1 June 2021

GOOCH & HOUSEGO PLC

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

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 MARCH 2021

Sustained recovery in industrial lasers contributes to profit growth and positive outlook.

Gooch & Housego PLC (AIM: GHH), the specialist manufacturer of optical components and systems, today announces its interim results for the six months ended 31 March 2021.

Key Financials

Period ended 31 March	H1 2021	H1 2020	Change
Revenue	**£58.5m**	**£57.5m**	**1.8%**
Adjusted profit before tax*	**£4.9m**	**£2.7m**	**83.7%**
Adjusted basic earnings per share*	**15.7p**	**8.2p**	**7.5p**
Net debt excluding IFRS 16	**£4.7m**	**£18.5m**	**£(13.8m)**
Net debt including IFRS 16	**£12.1m**	**£28.0m**	**£(15.9m)**
Statutory profit before tax	**£0.7m**	**£1.7m**	**(60.9)%**
Statutory basic earnings per share	**2.1p**	**4.8p**	**(2.7p)**
Interim dividend per share	**4.5p**	**nil**	**4.5p**

*Adjusted for amortisation of acquired intangible assets and non-recurring items.

Key points

- Revenue growth of 1.8% compared with the same period last year, or 4.9% at constant currency.
- Sustained recovery in industrial lasers, building on the previously reported growth in semiconductors. Demand for hi-reliability fibre couplers and A&D remained robust, with the exception of our limited number of commercial aerospace customers. Life sciences has shown strong growth, benefiting from continued growth in medical diagnostics and the return to growth of medical lasers for elective surgery.
- Travel restrictions and self isolating have presented delivery hurdles during the period, but we expect these to ease as the vaccine roll out in the UK and USA progresses.
- Restructuring programmes are on track to deliver the expected full year profit benefit (£1.75m) in FY2022.
- Order book at the half year end was £92.8m (31 March 2020: £91.7m), an increase of 1.3%, or 7.9% at constant currency. H1 order intake 1.12 times revenue.
- Adjusted profit before tax of £4.9m, up 83.7% from the prior year, as a result of improving volumes and the benefits of the Group's site consolidation programmes.
- Net cash inflow from operating activities totalled £9.2m (2020: £7.5m).
- Interim dividend reinstated at 4.5p per share (2020: nil) reflecting trading recovery and positive outlook.
- Full year expectations unchanged despite currency headwinds. Longer term prospects remain strong.

Mark Webster, Chief Executive Officer of Gooch & Housego, commented:

"Trading in the first half of the financial year reflected generally improving end markets, in particular industrial lasers. The roll out of new technologies such as 5G and greater use of new materials in microelectronic manufacturing has fuelled demand, building on the sustained growth in semiconductors.

"Our manufacturing sites all remain fully open and are compliant with all the relevant health and safety regulations. Travel restrictions and self isolating have presented delivery hurdles during the period, but we expect these issues to ease as the vaccine roll out progresses in the UK and USA.

"The Group's restructuring programmes are progressing well and are expected to be substantially complete by the end of the financial year. They have made a contribution to the improved profit performance in the period and are on track to deliver the expected full year benefit in FY 2022.

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

Analyst meeting

A conference call for analysts will be held at 9.30am this morning, 1 June 2021; analysts who require dial-in details, please contact Buchanan at G&H@buchanan.uk.com

For further information please contact:

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Notes to editors

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

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

Operating and Financial Review

Performance Overview

In the first half of the financial year we have seen a good recovery in our industrial laser business. Demand for hi-reliability fibre couplers and our life sciences products and services has remained strong. Order intake from our defence markets has been robust, although revenues in the reporting period were affected by phasing of deliveries. The demand from our limited number of commercial aerospace customers was affected by current end-market conditions.

In the first few months of the reporting period Asian markets led the recovery in industrial lasers, but as the reporting period progressed we saw demand from our US and European markets increase as they started to emerge from the pandemic downturn. The roll out of new technologies such as 5G, along with greater use of new materials in microelectronic manufacturing, has fuelled demand, building on the previously reported growth in semiconductors.

In the UK we have secured some important new A&D programme positions for our UK Precision Optic (PO) hub, adding to the existing strong US defence order book.

Medical diagnostics has continued to demonstrate good growth and we are now seeing improving levels of demand for our specialist medical laser products, which were adversely affected by the pandemic induced reduction in elective procedures in FY 2020.

Order intake for the six month period was 112% of revenue, compared with 100% of revenue for the second half of FY 2020, reflecting further recovery in the markets for our products and services. At 31 March 2021 our order book was at £92.8m (31 March 2020: £91.7m), an increase of 1.3%, or 7.9% at constant currency, compared with the same time last year.

We are proud of the way our staff have responded to the challenge of the pandemic. All of our sites remained fully open during the period and are operating in line with all relevant health and safety rules and regulations. Nevertheless, travel restrictions and social distancing measures have presented hurdles that we have worked hard to overcome. We anticipate that these issues will ease in the coming months as the vaccine roll out continues to progress in the UK and USA.

The reinstatement of the dividend reflects the recovery of the Group's trading position following the pandemic and the Board's confidence in a positive outlook for the business.

Revenue

Six months ended 31 March	**2021**		2020	
	£'000	**%**	£'000	%
Industrial	**26,570**	**45%**	26,549	46%
Aerospace & Defence	**18,440**	**32%**	18,666	33%
Life Sciences	**13,450**	**23%**	12,239	21%
Group Revenue	**58,460**	**100%**	57,454	100%

Products and Markets – Industrial

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

Overall, sales of products into our industrial markets in the six months to 31 March 2021 were at the same level as the equivalent period last year, but when measured on a constant currency basis grew by 3.6%. We saw strong growth in our industrial laser and semiconductor revenues. Our Asian markets led the recovery in industrial lasers and in the latter stages of the reporting period demand from our US and European customers also started to increase as these markets recovered from the effects of the pandemic. The roll out of new technologies such as 5G, along with greater use of new materials in microelectronic manufacturing, are fuelling demand.

This trend more than offset programme driven reductions in revenues in our sensing markets. Our sensing modules generally form part of large infrastructure projects and there were some end customer programme delays that impacted on our revenues in this subsector during the period.

Volumes to our telecoms market also declined marginally compared with the record demand levels seen in the first half of FY2020 due to the US/ China trade dispute disrupting supply of telecom product from one of our US facilities to China. Demand for our hi-rel fibre couplers used in undersea cable networks remained strong.

Products and Markets – Aerospace & Defence (A&D)

Product quality, reliability and performance are paramount in this sector, playing to G&H's strengths, along with our commitment to provide value. We have solid, well established positions in target designation and range finding, ring laser and fibre optic gyroscope navigational systems, infrared and RF countermeasures, periscopes and sighting systems, opto-mechanical subsystems used in unmanned aerial vehicles (UAVs) and space satellite communications.

The A&D market for G&H is characterised by high-value, long-term programmes involving the main US and European defence contractors. This market represents an attractive growth area for G&H as more applications seek photonic solutions in a sector with high regulatory and compliance hurdles and challenging expectations of its equipment.

A&D revenue declined by 1.2% during the first six months of FY2021, compared with the equivalent period last year, or had growth of 2.6% when measured at constant currency. G&H's US defence order book remains strong and our Boston, MA facility transitioned two significant programmes from development to the volume production phase. We were able to secure important new A&D business for our UK Precision Optic (PO) hub. This was offset by order book timing issues in some UAV and armoured vehicle programmes and a drop in volume from our commercial aerospace business. Second half performance in UAVs and armoured vehicles is expected to show good improvement, though as previously announced we do not expect a recovery in the commercial aerospace market until FY2023.

Overall we expect a stronger second half and A&D remains an area of long term growth potential for G&H.

Products and Markets – Life Sciences

G&H's three principal Life Sciences revenue streams are derived from diagnostics applications (the design, development and manufacturing of diagnostic systems and fibre-optic modules based around our optical coherence tomography (OCT) technology), surgery / treatments (electro-optics and acousto-optics for medical lasers) and biomedical research (acousto-optics for microscopy applications).

Our Life Sciences / Biophotonics revenue grew by 9.9% in the six months to 31 March 2021, compared with the equivalent period last year. When measured at constant currency this represents growth of 11.3%. Medical diagnostic demand remained at the high levels seen in the second half of FY2020. The continued strong performance of a product designed to improve respiratory function as part of ventilator system has been a key factor.

OCT systems and components showed good growth during the period. Demand for our specialist medical laser products, which was adversely affected by the pandemic induced reduction in elective procedures during FY 2020, has started to demonstrate a marked improvement in performance. Overall these two sub-sectors were up 12% in the first half compared with same period last year, on a constant currency basis.

Strategy

G&H's strategy is built around the twin pillars of diversification and moving up the value chain. In order to ensure its strategic goals are met, management actively looks to invest in R&D, acquisitions and strategic partnerships.

R&D: In the first six months of the current financial year, G&H invested £3.9m in targeted research & development. Our main target areas are the next generation of precision lasers and laser systems, optical sensing for harsh environments, OCT medical diagnostics, laser surgery, space satellite communications, opto- mechanical systems for UAVs and armoured vehicles and direct energy systems. In the period the following products made notable progress: new key components for CO2 lasers applicable to semiconductor fabrication, high speed lasers to enable RF communication over fibre and new fibre sensing sub-systems for security and wind farms. Our US Precision Optic engineering team are well advanced in developing new motorised lens systems for short/longwave infrared applications. During H1 our Torquay R&D team completed important milestones on a space photonics programme which is expected to open the way to new revenue streams from photonics modules used in space communications.

Our income statement charge represented 6.7% of revenue, a similar level to the same period last year (2020: £3.8m), demonstrating G&H's continued commitment to investing in targeted R&D programmes. Our focused approach to R&D investment continues to deliver a good return with a record £8.9m of revenue in the half year coming from new products (£7.6 million: H1 FY2020). We will continue to invest in novel, cutting edge technologies in order to drive future growth across all of our target sectors.

Diversification: G&H's strategy is to develop, through our organic and inorganic investment, a growing presence in markets that offer the potential for significant growth as a result of their adoption of photonic technology. The Group is also working to reduce its exposure to cyclicality in any particular sector. This strategy is proving successful as we progressively increase our position in our Life Sciences and A&D markets. The continuing success of the ITL business is helping to increase the proportion of Group revenues from the Life Sciences market which now represents 23% of our business.

Moving up the Value Chain: G&H's strategy remains to move up the value chain to more complex sub-assemblies and systems through leveraging its excellence in materials and components, and by providing photonic design and engineering solutions for our customers. This is enabling G&H to transition from a components supplier to a solutions provider. A significant proportion of our business in the A&D market now comes from the sale of sub-systems rather than discrete components. The recent investments made by the Group in both the UK Precision Optics (PO) Centre of Excellence as well as its newly formed PO Engineering and Design hub in St Asaph mean that we are able to offer our customers an expanded range of services in this area. We are now being invited to tender for more complex, innovative optical assemblies by both existing and new customers. The proportion of our business derived from sub-system or system revenues declined to 30.3% in H1 FY2021 from 33.1% in FY2020, but this is expected to increase in the second half as volumes increase in respect of our sub-system deliveries to a number of A&D programmes.

Operations

As part of the Company's ongoing performance improvement programme we are making good progress streamlining our acousto-optic (AO) and precision optic (PO) manufacturing despite the operational hurdles that have been raised by the pandemic.

As previously reported, an AO hub is being created at our Fremont, California site, combining the AO capabilities of our Fremont and Ilminster facilities. Fremont is becoming the global AO design authority and lead for the Group's AO technological roadmap.

In support of this approach the outsourcing of a large proportion of our AO manufacturing to an established contract manufacturer in South East Asia is well underway. Our supplier's employees have been trained at our Ilminster facility and G&H employees are now supporting the skills transfer programme at our supplier's facility. We are well progressed in validating the supplier's production capability and confirming the stringent product quality levels required are being achieved prior to full scale production being transferred to the supplier. We expect to have the transfer of the Group's AO products, currently built in our Ilminster facility, substantially completed before the end of the financial year.

Our UK PO centre of excellence based in Ilminster is now established. We have completed the transfer of the production lines and associated equipment from our Glenrothes facility, which is now closed. In January we announced that we will also transfer production from our facility in St Asaph to our Ilminster site. An optical systems engineering and design centre is being retained in St Asaph, housing our world leading optical systems engineers in order to continue their work developing a pipeline of innovative new products. The design centre is housed in a newly established facility which includes laboratory facilities to enable our team to prototype new designs in support of our customers' programmes.

Finally production at our Baltimore, MD facility will be transferred to our Boston, MA and Torquay facilities and our site in Baltimore will close. Many of our Baltimore customers are already served by our Boston and Torquay facilities. This will result in two fibre optic hubs, one on each side of the Atlantic.

We expect these three transfer programmes to be substantially completed during the second half of FY2021.Total project costs are expected to be c. £7.5m and the one off income statement impact is being excluded from adjusted profit before tax. Savings from these projects are expected to give an annualised benefit of c. £1.75m by FY2022.

Principal Risks and Uncertainties

The principal risks and uncertainties to which the Group is exposed and our approach to managing those risks are unchanged from those identified on page 30 of our 2020 Annual Report. Whilst the risk to the business from the pandemic appear to be abating we remain alert to the impact of potential further disruption arising from new variants of the virus.

Acquisitions

G&H continues to evaluate acquisition opportunities that have the potential to accelerate delivery of the Company's strategic objectives. Having established a presence in its target markets, G&H remains focused on moving up the value chain in each of those markets. Despite the continuing obstacles the pandemic raises in the execution of acquisitions we have been active in assessing potential target companies using where possible our local staff to undertake those assessments. Building upon the success of the Company's acquisition of the ITL business the Group has been actively exploring other businesses in the Life Sciences market. We will also consider acquisitions that would support our strategic objectives in our Industrial and A&D markets.

Alternative Performance Measures

In the analysis of the Group's financial performance alternative performance measures are presented to provide readers with additional information. The interim report includes both statutory and adjusted non-GAAP financial measures, the latter of which the Directors believe better reflect the underlying performance of the business. Items excluded from the adjusted results, together with their prior period comparatives, are set out below.

Reconciliation of adjusted performance measures

	Operating profit		**Net finance costs**		**Taxation**		**Profit after tax**		**Earnings per share**	
Half Year to 31 March	**2021 £000**	2020 £000	**2021 £000**	2020 £000	**2021 £000**	2020 £000	**2021 £000**	2020 £000	**2021 pence**	2020 pence
Reported	**1,175**	1,861	**(505)**	(148)	**(132)**	(519)	**538**	1,194	**2.1**	4.8
Amortisation of acquired intangible assets	**1,091**	1,837	**-**	-	**(214)**	(379)	**877**	1,458	**3.5**	5.8
Restructuring costs	**3,134**	207	**-**	-	**(615)**	(41)	**2,519**	166	**10.1**	0.7
Interest on discounted deferred consideration	**-**	-	**-**	152	**-**	-	**-**	152	**-**	0.6
Interest and fees awarded on Fremont lease litigation	**-**	(467)	**-**	(778)	**-**	316	**-**	(929)	**-**	(3.7)
Adjusted	**5,400**	3,438	**(505)**	(774)	**(961)**	(623)	**3,934**	2,041	**15.7**	8.2

Adjusted profit before tax was £4.9m, an increase of 83.7% on the prior year (H1 2020: £2.7 m). This improvement in profit reflects both the recovery in our end markets, as well as the reductions to the Group's cost base, in large part as a result of its site restructuring projects.

Cash Flow and Financing

In the six months ended 31 March 2021, G&H generated cash from operations of £9.7m, compared with £7.9m in the same period of 2020. Inventory has reduced by £1.5m a constant currency basis since the year end. This reduction has been achieved despite increases in trading volumes thanks to the continued focus on sales and operations planning. Trade receivables have reduced by £1.7m in the six months to 31 March 2021 due to strong collection performance.

The final earn-out payment in connection with the acquisition of the ITL business was made in the period. This amounted to £3.25m and represented that business achieving the maximum level of its earn out targets.

Capital expenditure on property, plant and equipment was £3.3m in the period (2020: £2.8m). Further investments have been made at our Ilminster facility for advanced coating and polishing capabilities. New investments were also made in hi-rel fibre coupler production equipment to allow further diversification of our supply chain for these products.

Drawings against the Group’s revolving credit facility were reduced by $6.4m during the six month period. At 31 March 2021 the Group’s net debt totalled £12.1m (30 September 2020 – £14.7m) including lease liabilities of £7.3m (30 September 2020 – £8.2m). Consistent with the Group's borrowing agreements, which exclude the impact of IFRS 16, Leases, our leverage ratio was 0.3 times at 31 March 2021 (31 March 2020: 0.9 times).

Board Changes

After serving as a Non-Executive Director of the business for nine years, most recently as the senior independent director, Peter Bordui stepped down from the Board at the Annual General Meeting. We would like to thank him for his very considerable contribution to the business.

We recently announced that Jim Haynes has been appointed to the Company’s Board as a Non-Executive Director with effect from 12 March 2021. Jim brings to the Group extensive experience from his distinguished executive career in the photonics industry where he held a range of senior leadership roles in engineering and operations, most recently Executive Vice President, Operations, at Oclaro/Lumentum and we are sure he will make a valuable contribution to the continuing progress of the Group.

Dividends

Given the trading recovery and positive outlook for the Group, the Board has declared an interim dividend of 4.5 pence per share. This dividend will be payable to shareholders on the register as at 25 June 2021 on 30 July 2021.

Prospects and outlook

Trading in the first half of the financial year has been encouraging. We are seeing sustained recovery in our Industrial laser market while our other end markets, with the exception of commercial aerospace, continue to provide good levels of demand. The Group's operational streamlining programmes are progressing well despite the challenges of the pandemic, are expected to be substantially complete by the end of the financial year and deliver the expected full year profit benefit.

Investment in the future growth of the business has continued as exemplified by the growth in the contribution of new products during the period. Through a customer focussed approach to the development of our technology and commercial roadmaps we believe we are well positioned to support our customers' next generation products and applications. We have invested in new capital equipment at our UK precision optics hub in Ilminster enabling us to offer a broader range of products and capabilities to our customers and increasing the number of customers' tenders we can respond to.

In the first half of the year the Group's liquidity improved and total headroom from existing facilities increased. Our balance sheet is strong and that means we are in a good position to continue to invest in our target sectors.

We remain committed to further diversification and moving up the value chain. G&H will continue to invest in R&D and where appropriate make acquisitions to meet these strategic objectives.

Full year expectations are unchanged despite currency headwinds and longer term prospects for the business remain very strong.

Mark Webster	**Chris Jewell**
Chief Executive Officer	Chief Financial Officer
1 June 2021	

Group Income Statement

Unaudited interim results for the 6 months ended 31 March 2021

	Note	**Half Year to 31 March 2021 (Unaudited)**			Half Year to 31 March 2020 (Unaudited)			Full Year to 30 September 2020 (Audited)
		Underlying £'000	**Non-underlying £'000**	**Total £'000**	Underlying £'000	Non-underlying £'000	Total £'000	Total £'000
Revenue	4	58,460	-	58,460	57,454	-	57,454	122,095
Cost of revenue		(39,575)	-	(39,575)	(40,929)	-	(40,929)	(82,845)
Gross profit		18,885	-	18,885	16,525	-	16,525	39,250
Research and development		(3,933)	-	(3,933)	(3,829)	-	(3,829)	(7,924)
Sales and marketing		(3,962)	-	(3,962)	(3,982)	-	(3,982)	(7,440)
Administration		(6,169)	(4,225)	(10,394)	(5,933)	(1,577)	(7,510)	(18,634)
Other income and expenses		579	-	579	657	-	657	1,082
Operating profit	4	5,400	(4,225)	1,175	3,438	(1,577)	1,861	6,334
Net finance costs		(505)	-	(505)	(774)	626	(148)	(942)
Profit before income tax expense		4,895	(4,225)	670	2,664	(951)	1,713	5,392
Income tax expense	6	(961)	829	(132)	(623)	104	(519)	(1,610)
Profit for the year		3,934	(3,396)	538	2,041	(847)	1,194	3,782
Basic earnings per share	7	15.7p	(13.6p)	2.1p	8.2p	(3.4p)	4.8p	15.1p
Diluted earnings per share	7	15.6p	(13.5p)	2.1p	8.1p	(3.4p)	4.7p	15.0p

Group Statement of Comprehensive Income

Group Statement of Comprehensive Income	**Half Year to 31 Mar 2021 (Unaudited) £'000**	Half Year to 31 Mar 2020 (Unaudited) £'000	Full Year to 30 Sep 2020 (Audited) £'000
Profit for the period	538	1,194	3,782
Other comprehensive income / (expense)			
Gains on cash flow hedges	59	-	333
Currency translation differences	(2,890)	(486)	(2,105)
Other comprehensive expense for the period	(2,831)	(486)	(1,772)
Total comprehensive (expense) / income for the period	(2,293)	708	2,010

Group Balance Sheet

Unaudited interim results for the 6 months ended 31 March 2021

Group Balance Sheet	31 Mar 2021 (Unaudited) £'000	31 Mar 2020 (Unaudited) £'000	30 Sep 2020 (Audited) £'000
Non-current assets			
Property, plant and equipment	38,354	39,835	38,741
Right of use assets	6,064	7,967	6,742
Intangible assets	51,572	57,037	54,624
Deferred tax assets	1,466	1,917	1,432
	97,456	**106,756**	**101,539**
Current assets			
Inventories	28,226	35,208	30,580
Trade and other receivables	23,861	26,802	26,298
Cash and cash equivalents	15,286	14,030	19,734
	67,373	**76,040**	**76,612**
Current liabilities			
Trade and other payables	(17,704)	(16,277)	(17,971)
Borrowings	(64)	(63)	(64)
Lease liabilities	(1,647)	(1,844)	(1,832)
Tax liabilities	(282)	(1,706)	(1,120)
Deferred consideration	-	(3,098)	(3,250)
	(19,697)	**(22,988)**	**(24,237)**
Net current assets	**47,676**	**53,052**	**52,375**
Non-current liabilities			
Borrowings	(19,951)	(32,419)	(26,211)
Lease liabilities	(5,684)	(7,690)	(6,364)
Provision for other liabilities and charges	(1,705)	(1,628)	(1,692)
Deferred tax liabilities	(6,376)	(6,238)	(6,294)
	(33,716)	**(47,975)**	**(40,561)**
Net assets	**111,416**	**111,833**	**113,353**
Shareholders' equity			
Called up share capital	5,008	5,008	5,008
Share premium account	16,000	16,000	16,000
Merger reserve	7,262	7,262	7,262
Cumulative translation reserve	4,785	9,294	7,675
Hedging reserve	392	-	333
Retained earnings	77,969	74,269	77,075
Equity Shareholders' Funds	**111,416**	**111,833**	**113,353**

Statement of Changes in Equity

Unaudited interim results for the 6 months ended 31 March 2021

Statement of Changes in Equity	Share capital account	Share premium account	Merger reserve	Retained earnings	Hedging reserve	Cumulative translation reserve	Total equity
	£000	£000	£000	£000	£000	£000	£000
At 1 October 2019	**5,008**	**16,000**	**7,262**	**74,793**	**-**	**9,780**	**112,843**
Profit for the period	-	-	-	1,194	-	-	**1,194**
Other comprehensive expense for the period	-	-	-	-	-	(486)	**(486)**
Total comprehensive income / (expense) for the period	-	-	-	1,194	-	(486)	**708**
Dividends	-	-	-	(1,803)	-	-	**(1,803)**
Fair value of employee services	-	-	-	85	-	-	**85**
At 31 March 2020 (unaudited)	**5,008**	**16,000**	**7,262**	**74,269**	**-**	**9,294**	**111,833**
At 1 October 2020	**5,008**	**16,000**	**7,262**	**77,075**	**333**	**7,675**	**113,353**
Profit for the period	-	-	-	538	-	-	**538**
Other comprehensive expense for the period	-	-	-	-	59	(2,890)	**(2,831)**
Total comprehensive income / (expense) for the period	-	-	-	538	59	(2,890)	**(2,293)**
Fair value of employee services	-	-	-	356	-	-	**356**
At 31 March 2021 (unaudited)	**5,008**	**16,000**	**7,262**	**77,969**	**392**	**4,785**	**111,416**

Group Cash Flow Statement

Unaudited interim results for the 6 months ended 31 March 2021

Group Cash Flow Statement	Half Year to 31 Mar 2021 (Unaudited) £'000	Half Year to 31 Mar 2020 (Unaudited) £'000	Full Year to 30 Sep 2020 (Audited) £'000
Cash flows from operating activities			
Cash generated from operations	9,720	7,885	21,561
Income tax paid	(476)	(397)	(1,119)
Net cash generated from operating activities	**9,244**	**7,488**	**20,442**
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	(3,250)	(4,750)	(4,750)
Purchase of property, plant and equipment	(3,340)	(2,794)	(5,495)
Sale of property, plant and equipment	-	-	353
Purchase of intangible assets	(524)	(665)	(1,291)
Interest received	1	26	846
Interest paid	(465)	(662)	(1,399)
Legal dispute settlement	-	-	1,580
Net cash used in investing activities	**(7,578)**	**(8,845)**	**(10,156)**
Cash flows from financing activities			
Drawdown of borrowings	-	779	8,346
Repayment of borrowings	(4,736)	(31)	(12,610)
Repayment of lease liabilities	(899)	(983)	(1,583)
Dividends paid to ordinary shareholders	-	(1,803)	(1,803)
Net cash used in financing activities	**(5,635)**	**(2,038)**	**(7,650)**
Net decrease in cash	**(3,969)**	**(3,395)**	**2,636**
Cash at beginning of the period	**19,734**	**17,512**	**17,512**
Exchange losses gains on cash	(479)	(87)	(414)
Cash at the end of the period	**15,286**	**14,030**	**19,734**

Notes to the Group Cash Flow Statement

Notes to the Group Cash Flow Statement	Half Year to 31 Mar 2021 (Unaudited) £'000	Half Year to 31 Mar 2020 (Unaudited) £'000	Full Year to 30 Sep 2020 (Audited) £'000
Profit before income tax	**670**	**1,713**	5,392
Adjustments for:			
- Amortisation of acquired intangible assets	1,091	1,837	2,676
- Amortisation of other intangible assets	567	185	984
- Profit on disposal of property, plant and equipment	-	-	(27)
- Depreciation	3,282	3,270	6,901
- Share based payment obligations	356	85	303
- Amounts claimed under the RDEC	(174)	(195)	(315)
- Finance income	(1)	(791)	(834)
- Finance costs	506	939	1,776
Total adjustments	**5,627**	**5,330**	11,464
Changes in working capital			
- Inventories	1,528	(2,130)	2,042
- Trade and other receivables	1,676	8,655	6,812
- Trade and other payables	219	(5,683)	(4,149)
Total changes in working capital	**3,423**	**842**	4,705
Cash generated from operating activities	**9,720**	**7,885**	21,561

Reconciliation of net cash flow to movements in net debt

	Half Year to 31 Mar 2021 (Unaudited) £'000	Half Year to 31 Mar 2020 (Unaudited) £'000	Full Year to 30 Sep 2020 (Audited) £'000
(Decrease) / increase in cash in the period	(3,969)	(3,395)	2,636
Drawdown of borrowings	-	(779)	(8,346)
Repayment of borrowings	5,635	1,014	14,193
Changes in net debt resulting from cash flows	1,666	(3,160)	8,483
Adoption of IFRS16	-	(9,616)	(9,429)
New leases	(503)	-	(766)
Non cash movements	(8)	(1,110)	1,165
Translation differences	1,522	186	97
Movement in net debt in the period / year	2,677	(13,700)	(450)
Net debt at start of period	(14,737)	(14,287)	(14,287)
Net debt at end of period	(12,060)	(27,987)	(14,737)

Analysis of net debt

	At 1 Oct 2020 £'000	New leases £'000	Cash flow £'000	Exchange movement £'000	Non-cash movement £'000	At 31 Mar 2021 £'000
Cash at bank and in hand	19,734	-	(3,969)	(479)	-	**15,286**
Due within one year						
Debt	(64)	-	32	-	(32)	**(64)**
Lease liabilities	(1,832)	(15)	899	75	(774)	**(1,647)**
Due after one year						
Debt	(26,211)	-	4,704	1,532	24	**(19,951)**
Lease liabilities	(6,364)	(488)	-	394	774	**(5,684)**
Net debt	(14,737)	(503)	1,666	1,522	(8)	**(12,060)**

Notes to the Interim Report

1. Basis of Preparation

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

The Group's liquidity has further improved since the end of the previous financial year. Cash flow projections show that the Group has sufficient funding available to withstand plausible downside scenarios, and therefore the financial statements have been prepared on a going concern basis.

The Interim Report was approved by the Board of Directors and the Audit Committee on 1 June 2021. The Interim Report does not constitute statutory financial statements within the meaning of the Companies Act 2006 and has not been audited.

Comparative figures in the Interim Report for the year ended 30 September 2020 have been taken from the Group's audited statutory financial statements on which the Group's auditors, PricewaterhouseCoopers LLP, expressed an unqualified opinion. The comparative figures to 31 March 2020 are unaudited.

The Interim Report will be announced to all shareholders on the London Stock Exchange and published on the Group's website on 1 June 2021. Copies will be available to members of the public upon application to the Company Secretary at Dowlish Ford, Ilminster, Somerset, TA19 0PF.

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 30 September 2020, as described in those financial statements.

2. Estimates

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

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 30 September 2020.

3. Financial risk management

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

The interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual financial statements as at 30 September 2020. There have been no changes to the risk management policies since the year end.

4. Segmental analysis

For half year to 31 March 2021	Aerospace & Defence £'000	Life Sciences / Biophotonics £'000	Industrial £'000	Corporate £'000	Total £'000
Revenue					
Total revenue	18,440	14,742	30,519	-	63,701
Inter and intra-division	-	(1,292)	(3,949)	-	(5,241)
External revenue	18,440	13,450	26,570	-	58,460
Divisional expenses	(18,466)	(10,694)	(23,618)	433	(52,345)
EBITDA[1]	**(26)**	**2,756**	**2,952**	**433**	**6,115**
EBITDA %	-	20.5%	11.1%	-	10.5%
Depreciation and amortisation	(1,284)	(652)	(1,199)	(714)	(3,849)
Operating profit before amortisation of acquired intangible assets	(1,310)	2,104	1,753	(281)	2,266
Amortisation of acquired intangible assets	-	-	-	(1,091)	(1,091)
Operating profit	**(1,310)**	**2,104**	**1,753**	**(1,372)**	**1,175**
Operating profit margin %	(7.1%)	15.6%	6.6%	-	2.0%
Add back non-recurring items	1,503	435	1,196	1,091	4,225
Operating profit excluding non-recurring items	193	2,539	2,949	(281)	5,400
Adjusted operating profit margin %	1.0%	18.9%	11.1%	-	9.2%

For half year to 31 March 2020	Aerospace & Defence £'000	Life Sciences / Biophotonics £'000	Industrial £'000	Corporate £'000	Total £'000
Revenue					
Total revenue	18,666	12,794	29,264	-	60,724
Inter and intra-division	-	(555)	(2,715)	-	(3,270)
External revenue	**18,666**	**12,239**	**26,549**	**-**	**57,454**
Divisional expenses	(17,453)	(9,416)	(24,331)	899	(50,301)
EBITDA[1]	**1,213**	**2,823**	**2,218**	**899**	**7,153**
EBITDA %	6.5%	23.1%	8.4%	-	12.4%
Depreciation and amortisation	(992)	(391)	(1,704)	(368)	(3,455)
Operating profit before amortisation of acquired intangible assets	**221**	**2,432**	**514**	**531**	**3,698**
Amortisation of acquired intangible assets	-	-	-	(1,837)	(1,837)
Operating profit	**221**	**2,432**	**514**	**(1,306)**	**1,861**
Operating profit margin %	1.2%	19.9%	1.9%	-	3.2%
Add back non-recurring items	70	2	37	1,468	1,577
Operating profit excluding non-recurring items	291	2,434	551	162	3,438
Adjusted operating profit margin %	1.6%	19.9%	2.1%	-	6.0%

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

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

4. Segmental analysis continued

Analysis of revenue by destination

	Half year to 31 Mar 2021 (Unaudited) £'000	Half year to 31 Mar 2020 (Unaudited) £'000
United Kingdom	15,008	16,335
North and South America	23,093	21,085
Continental Europe	9,159	12,092
Asia-Pacific	11,200	7,942
	58,460	57,454

5. Non-recurring items

	Half Year to 31 Mar 2021 (Unaudited) £'000	Half Year to 31 Mar 2020 (Unaudited) £'000	Full Year to 30 Sep 2020 (Audited) £'000
Profit before tax	670	1,713	5,392
Amortisation of acquired intangible assets	1,091	1,837	2,676
Restructuring costs	3,134	207	2,609
Interest on discounted deferred consideration	-	152	303
Costs awarded on Fremont litigation	-	(467)	(410)
Interest awarded on Fremont litigation	-	(778)	(818)
Adjusted profit before tax	4,895	2,664	9,752

The restructuring costs in the period ended 31 March 2021 relate to non-recurring costs arising from our manufacturing streamlining activities, further detail of which is given in the Operating and Financial Review.

6. Tax expense

Analysis of tax charge in the period

	Half Year to 31 Mar 2021 (Unaudited) £'000	Half Year to 31 Mar 2020 (Unaudited) £'000	Full Year to 30 Sep 2020 (Audited) £'000
Current taxation			
UK Corporation tax	105	154	1,089
Overseas tax	79	896	631
Adjustments in respect of prior year tax charge	-	-	(199)
Total current tax	**184**	**1,050**	**1,521**
Deferred tax			
Origination and reversal of temporary differences	(316)	(531)	(255)
Adjustments in respect of prior years	-	-	199
Change to UK tax rate	-	-	145
Total deferred tax	**(316)**	**(531)**	**89**
Tax expense per income statement	**132**	**519**	**1,610**

The tax charge for the six months ended 31 March 2021 is based on the estimated effective rate of the tax for the Group for the full year to 30 September 2021. The estimated rate is applied to the profit before tax.

The adjusted effective tax rate is 19.6% (H1 2020: 23.4%).

7. Earnings per share

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

	Half Year to 31 Mar 2021 (Unaudited) No.	Half Year to 31 Mar 2020 (Unaudited) No.	Full Year to 30 Sep 2020 (Audited) No.
Number of shares used for basic earnings per share	**25,040,919**	25,039,260	25,039,519
Dilutive shares	**195,624**	97,615	174,664
Number of shares used for dilutive earnings per share	**25,236,543**	25,136,875	25,214,183

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

	Half Year to 31 Mar 2021 (Unaudited)		Half Year to 31 Mar 2020 (Unaudited)		Full Year to 30 Sep 2020 (Audited)	
	£'000	**p per share**	£'000	p per share	£'000	p per share
Basic earnings per share	**538**	**2.1p**	**1,194**	**4.8p**	**3,782**	**15.1p**
Adjustments net of income tax expense:						
Amortisation of acquired intangible assets	877	3.5p	1,458	5.8p	2,279	9.1p
Restructuring costs	2,519	10.1p	166	0.7p	2,218	8.9p
Interest on discounted deferred consideration	-	-	152	0.6p	303	1.2p
Interest and costs awarded on Fremont litigation	-	-	(929)	(3.7p)	(958)	(3.8p)
Total adjustments net of income tax expense	3,396	13.6p	847	3.4p	3,842	15.4p
Adjusted basic earnings per share	**3,934**	**15.7p**	**2,041**	**8.2p**	**7,624**	**30.5p**
Basic diluted earnings per share	**538**	**2.1p**	**1,194**	**4.7p**	**3,782**	**15.0p**
Adjusted diluted earnings per share	**3,934**	**15.6p**	**2,041**	**8.1p**	**7,624**	**30.2p**

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

8. Dividend

The Directors have declared an interim dividend of 4.5p per share for the half year ended 31 March 2021 (2020: nil).

	Half Year to 31 Mar 2021 (Unaudited) £'000	Half Year to 31 Mar 2020 (Unaudited) £'000	Full Year to 30 Sep 2020 (Audited) £'000
Final 2019 dividend paid in 2020: 7.2p per share	**-**	1,803	1,803
	-	1,803	1,803

9. Borrowings

	31 March 2021 £000	31 March 2020 £000	30 September 2020 £'000
Current:			
Bank borrowings	**64**	63	64
Leases	**1,647**	1,844	1,832
	1,711	1,907	1,896
Non-current:			
Bank borrowings	**19,951**	32,419	26,211
Leases	**5,684**	7,690	6,364
	25,635	40,109	32,575
Total borrowings	**27,346**	42,016	34,471

G&H's primary lending bank is NatWest Bank. The Group's facilities comprise a $50m (£36.1m) dollar revolving credit facility and a $20m (£14.4m) flexible acquisition facility. At 31 March 2021, the balance drawn on the revolving credit facility was $27.8m (£20.1m) (September 2020: $34m (£26.3m)) and on the flexible acquisition facility nil (September 2020: nil).

The facilities above are committed until 6 April 2023 and attract an interest rate of between 1.4% and 1.9% above US LIBOR dependent upon the Company's leverage ratio, payable on rollover dates.

The Group's banking facilities are secured on certain of its assets including land and buildings, property plant and equipment and inventory.

Maturity profile of bank borrowings

	31 March 2021 £000	31 March 2020 £000	30 September 2020 £'000
Within one year	**64**	63	64
Between one and five years	**19,951**	32,419	26,211
	20,015	32,482	26,275

Maturity profile of lease liabilities

	31 March 2021 £000	31 March 2020 £000	30 September 2020 £'000
Within one year	**1,647**	1,844	1,832
Between two and five years	**4,133**	5,483	4,467
After five years	**1,551**	2,207	1,897
	7,331	9,534	8,196

10. Provisions for other liabilities and charges

The movements in the Group provision for other liabilities and charges during the period are as follows:

	2021 £000
At 1 October	**1,692**
Utilised during period	**(20)**
Increase in period	**44**
Exchange movements	**(11)**
At 31 March	**1,705**

The Company offers warranty periods ranging up to 10 years on some of its products. The provision for other liabilities and charges includes £1.0m provided for the anticipated cost of repair and rectification of products under warranty (Mar 2020: £0.8m). Whilst future claims could result in outflows different from the quantum of the warranty provisions held management has reflected current knowledge in assessing provision levels at the reporting date.

11. Called up share capital

	31 Mar 2021 No.	30 Sep 2020 No.	**31 Mar 2021 £'000**	30 Sep 2020 £'000
Allotted, issued and fully paid				
Ordinary share of 20p each	**25,040,919**	25,040,919	**5,008**	5,008