

FOR IMMEDIATE RELEASE

16 November 2009

**PRELIMINARY ANNOUNCEMENT OF FINAL RESULTS
FOR THE YEAR ENDED 30 SEPTEMBER 2009**

	Audited 2009 £m	Audited 2008 £m
<i>Continuing Businesses</i> ⁽¹⁾		
Revenue	160.0	156.2
Operating profit ⁽²⁾	25.6	26.6
Operating margin ⁽²⁾	16.0%	17.0%
Adjusted profit before tax ^{(2), (3)}	25.5	26.8
Profit before tax	20.5	21.1
Free cash flow	23.5	17.7
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<i>Continuing Businesses</i> ⁽¹⁾	Pence	Pence
Adjusted earnings per share ^{(2), (3)}	14.8	16.0
Basic earnings per share	10.8	11.4
Total dividends per share	7.8	7.5
Free cash flow per share	20.8	15.6

(1) The Anachem business has been classified as discontinuing and its results excluded from the analysis in 2009 and 2008.

(2) Before amortisation of acquisition intangible assets.

(3) Before fair value remeasurements.

- Continuing revenue increased by **2%** and operating profit reduced by **4%**; operating margins held to a creditable **16%**.
- Underlying revenue and operating profits decreased **12%** and ca. **10%** respectively, after adjusting for currency effects, acquisitions and one-off items.
- Operating businesses reacted quickly to scale back operating costs; total headcount and monthly salary cost reduced by **10%** and **6%** respectively, since beginning of year.
- Tight management of working capital delivered strong free cash flow, up **33%** to **£23.5m**; net cash funds of **£21.3m** (2008: £15.7m) at year end.
- Contracts exchanged shortly after year end for disposal of Manual Liquid Handling business of Anachem Limited for maximum cash proceeds of £8.6m (Anachem now treated as discontinuing business).
- Total dividends up **4%** to **7.8p** (2008: 7.5p).

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

"The Group has delivered a resilient revenue and profit performance together with exceptionally strong free cash flow. We anticipate that 2010 will continue to be challenging and we are not planning for early recovery in trading activity. We remain confident however in the resilience of the Group's model and the strength of its cash flow. We believe the Group is well positioned to benefit from any market recovery".

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. 800 employees and its principal operating businesses are located in the UK, Germany, US and Canada.

In the last five years ended 30 September 2009, the Group has grown adjusted earnings per share at an average of ca. 16% p.a. through a combination of organic growth and acquisitions. The current market capitalisation is ca. £190m.

Further information on Diploma PLC, together with a copy of this Announcement, is available at www.diplomapl.com

PRELIMINARY ANNOUNCEMENT OF FINAL RESULTS FOR YEAR ENDED 30 SEPTEMBER 2009

CHAIRMAN'S STATEMENT

The Diploma Group demonstrated the resilience of its business model in the face of the global recession which impacted most markets and geographies from early in the financial year. The Group drew strength from its spread of sectors and geographies, as well as the focus on providing consumable products and services to specialised market sectors. Where revenues were reduced, the Group's businesses reacted quickly to scale back operating costs and working capital and reduce balance sheet exposure.

Although underlying Group revenues and operating profits were reduced, operating margins were held to a creditable 16% in the continuing businesses and free cash flow of £23.5m was generated in the year. This enabled the Group to continue to invest selectively in new growth initiatives which will bring rewards as markets eventually recover.

Results and Dividends

Shortly after the financial year end, contracts were exchanged for the disposal of the Manual Liquid Handling business of Anachem for cash proceeds up to a maximum of £8.6m; the results of Anachem for the year ended 30 September 2009 have been classified as discontinuing.

In 2009, Group revenue from the continuing businesses increased by 2% to £160.0m (2008: £156.2m). Operating profit, before the amortisation of acquisition intangible assets, decreased by 4% to £25.6m (2008: £26.6m) and operating margins reduced to 16.0% (2008: 17.0%).

Adjusted profit before tax from the continuing businesses decreased by 5% to £25.5m (2008: £26.8m) and adjusted earnings per share declined 8% to 14.8p (2008: 16.0p). Including the discontinuing businesses, adjusted profit before tax was £26.7m (2008: £27.5m) and adjusted earnings per share 15.6p (2008: 16.4p).

The strong cash flow performance is reflected in an increase of 33% in free cash flow from the continuing businesses to £23.5m (2008: £17.7m). Cash flow of £1.7m was added by the discontinuing businesses and £12.2m invested in the acquisition of businesses. At 30 September 2009, cash funds had increased by £5.6m to £21.3m (2008: £15.7m).

In recognition of the strong free cash flow and resilient earnings performance, the Board proposes to increase the final dividend by 6% to 5.3p (2008: 5.0p). The total dividend for the year will increase by 4% to 7.8p (2008: 7.5p).

Management and Employees

The experience, knowledge and skills of our employees continue to be a crucial element in the success of the Group. As the economic outlook has deteriorated however, there has been a need to reduce the number of people employed in several of the Group's businesses to match the requirements of their contracting markets. I wish to thank all of our employees for their understanding and hard work throughout a challenging year.

Outlook

The Board anticipates that the 2010 financial year will continue to be challenging and is not planning for early recovery in trading activity. The Board remains confident however in the resilience of the Group's model and the strength of its cash flow. The Group is therefore well positioned to take advantage of growth opportunities which should come with market recovery.

REVIEW OF OPERATIONS

The Group comprises a number of high quality, specialised businesses supplying technical products and services and operating in the three broad industry sectors of Life Sciences, Seals and Controls. The businesses aim to achieve stable revenue growth through the focus on essential products and services funded by customers' operating, rather than capital budgets. Attractive margins are sustained through the quality of customer service, depth of technical support and value adding activities. The Group's strategic objective is to build more substantial, broader based businesses in the chosen sectors through a combination of organic growth and acquisition.

This year has proved a real test of this strategy as the Group's operating businesses, while demonstrating their resilient characteristics, still felt the effects of the dramatic downturn in the global economy. The Group's revenues from the continuing businesses increased by 2% over the prior year; underlying revenues reduced by 12%, after adjusting for currency translation effects and contributions from new acquisitions.

The downturn impacted early in the year and the Group's businesses reacted quickly and decisively to re-focus efforts on optimising performance at the reduced revenue levels. Cost reduction programmes implemented in the first half of the year, reduced the total headcount and net monthly costs for the continuing businesses by 10% and 6% respectively by the end of the year.

Operating margins were held to a creditable 16.0% (2008: 17.0%) and operating profits of the continuing businesses reduced by 4% to £25.6m (2008: £26.6m). After adjusting for currency effects, acquisitions and costs of specific overhead reduction programmes, underlying operating profits reduced by ca. 10%.

Close attention has also been applied to maximising cash flow and reducing balance sheet exposure. Working capital and in particular inventory, was sharply reduced in those businesses with reduced revenues and this resulted in a strong increase in operating cashflow. The Group's total free cash flow from continuing businesses increased by 33% to £23.5m (2008: £17.7m) and the Group closed the year with cash balances at 30 September 2009 of £21.3m (2008: £15.7m).

The Group has delivered a resilient revenue and profit performance, together with exceptionally strong free cash flow, despite the recessionary environment impacting most of its key markets. The Group has reacted quickly and decisively in bearing down on operating costs and working capital, while still investing in selected growth initiatives. The Group is well positioned to benefit from any market recovery.

LIFE SCIENCES

	2009	2008
	£m	£m
Revenue	49.9	45.0
Operating profit*	10.6	8.6
Operating margin*	21.2%	19.1%

* before amortisation of acquisition intangible assets

The continuing Life Sciences businesses increased revenues in 2009 by 11% to £49.9m (2008: £45.0m). Sector revenues benefited on translation from the stronger Canadian dollar and Euro relative to UK sterling and a contribution from the newly acquired Meditech business in Somagen. On a comparable and constant currency basis, sector revenues were broadly flat year on year. Operating profits increased by 23% to £10.6m (2008: £8.6m), with operating margins increasing to 21.2% (2008: 19.1%).

Capital expenditure in the sector was £0.6m, including £0.5m invested in field equipment for placement by the Canadian Healthcare businesses. The balance was invested in hire equipment to help service customers in the a1-group. Free cash flow of £7.6m was generated in the sector (2008: £6.8m).

The Canadian Healthcare businesses are now managed through the newly formed Diploma Canada Healthcare Inc ("DCHI"). The **DCHI** businesses increased revenues by 10% in Canadian dollars and 20% in UK sterling terms. The businesses continued to make good progress in markets where overall funding remains steady, but increased focus is being placed on the most cost effective use of funds. Although overall Healthcare funding has remained steady during the economic downturn, hospitals have been conscious of the need to be seen to use funds prudently. As a result, there has been a marked increase in the use of formal tenders for both capital expenditures and contracted consumables. There are also examples of cost reduction initiatives at a Provincial or Regional level, such as grouped purchasing contracts and stated targets for reducing the number of operating procedures. The DCHI businesses have responded by strongly selling the benefits to hospitals of proprietary products, supplied as part of longer term contracts for competitively priced packages of products. As a result the underlying supplies component of the business, which represents the larger part of DCHI group revenues, saw sales increase by 16% year on year.

AMT reported continued growth in its core Electrosurgery business with increasing penetration of its proprietary smoke evacuation products, benefiting from the new Canadian advisory standard for the capture of smoke plume. There were also strong sales of other consumable products, including grounding pads and surgical instruments. Revenues were given a welcome boost in the second half of the year by an exceptional order from a single Province for the supply of face shields, to protect hospital employees from the transfer of swine flu. Depending on the development of swine flu as a pandemic, there may be further orders from other Provinces for these face shields in the current year. The Endoscopy business saw good growth in its sales of consumable products, including argon probes and flexible endoscopic instruments. Sales of capital equipment were reduced against a strong prior year comparative.

For Somagen, there remains pressure on its hospital laboratory customers, where the focus remains firmly on cost reduction and efficiency. The laboratories have been targeted as areas where costs can be managed through limits on services, testing menus and reimbursements. Responding to these pressures, Somagen has been very successful in placing new instruments which provide higher levels of automation and operational efficiency. The new Sebia Capillarys platform and reagents are proving very successful with higher volume laboratories, which are facing a shortage of skilled technologists and increasing workloads. The Sakura products for pathology laboratory automation are also filling the need for larger instruments, with higher throughput capability.

In November 2008, Somagen completed a small bolt-on acquisition of Meditech, a Montreal based supplier of in-vitro fertilisation ("IVF") products. This acquisition has now established Somagen as a leading supplier of products and services to the growing IVF market, represented by approximately 30 dedicated clinics across Canada.

The **a1-group** experienced an overall reduction of 9% in revenues. The analyser and containment businesses delivered modest revenue growth, with the centre of activity moving towards continental Europe and the results benefiting on translation from the stronger Euro relative to UK sterling.

The businesses are increasing their focus on core competencies in the areas of containment technologies for personal protection and elemental analysis with related automation. In the containment business, new contracts have been won during the year for the supply of customised stainless steel solutions for the personal protection of technicians in the research laboratories of the major European pharmaceutical companies. These products, supplied under the a1-safetech brand and manufactured under contract, combine distinct ergonomic

advantages with unique handling and safety features. The a1-group is also a leading supplier of elemental analysers (branded a1-envirotech) which respond to the needs of the petrochemical industry to measure sulphur and nitrogen accurately at low levels. In parallel, new products are being introduced to measure contamination by halides in petrochemical and bulk chemistry products.

CBISS experienced a continued slowdown in the market for new continuous emissions monitoring systems ("CEMS"). The longer term demand is still forecast to be strong for new CEMS installations in energy from waste ("EFW"), Biomass and power applications; however, projects are being deferred due to lack of funding or extended planning processes. Orders for new capital equipment are therefore significantly reduced and the business is currently relying on the base business, generated from service contracts. CBISS has responded to the lower activity levels in 2009 by restructuring itself operationally to improve efficiency, reduce costs and lead times and complete MCERTS accreditation of CEMS software.

Where the growth potential for any Group business is limited for market or supplier reasons, consideration has to be given to whether the business may perform better under different ownership. This was the case with the Manual Liquid Handling ("MLH") business of Anachem. In October 2009, after the year end, a contract was signed for the disposal of the MLH business to one of its principal suppliers; the transaction is due to complete in January 2010.

Anachem is being treated in these financial statements as a discontinuing business held for sale and its revenues of £15.7m (2008: £16.1m) and profits of £1.2m (2008: £0.7m) have been excluded from the sector analysis.

SEALS

	2009	2008
	£m	£m
Revenue	48.2	42.6
Operating profit*	5.5	6.7
Operating margin*	11.4%	15.7%

* before amortisation of acquisition intangible assets

The Seals businesses saw revenues increase in UK sterling terms by 13% to £48.2m (2008: £42.6m). However, the results benefited on translation from the stronger US dollar and euro, relative to UK sterling and from the first year contribution from RTD Seals. Underlying sector revenues decreased by 21%, after adjusting for currency effects and for the acquisition.

The businesses responded to the reduced revenues with substantial cost reduction programmes which led to a reduction of 15% in headcount and of 9% in monthly operating costs. However, these programmes lagged the revenue reduction and were not sufficient to offset the negative impact from operational leverage. As a result, operating profits reduced by 18% to £5.5m (2008: £6.7m) and operating margins reduced to 11.4% (2008: 15.7%).

In response to the reduction in trading activity, working capital was reduced sharply which resulted in a strong increase in operating cash flow. Capital expenditure in the sector was £1.1m with the major element being investment in the new warehouse automation system in Hercules' main Clearwater operations. Strong free cash flow of £8.6m was generated in the year (2008: £4.9m)

The **Hercules Fluid Power Group** ("HFPG") saw underlying revenues (excluding the RTD Seals acquisition) reduce by 23% in US dollar terms. The core Hercules business, with its focus on the Aftermarket, demonstrated its resilient characteristics, with revenues reducing less than the broader market. Focused marketing initiatives have been implemented to capture market share during the downturn, including the launch of a new e-commerce site, monthly new seal and seal kit product introductions and special product promotions. There was also growth in

the Seals-on-Demand business from the custom machining of over-sized and out-of-production seals.

Internationally, the main focus has been on the strategic development of the Aftermarket business in Europe. Despite unfavourable market conditions during the year, investment has continued in establishing the Hercules Europe business to ensure that it is well positioned to exploit the market recovery when it comes. The business has been relocated to a larger facility in the Netherlands and inventory has been built of ca. 1,300 seal kit products for popular European heavy equipment models. A new web site has been established and a 4-language seal and seal kit catalogue, tailored for the European market, has been distributed. Outside of the European initiative, Hercules' international sales and marketing efforts have been focused on Latin America and Asia.

The major impact of the downturn has been experienced by the Bulldog, HKX and RTD Seals businesses, which supply to construction equipment dealers and Industrial OEMs. Bulldog has seen a significant fall in demand for its products, exacerbated by extensive de-stocking by customers who are typically distributors and dealers, rather than end-users. As with Hercules, Bulldog has worked hard to maintain or improve market share in a depressed market through sales and marketing initiatives and new product introductions.

HKX has been impacted by the dramatic reduction in the market for new excavators in North America. In 2009, sales of new excavators are down by ca. 70% from the peak in 2005. HKX's revenues have reduced by ca. 40% over the same period which shows that it has been able to increase penetration in a severely depressed market. This has been achieved by introducing attachment kit programmes to new customers, as well as improving the product and service offering. HKX has also responded to the depressed market for new equipment by developing kit programmes targeted at the refit sector.

In January 2009, HFPG acquired RTD Seals, a leading US based supplier of seals, O-rings and custom moulded and machined parts. RTD Seals is a good sized, long established supplier to Industrial OEMs with a strong position in the Mid-Western US states. This acquisition, when supported by HFPG's broader sales and marketing resources, will provide a platform for building HFPG's Industrial OEM business in North America. RTD Seals has been impacted this year by the significant downturn in industrial activity in the US. However, it contributed £6.9m to revenues and £0.7m to operating profit in a very difficult trading environment and is well positioned to benefit early from any market recovery.

In response to the reduced revenues, HFPG has implemented cost reduction programmes which have resulted in a 17% reduction in headcount and a 10% reduction in monthly operating expenses. There continues to be a focus on operational efficiency and on further opportunities to reduce working capital, with resources being planned assuming no near term recovery in the markets.

Investment has been maintained in the new warehouse automation and carousel system project in Hercules' Clearwater operations to ensure that, when the market eventually recovers, the business will emerge stronger and well placed to exploit growth opportunities.

The **FPE** business in the UK was impacted by the general economic downturn in the UK and by a sharp decline in exports to sub-distributors in Continental Europe, resulting in a 11% decline in revenues. As with the US, there are some signs of stability returning to the market, but with recovery expected to be slow. **M Seals** has also been substantially impacted by the economic downturn as its major OEM customers reduced production and took extended summer shutdowns. Good progress in supplying the major wind turbine manufacturers has not been sufficient to offset the general downturn in activity and revenues have fallen sharply in the second half of the year. There are few signs yet of demand returning to pre-recession levels and recovery is expected to be slow.

CONTROLS

	2009	2008
	£m	£m
Revenue	61.9	68.6
Operating profit*	9.5	11.3
Operating margin*	15.3%	16.5%

* before amortisation of acquisition intangible assets

The Controls businesses saw revenues decrease in 2009 by 10% to £61.9m (2008: £68.6m); on a constant currency basis, revenues reduced by 15%. Sector operating profits decreased by 16% to £9.5m (2008: £11.3m), with operating margins reduced to 15.3% (2008: 16.5%).

As with other sectors, cost reduction measures were implemented in the Controls sector businesses to respond to reductions in revenues. Sector headcount and monthly operating expenses reduced by 10% and 8% respectively during the year.

With only £0.1m being invested in the sector during 2009, strong free cash flow of £8.9m was generated (2008: £8.3m).

The **UK Controls** businesses saw revenues decrease by 9% with lower sales in all market sectors, except the core Defence and Military Aerospace markets, which have benefited from ongoing upgrade, refurbishment and maintenance programmes. In the land systems segment, the Force protection programme of electronic counter measures, vehicle camera systems, protected weapon stations and the tactical support vehicle programmes have contributed to IS Group revenues. The military marine segment revenues have closely tracked the ongoing build programmes for the Astute submarine and the Type 45 frigates. In military aerospace, again robust revenues have been supported by a range of ongoing programmes, including the Eurofighter, unmanned air vehicles, Nimrod and the various helicopter programmes.

Other markets for the IS Group have been impacted by the general economic slowdown, as well as by sector specific factors. In Civil Aerospace, the IS Group supplies products principally for the initial fit-out of aircraft interiors and then their subsequent upgrade and refurbishment; revenues have been softer here in line with the general slowdown in new aircraft production. In Motorsport, demand has been impacted by the range of cost cutting measures, including testing restrictions, being implemented in Formula One. The cut-backs in sponsorship by major automotive companies is also having a significant impact on other series, especially World Rally and NASCAR.

IS Group's manufactured products supplied to Energy and Industrial customers and the Hawco business in general, have been more exposed to the major downturn in UK industrial markets. Declining end-user demand and over-stocking at customers have contributed to reduced revenues. The Hitek calibration services business, which was transferred into Hawco at the beginning of the year, has maintained revenues and shown a good degree of resilience.

The **German Controls** businesses saw revenues decrease by 10% in UK sterling terms and by 22% in local currency terms. The market downturn came later to Germany than the UK and the US, but its impact was felt strongly in the second half of the year. For Sommer, significantly weaker trading activity was experienced in the supply of components to Germany's traditionally strong Industrial, Automobile and Motorsports sectors. The Defence and Aerospace sectors were also impacted, but to a lesser degree. The Medical market proved to be an exception, with growth being generated from several long standing projects coming to fruition, as well as from a good level of repeat business. The business is centred on the provision of protective sleeves for stents, laparoscopic and cardiovascular instruments and catheters, where demand has remained strong. The Utilities market in Germany has also remained stable and sales here advanced modestly.

The principal markets for Filcon's connector products are Defence, Aerospace and Motorsport. Unlike the other Controls businesses, Filcon supplies a high proportion of its products to capital projects. As the general economy has slowed in Germany, there have been increasing levels of project cut-backs and delays. Filcon has its products designed-in to a wide range of applications and is therefore not over-dependant on single projects. The backlog of orders remains solid and call-offs are now resuming.

FINANCIAL REVIEW

Continuing Businesses

Revenue increased by 2% to £160.0m (2008: £156.2m) and operating profit, before amortisation of acquisition intangible assets, decreased by 4% to £25.6m (2008: £26.6m). The operating margin, before amortisation of acquisition intangible assets, reduced to 16.0% (2008: 17.0%) reflecting in particular, the significant operational leverage in the Seals businesses.

The results this year benefited from currency gains of £14.8m to revenue and £2.4m to operating profit, which arose on the translation of the results of the overseas businesses. In addition the businesses acquired in 2009 and 2008 contributed £1.2m to operating profits on revenue of £8.4m. In response to the difficult trading environment this year, £0.6m of costs were incurred on specific cost reduction programmes which should pay back in the coming financial year. The UK and Canadian businesses also suffered an impact on gross margins from the depreciation of local currencies on products purchased in overseas markets. After adjusting for these items, underlying revenues decreased by ca. 12% and operating profits, before amortisation of acquisition intangible assets, decreased by ca. 10%.

Adjusted profit before tax (which is a defined alternative performance measure, as discussed below) decreased 4.9% to £25.5m (2008: £26.8m), after net finance expense, excluding fair value remeasurements, of £0.1m (2008: income of £0.2m). Adjusted earnings per share fell 7.5% to 14.8p compared with 16.0p last year, reflecting the larger proportion of earnings contributed in 2009 by those businesses owned in part by minority shareholders.

IFRS profit before tax, which is after amortisation of acquisition intangible assets of £3.1m (2008: £2.7m) and fair value remeasurements of £1.9m (2008: £3.0m), was £20.5m (2008: £21.1m) and IFRS basic earnings per share were 10.8p (2008: 11.4p).

Discontinuing Business

The results of Anachem, which was formerly part of the Life Sciences sector, have been disclosed separately in the consolidated financial statements as a discontinuing business. Contracts were exchanged in October 2009 for the sale of the MLH business, which represents the largest part of Anachem, and will realise proceeds of up to £8.6m. On completion in early January 2010, the net assets of the MLH business are expected to be ca. £1.4m. The sale contract provides that the residual pension liabilities in the closed defined pension scheme of Anachem will be transferred, prior to completion, to Diploma Holdings PLC. At 30 September 2009 the accounting deficit in the Anachem pension scheme was £3.0m, out of the Group deficit of £4.7m, before deferred tax. Further information on the results of Anachem are set out in note 12 to the consolidated financial statements included in this Announcement.

Taxation

The Group's adjusted effective tax charge represented 29.8% (2008: 29.1%) of adjusted profit before tax. This year's effective rate benefited from the reduction in UK corporate tax rates to 28% from 29% in 2008. However this was not sufficient to offset the benefit to last year's tax charge of one-off adjustments made to prior year tax returns. The Group's adjusted effective tax rate in any particular year will also depend on the geographic mix of profit made by the Group.

Free Cash Flow and Cash Funds

The Group's free cash flow from the continuing businesses, which is before expenditure on acquisitions or returns to shareholders, increased by £5.8m to £23.5m. With a further £1.7m of free cash flow being contributed by the discontinuing business, aggregate total free cash flow of £25.2m represented 134% of adjusted profit after tax (2008: 92%).

Operating cash flow from the continuing businesses increased by £6.4m to £34.2m (2008: £27.8m) and was boosted by a reduction in working capital of £6.1m, compared with an increase of £1.3m last year. The reduction in working capital arose principally from a targeted reduction in stock across the Group to match the lower trading activity; a reduction in trade receivables which followed from reduced revenues, was largely offset by a similar reduction in trade payables.

At 30 September 2009, working capital in the Group's operating businesses remained unchanged from 2008 at 17.6% of Group revenue, reflecting the reduction in working capital in line with the decrease in revenue.

Group tax payments increased by £1.2m to £9.0m (2008: £7.8m), largely reflecting the impact of AMT moving to a monthly tax payment basis in 2009, as well as having to pay its 2008 annual tax liabilities.

Capital expenditure of £1.8m (2008: £1.6m) represented 82% (2008: 73%) of annual depreciation and included £0.9m on a major project to introduce warehouse automation in the Seals facility in Clearwater. A further £0.6m was spent on acquiring field equipment for lease in the Life Sciences businesses and the balance was spent on various tooling projects and on small upgrades to the general IT infrastructure across the Group.

The Group spent £11.1m (2008: £7.6m) on the acquisition of businesses during the year and paid deferred consideration of £1.1m (2008: £0.3m), as described below. At 30 September 2009 the Group's cash funds had increased by £5.6m to £21.3m (2008: £15.7m). The Group continues to maintain a £20m committed revolving bank facility which expires on 23 November 2010, together with £5m of working capital facilities. None of these facilities were utilised at 30 September 2009.

Related Party Transactions

The minority shareholders in Somagen, AMT and M Seals are also directors and employees of these companies and as such represent related parties. During the year, dividends of £0.7m (2008: £0.9m) were paid to the minority shareholders and £1.1m was paid to the vendors of AMT as deferred consideration in respect of the final settlement of their performance payment.

At 30 September 2009, the Group also has a liability to purchase the minority shareholdings in AMT, Somagen and M Seals. The aggregate liability is estimated at £13.1m (2008: £11.2m), of which ca. £3.1m will be payable in December 2009 to acquire the final 8.2% minority shareholding in Somagen; the balance will be payable between 1 October 2010 and 31 December 2012 to acquire the minority shareholdings in AMT and M Seals. In 2008, £3.7m was paid to the minority shareholders in Somagen to acquire 11.8% of the share capital. These liabilities arise under put/call options entered into at the time of acquisition and are based on the Directors' estimate of Earnings Before Interest and Tax of these businesses, when the options crystallise. Based on the expected performance of these businesses, the Directors have reassessed the potential liability at 30 September 2009 to acquire the remaining outstanding minority interests. The fair value remeasurement of these options has led to a charge of £1.9m (2008: £3.0m) being made in the consolidated Income Statement. An analysis of the movement in this liability is set out in note 10 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.

Acquisitions, Intangible Assets and Goodwill

During the year the Group acquired two businesses, in support of broadening its Life Sciences and Seals businesses, for £11.1m, in aggregate; deferred consideration payable of £0.6m has been provided at 30 September 2009 in respect of each of these businesses, as described further in note 11 to the consolidated financial statements. The acquisition of RTD in January 2009 was partly funded by drawing down £4.6m of US\$ borrowings from the revolving bank facility. These borrowings were repaid in full during the year from the operating cash flow of the US businesses.

Acquisition intangible assets of £4.2m were recognised in connection with these acquisitions, as well as goodwill of £3.5m, reflecting the amount paid for the acquisitions during the year, in excess of the value of the net assets. This goodwill largely comprises the value in each of these businesses relating to the product know-how held by the employees, prospects for sales growth in the future (from both new customers and new products) and operating cost synergies.

The Directors have carried out an impairment review of the total Group goodwill of £59.6m held at 30 September 2009, and despite the weakened trading environment, remain 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 2009 of £0.7m (2008: £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 2009 the accounting deficit in these defined pension schemes had increased by £3.0m to £4.7m (2008: £1.7m). The upheaval in the financial markets caused by the banking crisis has contributed to a sharp reduction in bond yields, which are used to value the pension liabilities. This led to an increase in the gross pension liability of £4.6m to £18.8m (2008: £14.2m) which more than offset a strong increase in the market value of the underlying investments of £1.6m and the Group's cash contribution to the schemes this year of £0.2m (2008: £0.2m).

During the year, a triennial actuarial funding valuation of the PLC scheme was completed, as of 30 September 2008. This valuation, using tighter mortality assumptions, resulted in a reduction in the ongoing funding level of this scheme to 84% (2008: 96%). As a consequence, the Group has agreed to increase its annual contributions to fund this deficit to £96,000 pa (2008: £42,000 pa) from 1 October 2009. A triennial actuarial funding valuation of the Anachem scheme is due as of 30 September 2009.

Net of deferred tax, the aggregate deficit in the defined benefit pension schemes at 30 September 2009 was £3.4m (2008: £1.2m), which equates to 2.8% (2008: 1.1%) of total shareholders' equity.

Capitalisation and Dividends

At 30 September 2009, the number of shares in issue is 113.2m, of which 0.9m are held by the Company's employee benefit trust. Shareholders' funds, which represents the Group's total capital, increased by £13.3m to £121.4m, due to the effect of exchange rate movements and earnings retained for the year.

The Group's trading capital employed, which is defined in note 2 to the consolidated financial statements, increased at 30 September 2009 by £11.6m to £116.1m (2008: £104.5m), of which £80.8m (2008: £70.2m) was accounted for by goodwill and acquisition intangible assets. The Group's return on trading capital employed decreased to 19.0% (2008: 22.4%) at 30 September 2009. This reduction reflects the lower operating profits earned this year, but was also exacerbated by the impact of the increase in overseas trading capital at 30 September 2009, resulting from the weakening in UK sterling.

Following the Board's announcement last year that it intended to move dividend cover towards 2.0 times, based on adjusted earnings per share, the amount distributed to shareholders in the form of ordinary dividends increased by £1.5m in 2009 to £8.4m (2008: £6.9m).

Measuring Financial Performance

The Board uses specific measures when assessing the performance of the Group and these are referred to throughout this 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 which are reflected in the consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union.

The Group has not been required to adopt any other new accounting standards during the year which have had a material impact on the consolidated financial statements.

RISKS AND UNCERTAINTIES

Risk Management Process

Risk assessment and evaluation is an integral part of the Group's annual planning cycle and market specific risks are evaluated as part of the budgetary process.

Each operating business is required each year to identify and document the significant strategic, operational and financial risks facing the business. For each significant risk, a number of scenarios are mapped out and an assessment is made of the likelihood and impact of each risk scenario. Finally, plans and processes are established, which are designed to control each risk and minimise its potential impact.

The risk assessments from each of the operating businesses are reviewed with the Executive Directors and a consolidated risk assessment is reviewed by the Board.

The risks and uncertainties which are currently judged to have the largest potential impact on the Group's long term performance are set out below. It should be recognised that additional risks not currently known to management, or risks that management currently regard as immaterial, could also have a material adverse effect on the Group's financial condition or the results of operations.

Strategic Risks

Downturn in major markets

Adverse changes in the major markets in which the businesses operate can have a significant impact on performance. The effects will either be seen in terms of slowing revenue growth, due to reduced or delayed demand for products and services, or pressure on margins due to increased competitive pressures.

To mitigate the effects of such adverse changes, the businesses identify key market drivers and monitor the trends and forecasts, as well as maintaining close relationships with key customers who may give an early warning of slowing demand. Changes to cost levels and inventories can then be made in a measured way to mitigate the effects.

In addition, there are a number of characteristics of the Group's businesses which moderate the impact of economic and business cycles on the Group as a whole:

- The Group's businesses operate in three different sectors with different cyclical characteristics and across a number of geographic markets.
- The businesses offer specialised products and services and this offers a degree of protection against customers quickly switching business to achieve better pricing.
- A high proportion of the Group's sales comprise consumable products and service contracts which are purchased as part of customers' operating expenditure, rather than through capital budgets.
- In many cases the products will be used in repair, maintenance and refurbishment applications, rather than original equipment manufacture.

Loss of key supplier(s)

The Group's businesses ensure that they have secure long term access to strong, differentiated product offerings by combining:

- Quality manufacturer-branded products, mostly sourced under long term distribution agreements.
- Own-brand products, manufactured under contract.
- Selective in-house manufacture and assembly.

There are risks to the businesses if a major supplier decides to cancel the distribution agreement or if the supplier is acquired by a company which has its own distribution channels in the relevant market. There is also the risk of a supplier taking away exclusivity and either setting up direct operations or establishing another distributor.

The potential impact on an individual business may be high where a supplier represents a significant proportion of the sales and purchases of the business. However, the potential impact on the Group is lower as no supplier represents more than 15% of Group revenue and only six suppliers represent more than 2% each of Group revenue.

Relationships with suppliers have normally been built up over many years and a strong degree of inter-dependence has been established. There are further actions planned and implemented by the operating businesses to control or to mitigate risks:

- Where dependence is high, long term, multi-year exclusive contracts signed with suppliers.
- Where possible, change of control clauses included in contracts for protection or compensation in the event of acquisition.
- Collaborative projects and relationships maintained with individuals at many levels of the supplier organisation.
- Regular review meetings and adherence to contractual terms.
- Regular reviews of inventory levels.
- Bundling and kitting of products and provision of added value services.
- Periodic research of alternative suppliers as part of contingency planning.

Loss of major customer(s)

As with any businesses, the loss of one or more major customers can be a material risk.

Specific large customers are important to individual operating businesses and a high level of effort is expended in ensuring that these customers are retained and encouraged not to switch to another supplier. In addition to providing high levels of customer service, close integration is established where possible with customers' systems and processes.

The nature of the Group's businesses, however, ensures that there is not a high level of dependence on any individual customers. No customer represents more than 5% of sector revenue or more than 2% of Group revenue.

Technological change

The Group's businesses operate in specialised markets offering products which are often technical in nature. As a result, there is always the risk that a technological change will make specific products less competitive or in the worst case, obsolete. In addition to the write-off of unsaleable inventory, this can impact the sales performance of the business if replacement products are not available.

The Group's exposure to this risk is reduced by the spread of businesses and technologies, as well as by the fact that the products, though technical, are typically not subject to very rapid technological change.

The operating businesses monitor the key technologies to get early warning of changes in product competitiveness, so that plans can be developed for changes in the supplier portfolio as required. Also, the businesses, with sufficient lead time, mostly have the opportunity to change suppliers in the event of a major technology shift.

Product liability

There is always a risk that products supplied by a Group business may fail in service, which could lead to a claim under product liability.

To offset this risk, technically qualified personnel and control systems are in place to ensure products meet quality requirements. The businesses, in their Terms and Conditions of sale with customers, will typically mirror the Terms and Conditions of sale from their suppliers. In this

way the liability can be limited and subrogated to the supplier. In addition, this avoids the need for businesses to maintain material warranty provisions in their financial statements.

However, if a legal claim is made it will typically draw in our business as a party to the claim and the business may be exposed to legal costs and potentially damages if the claim succeeds and the supplier fails to meet its liabilities for whatever reason. To mitigate this risk, the Group has established Group-wide product liability insurance which provides worldwide umbrella insurance cover of £10m in all sectors.

Loss of key personnel

The success of the Group is built upon strong, self-standing management teams in the operating businesses, committed to the success of their respective businesses. As a result, the loss of key personnel can have a significant impact on performance, at least for a time.

Contractual terms such as notice periods and non-compete clauses can mitigate the risk in the short term. However, the more successful initiatives focus on ensuring a challenging work environment with appropriate reward systems. The Group places very high importance on planning the development, motivation and reward of key managers in the operating businesses to mitigate this risk:

- Ensuring a challenging working environment where managers feel they have control over and responsibility for their businesses.
- Establishing management development programmes to ensure a broad base of talented managers.
- Offering a balanced and competitive compensation package with a combination of salary, annual bonus and long term incentive plans targeted at the individual business level.
- Giving the freedom, encouragement, financial resources and strategic support for managers to pursue ambitious growth plans.

Operational Risks

Major damage to premises

The Group businesses mostly operate from combined office/ warehouse facilities which are dedicated to the business and not shared with other Group businesses. Major damage to the facility from fire, malicious damage or natural disaster would impact the business for a period until the damage is repaired or alternative facilities have been established.

The businesses have developed plans to prevent incidents, including fire and security alarms and regular fire drills. Insurance policies are also in place including property, contents and business interruption cover which would mitigate the financial impact.

However, the priority in such an event is to become operational as quickly as possible to minimise disruption to customers. Plans to ensure a quick and orderly recovery have been developed by the businesses and are periodically reviewed.

The business where the risk is greatest is Hercules in Clearwater, Florida which is most at risk from an environmental disaster caused by a hurricane or tornado. The building structure has been designed to withstand 150mph winds and a specific disaster plan has been drawn up and is regularly reviewed. This includes:

- Back-up power generator.
- Materials on hand to secure the facility.
- Communications re-route to other branches or interim location.
- IT recovery plan using back-up server in separate location.
- Regular building inspection and weather monitoring.
- Plans to drop-ship product from suppliers where needed.

Loss of information technology ("IT") systems

Computer systems are critical to the businesses since their success is built on high levels of customer service and quick response. A complete failure of IT systems, with the loss of trading and other records would be more damaging to the businesses than major physical damage to facilities. IT system failure could have a number of causes including power failure, fire and viruses.

Business interruption insurance cover is held across the Group and contingency plans have been drawn up in all businesses. The recovery plans differ by individual business, but will include some or all of the following elements:

- Full data back-ups as a matter of routine.
- Back-up tapes stored in fire proof safes.
- Back-up servers identified.
- Communication re-route options identified.
- Service contracts with IT providers with access to replacement servers.
- Uninterruptible power sources and back-up generators where required.
- Virus checkers and firewalls.

Disruption by service providers

All the operating businesses use third party carriers to physically transport products. Disruption to this service is most critical in businesses such as Hercules where the business model requires rapid, often next day, delivery of products. Most businesses will have a principal carrier that is used, but they will monitor and maintain accounts with alternative carriers.

Financial Risks

The Group's activities expose it to a variety of financial risks; foreign currency, liquidity, interest rate and credit. The Group's overall management of these risks is carried out by a central treasury team (Group treasury) under policies and procedures which are reviewed and approved by the Board. Group treasury identifies, evaluates and where appropriate, hedges financial risks in close co-operation with the Group's operating businesses. The Group treasury

team does not undertake speculative foreign exchange dealings for which there is no underlying exposure. The policies for managing these financial risks are set out below and further analyses of these risks will be set out in the Annual Report.

Foreign currency risk

Foreign currency risk is the risk that changes in currency rates will affect the Group's results. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, the euro and the Canadian dollar (translational exposure). During the year ended 30 September 2009, ca. 70% of the Group's revenue and operating profits from continuing businesses were earned in currencies other than UK sterling. In comparison to the prior year, the net effect of currency translation was to increase revenue by £14.8m and to increase operating profit by £2.4m. It is estimated that a strengthening of UK sterling by 10% against all the currencies in which the Group does business, would reduce operating profit, before amortisation of acquisition intangible assets and tax, by approximately £1.8m (7.0%) (2008: £2.0m (7.5%)) due to currency translation.

The Group has certain investments in foreign operations whose net assets are also exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations are not hedged. At 30 September 2009, the Group's non-UK sterling trading capital employed in overseas businesses was £87.7m (2008: £75.0m), which represented 76% of the Group's trading capital employed. It is estimated that a strengthening of UK sterling of 10% against all the non-sterling capital employed would reduce shareholders' funds by £7.8m (2008: £6.9m).

The Group's UK businesses are also exposed to foreign currency risk on purchases that are denominated in a currency other than their local currency, principally US dollars, euro and Japanese yen (transactional exposure). The Group's Canadian businesses are also exposed to a similar risk as the majority of their purchases are denominated in US dollars.

The European and Canadian businesses hedge up to 80% of forecast US dollar and euro foreign currency exposures using forward foreign exchange contracts. The Group classifies its forward foreign exchange contracts, hedging forecasted transactions, as cash flow hedges and states them at fair value.

Details of average exchange rates, used in the translation of overseas earnings, and of year end exchange rates, used in the translation of overseas balance sheets, for the principal currencies used by the Group, are shown in note 14 to the consolidated financial statements.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group is highly cash generative and uses monthly cash flow forecasts to monitor cash requirements and to optimise its return on investments. Typically the Group ensures that it has sufficient cash on hand to meet foreseeable operational expenses, but it maintains a £5m overdraft facility on which interest is payable at UK Base Rate plus 100 bps. The Group also has an undrawn committed £20m revolving bank facility which expires on 23 November 2010. Interest on this facility is payable at 80 bps over LIBOR.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will affect the Group's results. The Group's interest rate risk arises primarily from its cash funds. An analysis of the currency and interest rate profile of the Group's funds will be set out in the Annual Report. The Group manages its interest-bearing funds in a manner designed to maximise interest income, while at the same time minimising any risk to these funds. Surplus funds are deposited with

commercial banks that meet the credit criteria approved by the Board, for periods of between one to six months at rates that are generally fixed by reference to the relevant UK Base Rate, or equivalent rates. The Group does not undertake any hedging activity of interest rates.

It is estimated that an increase of 1% in interest rates would increase the Group's profit before tax by a maximum of £0.2m (2008: £0.1m)

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations; this arises principally from the Group's trade and other receivables from customers and from cash balances (including deposits) held with financial institutions.

Trade receivable exposures are managed locally in the operating units where they arise and credit limits are set as deemed appropriate for the customer. The Group is exposed to customers ranging from government backed agencies and large public and private wholesalers, to small privately owned businesses and the underlying local economic risks vary throughout the world. An analysis of the Group's credit risk to trade receivables will be set out in the Annual Report.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of specific trade and other receivables where it is deemed that a receivable may not be recoverable. When the receivable is deemed irrecoverable, the allowance account is written off against the underlying receivable.

Exposure to financial counterparty credit risk is controlled by the Group treasury team in establishing and monitoring counterparty limits. Centrally managed funds are invested entirely with counterparties whose credit rating is 'A' or better.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure.

In order to maintain or adjust the capital structure the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

Accounting risks

Inventory obsolescence

Working capital management is critical to success in specialised distribution businesses as this has a major impact on cash flow. The principal risk to working capital, other than credit risk to trade receivables is in inventory obsolescence and write-off. Inventory write-offs are controlled and minimised by active management of inventory levels based on sales forecasts and regular cycle counts. Where necessary, a provision is made to cover excess stock and potential obsolescence.

Fraud and theft

The Group's operating businesses are relatively straight-forward businesses where a significant incidence of fraud or theft should become apparent relatively quickly. The risks are also moderated by the fact that the products are relatively specialised industrial products and therefore not particularly valuable or attractive on the open market. Finally, tangible fixed assets are not significant across the Group and generally comprise IT and warehouse equipment, where any loss would be quickly apparent.

As additional security, processes are in place to further reduce the opportunity for fraud or theft:

- Specified signature levels and responsibilities.
- Segregation of responsibilities.
- Controls on shipping addresses.
- Weekly flash reports of cash balances and regular bank reconciliations.
- Regular review of supplier and creditor ledgers to identify fictitious suppliers.
- Group wide policy and procedures for “whistle-blowing”.

The Audit Committee carries out an annual assessment of the fraud risks in the businesses and discusses these risks with management.

RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE ANNUAL REPORT 2009

The responsibility statement below has been prepared in connection with the Company's full Annual Report for the year ended 30 September 2009. Certain parts thereof are not included within this Announcement.

The Directors confirm that to the best of their knowledge:

- the Group consolidated financial statements, prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group and the undertakings included in the consolidation taken as a whole; and
- the Annual Report includes a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties faced by the Group.

The Directors of Diploma PLC and their respective responsibilities are listed in the Annual Reports for 2008 and 2009. There have been no changes in the year.

This responsibility statement was approved by the Board of Directors on 16 November 2009 and is signed on its behalf by:

BM Thompson
Chief Executive Officer

NP Lingwood
Group Finance Director

CONSOLIDATED INCOME STATEMENT

for the year ended 30 September 2009

Continuing businesses	Note	2009 £m	2008 £m
REVENUE	3,4	160.0	156.2
Cost of sales		(101.7)	(99.3)
Gross profit		58.3	56.9
Distribution costs		(4.1)	(4.1)
Administration costs		(31.7)	(28.9)
Operating profit, before amortisation of acquisition intangible assets	3, 4	25.6	26.6
Amortisation of acquisition intangible assets		(3.1)	(2.7)
OPERATING PROFIT	3	22.5	23.9
Finance expense, net	5	(2.0)	(2.8)
PROFIT BEFORE TAX		20.5	21.1
Tax expense	6	(7.1)	(7.2)
Profit for the year from continuing businesses		13.4	13.9
Profit from discontinuing business	12	0.9	0.5
PROFIT FOR THE YEAR		14.3	14.4
Attributable to:			
Shareholders of the Company		13.0	13.3
Minority interests		1.3	1.1
		14.3	14.4
EARNINGS PER SHARE			
Basic and diluted earnings – continuing	7	10.8p	11.4p
Basic and diluted earnings – discontinuing	7	0.8p	0.4p
Basic and diluted earnings – continuing and discontinuing	7	11.6p	11.8p

Alternative Performance Measures (note 2)	Note	2009 £m	2008 £m
Profit before tax		20.5	21.1
Add: Amortisation of acquisition intangible assets		3.1	2.7
Fair value remeasurements	5	1.9	3.0
Adjusted profit before tax - continuing		25.5	26.8
Adjusted profit before tax - discontinuing	12	1.2	0.7
Adjusted profit before tax – continuing and discontinuing		26.7	27.5
Adjusted earnings per share - continuing	7	14.8p	16.0p
Adjusted earnings per share – continuing and discontinuing	7	15.6p	16.4p

CONSOLIDATED BALANCE SHEET
as at 30 September 2009

	Note	2009 £m	2008 £m
NON-CURRENT ASSETS			
Goodwill	9	59.6	51.6
Acquisition intangible assets		21.2	18.6
Other intangible assets		0.8	1.2
Property, plant and equipment		11.6	11.6
Deferred tax assets		2.1	1.3
		95.3	84.3
CURRENT ASSETS			
Inventories		28.0	31.5
Trade and other receivables		25.2	26.7
Assets held for sale	12	5.4	-
Cash and cash equivalents		21.3	15.7
		79.9	73.9
CURRENT LIABILITIES			
Trade and other payables		(23.3)	(26.3)
Current tax liabilities		(1.8)	(3.3)
Other liabilities	10	(3.1)	(1.1)
Liabilities associated with assets held for sale	12	(3.5)	-
		(31.7)	(30.7)
NET CURRENT ASSETS		48.2	43.2
TOTAL ASSETS LESS CURRENT LIABILITIES		143.5	127.5
NON-CURRENT LIABILITIES			
Retirement benefit obligations		(4.7)	(1.7)
Other liabilities	10	(10.6)	(11.2)
Deferred tax liabilities		(4.1)	(4.6)
NET ASSETS		124.1	110.0
EQUITY			
Share capital		5.7	5.7
Translation reserve		18.7	8.0
Hedging reserve		0.3	0.7
Retained earnings		96.7	93.7
TOTAL SHAREHOLDERS' EQUITY		121.4	108.1
Minority interests		2.7	1.9
TOTAL EQUITY		124.1	110.0

**CONSOLIDATED STATEMENT OF
RECOGNISED INCOME AND EXPENSE**
for the year ended 30 September 2009

	2009 £m	2008 £m
Exchange rate adjustments on foreign currency net investments	10.7	7.4
(Losses)/gains on fair value of cash flow hedges	(0.4)	1.3
Actuarial losses on defined benefit pension schemes	(3.1)	(0.5)
Deferred tax on items recognised in equity	1.0	(0.3)
Net income recognised directly in equity for the year	8.2	7.9
Profit for the year	14.3	14.4
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE YEAR	22.5	22.3
Attributable to:		
Shareholders of the Company	21.2	21.1
Minority interests	1.3	1.2
	22.5	22.3

Other changes in shareholders' equity	Note	Share capital £m	Capital redemption reserve £m	Translation reserve £m	Hedging reserve £m	Retained earnings £m	Total £m
At 1 October 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		-	-	-	-	0.5	0.5
Purchase of own shares		-	-	-	-	(0.9)	(0.9)
Purchase of minority interests		-	-	-	-	3.6	3.6
Dividends	13	-	-	-	-	(6.9)	(6.9)
At 30 September 2008		5.7	-	8.0	0.7	93.7	108.1
Total recognised income and expense for the year attributable to shareholders		-	-	10.7	(0.4)	10.9	21.2
Share-based payments		-	-	-	-	0.5	0.5
Dividends	13	-	-	-	-	(8.4)	(8.4)
At 30 September 2009		5.7	-	18.7	0.3	96.7	121.4

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 30 September 2009

Continuing businesses	Note	2009 £m	2008 £m
CASH FLOW FROM OPERATING ACTIVITIES			
Cash flow from operations	8	34.2	27.8
Finance income received, net		-	-
Tax paid		(9.0)	(7.8)
NET CASH FROM OPERATING ACTIVITIES		25.2	20.0
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries (net of cash acquired)	11	(11.1)	(7.6)
Deferred consideration paid		(1.1)	(0.3)
Proceeds from the sale of property, plant and equipment		0.1	0.2
Purchase of property, plant and equipment		(1.5)	(1.4)
Purchase of other intangible assets		(0.3)	(0.2)
NET CASH USED IN INVESTING ACTIVITIES		(13.9)	(9.3)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividends paid to shareholders	13	(8.4)	(6.9)
Dividends paid to minority interests		(0.7)	(0.9)
Purchase of own shares		-	(0.9)
NET CASH USED IN FINANCING ACTIVITIES		(9.1)	(8.7)
Net cash flow from discontinuing business	12	1.7	0.3
Net increase in cash and cash equivalents		3.9	2.3
Cash and cash equivalents at beginning of year		15.7	12.4
Effect of exchange rates on cash and cash equivalents		1.7	1.0
CASH AND CASH EQUIVALENTS AT END OF YEAR		21.3	15.7

Alternative Performance Measures (note 2)	2009 £m	2008 £m
NET INCREASE IN CASH AND CASH EQUIVALENTS	3.9	2.3
Add: Dividends paid to shareholders	8.4	6.9
Dividends paid to minority interests	0.7	0.9
Acquisition of subsidiaries (net of cash acquired)	11.1	7.6
Deferred consideration paid	1.1	0.3
Free cash flow – continuing and discontinuing	25.2	18.0
Less: Free cash flow - discontinuing	(1.7)	(0.3)
FREE CASH FLOW - continuing	23.5	17.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2009

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 16 November 2009. 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, which have been prepared on a going concern basis, have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union, and in accordance with the Companies Act 2006, as applicable to companies reporting under IFRS. The accounting policies have been consistently applied in 2009 and the comparative period. There has been no material impact on the Group's consolidated financial statements in 2009 from the issue of IFRS or interpretations to existing Standards during the year.

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 2009 and 2008. Statutory financial statements for the year ended 30 September 2008 have been delivered to the Registrar of Companies. The statutory financial statements for the year ended 30 September 2009, which were approved by the Directors on 16 November 2009, will be sent to shareholders on 27 November 2009 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 2009 and 2008. The reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006, or equivalent preceding legislation.

The Company's Annual General Meeting will be held at 12.00 midday on 13 January 2010 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 CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 September 2009

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 expense/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 - Continuing

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	
	2009 £m	2008 £m	2009 £m	2008 £m	2009 £m	2008 £m	2009 £m	2008 £m
Revenue								
- existing businesses	48.8	45.0	41.3	42.6	61.9	68.6	152.0	156.2
- acquisitions	1.1	-	6.9	-	-	-	8.0	-
Revenue - continuing	49.9	45.0	48.2	42.6	61.9	68.6	160.0	156.2
Segment operating profit								
- existing businesses	10.3	8.6	4.8	6.7	9.5	11.3	24.6	26.6
- acquisitions	0.3	-	0.7	-	-	-	1.0	-
Segment operating profit - continuing	10.6	8.6	5.5	6.7	9.5	11.3	25.6	26.6
Amortisation of acquisition intangible assets	(1.4)	(1.5)	(1.3)	(0.8)	(0.4)	(0.4)	(3.1)	(2.7)
OPERATING PROFIT - continuing	9.2	7.1	4.2	5.9	9.1	10.9	22.5	23.9

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 CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 September 2009

3. BUSINESS SEGMENT ANALYSIS - Continuing (continued)

	Life Sciences		Seals		Controls		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
	£m	£m	£m	£m	£m	£m	£m	£m
Operating assets	15.6	21.5	23.6	22.0	23.3	24.5	62.5	68.0
Goodwill	32.5	30.6	12.0	8.9	15.1	12.1	59.6	51.6
Acquisition intangible assets	10.9	11.4	8.8	5.3	1.5	1.9	21.2	18.6
	59.0	63.5	44.4	36.2	39.9	38.5	143.3	138.2
Unallocated assets:								
– Deferred tax assets							2.1	1.3
– Cash and cash equivalents							21.3	15.7
– Assets held for sale							5.4	-
– Corporate assets							3.1	3.0
TOTAL ASSETS							175.2	158.2
Operating liabilities	(9.0)	(12.4)	(4.8)	(4.9)	(9.3)	(10.5)	(23.1)	(27.8)
Unallocated liabilities:								
– Deferred tax liabilities							(4.1)	(4.6)
– Retirement benefit obligations							(4.7)	(1.7)
– Future purchases of minorities							(13.1)	(11.2)
– Liabilities associated with assets held for sale							(3.5)	-
– Corporate liabilities							(2.6)	(2.9)
TOTAL LIABILITIES							(51.1)	(48.2)
NET ASSETS							124.1	110.0
OTHER SEGMENT INFORMATION								
Capital expenditure	0.6	0.8	1.1	0.5	0.1	0.3	1.8	1.6
Depreciation (including software)	0.8	1.0	0.8	0.7	0.6	0.5	2.2	2.2

ALTERNATIVE PERFORMANCE MEASURES (note 2)	Life Sciences		Seals		Controls		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
	£m	£m	£m	£m	£m	£m	£m	£m
Net assets							124.1	110.0
Add/(less):								
– Deferred tax, net							2.0	3.3
– Retirement benefit obligations							4.7	1.7
– Future purchases of minorities							13.1	11.2
– Cash and cash equivalents							(21.3)	(15.7)
– Adjustment to goodwill	(4.5)	(4.1)	(1.4)	(1.2)	(0.6)	(0.7)	(6.5)	(6.0)
GROUP TRADING CAPITAL EMPLOYED							116.1	104.5
Assets held for sale, net							(1.9)	-
Corporate assets, net							(0.5)	(0.1)
SEGMENT TRADING CAPITAL EMPLOYED	45.5	47.0	38.2	30.1	30.0	27.3	113.7	104.4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 September 2009

4. GEOGRAPHIC SEGMENT ANALYSIS BY ORIGIN - Continuing

	Revenue		Operating profit*		Gross assets		Trading capital employed		Capital expenditure	
	2009 £m	2008 £m	2009 £m	2008 £m	2009 £m	2008 £m	2009 £m	2008 £m	2009 £m	2008 £m
United Kingdom	50.1	57.7	6.8	7.9	49.3	51.2	28.4	29.5	0.1	0.4
Rest of Europe	32.6	33.7	3.9	5.7	34.8	26.8	21.0	20.7	0.2	0.3
North America	77.3	64.8	14.9	13.0	91.1	80.2	66.7	54.3	1.5	0.9
	160.0	156.2	25.6	26.6	175.2	158.2	116.1	104.5	1.8	1.6

* before amortisation of acquisition intangible assets

5. FINANCE EXPENSE, NET

	2009 £m	2008 £m
Finance income		
- interest receivable on short term deposits	0.1	0.3
- net finance income from defined benefit pension scheme	-	0.2
	0.1	0.5
Finance expense		
- interest payable on bank borrowings	(0.1)	(0.3)
- fair value remeasurement of put options (note 10)	(1.9)	(3.0)
- net finance expense from defined benefit pension scheme	(0.1)	-
	(2.1)	(3.3)
NET FINANCE EXPENSE	(2.0)	(2.8)

The fair value remeasurement of £1.9m (2008: £3.0m) includes £1.1m (2008: £0.7m) which relates to the unwinding of the discount on the liability for future purchases of minority interests.

6. TAXATION - Continuing

	2009 £m	2008 £m
Current tax		
The tax charge is based on the profit for the year and comprises:		
UK corporation tax	2.4	2.8
Overseas tax	5.2	5.4
Deferred tax (UK and overseas)	(0.5)	(0.8)
Prior year adjustments (UK and overseas)	-	(0.2)
	7.1	7.2

The Group earns its profits in the UK and overseas. The UK corporation tax rate is 28%; the Group's overseas tax rates are higher than those in the UK, primarily because the profits earned in North America are taxed at rates varying from 32% to 38%. The tax relating to the discontinuing business is £0.3m (2008: £0.2m) as set out in note 12.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 September 2009

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 112,316,906 (2008: 112,237,586) and the profit for the year attributable to shareholders of £13.0m (2008: £13.3m). There were no potentially dilutive shares.

Adjusted earnings per share

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

	2009 pence per share	2008 pence per share	2009 £m	2008 £m
Profit before tax - continuing			20.5	21.1
Tax expense			(7.1)	(7.2)
Minority interests			(1.3)	(1.1)
	10.8	11.4	12.1	12.8
Profit from discontinuing business	0.8	0.4	0.9	0.5
Earnings for the year attributable to shareholders of the Company	11.6	11.8	13.0	13.3
Amortisation of acquisition intangible assets	2.7	2.4	3.1	2.7
Fair value remeasurements	1.7	2.7	1.9	3.0
Tax effects on goodwill, acquisition intangible assets and fair value remeasurements	(0.4)	(0.5)	(0.5)	(0.6)
Adjusted earnings – continuing and discontinuing	15.6	16.4	17.5	18.4

8. RECONCILIATION OF CASH FLOW FROM OPERATING ACTIVITIES - Continuing

	2009 £m	2008 £m
Profit for the year from continuing businesses	13.4	13.9
Depreciation/amortisation of tangible and other intangible assets	2.2	2.2
Amortisation of acquisition intangible assets	3.1	2.7
Share-based payments expense	0.5	0.5
Finance expense, net	2.0	2.8
Tax expense	7.1	7.2
Operating cash flow before changes in working capital	28.3	29.3
Decrease/(increase) in inventories	6.0	(1.4)
Decrease in trade and other receivables	2.4	0.8
Decrease in trade and other payables	(2.3)	(0.7)
Cash paid into defined benefit schemes	(0.2)	(0.2)
CASH FLOW FROM OPERATING ACTIVITIES	34.2	27.8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 September 2009

9. GOODWILL

	Life Sciences £m	Seals £m	Controls £m	Total £m
At 1 October 2007	23.4	7.4	11.9	42.7
Acquisitions	5.8	0.8	-	6.6
Adjustments to prior year goodwill	(0.2)	-	(0.2)	(0.4)
Exchange adjustments	1.6	0.7	0.4	2.7
At 30 September 2008	30.6	8.9	12.1	51.6
Acquisitions (note 11)	1.4	2.1	-	3.5
Reclassification	(2.4)	-	2.4	-
Exchange adjustments	2.9	1.0	0.6	4.5
AT 30 SEPTEMBER 2009	32.5	12.0	15.1	59.6

Goodwill of £3.5m, which arose on acquisitions completed during the year relates to the product know-how held by the employees, prospects for sales growth from new customers and operating cost synergies.

An impairment review of goodwill held at 30 September 2009 has been completed. The key assumptions used in this review are those regarding the discount rates and forecast for future growth in revenue and cash flow. The discount rates used were ca. 13% (2008: ca. 16%). The revenue and cash flow forecast are derived from budgets, approved by management, for the next financial year. These are extrapolated thereafter using growth rates ranging from 2% - 10% pa in the medium term and at GDP rates thereafter; changes in selling prices and direct costs are based on past practices and take account of any expectations of future changes in the market.

An increase in the discount rates of up to 2% would be likely to lead to impairments in the carrying value of goodwill of certain businesses of ca. £1m. If growth rates achieved over the next five years are only 2% - 5% pa, this would lead to impairments in the carrying value of goodwill of certain businesses of ca. £3m.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 September 2009

10. OTHER LIABILITIES

	2009 £m	2008 £m
Future purchases of minority interests	13.1	11.2
Deferred consideration	0.6	1.1
	13.7	12.3
Analysed as:		
Due within one year	3.1	1.1
Due after one year	10.6	11.2
The movement in the liability for future purchases of minority interests is as follows:		
	2009 £m	2008 £m
At 1 October	11.2	11.8
Released to retained earnings	-	(3.6)
Unwinding of discount	1.1	0.7
Fair value remeasurements	0.8	2.3
AT 30 SEPTEMBER	13.1	11.2

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.

At 30 September 2009, 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 2009. This led to a remeasurement of the fair value of these put options and the liability was increased by £0.8m (2008: £2.3m) by a charge to the consolidated Income Statement.

At 30 September 2009, deferred consideration of £0.6m comprised £0.3m payable to the vendors of the businesses and assets of RTD and £0.3m payable to the vendors of Meditech, as described further in note 11. Deferred consideration of £1.1m was paid on 9 February 2009 to the vendors of AMT in final settlement of their performance payment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 September 2009

11. ACQUISITIONS

On 5 November 2008, Somagen Diagnostics Inc, a subsidiary in the Group acquired 100% of Meditech Istisharat Canada Inc ("Meditech") for maximum consideration of £1.6m (C\$2.9m), including expenses. The initial cash paid on acquisition was £1.3m (C\$2.4m) and a balance of £0.3m (C\$0.5m) is payable in November 2009, based on the performance of the business in the year ended 31 October 2009.

On 12 January 2009, the Group completed the acquisition of the business, assets and goodwill of RT/Dygart International Inc ("RTD"). The business was acquired by RTD Seals Corp ("RTD Seals"), a wholly owned subsidiary of the Group's North American Seals business of Hercules Fluid Power Group. The initial cash consideration was £9.8m (US\$14.9m), with the balance of up to £3.6m (US\$5.4m) in deferred consideration, payable in 2010, based on a number of factors, including principally the performance of the business in the period ending 31 December 2009. At 30 September 2009 £0.3m (US\$0.5m) has been provided for as deferred consideration.

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

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.

	Book value £m	Fair value £m
Acquisition intangible assets	-	4.2
Property, plant and equipment	0.2	0.2
Deferred tax	-	0.1
Inventories	2.7	2.8
Trade and other receivables	1.6	1.6
Trade and other payables	(0.7)	(0.7)
Net assets acquired	3.8	8.2
Goodwill arising on acquisitions completed during the year		3.5
		11.7
Satisfied by:		
Cash paid		10.9
Expenses of acquisitions		0.2
Net cash paid		11.1
Provision for deferred consideration payable		0.6
TOTAL CONSIDERATION		11.7

From the date of acquisition to 30 September 2009, these acquired businesses contributed £8.0m to revenue and £1.0m 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 £10.4m to revenue and £0.6m to profit after tax. Profit after tax 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 CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 September 2009

12. DISCONTINUING BUSINESS

Diploma PLC has signed a contract for the disposal of the Manual Liquid Handling ("MLH") business of Anachem Limited. The transaction is expected to complete on, or about, 8 January 2010.

On completion, the business of Anachem Limited will comprise the core MLH business which supplies manual liquid handling products (eg pipettes and tips), services and related laboratory consumables to major pharmaceutical and biotechnology companies, research institutions and Universities.

The MLH business contributed £10.7m to revenue in the year ended 30 September 2009 (2008: £10.6m). At completion, net assets, excluding cash, of the MLH business of Anachem Limited are expected to be approximately £1.4m.

The initial sale proceeds to be received on Completion, which will be reinvested in the Group's businesses, are £7.8m, before disposal costs, of which £0.8m will be held in escrow. The sale proceeds may be subject to minor adjustment, based on the net assets at completion. Further sale proceeds of up to £0.8m may be receivable, depending on the revenues earned in the 12 months to 31 December 2010.

The remainder of the business in Anachem Limited comprises the Instruments division which supplies laboratory automation products; this business will be transferred to a separate entity prior to completion, with the intention of realising further value.

Anachem Limited was not discontinued or classified as held for sale as at 30 September 2008 and the comparative consolidated Income Statement and consolidated Cash Flow Statement have been restated to show the activities as a discontinuing business.

The results of the discontinuing business included in the consolidated Income Statement for the year ended 30 September 2009 were as follows:

	2009 £m	2008 £m
Revenue	15.7	16.1
Cost of sales	(10.2)	(10.7)
Gross Profit	5.5	5.4
Distribution costs	(0.6)	(0.8)
Administration costs	(3.7)	(3.9)
Profit before tax	1.2	0.7
Tax expense	(0.3)	(0.2)
PROFIT ATTRIBUTABLE TO DISCONTINUING BUSINESS	0.9	0.5

The major classes of assets and liabilities comprising the business classified as held for sale are as follows:

	2009 £m
Other intangible assets	0.3
Property, plant and equipment	0.4
Inventories	2.4
Trade and other receivables	2.3
Total assets held for sale	5.4
Trade and other payables	(3.2)
Current tax liabilities	(0.3)
Total liabilities associated with assets held for sale	(3.5)
NET ASSETS OF DISCONTINUING BUSINESS	1.9

12. DISCONTINUING BUSINESS (continued)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 September 2009

Cash flows from the discontinuing business included in the consolidated cash flow statement are as follows:

	2009 £m	2008 £m
Profit from discontinuing business	0.9	0.5
Depreciation/amortisation of tangible and other intangible assets	0.3	0.3
Tax expense	0.3	0.2
Operating cash flow before changes in working capital	1.5	1.0
Decrease in working capital	0.5	-
Cash flow from operating activities	2.0	1.0
Tax paid	(0.2)	(0.4)
Net cash from operating activities	1.8	0.6
Net cash used in investing activities	(0.1)	(0.3)
Net cash flow from discontinuing business	1.7	0.3

Anachem Limited was previously reported within the Life Sciences business segment and within the United Kingdom geographic segment analysis.

	2009 £m	2008 £m
Capital expenditure	0.1	0.3
Depreciation (including software)	0.3	0.3

The aggregate payroll costs and average number of employees of the discontinuing business were as follows:

	2009 £m	2008 £m
Wages and salaries	3.7	4.0
Social security costs	0.4	0.4
Pension costs – defined contribution	0.2	0.2
	4.3	4.6
	2009 Number	2008 Number
Number of employees - average	118	133

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 September 2009

13. DIVIDENDS

	2009 pence per share	2008 pence per share	2009 £m	2008 £m
Interim dividend, paid in June	2.5	2.5	2.8	2.8
Prior year final dividend, paid in January	5.0	3.6	5.6	4.1
	7.5	6.1	8.4	6.9

The Directors have proposed a final dividend in respect of the current year of 5.3p (2008: 5.0p) which will be paid on 20 January 2010, subject to approval of shareholders at the Annual General Meeting on 13 January 2010, to shareholders on the Registrar at the close of business on 27 November 2009. The total dividend for the current year, subject to approval of the final dividend, will be 7.8p (2008: 7.5p).

14. EXCHANGE RATES

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

	Average 2009	Average 2008	Closing 2009	Closing 2008
US Dollar	1.54	1.97	1.60	1.78
Canadian Dollar	1.82	1.99	1.72	1.98
Euro	1.14	1.31	1.09	1.27