
Profit before taxation	10,752	6,030	8,808	5,096
Taxation	(2,693)	(1,603)	(1,285)	(405)
Profit for the period	8,059	4,427	7,523	4,691
Basic earnings per share (p)	38.0p	23.1p	35.5p	24.4p

Adjusted profit before tax for the year was £10.8m (2010 £6.0m) and compares with £7.1m in 2007, being the previous highest profit before tax in the Company’s history.

Adjusted basic earnings per share were 38.0p (2010 23.1p) an increase of 65%. Reported basic earnings per share were 35.5p (2010 24.4p).

RECONCILIATION OF ADJUSTED PERFORMANCE MEASURES								
	Operating Profit		Net finance costs		Taxation		Earnings per share	
Year ended 30 September	2011 £'000	2010 £'000	2011 £'000	2010 £'000	2011 £'000	2010 £'000	2011 pence	2010 pence
Reported	9,676	5,929	(868)	(833)	(1,285)	(405)	35.5p	24.4p
Amortisation of acquired intangible assets	1,425	934	-	-	(342)	(74)	5.1p	4.5p
Acquisition costs	571	-	-	-	(137)	-	2.1p	-
Release of accrued consideration for acquisition	(2,085)	-	-	-	-	-	(9.9p)	-
Impairment of goodwill	1,969	-	-	-	(670)	-	6.1p	-
Debt refinancing costs	-	-	64	-	(27)	-	0.2p	-
Recognition of deferred tax assets	-	-	-	-	(232)	(1,124)	(1.1p)	(5.8p)
Adjusted	11,556	6,863	(804)	(833)	(2,693)	(1,603)	38.0p	23.1p

Non GAAP Measures

The Company uses a number of non GAAP measures which are shown in the table above and in the segmental analysis. These measures are used to illustrate the impact of non-recurring and non-trading items on the Company's financial results. These are the impact of the amortisation of acquired intangible assets, acquisition costs, the one off gain resulting from the write back of the EM4 earn-out provision, the impairment of goodwill and the one off impact associated with the recognition of deferred tax assets. In addition, the Company uses the term EBITDA (Earnings before interest, taxation, depreciation and amortisation). This is a commonly used measure of operating performance and cash flow.

Segmental analysis

Industrial

Our industrial business performed strongly during the year, with revenues of £36.3m, compared with £23.4m last year, an increase of 55%. There was growth across all product lines, with Q Switch and telecommunications products being particularly strong. Operating profit for this segment was £9.6m, compared with £5.3m last year, an increase of 83%.

Aerospace & Defence

Our Aerospace & Defence business saw revenue growth of 36% in the year. The acquisition of EM4 means that Gooch & Housego is now a participant in a number of significant commercial aerospace, defence and space programmes in both the US and Europe.

Life Sciences

Gooch & Housego's presence in the Life Sciences sector, which also saw continued revenue growth (16% compared to 2010), has been similarly strengthened by this year's acquisitions. Moreover, our development of imaging systems continues to make encouraging progress in applications such as diagnostics as we shift our attention from R&D towards commercialisation.

Scientific Research

Our activities in the Scientific Research market are dominated by a small number of large, long term programmes. These are progressing well, but this year, as we had anticipated, demand declined as our largest programme reached maturity. Combined with the end of stimulus funding in the US, the effect has been a 29% reduction in revenues from the Scientific Research sector when compared to the same period last year. However, the year has seen considerable activity in planning and preparing for follow-on programmes from which Gooch & Housego would expect to generate significant revenues.

Performance of acquisitions

The acquisitions of EM4 and Crystal Technology continued our strategy, reinforcing Gooch & Housego's leadership in acousto-optics, electro-optics and high-end fibre optics, contributing to our diversification and strengthening our position in our core markets. Gooch & Housego now has the products, technologies and people it needs to embark on the next phase of the strategy and execute on the opportunities that have been created.

The acquisition of EM4, a Boston, Massachusetts based specialist manufacturer of active fibre optic products, principally for the Aerospace & Defence market, was completed in late January 2011 after regulatory approval was received.

The acquisition of Crystal Technology, a manufacturer of acousto-optic and electro-optic devices and a grower of optical crystals, was completed at the end of March. The performance of this acquisition has exceeded our expectations both in terms of its revenue generation and profitability.

Both acquisitions provide opportunities to access significant new opportunities in our target markets but require a high degree of integration. Several ambitious projects to transfer technology and processes were initiated in the second half of the year. These have progressed well, and the most challenging project – the transfer of crystal growth from Crystal Technology's facility in Palo Alto, California to Gooch & Housego's Cleveland facility - is now complete. The resulting centre of excellence for optical crystal growth will enable Gooch & Housego to benefit from a concentration of expertise and operational economies of scale.

As a result of a delay in the award of a major contract, EM4 is unlikely to reach its threshold for its earn-out to be triggered. Consequently, the provision for this payment (approximately £2.1m), made under IFRS accounting rules at the half year, has been released as part of the year end accounts. Whilst the delay in the award of this contract has affected the anticipated results of EM4 for the earn-

out period, the outlook for the business remains positive. The first phase of the contract in question was placed in August 2011 for an initial amount of \$3.2m. The core value of this business remains strong and the opportunities for Gooch & Housego to use this market entry point to sell a wider range of products into the Aerospace & Defence market remains persuasive.

As part of its bi-annual review of the carrying value of goodwill, the Board has taken the decision to impair the goodwill of the General Optics acquisition. General Optics, now referred to as Gooch and Housego Moorpark, was acquired in October 2008 for a consideration of \$21m and, prior to the impairment, the carrying value of the associated goodwill was £7.1m. Over the last three years this acquisition has played a vital role in Gooch & Housego's diversification strategy, by providing the systems and critical mass needed for the Company to become a credible player in the Aerospace & Defence market. However, on a stand-alone basis, Moorpark has struggled to grow its business during some difficult times in the commercial aerospace sector. Recent trends in this market and internal changes are moving Moorpark in the right direction. These changes have yet to produce tangible results and as a result, the Board feels it is appropriate to make an impairment of £2.0m to the carrying value of Moorpark.

Research & Development (R&D)

Gooch & Housego continues to invest in R&D in all areas of the business and regards this as fundamental to the continued growth of the company. During the year under review, Gooch & Housego developed and launched its non-hermetic Fibre-Q, a cost-effective fibre optic coupled Q-switch aimed at medium-volume applications, a range of fibre components operating in the important near infra-red region at wavelengths around 2 microns, as well as a number of significant product upgrades. Moreover, the acquisitions made during the year have enhanced the technical capabilities of the Company as a whole, with the introduction of lithium niobate crystal growth and laser welding technologies.

Gross expenditure on R&D in the year to 30 September 2011 was £3.7m (2010 £2.8m), which represented 6.1% of revenue and a 32% increase on last year. During the year none of these R&D costs met the requirement to be capitalised (2010 £nil).

Key Performance Indicators (KPIs)

The Company's long-term aim is to achieve sustainable growth in revenue and profits. This is to be achieved through the execution of the Board's strategies of market diversification, the continued investment in R&D to support organic growth, the acquisition of strategically complementary businesses and the on-going drive to move up the value chain.

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

Total revenue growth	2011	2010	2009
At actual exchange rates	37%	23%	9%
At constant exchange rates	40%	23%	-6%

The Board is focused on delivering revenue growth through investment to deliver growth both organically and through acquisitions. Strong growth in 2011 reflects the high level of demand experienced during the first three quarters of the year and increased penetration of our target markets.

Target market revenue growth	2011	2010	2009
Aerospace & Defence (£m)	15.4	11.3	10.5
Life Sciences (£m)	5.7	4.9	3.4

The Company's target markets of Aerospace & Defence and Life Science provide a route to sustainable growth, and a more diversified revenue base. These markets also provided significant opportunities for Gooch & Housego to migrate up the value-chain from materials and components to higher value sub-assemblies, modules and systems in response to the trend for our larger customers to outsource increasingly complex parts of their business. 2011 has shown a good progress in this

regard. Whilst this year's acquisitions have strengthened the Company's presence in these markets, organic growth has also been achieved.

Net debt analysis	2011	2010	2009
Net debt (£m)	1.8	5.2	12.1

In order to balance business risk with the investment needs of the Company, Gooch & Housego closely monitors and manages its net debt. This year net debt has again fallen significantly, putting the business in a strong position both in terms of headroom for further investment and from the perspective of managing its business risk.

Earnings per share	2011	2010	2009
Adjusted basic earnings per share (pence)	38.0	23.1	11.5

The Board aims to provide a competitive return to shareholders along with retaining sufficient funds for reinvestment in the business. In 2011 Gooch & Housego has paid and proposed dividends of 5.0 pence per share (2010 2.0) representing an increase of 150%.

Balance Sheet

The Company spent a total of £2.7m on fixed assets during the year. (2010 £0.9m).

Following the acquisition of Crystal Technology LLC on the 31 March 2011, Gooch & Housego took the strategic decision to consolidate its three crystal growth operations into a single, state-of-the-art facility at the main Cleveland site, thereby establishing a centre of excellence for crystal growth and enabling the Company to benefit from economies of scale. This necessitated the relocation of crystal growth operations from the Crystal Technology facility in Palo Alto, California and from the Company's secondary growth facility in Cleveland.

As at the 30 September 2011, the new facility had been substantially completed and the majority of the Crystal Technology crystal growth had been transferred to Cleveland. As at the 30 September 2011 £1.3m had been capitalised on this project.

A £0.5m investment was also made in our Ilminster facility on specialist coating plant which will drive both capacity and capability in a technology field which is a key differentiator for Gooch & Housego's precision optics products. This was part of the £2.7m spent on plant and machinery in the year (2010 £0.9m).

The acquisitions of EM4, Inc. and Crystal Technology LLC included property, plant & equipment with a net book value of £3.9m.

The Company has invested in working capital during the year. Inventories have increased by £4.0m, including £2.9m relating to acquisitions, as the Company has sought to ensure adequate inventory to meet customer requirements for shorter lead times and at the same time manage the crystal growth transfer from Crystal Technology to Cleveland. This element of the inventory growth is expected to reverse in 2012. At 30 September 2011, inventories were £11.3m compared with £7.3m at 30 September 2010.

In the year ended 30 September 2011 Gooch & Housego generated net cash from operating activities of £11.7m, compared to £8.8m in 2010.

On 5 January 2011, Gooch & Housego raised approximately £10.2 million (net of expenses) through a placing of new 20p Ordinary Shares, and an additional £5 million in debt funding, in order to fund the acquisitions of EM4, Inc., and Crystal Technology LLC.

Cash, cash equivalents and bank overdrafts as at 30 September 2011 amounted to a positive cash position of £11.3m, representing an improvement of £5.6m from a position of £5.7m as at 30 September 2010.

Net debt reduced from £5.2m at 30 September 2010 to £1.8m at 30 September 2011, a reduction of 65%. The movement in net debt is outlined in the table below.

MOVEMENT IN NET DEBT

All amounts in £m	Gross Cash	Gross Debt	Net Debt
At 1 October 2010	8.3	(13.5)	(5.2)
Net cash flow from operating activities	14.5	-	14.5
Share placing	10.6	-	10.6
Debt funding	4.6	(4.6)	-
Debt repayment	(2.7)	2.7	-
Acquisitions	(14.5)	-	(14.5)
Capital expenditure	(2.7)	-	(2.7)
Working capital	(1.4)	-	(1.4)
Interest, tax & dividends	(3.0)	-	(3.0)
Exchange movement	0.1	(0.2)	(0.1)
At 30 September 2011	13.8	(15.6)	(1.8)

On 1 April 2011, Gooch & Housego renegotiated its banking facilities with its current bankers, the Royal Bank of Scotland. These facilities now comprise an \$18 million US Dollar denominated term loan (fully drawn), a £3.1 million Sterling denominated term loan (fully drawn), a \$8 million revolving credit facility (drawn to \$4 million as at 30 September 2011) and an undrawn capital expenditure facility of \$8 million. All facilities are committed until April 2015, subject to certain covenant provisions.

Order book

As at the 30 September 2011, the Company order book stood at £28.5m, compared to £23.5m at the end of the 2010 financial year. On a like for like basis, excluding the impact of this year's acquisitions the order book is 16% lower. This is a function of the long lead times being experienced in 2010 and the recent slow-down in some of the industrial markets. Book to bill ratios for the business as a whole were 0.90 times (six month rolling average) as at 30 September 2011, compared to 1.2 times for the same period last year.

Staff

The Company workforce grew from 459 at 30 September 2010 to 623 at the end of September 2011, an increase of 164. The Company added 113 staff through the acquisitions of EM4 and Crystal Technology. A particular benefit of the acquisitions has been the influx of highly skilled and capable people across all functions of the business, including at senior management level. We would like to welcome them all to Gooch & Housego.

Prospects

The global economic headwinds cause obvious uncertainty for the business as we move into 2012. Whilst not immune to the overall global economy, the Board believe that the Company is in robust health and, with a strong cash position, appropriate committed banking facilities and a broader spread of revenues, has increased its ability to withstand a potential downturn.

In the context of the current economic conditions, Gooch & Housego's strategy of focussing on organic growth in 2012 is appropriate. We aim to deliver growth through the commercialisation of long term research and development projects, through the launch of innovative new products and by leveraging the position we have now established in the Aerospace & Defence sector to increase our participation in long term programmes.

Dividends

The Directors propose a final dividend of 3.0p per share making the total dividend paid and proposed in respect of the year 5.0p (2010 2.0p).

Record date 27 January 2012

Payment date 02 March 2012

Strategy Overview

Gooch & Housego has developed and measures itself on a set of strategies to deliver long term sustainable growth to its shareholders. These fall into two broad categories; market strategies and product strategies. In seeking to achieve its strategic goals Gooch & Housego has in the past, and will continue to use a variety of tools, including investment in R&D, acquisitions and strategic partnerships.

MARKET STRATEGIES

SPECIALISATION: *To be the market leader in the technology and product niches in which we operate – a specialist not a commodity player.*

Progress: EM4 and Crystal Technology are recognised as world leaders in their fields. They enhance Gooch & Housego's ability to provide world-class solutions for customers whose applications demand the best.

CONSOLIDATION: *To maintain and strengthen our leading position in our traditional Industrial and Scientific Research market sectors.*

Progress: The acquisition of Crystal Technology has firmly positioned Gooch and Housego as the world's leading manufacturer of acousto- and electro-optic products

DIVERSIFICATION: *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, while also reducing our exposure to cyclicity in any particular sector.*

Progress: The acquisitions of EM4 and Crystal Technology have enhanced diversification into our target markets of *Aerospace & Defence* and *Life Sciences*. EM4 is well positioned on a number of significant long-term avionic, defence and space programmes, and is also expected to facilitate access for other Gooch & Housego technologies.

INTEGRATION: *To operate as a single, integrated business serving a global customer base.*

Progress: Our most exciting opportunities today require the integration of technologies from several G&H operating sites to deliver innovative solutions. Post this year's acquisitions Gooch & Housego is a larger and more complex organisation with new skills and capabilities. To reflect the enlarged organisation, to facilitate the realisation of these opportunities and to ensure that Gooch & Housego continues to be sufficiently flexible, responsive and efficient to respond to the challenges presented by the current economic climate and a new management structure is being put in place.

PRODUCT STRATEGIES

INNOVATION: *To leverage Gooch & Housego's exceptional materials and component capabilities to develop innovative new products*

Progress: Products under development range from complex imaging and sensor systems for diagnostic, security, agriculture and food applications to components for fibre lasers. The non-hermetic Fibre-Q aimed at the industrial laser and sensing market was launched in 2011.

DIFFERENTIATION: *With a uniquely broad portfolio of world-class photonics products and capabilities, Gooch & Housego aims to stand out in an otherwise fragmented supply-chain.*

Progress: Gooch & Housego is increasingly differentiated by its ability to provide vertically integrated solutions, thereby reducing dependency on outside suppliers and providing control over all critical aspects of the product. As a result of this year's acquisitions Gooch & Housego has become self-sufficient in the critical acousto-optic and electro-optic crystals, and is able to provide complete fibre optic systems incorporating passive and active components.

PROGRESSION: *To leverage our excellence in materials and components to move up the value-chain to more complex sub-assemblies and systems.*

Progress: In the Aerospace & Defence and Life Sciences sectors there is a trend for the larger players to seek to reduce their costs by decreasing supplier numbers and outsourcing increasingly complex functions to a small number of trusted suppliers. In the past year we have strengthened our position as a strategic partner to such customers by investing in new capabilities in manufacturing, assembly and test, and by putting in place the necessary quality systems and management infrastructure. The additional products and skills gained through the acquisitions of EM4 and Crystal Technology will further enhance Gooch & Housego's ability to benefit from this trend.

Market Overview

Industrial

Revenue	£36.3m (2010: £23.4m)
Operating Profit	£9.6m (2010: £5.3m)
Percentage of Company Revenue	60%

Applications, products & markets

- **Industrial Lasers** ... for materials processing applications. Gooch & Housego supplies Q-Switches and other *acousto-optic, electro-optic and fibre optic* products. The end users for industrial lasers are extensive due to the ubiquitous adoption of this technology in manufacturing. The microelectronics industry represents the largest end market.
- **Telecommunications** ... specifically for high reliability and high performance applications. The products supplied into this market are based upon the Company's *fibre optic, crystal growth and precision optics technologies*. The end users of these products are typically global telecommunication systems companies for applications such as undersea telecommunication networks and tuneable lasers.
- **Metrology** ... for laser-based, high-precision, non-contact measurement systems. The Company principally supplies its *precision optics and acousto-optics* into this market, where its customers are typically blue-chip OEMs.
- **Sensing** ... for applications including strain, temperature and pressure sensing. Gooch & Housego supplies *fibre optic and acousto-optic components* including the recently developed Fibre-Q. Manufacturers of these systems address diverse end markets such as wind energy and oil & gas.
- **Semiconductor** ... for lithography and test & measurement applications. The products supplied into this market are *precision optics and acousto-optics*. Customers are typically global semi-conductor equipment manufacturers. This market is closely aligned to the micro-electronics industry.

Growth Strategy

- Continued investment in R&D and engineering to bring new products to existing markets and to keep products at the cutting edge of their technology. This has been demonstrated through the launch this year of the non-hermetic Fibre-Q.
- To focus on niche markets that play to the strengths of Gooch & Housego. These are principally those that demand high levels of quality, reliability and survivability in harsh environments.
- To expand into and develop, new geographical markets that offer high growth opportunities, through leveraging and expanding the Company's global sales organisation.
- To continue to focus energies and investment to make the transition from a components supplier to a manufacturer of sub-assemblies, instruments and systems. In the wider industrial space, the sensing market presents opportunities for our instrumentation business.
- The Company continues to invest in longer term R&D projects. Within the industrial sector there are opportunities in agriculture, food processing and food safety.

Aerospace & Defence

Revenue	£15.4m (2010: £11.3m)
Operating Profit	£2.6m (2010: £1.8m)
Percentage of Company Revenue	25%

Applications, products & markets

- **Target designation and range finding** ... used on both land based and airborne systems. The products supplied into this market are based upon our *precision optics and electro-optics technologies*. Our customers are US and European defence contractors.
- **Guidance and navigation** ... components for ring laser gyroscope and fibre optic gyroscope inertial navigation systems. The products supplied into this market are based upon our *fibre optic and precision optics technologies*. Gooch & Housego navigation components are used in a variety of end markets, including civil and military aircraft, missiles, satellites and space exploration. The customers are US & European avionic, defence and space organisations.
- **Countermeasures** ... for ground based systems and airborne platforms. The products supplied into this market are based upon *fibre optic, acousto-optic and non-linear optics technologies*. The customers are US and European defence contractors.
- **Directed energy weapons** ... this is an area of considerable research interest, requiring the most sophisticated *precision optics, thin-film coatings and fibre-optic components*.

Growth Strategy

- Aerospace & Defence represents a large potential market for Gooch & Housego. Following recent investment and acquisitions the Company now has a unique range of world leading photonic products and is beginning to be recognised as a key supplier to the Aerospace & Defence industry.
- To continue to focus energies and investment to move from being a components supplier to a sub-systems provider. Our Aerospace & Defence customers are moving their own business models away from sub-system manufacture and are looking for companies such as Gooch & Housego that are capable of moving into this space.
- The Company continues to invest in the engineering, quality systems and programme management resources required to service the demanding Aerospace & Defence customer base.
- Whilst Gooch & Housego is not planning any acquisitions in the short term, the business is not discounting high quality acquisitions as a route to grow its Aerospace & Defence business in the medium term.

Life Sciences

Revenue £5.7m (2010: £4.9m)

Operating Profit £0.9m (2010: £0.6m)

Percentage of Company Revenue 9%

Applications, products & markets

- **Optical Coherence Tomography (OCT)** ... primarily used in retinal imaging for the diagnosis of glaucoma and macular degeneracy. Gooch and Housego provides a family of *fibre optic* products into this market, ranging from discrete components to full optical systems. The customers are all the world's leading manufacturers of OCT retinal imaging systems.
- **Laser surgery** ... used in a wide range of applications including prostate surgery, scar correction, cataract surgery, freckle, mole and tattoo removal as well as wrinkle reduction and teeth whitening. The products supplied into this market are based upon *fibre optic and acousto-optic technologies*. The customers in this market include both laser system manufacturers and biomedical equipment manufacturers.
- **Microscopy** ... modern, laser-based techniques are revolutionising the field of microscopy. Gooch & Housego's *acousto-optic devices & hyperspectral imaging systems* are used to control the multiple laser sources and analyse complex images. The end markets are typically medical equipment manufactures.
- **Pathology** ... as pathology migrates from archiving glass slides into the digital age, Gooch & Housego's *hyperspectral imaging systems* are able to capture the information present on the slide and make it available for sharing and storage for long-term reference.

Growth Strategy

- The growth strategy for Life Sciences mirrors that for Aerospace & Defence in many respects. This is particularly true in terms of the size of the available market and the desire of the customer base to "pull" Gooch & Housego up the value chain.
- The Company continues to invest in longer term R&D projects. Within the Life Sciences market there is a particular focus in the area of cancer diagnostics. Moreover, within this technology sphere Gooch & Housego is not only developing optical technologies, but is also working on a much broader technology front in order to address these particular opportunities.
- Whilst Gooch & Housego are not planning any acquisitions in the short term, the business is not discounting high quality acquisitions as a route to grow its Life Sciences business in the medium term.

Scientific Research

Revenue £3.6m (2010: £5.1m)

Operating Profit £0.2m (2010: £0.6m)

Percentage of Company Revenue 6%

Applications, products & markets

- **Nuclear fusion research & energy** ... laser technology is being used to recreate the conditions found in the core of the sun. At these temperatures and pressures isotopes of hydrogen fuse to form helium and in doing so release huge amounts of energy – the energy that powers the sun and stars. One of the most exciting potential applications of this research is using laser fusion to provide limitless quantities of clean, carbon-free energy to meet the world's growing needs. The products supplied into this market utilise a wide range of the Company's technologies including *crystal growth, precision optics, thin-film coatings and fibre optics*. Gooch & Housego supplies many of the world's leading nuclear fusion energy research facilities. Gooch & Housego is sole supplier of many critical optical components used in the world's most powerful laser system at the National Ignition Facility (NIF) at Lawrence Livermore National Laboratory.
- **Instrumentation** ... for applications in agricultural, solar, marine and industrial research. An example of an industrial research application is the development of LED illumination systems. Instrumentation products are supplied from our Orlando facility and include *photometers, radiometers, spectroradiometers* and their associated *calibration services*. The customer base ranges from universities and research institutes to Government agencies and national standards laboratories.

Growth Strategy

- To maintain and develop the business's capabilities in crystal growth and ultra precision optics for nuclear fusion research & energy. If NIF fulfils its research objectives in the next 12 months it could pave the way for two further facilities in the US (LIFE) and Europe (HiPER) whose objective is to demonstrate the viability of the technology for large scale power generation. Gooch & Housego has participated in preparatory analyses and would expect to be a major supplier to these projects.
- University research and "Big Science" projects ... Gooch & Housego is the custodian of some of the world's most advanced optical technologies. It is not therefore surprising that there is a constant and significant demand for such products and technologies from some of the world's foremost universities and research institutes. The products supplied into this market span the complete breadth of the Company's technology portfolio. Many of Gooch & Housego's current products have evolved from early stage collaborations with universities and it is an area the Company continues to focus on.
- The Company continues to invest in R&D to develop and commercialise the next generation of Instrumentation products.

Group Income Statement

For the year ended 30 September 2011 (unaudited)

	Note	2011 £'000	2010 £'000
Revenue	2	61,009	44,683
Cost of revenue		(34,815)	(25,992)
Gross profit		26,194	18,691
Research & Development		(3,746)	(2,834)
Sales & Marketing		(3,733)	(2,529)
Administration		(9,826)	(7,439)
Other income		787	40
Operating profit	2	9,676	5,929
Finance income		30	2
Finance costs		(898)	(835)
Profit before income tax expense		8,808	5,096
Income tax expense	3	(1,285)	(405)
Profit for the period		7,523	4,691
Basic earnings per share	4	35.5p	24.4p
Diluted earnings per share	4	33.6p	23.8p

Reconciliation of operating profit to adjusted operating profit:

	2011 £'000	2010 £'000
Operating profit	9,676	5,929
Amortisation of acquired intangible assets	1,425	934
Acquisition costs	571	-
Impairment of goodwill	1,969	-
Release of accrued contingent consideration	(2,085)	-
Adjusted operating profit	11,556	6,863

Reconciliation of net finance costs to adjusted net finance costs:

	2011 £'000	2010 £'000
Net finance costs	(868)	(833)
Costs associated with debt re-financing	64	-
Adjusted net finance costs	(804)	(833)

Group Balance Sheet

As at 30 September 2011 (unaudited)

	2011	2010
	£'000	£'000
Non-current assets		
Property, plant & equipment	20,440	15,753
Intangible assets	22,081	15,291
Deferred income tax assets	4,045	3,092
	46,566	34,136
Current assets		
Inventories	11,264	7,281
Trade and other receivables	12,596	7,595
Income tax receivable	-	168
Cash and cash equivalents	13,844	8,285
	37,704	23,329
Current liabilities		
Trade and other payables	(12,726)	(6,650)
Borrowings	(6,001)	(4,981)
Income tax liabilities	(424)	-
Provision for other liabilities and charges	(505)	(369)
	(19,656)	(12,000)
Net current assets	18,048	11,329
Non-current liabilities		
Borrowings	(9,696)	(8,545)
Deferred income tax liabilities	(563)	(696)
Derivative financial instruments	(255)	(171)
	(10,514)	(9,412)
Net assets	54,100	36,053
Shareholders' equity		
Called up share capital	4,370	3,853
Share premium account	14,200	4,105
Merger reserve	2,671	2,671
Hedging reserve	(264)	(184)
Cumulative translation reserve	588	276
Retained earnings	32,535	25,332
Equity Shareholders' Funds	54,100	36,053

Group Statement of Changes in Shareholders' Equity
 For the year ended 30 September 2011 (unaudited)

	2011	2010
	£'000	£'000
Balance at 1 October	36,053	30,798
Dividends paid	(871)	-
Post dividend opening balance	35,182	30,798
Movement in the fair value of derivative financial instruments	(80)	2
Currency translation differences	312	(208)
Other comprehensive income/(expense) for the year	232	(206)
Profit for the period	7,523	4,691
Total comprehensive income for the year	7,755	4,485
Share placement net of costs	10,612	-
Employee share option schemes:		
- Deferred income tax movement on share options	80	417
- Fair value of employee services	471	353
Total Employee share option scheme charges	551	770
Balance at 30 September	54,100	36,053

Consolidated Statement of Comprehensive Income
 For the year ended 30 September 2011 (unaudited)

	2011	2010
	£'000	£'000
Profit for the period	7,523	4,691
Other comprehensive income		
Movement in the fair value of derivative financial instruments	(80)	2
Currency translation differences	312	(208)
Other comprehensive income for the period, net of tax	232	(206)
Total comprehensive income for the period	7,755	4,485
Total comprehensive income for the period is attributed to: Shareholders of Gooch & Housego PLC	7,755	4,485

Group Cash Flow Statement

For the year ended 30 September 2011 (unaudited)

	Note	2011	2010
		£'000	£'000
Cash flows from operating activities			
Cash generated from operations	6	13,073	10,142
Income tax payment		(1,386)	(1,307)
Net cash generated from operating activities		11,687	8,835
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired		(14,484)	-
Purchase of property, plant and equipment		(2,714)	(873)
Sale of property, plant and equipment		63	7
Purchase of intangible assets		(57)	(81)
Interest received		29	2
Net cash used in investing activities		(17,163)	(945)
Cash flows from financing activities			
Proceeds from borrowings		4,643	-
Repayment of borrowings		(2,702)	(2,409)
Proceeds from issuance of share capital		10,612	-
Dividends paid to ordinary shareholders		(871)	-
Interest paid		(748)	(750)
Net cash generated from / (used in) financing activities		10,934	(3,159)
Net increase in cash, cash equivalents and bank overdraft		5,458	4,731
Cash, cash equivalents and bank overdraft at beginning of the period		5,746	1,087
Exchange gains/(losses) on cash and bank overdrafts		72	(72)
Cash, cash equivalents and bank overdrafts at the end of the period		11,276	5,746

Cash, cash equivalents and bank overdrafts at the end of the period comprise:

	2011	2010
	£'000	£'000
Cash and cash equivalents	13,844	8,285
Bank overdraft	(2,568)	(2,539)
Cash, cash equivalents and bank overdrafts at the end of the period	11,276	5,746

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 2011.

The Preliminary Report was approved by the Board of Directors and the Audit Committee on 23 November 2011. 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 2010 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 2010, 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 29 November 2011. Copies will be available to members of the public upon application to the Company Secretary at Dowlish Ford, Ilminster, Somerset, TA19 0PF.

2. Segmental analysis

The business of the Company is divided into four market sectors, being Aerospace & Defence, Life Sciences, Industrial and Scientific Research, together with a Corporate cost centre.

The industrial business segment primarily comprises the industrial laser market for use in the semiconductor and microelectronic industries, but also includes other industrial applications such as metrology and telecommunications. Scientific Research covers academic and government funded research including major multi-national projects.

For year ended 30 September 2011	Aerospace & Defence	Life Sciences	Industrial	Scientific Research	Corporate	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue						
Total revenue	15,412	5,655	38,596	3,648	-	63,311
Inter and intra-division	-	-	(2,302)	-	-	(2,302)
External revenue	15,412	5,655	36,294	3,648	-	61,009
Divisional expenses	(12,349)	(4,654)	(25,816)	(3,319)	(1,382)	(47,520)
EBITDA¹	3,063	1,001	10,478	329	(1,382)	13,489
EBITDA %	19.9%	17.7%	28.9%	9.0%	0.0%	22.1%
Depreciation & Amortisation	(496)	(122)	(858)	(86)	(826)	(2,388)
Operating profit (loss) before amortisation of acquired intangible assets	2,567	879	9,620	243	(2,208)	11,101
Acquired intangible assets amortisation	-	-	-	-	(1,425)	(1,425)
Operating profit/(loss)	2,567	879	9,620	243	(3,633)	9,676
Operating profit margin %	16.7%	15.5%	26.5%	6.7%	0.0%	15.9%

2. Segmental analysis – continued

For year ended 30 September 2010	Aerospace & Defence	Life Sciences	Industrial	Scientific Research	Corporate	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue						
Total revenue	11,304	4,890	25,897	5,120	-	47,211
Inter and intra-division	-	-	(2,514)	(14)	-	(2,528)
External revenue	11,304	4,890	23,383	5,106	-	44,683
Divisional expenses	(9,061)	(4,163)	(17,526)	(4,309)	(609)	(35,668)
EBITDA¹	2,243	727	5,857	797	(609)	9,015
EBITDA %	19.8%	14.9%	25.0%	15.6%	0.0%	20.2%
Depreciation & Amortisation	(433)	(139)	(594)	(164)	(822)	(2,152)
Operating profit/(loss) before amortisation of acquired intangible assets	1,810	588	5,263	633	(1,431)	6,863
Acquired intangible assets amortisation	-	-	-	-	(934)	(934)
Operating profit/(loss)	1,810	588	5,263	633	(2,365)	5,929
Operating profit margin %	16.0%	12.0%	22.5%	12.4%	0.0%	13.3%

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

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

Analysis of revenue by destination and net assets by origination: for year ended 30 September

	Revenue		Net Assets	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
United Kingdom	8,055	6,181	23,423	25,661
North America	26,278	22,275	30,508	9,780
Continental Europe	13,654	7,322	169	226
Asia Pacific & Other	13,022	8,905	-	-
Total revenue	61,009	44,683	54,100	35,667

3. Income tax expense

Income tax expense for the year to 30 September 2011 is set out below.

	2011 £'000	2010 £'000
Current taxation		
UK Corporation tax	1,018	47
Overseas tax	1,139	1,513
Adjustments in respect of prior year tax charge	(47)	(46)
Total current tax	2,110	1,514
Deferred tax		
Origination and reversal of timing differences	(550)	(622)
Adjustments in respect of prior year deferred tax	(340)	(506)
Impact of tax rate change to 25% (2010: 27%)	65	19
Total deferred tax	(825)	(1,109)
Total income tax expense per income statement	1,285	405
Add back one-off items:		
Losses utilised not previously recognised	232	350
Unutilised tax losses to be consumed	-	564
Increase in deferred tax on 2004 and 2005 options	-	210
Total one-off items	232	1,124
Adjusted income tax expense	1,517	1,529

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:

	2011	2010
	No.	No.
Number of shares used for basic earnings per share	21,162,500	19,264,390
Dilutive shares	1,194,768	432,834
Number of shares used for dilutive earnings per share	22,357,268	19,697,224

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

	2011		2010	
	£'000	pence per share	£'000	pence per share
Basic earnings per share	7,523	35.5	4,691	24.4p
Acquired intangible assets amortisation (net of income tax expense)	1,083	5.1p	860	4.5p
Acquisition costs	434	2.1p	-	-
Goodwill impairment of investment	1,299	6.1p	-	-
Release deferred consideration for acquisition	(2,085)	(9.9p)	-	-
Cost associated with debt re-financing	37	0.2p	-	-
Impact of one off tax adjustments	(232)	(1.1p)	(1,124)	(5.8p)
Total adjustments net of income tax expense:	536	2.5p	(264)	(1.3p)
Adjusted basic earnings per share	8,059	38.0p	4,427	23.1p
Diluted earnings per share	7,523	33.6p	4,691	23.8p
Adjusted diluted earnings per share	8,059	36.0p	4,427	22.5p

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.

5. Dividend

During the year ending 30 September 2011 a final dividend of 2.0p per share was paid for the previous financial year. A further interim dividend of 2.0p per share was paid for the half year ending 31 March 2011.

For the year ending 30 September 2011, the Directors propose that a final dividend of 3.0p per share be paid.

No dividends were paid in the year ending 30 September 2010.

6. Cash generated from operating activities

	2011	2010
	£'000	£'000
Profit before income tax	8,808	5,096
Adjustments for:		
- Amortisation of acquired intangible assets	1,425	934
- Amortisation of other intangible assets	331	363
- Depreciation	2,057	1,789
- Loss/(Profit) on disposal of property, plant and equipment	24	(2)
- Share-based payment obligations	471	412
- Acquisition costs	571	-
- Impairment of goodwill	1,969	-
- Non cash release of accrued contingent consideration	(2,085)	-
- Finance income	(30)	(2)
- Finance costs	898	835
Total	5,631	4,329
Changes in working capital		
- Inventories	(2,613)	(484)
- Trade and other receivables	(945)	(1,333)
- Trade and other payables	1,328	864
- Provisions	864	1,670
Total	(1,366)	717
Cash generated from operating activities	13,073	10,142

7. Called up share capital

	2011	2010	2011	2010
	No.	No.	£'000	£'000
Ordinary shares of 20p each				
Authorised	24,000,000	24,000,000	4,800	4,800
Allotted, issued and fully paid				
At 1 October	19,264,390	19,264,390	3,853	3,853
Shares issued and fully paid	2,586,408	-	517	-
At 30 September	21,850,798	19,264,390	4,370	3,853

Of the shares issued in the year ended 30 September 2011, 219,742 were allotted under share option schemes. No shares were allotted under share option schemes in the previous financial year. On 5 January 2011, Gooch & Housego raised approximately £10.2 million (net of expenses) through a placing of 2,366,666 new 20p Ordinary Shares.

8. Acquisition of EM4 Inc

On 25 January 2011, the company acquired the entire share capital of EM4 Inc. a US based manufacturer of active fibre optics components and subassemblies, based near Boston, Massachusetts for an initial consideration of \$11.6 million (approximately £7.3 million). To fund this acquisition, the Company raised approximately £10.6 million (approximately £10.2 million net of expenses) through a placing of new ordinary shares at 450 pence per new ordinary share, on 5 January 2011.

The following table summarises the consideration paid for EM4 Inc., and the provisional fair values of the assets and liabilities at the acquisition date.

	Fair value
	£'000
Property, plant and equipment	138
Intangible assets	1,546
Cash	489
Trade and other receivables	891
Inventory	560
Trade and other payables	(1,010)
Deferred tax	864
Net assets acquired	3,478
Consideration paid:	
Cash	7,274
Contingent consideration	2,001
Total consideration	9,275
Goodwill	5,797

The intangible assets in respect of this acquisition arise from a number of sources including well established customer relationships with many of the major US defence contractors, world leading technology, and a well-respected brand.

The contingent consideration arrangement requires Gooch & Housego to pay the sum of 1.2 times the EBITDA generated by EM4 Inc. in calendar year 2011. The potential undiscounted amount of all future payments that Gooch & Housego could be required to make under this arrangement is between nil and \$7.0 million. The fair value of the contingent consideration arrangement of £2.0 million was estimated by reference to latest business forecasts.

The fair values of the net assets acquired are provisional pending finalisation of the fair value exercise in relation to those assets.

The revenue included in the consolidated income statement from 23 January 2011 to 30 September 2011 contributed by EM4 Inc. was £3.95 million. EM4 Inc. also contributed profit of £0.34 million over the same period.

As a result of delay in a major contract, EM4 is unlikely to reach its threshold for its earn-out to be triggered. Consequently, the contingent consideration, previously provided for at the half year, has been released through the income statement. Whilst the aforementioned contract delay has affected the anticipated results for 2011, the first phase of the contract in question was placed in August and consequently no impairment of goodwill is considered necessary.

9. Acquisition of Crystal Technology LLC.

On 31 March 2011, the company acquired the entire share capital of Crystal Technology LLC, a Palo Alto, California, based manufacturer of acousto-optic, electro-optic and fibre optic components and systems, and oxide single crystal materials for optical applications. The total consideration of \$13.75 million (approximately £8.6 million) comprises \$9.625 million for the business and \$4.125 million in respect of near cash equivalents being left in the business at acquisition.

The following table summarises the consideration paid for Crystal Technology LLC, and the provisional fair values of the assets and liabilities at the acquisition date.

	Fair value
	£'000
Property, plant and equipment	3,764
Intangible assets	1,832
Trade and other receivables	1,659
Inventory	1,632
Trade and other payables	(576)
Deferred tax	249
Net assets acquired	8,560
Consideration paid:	
Cash	6,586
Deferred consideration	1,977
Total consideration	8,563
Goodwill	3

The intangible assets in respect of this acquisition arises from a number of sources including technology in key crystal growth capabilities and a well-respected brand.

The deferred consideration arrangement requires Gooch & Housego to pay the sum of \$3.25 million on 31 March 2012.

The fair values of the net assets acquired are provisional pending finalisation of the fair value exercise in relation to those assets.

The revenue included in the consolidated income statement from 1 April 2011 to 30 September 2011 contributed by Crystal Technology LLC was £6.40 million. Crystal Technology LLC also contributed profit of £1.25 million over the same period.