

FOR IMMEDIATE RELEASE

26 November 2007

ANNOUNCEMENT OF PRELIMINARY RESULTS
FOR YEAR ENDED 30 SEPTEMBER 2007

	<u>2007</u> £m	<u>2006</u> £m	
Revenue	140.7	128.2	+10%
Operating profit*	22.1	19.4	+14%
Profit before tax†	22.3	31.2	-29%
Adjusted profit before tax*	23.3	20.4	+14%
Free cash flow†	13.2	24.3	-46%
	Pence	Pence	
Basic earnings per share†	63.6	105.5	-40%
Adjusted earnings per share*	69.8	62.8	+11%
Total dividends per share	27.0	23.0	+17%
Free cash flow per share†	58.7	108.2	-46%

* before sale of property and amortisation of acquisition intangible assets

† the comparative amount in 2006 includes a profit of £11.1m (cash proceeds of £11.0m) on the sale of property

- Revenue and adjusted profit before tax increased by **10%** and **14%**, respectively; driven by strong performance of Controls businesses and improved Group operating margins to **15.7%** (2006: 15.1%).
- Four acquisitions completed during the year for a total cash investment of **£31.6m**; three of these completed in August, with the full impact to be seen in FY2008.
- Underlying organic growth in revenue and operating profit of **7%** and **14%** respectively; contribution from acquisitions in 2007 largely offset by adverse currency effects on translation of results of overseas businesses.
- Strong free cash flow of **£13.2m**; year end cash funds reduced by £24.3m to **£12.4m**, after acquisitions and other investments in businesses.
- Final dividend of **18.0p** per share (2006: 15.0p); total dividend for year up **17%** at **27.0p** (2006: 23.0p); the Directors will seek shareholders' approval at the AGM on 17 January 2008 for 4 for 1 bonus issue of ordinary shares.

Commenting on the results for the year, Bruce Thompson, Diploma's Chief Executive said:

"The Group delivered another year of double digit growth and strong free cash flow in 2007, despite the negative impact from adverse currency effects. The four acquisitions completed during 2007 are expected to make a strong contribution to further growth in 2008."

Notes:

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 in this Announcement is based on these alternative measures and an explanation is set out in note 2 to the consolidated financial statements in this Preliminary Announcement.

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NOTE TO EDITORS:

Diploma PLC is an international group of specialised distribution businesses operating in three sectors:

Life Sciences – suppliers of consumables, instrumentation and related services for research, environmental and clinical applications. Principal companies are Anachem and the a1-envirosciences group in Europe and Somagen and AMT in Canada.

Seals – Suppliers of hydraulic seals, kits and components for heavy mobile machinery. Principal companies are the Hercules Fluid Power Group in North America and FPE and M Seals in Europe.

Controls – Suppliers of specialised wiring, connectors and control devices for technically demanding applications. Principal companies are the IS-Group in the UK and US, Sommer Filcon in Germany and Hawco in the UK.

Within each of these sectors, the Diploma businesses serve industry segments 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.

Further information on Diploma PLC can be found at www.diplomaplc.com

PRELIMINARY RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2007

CHAIRMAN'S STATEMENT

In 2007 Diploma made good progress in delivering strong shareholder value through a combination of organic growth and acquisition. The underlying organic growth in revenue and operating profit was 7% and 14% respectively, with a particularly strong performance from the Controls businesses. Four new acquisitions were completed during the year for a total cash investment of £31.6m; three of these acquisitions were completed in August 2007 and the full impact will be seen in the 2008 results.

Results

Group revenue increased by 10% to £140.7m (2006: £128.2m) and operating profit, before the sale of property and amortisation of acquisition intangible assets, increased by 14% to £22.1m (2006: £19.4m). Operating margins strengthened to 15.7% (2006: 15.1%) as the larger scale of the businesses resulted in increased revenues without a proportionate increase in operating costs.

Acquisitions completed during the year contributed £7.7m to revenues and £0.9m to operating profit, but these contributions were largely offset by the adverse currency effects from the translation to UK sterling of the results of the overseas businesses.

Adjusted profit before tax increased by 14% to £23.3m (2006: £20.4m), while headline IFRS profit before tax was £22.3m. This compared with last year's headline IFRS figure of £31.2m, which included exceptional property profits of £11.1m. Adjusted earnings per share grew by 11% to 69.8p (2006: 62.8p) and headline IFRS earnings per share were 63.6p.

Strong free cash flow of £13.2m was generated during the year, benefiting from continuing attention on management of working capital. The Group spent £31.6m of its cash resources on acquiring businesses during the year and invested a further £2.2m in IT facilities, field equipment and warehouse infrastructure. Following these investments, the Group's cash funds reduced by £24.3m during the year to £12.4m at 30 September 2007.

Dividends

The Directors are recommending an increased final dividend of 18.0p per share (2006: 15.0p). This increases the total dividend payment for the year by 17% to 27.0p (2006: 23.0p). Subject to approval at the Annual General Meeting ("AGM"), the final dividend will be paid on 24 January 2008 to shareholders on the register at the close of business on 7 December 2007.

Bonus Issue of Shares

The Directors will be seeking the approval of shareholders at the forthcoming AGM to make a bonus issue of 4 shares for each share currently held. The Directors anticipate that the effective reduction in the Group's quoted share price will improve liquidity in its shares and reduce share price volatility. The proposed timetable is set out in note 9 of this Announcement and further details will be sent out in a separate AGM Circular to shareholders.

Management and Employees

In January 2007 we welcomed Ian Grice to the Board as a Non-Executive Director, following Lord Stewartby's retirement on 10 January 2007. We look forward to the contribution Ian will make to the development of the Group, given his experience in senior positions in industry. We again send our best wishes to Lord Stewartby for a long and happy retirement.

I should also like to welcome to the Group the employees of the businesses we have acquired this year and look forward to the contribution they will make to the future growth of the Group. At the same time I would like to record my thanks to all our existing employees whose hard work and commitment have been essential to the achievement of another successful year.

Outlook

The new financial year has started positively in each of the Group's core business sectors. Demand has remained firm in Europe and Canada, in the specialised market segments in which the Group's businesses operate. In the US, the Group's businesses continue to deliver a resilient performance against the background of economic uncertainty.

The four acquisitions completed during 2007 fit well with the strategy of building more substantial broader based businesses in the Group's three core sectors. These acquisitions are expected to make a strong contribution to further growth in 2008.

REVIEW OF OPERATIONS

LIFE SCIENCES

The Life Sciences businesses made further advances in 2007. Sector sales increased by 14% to £44.7m (2006: £39.2m) and operating profit increased by 8% to £6.6m (2006: £6.1m). Investment in several new growth initiatives led to a modest reduction in operating margin to 14.8% (2006: 15.6%).

The results were boosted by the acquisitions of CBISS in October 2006 and AMT in August 2007. Together these contributed £6.0m to revenues and £0.7m to operating profit, which more than offset the negative effects on translation of the depreciation of the Canadian dollar against UK sterling. Excluding the impact of acquisitions, currency effects and a prior year supplier termination payment, sector sales and operating profits showed modest underlying growth.

During the year, the continuing a1-envirosciences business was integrated with the newly acquired CBISS business. Both Anachem and the expanded a1-envirosciences group invested in new ERP IT systems with an aggregate expenditure of £0.6m.

Anachem showed solid progress in its traditional pipettes and tips business, benefiting from continued investment in sales and marketing. Anachem achieved the ISO 14001 environmental standard during the year and is well placed to match the environmental requirements of its customers. The recently introduced filtration products also continued to grow with a good monthly rate of new customer additions.

Instrumentation sales had a slower second half, impacted by the move to direct sales coverage in the US for the Reactarray business. The service business however showed good growth with a number of new contracts established. In particular, the flagship maintenance contract for Pfizer's main R&D facility in Kent was re-secured in a global bidding process.

a1-envirosciences group was boosted by the acquisition of CBISS in October 2006. The flow of new orders for larger Continuous Emission Monitoring Systems ("CEMS") began midway through the year and continued through the summer. Further orders from Energy from Waste ("EFW") producers were supplemented by the first large order from the electricity generating sector, as well as orders from the emerging Biomass generation sector. These project successes have generated a healthy orderbook to take into the 2008 financial year and will also contribute to continued growth in service revenues.

The a1-safetech containment products continued to make solid progress with sales gains in the UK, Germany and other countries in Europe. The encouraging interest generated for a number of newly developed containment products is now being converted into orders. The a1-envirotech analyser business did not match the strong performance in 2006, but strong gains were registered in Germany with a new range of elemental analysers. The new range of own brand sulphur hexafluoride ("SF6") gas monitors are being rolled out to the National Grid in the UK and specialist sub-dealers are being appointed in Continental Europe, the US and Asia.

Somagen maintained sales and operating profits, against a strong 2006 comparative. The additional capital funding from the Provinces in 2005 and 2006 was not repeated in 2007 and Somagen also suffered from the effects of supplier consolidation. During 2006, two of Somagen's suppliers were acquired with a subsequent loss of sales in 2007 and more recently another supplier, Biosite, has been acquired by Inverness Medical Innovations.

Somagen successfully implemented a number of sales and marketing initiatives designed to replace the lost sales from supplier consolidation. There were solid performances from all of the established product lines, with sales of infectious disease and allergy products a particular highlight. The newly introduced range of haemostasis products from Trinity Biotech also boosted product sales and, with a high service content, contributed to strong growth in service revenues.

AMT, acquired in August 2007 and based in Kitchener, Ontario, is a leading distributor of specialty electrosurgery and endoscopy products to hospitals across Canada. AMT supplies specialised equipment and consumables to physicians in hospitals who are carrying out surgical procedures. Products include surgical smoke evacuation, conductivity pads, electrodes, generators, probes and flexible endoscopic accessories. AMT has also established a business to serve the growing market for vessel sealing products.

A large proportion of AMT's revenues comes from multi-year customer contracts with hospitals and buying groups. Building on this base-load of business, AMT is looking to broaden its product offering by signing up new suppliers. It is also leveraging its position in electrosurgery by expanding into other surgical disciplines and markets.

SEALS

The Seals business benefited from a stronger second half performance and achieved full year sales in UK sterling terms of £36.0m (2006: £35.9m). Operating profits increased by 5% to £5.8m (2006: £5.5m).

The acquisition of M Seals in August 2007 contributed £0.7m to revenues and £0.1m to operating profit. Against this, there was the much larger negative impact on translation of a 10% weakening of the US dollar relative to UK sterling. Excluding the impact of the acquisitions and on a constant currency basis, the continuing businesses grew sales and operating profit by 5% and 10% respectively.

Within the North American businesses, the integration of back office functions, including purchasing and planning, and further investment in warehouse equipment, have driven an increase in sector operating margins to 16.1% (2006: 15.3%).

Hercules Fluid Power Group continued to deliver good growth in sales and operating profits in US dollar terms. The core Hercules business put in a strong second half performance to give overall year on year growth. In the US, Hercules' primary sales tools are its market leading catalogues and experienced sales staff, backed up by excellent stock availability. During the year, Hercules published updated catalogues with a total of 3,200 pages, including 1,000 pages in Spanish. The investment in sales and marketing, as well as the focus on Heavy Construction and the Aftermarket, protected the business from the generally weaker domestic market conditions.

International sales from Clearwater grew by 40%, benefiting from increased sales focus and resources and the weaker US dollar. Hercules has now opened a representative office ("RO") in Tianjin, close to Beijing. The RO will initially serve Hercules' cylinder manufacturing customers and give valuable in-country experience to prepare for a broader offering targeted at the Aftermarket.

In Canada, sales were maintained at prior year levels. This was a creditable performance, given the generally unhelpful market conditions in Eastern Canada and the consolidation of Hercules' Western operations into Edmonton, following the closure of the Vancouver office in the first quarter.

The Bulldog business delivered strong growth and further enhanced its presence in the Aftermarket for engine parts for heavy mobile equipment. The principal driver for growth has been international sales which now represent 66% of Bulldog's sales. The weaker US dollar has been helpful, but equally important have been the increased focus on productive sales territories, monthly marketing communications and high customer service standards. The business has also benefited from investment to extend the product line and to install high capacity, automated gasket cutting equipment.

HKX sales are driven most strongly by the sales of new excavators. Excavator sales were significantly down on the prior year record levels and orders were delayed due to market uncertainty and in anticipation of new model introductions. HKX's existing larger customers experienced this slowdown, but HKX was still able to generate sales growth by further market penetration. The product concept offered by HKX is still relatively new and the business was able to use its expanded field sales force to penetrate and grow in new accounts.

With the market for new excavators still depressed, HKX will continue to target new accounts, as well as focus on operators looking to increase machine utilisation by fitting alternative attachments to their existing fleets of excavators.

FPE sales benefited from the small bolt-on acquisition of Hydraflow in March 2007. The principal driver for growth however, came from the increased focus on export business which grew by over 25%.

The acquisition of **M Seals** was completed in August 2007. M Seals is a leading distributor of industrial seals based in Espergaerde, close to Copenhagen in Denmark. Some 80% of sales are in Denmark and the remaining 20% in Sweden (where M Seals has a sales office), China and other overseas markets.

M Seals has a solid level of existing business built on multi-year supply agreements with key customers. Products range from the finest precision seals for hearing aids to large heavy duty seals for wind power mills. M Seals is a good example of a well run and profitable, specialised seal distributor with value added activities.

CONTROLS

The Controls businesses delivered an outstanding performance in 2007 with sales increasing by 13% to £60.0m (2006: £53.1m) and operating profit increasing by 24% to £9.7m (2006: £7.8m). The significant growth in the businesses had a positive impact on operating margins which increased to 16.2% (2006: 14.7%).

The sector growth has been largely organic since the Euro exchange rate has remained broadly unchanged and the acquisition of Cabletec in August 2007 contributed only £1.0m of sales and £0.1m of operating profit to the 2007 results.

Sommer Filcon increased sales and operating profits by over 25% with the principal driver of growth being the major contract successes in the Filcon connector business. Deliveries for the Eurofighter Tranche 2 project peaked in the year, but Filcon also supplied other military projects, including the Tornado up-grade, Tiger and NH90 helicopters and various missile programmes.

There were also successes in non military projects. Filcon benefited from the first shipments of connectors for the Transrapid trains being built for the extension of the track in Shanghai. Filcon also supplied connectors into a number of Motorsport teams in Formula 1, DTM Masters and other racing series.

Sommer benefited from the general strengthening of the German manufacturing sector and continued its steady growth in the supply of specialised wire, cable and heat shrink tubing to its target Aerospace & Defence, Medical and Motorsport segments. Sommer is also selectively expanding its supplier base and concluded an agreement with a Spanish supplier of specialised cable protection products for aerospace and defence applications.

The **IS-Group** continued to grow strongly with good contributions across all business segments. The core IS-Rayfast ("ISR") business continued to benefit from strong Defence industry sales, both from supplying the Urgent Operational Requirements ("UORs") for the military, but also from project work, including armoured vehicle refits and weapons system upgrades. Marine sales were also steady as ISR continued to supply the Type 45 destroyer and Astute submarine programmes. These programmes will bring continuing business to ISR as both are well established in their build programmes. In addition, sales into the Power Generation market continued to grow.

International sales continued to grow with increases in both direct export sales and from sales in the role of master distributor for ISR's major supplier. The representative office in China is now fully operational and the focus is on developing the strong customer relationships which will be the key to long term success.

Cabletec, acquired in August 2007 and based in Western-super-Mare, is a supplier of wiring and interconnect products to the Aerospace (both civil and military), Rail and Commercial Electronics industries. Cabletec's traditional business is the distribution of a range of specialised wiring and harness components, very similar to those supplied by ISR. The customer base for these products is again the Tier 2 and Tier 3 sub-contractors and MRO service providers. In addition, Cabletec supplies a range of manufactured products, including flexible braided products and multi-core cables which give greater access to the Tier 1 OEMS. The acquisition of Cabletec will broaden the IS-Group product portfolio and add further depth with its proven added value and niche manufacturing skills.

IS-Motorsport ("ISM") and Clarendon delivered strong double digit growth. In the UK, these businesses delivered an excellent performance in an industry which continues to focus on cost reduction. An example of the customer-focused application support provided this year, has been the development of a new lightweight, smaller diameter wire, which will contribute to growth in 2008. Success has also been achieved supplying to F1 teams in Continental Europe. In the US, ISM has now established itself across all the key racing series, including IRL, NASCAR, ALMS, Grand-Am and Champcar. The new sales office in North Carolina will open in January 2008, with its principal focus on NASCAR customers.

The market conditions for **Hawco** in the UK remain challenging, with competitive and pricing pressures bearing down on UK manufacturing. Hawco is working hard to mitigate the effects with several customer focused initiatives, including a Contractor Guide and the promotion of the "Quick Pick" range of fast moving products. In addition, resources have been trimmed to match activity levels, with the sales operations now consolidated into Guildford.

FINANCIAL REVIEW

IFRS and alternative performance measures

The Group's consolidated financial statements have been prepared in accordance with IFRS since 1 October 2004. There have been no changes to the Group's accounting policies this year and no new IFRSs have been adopted at 30 September 2007; however, in accordance with IAS 32 and with guidance issued by the International Financial Reporting Interpretations Committee ("IFRIC") in November 2006, the Group has recognised in the consolidated balance sheet at 30 September 2007, a liability of £11.8m for the net present value of the Directors' current estimate of the future payments it will need to make to acquire the minority shareholdings in Somagen, AMT and M Seals. The comparative period has not been restated as the amounts are not material.

The impact of IFRS on the financial statements continues to highlight to the Directors the importance of alternative financial performance measures. These measures, which are not defined in IFRS, are used by the Board for internal management reporting purposes to assess the underlying operational performance of the Group and its businesses. As such, the Board believes these performance measures are important and should be considered alongside the IFRS measures. The alternative performance measures, which have been used in this Announcement, are described in note 2.

Results for the year

Revenue increased by 10% to £140.7m and operating profit, before the sale of property and amortisation of acquisition intangible assets, increased by 14% to £22.1m. The results included an aggregate contribution to revenue and operating profit of £7.7m and £0.9m respectively, from the businesses acquired during the financial year.

The principal currencies in which the Group operates all weakened against UK sterling during the financial year, in particular the US dollar, which weakened by 10%. This deterioration in average rates led to an effective reduction in revenue and operating profits of £4.7m and £0.9m respectively, on translation of the results of the Group's overseas businesses. However the relative strength of UK sterling, the Euro and the Canadian dollar against the US dollar, brought some benefit to the gross margins of businesses which sourced products from the US.

Operating margins, before amortisation of acquisition intangible assets, again improved in 2007 to 15.7% from 15.1% last year. Improved operating margins in the Seals and Controls sectors more than offset a weaker margin in the Life Sciences sector.

After generating interest income of £1.2m on cash funds held during the year, adjusted profit before tax increased by 14% to £23.3m (2006: £20.4m).

Taxation

The Group's adjusted effective tax charge represented 32.2% (2006: 29.9%) of adjusted profit before tax. Last year's effective tax rate benefited from prior year tax credits of £0.6m; excluding the impact of these prior year tax credits, the effective tax rate would have been 32.8%. These rates compare with a corporate tax rate of 30% in the UK and approximately 36% on profits earned in North America and Germany. The UK, Germany and Canada have confirmed that it is their intention to reduce their respective national corporate tax rates from 2008 and beyond. The impact of these reduced rates has been taken into account in calculating deferred tax at 30 September 2007.

Earnings and dividends

Adjusted earnings per share increased 11% to 69.8p compared with 62.8p last year. The Board has proposed a final dividend of 18.0p per share, which will give a total dividend for the year of 27.0p, an increase of 4.0p, or 17% on last year. The dividend for the year is covered 2.6 times by adjusted earnings.

Free cash flow

The Group's free cash flow, which is before expenditure on dividends and business combinations, was £13.2m compared with £24.3m last year. Last year's free cash flow included £11.0m from the sale of the Stamford land.

Operating cash flow increased by £2.1m to £23.0m. A seasonal reduction in working capital of £3.7m in the second half of the year limited the year on year increase in working capital to £1.1m, despite an underlying increase in revenues. A significant upgrade in IT facilities in the UK Life Sciences businesses, costing £0.6m, led to expenditure on tangible assets of £2.2m, being 22% above the annual depreciation charge of £1.8m. Other additions included £0.5m of field equipment for the Life Sciences business, £0.3m for further warehouse automation and tooling, and £0.6m on improvements to the general IT infrastructure across the Group.

Cash tax paid of £8.0m (2006: £7.1m) represented an effective tax cash rate of 34.3%; the Group's Employee Benefit Trust also took advantage of a weaker share price during part of the year to acquire a further 147,515 shares in the Group at a cost of £1.3m (2006: £0.1m).

After spending £31.6m on the acquisition of businesses, as described below, the Group's cash funds reduced by £24.3m to £12.4m at 30 September 2007.

Acquisitions

The Group spent £31.1m of its cash resources in acquiring several businesses during the financial year and £0.5m of deferred consideration was paid to the vendors of HKX, acquired last year. The acquisitions included CBISS, which was acquired in October 2006 and AMT, Cabletec and M Seals, which were acquired in August 2007. Full details of each of these businesses are set out in note 8 of this Announcement. With the exception of M Seals, the terms of each acquisition provide for additional consideration to be payable in 2008, depending on the financial performance of each business in the year. The maximum amount of deferred consideration payable in 2008 is £2.2m, of which £1.7m has been provided in the financial statements at 30 September 2007.

The Group owns 80% of Somagen, 75% of AMT and 90% of M Seals and retains put/call options to acquire the outstanding share capital in these companies; these options can be exercised between 1 October 2007 and 31 December 2012. The consideration will be based upon a multiple of operating profits at the time of exercise of the option. The Group's current best estimate of the likely amounts payable in future years to acquire these minority interests is £11.8m; this amount has been included as a liability in the balance sheet at 30 September 2007. A corresponding entry has been made to deduct £11.8m from retained earnings, in the absence of any guidance in IFRS. In future years, this estimate will be reassessed and any changes to the estimate will be charged or credited to the income statement, as part of finance income or expense, as required by IFRS. During the year the outstanding 5% share capital of Hawco was acquired for cash proceeds of £0.7m.

Since 30 September 2007, the Group has secured a revolving advance facility of £20m to continue to pursue appropriate acquisition opportunities.

Land at Stamford

Following the sale last year of the former brickworks site of Williamson Cliff (referred to as Phase 3 of the Stamford land), the Group retains approximately 150 acres of farm and former quarry land in Stamford, which in the opinion of the Directors is unlikely to be worth more than £0.5m in its present condition. The Directors do not expect that there will be any further disposal of this land in the foreseeable future.

Acquisition intangible assets and goodwill

The Directors completed an assessment of the fair value of the intangible assets identified in each of the acquired businesses and these were valued in aggregate at £18.7m. These assets included both strong "customer relationships" and "supplier relationships", which are considered key to the future success of the acquired businesses and were valued on acquisition at £9.1m and £8.5m, respectively. The amount paid for these businesses, in excess of the value of the tangible and intangible assets, represented goodwill of £14.2m. This goodwill largely comprises the value, in each of the businesses, which relates to both the product know-how held by the employees and to the prospects for sales growth in the future from both new customers and new products. Goodwill also includes £5.6m in respect of deferred tax, which under IFRS, must be recognised on the intangible assets identified in the acquired businesses. Acquisition intangible assets will be amortised over their expected useful economic lives of between five and fifteen years; goodwill is not amortised.

The Directors have carried out an impairment review of the total Group goodwill of £42.7m held at 30 September 2007 and are satisfied that none of this goodwill has been impaired.

Pensions

Pension benefits to employees are provided through defined contribution schemes at an aggregate cost in 2007 of £0.7m (2006: £0.6m). In addition, in the UK, the Group retains a small number of legacy defined benefit pension schemes which are closed to future accrual. At 30 September 2007 the deficit in these retirement benefit obligations had reduced significantly to £1.6m (2006: £4.7m). A small increase in the margin between the rate used to discount the liabilities and the assumed inflation rate, together with the benefit from higher investment returns and the Group's cash contributions of £0.3m, led to this reduction in the pension liability.

During the year, a formal actuarial valuation of the legacy Anachem scheme was completed. This showed a significant improvement in the ongoing cash funding position, since the last valuation, to 91% (2006: 69%). As a result the ongoing cash contribution to the Anachem scheme has been reduced to £120,000 p.a. from £251,000 p.a. The company will continue to meet all of the expenses of running the scheme.

The aggregate retirement benefit obligations, net of deferred tax, at 30 September 2007 was £1.2m (2006: £3.3m) which equates to 1.3% of total shareholders' equity.

Shareholders' equity

The impact of having to deduct from retained earnings, the estimated amount payable in future years to the outstanding minority shareholders, has led to a net reduction in shareholders' equity of £2.2m to £90.7m at 30 September 2007; shareholders' equity is now equivalent to 400p per share compared with 410p last year. The Group's return on trading capital employed, which is defined in note 2 of this Announcement, has improved to 24.2%, from 23.9% last year.

The Board has confirmed that it intends to seek shareholders' approval at the AGM to increase the number of ordinary shares in issue by a 4 for 1 bonus issue. This will proportionately reduce the market price of an ordinary share and it is anticipated will improve the liquidity of the Group's shares. A proposed timetable for the issue of the bonus shares is set out in note 9 of this Announcement.

CONSOLIDATED INCOME STATEMENT

for the year ended 30 September 2007

	Note	2007 £m	2006 £m
REVENUE	3,4	140.7	128.2
Cost of sales		(90.1)	(82.4)
Gross profit		50.6	45.8
Distribution costs		(4.2)	(3.7)
Administration costs		(24.3)	(22.7)
Amortisation of acquisition intangible assets		(1.0)	(0.3)
OPERATING PROFIT before sale of property	3,4	21.1	19.1
Profit on sale of property	3	-	11.1
OPERATING PROFIT		21.1	30.2
Finance income		1.2	1.0
PROFIT BEFORE TAX		22.3	31.2
Tax expense	5	(7.5)	(7.0)
PROFIT FOR THE YEAR		14.8	24.2
Attributable to:			
Shareholders of the Company		14.3	23.7
Minority interests		0.5	0.5
		14.8	24.2
EARNINGS PER SHARE			
Basic and diluted earnings	6	63.6p	105.5p

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

Alternative Performance Measures (note 2)			
	Note	2007 £m	2006 £m
Profit before tax		22.3	31.2
Less: Profit on sale of property		-	(11.1)
Add: Amortisation of acquisition intangible assets		1.0	0.3
ADJUSTED PROFIT BEFORE TAX		23.3	20.4
ADJUSTED EARNINGS PER SHARE	6	69.8p	62.8p

CONSOLIDATED BALANCE SHEET

as at 30 September 2007

	2007 £m	2006 £m
NON-CURRENT ASSETS		
Goodwill	42.7	28.0
Acquisition intangible assets	20.1	2.0
Other intangible assets	1.0	0.6
Property, plant and equipment	11.7	9.5
Deferred tax assets	1.5	3.4
	77.0	43.5
CURRENT ASSETS		
Inventories	27.4	22.9
Trade and other receivables	26.0	20.4
Cash and cash equivalents	12.4	36.7
	65.8	80.0
CURRENT LIABILITIES		
Trade and other payables	(27.1)	(20.9)
Current tax liabilities	(3.0)	(2.9)
Other liabilities	(4.8)	(0.5)
	(34.9)	(24.3)
NET CURRENT ASSETS		
	30.9	55.7
TOTAL ASSETS LESS CURRENT LIABILITIES		
	107.9	99.2
NON-CURRENT LIABILITIES		
Retirement benefit obligations	(1.6)	(4.7)
Other liabilities	(8.7)	-
Deferred tax liabilities	(5.1)	-
	(15.4)	(4.7)
NET ASSETS		
	92.5	94.5
EQUITY		
Share capital	1.1	1.1
Capital redemption reserve	0.2	0.2
Translation reserve	0.6	0.7
Hedging reserve	(0.6)	-
Retained earnings	89.4	90.9
TOTAL SHAREHOLDERS' EQUITY		
	90.7	92.9
Minority interests	1.8	1.6
	92.5	94.5
TOTAL EQUITY		
	92.5	94.5

**CONSOLIDATED STATEMENT OF
RECOGNISED INCOME AND EXPENSE**
for the year ended 30 September 2007

	2007 £m	2006 £m
Exchange rate adjustments on foreign currency net investments	(0.1)	(1.5)
Changes in fair value of cash flow hedges	(0.6)	0.1
Actuarial gains/(losses) on defined benefit pension schemes	2.7	(0.6)
Deferred tax	(0.6)	0.2
Net income /(expense) recognised directly in equity for the year	1.4	(1.8)
Profit for the year	14.8	24.2
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE YEAR	16.2	22.4
Attributable to:		
Shareholders of the Company	15.8	21.9
Minority interests	0.4	0.5
	16.2	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 year attributable to shareholders	-	-	(1.5)	0.1	23.3	21.9
Share-based payments expense	-	-	-	-	0.5	0.5
Purchase of own shares	-	-	-	-	(0.1)	(0.1)
Dividends	-	-	-	-	(4.7)	(4.7)
At 30 September 2006	1.1	0.2	0.7	-	90.9	92.9
Total recognised income and expense for the year attributable to shareholders	-	-	(0.1)	(0.6)	16.5	15.8
Share-based payments expense	-	-	-	-	0.5	0.5
Purchase of own shares	-	-	-	-	(1.3)	(1.3)
Future purchases of minority interests	-	-	-	-	(11.8)	(11.8)
Dividends	-	-	-	-	(5.4)	(5.4)
At 30 September 2007	1.1	0.2	0.6	(0.6)	89.4	90.7

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 30 September 2007

	Note	2007 £m	2006 £m
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash flow from operations	7	23.0	20.9
Finance income received		1.1	1.0
Tax paid		(8.0)	(7.1)
NET CASH FROM OPERATING ACTIVITIES		16.1	14.8
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries (net of cash acquired)	8	(31.1)	(7.0)
Deferred consideration paid	8	(0.5)	(1.0)
Proceeds from the sale of property, plant and equipment		0.6	11.0
Purchase of property, plant and equipment		(1.6)	(1.3)
Purchase of other intangible assets		(0.6)	(0.1)
NET CASH (USED IN)/FROM INVESTING ACTIVITIES		(33.2)	1.6
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to shareholders		(5.4)	(4.7)
Dividends paid to minority interests		(0.3)	(0.3)
Purchase of own shares		(1.3)	(0.1)
NET CASH USED IN FINANCING ACTIVITIES		(7.0)	(5.1)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(24.1)	11.3
Cash and cash equivalents at beginning of year		36.7	25.7
Effect of exchange rates on cash and cash equivalents		(0.2)	(0.3)
CASH AND CASH EQUIVALENTS AT END OF YEAR		12.4	36.7

Alternative Performance Measures (note 2)	2007 £m	2006 £m
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(24.1)	11.3
Add: Dividends paid to shareholders	5.4	4.7
Dividends paid to minority interests	0.3	0.3
Acquisition of subsidiaries (net of cash acquired)	31.1	7.0
Deferred consideration paid	0.5	1.0
FREE CASH FLOW	13.2	24.3

NOTES TO THE PRELIMINARY ANNOUNCEMENT for the year ended 30 September 2007

1. GENERAL INFORMATION

Diploma PLC is a public limited company registered and domiciled in England and Wales and listed on the London Stock Exchange. The address of the registered office is 12 Charterhouse Square, London, EC1M 6AX. The consolidated financial statements comprise the Company and its subsidiaries (together referred to as the "Group") and were authorised by the Directors for publication on 26 November 2007. The statements are presented in UK sterling, with all values rounded to the nearest one hundred thousand, except where otherwise indicated.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union, and in accordance with the Companies Act 1985, as applicable to companies reporting under IFRS. The accounting policies have been consistently applied in 2007 and the comparative period.

The financial information set out in this Preliminary Announcement, which has been extracted from the audited consolidated financial statements, does not constitute the Group's statutory financial statements for the years ended 30 September 2007 and 2006. Statutory financial statements for the year ended 30 September 2006 have been delivered to the Registrar of Companies. The statutory financial statements for the year ended 30 September 2007, which were approved by the Directors on 26 November 2007, will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

The auditors have reported on the consolidated financial statements for the years ended 30 September 2007 and 2006. The reports were unqualified and did not contain a statement under Section 237(2) or (3) of the Companies Act 1985.

The Company's Annual General Meeting will be held at 12.00 midday on 17 January 2008 in the Brewers Hall, Aldermanbury Square, London, EC2V 7HR. The Notice of Meeting will be set out in a separate Circular to shareholders.

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 Preliminary Announcement.

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, fair value remeasurements under IAS 32 and IAS 39 in respect of future purchases of minority interests, and the amortisation and impairment of 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 year. 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, 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.

NOTES TO THE PRELIMINARY ANNOUNCEMENT (continued) for the year ended 30 September 2007

2. ALTERNATIVE PERFORMANCE MEASURES (continued)

2.4 Trading capital employed

In the segment analysis in note 3, "trading capital employed" is reported, being defined as net assets less cash and cash equivalents and after adding back retirement benefit obligations, deferred tax, amounts in respect of future purchases of minority interests and adjusting for goodwill in respect of the recognition of deferred tax on acquisition intangible assets. Return on trading capital employed is defined as being adjusted profit before finance income and tax, divided by trading capital employed plus all historic goodwill and as adjusted for the timing effect of major acquisitions and disposals. The Directors believe that return on trading capital employed is an important measure of the underlying performance of the Group and of each of the businesses.

3. BUSINESS SEGMENT ANALYSIS

For management reporting purposes, the Group is organised into three main business segments, Life Sciences, Seals and Controls. These segments form the basis of the primary reporting format disclosures below. Segment revenue represents revenue to external customers; there is no inter-segment revenue. Segment results, assets and liabilities include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis.

		Life Sciences		Seals		Controls		Total	
		2007	2006	2007	2006	2007	2006	2007	2006
		£m	£m	£m	£m	£m	£m	£m	£m
Revenue	- continuing operations	38.7	39.2	35.3	35.9	59.0	53.1	133.0	128.2
	- acquisitions	6.0	-	0.7	-	1.0	-	7.7	-
Total revenue		44.7	39.2	36.0	35.9	60.0	53.1	140.7	128.2
Segment operating profit	- continuing operations	5.9	6.1	5.7	5.5	9.6	7.8	21.2	19.4
	- acquisitions	0.7	-	0.1	-	0.1	-	0.9	-
Total segment operating profit		6.6	6.1	5.8	5.5	9.7	7.8	22.1	19.4
Amortisation of acquisition intangible assets		(0.6)	-	(0.3)	(0.3)	(0.1)	-	(1.0)	(0.3)
		6.0	6.1	5.5	5.2	9.6	7.8	21.1	19.1
Profit on sale of property								-	11.1
OPERATING PROFIT								21.1	30.2

Segment assets exclude cash and cash equivalents, deferred tax assets and corporate assets that cannot be allocated on a reasonable basis to a business segment. Segment liabilities exclude retirement benefit obligations, deferred tax liabilities and corporate liabilities that cannot be allocated on a reasonable basis to a business segment. These items are shown collectively in the following analysis as "unallocated assets" and "unallocated liabilities", respectively.

In 2006 the Group sold 12.2 acres of land in Stamford, East Midlands for consideration of £11.5m, after expenses. Tax of £0.9m was provided on the gain of £11.1m, having taken account of available capital losses.

NOTES TO THE PRELIMINARY ANNOUNCEMENT (continued)
for the year ended 30 September 2007

3. BUSINESS SEGMENT ANALYSIS (continued)

	Life Sciences		Seals		Controls		Total	
	2007 £m	2006 £m	2007 £m	2006 £m	2007 £m	2006 £m	2007 £m	2006 £m
Operating assets	20.8	15.2	18.4	17.4	23.8	20.0	63.0	52.6
Goodwill	23.4	13.8	7.4	4.7	11.9	9.5	42.7	28.0
Acquisition intangible assets	12.4	–	5.4	2.0	2.3	–	20.1	2.0
	56.6	29.0	31.2	24.1	38.0	29.5	125.8	82.6
Unallocated assets:								
– Deferred tax assets							1.5	3.4
– Cash and cash equivalents							12.4	36.7
– Corporate assets							3.1	0.8
TOTAL ASSETS							142.8	123.5
Operating liabilities	(11.3)	(7.5)	(4.1)	(3.6)	(11.1)	(9.3)	(26.5)	(20.4)
Unallocated liabilities:								
– Deferred tax liabilities							(5.1)	–
– Retirement benefit obligations							(1.6)	(4.7)
– Future purchases of minorities							(11.8)	–
– Corporate liabilities							(5.3)	(3.9)
TOTAL LIABILITIES							(50.3)	(29.0)
NET ASSETS							92.5	94.5

OTHER SEGMENT INFORMATION

Capital expenditure	1.3	0.5	0.5	0.7	0.4	0.2	2.2	1.4
Depreciation (including software)	0.9	0.8	0.6	0.6	0.3	0.2	1.8	1.6

ALTERNATIVE PERFORMANCE MEASURES (note 2)	Life Sciences		Seals		Controls		Total	
	2007 £m	2006 £m	2007 £m	2006 £m	2007 £m	2006 £m	2007 £m	2006 £m
Net assets							92.5	94.5
Add/(less):								
– Deferred tax, net							3.6	(3.4)
– Retirement benefit obligations							1.6	4.7
– Future purchases of minorities							11.8	–
– Cash and cash equivalents							(12.4)	(36.7)
– Adjustment to goodwill	(3.9)	–	(1.1)	–	(0.6)	–	(5.6)	–
GROUP TRADING CAPITAL EMPLOYED							91.5	59.1
Add: Corporate liabilities, net							2.2	3.1
SEGMENT TRADING CAPITAL EMPLOYED	41.4	21.5	26.0	20.5	26.3	20.2	93.7	62.2

NOTES TO THE PRELIMINARY ANNOUNCEMENT (continued)
for the year ended 30 September 2007

4. GEOGRAPHIC SEGMENT ANALYSIS

	Revenue		Segment operating profit*		Gross assets		Trading capital employed		Capital expenditure	
	2007 £m	2006 £m	2007 £m	2006 £m	2007 £m	2006 £m	2007 £m	2006 £m	2007 £m	2006 £m
United Kingdom	66.6	58.7	8.8	7.2	55.8	63.0	26.6	16.6	1.2	0.4
Rest of Europe	25.1	20.2	4.3	3.4	22.5	11.8	16.4	8.6	0.3	0.1
North America	49.0	49.3	9.0	8.8	64.5	48.7	48.5	33.9	0.7	0.9
	140.7	128.2	22.1	19.4	142.8	123.5	91.5	59.1	2.2	1.4

* before amortisation of acquisition intangible assets

5. TAXATION

The Group's adjusted effective tax charge represented 32.2% (2006: 29.9%) of adjusted profit before tax. Last year's effective tax rate benefited from prior year tax credits of £0.6m; excluding the impact of these prior year tax credits, the effective tax rate would have been 32.8%. These rates compare with a corporate tax rate of 30% in the UK and approximately 36% on profits earned in North America and Germany.

6. 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 year of 22,494,786 (2006: 22,468,648) and the profit for the year attributable to shareholders of £14.3m (2006: £23.7m). There were no potentially dilutive shares.

Adjusted earnings per share

Adjusted earnings per share, which is defined in note 2, are calculated as follows:

	2007 pence per share	2006 pence per share	2007 £m	2006 £m
Profit before tax			22.3	31.2
Tax expense			(7.5)	(7.0)
Minority interests			(0.5)	(0.5)
Earnings for the year attributable to shareholders of the Company	63.6	105.5	14.3	23.7
Profit on sale of property, net of tax	-	(45.3)	-	(10.2)
Amortisation of acquisition intangible assets	4.4	1.3	1.0	0.3
Tax effects on goodwill and acquisition intangible assets	1.8	1.3	0.4	0.3
ADJUSTED EARNINGS	69.8	62.8	15.7	14.1

NOTES TO THE PRELIMINARY ANNOUNCEMENT (continued)
for the year ended 30 September 2007

7. RECONCILIATION OF CASH FLOW FROM OPERATIONS

	2007 £m	2006 £m
Profit for the year	14.8	24.2
Depreciation	1.8	1.6
Amortisation of acquisition intangible assets	1.0	0.3
Share-based payments expense	0.5	0.5
Finance income	(1.2)	(1.0)
Profit on disposal of property	-	(11.1)
Tax expense	7.5	7.0
Operating cash flow before changes in working capital	24.4	21.5
Increase in inventories	(0.2)	(1.6)
Increase in trade and other receivables	(1.2)	(0.1)
Increase in trade and other payables	0.3	1.4
Cash paid into defined benefit schemes	(0.3)	(0.3)
CASH FLOW FROM OPERATIONS	23.0	20.9

8. ACQUISITIONS

AMT Vantage Holdings Inc

On 28 August 2007, the Group acquired 75% of the share capital of AMT Vantage Holdings Inc ("AMT"), a leading distributor of speciality electrosurgery and endoscopy equipment and related consumables to hospitals across Canada. The initial consideration was £13.2m (C\$27.8m), net of cash acquired and including acquisition expenses. Further deferred consideration, up to a maximum of £1.2m (C\$2.5m), will be payable in November 2008, depending on the operating profit of AMT achieved in the twelve months ending 30 September 2008.

Other acquisitions

On 10 October 2006, the Group acquired 100% of CBISS Limited ("CBISS"), a leading supplier of equipment and services for environmental monitoring and control in the United Kingdom. The initial consideration was £4.5m, net of cash acquired and including acquisition expenses. Further deferred consideration, up to a maximum of £0.5m, will be payable in November 2008, depending on the operating profits of CBISS achieved in the twenty four months ending 30 September 2008.

On 3 August 2007, the Group acquired 100% of Cabletec Interconnect Components Systems Limited ("Cabletec"), a leading supplier of wiring and connector products to the aerospace, defence and commercial electronic industries in the United Kingdom. The initial consideration was £5.9m, net of cash acquired and including acquisition expenses. Further deferred consideration, up to a maximum of £0.5m, will be payable in November 2008, depending on the gross profit of Cabletec achieved in the twelve months following acquisition by the Group.

On 22 August 2007, the Group acquired 90% of M Seals A/S ("M Seals"), a leading distributor of industrial seals in Denmark. The consideration, including debt acquired and acquisition expenses, was £6.5m (DKK70.7).

On 26 June 2007, the Group acquired the outstanding 5% of the ordinary share capital of its subsidiary HA Wainwright (Group) Limited for cash consideration of £0.7m. In addition to these acquisitions during the year, the Group also acquired certain trade assets, including supply agreements, for aggregate consideration of £0.3m.

NOTES TO THE PRELIMINARY ANNOUNCEMENT (continued) for the year ended 30 September 2007

8. ACQUISITIONS (continued)

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

The consideration paid for all of the acquisitions set out above was paid in cash and met from the Group's existing cash resources.

Future purchases of minority interests

The Group also retains put/call options to acquire the outstanding minority shareholding in Somagen, AMT and M Seals. Under IAS 32 (Financial Instruments: Presentation) and IAS 39 (Financial Instruments: Recognition and Measurement), these put/call options are designated as "financial instruments". As such, the net present value of the estimated future payments under the put option must be shown as a financial liability, with a corresponding entry to equity as a deduction against retained earnings. At the end of each financial year, the estimate of this financial liability will be reassessed and any change in value must be charged, or credited, in the income statement, as finance income or expense. The estimate of these future payments are dependent on the underlying performance of the businesses and on movements in foreign exchange rates.

At 30 September 2007, this financial liability was £11.8m (2006: £Nil), of which £3.1m falls due within one year.

Set out below is an analysis of the net book value and provisional fair value of the net assets acquired and the consideration payable in respect of the acquisitions completed during the year.

	AMT		Other		Total	
	Book value £m	Fair value £m	Book value £m	Fair value £m	Book value £m	Fair value £m
Acquisition intangible assets	-	9.4	-	9.3	-	18.7
Property, plant & equipment	0.5	0.5	1.8	2.1	2.3	2.6
Inventories	0.8	0.9	2.6	2.6	3.4	3.5
Trade and other receivables	1.3	1.7	3.4	3.4	4.7	5.1
Trade and other payables	(1.2)	(1.7)	(3.8)	(3.9)	(5.0)	(5.6)
Deferred tax on intangible assets	-	(3.2)	-	(2.4)	-	(5.6)
	1.4	7.6	4.0	11.1	5.4	18.7
Minority's share of net assets		(0.4)		0.3		(0.1)
Net assets acquired by Group		7.2		11.4		18.6
Goodwill arising on acquisition		7.2		7.0		14.2
		14.4		18.4		32.8
Satisfied by:						
Cash paid		13.1		18.7		31.8
Cash acquired		(0.3)		(1.0)		(1.3)
Expenses of acquisition		0.4		0.2		0.6
Net cash paid		13.2		17.9		31.1
Provision for deferred consideration payable		1.2		0.5		1.7
Total consideration		14.4		18.4		32.8

NOTES TO THE PRELIMINARY ANNOUNCEMENT (continued) for the year ended 30 September 2007

8. ACQUISITIONS (continued)

AMT

The fair values in respect of intangible assets are due to the recognition of £4.0m in respect of customer relationships and £5.4m in respect of supplier relationships which have been independently valued. Goodwill represents the value of expected growth in the business from new sales activity and from the assembled work force. Goodwill also includes £3.2m in respect of a deferred tax liability which must be recognised on the valuation of acquisition intangible assets. The adjustments to the constituents of trading capital employed relate to a combination of valuation adjustments and adjustments to bring the accounting policies of AMT onto the same basis as those of the Group. The valuation adjustments are provisional and are based on managements' best estimates. The fair value adjustments relating to this acquisition will be finalised in the 2008 financial statements.

From the date of acquisition to 30 September 2007, AMT contributed £0.8m to revenue and £0.2m to operating profit, before amortisation of acquisition intangible assets. If the acquisition of AMT had been made at the beginning of the financial year, AMT would have contributed £8.0m to revenue and £0.3m to profit after tax. Profit after tax takes into account the amortisation of acquired intangible assets, together with related tax effects and should not be viewed as indicative of the results of operations that would have occurred, if the acquisition had been made at the beginning of the year.

Other acquisitions

The fair values in respect of intangible assets are due to the recognition of £5.1m in respect of customer relationships, £3.1m in respect of supplier relationships and £1.1m in respect of databases, all of which have been independently valued. Goodwill represents the aggregate of the value of expected growth in the business from new sales activity, the benefit of synergies and the assembled work force. Goodwill also includes £2.4m in respect of a deferred tax liability which must be recognised on the valuation of acquisition intangible assets. The adjustments to the constituents of trading capital employed relate to a combination of valuation adjustments and adjustments to bring the accounting policies of the acquired businesses onto the same basis as those of the Group. The valuation adjustments are provisional and are based on managements' best estimates. The fair value adjustments relating to these acquisitions will be finalised in the 2008 financial statements.

From the date of acquisition to 30 September 2007, these acquired businesses contributed £6.9m to revenue and £0.7m to operating profit, before amortisation of acquisition intangible assets. If the acquisition of the acquired businesses had been made at the beginning of the financial year, the acquired businesses would have contributed £16.9m to revenue and £0.1m to profit after tax. Profit after tax takes into account the amortisation of acquired intangible assets, together with related tax effects and should not be viewed as indicative of the results of these acquired operations that would have occurred if these acquisitions had been made at the beginning of the year.

NOTES TO THE PRELIMINARY ANNOUNCEMENT (continued) for the year ended 30 September 2007

9. PROPOSED BONUS ISSUE OF ORDINARY SHARES

The Directors have today announced their intention to seek shareholders' approval at the Annual General Meeting on 17 January 2008 for a 4 for 1 bonus issue of ordinary shares. Full details of this proposed bonus issue will be included in a separate Circular to shareholders setting out the business to be conducted at the Annual General Meeting. The expected timetable of principal events relating to the bonus issue is as follows:

	Time and date
Annual General Meeting	12.00 midday on 17 January 2008
Latest time to be eligible for Bonus Issue (holders of ordinary Shares entered on register of members)	Close of business on 18 January 2008
New ordinary shares issued, allotted and admitted to the Official List and dealings commence	By 8.00 a.m. on 21 January 2008
CREST accounts credited and share certificates issued and posted to shareholders	25 January 2008

If circumstances result in the expected timetable being changed, shareholders will be informed by announcement to the UK Listing Authority and by advertisement in the UK press, and such announcement will include details of dates relevant for the purposes of dealings and settlement.

10. DIVIDENDS

Subject to approval at the Annual General Meeting, a proposed final dividend of 18.0p per share (2006: 15.0p) will be paid on 24 January 2008 to ordinary shareholders on the register at the close of business on 7 December 2007. The bonus shares will not rank for the final dividend.

11. EXCHANGE RATES

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

	Average 2007	Average 2006	Closing 2007	Closing 2006
US Dollar	1.98	1.80	2.04	1.87
Canadian Dollar	2.18	2.05	2.02	2.08
Euro	1.48	1.46	1.43	1.47