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DIPLOMA PLC

12 CHARTERHOUSE SQUARE, LONDON EC1M 6AX
TELEPHONE: +44 (0)20 7549 5700
FACSIMILE: +44 (0)20 7549 5715

FOR IMMEDIATE RELEASE

21 November 2011

PRELIMINARY ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2011

"An excellent full year performance"

	Audited 2011 £m	Audited 2010 £m	
Revenue	**230.6**	183.5	+26%
Adjusted operating profit(1)	**45.2**	32.1	+41%
Adjusted operating margin(1)	**19.6%**	17.5%	
Adjusted profit before tax(1), (2)	**44.9**	32.2	+39%
Profit before tax	**39.2**	26.7	+47%
Profit for the year(3)	**27.6**	23.0	+20%
Free cash flow	**25.0**	29.8	-16%
	Pence	Pence	
Adjusted earnings per share(1), (2)	**27.9**	18.9	+48%
Basic earnings per share	**24.0**	14.6	+64%
Total dividends per share	**12.0**	9.0	+33%
Free cash flow per share	**22.1**	26.3	-16%

(1) Before acquisition related charges.
(2) Before fair value remeasurements.
(3) Profit for the year is stated after tax and the prior year includes the profit on sale of the discontinued businesses. All other reported results relate to the continuing businesses.

Financial Highlights

- Revenue up **26%** as businesses benefitted from strong demand and a good contribution from acquisitions; adjusted profit before tax up **39%** to **£44.9m**.
- Adjusted operating margin at record **19.6%** reflecting focus on added value services and benefits from prior year cost reductions.
- Strong underlying organic growth with revenue and adjusted operating profits up **17%** and **31%**, respectively, after adjusting for currency and acquisitions.
- Free cash flow of **£25.0m** despite return of working capital to more normal levels.
- Net cash of **£12.2m** (2010: £30.1m), after significant investment of **£28.2m** acquiring businesses and minority interests.
- Full year dividend up **33%** at **12.0p** (2010: 9.0p).

Operating Highlights

- Underlying revenue growth of 12% in Life Sciences was driven by continued steady growth in Healthcare funding in Canada and Australia. The acquisition of CMI and its combination with AMT's endoscopy business has created a strong position in the growing GI endoscopy market.

- Seals delivered underlying revenue growth of 26% and a strong increase in operating margins. The core Aftermarket business in North America increased its share of the market through its superior levels of customer service and complete inventory. Sales in international markets and to specialised Industrial OEMs also grew strongly.

- Controls performed well against a challenging economic and market backdrop, with underlying revenue growth of 12%. Reductions in Defence budgets were moderated by the focus on repair, refurbishment and upgrade programmes. Robust demand from specialised markets including Motorsport, Medical equipment and Energy.

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

"It has been an excellent year for Diploma with Group revenues increasing by 26% and adjusted profits up 39%, with all of our sectors reporting strong double digit underlying increases.

Diploma's businesses are focused on essential products and services that are generally funded by the customers' operating rather than capital budgets, providing recurring income and stable revenue growth. This resilience gives us confidence in delivering the "GDP plus" levels of underlying organic revenue growth which we aim to achieve over the business cycle. In addition, by supplying essential solutions, not just products, we are able to sustain attractive margins by delivering real value to our customers and suppliers. Finally we encourage an entrepreneurial culture which ensures that our businesses are agile and respond quickly in changing economic and market conditions.

Although global economic uncertainty continues, we see good opportunities for future development, both organically and through carefully selected, value adding acquisitions. The Group has a strong balance sheet and is well diversified by geography and business area. The Board has confidence that further progress will be made in the new financial year."

Notes:

Diploma PLC uses alternative performance measures as key financial indicators to assess the underlying performance of the Group. These include adjusted operating profit, 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.

Diploma PLC - Bruce Thompson, Chief Executive Officer Nigel Lingwood, Group Finance Director	+44 (0)20 7549 5700
Tulchan Communications - David Allchurch Martin Robinson	+44 (0)20 7353 4200

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's businesses are focussed on supplying *essential products and services* which are funded by the customers' operating rather than their capital budgets, providing recurring income and stable revenue growth.

Our businesses then design their individual business models to closely meet the requirements of their customers, offering a blend of high quality customer service, deep technical support and value adding activities. By supplying *essential solutions*, not just products, we build strong long term relationships with our customers and suppliers, which support attractive and sustainable margins.

Finally we encourage an entrepreneurial culture in our businesses through our decentralised management structure. We want our managers to feel that they have the freedom to run their own businesses, while being able to draw on the support and resources of a larger group. These *essential values* ensure that decisions are made close to the customer and that the businesses are agile and responsive to changes in the market and the competitive environment.

The Group employs ca. 900 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. 19% p.a. through a combination of organic growth and acquisitions. Diploma is a member of the FTSE 250 with a market capitalisation of ca. £350m.

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

PRELIMINARY ANNOUNCEMENT OF FINAL RESULTS FOR YEAR ENDED 30 SEPTEMBER 2011

CHAIRMAN'S STATEMENT

As I enter my tenth year as a Director of the Company, it is particularly encouraging to report another year of excellent progress at Diploma with key performance indicators all hitting record levels.

These results continue to demonstrate the strength and resilience of the Group's business model which has enabled it to report consistent profitable growth over the past ten years. In July 2002 when I joined the Company, the Group had recently emerged from a major restructuring programme, having divested a number of traditional core businesses and returned a large proportion of the cash proceeds (ca. £70m) to shareholders. The Group had just reported pre-tax profits of £10.0m on revenues of £66.3m in respect of its continuing businesses. At the same time the Group's market capitalisation was below £100m and total dividends were 2.6p per share.

Over the ten years since then, the Group has generated strong double digit compound growth in revenues through a combination of good organic growth and value enhancing acquisitions. Profits and dividends over this period have increased by a factor of more than four times. The total shareholder return ("TSR") has also grown strongly relative to the FTSE mid-250 index (excluding investment trusts) ("FTSE 250") which we have always seen as a benchmark for our performance. This strong relative performance was recognised in October of this year when the Company achieved the important milestone of promotion to the FTSE 250.

Towards the end of this year, the Board approved proposals to further expand the activities in a number of key businesses by moving their existing activities to new enlarged facilities. These facilities will enable the momentum of growth to be sustained, within the constraints of an uncertain economic outlook. I remain confident that with its broader base of businesses, the resilience of its business model and its depth of resources, the Group is well placed to continue to make further progress in the next ten year period.

2011 Results

Group revenue increased by 26% to £230.6m (2010: £183.5m) with the businesses continuing to benefit from strong customer demand and with acquisitions completed over the past eighteen months, contributing £17.2m to this year's Group result. The on-going focus on adding value to our delivery of product and services, together with the benefit of cost reductions carried out in 2009 has led to a further increase in adjusted operating margins to 19.6% (2010: 17.5%). As a result there was a substantial increase in adjusted operating profit, up by 41% to £45.2m (2010: £32.1m). Underlying Group revenues and adjusted operating profit increased by 17% and 31% respectively, after adjusting for the contribution from acquisitions and from the impact of currency movements on the translation of overseas results.

Adjusted profit before tax increased by 39% to £44.9m (2010: £32.2m) and adjusted earnings per share, which were boosted by the purchase of minority interests, increased by 48% to 27.9p (2010: 18.9p). Free cash flow of £25.0m was generated as the businesses took advantage of better supply of product to rebuild working capital from the exceptionally low level last year. Last year's free cash flow of £29.8m included £6.4m from the disposal of the Anachem business.

Strong Balance Sheet

Given the current uncertainty in the global financial markets, the Board continues to focus on ensuring that it has sufficient financial resources to take advantage of acquisition opportunities. An important part of this process was the securing of new bank facilities, earlier in the year, which can provide up to £40m of borrowings. These facilities, together with net cash of £12.2m held at 30 September 2011, ensure that the Group continues to maintain a strong balance sheet.

Acquisitions

During the year the Group spent £28.2m on acquisitions, principally in the Canadian Healthcare sector, with the acquisition of Carsen Medical Inc. ("CMI") in December 2010 and the purchase of the outstanding 25% minority shares in AMT. This latter acquisition of minorities facilitated the merger of AMT's endoscopy business with CMI with effect from 30 September 2011.

It remains an important part of the Board's strategy to accelerate growth through carefully selected, value enhancing acquisitions. A cornerstone of our acquisition programme has always been to target businesses where we see the opportunity for above average growth soon after the activities have been integrated into the Group.

We believe that the current stage of the business cycle provides a reasonably good environment for making such acquisitions. Good recent performance by target companies allows for sensible valuation discussions to be held with sellers, while the general economic uncertainty may encourage them to feel that the time may be right to sell their companies.

Dividends

As a result of the excellent progress made by the Company during the year, the Board is recommending an increase in the final dividend of 37% to 8.5p per share (2010: 6.2p) which, subject to shareholder approval at the Annual General Meeting, will be paid on 25 January 2012, to shareholders on the register at 9 December 2011. The total dividend per share for the year will be 12.0p which represents a 33% increase on 2010 and represents the twelfth successive year that the Company has reported an increase in dividends paid to shareholders.

Governance

The importance of maintaining high standards of governance within the Company has been re-emphasised this year with the implementation of recommendations set out in the new UK Corporate Governance Code. The development of strong governance is a continuous process and I will be working closely with my Board colleagues this year to ensure that the Company's governance standards and procedures are appropriate to meet the requirements of an FTSE 350 constituent member.

Employees

Our employees are our most important asset and we continue to invest time and resources into developing strong management groups and committed staff teams. We encourage an entrepreneurial culture within our businesses so that our employees feel responsible for their own businesses while being able to draw on the resources of a larger group. I wish to thank all of our employees for their exceptional efforts in helping to deliver this year's very strong financial performance.

Outlook

The financial performance of the Group this year has benefited from strong trading in its principal markets. While trading remains robust, underlying organic growth is expected to trend towards our target "GDP plus" levels when measured against increasingly demanding comparatives.

With a resilient business model, a good geographic spread of activities and supported by a strong balance sheet, the Group is well placed to withstand further shocks to the global economy. With this background, a combination of consistent organic growth, together with a favourable environment for acquisitions, provide the Board with confidence that further progress will made in the new financial year.

CHIEF EXECUTIVE'S REVIEW

The Group comprises a number of high quality, specialised businesses supplying technical products and services to customers in the Life Sciences, Seals and Controls industries. The Group's business model is designed to achieve the twin objectives of stable organic revenue growth and sustainable attractive margins. Growth is then accelerated through carefully selected, value-enhancing acquisitions which fit the Group's business model and offer entry into new strategic markets.

We aim to achieve these objectives by focusing on businesses which supply *essential products and services* which are funded by the customers' operating rather than their capital budgets, providing recurring income and stable revenue growth. Our businesses then design their individual business models to closely meet the requirements of their customers, offering a blend of high quality customer service, deep technical support and value adding activities. By supplying *essential solutions*, not just products, we build strong long term relationships with our customers and suppliers, which support attractive and sustainable margins. Finally we encourage an entrepreneurial culture in our businesses through our decentralised management structure. We want our managers to feel that they have the freedom to run their own businesses, while being able to draw on the support and resources of a larger group. These *essential values* ensure that decisions are made close to the customer and that the businesses are agile and responsive to changes in the market and the competitive environment.

The Group's business model has been closely tested over the last three years. The businesses proved their resilience through the 2009 global downturn with Group revenues growing by 2% (albeit a decline on an underlying basis) and operating margins held at a creditable 16% of revenue. As markets have slowly recovered following the recession, the Group has moved forward strongly, posting seven quarters of growth in revenues and profits since the recovery started in early 2010 and outperforming economic and market benchmarks. This level of relative performance confirms that the operating businesses have succeeded in further penetrating their markets by maintaining high customer service levels and adding product lines through the downturn.

Operating performance

In 2011, revenues increased by 26% to £230.6m (2010: £183.5m) with underlying growth of 17% after adjusting for currency effects and acquisitions. As revenues have increased, the businesses have continued to manage costs carefully in view of continuing uncertainty over the sustainability of the recovery. With the resulting benefits of operational leverage, adjusted operating margins have increased to 19.6% of revenue (2010: 17.5%).

The operating margins achieved this year are well above the three year average of ca. 18% of revenue. It is likely that over time, operating margins will gradually trend back towards this average, as resources will need to be increased to support higher levels of revenue. In addition, there will be increased investment in fixed assets to ensure that the IT environment and the facilities in the businesses provide a robust foundation for further growth; this investment will result in higher operating costs and depreciation. In 2012, for example, three of the businesses will be moving into new facilities at a total cost of ca. £1m – the IS-Group in Swindon, RT Dygert in Minneapolis and Vantage Endoscopy in Toronto.

Free cash flow in 2011 has again been strong at £25.0m against a very strong prior year comparative (2010: £29.8m), which had been boosted by the proceeds from the sale of the Anachem businesses, as well as by a reduction in working capital across the Group. During 2010, working capital had fallen to the level of 15.4% of revenue as suppliers struggled to keep pace with increasing demand for their products. By the end of the 2011 financial year, working capital had moved back to a more normal level of 16.1% of revenue, with an additional investment of £7.4m.

During the year, £28.2m was invested in acquisitions, principally in the Canadian Healthcare business. Return on trading capital employed ("ROTCE") has increased to 25.4% (2010: 22.1%) principally driven by the improved operating margins.

Sector developments
The Group's strategic objective is to build more substantial, broader based businesses in each of its chosen sectors through a combination of organic growth and acquisition. Good progress was made in the year in executing this strategy in each of the three sectors and the results this year are summarised below.

LIFE SCIENCES

Suppliers of consumables, instrumentation and related services to the healthcare and environmental industries.

	2011	2010	
	£m	£m	
Revenue	**74.4**	55.4	*+34%*
Adjusted operating profit	**17.1**	11.9	*+44%*
Adjusted operating margin	**23.0%**	21.5%	

The Life Sciences businesses increased revenues in 2011 by 34% to £74.4m (2010: £55.4m). Sector revenues were boosted by the contribution from the CMI business in Canada, acquired in December 2010 and there were also modest benefits on translation from a stronger Canadian dollar relative to UK sterling. After adjusting for the acquisition and currency effects, underlying sector revenues increased by 12%. Adjusted operating profits increased by 44% to £17.1m (2010: £11.9m) and adjusted operating margins increased to 23.0% (2010: 21.5%), with the increase driven mainly by improved profitability in the Environmental business following the prior year restructuring.

Capital expenditure in the sector was £0.8m, including £0.4m invested in field equipment for placement by the Canadian Healthcare businesses. The balance was invested in upgrading the IT environment for sales and back office functions. Free cash flow of £11.6m was generated in the sector (2010: £10.1m) reflecting the strong after tax cash flow from trading.

Revenues from the Diploma Healthcare Group ("DHG") businesses increased by 44% in UK sterling terms and by 41% in Canadian dollar terms. Revenues were boosted by the acquisition during the year of CMI and a full year contribution from BGS and by the recognition of revenues for an exceptional sale of face shields. After adjusting for these items, underlying revenues increased by 12% in Canadian dollars.

All of DHG's businesses in Canada experienced an easing of capital budgets, resulting in strong instrumentation sales from various public tenders by the hospitals. Somagen increased revenues by 7%, with good success in renewing longer term reagent rental contracts; the renewals were often linked to the sale or placement of innovative new instruments from our core suppliers. In addition, Somagen has achieved good growth in newer target markets including assisted reproductive technology ("ART"), fecal occult blood testing to screen for colorectal cancer and non-clinical microbiology in the food and pharmaceutical industries.

AMT increased revenues in its electrosurgery and surgical products business by 19%, with underlying growth of 14%, before the exceptional face shield revenues. AMT experienced product shortages from a key supplier in the first half of the year, but was able to manage the allocation of products to customers to ensure that no operating procedures were affected. This inevitably impacted the resources that could be applied to other initiatives, but in spite of this, AMT managed to achieve strong double digit growth in sales of its core electrosurgery and smoke evacuation products. BGS, a smaller version of AMT in Australia, increased revenues by more than 20% on a like-for-like basis. Since its acquisition, significant investment has been made in BGS to introduce direct sales resources to replace sub-distributors in Victoria, Queensland, South Australia and New Zealand.

In December 2010, the acquisition was completed of CMI, a leading distributor of medical devices, consumables and services supplied to GI Endoscopy suites in hospitals and private clinics across Canada. CMI shares a common customer base with AMT's Endoscopy business and the products are very complementary with few overlaps. The two businesses, operating individually during the year, performed strongly with aggregate revenues increasing by 21% on a like-for-like basis. With effect from the start of the new financial year, the businesses have been combined under a single management team, with the new name of Vantage Endoscopy and with plans to relocate to a new facility. Vantage Endoscopy now supplies a complete range of GI endoscopy products, including imaging and reprocessing systems, therapeutic technologies and devices and other related accessories and service support.

The a1-group increased revenues by 7%, with a1-envirosciences revenues broadly similar to the prior year and CBISS revenues growing by 20%. In late 2010, the decision was taken to consolidate the UK operations of a1-envirosciences into Germany and to exit from certain lower margin export sales activities. The reorganisation has been successful and has enabled a1-envirosciences to return to solid profitability with a clear focus on higher margin opportunities. In Germany, the demand for elemental analysers from the petrochemical and bulk chemical industries remained very positive throughout the year and in the UK, there were solid sales into the petrochemical and water testing sectors. In Switzerland, sales of high value, custom stainless steel laboratory enclosures remained positive and in Germany and France, sales of the standard acrylic enclosures delivered excellent growth.

CBISS experienced strong growth across its product range. The core emissions monitoring ("CEMS") business delivered significant growth as new power stations came on line and operators replaced out-dated monitoring equipment in existing installations. The value of active prospects remained high throughout the year as funding became more readily available for alternative power plants (waste, biofuels, syngas) and concerted efforts were made to remove bottlenecks in the planning process. Service contract revenues also expanded as the installed CEMS base grew. In addition, CBISS had significant success, through highly focussed marketing campaigns, with an expanded range of consumable and low-cost gas detection products.

SEALS

Suppliers of hydraulic seals, gaskets, cylinders, components and kits for heavy mobile machinery and industrial equipment.

	2011 £m	2010 £m	
Revenue	**80.0**	60.1	*+33%*
Adjusted operating profit	**14.9**	8.9	*+67%*
Adjusted operating margin	**18.6%**	14.8%	

The Seals businesses saw revenues increase in UK sterling terms by 33% to £80.0m (2010: £60.1m). The results benefited from a full twelve months contribution from All Seals, partly offset by currency translation losses. After adjusting for the All Seals acquisition and the impact of currency translation, underlying sector revenues increased by 26%. Adjusted operating profits increased by 67% to £14.9m (2010: £8.9m) and operating margins increased to 18.6% (2010: 14.8%), driven by operational leverage as increases in operating costs have lagged the strong increase in revenues.

Capital expenditure in the sector was £0.6m with the major elements being investment in two new custom seal making machines and further investment in completing the warehouse automation project in Clearwater. Free cash flow of £6.9m was generated in the year compared with £7.9m in 2010, as working capital returned to historic levels and tax payments increased sharply on higher profits.

HFPG underlying revenues, adjusted for the acquisition of All Seals, increased by 26% in US dollar terms. The Aftermarket businesses grew revenues by 27% and the Industrial OEM businesses by 22% on a like-for-like basis.

Hercules US, the core Aftermarket seal business which services the US, Central and South America and other selected export markets, increased revenues by 19%. The recovery, which had gained momentum in the second half of 2010, continued to strengthen in 2011 and Hercules US made significant gains across all product categories and all geographies. The core seal products recorded the most significant overall gains, boosted by strong seal kits sales for construction equipment.

There was significant and sustained demand from the core equipment repair customers in the US, who continued to report heavy utilisation of their workshops. Hercules US also benefitted from its superior stocking profile and purchasing power, during a year in which most seal manufacturers were either unable to satisfy demand or were quoting unacceptably long lead times. Although Hercules US itself had to manage supply shortages, the business was able to take end-user sales from competitors and to supply selected sub-distributors with product that would normally be purchased directly from manufacturers. The South American and other export business grew by 27% with good gains across all geographies, including the Far East.

Hercules Canada, Hercules Europe and Bulldog together increased revenues by 26%. Hercules Canada had another excellent year and delivered significant sales growth from a wide range of customers across all Provinces. Hercules Europe, based in the Netherlands, continued to extend its reach into mainland European countries through the development of sub-distributors. Bulldog sells its products through a worldwide network of dealers that buy in relatively large quantities to take advantage of volume discounting and lower, consolidated, freight charges. Bulldog delivered a particularly strong performance in international markets which account for ca. 80% of sales. In the earlier part of the year, orders from the Middle East were buoyant and in the second half there was significant demand from Malaysia, Australia and South Africa. Bulldog's sales to the highly competitive US domestic market also grew steadily for the second consecutive year.

HKX had an exceptional year, growing revenues by over 60%. HKX's traditional customers are the North American franchised dealers of the leading excavator manufacturers. Sales of new excavators collapsed in 2009 and HKX took action to extend its business model to target the retro-fit attachment sector and to expand internationally. Although still significantly below the historical peak, sales of new excavators grew strongly in 2011, boosted by new environmental legislation in the US. HKX was well positioned to resume its leading position in this sector, as well as continuing to develop its extended offering to a generally more stable construction market.

In the Industrial OEM businesses, RT Dygert and All Seals both delivered strong performances with combined revenues growing by 22% on a like-for-like basis. The results were achieved despite product shortages in early 2011 caused by capacity constraints at key suppliers and raw material price and availability issues. During the year, RT Dygert continued to develop its sales reach and acquired new customers in its target industries, building on the recovery that began in the second half of 2010. The sales momentum in the general industrial sector continued throughout 2011 and further growth was added with the recovery of the Mid-Western hydraulic cylinder manufacturers.

All Seals was acquired in September 2010 and delivered good sales growth in 2011. The general industrial customers again provided positive sales momentum and the expanded sales team developed new opportunities in the large, Californian market. Plans are underway to add additional sales support and technical resources to allow the business to build on its solid base and expand its reach in the Western United States.

The FPE and M Seals businesses in Europe both had excellent years with aggregate revenues growing by over 25%. In the UK, FPE made substantial gains in the sale of standard seals, cylinder parts and manufactured products and export sales were also very strong, as sub-distributors continued to purchase in larger quantities. M Seals continued to build on the recovery that began in mid-2010 and delivered strong sales growth from its traditional industrial customers in Denmark and Sweden as confidence returned in both domestic and export markets. In particular, there were substantial increases in sales to the wind power market, where M Seals is a key supplier of large bearing seals to the industry-leading players in Western Europe and the US. During the year, M Seals established a wholly owned foreign enterprise (WOFE), registered in Tianjin, China, in order to trade directly with the key companies in the developing Chinese wind power sector.

CONTROLS

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

	2011 £m	2010 £m	
Revenue	**76.2**	68.0	*+12%*
Adjusted operating profit	**13.2**	11.3	*+17%*
Adjusted operating margin	**17.3%**	16.6%	

The Controls businesses increased revenues in 2011 by 12% to £76.2m (2010: £68.0m) on a UK sterling basis, with the same level of growth on a constant currency basis. Adjusted operating profits increased by 17% to £13.2m (2010: £11.3m), with operating margins increasing to 17.3% (2010: 16.6%).

Capital expenditure in the sector was £0.3m, mainly for the completion of a new ERP system in the Sommer operation. Free cash flow of £9.8m (2010: £9.9m) remained at a similar level to last year reflecting a small increase in both working capital and tax payments.

The IS-Group increased revenues by 16%, with the UK businesses growing by 18% and Sommer in Germany growing by 12%. In the UK, the IS-Group's sales to the Defence sector showed a modest decline from the historical high point achieved in the prior year, but there was continuing demand from a wide range of customers that build or repair ground vehicles, large field guns and weapons systems. The military marine sector benefitted from continuing work on Astute submarines and on torpedo systems, while military aerospace sales included components for the A340 landing gear and the Hawk jet trainer. Commercial Aerospace sales were positive as confidence returned to the sector and airlines commissioned the fit-out of new aircraft; in particular, there was good demand for parts for economy and premier class seating and for new galleys in new and refurbished aircraft.

Sales of electrical harness components and aerospace grade fasteners to the Motorsport sector were exceptionally strong in the year. In a successful F1 racing season, the IS-Group benefited from increased demand from the larger teams, boosted by the re-introduction of KERS (Kinetic Energy Recovery System) and increased sales of fastener products to the F1 teams based in mainland Europe. Sales to the two key US racing series, IndyCar and Nascar, also showed excellent growth in the year.

The General Industrial sector in the UK delivered strong growth with very positive demand across multiple sub-sectors including rail, specialist automotive, leisure marine, mining equipment and sub-sea activities. The Energy sector also delivered very significant sales growth for the IS-Group in 2011, with strong cabling and power shunt sales to generator manufacturers and significantly increased demand for components for batteries used in Uninterrupted Power Supply (UPS) applications.

In Germany, Sommer was well positioned to take advantage of the sharp recovery in the General Industrial base and enjoyed a very strong first half in 2011 with buoyant sales to multiple segments including electronics, motors, valves, harnessing and specialist automotive. Motorsport sales were also very strong as confidence returned to the German auto industry and the key players invested in engines and cars for the F1, DTM and Le Mans series. Energy sales were buoyant and were boosted by the contribution from Fischer, the small acquisition made in August 2010. Defence sales remained subdued as concerns over the German defence budget caused uncertainty and spending slowed. Aerospace sales were on a par with the prior year with good sales to the satellite sector being mostly offset by a general slowdown in sales to the manufacturers of smaller aircraft. Medical sales were also at a similar level to the high point achieved in 2010.

Filcon has a reasonably concentrated customer base for its high performance connector products, with its core customers being the Tier 1 German Defence and Aerospace OEM's. The continuing review of German defence spending delayed the commencement of several projects and the quantity of components supplied by Filcon to the EFA programme continued to reduce as expected. Despite this background, Filcon's sales were only modestly lower than in the prior year, as the company supplies to a wide range of individual applications including four separate helicopter projects and other projects in the specialist military radio sector. Filcon also supplies its specialised connectors to the Motorsport sector, where the buoyant F1 series ensured strong sales throughout the year.

Hawco continued to build on its positioning as a specialist supplier of energy efficient components to the UK commercial refrigeration sector. A year of very solid growth was again driven primarily by the major food retailers opening new stores and refurbishing existing locations. Hawco also extended its reach into the attractive fast food retail sector by offering a range of both cooling and heating components to match the needs of individual franchises.

Acquisition activity

Over the last five years, the Group has invested ca. £90m in acquisitions across the sectors and geographies - an average of £18m p.a. The success in financial terms can be measured broadly by the profit return on the total investment which currently stands at over 20%. In 2011, a total of £28m was invested, mainly in the Canadian healthcare business in the acquisition of CMI and the purchase of the 25% minority shareholdings in AMT.

While the time and effort invested in the acquisition programme is a sustained activity, the results can be more irregular. We find that most success tends to come at times when the business cycle is changing and creating uncertainty. For example, when markets are slowing down after an extended period of growth, this may encourage owners to sell ahead of a market downturn. Alternatively, in the early stages of recovery, when confidence is building in future projections, owners who have delayed selling during a downturn may come back to the table. With the performance of many businesses having recovered since the 2009 recession, but uncertainty remaining as to the sustainability of the recovery, we believe that there will continue to be good opportunities for value adding acquisitions.

Summary and outlook

The continued strong performance of the Group and the resilience shown over the last five years gives us confidence in maintaining the "GDP plus" levels of underlying revenue growth over the business cycle. The Group is well diversified by geography and business area and the business model supports stable revenue growth and sustainable, attractive margins. Although general economic uncertainty over the strength of global markets continues to grow, we see good opportunities for future development, both organically and through acquisition.

FINANCE REVIEW

Continued Strong Performance

In 2011 Diploma achieved very strong growth in operating profits, supported by robust cash generation, as demand continued to remain buoyant in each of the Group's principal markets. Revenue increased by 26% to £230.6m (2010: £183.5m) and adjusted operating profit, which is before acquisition related charges, increased by 41% to £45.2m (2010: £32.1m). The adjusted operating margin increased to a record 19.6% from 17.5% in the 2010 financial year, demonstrating the high degree of operational leverage in the Group's businesses and in the North American Seals businesses in particular. In the medium term, this level of operating margin is likely to recede slightly as new investment is made in the businesses to add resource and upgrade the infrastructure to support future growth in the Group.

Adjusted operating profit in the second half of the year of £23.1m (2010: £17.5m) was 32% ahead of the comparable period last year and represented 51% of the full year's operating profit. This compared with an increase in operating profits of 51% in the first half of the year.

These results demonstrate that the recovery in 2010, following the 2009 recession, continued to be strong throughout much of 2011. Against increasingly demanding comparatives, the growth rates moderated slightly towards the end of the financial year.

Substantial Increase in Underlying Operating Profits

Acquisitions completed during both 2010 and 2011 incrementally contributed £17.2m and £3.2m to revenues and adjusted operating profit, respectively.

The net impact on the Group's results from the translation of the results of the overseas businesses to UK sterling was much smaller than in previous years. This year Group revenues and adjusted operating profits were reduced by £0.5m and £Nil respectively, as the impact of a weaker US dollar offset the benefit of a stronger Canadian dollar. On a transaction basis, a small gain to the gross margin of the UK businesses, from the volatility of the Euro during the year, was offset by a small net loss to gross margins in the Canadian Healthcare businesses from the effect of their US dollar hedging programme.

On an underlying basis, revenues and adjusted operating profit increased by 17% and 31% respectively, after adjusting for these items.

Adjusted Profit, Earnings per Share and Dividends

Adjusted profit before tax increased 39% to £44.9m (2010: £32.2m), after net interest expense of £0.3m (2010: income of £0.1m). IFRS profit before tax, which is after acquisition related charges of £4.8m (2010: £3.5m) and fair value remeasurements of £0.9m (2010: £2.0m), was £39.2m (2010: £26.7m).

The Group's adjusted effective accounting tax charge represented 28.7% (2010: 29.2%) of adjusted profit before tax which was also broadly consistent with the cash tax rate of 27.6%. This year's effective rate benefited from a reduction in the statutory corporate tax rates in both the UK and in Canada, although this was somewhat offset by the higher proportion of profits contributed by HFPG in the US, where the effective tax rate is ca. 38%.

Adjusted earnings per share increased by 48% to 27.9p, compared with 18.9p last year, which was much larger than the increase in adjusted profit. This larger increase reflected the impact of buying-out the 25% minority interest in AMT during the year. IFRS basic earnings per share increased to 24.0p (2010: 14.6p).

In light of the strong increase in earnings, the Directors have recommended an increase in the final dividend to 8.5p per share; this gives a total dividend for the year of 12.0p per share which represents an increase of 33% on the prior year.

The dividend cover increases to 2.3 times which is larger than previous years, but reflects a degree of caution, given the current uncertainty in the direction of global markets.

Robust Free Cash Flow

The Group continued to generate strong free cash flow of £25.0m in 2011, despite the return of working capital to more normal levels. Last year's free cash flow was £29.8m, but this included £6.4m of proceeds from the sale of the Anachem business. Free cash flow is before expenditure on acquisitions or returns to shareholders.

Operating cash flow increased to £40.3m (2010: £34.3m) after investing £7.4m (2010: £0.1m reduction) in working capital, mainly to rebuild inventories during the year to support the current level of trading activity. The ratio of working capital to revenues at 30 September 2011 was 16.1% (2010: 15.4%) which was still below the longer run average of ca. 17%.

Group tax payments increased to £12.4m (2010: £9.3m) in line with the increase in taxable profits and £1.6m (2010: £0.4m) was spent on funding the Employee Benefit Trust to allow it to purchase ordinary shares in the Company. Capital expenditure increased to £1.7m (2010: £1.3m) but remained below the £2.1m charge for depreciation. The Canadian Healthcare businesses spent £0.4m on acquiring field equipment in support of their customer contracts with Canadian hospitals. In Seals, HFPG spent £0.3m on two new custom seal machines and a further £0.2m on completing the warehouse automation project in Clearwater. Other capital expenditure of £0.8m included enhancements to existing facilities and further investment in the IT infrastructure across the Group, including £0.2m on a new ERP system in Sommer.

The Group spent £28.2m (2010: £11.0m) of its cash resources on acquiring businesses, including minority interests, during the year and £14.8m (2010: £10.2m) on paying dividends to both Company and minority shareholders.

Significant Reduction in Liabilities to Minority Shareholders

During the year the Group acquired the outstanding 25% minority shareholding in AMT, one of the Group's Healthcare businesses in Canada, for £12.5m. These shares were acquired through the exercise of put/call options, agreed at the time of acquisition in September 2007.

Following this transaction, the liability retained by the Group to purchase the remaining minority shareholdings has fallen significantly to £2.0m (2010: £13.2m). This liability relates to minority shareholdings held in M Seals and BGS and in HPS, which is a small subsidiary of the RT Dygert seals business; the majority of this liability will be payable in December 2012 to acquire the outstanding 10% minority shareholdings in M Seals. These liabilities arise under put/call options entered into at the time of acquisition and are based on the Directors' estimate of the Earnings Before Interest and Tax ("EBIT") 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 2011 to acquire the remaining outstanding minority interests. The fair value remeasurement of these options has led to a financial charge of £0.9m (2010: £2.0m) being made in the consolidated Income Statement.

Value Enhancing Acquisitions

The Group spent £28.2m on acquisitions during the year, including £12.5m on acquiring the outstanding 25% minority shares in AMT. Expenditure of £14.8m was paid during the year to acquire the Canadian healthcare business of CMI in December 2010; a provision of £1.1m has also been made at the year-end for deferred consideration relating to this acquisition. These acquisitions, including those made towards the end of the last financial year, have made a strong contribution to earnings this year. During the year deferred consideration of £0.9m was also paid in connection with three smaller acquisitions completed last year.

Acquisition intangible assets of £9.3m were recognised on completion of these acquisitions, as well as goodwill of £20.4m, reflecting the amount paid in excess of the value of the net assets. The acquisition of the minority interest in AMT accounted for £13.1m of this goodwill and the balance of £7.3m comprised the value in CMI relating to both the prospects for sales growth in the future (from both new customers and new products) and from operating cost synergies.

Record Return on Trading Capital and Strong Balance Sheet
The Group achieved a record return on trading capital employed ("ROTCE") of 25.4% in 2011 (2010: 22.1%). ROTCE is a pretax measure and includes all gross historic goodwill and intangible assets and represents an indication of the profitability of the Group. This improved return arose from a combination of the growth in profits and from strong management of working capital across the businesses.

In absolute terms, trading capital employed, which represents the amount of operational assets held by the businesses, increased by £30.6m to £152.9m (2010: £122.3m). The majority of this increase arose from the acquisition of intangible assets with the balance being contributed by investment in working capital to meet the stronger trading environment.

The Group recognises the importance of maintaining a strong balance sheet, particularly during this period of uncertainty in the global financial markets. At 30 September 2011 the Group held net cash funds of £12.2m, with £17.8m of cash balances offset by £5.6m of borrowings. The cash funds are generally repatriated to the UK, unless they are required locally to meet certain commitments, including acquisitions.

The Group borrowings of £5.6m at the year-end were drawn from the Group's £20m revolving credit facility to help finance the purchase of the minority interests earlier during the year. The Group has an option to extend these bank facilities to £40m, subject to market pricing, and these facilities remain available until November 2013.

Land at Stamford
The Group continues to retain approximately 150 acres of farm and former quarry land in Stamford which relates to a former legacy business. This land is included in the Balance Sheet at £Nil and in the opinion of the Directors, it 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.

Valuation of Merged Pension Scheme
The Group successfully completed the merger of its four small closed defined benefit pension schemes at 30 September 2010 and during 2011 finalised an actuarial funding valuation of the merged Scheme as at that date. The funding deficit in the newly merged Scheme was £2.7m, representing a funding level of 87%. The Company has agreed with the Trustees to continue to pay £320,000 into the Scheme each year (increasing by 2% p.a.) with the objective of eliminating the deficit within ten years. With the scheme merger now completed, attention will be focussed on exploring opportunities to reduce the Group's pension liability through the use of structured insurance products.

On an accounting basis, the net pension liability increased marginally at 30 September 2011 to £5.4m (2010: £5.3m). The higher accounting deficit reflects the accounting requirement to value the liabilities at a more conservative market discount rate, compared with the higher discount rate used in the funding valuation.

Both the funding and accounting valuations have benefitted this year from HM Government's decision earlier in the year to use the Consumer Price Index (CPI) instead of the Retail Price Index (RPI) as the basis for statutory inflation increases in certain pension benefits. The benefit to the accounting valuation from the change to CPI is ca. £1.4m and this has been included in the consolidated Statement of Comprehensive Income.

Pension benefits to existing employees, including the Executive Directors, are provided through defined contribution schemes at an aggregate cost in 2011 of £0.8m (2010: £0.7m).

Measuring Financial Performance

The Group continues to use a number of specific measures to assess 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.

There have been no new accounting or disclosure requirements this year that have impacted the Group's consolidated Financial Statements.

PRINCIPAL 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 annual budgeting process.

Each operating business is required each year to identify and document the significant strategic, operational and financial and accounting 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 principal risks and uncertainties which are currently judged to have the largest potential impact on the Group's long term performance are set out below.

RISK: STRATEGIC

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.

A number of characteristics of the Group's businesses 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; this offers a degree of protection against customers quickly switching business to achieve a better price.

- 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 the majority of cases the products are used in repair, maintenance and refurbishment applications, rather than original equipment manufacture.

Mitigation
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.

Loss of key supplier(s)
For manufacturer-branded products, there are risks to the business 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.

In addition, in times of rapid economic expansion in activity, such as after a global recession, the lead times to supply key product can become very long. The following issues help moderate this risk.

- No supplier represents more than 15% of Group revenue and only five 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. The average length of the principal supplier relationships in each of the sectors is over 10 years.

- Strength of relationship with supplier and volume of activity generally ensures continuity of supply when there is shortage of product.

Mitigation
Actions taken to mitigate these risks include:

- Long term, multi-year exclusive contracts signed with suppliers, with change of control clauses, where possible, 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, together with regular review meetings and adherence to contractual terms.

- Regular review 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)
The loss of one or more major customers can be a material risk. However, the nature of the Group’s businesses is such that there is not a high level of dependence on any individual customers and no customer represents more than 5% of sector revenue or more than 2% of total Group revenue.

Mitigation
Specific large customers are important to individual operating businesses and a high level of effort is invested 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.

Product liability
There is a risk that products supplied by a Group business may fail in service, which could lead to a claim under product liability. The businesses, in their Terms and Conditions of sale with customers, will typically mirror the Terms and Conditions of sale from the suppliers. In this way the liability can be limited and subrogated to the supplier.

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 potential damages if the claim succeeds and the supplier fails to meet its liabilities for whatever reason. Product liability insurance can be limited in terms of its scope of insurable events, such as product recall.

During 2011, the Group settled a small claim received from a customer in respect of product failure which it was unable to recover from the supplier. However there have been no similar claims during the past 10 years.

Mitigation
Technically qualified personnel and control systems are in place to ensure products meet quality requirements. The Group has also established Group-wide product liability insurance which provides worldwide umbrella insurance cover of £10m in all sectors. The Group's businesses may also elect not to supply products if they are not fully confident that the products will meet the demands of the operating environment.

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.

The average age of our senior managers making up the self-standing management teams in the operating businesses is 43 with an average length of service of 10 years and the average length of service for all personnel in the Group is over 5 years.

Mitigation
Contractual terms such as notice periods and non-compete clauses can mitigate the risk in the short term. However, 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 for key managers in the operating businesses such as:

- Ensuring a challenging working environment where managers feel they have control over, and responsibility for, their businesses. Establishing management development programmes for a broad base of talented managers.

- Offering a balanced and competitive compensation package with a combination of salary, annual bonus and long term cash incentive plans targeted at the individual business level.

- Giving the freedom, encouragement, financial resources and strategic support for managers to pursue ambitious growth plans.

RISK: OPERATIONAL

Major damage to premises
The Group businesses mostly operate from combined office/warehouse facilities which are dedicated to each business and not shared with other Group businesses.

Major damage to the facilities from fire, malicious damage or natural disaster would impact the businesses for a period until the damage is repaired or alternative facilities have been established. However, the Group has not suffered any major damage to premises in recent years and in Clearwater, Florida there has been no significant hurricane activity for at least the last 3 years.

Mitigation
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 locations.
- IT recovery plan using back-up server in separate location.
- Regular building inspection and weather monitoring.
- Plans to drop-ship product from suppliers direct to customers.

The other businesses have also 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.

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.

Mitigation
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 and back-up tapes stored in a fire proof safe.
- Back-up servers identified and 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.

RISK: FINANCIAL AND ACCOUNTING

The principal financial and accounting risks to which the Group is exposed to through its activities are foreign currency risk and the risk of stock obsolescence.

The Group's overall management of foreign currency 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.

Foreign currency risk – Translational exposure

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. The Group also has operations outside the UK whose net assets are also exposed to foreign currency translation risk.

During the year ended 30 September 2011, ca. 75% of the Group's revenue and operating profits 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 £0.5m and to increase operating profit by £Nil. 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 acquisition related charges and tax, by approximately £3.4m (7.5%) due to currency translation.

Currency exposures also arise from the net assets of the Group's foreign operations. At 30 September 2011, the Group's non-UK sterling trading capital employed in overseas businesses was £130.9m (2010: £103.1m), which represented 86% of the Group's trading capital employed. It is estimated that a strengthening of UK sterling of 10% against all the non UK sterling capital employed would reduce shareholders' funds by £12.6m.

Mitigation

The Group does not hedge translational exposure.

Foreign currency - Transactional exposure

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. The Group's Canadian and Australian businesses are also exposed to a similar risk as the majority of their purchases are denominated in US dollars.

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 15 to the consolidated financial statements.

Mitigation

The Group's businesses may hedge up to 80% of forecast 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.

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 is in inventory obsolescence and write-off. The charge against operating profit in respect of old or surplus inventory is generally ca. £0.7m per year, but inventories are generally not subject to technological obsolescence.

Mitigation
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 inventory and potential obsolescence.

RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE ANNUAL REPORT 2011

The responsibility statement below has been prepared in connection with the Company's full Annual Report for the year ended 30 September 2011. Certain parts thereof are not included within this Preliminary 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 and Preliminary Announcement 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 2011 and 2010. There have been no changes in the year.

This responsibility statement was approved by the Board of Directors on 21 November 2011 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 2011

Continuing businesses	Note	2011 £m	2010 £m
REVENUE	3,4	**230.6**	183.5
Cost of sales		**(142.7)**	(115.5)
Gross profit		**87.9**	68.0
Distribution costs		**(5.5)**	(4.4)
Administration costs		**(42.0)**	(35.0)
OPERATING PROFIT	3	**40.4**	28.6
Financial expense, net	5	**(1.2)**	(1.9)
PROFIT BEFORE TAX		**39.2**	26.7
Tax expense	6	**(11.6)**	(8.8)
Profit for the year from continuing businesses		**27.6**	17.9
Profit from discontinued businesses	13	**-**	5.1
PROFIT FOR THE YEAR		**27.6**	23.0
Attributable to:			
Shareholders of the Company		**27.0**	21.5
Minority interests		**0.6**	1.5
		27.6	23.0
EARNINGS PER SHARE	7		
Basic and diluted earnings – continuing		**24.0p**	14.6p
Basic and diluted earnings – discontinued		**-**	4.5p
Basic and diluted earnings – continuing and discontinued		**24.0p**	19.1p

Alternative Performance Measures (note 2)	Note	2011 £m	2010 £m
Operating profit		**40.4**	28.6
Add: Acquisition related charges		**4.8**	3.5
Adjusted operating profit	3,4	**45.2**	32.1
(Deduct)/add: Net interest (expense)/ income	5	**(0.3)**	0.1
Adjusted profit before tax		**44.9**	32.2
Adjusted earnings per share	7	**27.9p**	18.9p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 September 2011

	2011 £m	2010 £m
Profit for the year	**27.6**	23.0
Exchange rate adjustments on foreign currency net investments	**(0.2)**	1.9
Gains/(losses) on fair value of cash flow hedges	**1.2**	(0.4)
Actuarial losses on defined benefit pension schemes	**(0.6)**	(1.8)
Deferred tax on items recognised in equity	**0.3**	0.6
Other comprehensive income for the year	**0.7**	0.3
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**28.3**	23.3
Attributable to:		
Shareholders of the Company	**27.7**	21.8
Minority interests	**0.6**	1.5
	28.3	23.3

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

for the year ended 30 September 2011

	Note	Share capital £m	Translation reserve £m	Hedging reserve £m	Retained earnings £m	Total £m
At 1 October 2009		5.7	18.7	0.3	96.7	121.4
Total comprehensive income		-	1.9	(0.4)	20.3	21.8
Share-based payments		-	-	-	0.5	0.5
Purchase of minority interests	11	-	-	-	2.5	2.5
Future purchase of minority interests	11	-	-	-	(0.6)	(0.6)
Purchase of own shares		-	-	-	(0.4)	(0.4)
Dividends	14	-	-	-	(9.1)	(9.1)
At 30 September 2010		5.7	20.6	(0.1)	109.9	136.1
Total comprehensive income		-	(0.2)	1.2	26.7	27.7
Share-based payments		-	-	-	0.7	0.7
Purchase of minority interests	11	-	-	-	12.1	12.1
Purchase of own shares		-	-	-	(1.6)	(1.6)
Dividends	14	-	-	-	(10.9)	(10.9)
At 30 September 2011		**5.7**	**20.4**	**1.1**	**136.9**	**164.1**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 September 2011

	Note	2011 £m	2010 £m
NON-CURRENT ASSETS			
Goodwill	10	**87.1**	67.3
Acquisition intangible assets		**27.3**	22.7
Other intangible assets		**0.7**	0.6
Property, plant and equipment		**10.7**	11.1
Deferred tax assets		**2.8**	2.4
		128.6	104.1
CURRENT ASSETS			
Inventories		**38.4**	32.0
Trade and other receivables		**36.3**	30.5
Cash and cash equivalents	9	**17.8**	30.1
		92.5	92.6
CURRENT LIABILITIES			
Trade and other payables		**(35.2)**	(32.3)
Current tax liabilities		**(2.4)**	(2.0)
Other liabilities	11	**(0.8)**	(13.0)
Borrowings	9	**(5.6)**	-
		(44.0)	(47.3)
NET CURRENT ASSETS		**48.5**	45.3
TOTAL ASSETS LESS CURRENT LIABILITIES		**177.1**	149.4
NON-CURRENT LIABILITIES			
Retirement benefit obligations		**(5.4)**	(5.3)
Other liabilities	11	**(2.3)**	(1.2)
Deferred tax liabilities		**(4.8)**	(3.7)
NET ASSETS		**164.6**	139.2
EQUITY			
Share capital		**5.7**	5.7
Translation reserve		**20.4**	20.6
Hedging reserve		**1.1**	(0.1)
Retained earnings		**136.9**	109.9
TOTAL SHAREHOLDERS' EQUITY		**164.1**	136.1
Minority interests		**0.5**	3.1
TOTAL EQUITY		**164.6**	139.2

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 30 September 2011

Continuing businesses	Note	2011 £m	2010 £m
CASH FLOW FROM OPERATING ACTIVITIES			
Cash flow from operations	8	**40.3**	34.3
Interest (paid)/received, net		**(0.5)**	0.1
Tax paid		**(12.4)**	(9.3)
NET CASH FROM OPERATING ACTIVITIES		**27.4**	25.1
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries (net of cash acquired)	12	**(14.8)**	(8.1)
Disposal of subsidiaries (net of cash disposed)	13	**0.9**	6.4
Deferred consideration paid	11	**(0.9)**	(0.4)
Purchase of property, plant and equipment		**(1.3)**	(1.2)
Purchase of other intangible assets		**(0.4)**	(0.1)
NET CASH USED IN INVESTING ACTIVITIES		**(16.5)**	(3.4)
CASH FLOW FROM FINANCING ACTIVITIES			
Acquisition of minority interests	12	**(12.5)**	(2.5)
Dividends paid to shareholders	14	**(10.9)**	(9.1)
Dividends paid to minority interests		**(3.9)**	(1.1)
Purchase of own shares		**(1.6)**	(0.4)
Proceeds from borrowings	9	**5.4**	-
NET CASH USED IN FINANCING ACTIVITIES		**(23.5)**	(13.1)
Net cash used in discontinued businesses		**-**	(0.5)
Net (decrease)/increase in cash and cash equivalents		**(12.6)**	8.1
Cash and cash equivalents at beginning of year		**30.1**	21.3
Effect of exchange rates on cash and cash equivalents		**0.3**	0.7
CASH AND CASH EQUIVALENTS AT END OF YEAR	9	**17.8**	30.1

Alternative Performance Measures (note 2)		**2011 £m**	**2010 £m**
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(12.6)**	8.1
Add/(deduct):	Dividends paid to shareholders	**10.9**	9.1
	Dividends paid to minority interests	**3.9**	1.1
	Acquisition of subsidiaries/minority interests	**27.3**	10.6
	Deferred consideration paid	**0.9**	0.4
	Proceeds from borrowings	**(5.4)**	-
Free cash flow – continuing and discontinued businesses		**25.0**	29.3
Add: Free cash flow – discontinued businesses		**-**	0.5
Free cash flow – continuing businesses		**25.0**	29.8

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 21 November 2011. 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 2011 and the comparative period. There has been no material impact on the Group's consolidated financial statements in 2011 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 2011 and 2010. Statutory financial statements for the year ended 30 September 2010 have been delivered to the Registrar of Companies. The statutory financial statements for the year ended 30 September 2011, which were approved by the Directors on 21 November 2011, will be sent to shareholders on 5 December 2011 and delivered to the Registrar of Companies, following the Company's Annual General Meeting.

The auditor has reported on the consolidated financial statements for the years ended 30 September 2011 and 2010. 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.

The Company's Annual General Meeting will be held at 12.00 midday on 18 January 2012 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 operating profit

At the foot of the consolidated income statement, "adjusted operating profit" is defined as operating profit before amortisation and impairment of acquisition intangible assets, acquisition expenses and adjustments to deferred consideration (collectively, "acquisition related charges"). The Directors believe that adjusted operating profit is an important measure of the underlying operational performance of the Group.

2.2 Adjusted profit before tax

At the foot 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 acquisition related charges. The Directors believe that adjusted profit before tax is an important measure of the underlying performance of the Group.

2.3 Adjusted earnings per share

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

2.4 Free cash flow

At the foot 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 and including proceeds received from business disposals, 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.

2.5 Trading capital employed

In the segment analysis in note 3, "trading capital employed" is reported, being defined as net assets less cash and cash equivalents and after adding back retirement benefit obligations, deferred tax, amounts in respect of future purchases of minority interests and adjusting for goodwill in respect of the recognition of deferred tax on acquisition intangible assets. Return on trading capital employed is defined as the adjusted operating profit, divided by trading capital employed plus all historic goodwill and adjusted for the timing effect of major acquisitions and disposals. Return on trading capital employed at the sector level does not include historic goodwill. The Directors believe that return on trading capital employed is an important measure of the underlying performance of the Group.

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	
	2011 £m	2010 £m	2011 £m	2010 £m	2011 £m	2010 £m	2011 £m	2010 £m
Revenue								
- existing businesses	**65.4**	55.4	**80.0**	60.1	**76.2**	68.0	**221.6**	183.5
- acquisitions	**9.0**	-	**-**	-	**-**	-	**9.0**	-
Revenue	**74.4**	55.4	**80.0**	60.1	**76.2**	68.0	**230.6**	183.5
Adjusted operating profit								
- existing businesses	**15.1**	11.9	**14.9**	8.9	**13.2**	11.3	**43.2**	32.1
- acquisitions	**2.0**	-	**-**	-	**-**	-	**2.0**	-
Adjusted operating profit	**17.1**	11.9	**14.9**	8.9	**13.2**	11.3	**45.2**	32.1
Acquisition related charges	**(2.7)**	(1.6)	**(1.7)**	(1.5)	**(0.4)**	(0.4)	**(4.8)**	(3.5)
OPERATING PROFIT	**14.4**	10.3	**13.2**	7.4	**12.8**	10.9	**40.4**	28.6

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.

3. BUSINESS SEGMENT ANALYSIS (continued)

	Life Sciences		Seals		Controls		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
	£m	£m	£m	£m	£m	£m	£m	£m
Operating assets	**21.8**	17.6	**33.0**	27.1	**27.8**	25.9	**82.6**	70.6
Goodwill	**58.0**	38.2	**14.2**	14.2	**14.9**	14.9	**87.1**	67.3
Acquisition intangible assets	**16.6**	9.9	**9.8**	11.5	**0.9**	1.3	**27.3**	22.7
	96.4	65.7	**57.0**	52.8	**43.6**	42.1	**197.0**	160.6
Unallocated assets:								
– Deferred tax assets							**2.8**	2.4
– Cash and cash equivalents							**17.8**	30.1
– Corporate assets							**3.5**	3.6
TOTAL ASSETS							**221.1**	196.7
Operating liabilities	**(11.9)**	(11.3)	**(8.9)**	(8.0)	**(13.0)**	(12.2)	**(33.8)**	(31.5)
Unallocated liabilities:								
– Deferred tax liabilities							**(4.8)**	(3.7)
– Retirement benefit obligations							**(5.4)**	(5.3)
– Future purchases of minorities							**(2.0)**	(13.2)
– Borrowings							**(5.6)**	-
– Corporate liabilities							**(4.9)**	(3.8)
TOTAL LIABILITIES							**(56.5)**	(57.5)
NET ASSETS							**164.6**	139.2
OTHER SEGMENT INFORMATION								
Capital expenditure	**0.8**	0.7	**0.6**	0.5	**0.3**	0.1	**1.7**	1.3
Depreciation (including software)	**1.0**	0.8	**0.8**	0.9	**0.3**	0.4	**2.1**	2.1

ALTERNATIVE PERFORMANCE MEASURES (note 2)	Life Sciences		Seals		Controls		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
	£m	£m	£m	£m	£m	£m	£m	£m
Net assets							**164.6**	139.2
Add/(less):								
– Deferred tax, net							**2.0**	1.3
– Retirement benefit obligations							**5.4**	5.3
– Future purchases of minorities							**2.0**	13.2
– Cash and cash equivalents							**(17.8)**	(30.1)
– Borrowings							**5.6**	-
– Adjustment to goodwill	**(7.0)**	(4.7)	**(1.3)**	(1.3)	**(0.6)**	(0.6)	**(8.9)**	(6.6)
GROUP TRADING CAPITAL EMPLOYED							**152.9**	122.3
Corporate liabilities, net							**1.4**	0.2
SEGMENT TRADING CAPITAL EMPLOYED	**77.5**	49.7	**46.8**	43.5	**30.0**	29.3	**154.3**	122.5

4. GEOGRAPHIC SEGMENT ANALYSIS BY ORIGIN

	Revenue		Adjusted operating profit		Gross assets		Trading capital employed		Capital expenditure	
	2011 £m	2010 £m	2011 £m	2010 £m	2011 £m	2010 £m	2011 £m	2010 £m	2011 £m	2010 £m
United Kingdom	**61.8**	55.9	**10.9**	8.4	**48.2**	50.0	**22.0**	19.2	**0.2**	0.3
Rest of Europe	**40.8**	35.1	**5.8**	4.5	**34.9**	33.2	**19.8**	19.6	**0.3**	0.1
North America	**128.0**	92.5	**28.5**	19.2	**138.0**	113.5	**111.1**	83.5	**1.2**	0.9
	230.6	183.5	**45.2**	32.1	**221.1**	196.7	**152.9**	122.3	**1.7**	1.3

5. FINANCIAL EXPENSE, NET

	2011 £m	2010 £m
Interest and similar income		
- interest receivable on short term deposits	**0.1**	0.2
- net finance income from defined benefit pension scheme	**0.2**	0.1
	0.3	0.3
Interest expense and similar charges		
- bank facility and commitment fees	**(0.3)**	(0.1)
- unwinding of discount on provisions	**-**	(0.1)
- interest payable on bank borrowings	**(0.3)**	-
	(0.6)	(0.2)
Net interest (expense) / income	**(0.3)**	0.1
- fair value remeasurement of put options (note 11)	**(0.9)**	(2.0)
FINANCIAL EXPENSE, NET	**(1.2)**	(1.9)

The fair value remeasurement of £0.9m (2010: £2.0m) includes £0.1m (2010: £1.1m) which relates to the unwinding of the discount on the liability for future purchases of minority interests.

6. TAX EXPENSE

	2011 £m	2010 £m
Current tax		
The tax charge is based on the profit for the year of the continuing businesses and comprises:		
- UK corporation tax	**3.1**	2.2
- Overseas tax	**9.7**	7.0
	12.8	9.2
Adjustments in respect of prior year:		
Overseas tax	**-**	(0.1)
	-	(0.1)
Total current tax	**12.8**	9.1
Deferred tax		
The deferred tax credit based on the origination and reversal of timing differences comprises:		
- United Kingdom	**(0.2)**	(0.1)
- Overseas	**(1.0)**	(0.2)
Total deferred tax	**(1.2)**	(0.3)
Total tax on profit for the year	**11.6**	8.8

The Group earns its profits in the UK and Overseas. The UK corporation tax rate reduced from 28% to 26% on 31 March 2011; however as the Group prepares its financial statements for the year to 30 September, the effective tax rate for UK corporation tax in respect of the year ended 30 September 2011 was 27% (2010: 28%). The Group's overseas tax rate is higher than that in the UK, primarily because the profits earned in North America are taxed at rates varying from 26% to 40%. The tax relating to the discontinued businesses is £Nil (2010: £0.2m credit), as set out in note 13.

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 112,423,842 (2010: 112,577,283) and the profit for the year attributable to shareholders of £27.0m (2010: £21.5m). There were no potentially dilutive shares.

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

	2011 pence per share	2010 pence per share	2011 £m	2010 £m
Profit before tax – continuing businesses			**39.2**	26.7
Tax expense			**(11.6)**	(8.8)
Minority interests			**(0.6)**	(1.5)
	24.0	14.6	**27.0**	16.4
Profit from discontinued businesses	**-**	4.5	**-**	5.1
Earnings for the year attributable to shareholders of the Company	**24.0**	19.1	**27.0**	21.5
Acquisition related charges	**4.3**	3.1	**4.8**	3.5
Fair value remeasurements	**0.8**	1.8	**0.9**	2.0
Tax effects on goodwill, acquisition intangible assets and fair value remeasurements	**(1.2)**	(0.6)	**(1.3)**	(0.6)
Profit from discontinued businesses	**-**	(4.5)	**-**	(5.1)
Adjusted earnings – continuing businesses	**27.9**	18.9	**31.4**	21.3

8. RECONCILIATION OF CASH FLOW FROM OPERATING ACTIVITIES

	2011 £m	2010 £m
Profit for the year from continuing businesses	**27.6**	17.9
Depreciation/amortisation of tangible and other intangible assets	**2.1**	2.1
Acquisition related charges	**4.8**	3.5
Share-based payments expense	**0.7**	0.5
Financial expense, net	**1.2**	1.9
Tax expense	**11.6**	8.8
Operating cash flow before changes in working capital	**48.0**	34.7
Increase in inventories	**(5.5)**	(3.2)
Increase in trade and other receivables	**(3.3)**	(4.0)
Increase in trade and other payables	**1.4**	7.3
Cash paid into defined benefit schemes	**(0.3)**	(0.5)
CASH FLOW FROM OPERATING ACTIVITIES	**40.3**	34.3

9. NET FUNDS

The movement in net funds during the period is as follows:

	2011 £m	2010 £m
Net (decrease)/increase in cash and cash equivalents	**(12.6)**	8.1
Increase in borrowings	**(5.4)**	-
	(18.0)	8.1
Effect of exchange rates	**0.1**	0.7
Movement in net funds	**(17.9)**	8.8
Net funds at beginning of year	**30.1**	21.3
Net funds at end of year	**12.2**	30.1
Comprising:		
Cash and cash equivalents	**17.8**	30.1
Borrowings	**(5.6)**	-
Net funds at end of year	**12.2**	30.1

10. GOODWILL

	Life Sciences £m	Seals £m	Controls £m	Total £m
At 1 October 2009	32.5	12.0	15.1	59.6
Acquisitions	3.7	2.5	-	6.2
Adjustments to prior year goodwill	-	(0.2)	-	(0.2)
Exchange adjustments	2.0	(0.1)	(0.2)	1.7
At 30 September 2010	38.2	14.2	14.9	67.3
Acquisitions (note 12)	20.4	-	-	20.4
Exchange adjustments	(0.6)	-	-	(0.6)
AT 30 SEPTEMBER 2011	**58.0**	**14.2**	**14.9**	**87.1**

The Directors carry out an impairment test on all goodwill generally twice a year. Goodwill is ascribed to a business which, for the purpose of these impairment tests, is referred to as a cash generating unit. The impairment test requires each cash generating unit to prepare "value in use" valuations from discounted cash flow forecasts. The cash flow forecasts are based on the annual budgets and five year strategic plans, prepared by each business.

The key assumptions used to prepare the cash flow forecasts relate to gross margin, growth rates and discount rates. The gross margins are assumed to remain sustainable, which is supported by historical experience; growth rates generally approximate to the long term average rates for the markets in which the business operate, unless there are particular factors relevant to a business, such as start-ups. The growth rates used in the cash flow forecasts vary between 2-5% across all sectors over the next five years and trend down towards 2.0% over the longer term.

The cash flow forecasts are discounted to determine a current valuation, using a pre-tax discount rate of ca. 13% (2010: 13%). This rate is based on the characteristics of lower risk non-technically driven, distribution businesses with robust capital structures, which is broadly consistent with each of the Group's businesses.

Based on the criteria set out above, no impairment of the value of goodwill was identified.

The Directors have also carried out sensitivity analysis on the key assumptions to determine whether a "reasonably possible change" in any of these assumptions would result in an impairment of goodwill.

10. GOODWILL (continued)

This analysis indicates that a "reasonably possible change" in these key assumptions would be unlikely to give rise to an impairment charge to goodwill in any of the businesses in the Life Sciences or Seals segments. However, in the Controls sector a reduction of 2% in revenue growth in the medium term in some of the businesses in this sector would result in an impairment charge of up to £0.2m. The headroom in the cash flow valuations, before any sensitivities and based on the original assumptions in respect of these businesses in the Controls sector is £0.7m. In the prior year, the sensitivity analysis indicated that a reduction of 2% in revenue growth in the medium term in the Seals sector would have resulted in an impairment of £1.0m. The headroom, before sensitivities, in respect of these businesses in the Seals sector was £2.0m.

11. OTHER LIABILITIES

	2011 £m	2010 £m
Future purchases of minority interests	**2.0**	13.2
Deferred consideration	**1.1**	1.0
	3.1	14.2
Analysed as:		
Due within one year	**0.8**	13.0
Due after one year	**2.3**	1.2

The movement in the liability for future purchases of minority interests is as follows:

	2011 £m	2010 £m
At 1 October	**13.2**	13.1
Released to retained earnings on acquisition	**(12.1)**	(2.5)
Put options entered into during the year	**-**	0.6
Unwinding of discount	**0.1**	1.1
Fair value remeasurements	**0.8**	0.9
AT 30 SEPTEMBER	**2.0**	13.2

The Group retains put/call options to acquire the outstanding minority shareholdings. During the year, the Group acquired the outstanding 25% minority shares in AMT, as explained in note 12. On acquisition of the minority interest shares, the liability of £12.1m recognised in the consolidated Statement of Financial Position at 30 September 2010, has been released to retained earnings. At 30 September 2011, the Group retains minority interests in BGS, HPS and M Seals and the put options to acquire these minority interests are exercisable between 1 October 2012 and 31 December 2017.

At 30 September 2011, 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 these businesses and to reflect foreign exchange rates at 30 September 2011. This led to a remeasurement of the fair value of these put options and the liability was increased by £0.8m (2010: £0.9m). The charge for the liability, together with the charge from unwinding the discount on the liability was in aggregate £0.9m (2010: £2.0m) and has been charged to the consolidated Income Statement.

At 30 September 2011, deferred consideration of £1.1m is payable to the vendors of CMI. Deferred consideration of £0.7m was paid on 7 March 2011 to the vendors of All Seals in final settlement of their performance payment and on agreement of net assets acquired, £0.1m was paid on 19 October 2010 to the vendors of BGS on agreement of net assets acquired and £0.1m was paid to the vendors of Fischer.

12. ACQUISITION OF SUBSIDIARIES AND MINORITY INTERESTS

During the year the Group acquired the outstanding 25% share capital in AMT Vantage Group Inc ("AMT"), held by the minority shareholders, for consideration of £12.5m (C$19.7m), including expenses, pursuant to put/call option agreements entered into at the time of the original acquisition in August 2007.

These shares were acquired in two tranches: 4% of the ordinary share capital of AMT was acquired on 7 January 2011 for £2.0m (C$3.1m) and the remaining 21% was acquired on 28 February 2011 for £10.4m (C$16.4m). Acquisition expenses of £0.1m (C$0.2m) were incurred on this acquisition and were expensed to the consolidated Income Statement. Goodwill of £13.1m arose on the acquisition of these minority interests which will not be allowable for a tax deduction in future years.

On 21 December 2010, the Group acquired 100% of Carsen Medical Inc ("CMI") for a maximum consideration of £16.5m (C$25.9m), including expenses. The initial cash paid on acquisition was £14.3m (C$22.5m) and a further £0.9m (C$1.4m) of deferred consideration was paid during the year. The final tranche of deferred consideration of £1.1m (C$1.8m) is payable in December 2011, depending principally on the operating profit of CMI in the year ending 30 September 2011. Acquisition expenses of £0.2m (C$0.3m) were incurred on this acquisition and were expensed to the consolidated Income Statement.

The consideration for both of these acquisitions was paid in cash and met from the Group's existing cash and borrowing 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 this acquisition.

	Book value £m	Fair value £m
Acquisition intangible assets	0.3	9.3
Property, plant and equipment	0.4	0.4
Inventories	0.8	0.7
Trade and other receivables	2.4	2.3
Trade and other payables	(2.0)	(2.0)
Deferred tax	(0.1)	(2.3)
Net assets acquired	1.8	8.4
Goodwill		7.3
		15.7
Satisfied by:		
Cash paid		15.2
Cash acquired		(0.6)
Net cash paid, before acquisition expenses		**14.6**
Provision for deferred consideration payable		1.1
TOTAL CONSIDERATION		**15.7**

Goodwill of £7.3m which arose on the acquisition of CMI represents the product know-how held by employees, prospects for sales growth from new customers and operating cost synergies. Goodwill and acquisition intangible assets relating to this acquisition of £16.6m will not be allowable for a tax deduction in future years.

12. ACQUISITION OF SUBSIDIARIES AND MINORITY INTERESTS (continued)

From the date of acquisition to 30 September 2011, the newly acquired business of CMI contributed £9.0m to revenue and £2.0m to adjusted operating profit. If the acquisition of this business had been made at the beginning of this financial year, this business would have contributed £11.5m to revenue and £1.7m to profit after tax. Profit after tax should not be viewed as indicative of the results of this business that would have occurred, if this acquisition had been completed at the beginning of the year.

13. DISCONTINUED BUSINESSES

In January 2010, the Group completed the disposal of the Manual Liquid Handling business of Anachem Limited for a maximum consideration of £8.5m, before disposal costs. Initial cash proceeds of £7.7m were received, of which £0.7m were held in escrow, and up to a further £0.8m was receivable depending on the revenues for the year ended 31 December 2010. The revenues during the year ended 31 December 2010 were not sufficient to meet the criteria for the performance payment and as such no payment was received. During the year, the Group received £0.7m on release of the escrow money.

The remainder of the business in Anachem Limited, which comprised the Anachem Instruments division, was transferred to a separate legal entity which was then sold in April 2010 for a maximum consideration of £0.4m, before disposal costs. Initial proceeds of £0.2m were received, with a further £0.2m received in January 2011 in final settlement.

Anachem Limited and Anachem Instruments Limited were both classified as discontinued businesses in the prior year and their results for that period, until their disposal, are set out below:

	2010 £m
Revenue	5.3
Cost of sales	(4.3)
Gross Profit	1.0
Distribution costs	(0.2)
Administration costs	(1.4)
Loss before tax	(0.6)
Tax credit	0.2
Loss after tax	(0.4)
Profit on disposal	5.5
PROFIT ATTRIBUTABLE TO DISCONTINUED BUSINESSES	5.1

14. DIVIDENDS

	2011 pence per share	2010 pence per share	2011 £m	2010 £m
Interim dividend, paid in June	**3.5**	2.8	**3.9**	3.1
Final dividend of the prior year, paid in January	**6.2**	5.3	**7.0**	6.0
	9.7	8.1	**10.9**	9.1

The Directors have proposed a final dividend in respect of the current year of 8.5p (2010: 6.2p) which will be paid on 25 January 2012, subject to approval of shareholders at the Annual General Meeting on 18 January 2012. The total dividend for the current year, subject to approval of the final dividend, will be 12.0p (2010: 9.0p).

15. EXCHANGE RATES

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

	Average 2011	Average 2010	Closing 2011	Closing 2010
US Dollar	**1.61**	1.56	**1.56**	1.58
Canadian Dollar	**1.59**	1.63	**1.62**	1.62
Euro	**1.15**	1.15	**1.16**	1.15