NEWSRELEASE

DIPLOMA PLC

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FOR IMMEDIATE RELEASE

15 May 2017

ANNOUNCEMENT OF HALF YEAR RESULTS FOR THE SIX MONTHS ENDED 31 MARCH 2017

"Strong underlying growth further boosted by currency tailwind"

	Unaudited Six months ended 31 March 2017 £m	Unaudited Six months ended 31 March 2016 £m	
Revenue	217.3	179.1	+21%
Adjusted operating profit(1)	37.4	30.8	+21%
Adjusted operating margin(1)	17.2%	17.2%	
Adjusted profit before tax(1),(2)	37.1	30.4	+22%
Profit before tax	32.9	25.6	+29%
Profit after tax	24.0	18.5	+30%
Free cash flow(3)	20.5	23.0	-11%
	Pence	Pence	
Adjusted earnings per share(1),(2)	23.9	19.5	+23%
Basic earnings per share	21.0	16.0	+31%
Interim dividend per share	7.0	6.2	+13%

(1) Before acquisition related charges.
(2) Before fair value remeasurements.
(3) Before cash payments on acquisitions and dividends.

Financial Highlights

- Revenue and adjusted operating profit both increased by 21%; adjusted operating margin maintained at 17.2%.
- Underlying revenue increased by 6%; currency movements increased revenues by 14% and businesses acquired made a net contribution of 1%.
- Adjusted profit before tax increased by 22% to £37.1m; adjusted EPS increased by 23% to 23.9p.
- Strong free cash flow performance; net cash of £14.8m at the end of March 2017 with significant resources available.
- Two acquisitions completed in April 2017 bring total acquisition expenditure this year to ca. £16m.
- Interim dividend increased by 13% to 7.0p per share reflecting confidence in Group's growth prospects.

REGISTERED IN ENGLAND. NUMBER 3899848.
12 CHARTERHOUSE SQUARE, LONDON EC1M 6AX

Operational Highlights

- In Life Sciences, underlying revenues increased by 2%, with strong consumable and service revenues more than offsetting weaker capital equipment sales in certain businesses.

- In Seals, underlying revenues increased by 2%, with strengthening revenues in the North American Aftermarket partly offset by slower Industrial markets and reduced demand in certain International markets.

- In Controls, underlying revenues increased by 16%, driven by new project activity and recovery in some end user markets, against the background of relatively weak comparatives.

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

"The Group has delivered strong underlying growth in the first half of the year, further boosted by the favourable foreign exchange impact from the substantial depreciation in UK sterling.

Whilst the second half of the year will have much less benefit from currency movements, the global trading environment is expected to provide opportunities for continued underlying growth in the Group's key markets. The complementary acquisition of Abacus in April 2017 adds critical mass and opens up further growth opportunities for our Healthcare business. Acquisitions remain an integral part of the Group's growth strategy and the pipeline for acquisitions remains encouraging.

The trading outlook, together with the benefit from acquisitions, provide the Board with confidence that the Group will make further progress this year and will continue its proven track record of value creation for shareholders."

Note:

1. 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, free cash flow and ROATCE. All references in this Announcement to "underlying" revenues or operating profits refer to reported results on a constant currency basis and before any contribution from acquired or disposed businesses. 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 Announcement.

2. Certain statements contained in this Announcement constitute forward-looking statements. Such forward-looking statements involve risks, uncertainties and other factors which may cause the actual results, performance or achievements of Diploma PLC, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such statements. Such risks, uncertainties and other factors include, among others, exchange rates, general economic conditions and the business environment.

There will be a presentation of the results to analysts and investors at 9.00am this morning at Pewterers' Hall, Oat Lane, City of London, EC2V 7DE. This presentation will be made available as a webcast from 2.00pm GMT via www.diplomaplc.com

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NOTE TO EDITORS:

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

Diploma'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. 1,600 employees and its principal operating businesses are located in the UK, Northern Europe, North America and Australia.

Over the last five years, the Group has grown adjusted earnings per share at an average of ca. 8% p.a. through a combination of organic growth and acquisitions. Diploma is a member of the FTSE 250 with a market capitalisation of ca. £1.2bn.

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

LEI: 2138000G17VY8FGR19

HALF YEAR REVIEW TO 31 MARCH 2017

The Group's revenues for the six months ended 31 March 2017 increased by 21% over the prior year comparable period, benefiting from a strong tail-wind from the substantial depreciation in UK sterling. Currency movements increased revenues by 14% and acquisitions contributed 1% to the growth in revenues, net of a small prior year disposal. On an underlying basis, after adjusting for acquisitions and for currency effects on translation, Group revenues increased by 6%.

In Life Sciences, underlying revenues increased by 2%, with strong consumable and service revenues more than offsetting weaker sales of capital equipment in certain businesses against a strong prior year comparative. In Seals, underlying revenues were 2% ahead of last half year, with strengthening revenues in the Aftermarket business in North America being partly offset by both slower Industrial markets and reduced demand in certain International end markets. In Controls, underlying revenues increased by 16%, driven by a combination of new project activity and recovery in some end user markets, but also against the background of relatively weak comparatives.

As anticipated, operating margins have remained unchanged at 17.2%, the same level as that achieved in the prior year comparable period and in the full 2016 financial year. The Canadian and Australian dollars broadly stabilised against the US dollar and Euro in the period under review, limiting further transactional currency effects in the Healthcare businesses. The Group's UK businesses have also been able to largely mitigate the impact on gross margins from the substantial depreciation in UK sterling. Operating leverage in several of the businesses and Sector mix have largely offset lower operating margins and investment in businesses acquired in recent years.

Acquisitions remain an integral part of the Group's growth strategy and the pipeline for acquisitions remains encouraging. In the half year, acquisition expenditure was limited to the payment of £0.8m in deferred consideration and expenses. Shortly after the period end in April 2017, two acquisitions were completed for a maximum combined consideration of £17.1m. Abacus adds critical mass and opens up further opportunities for our Healthcare business in Australia and New Zealand. PSP is a small bolt-on acquisition to our Industrial OEM Seals business in North America.

RESULTS AND DIVIDENDS

In the six months ended 31 March 2017, Group revenue increased by 21% to £217.3m (2016: £179.1m). Adjusted operating profit increased by 21% to £37.4m (2016: £30.8m) and adjusted operating margins were 17.2% (2016: 17.2%). After adjusting for the net incremental contribution from acquisitions and for translational currency effects, underlying revenues increased by 6%.

Adjusted profit before tax increased by 22% to £37.1m (2016: £30.4m) and adjusted earnings per share increased by 23% to 23.9p (2016: 19.5p), benefitting from slightly lower minority interests. On a reported basis, profit before tax was £32.9m (2016: £25.6m) and basic earnings per share were 21.0p (2016: 16.0p).

The cash flow from operations in the period increased by 3% to £32.9m (2016: £31.8m) after an investment in working capital of £7.1m (2016: £1.0m). The Group's free cash flow for the period decreased by £2.5m to £20.5m (2016: £23.0m) in part due to the higher investment in working capital, but also reflecting the proceeds from one-off property sales in last year's figure. At 31 March 2017, the Group had net cash of £14.8m.

The Group continues to follow a progressive dividend policy, which targets dividend cover towards two times on an adjusted EPS basis. The Directors have declared an increased interim dividend up 13.0% to 7.0p per share (2016: 6.2p), reflecting the Board's confidence in the

Group's growth prospects. The dividend will be payable on 14 June 2017 to shareholders on the register on 26 May 2017.

OPERATING REVIEW

Life Sciences

The Life Sciences businesses are suppliers of consumables, instrumentation and related services to the healthcare and environmental industries.

	Half Year		
	2017	2016	
Revenue	£57.9m	£52.5m	+10%
Adjusted operating profit	£10.3m	£9.3m	+11%
Adjusted operating margin	17.8%	17.7%	

Reported revenues increased by 10% over the prior year comparable period. The substantial depreciation in UK sterling boosted revenues by 15% but this was partly offset by the disposal of the Medivators business in September 2016, which reduced revenues by 7%. On an underlying basis, after adjusting for currency and this disposal, Life Sciences revenues increased by 2% over the prior year comparable period.

Adjusted operating margins increased by 10bps driven by an improvement of margins in the Environmental businesses. Transactional currency pressures on the Healthcare businesses eased, following a number of years when gross margins were significantly impacted by the progressive depreciation of the Canadian and Australian dollars relative to the US dollar and Euro.

The DHG group of Healthcare businesses, which account for 83% of Life Sciences revenues, increased underlying revenues by 2% in constant currency terms, after adjusting for the disposal of the Medivators business in September 2016. In Canada, DHG underlying revenues increased by 1% against the background of continuing budget pressures throughout the Provincial healthcare systems driven by the challenging economic environment and government fiscal year-end constraints. Somagen's core clinical diagnostics business in Canada delivered good growth in revenues as several capital projects were reactivated after a slow prior year, with particularly strong uptake in Allergy, Autoimmunity and Histology applications. This growth was achieved despite the ongoing policy of integrating diagnostic laboratories in Quebec and the continued drive for cost savings and efficiencies within many public medical laboratories.

From the start of the financial year, AMT and Vantage have been combined into a single, strong Surgical and GI specialty medical device business in Canada. Vantage is now being managed as a division of AMT, with integrated warehousing, logistics and back office functions giving good opportunities for operational leverage from the increased scale of the combined business. AMT continued to achieve growth in the supply of specialised surgical instruments and devices used in laparoscopic and other minimally invasive surgical procedures. Vantage has also introduced major new product lines in both flexible and rigid endoscopy. These growth initiatives have mitigated continuing pricing pressures in the core electrosurgery business.

In Australia, the Healthcare sector has experienced similar budget pressures to Canada, but our businesses have delivered good revenue growth. BGS Surgical product revenues grew strongly, with smoke evacuation programmes in existing and new accounts continuing to be the principal driver to growth. There was also a good performance in sales of other electrosurgical accessories and enzymatic cleaning products. DSL has also delivered solid revenue growth in Clinical Diagnostics with strong sales of Protein Electrophoresis consumables following a number of capital placements during previous quarters.

In April 2017, the Group completed the acquisition of Abacus, a long established supplier of clinical diagnostics instrumentation and consumables to the Pathology and Life Science sectors in Australia and New Zealand. Abacus has particular strengths in Immunology and Biochemistry testing, supplying to both the public and private pathology laboratories. Abacus has a good fit with our existing Healthcare businesses, with very complementary products and this acquisition opens up significant new growth opportunities in the Australian and New Zealand markets.

The TPD business in Ireland and the UK continued to deliver solid revenue growth in the supply of quality controls to clinical diagnostic laboratories, specialty medical devices used in interventional cardiology and digestive health and rapid microbial testing products used in industrial laboratories. Following the major facility move completed last year, TPD has made good improvements in its operational efficiency and has substantial capacity to support DHG's growth ambitions in Europe.

The a1-group of Environmental businesses in Europe, which account for 17% of Sector revenues, saw revenues increase by 8% in UK sterling terms, although revenues were broadly unchanged on a constant currency basis. In the a1-CBISS business, revenues increased by 6% in UK sterling terms with strong growth in the installation of continuous emissions monitoring systems (CEMS) and increased service contract revenues from CEMS projects delivered in the last 18 months. The sector remains buoyant with new Energy from Waste (EFW) plants playing an important part in reducing landfill waste.

The a1-envirosciences business saw revenues decrease by 5% in Euro terms compared with the prior period which included a large mercury detector order. Revenue from containment enclosures for the safe weighing of hazardous materials and from service operations both delivered growth. Demand for customised enclosures and high end trace and elemental analysers from the Environmental, Petrochemical and Pharmaceutical industries continues to remain robust.

Seals

The Seals businesses are suppliers of seals, gaskets, filters, cylinders, components and kits for heavy mobile machinery and industrial equipment.

	Half Year		
	2017	2016	
Revenue	£94.8m	£79.2m	+20%
Adjusted operating profit	£15.4m	£13.4m	+15%
Adjusted operating margin	16.2%	16.9%	

Reported revenues increased by 20% over the prior comparable period, with currency movements contributing 18% to Sector revenues. On an underlying basis, after adjusting for currency, revenues were 2% above the prior year.

Adjusted operating margins in the Seals businesses decreased by 70bps to 16.2%. Operating margins in the North American Seals businesses were broadly stable with operating leverage offsetting the increased investment in sales and marketing resources. In the International Seals businesses, the decrease in operating margins was driven by transactional currency effects in Kentek and reduced operational leverage from revenue reductions in the Kubo and WCIS businesses.

The North American Seals businesses, which account for ca. 60% of Seals Sector revenues, saw revenues increase by 3% on a constant currency basis, with growth strengthening in the second quarter.

The HFPG Aftermarket businesses reported an increase of 6% in underlying revenues, driven by a stronger performance in the core Hercules Aftermarket Seals business in the US and a recovery in the HKX attachment kit business. In the domestic market, Hercules revenues increased strongly as confidence returns to the Heavy Construction and Infrastructure sectors. The positive trends in the Repair and Distributor segments seen in the second half of last year developed further and sales increased to hydraulic cylinder manufacturers. The additional investment in the second half of last year in sales and marketing resources also had a positive impact on revenues and specific growth initiatives continued to gain traction, including E-commerce activity which continues to show growth in terms of both revenues and invoice count.

In Canada, the strengthening construction industry has driven growth in the repair market with the strongest growth in Ontario. The modest recovery in the Oil & Gas and Mining sectors has had a positive impact and sales to hydraulic seals manufacturers have also seen good growth. In markets outside of North America, Hercules and Bulldog export revenues increased modestly with limited growth in South and Central America, but a strong performance in sales to Mexico.

The HKX attachment kit business returned to modest growth after two years of significant revenue reductions, reflecting the severely depressed market for new excavators. Growth was particularly strong in Canada, driven by some recovery in the Oil & Gas sector and increased pipeline construction. New attachment kits have been developed to drive further growth including quick coupler kits with added safety features.

The HFPG Industrial OEM businesses in North America (RT Dygert, All Seals and J Royal) reported revenues broadly flat against a background of generally slow industrial markets, although with an improving trend in the second quarter. The businesses continue to maintain strong relationships with core industrial equipment customers as well as offering a broader range of higher specification, regulatory-compliant compounds to secure new projects with higher added-value.

In April 2017, J Royal relocated its operations to a newly constructed, purpose built facility in Clemmons, North Carolina with the facility subsequently sold and leased back to the business. In April 2017, HFPG also completed the acquisition of PSP, a small bolt-on acquisition based in Centennial, Colorado which adds complementary new products and strengthens the position of the Industrial OEM Seals businesses in the Mountain Region of the US.

The International Seals businesses, which now account for ca. 40% of Sector revenues, reported underlying revenues broadly flat on a constant currency basis, but with performances in the individual businesses very dependent on local market conditions.

The FPE Seals and M Seals businesses, with their principal operations in the UK, Scandinavia and the Netherlands, together delivered underlying growth of 13% in revenues. FPE Seals experienced good growth in its core UK market for Aftermarket hydraulic seals and metal cylinder parts. The business also benefited from some recovery in demand from the Oil & Gas sector for sealing products used in Maintenance, Repair and Overhaul (MRO) operations and delivered strong growth in several export markets.

M Seals delivered strong growth in revenues in its core markets of Denmark and Sweden, where it has built on its strong customer relationships by developing a number of major new projects. M Seals has also extended its focus into the Finnish market for seals, by investing in a sales resource based in Kentek's facility and benefiting from its operational infrastructure. As with FPE Seals, M Seals has also seen stronger demand from the Oil & Gas sector in the UK and continues to target specialised Industrial OEMs in other sectors of the market.

The Kentek business, with principal operations in Finland and Russia, saw revenues broadly flat in constant currency terms. However, the underlying revenue performance of Kentek is best measured in Euro terms, as pricing of both its US and European sourced filters sold in Russia (ca. 65% of Kentek's total sales) is based in Euros. With a strengthening of the Russian Rouble relative to the Euro of over 15%, Kentek's revenues increased by 11% in Euro terms. The principal drivers for growth were the strong agricultural market in Russia, good growth in the newer sales offices in Russia and a recovery in the Finnish economy in both the Aftermarket and Industrial OEM sectors.

Kubo and WCIS continue to face significant challenges in their markets and saw combined revenues reduce by 9% on a constant currency basis. Kubo continues to face challenging market conditions in its core industrial market in Switzerland, where the strong currency has made Swiss manufacturers less competitive. Kubo is responding by introducing new products, adding sales resources, improving operational efficiency and leveraging the Group's supply chain.

WCIS has core capabilities in gaskets and mechanical seals used in complex and arduous applications and has been significantly impacted by cut-backs in its core customer base in the Mining sector. In New Caledonia, WCIS has come under significant pricing pressure from its core customer, which is focusing strongly on cost-cutting initiatives in its nickel mining and processing operations. In Australia, WCIS has invested in additional sales resources to broaden coverage across a wider range of market sectors and this initiative is starting to gain some traction, though as yet the revenues are not sufficient to offset reductions in the Mining customer base.

Controls

The Controls businesses are suppliers of specialised wiring, connectors, fasteners and control devices for technically demanding applications.

	Half Year		
	2017	2016	
Revenue	£64.6m	£47.4m	+36%
Adjusted operating profit	£11.7m	£8.1m	+44%
Adjusted operating margin	18.1%	17.1%	

Reported revenues increased by 36% against the prior year comparable period. The acquisitions of Cablecraft and Ascome, completed in the first half of the prior year, added 14% to Sector revenues and currency effects on translation contributed a further 6%. On an underlying basis revenues increased by 16%, although set against the background of relatively weak prior year comparatives.

Adjusted operating margins increased by 100bps to 18.1%, driven by the higher initial operating margin in the Cablecraft acquisition and improved margins in the Fluid Controls businesses. Operating margins in the other Interconnect businesses were broadly stable, with operating leverage from increased revenues offsetting additional investment in the businesses.

The Interconnect businesses account for ca. 80% of Sector revenues. These businesses supply high performance wiring, harness components, connectors and fasteners, used in technically demanding applications, often in harsh environments. In the half year, Interconnect revenues increased by 45% in UK sterling terms; after adjusting for the Cablecraft and Ascome acquisitions and for currency effects, underlying revenues increased by 18%.

The IS-Group continued to implement the business development programmes initiated last year and designed to position the business as the European supplier of choice for the full range of specialised cable harnessing components. Field sales resources have now been realigned to focus on sectors and customer accounts with the highest growth potential and internal sales processes have been refocused to more efficiently process the baseline business. Further investment has also been made in broadening the product range and towards developing digital media capabilities.

The IS-Group UK businesses saw revenues increase by 16% in UK sterling terms. In Defence and Aerospace, the IS-Group reported good growth in revenues, benefiting from generally improved activity levels in a broad range of UK electrical harnessing customers and from specific project wins, including product supply to armoured vehicles for the UAE armed forces.

In Motorsport, IS-Group increased revenues strongly, benefiting from changes in Formula 1 regulations, development of new WRC cars and from the supply to engine manufacturers and upgrades to the GT cars in Japan. The IS-Group also benefited from good double-digit growth in revenues from the Industrial sector in the UK and more broadly in Europe, as the business improved its competitive position under new sales leadership, following the appointment of a sales director focused on the EMEA region.

In Germany, IS-Sommer and Filcon reported a 20% increase in underlying revenues in local Euro terms, with modest growth in IS-Sommer boosted by major project activity in Filcon. In the Defence & Aerospace and general Industrial markets, IS-Sommer delivered solid growth in its key accounts, with a particularly strong performance in the Space market, supplying connectors and backshells to the Meteosat Third Generation ("MTG") and Sentinel satellites. However, revenues were held back in the important Energy market where weather conditions delayed repair and maintenance of the electricity network and Motorsport revenues were impacted by the withdrawal of VW from the WRC Rally Series and Audi from the WEC Series which includes the Le Mans race.

Filcon delivered a very strong performance in the half year, increasing revenues by over 50% in Euro terms. The Ascome acquisition, completed in February 2016, added 7% to Filcon's revenues, but the primary driver of growth came from major orders secured in the final quarter of the prior year from key Military Aerospace and Defence customers. This sector has generally seen increased activity, with projects delivered for the Tornado aircraft and the RAM missile program and from growing pressure for Germany to enhance its military capabilities.

Cablecraft is a leading supplier of cable accessory products used to identify, connect, secure and protect electric cables and has made a strong contribution to the Group in the 12 months since its acquisition in March 2016. Cablecraft has added a range of own-branded and manufactured products and has extended the markets served by the Interconnect businesses. In the first half of the year, Cablecraft increased revenues by 9% on a like-for-like basis, with good growth generated in its specialist sleeving division and from the continued focus on end user customers, especially electrical panel builders and contractors upgrading the UK rail network.

The Clarendon Specialty Fasteners business increased revenues by over 30% compared with the prior year, with growth driven principally by increased demand from customers in the Civil Aerospace sector. Revenues increased strongly with the ramp up of a major business class seating programme at a key aircraft seating customer which Clarendon supplies through its automatic inventory replenishment system ("Clarendon AIR"). Clarendon also had success in increasing sales to a range of other aircraft seating and cabin interiors manufacturers and their sub-contractors across Europe and introduced Clarendon Air to a number of new customer locations. Good growth was also achieved in Clarendon's other major markets of Motorsport and Defence, with more modest growth in the General Industrial customers.

The Hawco Group of Fluid Controls businesses accounts for ca. 20% of Controls sector revenues and supplies temperature, pressure and fluid control products, with a high proportion of its products being supplied to the Food and Beverage industry. Hawco Group revenues increased by 10% in UK sterling terms against the prior year comparable period.

Hawco has seen a good upturn in activity in the UK Refrigeration equipment market, as store refurbishment activity in the UK has increased and the cabinet display manufacturers have targeted opportunities outside the UK. Revenues from the Industrial OEM market have also benefited from an increase in exports to the European market. Abbeychart has continued to focus on the specialist coffee market, where growth generated from the introduction of a catalogue of essential spare parts has offset reduced revenues from one of its larger OEM customers. Abbeychart has also increased sales to independent soft drinks suppliers and has extended its presence further into Continental Europe, building on its position in supplying spare parts for a branded range of vending machines.

FINANCE

Free cash flow

The Group generated free cash flow of £20.5m (2016: £23.0m) during the half year, after £7.1m of cash invested in working capital this year, compared with £1.0m in the comparable period which was unusually low compared with historical levels. Last year's free cash flow also included £2.3m from exceptional one-off proceeds from the sale of surplus legacy properties.

Operating cash flow increased by 3% to £32.9m (2016: £31.8m) and was constrained by the additional £6.1m invested in working capital during the first half of this year, compared with last year. This increased investment reflected the stronger trading environment, combined with the earlier delivery of seasonal stock builds in some of the Healthcare businesses. It is expected that this additional investment in working capital will decrease during the second half of the year which will be consistent with historical trends and experience.

The Group's metric of working capital to revenue at 31 March 2017 was low at 15.8% (2016: 18.0%), despite this additional investment in working capital, reflecting stronger revenues in the previous rolling twelve months.

Tax payments in the first half of the year increased by 2% to £8.9m (2016: £8.7m), which included the impact of the substantial depreciation in UK sterling on translation of tax payments by overseas businesses. On an underlying basis, the cash tax rate decreased to ca. 25% (2016: ca. 27%) reflecting in part, changes in the geographic mix of operating profits and in part a change in phasing of some tax payments between the first and second half of the year. The Company's contribution to the Diploma Employee Benefit Trust in connection with outstanding LTIP awards increased by £0.4m to £0.7m (2016: £0.3m).

Capital expenditure of £1.0m (2016: £1.8m) was held back in the first half of the year by the timing of certain capital expenditure which will now be incurred during the second half of the year. In Life Sciences, £0.4m was spent on acquiring new hospital field equipment and a further £0.2m was spent in the Seals businesses on new warehouse tooling and on furniture and equipment for the new J Royal facility. Various projects on upgrading office and IT facilities across the Group's businesses accounted for the remaining £0.4m of capital expenditure in the first half of the year.

In addition to this expenditure, a further £1.6m was spent during the first half of the year on completing the construction of a new warehouse and office facilities for J Royal, a Seals business based in North Carolina in the United States. J Royal successfully relocated into this new facility in early April and the facility was sold on 21 April 2017 for £2.7m and leased back to the business, as explained in note 10 to the consolidated financial statements.

Net debt

At 31 March 2017, the Group's net funds had increased by £4.2m to £14.8m compared with net funds of £10.6m at 30 September 2016. Net funds at 31 March 2017 comprised cash balances of £22.8m less borrowings of £8.0m and were after spending £0.8m (2016: £30.2m) on acquisitions and £15.8m (2016: £14.4m) on dividends paid to ordinary and minority shareholders.

Acquisition expenditure of £0.8m included £0.6m of deferred consideration as explained in note 11 to the consolidated financial statements. Shortly after the period end, the Group spent £13.6m on the acquisition of Abacus and £1.4m on the acquisition of PSP, as described further in note 14 to the consolidated financial statements.

At 31 March 2017, the Group retained a committed multi-currency revolving bank facility for £50m which will expire on 23 June 2017. It is currently intended that this facility will be replaced by a similar three year committed facility for £30m, together with both an option to exercise an accordion facility for a further £30m and an option to extend the facility for up to five years.

On the basis of current financial projections and after considering sensitivities, the Directors are confident that the Group has sufficient resources to fund its operations for the foreseeable future. The consolidated financial statements have therefore been prepared on a going concern basis.

Exchange rates

A significant proportion of the Group's revenues (ca. 75%) are derived from businesses located outside the UK, principally in the US, Canada, Australia and Northern Europe. In the first half of the financial year, UK sterling was substantially weaker (ca. 15%) against all of the currencies in which the Group operates compared with the same period last year. The impact on the Group's results from translating the results of the Group's overseas businesses into UK sterling has been significant in this period and has led to an increase in Group revenues and Group adjusted operating profit by £24.6m and £4.4m respectively, compared with the same period last year.

On a currency transaction basis, the impact on the Group's adjusted operating profits from the depreciation in UK sterling has been limited. While many of the UK businesses have faced higher product costs from the depreciation in UK sterling, they have successfully managed to mitigate these increases by a combination of selling price increases, support from suppliers and by switching some key customer accounts into Euros or US dollars.

As reported in previous years, the margins in the Healthcare businesses (which account for ca. 20% of Group revenues) have been significantly impacted by the substantial depreciation in the Canadian and Australian dollars, relative to the currencies in which the Healthcare businesses purchase their products, primarily US dollars and Euros. However in the six month period ended 31 March 2017, the average exchange rates of both the Canadian and Australian dollars remained much more stable against both the US dollar and Euro and the impact of these currency effects on Group margins was negligible.

The Group continues with its policy of mitigating transactional currency exposures across all of the Group's businesses by purchasing currency hedging contracts to meet up to 80% of its currency commitments for periods up to 18 months, where it is considered appropriate.

RISKS AND UNCERTAINTIES

The principal 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 30-33 of the 2016 Annual Report & Accounts. In summary these are:

- Strategic risks – downturn in major markets, loss of key suppliers and/or major customers and supplier strategy change;
- Operational risks – product liability and loss of key personnel; and
- Financial risks – foreign currency risk and inventory obsolescence.

The Directors consider that the principal risks and uncertainties have not changed since publication of the 2016 Annual Report & Accounts and that they remain relevant for the second half of the financial year. In particular, since a large proportion of the Group's revenue and profits are generated overseas, movements in the UK foreign exchange rate against the major global currencies in which the Group's businesses operate remains a principal risk to the financial performance of the Group in the second half of this year.

The potential impact on the Group from the UK's decision to leave the European Community ("Brexit") was set out on page 29 of the 2016 Annual Report & Accounts. This assessment remains unchanged at the date of this Report and the Directors continue to believe that Brexit will not materially impact the Group's outlook or viability.

CURRENT TRADING AND OUTLOOK

The Group has delivered strong underlying growth in the first half of the year, further boosted by the favourable foreign exchange impact from the substantial depreciation in UK sterling.

Whilst the second half of the year will have much less benefit from currency movements, the global trading environment is expected to provide opportunities for continued underlying growth in the Group's key markets. The complementary acquisition of Abacus in April 2017 adds critical mass and opens up further growth opportunities for our Healthcare business. Acquisitions remain an integral part of the Group's growth strategy and the pipeline for acquisitions remains encouraging.

The trading outlook, together with the benefit from acquisitions, provide the Board with confidence that the Group will make further progress this year and will continue its proven track record of value creation for shareholders.

BM Thompson

Chief Executive Officer
15 May 2017

Responsibility Statement of the Directors in respect of the Half Year Report 2017

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 Half Year Report includes a fair review of the information required by:

   a) DTR4.2.7R of the Disclosure Guidance 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 Guidance 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 & Accounts that could do so.

The Directors of Diploma PLC and their respective responsibilities are listed in the Annual Report & Accounts for 2016 and on the Company's website at www.diplomaplc.com.

By Order of the Board

BM Thompson	NP Lingwood
Chief Executive Officer	Group Finance Director
15 May 2017	15 May 2017

Condensed Consolidated Income Statement

For the six months ended 31 March 2017

	Note	Unaudited 31 March 2017 £m	Unaudited 31 March 2016 £m	Audited 30 Sept 2016 £m
Revenue	3	217.3	179.1	382.6
Cost of sales		(139.9)	(114.4)	(245.4)
Gross profit		77.4	64.7	137.2
Distribution costs		(5.2)	(4.0)	(8.4)
Administration costs		(39.1)	(34.7)	(73.4)
Operating profit	3	33.1	26.0	55.4
Gain on disposal of assets		-	0.3	0.7
Financial expense	4	(0.2)	(0.7)	(2.1)
Profit before tax		32.9	25.6	54.0
Tax expense	5	(8.9)	(7.1)	(14.9)
Profit for the period		24.0	18.5	39.1
Attributable to:				
Shareholders of the Company		23.7	18.1	38.3
Minority interests		0.3	0.4	0.8
		24.0	18.5	39.1
Earnings per share				
Basic and diluted earnings	6	21.0p	16.0p	33.9p

Alternative Performance Measures (note 2)	Note	31 March 2017 £m	31 March 2016 £m	30 Sept 2016 £m
Operating profit		33.1	26.0	55.4
Add: Acquisition related charges	9	4.3	4.8	10.3
Adjusted operating profit	3	37.4	30.8	65.7
Deduct: Net interest expense	4	(0.3)	(0.4)	(0.8)
Adjusted profit before tax		37.1	30.4	64.9
Adjusted earnings per share	6	23.9p	19.5p	41.9p

Condensed Consolidated Statement of Income and Other Comprehensive Income

For the six months ended 31 March 2017

	Unaudited 31 March 2017 £m	Unaudited 31 March 2016 £m	Audited 30 Sept 2016 £m
Profit for the period	24.0	18.5	39.1
Items that will not be reclassified to the Consolidated Income Statement			
Actuarial losses in the defined benefit pension scheme	-	-	(6.6)
Deferred tax on items that will not be reclassified	-	-	1.0
	-	-	(5.6)
Items that may be reclassified to the Consolidated Income Statement			
Exchange rate gains on foreign currency net investments	4.2	13.6	31.7
Gains/(losses) on fair value of cash flow hedges	0.1	(1.1)	0.2
Net changes to fair value of cash flow hedges transferred to the Consolidated Income Statement	-	-	(1.5)
Deferred tax on items that may be reclassified	-	0.3	0.3
	4.3	12.8	30.7
Total Comprehensive Income for the period	28.3	31.3	64.2
Attributable to:			
Shareholders of the Company	28.0	30.6	62.7
Minority interests	0.3	0.7	1.5
	28.3	31.3	64.2

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 March 2017

	Share capital	Transl. reserve	Hedging reserve	Retained earnings	Share -holders' equity	Minority interest	Total equity
	£m	£m	£m	£m	£m	£m	£m
At 1 October 2015	5.7	(0.5)	1.2	183.2	189.6	5.2	194.8
Total comprehensive income	-	13.3	(0.8)	18.1	30.6	0.7	31.3
Share-based payments	-	-	-	0.2	0.2	-	0.2
Tax on items recognised directly in equity	-	-	-	-	-	-	-
Notional purchase of own shares	-	-	-	(0.3)	(0.3)	-	(0.3)
Dividends	-	-	-	(14.0)	(14.0)	(0.4)	(14.4)
At 31 March 2016 (unaudited)	5.7	12.8	0.4	187.2	206.1	5.5	211.6
Total comprehensive income	-	17.7	(0.2)	14.6	32.1	0.8	32.9
Share-based payments	-	-	-	0.2	0.2	-	0.2
Minority interests acquired	-	-	-	2.0	2.0	(2.0)	-
Tax on items recognised directly in equity	-	-	-	0.1	0.1	-	0.1
Notional purchase of own shares	-	-	-	-	-	-	-
Dividends	-	-	-	(7.0)	(7.0)	-	(7.0)
At 30 September 2016	5.7	30.5	0.2	197.1	233.5	4.3	237.8
Total comprehensive income	-	4.2	0.1	23.7	28.0	0.3	28.3
Share-based payments	-	-	-	0.4	0.4	-	0.4
Tax on items recognised directly in equity	-	-	-	-	-	-	-
Notional purchase of own shares	-	-	-	(0.7)	(0.7)	-	(0.7)
Dividends	-	-	-	(15.6)	(15.6)	(0.2)	(15.8)
At 31 March 2017 (unaudited)	5.7	34.7	0.3	204.9	245.6	4.4	250.0

Condensed Consolidated Statement of Financial Position

As at 31 March 2017

	Note	Unaudited 31 March 2017 £m	Unaudited 31 March 2016 £m	Audited 30 Sept 2016 £m
Non-current assets				
Goodwill	9	116.8	109.2	115.2
Acquisition intangible assets	9	50.0	58.4	54.6
Other intangible assets		0.9	1.1	1.0
Investment		0.7	0.7	0.7
Property, plant and equipment		22.3	22.9	23.7
Deferred tax assets		0.1	0.5	0.2
		190.8	192.8	195.4
Current assets				
Inventories		71.9	64.5	66.8
Asset in course of construction	10	2.5	-	-
Trade and other receivables		66.5	59.3	59.9
Cash and cash equivalents	8	22.8	22.2	20.6
		163.7	146.0	147.3
Current liabilities				
Trade and other payables		(64.0)	(53.1)	(60.6)
Current tax liabilities		(3.8)	(3.2)	(2.7)
Other liabilities	11	(2.0)	(2.3)	(1.7)
Borrowings	8	(8.0)	-	(10.0)
		(77.8)	(58.6)	(75.0)
Net current assets		85.9	87.4	72.3
Total assets less current liabilities		276.7	280.2	267.7
Non-current liabilities				
Borrowings	8	-	(40.0)	-
Retirement benefit obligations		(17.1)	(10.0)	(17.2)
Other liabilities	11	(3.1)	(8.3)	(5.1)
Deferred tax liabilities		(6.5)	(10.3)	(7.6)
Net assets		250.0	211.6	237.8
Equity				
Share capital		5.7	5.7	5.7
Translation reserve		34.7	12.8	30.5
Hedging reserve		0.3	0.4	0.2
Retained earnings		204.9	187.2	197.1
Total shareholders' equity		245.6	206.1	233.5
Minority interests		4.4	5.5	4.3
Total equity		250.0	211.6	237.8

Condensed Consolidated Cash Flow Statement
For the six months ended 31 March 2017

	Note	Unaudited 31 March 2017 £m	Unaudited 31 March 2016 £m	Audited 30 Sept 2016 £m
Operating profit		33.1	26.0	55.4
Acquisition related charges	7	4.3	4.8	10.3
Non-cash items	7	2.6	2.0	4.6
(Increase)/decrease in working capital	7	(7.1)	(1.0)	6.3
Cash flow from operating activities		32.9	31.8	76.6
Interest paid		(0.2)	(0.3)	(0.6)
Tax paid		(8.9)	(8.7)	(17.6)
Net cash from operating activities		23.8	22.8	58.4
Cash flow from investing activities				
Acquisition of businesses (including expenses)		(0.2)	(29.5)	(30.1)
Deferred consideration paid	11	(0.6)	(0.7)	(0.7)
Proceeds from sale of business (net of expenses)		-	-	2.2
Purchase of property, plant and equipment		(0.9)	(1.7)	(3.5)
Asset in course of construction	10	(1.6)	-	-
Purchase of other intangible assets		(0.1)	(0.1)	(0.2)
Proceeds from sale of property, plant and equipment		-	2.3	2.4
Net cash used in investing activities		(3.4)	(29.7)	(29.9)
Cash flow from financing activities				
Acquisition of minority interests		-	-	(1.9)
Dividends paid to shareholders	12	(15.6)	(14.0)	(21.0)
Dividends paid to minority interests		(0.2)	(0.4)	(0.4)
Notional purchase of own shares on exercise of share options		(0.7)	(0.3)	(0.3)
(Repayment)/proceeds of borrowings, net	8	(2.0)	20.0	(10.0)
Net cash (used)/generated in financing activities		(18.5)	5.3	(33.6)
Net increase/(decrease) in cash and cash equivalents	8	1.9	(1.6)	(5.1)
Cash and cash equivalents at beginning of period		20.6	23.0	23.0
Effect of exchange rates on cash and cash equivalents		0.3	0.8	2.7
Cash and cash equivalents at end of period		22.8	22.2	20.6

Alternative Performance Measures (note 2)		31 March 2017 £m	31 March 2016 £m	30 Sept 2016 £m
Net increase/(decrease) in cash and cash equivalents		1.9	(1.6)	(5.1)
Add:	Dividends paid to shareholders	15.6	14.0	21.0
	Dividends paid to minority interests	0.2	0.4	0.4
	Acquisition of businesses and minority interests	0.2	29.5	32.0
	Deferred consideration paid	0.6	0.7	0.7
	Repayment/(proceeds) of borrowings, net	2.0	(20.0)	10.0
Free cash flow		20.5	23.0	59.0
Cash and cash equivalents		22.8	22.2	20.6
Borrowings		(8.0)	(40.0)	(10.0)
Net cash/(debt)		14.8	(17.8)	10.6

Notes to the Condensed Consolidated Financial Statements
For the six months ended 31 March 2017

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

Diploma PLC (the "Company") is a public limited company registered and domiciled in England and Wales. The condensed set of consolidated financial statements (the "financial statements") for the six months ended 31 March 2017 comprise the Company and its subsidiaries (together referred to as "the Group").

The comparative figures for the financial year ended 30 September 2016 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 Company's auditor and delivered to the Registrar of Companies. The report of the auditor 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 (2) or (3) of the Companies Act 2006. The figures for the six months ended 31 March 2016 were extracted from the 2016 Half Year Report, which was unaudited.

The Group's audited consolidated financial statements for the year ended 30 September 2016 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 Half Year Announcement for the six months ended 31 March 2017 have been prepared on a going concern basis and in accordance with IAS 34, Interim Financial Reporting as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority. 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 2016.

The Half Year financial statements were approved by the Board of Directors on 15 May 2017; they have not been audited by the Company's auditor.

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 2016, except for the amount included in the Half Year Report in respect of taxation which has been calculated by applying the Directors' best estimate of the annual rates of taxation to taxable profits for the period. In the audited consolidated financial statements for the full year, the taxation balances are based on draft tax computations prepared for each business within the Group. No new standards, amendments or interpretations have had a material impact on the Group's reported results or financial position.

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 2016. These are set out on page 91 of the 2016 Annual Report & Accounts.

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 Half Year Announcement.

2.1 Adjusted operating profit

At the foot of the Condensed Consolidated Income Statement, "adjusted operating profit" is defined as operating profit before amortisation and impairment of acquisition intangible assets, acquisition expenses, adjustments to deferred consideration (collectively, "acquisition related charges"), the costs of a material restructuring or rationalisation of operations and the profit or loss relating to the sale of businesses or property. 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 Condensed Consolidated Income Statement, "adjusted profit before tax" is separately disclosed, being defined as adjusted operating profit, after finance expenses (but before fair value remeasurements under IAS 39 in respect of future purchases of minority interests) and before tax. 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" ("EPS") is calculated as the total of adjusted profit before tax, less income tax costs, but including the tax impact on the items included in the calculation of adjusted profit, 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 EPS provides an important measure of the underlying earning capacity of the Group.

2.4 Free cash flow

At the foot of the Condensed 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/investments 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 or distribution to shareholders.

3. BUSINESS SECTOR ANALYSIS

The Chief Operating Decision Maker ("CODM") for the purposes of IFRS 8 is the Chief Executive. The financial performance of the segments are reported to the CODM on a monthly basis and this information is used to allocate resources on an appropriate basis.

Sector information is presented in this Half Year Announcement in respect of the Group's business Sectors, which is the primary basis of sector reporting. The business Sector reporting format reflects the Group's management and internal reporting structure. The geographic sector reporting represents results by origin. The Group's financial results have not, historically, been subject to significant seasonal trends. In the year ended 30 September 2016, the Group earned 47% of its annual revenues and 47% of its annual adjusted operating profits in the first six months of the year.

Sector revenue represents revenue from external customers; there is no inter-Sector revenue. Sector results, assets and liabilities include items directly attributable to a Sector, as well as those that can be allocated on a reasonable basis.

	Revenue			Adjusted operating profit			Operating profit		
	31 Mar 2017 £m	31 Mar 2016 £m	30 Sept 2016 £m	31 Mar 2017 £m	31 Mar 2016 £m	30 Sept 2016 £m	31 Mar 2017 £m	31 Mar 2016 £m	30 Sept 2016 £m
By Sector									
Life Sciences	57.9	52.5	109.9	10.3	9.3	19.6	9.0	7.9	16.7
Seals	94.8	79.2	166.6	15.4	13.4	28.2	12.5	10.9	23.2
Controls	64.6	47.4	106.1	11.7	8.1	17.9	11.6	7.2	15.5
	217.3	179.1	382.6	37.4	30.8	65.7	33.1	26.0	55.4
By Geographic Area									
United Kingdom	57.1	43.5	97.4	10.3	6.9	16.1			
Rest of Europe	59.7	49.7	105.6	8.0	7.3	15.6			
North America	100.5	85.9	179.6	19.1	16.6	34.0			
	217.3	179.1	382.6	37.4	30.8	65.7			

	Total assets			Total liabilities			Net assets		
	31 Mar 2017 £m	31 Mar 2016 £m	30 Sept 2016 £m	31 Mar 2017 £m	31 Mar 2016 £m	30 Sept 2016 £m	31 Mar 2017 £m	31 Mar 2016 £m	30 Sept 2016 £m
By Sector									
Life Sciences	99.1	97.3	98.5	(17.3)	(15.3)	(17.9)	81.8	82.0	80.6
Seals	146.1	132.1	140.5	(24.7)	(18.5)	(22.9)	121.4	113.6	117.6
Controls	84.7	84.7	81.3	(22.7)	(18.7)	(18.8)	62.0	66.0	62.5
Unallocated assets/(liabilities)	24.6	24.7	22.4	(39.8)	(74.7)	(45.3)	(15.2)	(50.0)	(22.9)
	354.5	338.8	342.7	(104.5)	(127.2)	(104.9)	250.0	211.6	237.8

Sector assets exclude cash and cash equivalents, deferred tax assets and corporate assets that cannot be allocated on a reasonable basis to a business sector. Sector liabilities exclude borrowings, retirement benefit obligations, deferred tax liabilities, acquisition liabilities and corporate liabilities that cannot be allocated on a reasonable basis to a business sector. These items that cannot be allocated on a reasonable basis to a business sector are shown collectively as "unallocated assets/(liabilities)".

3. BUSINESS SECTOR ANALYSIS (continued)

	Capital expenditure			Depreciation		
	31 Mar 2017 £m	31 Mar 2016 £m	30 Sept 2016 £m	31 Mar 2017 £m	31 Mar 2016 £m	30 Sept 2016 £m
By Sector						
Life Sciences	0.5	1.1	1.9	1.0	0.9	2.0
Seals	0.4	0.7	1.4	1.0	0.8	1.9
Controls	0.1	-	0.4	0.4	0.3	0.6
	1.0	1.8	3.7	2.4	2.0	4.5

4. FINANCIAL EXPENSE

	31 March 2017 £m	31 March 2016 £m	30 Sept 2016 £m
Interest expense and similar charges			
- bank facility and commitment fees	(0.1)	(0.1)	(0.2)
- interest payable on bank and other borrowings	(0.1)	(0.2)	(0.4)
- notional interest expense on the defined benefit pension schemes	(0.1)	(0.1)	(0.2)
Interest expense and similar charges	(0.3)	(0.4)	(0.8)
- fair value remeasurement of put options (note 11)	0.1	(0.3)	(1.3)
Financial expense	(0.2)	(0.7)	(2.1)

5. TAXATION

	31 March 2017 £m	31 March 2016 £m	30 Sept 2016 £m
UK corporation tax	1.4	0.9	1.1
Overseas tax	7.5	6.2	13.8
Total tax on profit for the period	8.9	7.1	14.9

Taxation on profits before tax has been calculated by applying the Directors' best estimate of the annual rates of taxation to taxable profits for the period. The effective rate of taxation on profit before tax for the period decreased to 27.1% (2016: 27.7%). The Group's adjusted effective rate of tax on adjusted profit before tax increased to 26.4% (2016: 26.0%) reflecting a larger contribution to profits before tax in this period from businesses that are taxed at higher tax rates.

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 113,119,951 (2016: 113,050,602) and the profit for the period attributable to shareholders of £23.7m (2016: £18.1m). There were no potentially dilutive shares.

Adjusted earnings per share

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

	31 Mar 2017 pence per share	31 Mar 2016 pence per share	30 Sept 2016 pence per share	31 Mar 2017 £m	31 Mar 2016 £m	30 Sept 2016 £m
Profit before tax				32.9	25.6	54.0
Tax expense				(8.9)	(7.1)	(14.9)
Minority interests				(0.3)	(0.4)	(0.8)
Earnings for the period attributable to shareholders of the Company	21.0	16.0	33.9	23.7	18.1	38.3
Acquisition related charges	3.8	4.2	9.1	4.3	4.8	10.3
Fair value remeasurement of put options	(0.1)	0.3	1.1	(0.1)	0.3	1.3
Gain on disposal of assets	-	(0.3)	(0.6)	-	(0.3)	(0.7)
Tax effects on acquisition related charges and fair value remeasurements	(0.8)	(0.7)	(1.6)	(0.9)	(0.8)	(1.8)
Adjusted earnings	23.9	19.5	41.9	27.0	22.1	47.4

7. RECONCILIATION OF CASH FLOW FROM OPERATING ACTIVITIES

	31 March 2017 £m	31 March 2016 £m	30 Sept 2016 £m
Operating profit	33.1	26.0	55.4
Acquisition related charges (note 9)	4.3	4.8	10.3
Adjusted operating profit	37.4	30.8	65.7
Depreciation or amortisation of tangible and other intangible assets	2.4	2.0	4.5
Share-based payments expense	0.4	0.2	0.4
Cash paid into defined benefit schemes	(0.2)	(0.2)	(0.3)
Non-cash items	2.6	2.0	4.6
Increase in inventories	(3.8)	(2.0)	(1.3)
Increase in trade and other receivables	(5.7)	(1.5)	(0.3)
Increase in trade and other payables	2.4	2.5	7.9
(Increase)/decrease in working capital	(7.1)	(1.0)	6.3
Cash flow from operating activities, before acquisition expenses	32.9	31.8	76.6

8. NET CASH

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

	31 March 2017 £m	31 March 2016 £m	30 Sept 2016 £m
Net increase/(decrease) in cash and cash equivalents	1.9	(1.6)	(5.1)
Decrease/(increase) in borrowings	2.0	(20.0)	10.0
	3.9	(21.6)	4.9
Effect of exchange rates	0.3	0.8	2.7
Movement in net cash / (debt)	4.2	(20.8)	7.6
Net cash at beginning of period	10.6	3.0	3.0
Net cash / (debt) at end of period	14.8	(17.8)	10.6
Comprising:			
Cash and cash equivalents	22.8	22.2	20.6
Borrowings	(8.0)	(40.0)	(10.0)
Net cash / (debt) at end of period	14.8	(17.8)	10.6

The Group has a committed multi-currency revolving facility of £50m (2016: £50m) which expires on 23 June 2017. At 31 March 2017, the Group has utilised £8.0m (2016: £40.0m) of this facility. Interest on this facility is payable between 120 and 170bps over LIBOR, depending on the leverage ratio.

It is the current intention to replace this facility by a similar committed three year facility for £30m with an accordion option to increase this by a further £30m up to a maximum of £60m and to extend the facility up to five years. The documentation relating to this new facility is currently being finalised and further information will be set out in the 2017 Annual Report & Accounts.

9. GOODWILL AND INTANGIBLE ASSETS

	Goodwill £m	Acquisition intangible assets £m
At 1 October 2015	89.3	40.2
Acquisitions	13.5	19.4
Amortisation charge	-	(4.2)
Exchange adjustments	6.4	3.0
At 31 March 2016	109.2	58.4
Acquisitions	(1.7)	(1.0)
Disposals	-	(1.4)
Amortisation charge	-	(5.1)
Exchange adjustments	7.7	3.7
At 30 September 2016	115.2	54.6
Acquisitions	-	-
Amortisation charge	-	(5.1)
Exchange adjustments	1.6	0.5
At 31 March 2017	116.8	50.0

Goodwill represents the amount paid for future sales growth from both new customers and new products, operating cost synergies and employee know-how. The acquisition intangible assets relate to supplier and customer relationships and these assets will be amortised over five to fifteen years.

Acquisition related charges of £4.3m (2016: £4.8m) are charged to the Consolidated Income Statement. These charges comprise £5.1m (2016: £4.2m) of amortisation of acquisition intangible assets and £0.2m (2016: £0.6m) of acquisition expenses, partly offset by a credit of £1.0m (2016: £Nil) relating to the release of surplus deferred consideration (note 11).

10. ASSET IN COURSE OF CONSTRUCTION

The Group has financed the construction of a new expanded facility for J Royal, close to their existing facility in North Carolina, US, with the intention upon completion to sell and lease back this facility. The new facility was completed at the end of March and J Royal successfully relocated into the new facility in early April 2017.

At 31 March 2017, the Group had completed the construction of this facility for a total cost of £2.5m (US$3.1m). During the six months ended 31 March 2017 the Group paid £1.6m (US$2.0m) and accrued the final tranche of £0.4m (US$0.5m) towards the construction costs. At 31 March 2017 the cost of this facility has been shown as an “asset in course of construction” in the Consolidated Statement of Financial Position.

On 21 April 2017, the Group completed the sale and leaseback of this facility for proceeds of £2.7m (US$3.5m).

11. OTHER LIABILITIES

	31 March 2017 £m	31 March 2016 £m	30 Sept 2016 £m
Future purchases of minority interests	5.0	6.0	5.1
Deferred consideration	0.1	4.6	1.7
	5.1	10.6	6.8
Analysed as:			
Due within one year	2.0	2.3	1.7
Due after one year	3.1	8.3	5.1

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

	31 March 2017 £m	31 March 2016 £m	30 Sept 2016 £m
At 1 October	5.1	5.7	5.7
Acquisition of minority interest on exercise of option	-	-	(1.9)
Unwinding of discount	0.2	0.3	0.5
Fair value movements	(0.3)	-	0.8
At end of period	5.0	6.0	5.1

At 31 March 2017, the Group retained put options to acquire minority interests in TPD, Kentek and M Seals.

At 31 March 2017, 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 31 March 2017.

The put options to acquire the remaining minority interest of 10% held in TPD are exercisable in November 2017 and November 2019; the put options to acquire the minority interest of 10% held in M Seals and the 10% held in Kentek are exercisable in November 2018.

Deferred consideration comprises the following:

	31 March 2017 £m	31 March 2016 £m	30 Sept 2016 £m
WCIS	-	0.5	0.6
Cablecraft	-	4.0	1.0
Ascome	0.1	0.1	0.1
	0.1	4.6	1.7

The amount outstanding at 31 March 2017 is expected to be paid within the next twelve months.

During the period, outstanding deferred consideration of £0.6m (A$1.0m) was paid to the vendors of WCIS in respect of both the performance of the business in the year ended 30 September 2016 and on renewal of specific customer contracts. The deferred consideration of £1.0m relating to Cablecraft was not required and has been released to the Consolidated Income Statement as part of acquisition related charges (note 9).

12. DIVIDENDS

	31 Mar 2017 pence per share	31 Mar 2016 pence per share	30 Sept 2016 pence per share	31 Mar 2017 £m	31 Mar 2016 £m	30 Sept 2016 £m
- Final dividend of the prior year, paid in January	13.8	12.4	12.4	15.6	14.0	14.0
- Interim dividend, paid in June	-	-	6.2	-	-	7.0
	13.8	12.4	18.6	15.6	14.0	21.0

The Directors have declared an increased interim dividend of 7.0p per share (2016: 6.2p) which will be paid on 14 June 2017 to shareholders on the register on 26 May 2017. The total value of the dividend will be £7.9m (2016: £7.0m).

13. EXCHANGE RATES

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

	Average			Closing		
	31 March 2017	31 March 2016	30 Sept 2016	31 March 2017	31 March 2016	30 Sept 2016
US dollar (US$)	1.24	1.46	1.41	1.25	1.44	1.30
Canadian dollar (C$)	1.65	1.97	1.87	1.67	1.86	1.71
Euro (€)	1.16	1.34	1.28	1.17	1.26	1.16
Swiss franc (CHF)	1.25	1.46	1.40	1.25	1.38	1.26
Australian dollar (A$)	1.65	2.02	1.92	1.64	1.87	1.70

14. SUBSEQUENT EVENTS

On 19 April 2017, the Group completed the acquisition of 100% of Abacus ALS Pty Ltd ("Abacus") for an aggregate maximum consideration of £15.7m (A$26.0m). Abacus is a long-established supplier of clinical diagnostics instrumentation and consumables to the Pathology and Life Sciences sectors. The initial cash paid on acquisition, including debt acquired but before acquisition expenses, was £13.6m (A$22.5m). This will be subject to minor adjustment based on net assets at completion. Further deferred consideration up to a maximum of £2.1m (A$3.5m) may be payable in 2017 based on the performance of the business in the year ended 30 June 2017. A review to determine fair values of net assets acquired will be completed during the second half of the financial year.

On 19 April 2017, the Group also completed the acquisition of 100% of Problem Solving Products, Inc. ("PSP"), a supplier of specialist seals based in Colorado US, for total consideration of £1.4m (US$1.9m).

Abacus will form part of the Diploma Healthcare Group and will be reported within the Life Sciences sector; PSP will be part of the HFPG North American Seals business and will be reported within the Seals sector.