NEWSRELEASE

DIPLOMA PLC

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

FOR IMMEDIATE RELEASE

17 May 2011

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 MARCH 2011

	Unaudited Six months ended 31 March 2011 £m	Unaudited Six months ended 31 March 2010 £m	Audited Year ended 30 Sept 2010 £m
Revenue	**112.6**	86.2	183.5
Adjusted operating profit(1)	**22.1**	14.6	32.1
Adjusted operating margin(1)	**19.6%**	16.9%	17.5%
Adjusted profit before tax(1),(2)	**21.9**	14.6	32.2
Profit before tax	**19.3**	11.3	26.7
Free cash flow	**7.3**	16.6	29.8
	Pence	Pence	Pence
Adjusted earnings per share(1),(2)	**13.2**	8.4	18.9
Basic earnings per share	**11.2**	5.7	14.6
Interim dividend per share	**3.5**	2.8	9.0

(1) Before acquisition related charges
(2) Before fair value remeasurements

- Revenue increased by **31%** to **£112.6m** (2010: £86.2m) as strengthening trends in 2010 continued into 2011 in all sectors.

- Adjusted operating profit increased by **51%** to **£22.1m** (2010: £14.6m); record adjusted operating margin of **19.6%** (2010: 16.9%).

- Underlying revenue and operating profits, after adjusting for currency effects and acquisitions, increased by **21%** and **39%** respectively.

- Free cash flow of **£7.3m** (2010: £10.3m, before proceeds of £6.3m from sale of businesses) reflects impact of stronger trading on working capital. Strong free cash flow forecast for second half.

- Net debt of **£0.9m**, after significant cash investment of **£27.4m** made during period in acquiring businesses and minority interests (cash funds of £30.1m at 30 September 2010).

- Interim dividend increased by **25%** to **3.5p** per share reflecting the strong improvement in trading.

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

"The Group has delivered an excellent set of results, based on strengthening trends in revenue and operating profits in 2010 which have continued into 2011. The broad spread of markets and geographies served by the Group, combined with strong contributions from newly acquired businesses, provides the Board with confidence that the Group should continue to make progress in the second half of the year."

Note:
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 condensed consolidated financial statements in this Interim Announcement.

For further enquiries please contact:

Bruce Thompson, Chief Executive Officer	020 7549 5700
Nigel Lingwood, Group Finance Director	020 7549 5705
Simon Bloomfield, Bankside Consultants	020 7367 8861

NOTE TO EDITORS:

Diploma PLC is an international group of businesses supplying specialised technical products and services to the Life Sciences, Seals and Controls industries.

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

The Group employs ca. 850 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. 14% p.a. through a combination of organic growth and acquisitions. The current market capitalisation is ca. £400m.

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

HALF YEAR REVIEW TO 31 MARCH 2011

The strengthening trend in revenues and operating profits, which built steadily from the second quarter of 2010, has continued into the first half of 2011.

The Group's revenues increased by 31% over the prior year comparable period. The results benefited from the acquisition in December 2010 of Carsen Medical Inc. ("CMI") and from contributions from All Seals and BGS, which were acquired towards the end of the prior year. There was also a modest benefit to the results from the translation into UK sterling of the results of the overseas businesses. On an underlying basis, after adjusting for currency effects and acquisitions, Group revenues increased by 21%.

The investment in additional resources to support this growth has not kept pace with the strongly increasing demand across the businesses and operating costs have therefore lagged the increasing revenues. As a result, adjusted operating profit increased by 51% over the comparable period; adjusting for acquisitions and for currency effects on translation, adjusted operating profit increased by 39%. Adjusted operating margins increased strongly to a record level of 19.6% in the period, although these margins may abate somewhat as the required resources are put in place to support the growth.

The strong trading activity, together with the return to more normal seasonal trends in working capital, has contributed to a large increase in working capital in the first half of the year. Free cash flow for the period was £7.3m, compared with £16.6m in the comparable prior period, which included proceeds of £6.3m on sale of the Anachem MLH business. With working capital having now returned to more normal levels, the Group anticipates strong free cash flow in the second half of the year.

During the period, the Group invested £27.4m in acquiring businesses, including CMI in the first quarter and buying out the remaining 25% minority shareholding in AMT in the second quarter. After paying dividends of £10.9m, the Group had net debt of £0.9m at 31 March 2011.

Acquisitions remain an integral part of the Group's strategy to supplement organic growth and to extend into related markets. The Group's strong balance sheet and free cash flow, supplemented by committed debt facilities, provide the resources to continue to pursue carefully selected, value enhancing acquisitions.

RESULTS AND DIVIDENDS

In the six months ended 31 March 2011, Group revenue increased by 31% to £112.6m (2010: £86.2m). Adjusted operating profit, which is before acquisition related charges, increased by 51% to £22.1m (2010: £14.6m) and adjusted operating margins increased to 19.6%, compared to 16.9% in the prior year comparable period.

Adjusted profit before tax increased by 50% to £21.9m (2010: £14.6m). The acquisition of the minority shareholdings in AMT resulted in a much smaller charge for the fair value remeasurement of put options and as a result, profit before tax on an IFRS basis increased by 71% over the comparable period to £19.3m (2010: £11.3m).

Earnings per share also benefited from the acquisition of the minority interests in AMT and adjusted earnings per share increased by 57% to 13.2p (2010: 8.4p); basic earnings per share were 11.2p (2010: 5.7p). As a result of the strong improvement in trading, the Directors have declared an increased interim dividend of 3.5p per share (2010: 2.8p), payable on 22 June 2011 to shareholders on the register on 27 May 2011.

OPERATING REVIEW

Life Sciences

The Life Sciences businesses are suppliers of consumables, instrumentation and related services to clinical, environmental and industrial applications.

	Half Year		
	2011	**2010**	
Revenue	**£36.9m**	£26.9m	*+37%*
Adjusted operating profit	**£8.6m**	£5.9m	*+46%*
Adjusted operating margin	***23.3%***	*21.9%*	

Life Sciences revenues in the first half of the year increased by 37% over the prior year comparable period. The results benefited from the acquisitions of BGS and CMI in July and December 2010 respectively; there were also benefits on translation from the stronger Canadian dollar, relative to UK sterling. Adjusting for acquisitions and currency effects, underlying sector revenues increased by 16%.

On a transaction basis, the strengthening of the Canadian and Australian dollars relative to the US dollar were largely diluted by forward currency contracts and therefore had little effect on gross margins in the Healthcare businesses. However, a marked improvement in operating profits from the Environmental businesses following the prior year restructuring, led to the increase in adjusted operating margins for the sector to 23.3% (2010: 21.9%).

The DCHI group of ***Healthcare*** businesses saw total revenues increase by 35% in Canadian dollars; an increase of 43% in UK sterling terms. On a constant currency basis and excluding the BGS and CMI acquisitions, underlying growth was 13%.

In Somagen, the traditional laboratory business has produced a solid performance with strong capital sales driven by demand for new equipment in the traditional histology area. In addition, Somagen has been successful with capital sales in the newer market segments, including assisted reproductive technology (“ART”), pathology research and non-clinical microbiology.

In AMT, sales of consumable products used in electrosurgery procedures continued to show good growth, in spite of some product shortages from suppliers during the first quarter of the year. In addition, the surgical products business was boosted by the shipment of a large C$1.9m order for face shields. The GI Endoscopy business benefited from strong capital sales of Argon systems in Alberta, following the amalgamation of the various health authorities and new sales in Quebec of instrument systems to treat Barretts oesophagus. There was continued growth in sales of the consumable products associated with these capital instruments, as well as sales of flexible endoscopic instruments.

In December 2010, the acquisition was completed of CMI, a leading distributor of medical devices and related consumables and services supplied to GI Endoscopy suites in hospitals and private clinics across Canada. CMI shares a common customer base with that of AMT’s Endoscopy business and the products are very complementary, with only minor overlaps. This will provide considerable opportunity for increasing penetration in the growing GI Endoscopy market in Canada, by offering a more complete range of products and services. CMI has performed strongly since its acquisition, driven by sales of endoscope processors and related consumables.

BGS in Australia has also performed well since its acquisition, with revenues strongly ahead of the prior year comparable period. Plans were implemented during the half year to invest in direct sales staff to replace sub-distributors in the states of Victoria, Queensland and South Australia; initial results are expected to be seen in the second half of the year.

In Europe, the a1-group of ***Environmental*** businesses experienced a 21% increase in revenues in UK sterling terms. The a1-envirosciences analyser and containment business made good progress following the consolidation of the UK operations into Germany in 2010. The business benefited from new product introductions, increased customer focus and stronger market conditions, particularly in Germany. Revenues were also boosted by the completion of a large project in Switzerland to supply engineered enclosures to a major pharmaceutical industry customer. CBISS delivered a strong first half performance as the result of orders won, towards the end of the last financial year, for continuous emissions monitoring systems ("CEMS"), combined with good sales of gas and refrigeration leak detection products.

Seals

The Seals businesses are suppliers of hydraulic seals, rubber products, gaskets, cylinders and attachment kits used in heavy mobile and industrial machinery.

	Half Year		
	2011	**2010**	
Revenue	**£37.5m**	£26.3m	*+43%*
Adjusted operating profit	**£6.6m**	£3.2m	*+106%*
Adjusted operating margin	***17.6%***	*12.2%*	

Seals sector revenues in the first half of the year increased by 43% over the prior year comparable period. Excluding the contribution from the acquisition of All Seals in September 2010, underlying revenue growth was 30%. This growth rate is broadly the same on a constant currency basis, as the average US dollar exchange rate has remained unchanged relative to UK sterling in the comparable period.

Operating margins in the seals businesses have benefited significantly from strong operational leverage as revenues continued to increase and benefits were realised from recent investments in warehouse automation. The businesses have been diligent in passing supplier price increases on to customers and the investment in additional resources required to support growth has lagged the increased revenues. The results can be seen in the substantial improvement in operating margins, which have increased to 17.6% (2010: 12.2%).

The ***Aftermarket*** businesses were impacted less by the 2009 recession than businesses more dependent on sales of capital equipment. Recovery in 2010 was also delayed until the second half of the year, with the US construction market still sluggish, despite various stimulus packages. The first half of 2011 however has seen stronger growth, with revenues 30% ahead of the prior year comparable period in constant currency terms and also now ahead of the 2008 peak levels.

In North America, the core Hercules business increased revenues both by gaining market share in existing customers and by winning new customers. Increasingly important in the service offering has been the Seals-on-Demand machines located in the US and Canada, which now offer same day service for custom machined seals; capacity is being steadily increased through additional shifts and investment in new machines. There is also a steadily increasing take-up of Hercules' e-commerce customer service offering, which accounted for 8% of revenues for the period and has the potential for significant further growth. Hercules has also selectively used its inventory to increase sales to other distributors, who have been experiencing product shortages from suppliers.

Growth has been strong for Bulldog with its key domestic US customers; HKX is also now seeing increasing demand for its excavator attachment kits as an increase in confidence in dealers and large rental fleets has led to investment in new excavators.

Internationally, both Hercules and Bulldog have increased revenues in their key markets of South America, Middle East and Asia Pacific. Hercules Europe has also achieved good growth, although from a lower base of revenues. FPE has continued to deliver strong growth in both its domestic UK market and in export sales. FPE has also seen increasing demand for its Seals-on-Demand service since the installation of an additional machine in the second half of 2010.

The ***Industrial OEM*** businesses recovered earlier in 2010, driven by improving manufacturing activity in the US and these strong growth trends have continued into the first half of 2011. RT Dygert delivered revenue growth of 30% on the prior year comparable period, with key customers increasing purchasing levels for existing products, as well as initiating significant new product development projects.

All Seals, which was acquired in September 2010, made a strong initial contribution to the Group's results with year-on-year revenue growth of over 20%. Since acquisition, the management team at All Seals has been strengthened through hiring and promotion and additional resources are being added in key areas including technical sales, quality and purchasing. These investments will give a firm foundation for further growth.

In Europe, M Seals saw an increase of 38% in revenues relative to the prior year comparable period. The growth was driven by a combination of a strong recovery in demand from M Seals' traditional industrial customer base and by continued penetration of the wind turbine market in Europe and China. The Chinese wind power industry is expected to show significant growth in the coming years and M Seals has strengthened its presence in this important market by establishing a Chinese entity which will begin trading in the second half of this year.

Controls

The Controls businesses are suppliers of specialised wiring, connectors, fasteners and control devices used in a range of technically demanding applications.

	Half Year		
	2011	**2010**	
Revenue	**£38.2m**	£33.0m	*+16%*
Adjusted operating profit	**£6.9m**	£5.5m	*+25%*
Adjusted operating margin	***18.1%***	*16.7%*	

Controls sector revenues in the first half of the year increased by 16% over the prior year comparable period. This growth rate is broadly the same as the underlying growth rate, as acquisitions have not affected the results and the Euro has shown little change relative to UK sterling in the comparable period.

Again, the leverage effects of increased revenues, combined with continued tight management of operating costs, have contributed to an increase in operating margins to 18.1% (2010: 16.7%).

The ***UK Controls*** businesses increased revenues by 21% in UK sterling terms over the comparable period. Revenues in the IS-Group have continued to grow across all sectors relative to the prior year comparable period, with the exception of Defence. Here, the effects of the Strategic Defence Spending Review ("SDSR") are starting to be felt, with signs of lower spending and a reduction in new upgrade programmes. The performance of Military Aerospace customers has also been mixed, as again the effects of the SDSR are felt.

By contrast, there are encouraging signs of continued growth in the Civil Aerospace market, with increased activity in engine build programmes and the fit-out, upgrade and refurbishment programmes for aircraft interiors. Sales to the Motorsport sector have been exceptionally strong, benefitting from increased market share with the leading F1 teams, development work for the World Rally Championship series and demand from the Le Mans series.

The General Industrial sector in the UK also exceeded expectations with sales spread across a range of key accounts, whose activity levels are all returning to the pre-recession levels of 2008. The IS-Group has also been able to leverage its inventory levels and its position as a European Master distributor for its key supplier, to increase sales to other distributors. The Energy sector has also shown good growth.

Hawco has continued to see significant new business gains with its Commercial Refrigeration customers, who are supplying the large food retailing groups as well as the fast food, convenience stores and public house markets. These customers are drawing on Hawco's growing experience with customised, hydrocarbon based solutions which use less energy consumption to deliver the same cooling capacity. Hawco's General Industrial sector continues to perform well with new products for specialised heaters and new pressure switch applications.

The ***German Controls*** businesses saw revenues increase by 8% in Euro terms over the comparable period. In Sommer, the General Industrial sector has been the strongest performer, with sustained improvement in general economic activity in Germany and strong export performances. This has been a broad ranging improvement with increased sales across a range of segments and customers. Energy sector revenues have been boosted by the contribution from Fischer, acquired in August 2010; Civil Aerospace (mainly satellite products) and Motorsport have also seen recovery and growth in revenues.

The Medical sector has delivered a solid performance built on new product introductions and design-in projects for customers. Added-value capabilities have also been improved with investment last year in a new cut and slit machine for specialised tubing applications. The only sector to show declining revenues has been Defence, which is largely served by Filcon, where various new build programmes have been delayed and affected by budget cuts.

FINANCE

Free cash flow

The Group generated free cash flow of £7.3m during the half year, compared with £16.6m in the prior comparable period (which included £6.3m received from the sale of the Anachem MLH business). The weaker free cash flow reflected the impact of a large investment of £8.8m in working capital (2010: inflow of £0.3m). This arose from a combination of strong trading and a return to more normal seasonal trends in working capital. Group working capital has now returned to 16.6% of revenue, compared with an unusually low 15.4% at 30 September 2010. Tax payments in the first half were £5.6m (2010: £4.9m) benefitting from tax refunds in Canada and Germany. Capital expenditure was £0.7m (2010: £0.5m), with £0.3m being invested in two new custom seal machines in HFPG and £0.3m on acquiring field equipment in support of customer service contracts in the Canadian Healthcare businesses.

With the Group's investment in working capital now being more appropriate to support the current level of trading, free cash flow in the second half of the year is expected to be significantly stronger that the first half.

Acquisition of businesses

The Group spent £14.9m (2010: £2.8m) on acquiring businesses during the half year. On 21 December 2010, the Group acquired CMI for a maximum consideration of £16.3m, before expenses, of which £14.3m was paid on acquisition. The balance is deferred until December 2011 and is principally based on the performance of the business during the twelve months ending 30 September 2011. Further cash of £0.9m was spent on a combination of net asset adjustments and deferred consideration commitments to the vendors of All Seals and BGS, acquired during the second half of the last financial year.

Acquisition of minority interests

On 28 February 2011, the Group completed the acquisition of the outstanding 25% minority shareholdings in AMT for aggregate consideration of £12.4m (C$19.5m), before expenses. These shares were acquired following the exercise of put options, set out in the Sale and Purchase Agreement, dated 28 July 2007. The Group retains minority interests in M Seals and BGS which are also subject to put and call option agreements. The liability for these put options is estimated at £1.3m at 31 March 2011. The minority shareholders of AMT, M Seals and BGS were, or are, directors of these companies and accordingly, capital and minority dividend payments to these shareholders represent related party transactions. There were no other related party transactions that have had a material effect on the financial position or performance of the Group during the six months ended 31 March 2011.

Net debt

At 31 March 2011 the Group had net debt of £0.9m compared with cash funds of £30.1m at 30 September 2010. The reduction in cash funds of £31.0m was after spending £27.4m on the acquisition of businesses and minority interests; in addition dividends of £10.9m (2010: £7.1m) were paid during the period to ordinary and minority shareholders.

The Group remains well funded and retains a three year committed multicurrency credit facility of £20m (with an option to extend to £40m) which expires in November 2013. These factors, combined with strong cash generation, provide the Directors with the basis on which they continue to adopt the going concern principle in preparing these condensed consolidated half year financial statements.

Exchange rates

Due to the global nature of the Group, a large proportion of its revenues are derived from businesses located outside the UK, of which a significant amount is generated in the US, Canada and Continental Europe. In the six months ended 31 March 2011, revenue and operating profits have increased by £0.8m and £0.3m respectively, from the translation of the results of the Group's overseas businesses and in particular, the Canadian businesses.

On a transactional basis, gross margins earned in the Canadian Healthcare businesses should have benefitted in this half year from the appreciation of the Canadian dollar on products purchased in US dollars and Euros. However this benefit has largely been diluted by forward currency contracts taken out at below spot rates. Transactional currency exposure in the UK has been mitigated during the half year by favourable forward currency contracts.

RISKS AND UNCERTAINTIES

The risks and uncertainties which may have the largest impact on performance in the second half of the year are the same as those described in detail in pages 24-27 of the 2010 Annual Report. In summary these are:

- Strategic risks – a downturn in major markets, loss of key suppliers and customers, technological change, product liability and loss of key personnel;
- Operational risks – major damage to premises, loss of IT systems and disruption by service providers; and
- Financial risks – foreign currency risk, bad debts and inventory obsolescence, credit, interest and liquidity risk, fraud and theft.

The Group's businesses did not suffer any material consequences from either the Australian floods or the earthquake and tsunami in Japan.

It should be recognised that additional risks not currently known to management, or risks that management currently regard as immaterial, could also have a material adverse effect on the Group's financial condition or the results of operations.

CURRENT TRADING AND PROSPECTS

The strong underlying revenue and profit performance experienced in the first half of the year across the Group's businesses is continuing into the second half, although comparatives are now becoming more demanding.

The broad spread of markets and geographies served by the Group, combined with strong contributions from newly acquired businesses provides the Board with confidence that the Group should continue to make progress in the second half of this year.

The strong balance sheet and free cash flow continues to support the Board's objective to grow and invest in the Group's businesses.

BM Thompson
Chief Executive Officer
17 May 2011

Responsibility Statement of the Directors in respect of the Interim Report 2011

We confirm that to the best of our knowledge:

- the condensed set of consolidated financial statements has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU; and
- the Interim Report includes a fair review of the information required by:

    a) DTR4.2.7R of the Disclosure and Transparency Rules, being an indication of the important events that have occurred during the first six months of the financial year and their impact on the condensed set of consolidated financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

    b) DTR4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last Annual Report that could do so.

The Directors of Diploma PLC and their respective responsibilities are listed in the Annual Report for 2010. There have been no changes in the period.

By Order of the Board

BM Thompson	**NP Lingwood**
Chief Executive Officer	Group Finance Director
17 May 2011	17 May 2011

Condensed Consolidated Income Statement
For the six months ended 31 March 2011

Continuing businesses	Note	**Unaudited 31 March 2011 £m**	Unaudited 31 March 2010 £m	Audited 30 Sept 2010 £m
Revenue	3	**112.6**	86.2	183.5
Cost of sales		**(69.8)**	(54.3)	(115.5)
Gross profit		**42.8**	31.9	68.0
Distribution costs		**(2.7)**	(2.1)	(4.4)
Administration costs		**(20.4)**	(16.8)	(35.0)
Operating profit	3	**19.7**	13.0	28.6
Financial expense, net	4	**(0.4)**	(1.7)	(1.9)
Profit before tax		**19.3**	11.3	26.7
Tax expense	5	**(6.1)**	(4.2)	(8.8)
Profit for the period from continuing businesses		**13.2**	7.1	17.9
Profit from discontinued businesses		**-**	5.2	5.1
Profit for the period		**13.2**	12.3	23.0
Attributable to:				
Shareholders of the Company		**12.6**	11.6	21.5
Minority interests		**0.6**	0.7	1.5
		13.2	12.3	23.0
Earnings per share				
Basic and diluted earnings - continuing	6	**11.2p**	5.7p	14.6p
Basic and diluted earnings – discontinued	6	**-**	4.6p	4.5p
Basic and diluted earnings – continuing and discontinued	6	**11.2p**	10.3p	19.1p

Alternative Performance Measures (note 2)	Note	**31 March 2011 £m**	31 March 2010 £m	30 Sept 2010 £m
Operating profit		**19.7**	13.0	28.6
Add: Acquisition related charges	10	**2.4**	1.6	3.5
Adjusted operating profit		**22.1**	14.6	32.1
(Deduct)/add: Net interest (expense)/income	4	**(0.2)**	-	0.1
Adjusted profit before tax		**21.9**	14.6	32.2
Adjusted earnings per share	6	**13.2p**	8.4p	18.9p

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 31 March 2011

	Unaudited 31 March 2011 £m	Unaudited 31 March 2010 £m	Audited 30 Sept 2010 £m
Profit for the period	**13.2**	12.3	23.0
Exchange rate adjustments on foreign currency net investments	**2.3**	6.7	1.9
Losses on fair value of cash flow hedges	**(0.3)**	(0.8)	(0.4)
Actuarial losses on defined benefit pension schemes	**-**	-	(1.8)
Deferred tax on items recognised in equity	**0.2**	0.2	0.6
Other comprehensive income for the period	**2.2**	6.1	0.3
Total comprehensive income for the period	**15.4**	18.4	23.3
Attributable to:			
Shareholders of the Company	**14.8**	17.8	21.8
Minority interests	**0.6**	0.6	1.5
	15.4	18.4	23.3

Condensed Consolidated Statement of Changes in Shareholders' Equity
For the six months ended 31 March 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		-	6.7	(0.8)	11.9	17.8
Share-based payments		-	-	-	0.3	0.3
Purchase of minority interests	12	-	-	-	2.5	2.5
Purchase of own shares		-	-	-	(0.4)	(0.4)
Dividends		-	-	-	(6.0)	(6.0)
At 31 March 2010		5.7	25.4	(0.5)	105.0	135.6
Total comprehensive income		-	(4.8)	0.4	8.4	4.0
Share-based payments		-	-	-	0.2	0.2
Future purchase of minority interests	12	-	-	-	(0.6)	(0.6)
Dividends		-	-	-	(3.1)	(3.1)
At 30 September 2010		5.7	20.6	(0.1)	109.9	136.1
Total comprehensive income		-	2.3	(0.3)	12.8	14.8
Share-based payments		-	-	-	0.3	0.3
Purchase of minority interests	12	-	-	-	12.1	12.1
Purchase of own shares		-	-	-	(0.7)	(0.7)
Dividends		-	-	-	(7.0)	(7.0)
At 31 March 2011		**5.7**	**22.9**	**(0.4)**	**127.4**	**155.6**

Condensed Consolidated Statement of Financial Position
As at 31 March 2011

	Note	**Unaudited 31 March 2011 £m**	Unaudited 31 March 2010 £m	Audited 30 Sept 2010 £m
Non-current assets				
Goodwill	9	**89.8**	65.7	67.3
Acquisition intangible assets	9	**30.2**	20.8	22.7
Other intangible assets		**0.5**	0.8	0.6
Property, plant and equipment		**11.2**	11.4	11.1
Deferred tax assets		**2.8**	2.2	2.4
		134.5	100.9	104.1
Current assets				
Inventories		**35.8**	29.7	32.0
Trade and other receivables		**39.9**	29.7	30.5
Assets held for sale		**-**	1.3	-
Cash and cash equivalents	8	**11.6**	28.4	30.1
		87.3	89.1	92.6
Current liabilities				
Trade and other payables		**(35.6)**	(29.1)	(32.3)
Current tax liabilities		**(2.8)**	(1.5)	(2.0)
Other liabilities	12	**(1.8)**	(9.2)	(13.0)
Liabilities associated with assets held for sale		**-**	(1.1)	-
Borrowings	8	**(12.5)**	-	-
		(52.7)	(40.9)	(47.3)
Net current assets		**34.6**	48.2	45.3
Total assets less current liabilities		**169.1**	149.1	149.4
Non-current liabilities				
Retirement benefit obligations		**(5.1)**	(4.0)	(5.3)
Other liabilities	12	**(1.6)**	(3.2)	(1.2)
Deferred tax liabilities		**(6.3)**	(3.9)	(3.7)
Net assets		**156.1**	138.0	139.2
Equity				
Share capital		**5.7**	5.7	5.7
Translation reserve		**22.9**	25.4	20.6
Hedging reserve		**(0.4)**	(0.5)	(0.1)
Retained earnings		**127.4**	105.0	109.9
Total shareholders' equity		**155.6**	135.6	136.1
Minority interests		**0.5**	2.4	3.1
Total equity		**156.1**	138.0	139.2

Condensed Consolidated Cash Flow Statement
For the six months ended 31 March 2011

Continuing businesses	Note	**Unaudited 31 March 2011 £m**	Unaudited 31 March 2010 £m	Audited 30 Sept 2010 £m
Cash flows from operating activities				
Cash flow from operations	7	**14.4**	16.1	34.3
Interest income (paid)/received, net		**(0.3)**	-	0.1
Tax paid		**(5.6)**	(4.9)	(9.3)
Net cash from operating activities		**8.5**	11.2	25.1
Cash flows from investing activities				
Acquisition of subsidiaries (net of cash acquired)	10	**(14.0)**	-	(8.1)
Acquisition of minority interests	11	**(12.5)**	(2.5)	(2.5)
Disposal of subsidiaries (net of cash disposed)		**0.2**	6.3	6.4
Deferred consideration paid	12	**(0.9)**	(0.3)	(0.4)
Purchase of property, plant and equipment		**(0.6)**	(0.4)	(1.2)
Purchase of other intangible assets		**(0.1)**	(0.1)	(0.1)
Net cash (used in)/from investing activities		**(27.9)**	3.0	(5.9)
Cash flow from financing activities				
Dividends paid to shareholders		**(7.0)**	(6.0)	(9.1)
Dividends paid to minority interests		**(3.9)**	(1.1)	(1.1)
Purchase of own shares		**(0.7)**	(0.4)	(0.4)
Proceeds from borrowings	8	**12.1**	-	-
Net cash from/(used in) financing activities		**0.5**	(7.5)	(10.6)
Net cash flow used in discontinued businesses		**-**	(0.7)	(0.5)
Net (decrease)/increase in cash and cash equivalents	8	**(18.9)**	6.0	8.1
Cash and cash equivalents at beginning of period		**30.1**	21.3	21.3
Effect of exchange rates on cash and cash equivalents		**0.4**	1.1	0.7
Cash and cash equivalents at end of period		**11.6**	28.4	30.1

Alternative Performance Measures (note 2)		**31 March 2011 £m**	31 March 2010 £m	30 Sept 2010 £m
Net (decrease)/increase in cash and cash equivalents		**(18.9)**	6.0	8.1
Add:	Dividends paid to shareholders	**7.0**	6.0	9.1
	Dividends paid to minority interests	**3.9**	1.1	1.1
	Acquisition of subsidiaries and minority interests	**26.5**	2.5	10.6
	Deferred consideration paid	**0.9**	0.3	0.4
Less:	Proceeds from borrowings	**(12.1)**	-	-
Free cash flow – continuing and discontinued businesses		**7.3**	15.9	29.3
Add:	Free cash flow – discontinued businesses	**-**	0.7	0.5
Free cash flow – continuing businesses		**7.3**	16.6	29.8

Notes to the Condensed Consolidated Financial Statements
For the six months ended 31 March 2011

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

Diploma PLC (the "Company") is a company domiciled in the UK. The condensed set of consolidated financial statements ("the financial statements") for the six months ended 31 March 2011 comprises the Company and its subsidiaries (together referred to as the "Group").

The comparative figures for the financial year ended 30 September 2010 are not the Group's statutory accounts for that financial year within the meaning of section 434 of the Companies Act 2006. Those accounts have been reported on by the Group's auditors and delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 of the Companies Act 2006. The figures for the six months ended 31 March 2010 were extracted from the 2010 Interim Report, which was unaudited.

The Group's audited consolidated financial statements for the year ended 30 September 2010 are available on the Company's website (*www.diplomaplc.com*) or upon request from the Company's registered office at Diploma PLC, 12 Charterhouse Square, London, EC1M 6AX.

1.1 Statement of compliance
The financial statements included in this Interim Announcement for the six months ended 31 March 2011 have been prepared on a going concern basis and in accordance with *IAS 34, Interim Financial Reporting* as adopted by the European Union. The financial statements do not include all of the information required for full annual consolidated financial statements and should be read in conjunction with the Group's audited consolidated financial statements for the year ended 30 September 2010.

This set of financial statements were approved by the Board of Directors on 17 May 2011; they have not been reviewed or audited by the Company's auditors.

1.2 Significant accounting policies
The accounting policies applied by the Group in this set of financial statements are the same as those applied by the Group in its audited consolidated financial statements for the year ended 30 September 2010. There are no new standards, amendments to standards or interpretations that are both mandatory for the year ending 30 September 2011 and are relevant for the Group.

1.3 Estimates and judgements
The preparation of these financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The estimates and judgements made by management in applying the Group's accounting policies and the key sources of uncertainty that have the most significant effect on the amounts included within these financial statements, were the same as those that applied to the Group's audited consolidated financial statements for the year ended 30 September 2010. These were set out on pages 72 and 73 of the 2010 Annual Report.

2. ALTERNATIVE PERFORMANCE MEASURES

The Group uses a number of alternative (non-Generally Accepted Accounting Practice ("non-GAAP")) financial measures which are not defined within IFRS. The Directors use these measures in order to assess the underlying operational performance of the Group and as such, these measures are important and should be considered alongside the IFRS measures. The following non-GAAP measures are referred to in this Interim 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, acquisitions costs 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 or business, 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 period. 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, 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 and consistent measure of the cash flow of the Group, available for future investment.

3. ANALYSIS OF RESULTS

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

	Revenue			Adjusted operating profit			Operating profit		
	31 Mar 2011 £m	31 Mar 2010 £m	30 Sept 2010 £m	**31 Mar 2011 £m**	31 Mar 2010 £m	30 Sept 2010 £m	**31 Mar 2011 £m**	31 Mar 2010 £m	30 Sept 2010 £m
By Sector									
Life Sciences	**36.9**	26.9	55.4	**8.6**	5.9	11.9	**7.3**	5.2	10.3
Seals	**37.5**	26.3	60.1	**6.6**	3.2	8.9	**5.7**	2.5	7.4
Controls	**38.2**	33.0	68.0	**6.9**	5.5	11.3	**6.7**	5.3	10.9
	112.6	86.2	183.5	**22.1**	14.6	32.1	**19.7**	13.0	28.6
By Geographic Area									
United Kingdom	**30.7**	26.7	55.9	**5.7**	3.9	8.4	**5.3**	3.5	7.5
Rest of Europe	**21.0**	17.2	35.1	**3.0**	2.4	4.5	**2.7**	2.1	4.0
North America	**60.9**	42.3	92.5	**13.4**	8.3	19.2	**11.7**	7.4	17.1
	112.6	86.2	183.5	**22.1**	14.6	32.1	**19.7**	13.0	28.6

The newly acquired business of Carsen Medical Inc. contributed £3.3m to revenue, £0.7m to adjusted operating profit and £0.4m to operating profit. The results of this business are included within the Life Sciences sector and within North America.

4. FINANCIAL EXPENSE, NET

	31 March 2011 £m	31 March 2010 £m	30 Sept 2010 £m
Interest and similar income			
- interest receivable on short term deposits	**-**	-	0.2
- net finance income from defined benefit pension scheme	**0.1**	-	0.1
	0.1	-	0.3
Interest expense and similar charges			
- bank facility and commitment fees	**(0.3)**	-	(0.1)
- unwinding of discount on provisions	**-**	-	(0.1)
	(0.3)	-	(0.2)
Net interest (expense)/income	**(0.2)**	-	0.1
- fair value remeasurements of put options (note 12)	**(0.2)**	(1.7)	(2.0)
Financial expense, net	**(0.4)**	(1.7)	(1.9)

5. TAXATION

	31 March 2011 £m	31 March 2010 £m	30 Sept 2010 £m
UK tax charge	**1.5**	1.1	2.1
Overseas tax charge	**4.6**	3.1	6.7
Total tax on profit for the period	**6.1**	4.2	8.8

Taxation on profits before tax has been calculated by applying the Directors' best estimate of the annual rate of taxation to taxable profits for the period. The effective rate of taxation on profit before tax for the period decreased to 31.6% (2010: 37.2%), because of the reduction in the charge for fair value remeasurements which is not tax deductible. The Group's adjusted effective rate of tax on adjusted profit before tax has reduced to 29.2% (2010: 30.1%) reflecting a combination of tax repayments and lower corporate taxes in the UK and Canada.

6. 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 period of 112,532,469 (2010: 112,648,373) and the profit for the period attributable to shareholders of £12.6m (2010: £11.6m). There were no potentially dilutive shares.

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

	31 Mar 2011 pence per share	31 Mar 2010 pence per share	30 Sept 2010 pence per share	**31 Mar 2011 £m**	31 Mar 2010 £m	30 Sept 2010 £m
Profit before tax – continuing businesses				**19.3**	11.3	26.7
Tax expense				**(6.1)**	(4.2)	(8.8)
Minority interests				**(0.6)**	(0.7)	(1.5)
	11.2	5.7	14.6	**12.6**	6.4	16.4
Profit from discontinued businesses	**-**	4.6	4.5	**-**	5.2	5.1
Earnings for the period attributable to shareholders of the Company	**11.2**	10.3	19.1	**12.6**	11.6	21.5
Acquisition related charges	**2.1**	1.4	3.1	**2.4**	1.6	3.5
Fair value remeasurements	**0.2**	1.5	1.8	**0.2**	1.7	2.0
Tax effects on goodwill, acquisition intangible assets and fair value remeasurements	**(0.3)**	(0.2)	(0.6)	**(0.3)**	(0.2)	(0.6)
Profit from discontinued businesses	**-**	(4.6)	(4.5)	**-**	(5.2)	(5.1)
Adjusted earnings – continuing businesses	**13.2**	8.4	18.9	**14.9**	9.5	21.3

7. RECONCILIATION OF CASH FLOW FROM OPERATING ACTIVITIES

	31 March 2011 £m	31 March 2010 £m	30 Sept 2010 £m
Profit for the period from continuing businesses	**13.2**	7.1	17.9
Depreciation/amortisation of tangible and other intangible assets	**1.0**	1.0	2.1
Acquisition related charges	**2.4**	1.6	3.5
Share-based payments expense	**0.3**	0.3	0.5
Financial expense, net	**0.4**	1.7	1.9
Tax expense	**6.1**	4.2	8.8
Operating cash flow before changes in working capital	**23.4**	15.9	34.7
Increase in inventories	**(2.8)**	(0.9)	(3.2)
Increase in trade and other receivables	**(6.9)**	(2.8)	(4.0)
Increase in trade and other payables	**0.9**	4.0	7.3
Cash paid into defined benefit schemes	**(0.2)**	(0.1)	(0.5)
Cash flow from operating activities, before acquisition expenses	**14.4**	16.1	34.3

8. NET (DEBT) / FUNDS

The movement in net (debt)/funds during the period is as follows:

	31 March 2011 £m	31 March 2010 £m	30 Sept 2010 £m
Net (decrease)/increase in cash and cash equivalents	**(18.9)**	6.0	8.1
Increase in borrowings	**(12.1)**	-	-
	(31.0)	6.0	8.1
Effect of exchange rates	**-**	1.1	0.7
Movement in net (debt) / funds	**(31.0)**	7.1	8.8
Net funds at beginning of period	**30.1**	21.3	21.3
Net (debt) / funds at end of period	**(0.9)**	28.4	30.1
Comprising:			
Cash and cash equivalents	**11.6**	28.4	30.1
Borrowings	**(12.5)**	-	-
Net (debt) / funds at end of period	**(0.9)**	28.4	30.1

The Group has a committed £20m revolving bank facility which expires on 18 November 2013. At 31 March 2011, the Group had utilised £12.3m of this facility. Interest on this facility is payable at between 150 and 175bps over LIBOR, depending on the ratio of net debt to EBITDA.

9. GOODWILL AND INTANGIBLE ASSETS

	Goodwill £m	**Acquisition intangible assets £m**	**Total £m**
At 1 October 2009	59.6	21.2	80.8
Acquisitions	2.4	-	2.4
Adjustments to prior year goodwill	(0.2)	-	(0.2)
Amortisation charge	-	(1.6)	(1.6)
Exchange adjustments	3.9	1.2	5.1
At 31 March 2010	65.7	20.8	86.5
Acquisitions	3.8	4.5	8.3
Amortisation charge	-	(1.7)	(1.7)
Exchange adjustments	(2.2)	(0.9)	(3.1)
At 30 September 2010	67.3	22.7	90.0
Acquisitions (note 10 and 11)	20.8	9.3	30.1
Amortisation charge	-	(2.1)	(2.1)
Exchange adjustments	1.7	0.3	2.0
At 31 March 2011	**89.8**	**30.2**	**120.0**

Goodwill acquired of £20.8m comprised £13.1m on the acquisition of the minority shareholding in AMT and £7.7m on the acquisition of CMI. Intangible assets of £9.3m were identified in the acquisition of CMI relating to supplier relationships and customers lists. These assets are being amortised over periods ranging from 8-10 years. The additions to goodwill and acquisitions intangible assets all relate to the Life Sciences sector. Aggregate goodwill and acquisition intangible assets acquired during the period of £30.1m are not allowable for a tax deduction in future years.

10. ACQUISITION OF SUBSIDIARIES

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 up to a further £2.0m (C$3.1m) is payable depending principally on the operating profit of CMI in the year ending 30 September 2011. At 31 March 2011, the maximum amount of deferred consideration has been provided for in the financial statements. Acquisition expenses of £0.2m (C$0.3m) were incurred on this acquisition.

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
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)	(2.7)
Net assets acquired	1.8	8.0
Goodwill		7.7
		15.7
Satisfied by:		
Cash paid, before acquisition expenses		14.3
Cash acquired		(0.6)
Net cash paid, before acquisition expenses		**13.7**
Provision for deferred consideration payable		2.0
Total consideration		**15.7**

Goodwill of £7.7m which arose on acquisition of CMI represented the product know-how held by employees, prospects for sales growth from new customers and operating costs synergies.

Acquisition related charges of £2.4m (2010: £1.6m) were expensed to the Condensed Consolidated Income Statement for the period, including £0.3m (2010: £Nil) of acquisition expenses; the balance of £2.1m comprises the amortisation charge on acquisition intangible assets.

From the date of acquisition to 31 March 2011, the newly acquired business of CMI contributed £3.3m to revenue and £0.7m to adjusted operating profit. If the acquisition of this business had been made at the beginning of the financial period, this business would have contributed £6.1m to revenue and £0.7m 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.

11. ACQUISITIONS OF MINORITY INTEREST

During the period the Group acquired the outstanding 25% share capital in AMT Vantage 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.

Notes to the Condensed Consolidated Financial Statements (continued)
For the six months ended 31 March 2011

12. OTHER LIABILITIES

	31 March 2011 £m	31 March 2010 £m	30 Sept 2010 £m
Future purchases of minority interests	**1.3**	12.3	13.2
Deferred consideration	**2.1**	0.1	1.0
	3.4	12.4	14.2
Analysed as:			
Due within one year	**1.8**	9.2	13.0
Due after one year	**1.6**	3.2	1.2

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

	31 March 2011 £m	31 March 2010 £m	30 Sept 2010 £m
At 1 October	**13.2**	13.1	13.1
Released to retained earnings	**(12.1)**	(2.5)	(2.5)
Put options entered into during the period	**-**	-	0.6
Unwinding of discount	**0.1**	0.5	1.1
Fair value remeasurements	**0.1**	1.2	0.9
At end of period	**1.3**	12.3	13.2

The Group retains put/call options to acquire the outstanding minority shareholdings. During the period, the Group acquired the outstanding 25% minority shares in AMT, as explained in note 11. On acquisition of the minority interest shares, the liability of £12.1m recognised in the Consolidated Financial Statements at 30 September 2010, has been released to retained earnings. At 31 March 2011, the Group retains minority interests in BGS and M Seals and the put options to acquire these minority interests are exercisable between 1 October 2012 and 31 December 2013.

At 31 March 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 the businesses and to reflect foreign exchange rates at 31 March 2011. This led to a remeasurement of the fair value of these put options and the liability was increased by £0.2m through a charge to the Condensed Consolidated Income Statement.

At 31 March 2011, deferred consideration of £2.1m comprised £2.0m payable to the vendors of CMI and £0.1m payable to the vendors of businesses purchased last year. During the period ended 31 March 2011, £0.9m was paid to the vendors of All Seals and BGS in respect of a combination of deferred consideration and adjustments to net assets agreed at completion.

13. DIVIDENDS

The Directors have declared an increased interim dividend of 3.5p per share (2010: 2.8p) payable on 22 June 2011 to shareholders on the register on 27 May 2011. The total value of the dividend is £3.9m (2010: £3.1m).

14. EXCHANGE RATES

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

	Average			**Closing**		
	31 March 2011	31 March 2010	30 Sept 2010	**31 March 2011**	31 March 2010	30 Sept 2010
US Dollar	**1.59**	1.59	1.56	**1.60**	1.52	1.58
Canadian Dollar	**1.59**	1.68	1.63	**1.56**	1.54	1.62
Euro	**1.16**	1.12	1.15	**1.13**	1.12	1.15