

DIPLOMA **PLC**

**Interim Report
2007**

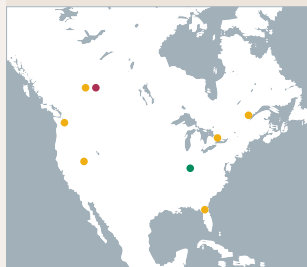
Overview

Diploma PLC is an international group of specialised distribution businesses serving industries with long term growth potential and with the opportunity for sustainable superior margins through the quality of customer service, depth of technical support and value adding activities.

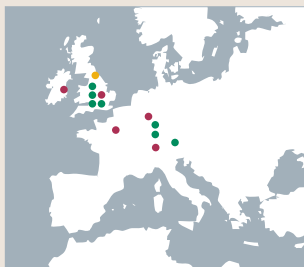
Group at a Glance

Geographical locations by sector

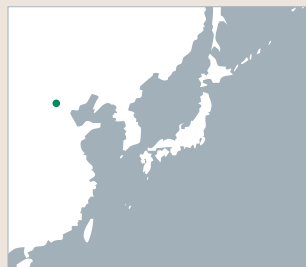
● Life Sciences ● Seals ● Controls



North America



Europe



Asia

Life Sciences.

Revenue **£21.3m** 2006: £20.4m

Operating Profit **£3.2m** 2006: £3.0m

Suppliers of consumables, instrumentation and related services to research, environmental and clinical laboratories

Seals.

Revenue **£16.9m** 2006: £17.6m

Operating Profit **£2.3m** 2006: £2.6m

Suppliers of hydraulic seals, gaskets, cylinders and attachment kits for heavy mobile machinery

Controls.

Revenue **£30.0m** 2006: £25.5m

Operating Profit **£4.6m** 2006: £3.7m

Suppliers of specialised wiring, connectors, control devices and fasteners for a range of technically demanding applications

Financial Highlights

	Year ended 30 March		
	2007	2006	
	£m	£m	
Revenue	68.2	63.5	+7%
Operating profit*	10.1	9.3	+9%
Profit before tax	10.5	20.3	-
Adjusted profit before tax	10.7	9.7	+10%
Free cash flow	1.7	15.2	-
<hr/>			
	Pence	Pence	
Basic earnings per share	30.2	69.9	-
Adjusted earnings per share	31.6	28.9	+9%
Dividends per share	9.0	8.0	+13%
Free cash flow per share	7.5	67.1	-

* Before sale of property and amortisation of acquisition intangible assets

Note: Diploma PLC uses alternative performance measures as key financial indicators to assess the underlying performance of the Group. These include adjusted profit before tax, adjusted earnings per share and free cash flow. The narrative on pages 3 to 7 is based on these alternative measures and an explanation is set out in note 2 to the consolidated financial statements.

Half Year Review to 31 March 2007

In the six months ended 31 March 2007, the Group continued to generate growth in sales and profits. Group revenue increased by 7% to £68.2m (2006: £63.5m), largely driven by strong growth in the Controls businesses. This performance more than compensated for slower growth in the North American Seals business.

Operating profit, before the sale of property and amortisation of acquisition intangible assets, increased by 9% to £10.1m (2006: £9.3m). Operating margins of 14.8% (2006: 14.6%) were slightly ahead of the comparable period last year.

Contributions from recent acquisitions (CBISS and a full half year for HKX) only partially offset the negative impact on translation of the weaker overseas currencies. Adjusting for currency effects and acquisitions, the underlying organic growth rates in revenue and operating profits were 8% and 12% respectively.

Adjusted profit before tax increased by 10% to £10.7m (2006: £9.7m) benefiting from increased interest income. Adjusted earnings per share grew by 9% to 31.6p (2006: 28.9p). On a headline IFRS basis, profit before tax was £10.5m (2006: £20.3m) and earnings per share were 30.2p (2006: 69.9p). The comparable period in 2006 included a profit of £10.6m from the sale of Phase 3 of the Stamford land.

The Directors have declared an increased interim dividend of 9.0p per share (2006: 8.0p) payable on 20 June 2007 to shareholders on the register on 25 May 2007.

LIFE SCIENCES

The Life Sciences businesses increased sales by 4% to £21.3m (2006: £20.4m) with operating margins increasing to 15.0% (2006: 14.7%). The contribution from the newly acquired CBISS business more than compensated for the negative impact on the Somagen business of the weaker Canadian dollar.

The core **Anachem** business achieved good growth in sales with a solid underlying performance from its traditional pipette and tips products. Steady progress has also been made in a number of new development projects, with the new filtration products in particular showing promising growth. The instrumentation business also achieved modest growth with a good contribution from the ReactArray product line.

The service businesses, supporting both pipettes and capital instruments, again delivered good growth and now account for 25% of Anachem's total sales. Anachem is well advanced in the renewal process for the flagship maintenance contract for Pfizer's main R&D facility in Kent. In addition it has made progress with the new Cyclertest offering for PCR instruments.

The **a1-envirosiences** group has been expanded by the acquisition of CBISS in October 2006. The group now represents over 25% of Life Sciences sector revenues and this is projected to increase to 30% by the year end. The a1-safetech containment products business has made good progress in the half year, though facing a strong comparator from the prior year as a result of the large order in 2006 from Roche. New containment products have been developed

Half Year Review continued to 31 March 2007

which are attracting positive interest from pharmaceutical industry customers in the UK and Continental Europe.

Quotation and demonstration activity in the a1-envirotech analyser business remained buoyant, with the order bank building towards the end of the period. Good progress was made in the development, in conjunction with the National Grid, of a new generation of products for electricity utility companies to measure the flow of sulphur hexafluoride (SF6) gases.

In the **CBISS** business, the major driver is the design, engineering and supply of Continuous Emission Monitoring Systems ("CEMS"). Major CEMS orders were signed towards the end of the period with Veolia Environmental Services (for large "Energy from Waste" incinerators) and E.ON UK (for power plants). Service revenues from long term contracts with CEMS users have remained strong and will continue to build, as service contracts are signed for the new system installations. The a1-envirosciences group's gas detection products will now be consolidated under CBISS management. CBISS will market a broad range of products which offer to customers an upgrade path from single use gas detection tubes, through gas analysers, to engineered gas monitoring systems.

Somagen Diagnostic delivered steady growth in the sales of reagents, which are mostly supplied as part of multi-year reagent rental contracts, funded through the operating budgets within hospitals. The established supplier lines performed well and were boosted by the contribution from the newly introduced Trinity Biotech

co-agulation products, which also contributed to growing service revenues. New suppliers are important to Somagen to replace revenues lost when other suppliers are acquired by competitors with their own routes to market; during the past twelve months GeneOhm and DSL have been acquired and consolidated by competitors.

Compared to prior years, overall sales growth was held back by lower sales of instruments supplied outside of reagent rental contracts. These instrument sales have been boosted in previous years by additional tranches of capital funding provided by individual Provinces. This year, the additional funding was not forthcoming in any of the Provinces.

SEALS

The Seals businesses saw a decline in sales of 4% in sterling terms to £16.9m (2006: £17.6m). However on a constant currency basis, sales grew by 7%, partly benefiting from the additional two months contribution from HKX, acquired in November 2005. Operating profits remained unchanged on an underlying basis as margins reduced to 13.6% (2006: 14.8%). The reduction in margins reflected a combination of one-off costs of a limited reorganisation in the Bulldog business, together with additional investments to strengthen the existing operations.

Slowing growth in the US industrial economy and particularly in the construction sector, has led to generally lower demand and caution within the customer base of the core **Hercules** business. Service and order fulfillment

levels remained very solid throughout the period and Hercules maintained its position in the US market; however, domestic seal and tie-rod cylinder sales were somewhat below the record levels in the comparable period. In Canada, the closure of the Vancouver operation was completed successfully and the Western Canadian operations have now been consolidated in Edmonton. This newly established operation has met its growth targets in Alberta and has retained a good proportion of sales with customers in British Columbia; the Ontario and Quebec operations have experienced less helpful economic conditions.

International sales outside of North America experienced strong growth in the period benefiting from the increased resources applied to this activity and the continuing weakness of the US dollar. These international sales now account for 10% of total Hercules sales, with a growing business in South America and with a network of export dealers serving niches throughout the world.

The **Bulldog** business matched prior year sales, but with order levels significantly higher than both sales and orders in the comparable period. International sales, which represent 60% of Bulldog's business, again were helped by the weaker US dollar, but the business also benefited from the greater sales focus now evident in the Reno operations. Operating margins were improved with further attention on product purchasing and with the re-organisation at Reno leading to a gradual reduction in headcount.

HKX was acquired in November 2005 and this period's result benefits from an additional two month contribution compared with the prior half year. HKX results are driven more strongly by new sales of excavators, which are widely used in residential construction, as well as commercial and infrastructure sectors. Excavator sales slowed considerably from prior year record levels and dealers delayed placing orders due to the market uncertainty, but also in anticipation of new model introductions. Against this market background, HKX still achieved growth of 10% on a like-for-like basis, successfully penetrating new dealer accounts.

FPE continued to experience sluggish market conditions in the UK, but exports provided growth. In March 2007, FPE completed the acquisition of a small seal distributor which will now be integrated within FPE's existing operations in Doncaster.

CONTROLS

The Controls businesses increased sales by 18% to £30.0m (2006: £25.5m) and increased operating margins to 15.3% (2006: 14.5%). Strong growth was achieved by the IS Group and Sommer Filcon, benefiting from the continued buoyant Defence, Aerospace and Motorsport markets.

The **IS Group** delivered another period of strong growth, with good contributions from all segments of its business. The core Defence and Aerospace business continued to benefit strongly from supplying the Urgent Operational Requirements ("UOR"s)

Half Year Review continued to 31 March 2007

of the Ministry of Defence. At the same time, Commercial sales also increased strongly with major orders for sensors and wiring harnesses for power generators. The representative office in China is now fully operational and the focus now is on building relationships with key customers.

IS-Motorsport and Clarendon both enjoyed a settled period within F1 racing and Clarendon has enhanced its position with the F1 teams in Italy and Germany. In the US, ISM Inc has now established itself across all the key racing series extending from IRL into ALMS, Grand-Am and Nascar. Plans are in place for a new sales office in South Carolina to be operational by the end of the year to serve the new customer base.

Sommer Filcon delivered growth in excess of 30% in the half year, with the principal driver being major contract successes in the Filcon connector business. Filcon is not only reaping the benefits of the delivery of the Eurofighter Tranche 2 orders, but also achieved success supplying to other military projects, including the Tornado upgrade and the Tiger and NH90 helicopter programmes. Filcon has also had success in non-military applications. While supply to the Airbus A380 project has been delayed, the Motorsport connector business continues to develop well. Filcon is also benefiting from the supply of connectors for the Transrapid trains being built for the extension of the track in Shanghai.

Sommer has continued to develop its business across its target sectors in an improving German economy, with steady growth in the supply of specialised wire and cable and heat shrink tubing to Aerospace,

Defence and Motorsport customers. Sommer also had continued success in supplying to the strong medical instrument business in Germany.

Sales at **Hawco** were modestly ahead of the comparable period last year with a good performance in Refrigeration compensating for slower sales in Controls. In Controls, the market conditions remained challenging as the competitive and pricing pressures on UK based Original Equipment Manufacturers (“OEM”s) continued. In response, Hawco has closed the Bolton based sales operation and consolidated the sales functions into Guildford. It has also increased the focus on key customers and introduced a “Quick Pick” range of fast moving, core products.

In Refrigeration, Hawco achieved growth by gaining more business from medium sized OEM accounts, as sales to larger customers slowed. The launch of a simple, clearly priced Contractors Guide, combined again with a focus on medium sized contractors, boosted sales.

FINANCE

The Group generated cash from operations of £6.4m in the first half of the year compared with £8.1m in the comparable period; investment in working capital during the period was £4.8m (2006: £2.3m). This reflected a combination of advanced stock purchasing to secure price and supply and the impact of the increased sales activity in the Controls businesses. These two factors exacerbated the seasonal increase in working capital seen in previous years at the half year, some of which is expected to reverse in the second half of the year.

Tax paid in the period of £4.3m included tax due on part of the property gain realised in 2006, which largely accounted for the increase in tax payments, compared with the prior period. In addition, £0.6m (2006: £0.1m) was provided to the Employee Benefit Trust to purchase ordinary shares in the Company.

These additional cash outflows led to a reduction in free cash flow to £1.7m, compared with £15.2m in the comparable period, which last year included £11.1m of net proceeds from the sale of Phase 3 of the Stamford land.

The Group acquired CBISS Limited, a leading supplier of equipment and services for environmental monitoring and control, on 9 October 2006 for an initial consideration of £4.5m, including acquisition expenses and net of cash acquired with the business. Further payments up to a maximum of £0.5m are payable based on the performance of the business in financial years 2007 and 2008. At 31 March 2007, goodwill of £4.2m has provisionally been recognised on this acquisition, pending completion in the second half of the year of a valuation of any intangible assets in accordance with IFRS 3. In February 2007, the final tranche of deferred consideration of £0.5m (US\$1.0m) was paid in connection with the acquisition of HKX.

After expenditure on acquisitions and dividends, the Group's cash funds at 31 March 2007 were £28.9m.

CURRENT TRADING

The trading conditions experienced in the first half are broadly expected to continue in the second half of the year. The Controls businesses are still benefiting from buoyant European Defence and Aerospace markets and continue to trade strongly, while the Seals businesses continue to maintain their position in slower growth markets in North America. In Life Sciences, the environmental businesses (including the newly acquired CBISS) should benefit from stronger order books entering the second half of the year.

With this market background and despite the continuing negative impact of the strength of sterling on the results of the overseas businesses, the Group is confident of showing further progress in 2007.

BM Thompson

Chief Executive Officer

14 May 2007

Consolidated Income Statement

for the six months ended 31 March 2007

	Note	Unaudited 31 March 2007 £m	Unaudited 31 March 2006 £m	Audited 30 Sept 2006 £m
REVENUE	3	68.2	63.5	128.2
Cost of sales		(43.7)	(41.0)	(82.4)
Gross profit		24.5	22.5	45.8
Distribution costs		(2.1)	(1.9)	(3.7)
Administration costs		(12.3)	(11.3)	(22.7)
Amortisation of acquisition intangible assets		(0.2)	-	(0.3)
OPERATING PROFIT, BEFORE SALE OF PROPERTY	3	9.9	9.3	19.1
Profit on sale of property		-	10.6	11.1
OPERATING PROFIT	3	9.9	19.9	30.2
Finance income		0.6	0.4	1.0
PROFIT BEFORE TAX		10.5	20.3	31.2
Tax expense	4	(3.5)	(4.3)	(7.0)
PROFIT FOR THE PERIOD		7.0	16.0	24.2
Attributable to:				
Shareholders of the Company		6.8	15.7	23.7
Minority interests		0.2	0.3	0.5
		7.0	16.0	24.2
EARNINGS PER SHARE				
Basic and diluted earnings	5	30.2p	69.9p	105.5p

All activities, both in the current and previous year, relate to continuing operations.

ALTERNATIVE PERFORMANCE MEASURES (note 2)

	Note	31 March 2007 £m	31 March 2006 £m	30 Sept 2006 £m
Profit before tax		10.5	20.3	31.2
Less: Profit on sale of property		-	(10.6)	(11.1)
Add: Amortisation of acquisition intangible assets		0.2	-	0.3
ADJUSTED PROFIT BEFORE TAX		10.7	9.7	20.4
ADJUSTED EARNINGS PER SHARE	5	31.6p	28.9p	62.8p

Consolidated Balance Sheet

as at 31 March 2007

	Unaudited 31 March 2007 £m	Unaudited 31 March 2006 £m	Audited 30 Sept 2006 £m
NON-CURRENT ASSETS			
Goodwill	30.9	31.2	28.0
Acquisition intangible assets	1.9	-	2.0
Other intangible assets	0.7	0.6	0.6
Property, plant and equipment	9.4	10.1	9.5
Deferred tax assets	3.1	3.1	3.4
	46.0	45.0	43.5
CURRENT ASSETS			
Inventories	24.2	22.8	22.9
Trade and other receivables	23.6	21.8	20.4
Cash and cash equivalents	28.9	30.3	36.7
	76.7	74.9	80.0
CURRENT LIABILITIES			
Trade and other payables	(21.0)	(19.6)	(20.9)
Current tax liabilities	(2.3)	(3.9)	(2.9)
Other liabilities	-	(1.1)	(0.5)
	(23.3)	(24.6)	(24.3)
NET CURRENT ASSETS	53.4	50.3	55.7
TOTAL ASSETS LESS CURRENT LIABILITIES	99.4	95.3	99.2
NON-CURRENT LIABILITIES			
Retirement benefit obligations	(4.6)	(4.2)	(4.7)
NET ASSETS	94.8	91.1	94.5
EQUITY			
Share capital	1.1	1.1	1.1
Capital redemption reserve	0.2	0.2	0.2
Translation reserve	(1.9)	3.1	0.7
Retained earnings	94.0	85.0	90.9
TOTAL SHAREHOLDERS' EQUITY	93.4	89.4	92.9
Minority interests	1.4	1.7	1.6
TOTAL EQUITY	94.8	91.1	94.5

Consolidated Statement of Recognised Income and Expense

for the six months ended 31 March 2007

	Unaudited 31 March 2007 £m	Unaudited 31 March 2006 £m	Audited 30 Sept 2006 £m
Exchange rate adjustments on foreign currency net investments	(2.6)	0.9	(1.5)
Changes in fair value of cash flow hedges	-	0.1	0.1
Actuarial losses on defined benefit pension schemes	-	-	(0.6)
Deferred tax on actuarial losses	-	-	0.2
Net (expense)/income recognised directly in equity for the period	(2.6)	1.0	(1.8)
Profit for the period	7.0	16.0	24.2
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE PERIOD	4.4	17.0	22.4
Attributable to:			
Shareholders of the Company	4.2	16.7	21.9
Minority interests	0.2	0.3	0.5
	4.4	17.0	22.4

OTHER CHANGES IN SHAREHOLDERS' EQUITY

	Share capital £m	Capital redemption reserve £m	Translation reserve £m	Hedging reserve £m	Retained earnings £m	Total £m
At 1 October 2005	1.1	0.2	2.2	(0.1)	71.9	75.3
Total recognised income and expense for the period attributable to shareholders	-	-	0.9	0.1	15.7	16.7
Share-based payments expense	-	-	-	-	0.4	0.4
Purchase of own shares	-	-	-	-	(0.1)	(0.1)
Dividends	-	-	-	-	(2.9)	(2.9)
At 31 March 2006	1.1	0.2	3.1	-	85.0	89.4
Total recognised income and expense for the period attributable to shareholders	-	-	(2.4)	-	7.6	5.2
Share-based payments expense	-	-	-	-	0.1	0.1
Dividends	-	-	-	-	(1.8)	(1.8)
At 30 September 2006	1.1	0.2	0.7	-	90.9	92.9
Total recognised income and expense for the period attributable to shareholders	-	-	(2.6)	-	6.8	4.2
Share-based payments expense	-	-	-	-	0.3	0.3
Purchase of own shares	-	-	-	-	(0.6)	(0.6)
Dividends	-	-	-	-	(3.4)	(3.4)
At 31 March 2007	1.1	0.2	(1.9)	-	94.0	93.4

Consolidated Cash Flow Statement

for the six months ended 31 March 2007

	Note	Unaudited 31 March 2007 £m	Unaudited 31 March 2006 £m	Audited 30 Sept 2006 £m
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash flow from operations	6	6.4	8.1	20.9
Finance income received		0.6	0.4	1.0
Tax paid		(4.3)	(3.5)	(7.1)
NET CASH FROM OPERATING ACTIVITIES		2.7	5.0	14.8
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of subsidiaries (net of cash acquired)	7	(4.8)	(6.6)	(7.0)
Deferred consideration paid	7	(0.5)	(1.0)	(1.0)
Proceeds from the sale of property, plant and equipment		0.5	11.1	11.0
Purchase of property, plant and equipment		(0.6)	(0.8)	(1.3)
Purchase of other intangible assets		(0.3)	-	(0.1)
NET CASH (USED IN)/FROM INVESTING ACTIVITIES		(5.7)	2.7	1.6
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid to shareholders		(3.4)	(2.9)	(4.7)
Dividends paid to minority interests		(0.3)	(0.3)	(0.3)
Purchase of own shares		(0.6)	(0.1)	(0.1)
NET CASH USED IN FINANCING ACTIVITIES		(4.3)	(3.3)	(5.1)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(7.3)	4.4	11.3
Cash and cash equivalents at beginning of year		36.7	25.7	25.7
Effect of exchange rates on cash and cash equivalents		(0.5)	0.2	(0.3)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		28.9	30.3	36.7

ALTERNATIVE PERFORMANCE MEASURES (note 2)

	31 March 2007 £m	31 March 2006 £m	30 Sept 2006 £m
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(7.3)	4.4	11.3
Add: Dividends paid to shareholders	3.4	2.9	4.7
Dividends paid to minority interests	0.3	0.3	0.3
Acquisition of subsidiaries (net of cash acquired)	4.8	6.6	7.0
Deferred consideration paid	0.5	1.0	1.0
FREE CASH FLOW	1.7	15.2	24.3

Notes to the Financial Statements

for the six months ended 31 March 2007

1. BASIS OF PREPARATION

The interim financial statements have been prepared in accordance with the Listing Rules of the Financial Services Authority and on the basis of the IFRS accounting policies set out in the Group's published accounts for the year ended 30 September 2006.

This Interim Report, which is unaudited, was approved by the Directors on 14 May 2007. It should be read in conjunction with the 2006 Annual Report, which contains the most recent audited financial statements.

This Interim Report does not constitute statutory financial statements as defined in section 240 of the Companies Act 1985. The comparative annual figures for the year ended 30 September 2006 set out in this report have been extracted from the Group's published accounts for that year which have been reported on by the Company's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985. The figures for the six months ended 31 March 2006 were extracted from the 2006 Interim Report which was unaudited.

2. ALTERNATIVE PERFORMANCE MEASURES

The Group uses a number of alternative (non-Generally Accepted Accounting Practice ("non-GAAP")) financial measures which are not defined within IFRS. The Directors use these measures in order to assess the underlying operational performance of the Group and as such, these measures are important and should be considered alongside the IFRS measures. The following non-GAAP measures are referred to in this Interim Report.

2.1 Adjusted profit before tax

On the face of the consolidated income statement, "adjusted profit before tax" is separately disclosed, being defined as profit before tax and before the costs of restructuring or rationalisation of operations, the profit or loss relating to the sale of property and the amortisation and impairment of acquisition intangible assets. The Directors believe that adjusted profit before tax is an important measure of the underlying performance of the Group.

2.2 Adjusted earnings per share

"Adjusted earnings per share" is calculated as the total of adjusted profit, less income tax costs, but excluding the tax impact on the items included in the calculation of adjusted profit and the tax effects of goodwill in overseas jurisdictions, less profit attributable to minority interests, divided by the weighted average number of ordinary shares in issue during the period. The Directors believe that adjusted earnings per share provides an important measure of the underlying earning capacity of the Group.

2.3 Free cash flow

On the face of the consolidated cash flow statement, "free cash flow" is reported, being defined as net cash flow from operating activities, after net capital expenditure on fixed assets (excluding business combinations), but before expenditure on business combinations and dividends paid to both minority shareholders and the Company's shareholders. The Directors believe that free cash flow gives an important measure of the cash flow of the Group, available for future investment.

3. ANALYSIS OF RESULTS

Segmental information is presented in this Interim Report in respect of the Group's business segments, which is the primary basis of segment reporting. The business segment reporting format reflects the Group's management and internal reporting structure.

	Revenue			Segment operating profit*			Operating profit		
	31 March 2007 £m	31 March 2006 £m	30 Sept 2006 £m	31 March 2007 £m	31 March 2006 £m	30 Sept 2006 £m	31 March 2007 £m	31 March 2006 £m	30 Sept 2006 £m
By Activity									
Life Sciences	21.3	20.4	39.2	3.2	3.0	6.1	3.2	3.0	6.1
Seals	16.9	17.6	35.9	2.3	2.6	5.5	2.1	2.6	5.2
Controls	30.0	25.5	53.1	4.6	3.7	7.8	4.6	3.7	7.8
	68.2	63.5	128.2	10.1	9.3	19.4	9.9	9.3	19.1
Unallocated items:									
Profit on sale of property	-	-	-	-	-	-	-	10.6	11.1
	68.2	63.5	128.2	10.1	9.3	19.4	9.9	19.9	30.2
By Geographic Area									
United Kingdom	32.3	28.5	58.7	4.1	3.3	7.2	4.1	13.9	18.3
Rest of Europe	12.4	10.0	20.2	2.1	1.8	3.4	2.1	1.8	3.4
North America	23.5	25.0	49.3	3.9	4.2	8.8	3.7	4.2	8.5
	68.2	63.5	128.2	10.1	9.3	19.4	9.9	19.9	30.2

*before amortisation of acquisition intangible assets and profit on sale of property.

The profit on sale of property in 2006 of £11.1m arose on disposal of 12.2 acres of land (known as Phase 3) in Stamford, East Midlands for consideration of £11.5m, after expenses. There remains 150 acres of land at Stamford which comprises mostly farm land and former quarry land. In the Directors' opinion the current value of this land is £0.5m (2006: £0.5m).

4. TAXATION

	31 March 2007 £m	31 March 2006 £m	30 Sept 2006 £m
UK tax charge	1.6	2.4	3.2
Overseas tax charge	1.9	1.9	3.8
TOTAL TAX CHARGE	3.5	4.3	7.0

Taxation on profits before tax has been calculated by applying the Directors' best estimate of the annual rate of taxation to taxable profits for the period. The rate of taxation on adjusted profit for the period is 32.7% (2006: 30.9%). Tax of £1.3m was provided at 31 March 2006 on the property profit in the period.

Notes to the Financial Statements continued

for the six months ended 31 March 2007

5. EARNINGS PER SHARE

Basic and diluted earnings per share

Basic and diluted earnings per ordinary share are calculated on the basis of the weighted average number of ordinary shares in issue during the period of 22,500,379 (2006: 22,469,915) and the profit for the period attributable to shareholders of £6.8m (2006: £15.7m). There were no potentially dilutive shares.

Adjusted earnings per share

Adjusted earnings per share is shown by reference to earnings before amortisation of acquisition intangible assets, exceptional items and related tax. The Directors consider that this gives a clearer indication of the underlying performance of the Group. Adjusted earnings are calculated as follows:

	31 March 2007 pence per share	31 March 2006 pence per share	30 Sept 2006 pence per share	31 March 2007 £m	31 March 2006 £m	30 Sept 2006 £m
Profit before tax				10.5	20.3	31.2
Tax expense				(3.5)	(4.3)	(7.0)
Minority interests				(0.2)	(0.3)	(0.5)
Earnings for the year attributable to shareholders of the Company	30.2	69.9	105.5	6.8	15.7	23.7
Profit on sale of property, net of tax	-	(41.4)	(45.3)	-	(9.3)	(10.2)
Amortisation of acquisition intangible assets	1.0	-	1.3	0.2	-	0.3
Tax effects on goodwill and acquisition intangible assets	0.4	0.4	1.3	0.1	0.1	0.3
ADJUSTED EARNINGS	31.6	28.9	62.8	7.1	6.5	14.1

6. RECONCILIATION OF CASH FLOW FROM OPERATIONS

	31 March 2007 £m	31 March 2006 £m	30 Sept 2006 £m
Profit for the period	7.0	16.0	24.2
Depreciation	0.9	0.8	1.6
Amortisation of acquisition intangibles	0.2	-	0.3
Share-based payments expense	0.3	0.4	0.5
Finance income	(0.6)	(0.4)	(1.0)
Profit on disposal of property	-	(10.6)	(11.1)
Tax expense	3.5	4.3	7.0
Operating cash flow before changes in working capital	11.3	10.5	21.5
Increase in inventories	(0.9)	(0.8)	(1.6)
Increase in trade and other receivables	(2.9)	(1.6)	(0.1)
(Decrease)/increase in trade and other payables	(1.0)	0.1	1.4
Cash paid into defined benefit schemes	(0.1)	(0.1)	(0.3)
CASH FLOW FROM OPERATIONS	6.4	8.1	20.9

7. ACQUISITIONS

On 9 October 2006, the Group acquired 100% of the share capital of CBISS Limited (“CBISS”) for consideration, net of cash acquired, of £4.5m. Further deferred consideration up to a maximum of £0.5m will be payable, depending on the operating profits of CBISS in each of the years ended 30 September 2007 and 2008. In addition, £0.3m was spent during the period in acquiring certain trade assets, including supply agreements.

The provisional fair value of identifiable assets and liabilities of the acquired business, excluding intangible assets, was £1.1m, including cash of £0.8m. Provisional goodwill of £4.2m arose on this acquisition and this goodwill will be analysed into its constituent intangible assets, in accordance with IFRS 3, in the full year financial statements at 30 September 2007. The contribution of CBISS to the Group’s revenue and operating profit for the six months ended 31 March 2007 was £1.9m and £0.3m respectively.

In February 2007, £0.5m (US\$1.0m) of deferred consideration was paid to the vendors of HKX Inc as final settlement of their performance payment.

8. DIVIDENDS

The Directors have declared an interim dividend of 9.0p per share (2006: 8.0p) payable on 20 June 2007 to shareholders on the register on 25 May 2007.

In accordance with IAS 10 “Events after the Balance Sheet Date”, this interim dividend has not been reflected in the interim financial statements. The total value of the dividend is £2.0m (2006: £1.8m).

9. EXCHANGE RATES

The following exchange rates have been used to translate the results of the overseas businesses:

	31 March 2007	Average 31 March 2006	30 Sept 2006	31 March 2007	Closing 31 March 2006	30 Sept 2006
US Dollar	1.95	1.75	1.80	1.96	1.73	1.87
Canadian Dollar	2.25	2.03	2.05	2.26	2.02	2.08
Euro	1.49	1.46	1.46	1.47	1.43	1.47

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