

FOR IMMEDIATE RELEASE

17 November 2008

ANNOUNCEMENT OF PRELIMINARY RESULTS
FOR YEAR ENDED 30 SEPTEMBER 2008

	<u>2008</u> £m	<u>2007</u> £m
Revenue	172.3	140.7
Operating profit ⁽¹⁾	27.3	22.1
Operating margin ⁽¹⁾	15.8%	15.7%
Adjusted profit before tax ^{(1), (2)}	27.5	23.3
Profit before tax	21.8	22.3
Free cash flow ⁽²⁾	18.0	13.2
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	Pence	Pence
Adjusted earnings per share ^{(1), (2), (3)}	16.4	14.0
Basic earning per share ⁽³⁾	11.8	12.7
Total dividends per share ⁽³⁾	7.5	5.4
Free cash flow per share ^{(2), (3)}	16.0	11.7

(1) Before amortisation of acquisition intangible assets.

(2) Alternative performance measures are defined in note 2 to the consolidated financial statements in this Preliminary Announcement.

(3) Comparative numbers restated to adjust for the impact of the January 2008 bonus issue.

- Revenue and adjusted profit before tax up **22%** and **18%** respectively; adjusted earnings per share up **17%** at **16.4p**.
- Strong contributions from acquisitions completed in 2007.
- Underlying revenue and operating profits up **3%**, after adjusting for currency effects and acquisitions. Operating margins remain strong and stable.
- Results demonstrate the resilience of the businesses; achieved through focus on specialised technical products and services largely funded by operating, rather than capital budgets.
- Free cash flow of **£18.0m** for the year; net cash funds at 30 September 2008 were **£15.7m** with additional committed bank facilities of £20.0m.
- Total dividends up **39%** to **7.5p**, reflecting the Directors' policy to target dividend cover towards 2.0 times, based on adjusted earnings per share.

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

"The acquisitions completed last year have contributed to another year of double digit growth in earnings and strong cash flow. At the same time underlying organic growth was achieved in challenging markets, proving the resilience of the Group's businesses. With carefully selected, value enhancing acquisitions adding to modest organic growth, the Board is confident of making further progress in 2009."

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 businesses supplying specialised technical products and services to the Life Sciences, Seals and Controls industries.

Diploma achieves stable growth and attractive margins from its focus on supplying specialised technical products to markets which value high levels of customer service, technical support and value adding activities. A high proportion of revenues are generated from essential products and services funded by operating, rather than capital budgets.

The Group employs ca. 1,000 employees and its principal operating businesses are located in the UK, Germany, US and Canada.

Over the last five years, the Group has grown adjusted earnings per share at an average of ca. 21% p.a. through a combination of organic growth and acquisitions. The current market capitalisation is ca. £130m.

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

PRELIMINARY RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2008

CHAIRMAN'S STATEMENT

The Diploma Group continued to make strong progress during 2008, against a background of a weakening economic environment. The acquisitions completed towards the end of the previous year contributed to another year of double digit growth in earnings and strong cash flow. Organic growth was also achieved in challenging markets; on a comparable and constant currency basis, the underlying growth in both revenue and operating profit was a creditable 3%. These positive results again highlight the ability of the Group to achieve stable growth and attractive margins by focusing on markets where the demand is funded by operating budgets which are less impacted by economic cycles than capital budgets.

Results

In 2008, Group revenue increased by 22% to £172.3m (2007: £140.7m) and operating profit, before the amortisation of acquisition intangible assets, increased by 24% to £27.3m (2007: £22.1m). Operating margins remained stable at 15.8% (2007: 15.7%) despite a number of investments in new growth initiatives during the year.

The results benefited from currency gains to revenue (£4.8m) and operating profits (£1.0m) on translation of the results of the overseas businesses, as UK sterling continued to weaken against the major currencies during the year. Net finance income reduced by £1.0m to £0.2m (2007: £1.2m) following the substantial investment in acquisitions at the end of the previous year.

Adjusted profit before tax increased by 18% to £27.5m (2007: £23.3m); IFRS profit before tax was £21.8m (2007: £22.3m) reflecting the impact of amortisation of acquisition intangible assets and fair value remeasurements of future obligations to acquire minority interests. Adjusted earnings per share increased by 17% to 16.4p (2007: 14.0p) and IFRS earnings per share were 11.8p (2007: 12.7p).

The underlying strength of the Group is demonstrated by another year of strong cash flow generation. Free cash flow increased by 36% to £18.0m (2007: £13.2m) benefiting from tight control of working capital and lower capital expenditure of £1.9m (2007: £2.2m). Expenditure on acquisitions during 2008 was more modest than last year at £7.9m (2007: £31.6m). After returning £6.9m in 2008 (2007: £5.4m) to shareholders in the form of dividends, cash funds at 30 September 2008 increased by £3.3m to £15.7m (2007: £12.4m).

Dividends

In the Interim Report, the Board indicated that in light of the increased scale of the Group's activities and the continuing strong free cash flow it had decided to target dividend cover towards 2.0, based on adjusted earnings per share. The Directors are therefore recommending a significant increase in the final dividend for 2008 of 1.4p to 5.0p (2007: 3.6p). This increases the total dividend payment for the year by 39% to 7.5p (2007: 5.4p).

The increased final dividend will be paid on 21 January 2009 to shareholders on the Register on 28 November 2008. The Board intends to continue with its policy of growing dividends in line with adjusted earnings per share, whilst applying the balance of the cash flow to strengthen the Group's businesses.

Financial and Human Resources

The Group ends the year in a strong financial position and with the resources in place to tackle the challenges ahead. We have cash funds of £15.7m, working capital facilities of £5.0m and committed bank facilities of £20.0m. This strong balance sheet provides a secure platform to progress our strategy.

Our human resources are equally strong. The energy and commitment of our people is a critical factor in the success of our Group and are particularly important in the current uncertain environment. On behalf of the Board, I would like to thank our employees for their commitment and efforts during this year. I am confident of their ability to respond to the new challenges in the coming year, as we will inevitably have to face tougher trading conditions.

Outlook

The Board remains committed to growing the Group through a combination of organic growth and by acquisition. The Group has a strong balance sheet, committed bank facilities and businesses that consistently generate strong cash flows each year.

In the current uncertain market and economic conditions, the Group draws strength from its focus on essential products and services, funded by customers' operating rather than capital budgets. Margins are sustained by the service levels provided and operating costs are, to a large extent, variable. Cash flow remains strong through tight management of working capital.

As price expectations of potential target companies become more realistic there should be good opportunities to make value-enhancing acquisitions. With acquisition opportunities adding to modest organic growth, the Board is confident of making further progress in the year.

REVIEW OF OPERATIONS

The Group comprises a number of high quality, specialised businesses supplying technical products and services. The common characteristics of these businesses are:

- Stable revenue growth, achieved through a focus on essential products and services, funded by customers' operating rather than capital budgets.
- Attractive margins, sustained through the quality of customer service, the depth of technical support and value adding activities.
- Strong committed management teams in the operating businesses executing well formulated development strategies.

Over five years, the Group has grown revenues by 17% p.a. and operating profits, before amortisation of acquisition intangible assets, by 23% p.a., broadly half through organic growth and half through acquisitions. An ungeared balance sheet and strong cashflow have funded this growth strategy while providing healthy and progressive dividends.

LIFE SCIENCES

	2008	2007
	£m	£m
Revenue	62.1	44.7
Operating profit*	9.6	6.6
Operating margin*	15.5%	14.8%

* before amortisation of acquisition intangible assets

The Life Science businesses increased revenues in 2008 by 39% to £62.1m (2007: £44.7m). Sector revenues benefited from both an excellent first full year contribution from AMT and from the strong appreciation of the Canadian dollar against UK sterling. On a comparable and constant currency basis, sector revenues showed underlying organic growth of 7%.

Operating profits increased by 45% to £9.6m (2007: £6.6m) with operating margins increasing to 15.5% (2007: 14.8%). The UK businesses experienced pressure on margins from the appreciation of the euro against UK sterling, restructuring costs and the installation of new IT systems. The strong combined performance of the Canadian businesses however, more than offset these margin pressures.

Capital expenditure in the sector was £1.1m, including £0.6m invested in field equipment for placement by the Canadian businesses. The balance was invested in IT upgrades in the two UK businesses and on refurbishing calibration equipment in Anachem. Free cash flow before tax of £9.7m was generated in the sector (2007: £5.2m).

Somagen achieved good growth in the sale of Consumables, Reagents and Services ("CRS") from the core suppliers which account for ca. 70% of revenues. Success was achieved in converting key customers to newer technology instruments such as Sebia's Capillarys system, Phadia's Immunocap 250 allergy system, Sakura's new automation products and Tosoh's new G8 instruments. These new instrument placements will secure multi-year CRS contracts with key customers.

In recent years, Somagen has suffered from the effects of supplier consolidation with the acquisition of suppliers including DSL, Biosite and Blackhawk. In current market conditions such acquisition activity has slowed and Somagen has been successful in adding new suppliers including Trek, Meridian, BBI-Seracare and Biolytical. Overall however, Somagen's revenues reduced slightly in the year as the growth in core product lines and new supplier introductions were not sufficient to fully offset these supplier losses.

AMT in its first full year as part of the Group, delivered an exceptional performance with growth in excess of 30% compared with the prior year comparable period. The two principal business streams, AMT Electrosurgery and AMT Endoscopy, both contributed strongly to this performance.

AMT Electrosurgery continued its penetration of the major hospitals, signing up multi-year contracts for the supply of its core proprietary products including smoke evacuation, reusable grounding pads and specialty electrodes. AMT has long term, exclusive distribution rights in Canada for these products which are strongly differentiated and patent protected. Success was also achieved by focusing product specialists on increasing sales of other specialty products in a broader range of surgical applications.

AMT Endoscopy concentrates on sales to Gastro-Intestinal ("GI") and Endoscopy units which are run separately within hospitals, with different product requirements and purchasing processes. AMT has focused on a small number of proprietary products supplied on an exclusive basis, including Argon Plasma Coagulation ("APC") and flexible endoscopic instruments. Having established strong relationships with customers, AMT is again sourcing

new innovative products to broaden the product offering and take a greater share of customer contract requirements.

Overall, there was a modest increase in revenues for **Anachem**, with pipettes and tips continuing to make progress and a good first year contribution from the Hitek calibration services business, offsetting a further decline in the sales of instrumentation products.

Operationally, it was a year of significant change for Anachem, with the business being formally separated from the a1-envirosciences group at the beginning of the year and new IT systems being implemented, concurrently. This caused some disruption and higher operating costs for a period, although the systems have now successfully bedded down and action has been taken to reduce the legacy overhead costs. The new ERP system has significantly enhanced the company's marketing capabilities, with the e-commerce sales content increasing steadily in the final quarter of the year. The company is now leaner and in a stronger position to compete, although the strength of the euro and the US dollar, relative to UK sterling, will continue to impact margins.

The **a1-envirosciences group** increased revenues by 12%, with strong sales in Continental Europe compensating for weaker performance in the UK. Sales of analysers in Germany increased strongly once again as the operation took full advantage of strong customer demand, new product introductions and competitor weakness. Sales of sulphur and nitrogen analysers to the chemical and petrochemical sector were particularly strong and a new range of industry-leading AOX analysers, which measure the levels of halogens in waste water, also made significant gains.

Further progress was made with the enclosure products, with sales moving ahead strongly in Switzerland, France, Germany and Ireland. The year saw a major change in the design and manufacture of these products and the new generation of enclosures was launched at the key industry trade exhibition, Analytica. The early response has been very positive with two major OEMs already committed to adopting new designs for the containment of their instruments and significant interest from laboratory health and safety professionals. Switzerland continued to make progress with specialist stainless steel enclosures and the business was successful in achieving initial sales into the French pharmaceutical sector.

Sales of emissions monitoring equipment and services in the UK were broadly flat, with margins generally lower as the project mix moved to larger, more complex installations. Order levels slowed in the second half of the year as less Energy from Waste incinerators entered the construction phase. The demand for alternative electricity generation is high but local planning resistance has slowed project approval. Planning applications are now being switched to focus on Biomass incinerators and on adding capacity to already existing sites.

SEALS

	2008	2007
	£m	£m
Revenue	42.6	36.0
Operating profit*	6.7	5.8
Operating margin*	15.7%	16.1%

* before amortisation of acquisition intangible assets

The Seals businesses made further advances in 2008 and increased revenues by 18% to £42.6m (2007: £36.0m), benefiting from the first full year contribution from M Seals. On a comparable and constant currency basis, sector revenues showed underlying organic growth of 3%.

Operating profits increased by 16% to £6.7m (2007: £5.8m) with operating margins slightly decreasing to 15.7% (2007: 16.1%). The reduced operating margins reflected investments of £0.4m made in establishing new operations in Europe and China and one-off costs incurred in the closure of the Edmonton branch office.

Capital expenditure in the sector totalled £0.5m, including an initial investment in a new warehouse automation system in Hercules and seal assembly machinery at M Seals. Free cash flow before tax of £6.5m was generated in the year (2007: £5.6m).

The **Hercules Fluid Power Group** achieved revenue growth of 2% in challenging economic conditions by successfully adapting its approach to focus on new products, more buoyant market segments and international expansion.

In the US domestic market, the core distribution operations demonstrated their strength and resilience by maintaining sales broadly at prior year levels. The development of new seals and seal kits continued, with over 1,400 Hercules and Bulldog products added during the year. Focus was also directed to more buoyant segments by developing, for example, a range of customised kits for the mining industry.

The challenging market conditions were used to exert further pressure on competitors through selective aggressive pricing. In parallel, however, the policy to "out-service" competitors continued and protected overall margins. Order fill rates remained high and on-time delivery targets were maintained throughout the year. The recently introduced Seals-on-Demand service, where small runs of non-stocked seals are cut to customers' requirements within 48 hours, also delivered strong growth in 2008.

Sales of HKX's attachment kits for excavators fell only marginally, which was a commendable result in a period when the sales of new heavy mobile equipment in the US fell by an estimated 15-20%. A focussed sales plan was successful in developing both new customers and achieving greater penetration in existing, but underdeveloped accounts. Several of the targeted dealers have now been converted to using attachment kits either as their first choice, or to supplement their existing arrangements. The maintenance of technical leadership in attachment kits continued to be a prime objective and 50 new kits were introduced to the market.

In Canada, sales increased against the prior year, with new products, customer-specific kits and further penetration of existing accounts all contributing to the result. In Western Canada, sales fell as drilling activity in the Alberta oil patch reduced substantially and the sales and operational resources were realigned to give a greater concentration on the other western provinces. In September, the Edmonton branch was closed to fit with this new approach.

International sales outside North America grew strongly across all product categories. Sales of the core seal and cylinder ranges maintained momentum and significant gains were made in many South American countries, the Middle East and Turkey. A new initiative to test the potential of the previously untapped markets of South East Asia, India and Eastern Europe, produced overall growth in excess of 10%. The first steps into international markets for the attachment kit range were also made in the year. The initial focus was on South America and the Middle East where Hercules' existing agent and dealer networks are strongest. The early market responses have been positive and initial orders have been received from several dealers in the Middle East.

The acquisition of Snijders Engineering, a small seals distributor based in the Netherlands, was completed in June 2008. This acquisition, although small, is an important step in the development of the Hercules aftermarket seal brand in mainland Europe. A General Manager of Hercules Europe has been appointed, further key employees added and new premises selected. Multilingual seal and seal kit catalogues have been developed which will contain over 12,000 items designed specifically for the mobile machine models used most frequently in central Europe. The initial development work is close to completion and the launch in the Netherlands and Belgium will begin in early 2009.

In the UK, **FPE** achieved 14% growth with a strong first half performance which benefited from an additional contribution from a small seals business acquired in March 2007. In the second half of the year, growth was more modest as economic and market conditions deteriorated. As in the US, a focus on alternative products (eg metal parts for cylinders), added value services (eg Seals-on-Demand) and exports combined to deliver a creditable result.

M Seals completed its first full year in the Seals group by delivering good growth on a like-for-like basis. Sales growth was modest in the Danish industrial customer base, but the more recently established Swedish operation grew strongly as customers became aware of M Seals' engineering and service capabilities and began to award new projects to the company. During the year, M Seals consolidated its position as a significant supplier of specialised seals to the wind power turbine sector and these seals now account for almost 10% of total sales. M Seals includes the two leading European wind power manufacturers as customers and further prototype work is underway for potential customers in China and India.

Although its core strengths lie in the supply of products to OEMs, M Seals has also adopted the Hercules range of aftermarket, hydraulic seals. A Danish catalogue has been designed and a new web-based offering is close to completion. M Seals will launch these products during 2009.

CONTROLS

	2008	2007
	£m	£m
Revenue	67.6	60.0
Operating profit*	11.0	9.7
Operating margin*	16.3%	16.2%

* before amortisation of acquisition intangible assets

The Controls businesses increased revenues in 2008 by 13% to £67.6m (2007: £60.0m). The first full year contribution from Cabletec and the stronger euro relative to UK sterling, boosted the overall sector performance. On a comparable and constant currency basis, sector revenues decreased by 1%, against a strong prior year comparative.

The focus on more buoyant, technically driven sectors in the UK and Germany delivered good underlying growth for the IS-Group and Sommer. These growth elements only partially offset the impact of reduced project business at Filcon and continued challenging market conditions for Hawco.

Sector operating profits increased by 13% to £11.0m (2007: £9.7m) with operating margins broadly unchanged at 16.3% (2007: 16.2%).

A significant IT upgrade at Sommer and Filcon was successfully completed during the year and this project accounted for the majority of the £0.3m invested in the sector during 2008. Free cash flow before tax of £10.7m was generated in the sector (2007: £9.9m).

The **IS-Group** delivered another year of very solid growth across all market sectors and in all geographic regions; although with a stronger first half than second half. Sales to the Aerospace market were buoyant, with a solid level of background business and several good sized projects providing further incremental business. The Ground Defence and Military Marine sectors also recorded sales close to prior year levels, although the frequency of requests to supply products for Urgent Operational Requirements has fallen back from the peaks of the past three years.

In the Motorsport sector, the IS-Group increased its penetration of the core Formula 1 racing teams in Europe and consolidated its position as the prime supplier of harness components and high performance fasteners. A partnership arrangement to support the Japanese teams involved in the top flights of motorcycle racing, brought further export gains during the year. In the US, Motorsport sales continued to grow and a new satellite operation was opened in February 2008 at the heart of the NASCAR racing series in Mooresville, North Carolina.

Sales to the wider industrial market showed steady growth with sales to the Power generation industry moving ahead strongly. There was also further growth in exports of the core harness component products, primarily to mainland Europe.

Cabletec made a solid start in its first year as part of the IS-Group. During the year, Cabletec became one of the first companies to gain the newly introduced EN4199 aerospace approval for its manufactured bonding leads and the prestigious Airbus approval standard (ASNE) was also awarded. Operationally, sales responsibilities have been clearly defined and the purchasing and accounting functions of Cabletec have been merged within the IS-Group.

In Germany, **Sommer** delivered solid sales growth with most of its traditional harness manufacturing customers showing consistently positive demand throughout the year, across a range of sectors. Civil aerospace sales remained buoyant with regular demand from manufacturers such as Eurocopter and Euroavionics.

Military sales were also strong and harness components were supplied to a range of German military programmes including the Leopard II tank and the Fuhrungs Information System, used in military land vehicles. Further progress was also made in the development of highly specialised connectors and backshells for use on the solar panels of satellites, with a new design delivered to EADS-Astrium just prior to the year end.

The Medical sector maintained a consistently high level of demand and Sommer benefited from its location in Baden-Wurttemberg, a region which has one of the highest concentrations of medical equipment manufacturers in the world. The company is well positioned to supply this sector with its range of highly specialised medical grade wires and tubings.

Filcon experienced lower sales to the major projects which had contributed to the strong prior year performance. These included the Eurofighter Tranche 2 project and the first phase of the Transrapid railway line extension in Shanghai, both of which peaked in the prior year. Filcon will be well placed to make further sales to future project phases, although it is unlikely that the exceptional 2007 levels will be repeated for these projects.

Filcon continued to service many other important German military programmes, including the Tornado upgrade and the Tiger and NH90 helicopters, as well as consolidating its position as a key supplier to MTU, which supplies engines to many military vehicle programmes throughout the world. There were also successes in supplying a customised Motorsport connector, introduced last year and now supplied to BMW and other leading customers. Key initiatives were also developed to increase the level of non-project, background business to partly moderate the peaks and troughs created by large projects.

The market conditions for **Hawco** in the UK remained challenging, with competitive and pricing pressures bearing down on UK manufacturing. Against this background, management worked hard to mitigate these adverse factors. Sales to the key refrigeration OEM accounts held up relatively well and new product introductions included a range of low energy LED lights designed for food counter displays.

Hawco has also rationalised its range of thermal control products and focussed on a smaller number of high quality manufacturing partners who are willing to support the company and grant exclusive sales rights, rather than appoint multiple distributors. This strategy has shown some early success and Hawco was recently appointed as the European Master Distributor for two important US suppliers. While Hawco still faces many challenges in an unhelpful market, the company is lean, focussed on quality and service and is in a good position to compete for business in 2009.

FINANCIAL REVIEW

Results for the Year

Revenue and operating profit, before amortisation of acquisition intangible assets, increased by 22% and 24% to £172.3m and £27.3m, respectively. Operating margins, before amortisation of acquisition intangible assets, improved marginally to 15.8% (2007: 15.7%). An increase in Life Sciences' margins offset a small decrease in Seals' margins, while Controls' margins remained broadly unchanged.

The results benefited from a substantial contribution to revenue and operating profit from the businesses acquired in August last year and from currency gains on the translation of the results of the overseas businesses. On an underlying basis, revenues and operating profits, before amortisation of acquisition intangible assets, increased by ca. 3%; this is after adjusting on a comparable basis for the contribution of last year's acquisitions, this year's acquisitions and for the currency benefits to revenue and operating profit of £4.8m and £1.0m, respectively.

Adjusted profit before tax (which is a defined alternative performance measure, as discussed below) increased 18.0% to £27.5m (2007: £23.3m), after net finance income, excluding fair value remeasurements, of £0.2m (2007: £1.2m); the reduction in finance income reflected the significant investment made in acquiring new businesses towards the end of the previous year. Adjusted earnings per share increased 17.1% to 16.4p compared with 14.0p last year.

IFRS profit before tax, which is after amortisation of acquisition intangible assets of £2.7m (2007: £1.0m) and fair value remeasurements of £3.0m (2007: £Nil), was £21.8m (2007: £22.3m) and IFRS basic earnings per share were 11.8p (2007: 12.7p).

Taxation

The Group's adjusted effective tax charge represented 29.1% (2007: 30.4%) of adjusted profit before tax. This reduction is principally due to the lowering of tax rates in the United Kingdom, Canada and Germany; however this benefit is partly offset by the impact from a larger proportion of the Group's operating profits being earned this year in territories which have higher tax rates than the United Kingdom.

Free Cash Flow and Cash Funds

The Group continues to be strongly cash generative. The Group's free cash flow, which is before expenditure on dividends and business combinations, increased by £4.8m to £18.0m; this represents 92.3% of adjusted profit after tax (2007: 77.8%).

Operating cash flow increased by £5.8m to £28.8m. On a constant currency basis, there was a £1.3m (2007: £1.1m) increase in working capital to £28.6m of which £0.4m was accounted for by stock purchased in advance of known price increases. At 30 September 2008, Group working capital remained unchanged at 16.6% of annual revenue and has consistently remained below 17.0% in each of the last three years.

Group tax payments were £8.2m (2007: £8.0m) and benefited from the recently acquired businesses remaining on an annual tax payment basis during the year; however this will lead to higher tax payments in 2009 as these businesses move to quarterly payments. The Group's Employee Benefit Trust also took advantage of a weak share price during the year to acquire a further 528,760 shares in the Company at a cost of £0.9m (2007: £1.3m).

Capital expenditure of £1.9m (2007: £2.2m) represented 76% of annual depreciation. Expenditure in 2008 included £0.7m investment in tooling and warehouse equipment and £0.6m on acquiring field equipment for lease in the Life Science businesses; the balance was spent on completing prior year IT projects and on small upgrades to the general IT infrastructure across the Group.

After spending £7.9m on the acquisition of businesses, including minority interests, as described below, the Group's cash funds increased by £3.3m to £15.7m at 30 September 2008 (2007: £12.4m). The Group also has a £20m committed revolving bank facility which expires in November 2010, together with £5.0m of working capital facilities. None of these facilities were utilised at 30 September 2008.

Acquisitions and Minority Interests

During the year the Group acquired two small businesses in support of broadening its Life Science and Seals businesses for £3.9m, in aggregate; a further £3.7m was paid to the minority shareholders in Somagen on exercise of options to acquire 11.8% of the outstanding share capital in that business. Deferred consideration of £0.3m was paid to the vendors of Cabletec, which was acquired last year, and a further £1.1m of deferred consideration will also be payable after the year end (in December 2008) to the vendors of AMT, which was acquired in August 2008.

At 30 September 2008 the Group has an aggregate liability, estimated at £11.2m (2007: £11.8m) and payable between 1 October 2009 and 31 December 2012, to the vendors of AMT, Somagen and M Seals who retain minority interests in the share capital of these businesses. This liability arises under put/call options entered into at the time of acquisition and is based on the Directors' estimate of the likely Earnings Before Interest and Tax ("EBIT") of these businesses, which will form the basis of the valuation of the minority shareholding on exercise of the option. Based on the strong performance of these businesses during the year, the Directors have reassessed the potential liability at 30 September 2008 to acquire the remaining outstanding minority interests. This has led to a charge of £2.3m being made in the consolidated Income Statement. An analysis of the movement in this liability is set out in note 9 to the consolidated financial statements included in this Announcement.

Land at Stamford

The Group continues to retain approximately 150 acres of farm and former quarry land in Stamford which relates to a former business which has now closed. This land is included in the consolidated Balance Sheet at £Nil and in the opinion of the Directors, is unlikely to be worth more than £0.5m in its present condition. The Directors anticipate that this land will continue to be leased to a local farmer and there is no intention to dispose of this land in the foreseeable future.

Acquisition Intangible Assets and Goodwill

There were no additions to acquisition intangible assets in 2008; however goodwill increased by £6.2m, on a constant currency basis, to £51.6m reflecting the amount paid for the acquisitions during the year, in excess of the value of the net tangible assets. This goodwill largely comprises the value in each of these businesses relating 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.

The Directors have carried out an impairment review of the total Group goodwill of £51.6m held at 30 September 2008 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 2008 of £0.8m (2007: £0.7m). In addition, in the UK the Group retains a small number of legacy defined benefit pension schemes which are closed to future accruals. At 30 September 2008 the accounting deficit in these defined benefit schemes had increased marginally to £1.7m (2007: £1.6m). While the market value of the underlying assets in the schemes had fallen by £2.3m to £12.5m, the margin between the rate used to discount the liabilities and the assumed inflation rate had increased on the previous year by 0.8% to 3.2%. This increase, together with the Group's cash contributions of £0.2m, led to a reduction in the gross pension liability of £2.2m to £14.2m (2007: £16.4m).

There were no new formal actuarial valuations of the Group's principal schemes carried out during the year and therefore the ongoing funding level of the PLC and Anachem legacy schemes remained unchanged at 96% and 91%, respectively.

The aggregate deficit in the defined benefit schemes, net of deferred tax, at 30 September 2008 was £1.2m (2007: £1.1m) which equates to 1.1% of total shareholders' equity.

Capitalisation and Dividends

At 30 September 2008, the number of shares in issue were 113.2m, of which 1.3m are held by the Company's employee share plan. During the year the Company undertook a bonus issue of four new ordinary shares for each ordinary share held by shareholders; this resulted in the issue of 90.6m new ordinary shares and represented the capitalisation of £4.6m of the Company's reserves. Shareholders' funds, which represents the Group's total capital, increased by £17.4m to £108.1m due to the effect of exchange rate movements, gains on cash flow hedges and the purchase of minority interests, as well as earnings retained for the year.

The Group's trading capital employed, which is defined in note 2 to the consolidated financial statements, had increased at 30 September 2008 by £13.0m to £104.5m (2007: £91.5m) of which £70.2m (2007: £62.8m) comprised goodwill and acquisition intangible assets. The Group return on trading capital employed decreased to 21.0% (2007: 24.2%) at 30 September 2008, reflecting the impact of the acquisitions completed in late 2007.

During 2008, £6.9m (2007: £5.4m) was returned to shareholders in the form of ordinary dividends. In May 2008 the Board announced that it intended to move dividend cover towards 2.0 times, based on adjusted earnings per share. The Board's distribution policy and its overall financial strategy is to strike a balance between the interests of shareholders and the interests of the business, whilst maintaining a strong balance sheet.

Measuring Financial Performance

The Board uses specific measures when assessing the performance of the Group and these are referred to throughout this Preliminary Announcement in the discussion of the performance of the businesses. These measures are not defined in IFRS, but are used by the Board 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 to the consolidated financial statements.

Reported performance takes into account all the factors (including those which the Group cannot influence, principally currency exchange rates) that have affected the results of the Group's business and are reflected in the consolidated financial statements prepared in accordance with International Financial Reporting Schedules ("IFRS").

International Financial Reporting Standards (IFRS)

The Group's consolidated financial statements have been prepared in accordance with IFRS. This year the Group has adopted *IFRS 7, Financial Instruments: Disclosures*, which requires additional disclosures in respect of financial instruments. These additional disclosures are included in the Annual Report which will be sent to shareholders on 1 December 2008. The Group has not been required to adopt any other new accounting standards during the year which have had a significant impact on the consolidated financial statements.

CONSOLIDATED INCOME STATEMENT
for the year ended 30 September 2008

	Note	2008 £m	2007 £m
REVENUE	3,4	172.3	140.7
Cost of sales		(110.0)	(90.1)
Gross profit		62.3	50.6
Distribution costs		(4.8)	(4.2)
Administration costs		(32.9)	(25.3)
Operating profit, before amortisation of acquisition intangible assets	3, 4	27.3	22.1
Amortisation of acquisition intangible assets		(2.7)	(1.0)
OPERATING PROFIT	3	24.6	21.1
Finance (expense)/income, net	5	(2.8)	1.2
PROFIT BEFORE TAX		21.8	22.3
Tax expense	6	(7.4)	(7.5)
PROFIT FOR THE YEAR		14.4	14.8
Attributable to:			
Shareholders of the Company		13.3	14.3
Minority interests		1.1	0.5
		14.4	14.8
EARNINGS PER SHARE			
Basic and diluted earnings	7	11.8p	12.7p

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

Alternative Performance Measures (note 2)			
	Note	2008 £m	2007 £m
Profit before tax		21.8	22.3
Add: Amortisation of acquisition intangible assets		2.7	1.0
Fair value remeasurements		3.0	-
ADJUSTED PROFIT BEFORE TAX		27.5	23.3
ADJUSTED EARNINGS PER SHARE	7	16.4p	14.0p

CONSOLIDATED BALANCE SHEET
as at 30 September 2008

	Note	2008 £m	2007 £m
NON-CURRENT ASSETS			
Goodwill		51.6	42.7
Acquisition intangible assets		18.6	20.1
Other intangible assets		1.2	1.0
Property, plant and equipment		11.6	11.7
Deferred tax assets		1.3	1.5
		84.3	77.0
CURRENT ASSETS			
Inventories		31.5	27.4
Trade and other receivables		26.7	26.0
Cash and cash equivalents		15.7	12.4
		73.9	65.8
CURRENT LIABILITIES			
Trade and other payables		(26.3)	(27.1)
Current tax liabilities		(3.3)	(3.0)
Other liabilities	9	(1.1)	(4.8)
		(30.7)	(34.9)
NET CURRENT ASSETS		43.2	30.9
TOTAL ASSETS LESS CURRENT LIABILITIES		127.5	107.9
NON-CURRENT LIABILITIES			
Retirement benefit obligations		(1.7)	(1.6)
Other liabilities	9	(11.2)	(8.7)
Deferred tax liabilities		(4.6)	(5.1)
NET ASSETS		110.0	92.5
EQUITY			
Share capital		5.7	1.1
Capital redemption reserve		-	0.2
Translation reserve		8.0	0.6
Hedging reserve		0.7	(0.6)
Retained earnings		93.7	89.4
TOTAL SHAREHOLDERS' EQUITY		108.1	90.7
Minority interests		1.9	1.8
TOTAL EQUITY		110.0	92.5

**CONSOLIDATED STATEMENT OF
RECOGNISED INCOME AND EXPENSE**
for the year ended 30 September 2008

	2008 £m	2007 £m
Exchange rate adjustments on foreign currency net investments	7.4	(0.1)
Gains/(losses) on fair value of cash flow hedges	1.3	(0.6)
Actuarial (losses)/gains on defined benefit pension schemes	(0.5)	2.7
Deferred tax on items recognised in equity	(0.3)	(0.6)
Net income recognised directly in equity for the year	7.9	1.4
Profit for the year	14.4	14.8
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE YEAR	22.3	16.2
Attributable to:		
Shareholders of the Company	21.1	15.8
Minority interests	1.2	0.4
	22.3	16.2

Other changes in shareholders' equity		Share capital £m	Capital redemption reserve £m	Translation reserve £m	Hedging reserve £m	Retained earnings £m	Total £m
	Note						
At 1 October 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
Total recognised income and expense for the year attributable to shareholders		-	-	7.4	1.3	12.4	21.1
Bonus issue of shares		4.6	(0.2)	-	-	(4.4)	-
Share-based payments expense		-	-	-	-	0.5	0.5
Purchase of own shares		-	-	-	-	(0.9)	(0.9)
Future purchases of minority interests	9	-	-	-	-	3.6	3.6
Dividends		-	-	-	-	(6.9)	(6.9)
At 30 September 2008		5.7	-	8.0	0.7	93.7	108.1

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 30 September 2008

	Note	2008 £m	2007 £m
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash flow from operations	8	28.8	23.0
Finance income received, net		-	1.1
Tax paid		(8.2)	(8.0)
NET CASH FROM OPERATING ACTIVITIES		20.6	16.1
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries (net of cash acquired)	10	(7.6)	(31.1)
Deferred consideration paid	9	(0.3)	(0.5)
Proceeds from the sale of property, plant and equipment		0.2	0.6
Purchase of property, plant and equipment		(1.6)	(1.6)
Purchase of other intangible assets		(0.3)	(0.6)
NET CASH USED IN INVESTING ACTIVITIES		(9.6)	(33.2)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to shareholders		(6.9)	(5.4)
Dividends paid to minority interests		(0.9)	(0.3)
Purchase of own shares		(0.9)	(1.3)
NET CASH USED IN FINANCING ACTIVITIES		(8.7)	(7.0)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		2.3	(24.1)
Cash and cash equivalents at beginning of year		12.4	36.7
Effect of exchange rates on cash and cash equivalents		1.0	(0.2)
CASH AND CASH EQUIVALENTS AT END OF YEAR		15.7	12.4

Alternative Performance Measures (note 2)	2008 £m	2007 £m
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	2.3	(24.1)
Add: Dividends paid to shareholders	6.9	5.4
Dividends paid to minority interests	0.9	0.3
Acquisition of subsidiaries (net of cash acquired)	7.6	31.1
Deferred consideration paid	0.3	0.5
FREE CASH FLOW	18.0	13.2

NOTES TO THE PRELIMINARY ANNOUNCEMENT for the year ended 30 September 2008

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 17 November 2008. 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 2008 and the comparative period. There has been no material impact on the Group's consolidated financial statements in 2008 from the issue of IFRS or interpretations to existing Standards during the year. The Group has adopted *IFRS7, Financial Instruments, Disclosures* at 30 September 2008, however this relates only to additional disclosures in respect of financial instruments, which will be included in the Annual Report.

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 2008 and 2007. Statutory financial statements for the year ended 30 September 2007 have been delivered to the Registrar of Companies. The statutory financial statements for the year ended 30 September 2008, which were approved by the Directors on 17 November 2008, will be sent to shareholders on 1 December 2008 and 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 2008 and 2007. 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 14 January 2009 in the Brewers' Hall, Aldermanbury Square, London, EC2V 7HR. The Notice of Meeting will be sent 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.

NOTES TO THE PRELIMINARY ANNOUNCEMENT for the year ended 30 September 2008

2. ALTERNATIVE PERFORMANCE MEASURES (continued)

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.

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 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	
	2008	2007	2008	2007	2008	2007	2008	2007
	£m	£m	£m	£m	£m	£m	£m	£m
Revenue - continuing operations	61.2	44.7	42.6	36.0	67.6	60.0	171.4	140.7
- acquisitions	0.9	-	-	-	-	-	0.9	-
Revenue	62.1	44.7	42.6	36.0	67.6	60.0	172.3	140.7
Segment operating profit								
- continuing operations	9.3	6.6	6.7	5.8	11.0	9.7	27.0	22.1
- acquisitions	0.3	-	-	-	-	-	0.3	-
Total segment operating profit	9.6	6.6	6.7	5.8	11.0	9.7	27.3	22.1
Amortisation of acquisition intangible assets	(1.5)	(0.6)	(0.8)	(0.3)	(0.4)	(0.1)	(2.7)	(1.0)
OPERATING PROFIT	8.1	6.0	5.9	5.5	10.6	9.6	24.6	21.1

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.

NOTES TO THE PRELIMINARY ANNOUNCEMENT (continued)
for the year ended 30 September 2008

3. BUSINESS SEGMENT ANALYSIS (continued)

	Life Sciences		Seals		Controls		Total	
	2008 £m	2007 £m	2008 £m	2007 £m	2008 £m	2007 £m	2008 £m	2007 £m
Operating assets	21.5	20.8	22.0	18.4	24.5	23.8	68.0	63.0
Goodwill	30.6	23.4	8.9	7.4	12.1	11.9	51.6	42.7
Acquisition intangible assets	11.4	12.4	5.3	5.4	1.9	2.3	18.6	20.1
	63.5	56.6	36.2	31.2	38.5	38.0	138.2	125.8
Unallocated assets:								
– Deferred tax assets							1.3	1.5
– Cash and cash equivalents							15.7	12.4
– Corporate assets							3.0	3.1
TOTAL ASSETS							158.2	142.8
Operating liabilities	(12.4)	(11.3)	(4.9)	(4.1)	(10.5)	(11.1)	(27.8)	(26.5)
Unallocated liabilities:								
– Deferred tax liabilities							(4.6)	(5.1)
– Retirement benefit obligations							(1.7)	(1.6)
– Future purchases of minorities							(11.2)	(11.8)
– Corporate liabilities							(2.9)	(5.3)
TOTAL LIABILITIES							(48.2)	(50.3)
NET ASSETS							110.0	92.5

OTHER SEGMENT INFORMATION

Capital expenditure	1.1	1.3	0.5	0.5	0.3	0.4	1.9	2.2
Depreciation (including software)	1.3	0.9	0.7	0.6	0.5	0.3	2.5	1.8

ALTERNATIVE PERFORMANCE MEASURES (note 2)	Life Sciences		Seals		Controls		Total	
	2008 £m	2007 £m	2008 £m	2007 £m	2008 £m	2007 £m	2008 £m	2007 £m
Net assets							110.0	92.5
Add/(less):								
– Deferred tax, net							3.3	3.6
– Retirement benefit obligations							1.7	1.6
– Future purchases of minorities							11.2	11.8
– Cash and cash equivalents							(15.7)	(12.4)
– Adjustment to goodwill	(4.1)	(3.9)	(1.2)	(1.1)	(0.7)	(0.6)	(6.0)	(5.6)
GROUP TRADING CAPITAL EMPLOYED							104.5	91.5
Corporate (assets)/liabilities, net							(0.1)	2.2
SEGMENT TRADING CAPITAL EMPLOYED	47.0	41.4	30.1	26.0	27.3	26.3	104.4	93.7

NOTES TO THE PRELIMINARY ANNOUNCEMENT (continued)
for the year ended 30 September 2008

4. GEOGRAPHIC SEGMENT ANALYSIS BY ORIGIN

	Revenue		Segment operating profit*		Gross assets		Trading capital employed		Capital expenditure	
	2008 £m	2007 £m	2008 £m	2007 £m	2008 £m	2007 £m	2008 £m	2007 £m	2008 £m	2007 £m
United Kingdom	73.8	66.6	8.6	8.8	51.2	55.8	29.5	26.6	0.7	1.2
Rest of Europe	33.7	25.1	5.7	4.3	26.8	22.5	20.7	16.4	0.3	0.3
North America	64.8	49.0	13.0	9.0	80.2	64.5	54.3	48.5	0.9	0.7
	172.3	140.7	27.3	22.1	158.2	142.8	104.5	91.5	1.9	2.2

* before amortisation of acquisition intangible assets

5. FINANCE (EXPENSE)/INCOME, NET

	2008 £m	2007 £m
Finance income		
- interest receivable on short term deposits	0.3	1.1
- net finance income from defined benefit pension scheme	0.2	0.1
	0.5	1.2
Finance expense		
- interest payable on bank borrowings	(0.3)	-
- fair value remeasurement of put options (note 9)	(3.0)	-
	(3.3)	-
NET FINANCE (EXPENSE)/INCOME	(2.8)	1.2

The fair value remeasurement of £3.0m includes £0.7m which relates to the unwinding of the discount on the liability for future purchases of minority interests.

6. TAXATION

	2008 £m	2007 £m
Current tax		
The tax charge is based on the profit for the year and comprises:		
UK corporation tax	3.0	2.8
Overseas tax	5.4	4.0
Deferred tax (UK and overseas)	(0.8)	0.7
Prior year adjustments (UK and overseas)	(0.2)	-
	7.4	7.5

The Group earns its profits in the UK and overseas. The standard rate for UK corporation tax is currently 28%; however the effective tax rate for UK corporation tax in respect of the year ended 30 September 2008 was 29%. The Group's overseas tax rates are higher than those in the UK, primarily because the profits earned in North America are taxed at standard rates varying from 32% to 38%.

NOTES TO THE PRELIMINARY ANNOUNCEMENT (continued) for the year ended 30 September 2008

7. EARNINGS PER SHARE

Basic and diluted earnings per share

Basic and diluted earnings per ordinary 5p share are calculated on the basis of the weighted average number of ordinary shares in issue during the year of 112,237,586 (2007: 112,473,930) and the profit for the year attributable to shareholders of £13.3m (2007: £14.3m). There were no potentially dilutive shares. The comparative number of shares in issue has been restated to reflect the bonus issue of shares on 21 January 2008.

Adjusted earnings per share

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

	2008 pence per share	2007 pence per share	2008 £m	2007 £m
Profit before tax			21.8	22.3
Tax expense			(7.4)	(7.5)
Minority interests			(1.1)	(0.5)
Earnings for the year attributable to shareholders of the Company	11.8	12.7	13.3	14.3
Amortisation of acquisition intangible assets	2.4	0.9	2.7	1.0
Fair value remeasurements	2.7	-	3.0	-
Tax effects on goodwill, acquisition intangible assets and fair value remeasurements	(0.5)	0.4	(0.6)	0.4
ADJUSTED EARNINGS	16.4	14.0	18.4	15.7

8. RECONCILIATION OF CASH FLOW FROM OPERATIONS

	2008 £m	2007 £m
Profit for the year	14.4	14.8
Depreciation	2.5	1.8
Amortisation of acquisition intangible assets	2.7	1.0
Share-based payments expense	0.5	0.5
Finance expense/(income)	2.8	(1.2)
Tax expense	7.4	7.5
Operating cash flow before changes in working capital	30.3	24.4
Increase in inventories	(1.5)	(0.2)
Decrease/(increase) in trade and other receivables	0.9	(1.2)
(Decrease)/increase in trade and other payables	(0.7)	0.3
Cash paid into defined benefit schemes	(0.2)	(0.3)
CASH FLOW FROM OPERATIONS	28.8	23.0

NOTES TO THE PRELIMINARY ANNOUNCEMENT (continued)
for the year ended 30 September 2008

9. OTHER LIABILITIES

	2008 £m	2007 £m
Future purchases of minority interests	11.2	11.8
Deferred consideration	1.1	1.7
	12.3	13.5
Analysed as:		
Due within one year	1.1	4.8
Due after one year	11.2	8.7
The movement in the liability for future purchases of minority interests is as follows:		
	2008 £m	2007 £m
At 1 October	11.8	-
(Released)/charged to retained earnings	(3.6)	11.8
Unwinding of discount	0.7	-
Fair value remeasurements	2.3	-
AT 30 SEPTEMBER 2008	11.2	11.8

The Group retains put/call options to acquire the outstanding minority shareholdings in Somagen, AMT and M Seals, which are exercisable between 1 October 2009 and 31 December 2012. Following the acquisition on 3 March 2008 of 11.8% of the ordinary share capital of Somagen Diagnostics Inc. from the minority shareholders, the liability of £3.6m recognised in the consolidated financial statements at 30 September 2007 has been released to retained earnings.

At 30 September 2008, the estimate of the financial liability to acquire the outstanding minority shareholdings was reassessed by the Directors, based on their current estimate of the future performance of the businesses and to reflect foreign exchange rates at 30 September 2008. This led to a remeasurement of the fair value of these put options and the liability was increased by £2.3m by a charge to the consolidated Income Statement.

Deferred consideration of £1.1m is payable to the vendors of AMT, based on the performance of the AMT business in the year ended 30 September 2008. Deferred consideration of £0.3m was paid on 10 April 2008 to the vendors of Cabletec Interconnect Components Systems Limited ("Cabletec") in final settlement of their performance payment; unearned deferred consideration of £0.2m was released against goodwill.

10. ACQUISITIONS

On 5 February 2008, the Group acquired 100% of Hitek Group Limited ("Hitek"), a supplier of calibration services in the United Kingdom. The consideration, net of cash acquired and including acquisition expenses, was £2.5m. On 17 June 2008, the Group acquired 100% of Snijders Engineering B.V. ("Snijders"), a supplier of hydraulic seals in the Netherlands. The consideration, net of cash acquired and including acquisition expenses, was £1.4m (€1.8m).

On 3 March 2008, the Group acquired 11.8% of the ordinary share capital of Somagen Diagnostics Inc ("Somagen") for £3.7m (C\$7.3m) from the minority shareholders of Somagen, pursuant to put/call option agreements entered into at the time of the original acquisition in July 2004. The Group now owns 91.8% of the issued share capital of Somagen.

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

NOTES TO THE PRELIMINARY ANNOUNCEMENT (continued)
for the year ended 30 September 2008

10. ACQUISITIONS (continued)

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

	Total	
	Book value £m	Fair value £m
Property, plant and equipment	0.1	0.1
Deferred tax	-	0.1
Inventories	0.8	0.5
Trade and other receivables	0.2	0.2
Trade and other payables	(0.1)	(0.2)
	1.0	0.7
Minority's share of net assets		0.3
Net assets acquired by Group		1.0
Goodwill arising on acquisitions		6.6
		7.6
Satisfied by:		
Cash paid		7.4
Cash acquired		(0.1)
Expenses of acquisition		0.3
TOTAL CONSIDERATION		7.6

From the date of acquisition to 30 September 2008, these acquired businesses contributed £0.9m to revenue and £0.3m to operating profit. If the acquisition of the acquired businesses had been made at the beginning of the financial year, the acquired businesses would have contributed £1.8m to revenue and £0.4m 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.

11. SHARE CAPITAL

Allotted, issued and fully paid ordinary shares of 5p each	Number	£m
At 1 October 2007	22,647,911	1.1
Bonus issue of shares	90,591,644	4.6
AT 30 SEPTEMBER 2008	113,239,555	5.7

NOTES TO THE PRELIMINARY ANNOUNCEMENT (continued) for the year ended 30 September 2008

11. SHARE CAPITAL (continued)

On 21 January 2008 the Company undertook a bonus issue of four new ordinary shares of 5 pence each for each ordinary share held by shareholders of the Company. The bonus issue resulted in the issue of 90,591,644 new ordinary shares, representing the capitalisation of £4.4m of the Company's retained earnings, together with £0.2m which was held in the capital redemption reserve.

As a consequence of this bonus issue, the comparative earnings and dividends per share included in this Preliminary Announcement have been restated.

12. DIVIDENDS

	2008 pence per share	2007 pence per share	2008 £m	2007 £m
Interim dividend paid in June	2.5	1.8	2.8	3.4
Prior year final dividend paid in January	3.6	3.0	4.1	2.0
	6.1	4.8	6.9	5.4

The Directors have proposed a final dividend for the year of 5.0p (2007: 3.6p) which will be paid on 21 January 2009, subject to approval shareholders at the Annual General Meeting on 14 January 2009, to shareholders on the Register at the close of business on 28 November 2008. The total dividend for 2008, subject to approval of the final dividend, will be 7.5p (2007: 5.4p).

13. EXCHANGE RATES

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

	Average 2008	Average 2007	Closing 2008	Closing 2007
US Dollar	1.97	1.98	1.78	2.04
Canadian Dollar	1.99	2.18	1.90	2.02
Euro	1.31	1.48	1.27	1.43

14. SUBSEQUENT EVENT

On 5 November 2008, the Group acquired a small medical diagnostic company in Canada, Meditech Istisharat Canada Inc ("Meditech") for maximum consideration of £1.5m (C\$2.9m), including expenses.