NEWSRELEASE

DIPLOMA PLC

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

FOR IMMEDIATE RELEASE

13 May 2019

ANNOUNCEMENT OF HALF YEAR RESULTS FOR THE SIX MONTHS ENDED 31 MARCH 2019

"Another good performance and on track for further progress in FY2019"

	HY2019 £m	HY2018 £m	
Revenue	**260.4**	234.9	***+11%***
Underlying revenue growth	***6%***	*7%*	
Adjusted operating profit(1)	**45.6**	40.6	***+12%***
Adjusted operating margin(1)	**17.5%**	17.3%	***+20bps***
Adjusted profit before tax(1),(2)	**45.5**	40.4	***+13%***
Statutory operating profit	**40.1**	35.7	***+12%***
Statutory profit before tax	**40.1**	35.4	***+13%***
Free cash flow(3)	**14.0**	17.7	***-21%***
Adjusted earnings per share(1),(2)	**30.5p**	26.7p	***+14%***
Basic earnings per share	**26.4p**	23.0p	***+15%***
Interim dividend per share	**8.5p**	7.7p	***+10%***

(1) Before acquisition related charges and previous Chief Executive Officer transition costs.
(2) Before fair value remeasurements.
(3) Before cash payments on acquisitions and dividends.

Good first half performance across all three Sectors

- Underlying revenue up 6%, with currency movements adding 1% and acquisitions contributing 4%
- Adjusted operating margin up 20bps to 17.5%
- Strong adjusted EPS and dividend growth

Strong trading and operating leverage in Life Sciences

- Underlying revenues up 5% with good performance across Healthcare businesses
- Adjusted operating profit up 11% and tight cost management

Further progress in Seals led by strong growth in International Seals

- Underlying revenues up 4% despite short-term challenges in North America
- Adjusted operating profit flat as recent investments offset operating leverage

Excellent performance in Controls

- Strong underlying revenue growth of 9% with some Brexit related customer stock building in H1
- Adjusted operating profit up 31% including good contribution from acquisitions

Strong balance sheet and cash generation

- Cash funds of £22.0m at end of March 2019 and robust balance sheet
- Free cash flow of £14.0m after strategic investment in working capital in H1

Outlook

- Some early signs of slower activity in the Industrial Seals markets
- Optimistic about acquisition pipeline although opportunities remain very competitive
- On track to meet our full year revenue and operating profit expectations

Commenting on the results, Johnny Thomson, Diploma's Chief Executive Officer said:

"Diploma has delivered another good performance in line with our expectations. Despite macroeconomic uncertainties, the Group remains on track to deliver good growth in revenues with modest margin progression for the full year.

Acquisitions remain an integral part of the Group's growth strategy and although opportunities are very competitive, we remain optimistic about acquiring some quality businesses as the year progresses.

Having visited our businesses in the last few months, I continue to be impressed by the quality of our teams and their commitment to excellent customer service. I feel confident that the Group will deliver another strong financial performance this year and continue its excellent track record of shareholder value creation."

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 broadcast live via webcast at *https://www.diplomaplc.com/investors/financial-presentations*. A replay of the webcast will be available after the event.

For further information please contact:

Diploma PLC - Johnny Thomson, Chief Executive Officer Nigel Lingwood, Group Finance Director	+44 (0)20 7549 5700
Tulchan Communications - Martin Robinson Guy Bates	+44 (0)20 7353 4200

NOTE TO EDITORS:

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

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

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

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

The Group employs ca. 1,800 employees and its principal operating businesses are located in the UK, Northern Europe, North America and Australia.

Over the last ten years, the Group has grown adjusted earnings per share at an average of ca. **13%** p.a. through a combination of organic growth and acquisitions. Diploma is a member of the FTSE 250 with a market capitalisation of ca. **£1.7bn**.

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

LEI: 2138008OG17VYG8FGR19

HALF YEAR REVIEW TO 31 MARCH 2019

Group revenues benefitted from robust trading across all Sectors in the six months ended 31 March 2019 and increased by 11% over the prior year comparable period, with a 1% currency tailwind from a modest weakening of UK sterling against most major currencies. At constant exchange rates, Group revenues increased by 10% with acquisitions, net of disposals, contributing 4% and good underlying growth of 6%.

In the Life Sciences Sector, reported and underlying revenues increased by 5% over the comparable period, benefitting from increased development in the product portfolio across all of the businesses. The Canadian Surgical and Endoscopy businesses and the Clinical Diagnostic business in Australia made particularly strong contributions to revenues. In the Seals Sector, reported revenues increased by 3%, up 4% on an underlying basis, driven by strong trading in the International Seals businesses where underlying revenues increased by 9% against the comparable period last year. Revenues in the North American Seals business were unchanged from last year having been impacted by an unusually large influx of new heavy mobile machine equipment into the US Aftermarket and by operational difficulties in the implementation of a new ERP system in the Industrial OEM businesses. The impact of both these factors is now easing and revenue growth is expected in the second half of the year, despite some early signs of slower activity in the Industrial Seals markets. In the Controls Sector, reported revenues increased strongly by 27% over the comparable period with good incremental contribution from the businesses acquired during the last twelve months. On an underlying basis revenue increased by 9% with a strong contribution from both the Interconnect businesses and the Clarendon Specialty Fasteners business, with evidence of some Brexit related inventory building by European customers.

Adjusted operating margins at 17.5% remained in line with the full 2018 financial year and were 20bps ahead of the comparable period. A combination of a small improvement in the gross margin and stronger operating leverage from the increase in revenues contributed to the improvement.

Free cash flow reduced by 21% to £14.0m (2018: £17.7m) in the first half of the year following strategic investment in working capital.

Diploma has a robust balance sheet and a proven track record of strong cash generation which the Group seeks to reinvest in both organic growth and acquiring new businesses to accelerate growth. The acquisition pipeline has strengthened and is encouraging, although opportunities remain very competitive.

RESULTS AND DIVIDENDS

In the six months ended 31 March 2019, Group revenues increased by 11% to £260.4m (2018: £234.9m). Adjusted operating profit increased by 12% to £45.6m (2018: £40.6m) and adjusted operating margins improved to 17.5% (2018: 17.3%). Statutory operating profit also increased by 12% to £40.1m. After adjusting for the incremental contribution from acquisitions and for translational currency effects, underlying revenues increased by 6%.

Adjusted profit before tax increased by 13% to £45.5m (2018: £40.4m) and adjusted earnings per share ("EPS") increased by 14% to 30.5p (2018: 26.7p) reflecting a full half year benefit to earnings from last year's reduction in the US Federal corporate income tax rate. On a statutory basis, profit before tax was £40.1m (2018: £35.4m) and basic earnings per share were 26.4p (2018: 23.0p).

The cash flow from operations in the period decreased to £30.1m (2018: £31.9m) after a large investment in working capital of £16.9m (2018: £11.2m) which included ca. £5m of a strategic build in inventories as a contingency against both Brexit uncertainty and specific customer/product requirements. The Group's free cash flow for the period decreased by £3.7m to £14.0m (2018: £17.7m) reflecting the higher investment in working capital and £2.9m (2018: £2.2m) to fund the Group's incentive programmes. At 31 March 2019, the Group had cash funds of £22.0m.

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 10% to 8.5p per share (2018: 7.7p), reflecting the Board's confidence in the Group's growth prospects. The dividend will be payable on 12 June 2019 to shareholders on the register on 24 May 2019.

OPERATING REVIEW

Life Sciences

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

	Half Year		
	2019	**2018**	
Revenue	**£71.1m**	£67.4m	*+5%*
Adjusted operating profit	**£13.0m**	£11.7m	*+11%*
Adjusted operating margin	***18.3%***	*17.4%*	

Life Sciences Sector revenues increased by 5% on both a reported and an underlying basis. Adjusted operating margins increased by 90bps to 18.3%, reflecting a combination of a favourable sales mix providing a stronger gross margin, as well as the benefit of operating leverage from stronger revenues and tight operating cost management across the Healthcare businesses.

The DHG group of ***Healthcare*** businesses represented 85% of the Sector revenues, reported underlying revenue growth of 6% over the prior year comparable period.

In Canada, the Healthcare businesses reported underlying revenues up 9% over the comparable period reflecting the benefit from increased development in the product portfolio across all of the businesses. Revenue growth was led by good capital sales in AMT and Vantage, the Surgical and Gastrointestinal Endoscopy businesses and from the placement of endoscopy equipment on a CPP basis, having won a tender from a large new regional customer group. Growth of specialised, niche, consumable products across the Surgical, Clinical Diagnostics and Gastrointestinal segments, contributed ca. 7% growth in underlying revenues compared with the prior year period. Somagen, the Clinical Diagnostics business reported another solid increase in consumable revenues and received confirmation of an award to provide new cancer screening programmes that will drive incremental consumable revenues in the second half of the year.

In Australia, underlying revenues grew by 8%, driven by AbacusDx which again achieved a double-digit increase in revenues from gaining an increase in its market share in test menus and volumes across the Clinical Diagnostics business, both in private and public pathology customer labs. A new five-year contract was also secured in the first half with one of AbacusDx's largest private pathology customers. In addition to an already robust product portfolio, AbacusDx continues to qualify and add new value-add niche suppliers to its Clinical Diagnostics and Life Sciences portfolios. The BGS surgical business revenues were down slightly on the comparable period as the business continues to rebuild its product portfolio after the loss of a key supplier last year. The outlook for BGS's key smoke evacuation business remains positive as evaluations continue to progress towards contracts. BGS is also in active discussions with several new suppliers to broaden its specialty Surgical portfolio.

The TPD business in Ireland and the UK saw revenues reduce against a strong prior year comparable period following the decision by two key suppliers last year to go direct to market in the Interventional Cardiology and Digestive Health segments of the Medical business. Strong capital and related service revenues, particularly in the Blood Transfusion and Biotech segments has filled some of the revenue lost, as well as good consumable revenue growth in the Clinical Controls segment. TPD continues to pursue new value-add niche suppliers to expand their Medical, Clinical and Biotech product portfolios.

The ***Environmental*** a1-group of businesses increased underlying revenues by 1% over the prior year comparable period. This reflected a combination of projects delayed to the second half of the year, together with the impact in the shorter term from changes to UK emission legislation delaying the commencement of new projects in Continuing Emission Monitoring Systems ("CEMS"). In the UK, the medium term demand for CEMS remains robust, as Energy-from-Waste and Biomass continues to be a key part of the UK's strategy to manage municipal waste. Revenues generated from the Service segment in both businesses remained strong with revenues growing 5% over the prior year comparable period and contributing 33% of total revenues. In Germany, the demand for elemental analysis remains robust across the business and provides a strong current order backlog.

Seals

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

	Half Year		
	2019	**2018**	
Revenue	**£102.4m**	£99.2m	*+3%*
Adjusted operating profit	**£17.1m**	£17.1m	-
Adjusted operating margin	***16.7%***	*17.2%*	

Reported revenues increased by 3% over the prior comparable period. Underlying revenues increased by 4%, after adjusting for the disposal of the US Bulldog business in June 2018 and for currency movements on translation of results to UK sterling.

Adjusted operating margins reduced by 50bps to 16.7%, reflecting the absence of operating leverage following investment last year to strengthen management and incremental revenue spend this year on both new and ongoing ERP projects. Gross margins improved overall with price increases in the North American Seals Aftermarket leading to stronger gross margins, although these were partly offset by slightly weaker gross margins in International Seals.

The ***North American Seals*** businesses, which accounted for 60% of Sector revenues, reported underlying revenues unchanged from a strong comparative in the last Half Year, after adjusting for the impact from the disposal of the small Bulldog business.

The HFPG domestic Aftermarket businesses reported underlying revenues up 1% against the comparable period last year, despite generally strong construction and infrastructure markets continuing through the period. The core domestic Hercules US repair business was impacted by an unusually high influx of new heavy mobile equipment (under warranty) being delivered to the market over the past year and replacing older machines which have been sold into developing markets. The impact on revenues from this dynamic, together with users pushing existing equipment to total failure has led to a reduced supply of heavy mobile equipment requiring repair. This strong demand for new heavy mobile equipment in the US market has also impacted the HKX kit attachment business where trading activity has reduced in this Half Year due to the lack of supply of new equipment into the dealer network. As this new equipment begins to move out of warranty and deliveries to the dealer network improve, it is expected that Aftermarket revenues in the domestic US market will strengthen.

Customer acceptance of the E-commerce platform continued to expand and this channel now accounts for 27% of Hercules US revenues. Growth was also achieved in the agricultural machine repair market and demand increased for machined seals ("seals on demand"). Good progress was also achieved on Project Cardinal, which is a US$10m project to provide a major second warehouse facility for the US Aftermarket business, with the signing of a 15 year lease on a warehouse based in Kentucky. Project activity will increase in the second half of this year with the objective of it becoming operational later in the next financial year. The additional new warehouse will significantly increase capacity and the ability to provide a next day service to expanded territories in the US.

In Canada, Hercules underlying revenues grew strongly benefitting from solid activity across Repair and Cylinder Manufacturers OEM sectors, where new business has been gained over the past year.

In markets outside of North America, Hercules export revenues grew 2% with strength in the Mexican and South American markets being offset by unstable markets in Central America.

The HFPG Industrial OEM businesses reported revenues unchanged from the comparable period last year reflecting weak revenues in the first quarter caused by delays in the delivery of orders to customers. This followed the implementation of a new ERP system in October 2018 which replaced several disparate legacy IT systems across the Industrial OEM businesses. Revenues increased by 6% in the second quarter over the comparable period as technical issues around the new ERP system were identified and resolved. Work continues on improving the efficiency and functionality of the ERP system which, when completed, will allow delivery of a significant amount of back orders in the second half of the year. Commercially the business has continued to gain new projects which focus on leveraging specialty compounds and value-add services across an established and growing customer base. Towards the end of the six month period, there were some early signs of slower trading activity in Industrial OEM businesses.

The ***International Seals*** businesses, which accounted for 40% of Sector revenues, reported a 9% increase in underlying revenues, after adjusting for a small impact from the disposal of the Bulldog business and for currency movements.

FPE Seals and M Seals, with their principal operations in the UK, Scandinavia and the Netherlands, together delivered underlying growth of 7% on a constant currency basis and after adjustment for the disposal of the Bulldog business. The FPE Seals business delivered double-digit growth against a weak prior comparable period, benefitting from the continuing improvement in the Oil & Gas market. FPE Seals also achieved good growth in its core UK Aftermarket hydraulic seals and cylinder part business and benefitted from further growth with its export customers. M Seals delivered good growth in revenues in both Scandinavia and the UK. In Scandinavia, a 4% increase in revenues was achieved from a strong performance in Denmark driven by new project activity, while revenues in Sweden remain unchanged against a strong comparable period last year. M Seals in the UK has also benefitted from the stronger Oil & Gas market with robust growth from established customers.

Kubo increased underlying revenues by 6%, benefitting from a new distribution supply agreement expanding the customer base and product range in Switzerland and also from a new customer contract in Austria, initiated in the second half of 2018. Market growth in Switzerland weakened in the second quarter of the financial year, as customers looked to reduce inventories against the background of weaker local demand and a stronger Swiss Franc relative to the Euro.

The Kentek business increased revenues by 1% in Euro terms, despite very competitive trading conditions in both Finland and Russia. The Kentek business in Russia, which accounts for 65% of Kentek's revenues, saw revenues increase by 2% in Euro terms supported by stronger global Oil & Gas markets and growth with Industrial customers. In Finland, Kentek revenues reduced by 3% as sales to end-users and other distributors were lost to competitors.

WCIS reported strong double-digit underlying growth in both Australia and New Caledonia, against a weak comparative. The strengthened management team has focussed on its core products and service capabilities and successfully broadened the sales coverage into complementary markets, adjacent to its historic Mining focus. WCIS plan to leverage the Diploma Seals supply chain to extend its product offering in Australia, Asia and Pacific region.

Controls

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

	Half Year		
	2019	**2018**	
Revenue	**£86.9m**	£68.3m	*+27%*
Adjusted operating profit	**£15.5m**	£11.8m	*+31%*
Adjusted operating margin	***17.8%***	*17.3%*	

Reported revenues increased by 27% against the prior year comparable period, with the acquisitions last year of Clarendon Specialty Fasteners Inc (formerly, Coast Fabrication), FS Cables and also Gremtek in October 2018 contributing 17% to Sector revenues. On an underlying basis, revenues increased by 9%, after adjusting for the incremental revenue from these acquisitions and negligible currency movements.

Adjusted operating margins increased by 50bps to 17.8%, driven largely by operating leverage from stronger revenues, but also closer attention to strengthen gross margins, which more than offset the impact of acquired businesses that joined the Sector with lower operating margins.

The ***Interconnect*** businesses accounted for 64% of Sector revenues. These businesses supply high performance wiring, cable, harness components and connectors, used in technically demanding applications, often in harsh environments. Interconnect underlying revenues increased in the Half Year by 7%, with strong growth from the IS-Group and Filcon.

The IS-Group delivered underlying growth of 10% with both the UK and German businesses performing strongly, albeit aided by some Brexit related stock build by customers based both in the UK and in Continental Europe. The UK business has continued to benefit from initiatives to broaden its European customer base with further penetration of cable harness houses and development of its network of European sub-distributors, as well as an increase in sales to the UK Oil & Gas industry where products are supplied for subsea applications. The IS-Group's German business, IS-Sommer, has performed strongly across all market segments and in particular in the Defence and Industrial markets.

In October 2018, the IS-Group acquired Gremtek, a long established and leading supplier of own branded protective sleeving and cable identification products based in Paris, France. Gremtek is in the process of being fully integrated into the IS-Group to support the strategy of developing a broader Interconnect business across Europe and has performed in line with expectations since acquisition.

Filcon saw revenues increase by 14%, against a very weak comparative, with strong demand from Military Aerospace customers indicating that pressure to increase German military spending maybe beginning to have a positive impact on activity in this sector. After a subdued 18-month period in the German Motorsport segment, Filcon's sales into the Motorsport sector increased strongly with investment by the major German car manufacturers in Formula E, leading to increased demand for connectors.

Cablecraft revenues were broadly unchanged on last year as spending on projects in the UK Rail industry was postponed because of the overspend by Network Rail during the five year funding period which ended on 31 March 2019. The new funding period which started on 1 April 2019 should boost trading activity in the sector, as new UK rail projects are commenced. The shortfall in Rail industry revenues was offset by increased revenues to wholesaler and panel builder customers. In May 2019, Cablecraft launched an enhanced E-commerce website which, together with a refresh of its branding, is targeted at enhancing the customers' overall purchasing experience.

In August 2018, FS Cables, an established and leading supplier of specialist cable products, was acquired. The business has performed in line with expectations with strong Export sales in the first half of this year, offsetting slightly subdued domestic sales against the backdrop of a softening in the UK Construction market.

The Clarendon ***Specialty Fasteners*** business accounted for 20% of Sector revenues. This business supplies specialty aerospace-quality fasteners to the Civil Aerospace, Motorsport and Industrial & Defence markets. Clarendon continues to perform very strongly and increased underlying revenues by 17%. Clarendon has developed strong relationships in recent years with many of the aircraft seating and cabin interior manufacturers and their sub-contractors, with its high levels of service and responsiveness. These relationships have enabled Clarendon to be chosen as the primary supplier for new tranches of work as these customers increase capacity to meet the demand in the buoyant Aerospace market. Clarendon's recently acquired US operation has enjoyed success in targeting aircraft cabin interior customers in North America.

The Hawco Group of ***Fluid Controls*** businesses accounted for 16% of 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 3% against the prior year comparable period, with strong trading in its OEM Refrigeration sector. The Refrigeration sector has benefitted from the continued demand for home food delivery and from an increase in sales to one of its key OEM customers that has been successful in winning large orders in North America. Abbeychart revenues were flat, with increased revenues in the soft drink dispensing and coffee machine operator markets offsetting weaker sales to coffee equipment manufacturers.

FINANCE

Free cash flow

The Group generated free cash flow of £14.0m (2018: £17.7m) during the Half Year, after £16.9m (2018: £11.2m) of cash was invested in working capital and £2.9m (2018: £2.2m) of funding was provided to the Company's Employee Benefit Trust. A further £1.3m was spent in connection with the settlement agreement with the previous Chief Executive Officer who left the Company on 28 August 2018.

Operating cash flow decreased by £1.8m to £30.1m (2018: £31.9m) largely as a result of the increase in working capital which was £5.7m more than was invested in the first half of last year. The majority of this increase in working capital was driven by an investment of £14.9m in inventories of which ca. £5m comprised strategic inventory build designed either to mitigate disruption to trading from a "no-deal" Brexit or to meet specific customer/product requirements. A further ca. £2m of incremental value was also added to inventory in this half year in the North American Seals businesses to account for the impact of US tariffs and for a large consignment of inventory in transit which had been significantly delayed by snow storms during March.

The substantial increase in working capital led to an increase in the Group's metric of working capital to revenue to 17.0% at 31 March 2019 (2018: 15.8%), from 15.1% at 30 September 2018. It is expected that much of the strategic stock build will unwind in the second half of the year, on top of the seasonal reduction in working capital which will also be consistent with historical trends.

Tax payments in the first half of the year remain similar to last year at £9.6m (2018: £9.7m). On an underlying basis, the cash tax rate decreased to 21% (2018: 24%) in part reflecting the impact from the full half year effect of the reduction in the US Federal corporate income tax rate from 1 January 2018 and in part the phasing of Australian tax payments between the first and second half of the year. The Group also funded the Company's Employee Benefit Trust with £2.9m (2018: £2.2m) in connection with the Company's long term incentive plan.

Capital expenditure increased by £1.2m against the comparable period last year to £3.5m in the six month period ended 31 March 2019. In Life Sciences, £1.4m was spent on acquiring new field equipment for placement in hospitals and diagnostic laboratories and a further £0.3m was spent on improvements to the IT and facility infrastructure. In Seals, £0.6m was invested on new ERP projects in both the UK and Swiss Seals businesses and on completing the ERP project in the Industrial OEM businesses in North America. A further £0.4m was spent on new tooling equipment in the Seals businesses. In Controls the majority of the expenditure related to completing the refurbishment and expansion of the Sommer facility in Stuttgart, Germany. The total project cost is expected to be in line with budget at £1.8m and the facility will shortly be sold and leased back to the business.

Cash Funds

At 31 March 2019, the Group's cash funds had decreased by £14.0m to £22.0m compared with cash of £36.0m at 30 September 2018. During the Half Year, £7.5m (2018: £3.3m) was spent on acquisitions and £20.5m (2018: £18.3m) was paid in dividends to ordinary and minority shareholders.

Acquisition expenditure of £7.5m comprised £6.4m on acquiring Gremtek, a supplier of own branded protective sleeving and cable identification products based in France and £1.1m of deferred consideration relating to acquisitions completed last year.

At 31 March 2019, the Group retained a committed multi-currency revolving bank facility for £30m, the term of which has now been extended by a further two years to June 2022; an option exists to increase the committed facility by £30m to £60m. Based on 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 and execute acquisition opportunities. The consolidated financial statements have therefore been prepared on a going concern basis.

Exchange rates

A significant proportion of the Group's revenues (ca. 70%) 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 weakened slightly against the major currencies (except the Euro and Australian dollar) 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 led to an increase in Group revenues and Group adjusted operating profit by £2.9m and £0.6m respectively, compared with the same period last year.

On a transactional currency basis, the impact on the UK businesses adjusted operating profits from currency movements has been limited with the impact of a slightly weaker UK sterling, generally being mitigated by the utilisation of hedges taken out last year.

The margins in the Healthcare businesses (which account for ca. 25% of Group revenues) are impacted by movements in the Canadian and Australian dollars, relative to the currencies in which the Healthcare businesses purchase their products, primarily US dollars and Euros. During the first half of the year the exchange rates of both the Canadian and Australian dollars have generally been slightly weaker against the US dollar and the Euro. The overall impact on Healthcare gross margins from movements in these exchange rates has been a ca. 50bps reduction in the first half of the year, after taking account of existing hedges and movements in spot currency exchange rates.

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 2018 Annual Report & Accounts. In summary these are:

- Strategic risks – downturn/instability in major markets, supplier concentration/loss of key suppliers and customer concentration/loss of key customers;

- Operational risks – cybersecurity/information technology/business interruption, loss of key personnel and product liability;

- Financial risks – foreign currency, transactional and translation; and

- Accounting risk – inventory obsolescence.

The Directors consider that the principal risks and uncertainties have not changed since publication of the 2018 Annual Report & Accounts and that they remain relevant for the second half of the financial year.

The potential impact on the Group from the UK's decision to leave the European Union ("Brexit") was set out on page 29 of the 2018 Annual Report & Accounts. This assessment remains unchanged at the date of this Report, despite the current uncertainty regarding the eventual Brexit date. As indicated in the 2018 Annual Report & Accounts and confirmed above, the Group's UK businesses have now increased their depth of the faster moving lines of inventory to mitigate the impact from a significant disruption in cross border trade between the UK and Continental Europe. The Directors continue to believe that Brexit will not materially impact the Group's outlook or viability.

OUTLOOK

Diploma has delivered another good performance in line with our expectations. Despite macroeconomic uncertainties, the Group remains on track to deliver good growth in revenues with modest margin progression for the full year.

Acquisitions remain an integral part of the Group's growth strategy and although opportunities are very competitive, we remain optimistic about acquiring some quality businesses as the year progresses.

This background, combined with a proven business model, strong balance sheet and cash generation, provides the Board with confidence that the Group will deliver another strong financial performance this year and continue its excellent track record of shareholder value creation.

J Thomson

Chief Executive Officer
13 May 2019

Responsibility Statement of the Directors in respect of the Half Year Report 2019

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 2018 and on the Company's website at *www.diplomaplc.com*. Johnny Thomson was appointed to the Board as Chief Executive Officer on 25 February 2019.

By Order of the Board

J Thomson
Chief Executive Officer
13 May 2019

NP Lingwood
Group Finance Director
13 May 2019

Condensed Consolidated Income Statement
For the six months ended 31 March 2019

	Note	**Unaudited 31 March 2019 £m**	Unaudited 31 March 2018 £m	Audited 30 Sept 2018 £m
Revenue	3	**260.4**	234.9	485.1
Cost of sales		**(166.7)**	(151.5)	(312.2)
Gross profit		**93.7**	83.4	172.9
Distribution costs		**(6.4)**	(5.4)	(10.8)
Administration costs		**(47.2)**	(42.3)	(88.9)
Operating profit	3	**40.1**	35.7	73.2
Financial expense, net	4	**-**	(0.3)	(0.5)
Profit before tax		**40.1**	35.4	72.7
Tax expense	5	**(9.9)**	(9.1)	(18.3)
Profit for the period		**30.2**	26.3	54.4
Attributable to:				
Shareholders of the Company		**29.9**	26.0	53.8
Minority interests		**0.3**	0.3	0.6
		30.2	26.3	54.4
Earnings per share				
Basic and diluted earnings	6	**26.4p**	23.0p	47.5p

Alternative Performance Measures (note 2)	Note	**31 March 2019 £m**	31 March 2018 £m	30 Sept 2018 £m
Operating profit		**40.1**	35.7	73.2
Add: Acquisition related charges	9	**5.5**	4.7	9.6
Add: Previous Chief Executive Officer transition costs		**-**	0.2	2.1
Adjusted operating profit	3	**45.6**	40.6	84.9
Deduct: Interest expense	4	**(0.1)**	(0.2)	(0.1)
Adjusted profit before tax		**45.5**	40.4	84.8
Adjusted earnings per share	6	**30.5p**	26.7p	56.4p

Condensed Consolidated Statement of Income and Other Comprehensive Income
For the six months ended 31 March 2019

	Unaudited 31 March 2019 £m	Unaudited 31 March 2018 £m	Audited 30 Sept 2018 £m
Profit for the period	**30.2**	26.3	54.4
Items that will not be reclassified to the Consolidated Income Statement			
Actuarial losses in the defined benefit pension scheme	-	-	(1.0)
Deferred tax on items that will not be reclassified	-	-	0.2
	-	-	(0.8)
Items that may be reclassified to the Consolidated Income Statement			
Exchange rate (losses)/gains on foreign currency net investments	**(4.2)**	(9.6)	0.1
Minority interests share of foreign exchange losses	**(0.1)**	-	-
(Losses)/gains on fair value of cash flow hedges	**(0.1)**	1.1	0.7
Net changes to fair value of cash flow hedges transferred to the Consolidated Income Statement	**-**	-	0.9
Deferred tax on items that may be reclassified	**-**	(0.3)	(0.4)
	(4.4)	(8.8)	1.3
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**25.8**	17.5	54.9
Attributable to:			
Shareholders of the Company	**25.6**	17.2	54.2
Minority interests	**0.2**	0.3	0.7
	25.8	17.5	54.9

Condensed Consolidated Statement of Changes in Equity
For the six months ended 31 March 2019

	Share capital	Transl. reserve	Hedging reserve	Retained earnings	Share -holders' equity	Minority interests	Total equity
	£m	£m	£m	£m	£m	£m	£m
At 1 October 2017 (audited)	5.7	29.7	(0.7)	227.3	**262.0**	4.8	**266.8**
Total comprehensive income	-	(9.6)	0.8	26.0	**17.2**	0.3	**17.5**
Share-based payments	-	-	-	0.4	**0.4**	-	**0.4**
Minority interests acquired	-	-	-	2.5	**2.5**	(2.5)	**-**
Minority interest contribution	-	-	-	-	**-**	0.3	**0.3**
Tax on items recognised directly in equity	-	-	-	-	**-**	-	**-**
Notional purchase of own shares	-	-	-	(2.2)	**(2.2)**	-	**(2.2)**
Dividends	-	-	-	(18.1)	**(18.1)**	(0.2)	**(18.3)**
At 31 March 2018 (unaudited)	**5.7**	**20.1**	**0.1**	**235.9**	**261.8**	**2.7**	**264.5**
Total comprehensive income	-	9.7	0.4	26.9	**37.0**	0.4	**37.4**
Share-based payments	-	-	-	0.6	**0.6**	**-**	**0.6**
Tax on items recognised directly in equity	-	-	-	0.5	**0.5**	**-**	**0.5**
Notional purchase of own shares	-	-	-	-	**-**	**-**	**-**
Dividends	-	-	-	(8.7)	**(8.7)**	**-**	**(8.7)**
At 30 September 2018 (audited)	**5.7**	**29.8**	**0.5**	**255.2**	**291.2**	**3.1**	**294.3**
Total comprehensive income	-	(4.2)	(0.1)	29.9	**25.6**	0.2	**25.8**
Share-based payments	-	-	-	0.4	**0.4**	-	**0.4**
Tax on items recognised directly in equity	-	-	-	-	**-**	-	**-**
Notional purchase of own shares	-	-	-	(2.9)	**(2.9)**	-	**(2.9)**
Dividends	-	-	-	(20.2)	**(20.2)**	(0.3)	**(20.5)**
At 31 March 2019 (unaudited)	**5.7**	**25.6**	**0.4**	**262.4**	**294.1**	**3.0**	**297.1**

Condensed Consolidated Statement of Financial Position
As at 31 March 2019

	Note	**Unaudited 31 March 2019 £m**	Unaudited 31 March 2018 £m	Audited 30 Sept 2018 £m
Non-current assets				
Goodwill	9	**128.3**	118.2	128.5
Acquisition intangible assets	9	**50.9**	48.4	53.6
Other intangible assets		**2.3**	1.1	1.8
Investment		**0.7**	0.7	0.7
Property, plant and equipment		**22.9**	21.2	23.0
Deferred tax assets		**0.5**	0.2	0.3
		205.6	189.8	207.9
Current assets				
Inventories		**98.4**	79.1	82.9
Trade and other receivables		**85.2**	72.0	77.6
Cash and cash equivalents	8	**22.0**	19.7	36.0
		205.6	170.8	196.5
Current liabilities				
Trade and other payables		**(84.7)**	(68.1)	(80.5)
Current tax liabilities		**(6.0)**	(4.3)	(4.8)
Other liabilities	11	**(4.6)**	(4.7)	(5.6)
Borrowings	8	**-**	(2.0)	-
		(95.3)	(79.1)	(90.9)
Net current assets		**110.3**	91.7	105.6
Total assets less current liabilities		**315.9**	281.5	313.5
Non-current liabilities				
Retirement benefit obligations		**(10.3)**	(9.5)	(10.5)
Deferred tax liabilities		**(8.5)**	(7.5)	(8.7)
Net assets		**297.1**	264.5	294.3
Equity				
Share capital		**5.7**	5.7	5.7
Translation reserve		**25.6**	20.1	29.8
Hedging reserve		**0.4**	0.1	0.5
Retained earnings		**262.4**	235.9	255.2
Total shareholders' equity		**294.1**	261.8	291.2
Minority interests		**3.0**	2.7	3.1
Total equity		**297.1**	264.5	294.3

Condensed Consolidated Cash Flow Statement
For the six months ended 31 March 2019

	Note	**Unaudited 31 March 2019 £m**	Unaudited 31 March 2018 £m	Audited 30 Sept 2018 £m
Operating profit		**40.1**	35.7	73.2
Acquisition related charges	7	**5.5**	4.7	9.6
Previous CEO transition costs, (paid)/unpaid	7	**(1.3)**	0.2	1.3
Non-cash items	7	**2.7**	2.5	5.3
Increase in working capital	7	**(16.9)**	(11.2)	(5.1)
Cash flow from operating activities		**30.1**	31.9	84.3
Interest paid, net		**(0.1)**	-	-
Tax paid		**(9.6)**	(9.7)	(19.0)
Net cash from operating activities		**20.4**	22.2	65.3
Cash flow from investing activities				
Acquisition of businesses (including expenses)	10	**(6.4)**	(1.2)	(18.1)
Deferred consideration paid	11	**(1.1)**	(0.1)	(0.3)
Proceeds for sale of business (net of expenses)		**-**	-	4.0
Purchase of property, plant and equipment		**(2.9)**	(1.8)	(5.3)
Purchase of other intangible assets		**(0.6)**	(0.5)	(1.3)
Net cash used in investing activities		**(11.0)**	(3.6)	(21.0)
Cash flow from financing activities				
Acquisition of minority interests	11	**-**	(2.0)	(2.0)
Dividends paid to shareholders	12	**(20.2)**	(18.1)	(26.8)
Dividends paid to minority interests		**(0.3)**	(0.2)	(0.2)
Purchase of own shares by Employee Benefit Trust		**(1.2)**	(1.2)	(1.2)
Notional purchase of own shares on exercise of share options		**(1.7)**	(1.0)	(1.0)
Proceeds of borrowings, net	8	**-**	2.0	-
Net cash used in financing activities		**(23.4)**	(20.5)	(31.2)
Net (decrease)/increase in cash and cash equivalents	8	**(14.0)**	(1.9)	13.1
Cash and cash equivalents at beginning of period		**36.0**	22.3	22.3
Effect of exchange rates on cash and cash equivalents		**-**	(0.7)	0.6
Cash and cash equivalents at end of period		**22.0**	19.7	36.0

Alternative Performance Measures (note 2)		**31 March 2019 £m**	31 March 2018 £m	30 Sept 2018 £m
Net (decrease)/increase in cash and cash equivalents		**(14.0)**	(1.9)	13.1
Add:	Dividends paid to shareholders and minority interests	**20.5**	18.3	27.0
	Acquisition of businesses and minority interests	**6.4**	3.2	20.1
	Deferred consideration paid	**1.1**	0.1	0.3
	Proceeds from borrowings, net	**-**	(2.0)	-
Free cash flow		**14.0**	17.7	60.5
Cash and cash equivalents		**22.0**	19.7	36.0
Borrowings		**-**	(2.0)	-
Cash Funds		**22.0**	17.7	36.0

Notes to the Condensed Consolidated Financial Statements
For the six months ended 31 March 2019

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 2019 comprise the Company and its subsidiaries (together referred to as "the Group").

The condensed information presented for the financial year ended 30 September 2018 does not constitute full statutory accounts as defined in section 434 of the Companies Act 2006. Those statutory 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 2018 were extracted from the 2018 Half Year Report, which was unaudited.

The Group's audited consolidated financial statements for the year ended 30 September 2018 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 2019 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 2018.

The Half Year financial statements were approved by the Board of Directors on 13 May 2019; 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 2018, except for the amount included in the Half Year Report in respect of taxation and the application of two new accounting standards that have become effective during the period.

As in previous Half Year Announcements, taxation 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.

IFRS 15 'Revenue from Contracts with Customers' was adopted by the Group with effect from 1 October 2018. IFRS 15 replaced IAS 18 and introduced a single, principles-based approach to the recognition and measurement of revenue from all contracts with customers. The majority of Group revenue is derived from the sale of products which generally have one performance obligation. The impact of the application of IFRS 15 is not material to the Group and no adjustments were required in the comparative consolidated financial statements.

IFRS 9 'Financial Instruments' has been adopted by the Group with effect from 1 October 2018. IFRS 9 replaces IAS 39 and relates to the classification, measurement and de-recognition of financial assets and financial liabilities. It introduces a model for "expected credit loss" for the impairment of financial assets and sets out changes to relationships for hedge accounting. No material changes were required to the Consolidated Statement of Financial Position, as the categories of financial instruments were already being accounted for on the same measurement and valuation techniques as set out in IFRS 9 and all existing hedge relationships continue to qualify for hedge accounting under the new standard. In addition, applying the expected credit loss model to assess the potential impairment of financial assets, including trade and other receivables, has not materially impacted the consolidated financial statements. Accordingly, no adjustments were required in the comparative consolidated financial statements as a result of applying this new standard.

1.3 Standards issued but not yet applied by the Group
IFRS 16 'Leases' replaces IAS 17 and will be applied by the Group in the year ending 30 September 2020. IFRS 16 prescribes a single lessee accounting model that requires the recognition of an asset and a corresponding liability for all leases with terms over twelve months. The liability is measured as the present value of future lease payments for the lease term; depreciation of the assets and interest on the corresponding lease liabilities is recognised in the Income Statement over the lease term. The Group anticipates that on implementation of IFRS 16, there will be an increase in the amount of the Group's liabilities with a corresponding increase in tangible fixed assets. The charge for operating leases in the Income Statement is unlikely to change materially, but the classification of this charge will change reflecting the depreciation charge and interest cost respectively, in place of the existing lease cost. The expected impact of IFRS 16 will be described further in the financial statements for the year ending 30 September 2019.

1.4 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 accounting estimates and judgements made by management in applying the Group's accounting policies 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 2018. These are set out on page 93 of the 2018 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 for internal management reporting in order to assess the operational performance of the Group on a comparable basis, 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 (including the incremental cost related directly to the change of the previous Chief Executive Officer in 2018) 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 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 operational 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.

Notes to the Condensed Consolidated Financial Statements
For the six months ended 31 March 2019

3. BUSINESS SECTOR ANALYSIS

The Chief Operating Decision Maker ("CODM") for the purposes of IFRS 8 is the Chief Executive Officer. The financial performance of the Sectors is 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 2018, the Group earned 48.4% of its annual revenues and 47.8% 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 2019 £m	31 Mar 2018 £m	30 Sept 2018 £m	**31 Mar 2019 £m**	31 Mar 2018 £m	30 Sept 2018 £m	**31 Mar 2019 £m**	31 Mar 2018 £m	30 Sept 2018 £m
By Sector									
Life Sciences	**71.1**	67.4	134.7	**13.0**	11.7	23.9	**11.9**	10.4	21.5
Seals	**102.4**	99.2	208.0	**17.1**	17.1	36.0	**14.6**	14.4	31.0
Controls	**86.9**	68.3	142.4	**15.5**	11.8	25.0	**13.6**	10.9	22.8
Previous CEO transition costs	**-**	-	-	**-**	-	-	**-**	-	(2.1)
	260.4	234.9	485.1	**45.6**	40.6	84.9	**40.1**	35.7	73.2
By Geographic Area									
United Kingdom	**75.6**	62.9	130.2	**13.7**	11.0	23.5			
Rest of Europe	**62.8**	56.0	115.2	**9.1**	8.9	17.6			
North America	**102.3**	98.0	202.3	**20.2**	19.1	39.5			
Rest of World	**19.7**	18.0	37.4	**2.6**	1.6	4.3			
	260.4	234.9	485.1	**45.6**	40.6	84.9			

In the six months ended 31 March 2019 and as further described in note 10, the Group acquired Actios SAS, the parent company of the Gremtek group ("Gremtek") of companies. This business contributed £4.9m to revenue and £0.7m to adjusted operating profit and operating profit. The results of Gremtek are included within the Controls Sector and reported within the geographic area of Rest of Europe.

	Total assets			Total liabilities			Net assets		
	31 Mar 2019 £m	31 Mar 2018 £m	30 Sept 2018 £m	**31 Mar 2019 £m**	31 Mar 2018 £m	30 Sept 2018 £m	**31 Mar 2019 £m**	31 Mar 2018 £m	30 Sept 2018 £m
By Sector									
Life Sciences	**114.5**	111.1	115.4	**(22.0)**	(20.2)	(21.6)	**92.5**	90.9	93.8
Seals	**152.0**	141.6	142.9	**(34.5)**	(25.9)	(32.2)	**117.5**	115.7	110.7
Controls	**120.3**	86.5	107.4	**(30.3)**	(21.9)	(25.5)	**90.0**	64.6	81.9
Unallocated assets/(liabilities)	**24.4**	21.4	38.7	**(27.3)**	(28.1)	(30.8)	**(2.9)**	(6.7)	7.9
	411.2	360.6	404.4	**(114.1)**	(96.1)	(110.1)	**297.1**	264.5	294.3

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)".

Notes to the Condensed Consolidated Financial Statements
For the six months ended 31 March 2019

3. BUSINESS SECTOR ANALYSIS (continued)

	Capital expenditure			Depreciation		
	31 Mar 2019 £m	31 Mar 2018 £m	30 Sept 2018 £m	**31 Mar 2019 £m**	31 Mar 2018 £m	30 Sept 2018 £m
By Sector						
Life Sciences	**1.7**	1.2	3.5	**1.4**	1.2	2.4
Seals	**1.0**	0.9	2.0	**0.9**	0.9	1.8
Controls	**0.8**	0.2	1.1	**0.3**	0.3	0.6
	3.5	2.3	6.6	**2.6**	2.4	4.8

4. FINANCIAL EXPENSE, NET

	31 March 2019 £m	31 March 2018 £m	30 Sept 2018 £m
Interest (expense)/income and similar charges			
- bank facility and commitment fees	**-**	(0.1)	(0.1)
- interest income on bank deposits	**-**	-	0.1
- notional interest expense on the defined benefit pension scheme	**(0.1)**	(0.1)	(0.1)
Net interest expense and similar charges	**(0.1)**	(0.2)	(0.1)
- fair value remeasurement of put options (note 11)	**0.1**	(0.1)	(0.4)
Financial expense, net	**-**	(0.3)	(0.5)

5. TAXATION

	31 March 2019 £m	31 March 2018 £m	30 Sept 2018 £m
UK corporation tax	**2.1**	1.8	3.5
Overseas tax	**7.8**	7.3	14.8
Total tax on profit for the period	**9.9**	9.1	18.3

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 24.7% (2018: 25.7%) and the Group's adjusted effective rate of tax on adjusted profit before tax decreased to 23.7% (2018: 24.5%).

The reduction in the effective rate of taxation reflects the impact from the reduction in the US Federal corporate income tax rate to 21% from 35%, effective from 1 January 2018. The Group's US businesses account for ca. 24% of Group revenues and ca. 27% of adjusted operating profit before tax.

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 113,171,433 (2018: 113,141,691) and the profit for the period attributable to shareholders of £29.9m (2018: £26.0m). There were no potentially dilutive shares.

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

	31 Mar 2019 pence per share	31 Mar 2018 pence per share	30 Sept 2018 pence per share	**31 Mar 2019 £m**	31 Mar 2018 £m	30 Sept 2018 £m
Profit before tax				**40.1**	35.4	72.7
Tax expense				**(9.9)**	(9.1)	(18.3)
Minority interests				**(0.3)**	(0.3)	(0.6)
Earnings for the period attributable to shareholders of the Company	**26.4**	23.0	47.5	**29.9**	26.0	53.8
Acquisition related charges	**4.9**	4.1	8.4	**5.5**	4.7	9.6
Fair value remeasurement of put options	**(0.1)**	0.1	0.4	**(0.1)**	0.1	0.4
Previous Chief Executive Officer transition costs	**-**	0.2	1.8	**-**	0.2	2.1
Tax effect on above adjustments	**(0.7)**	(0.7)	(1.7)	**(0.9)**	(0.8)	(2.0)
Adjusted earnings	**30.5**	26.7	56.4	**34.4**	30.2	63.9

7. RECONCILIATION OF OPERATING PROFIT TO CASH FLOW FROM OPERATING ACTIVITIES

	31 March 2019 £m	31 March 2018 £m	30 Sept 2018 £m
Operating profit	**40.1**	35.7	73.2
Acquisition related charges (note 9)	**5.5**	4.7	9.6
Previous CEO transition costs	**-**	0.2	2.1
Adjusted operating profit	**45.6**	40.6	84.9
Previous CEO transition costs paid	**(1.3)**	-	(0.8)
	44.3	40.6	84.1
Depreciation or amortisation of tangible and other intangible assets	**2.6**	2.4	4.8
Share-based payments expense	**0.4**	0.4	1.0
Defined benefit scheme expense	**(0.3)**	(0.3)	(0.5)
Non-cash items	**2.7**	2.5	5.3
Increase in inventories	**(14.9)**	(7.5)	(8.3)
Increase in trade and other receivables	**(6.9)**	(3.8)	(5.2)
Increase in trade and other payables	**4.9**	0.1	8.4
Increase in working capital	**(16.9)**	(11.2)	(5.1)
Cash flow from operating activities, before acquisition expenses	**30.1**	31.9	84.3

Notes to the Condensed Consolidated Financial Statements
For the six months ended 31 March 2019

8. CASH FUNDS

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

	31 March 2019 £m	31 March 2018 £m	30 Sept 2018 £m
Net (decrease)/increase in cash and cash equivalents	**(14.0)**	(1.9)	13.1
Increase in borrowings	**-**	(2.0)	-
	(14.0)	(3.9)	13.1
Effect of exchange rates	**-**	(0.7)	0.6
Movement in cash funds	**(14.0)**	(4.6)	13.7
Cash funds at beginning of period	**36.0**	22.3	22.3
Cash funds at end of period	**22.0**	17.7	36.0
Comprising:			
Cash and cash equivalents	**22.0**	19.7	36.0
Borrowings	**-**	(2.0)	-
Cash funds at end of period	**22.0**	17.7	36.0

The Group has a committed multi-currency revolving facility of £30.0m. The Group has formally extended the facility for a further two years to 1 June 2022. The facility has an accordion option to increase the committed facility by a further £30.0m up to a maximum of £60.0m. At 31 March 2019, the Group had utilised none of this facility (2018: £2.0m). Interest on this facility is payable between 70 and 115bps over LIBOR, depending on the ratio of net debt to EBITDA.

9. GOODWILL AND ACQUISITION INTANGIBLE ASSETS

	Goodwill £m	**Acquisition intangible assets £m**
At 1 October 2017	122.8	54.0
Acquisitions	0.2	0.5
Amortisation charge	-	(4.6)
Exchange adjustments	(4.8)	(1.5)
At 31 March 2018	118.2	48.4
Acquisitions	5.5	8.6
Amortisation charge	-	(4.7)
Exchange adjustments	4.8	1.3
At 30 September 2018	128.5	53.6
Acquisitions (note 10)	2.3	3.6
Amortisation charge	-	(5.4)
Exchange adjustments	(2.5)	(0.9)
At 31 March 2019	**128.3**	**50.9**

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 £5.5m (2018: £4.7m) are charged to the Consolidated Income Statement. These charges comprise £5.4m (2018: £4.6m) of amortisation of acquisition intangible assets and £0.1m (2018: £0.1m) of acquisition expenses.

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For the six months ended 31 March 2019

10. ACQUISITION OF SUBSIDIARIES

On 12 October 2018 the Group acquired 100% of Actios SAS, the parent company of the Gremtek group ("Gremtek") of companies. The initial consideration was £6.4m (€7.2m), including acquisition expenses of £0.1m and net of cash acquired of £2.9m (€3.2m). Deferred consideration of £0.2m (€0.2m) is payable based on the operating profit achieved in the year ended 31 December 2018.

The provisional fair value of the net assets acquired, excluding acquisition intangibles and related deferred tax is £4.2m; provisional fair value adjustments of £0.3m have been made to reduce the book value of assets acquired.

From the date of acquisition to 31 March 2019, the newly acquired Gremtek business contributed £4.9m to revenue and £0.7m to adjusted operating profit. If the Gremtek business had been acquired at the beginning of the financial year, it would in aggregate have contributed on a pro-rata basis £5.2m to revenue and £0.8m to adjusted operating profit. However, these amounts 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. OTHER LIABILITIES

	31 March 2019 £m	31 March 2018 £m	30 Sept 2018 £m
Future purchases of minority interests	**4.4**	4.2	4.5
Deferred consideration	**0.2**	0.5	1.1
	4.6	4.7	5.6
Analysed as:			
Due within one year	**4.6**	4.7	5.6
Due after one year	**-**	-	-

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

	31 March 2019 £m	31 March 2018 £m	30 Sept 2018 £m
At 1 October	**4.5**	6.1	6.1
Acquisition of minority interest on exercise of option	**-**	(2.0)	(2.0)
Unwinding of discount	**-**	0.2	0.2
Fair value remeasurements	**(0.1)**	(0.1)	0.2
At end of period	**4.4**	4.2	4.5

At 31 March 2019, the Group retained put options to acquire minority interests of 10% held in each of M Seals and Kentek which were both exercisable from November 2018. At 31 March 2019, 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 2019.

Deferred consideration comprises:

	31 March 2019 £m	31 March 2018 £m	30 Sept 2018 £m
Gremtek	**0.2**	-	-
Edco	**-**	0.4	-
Coast	**-**	0.1	0.1
FS Cables	**-**	-	1.0
	0.2	0.5	1.1

11. OTHER LIABILITES (continued)

During the period, outstanding deferred consideration of £1.1m was paid to the vendor of FS Cables (£1.0m) and the vendor of Coast (£0.1m). The amount outstanding at 31 March 2019 of £0.2m relates to deferred consideration payable in connection with the acquisition of Gremtek and is expected to be paid within the next twelve months.

12. DIVIDENDS

	31 Mar 2019 pence per share	31 Mar 2018 pence per share	30 Sept 2018 pence per share	**31 Mar 2019 £m**	31 Mar 2018 £m	30 Sept 2018 £m
- Final dividend of the prior year, paid in January	**17.8**	16.0	16.0	**20.2**	18.1	18.1
- Interim dividend, paid in June	**-**	-	7.7	**-**	-	8.7
	17.8	16.0	23.7	**20.2**	18.1	26.8

The Directors have declared an increased interim dividend of 8.5p per share (2018: 7.7p) which will be paid on 12 June 2019 to shareholders on the register on 24 May 2019. The total value of the dividend will be £9.6m (2018: £8.7m).

13. EXCHANGE RATES

The exchange rates used to translate the results of the overseas businesses were as follows:

	Average			**Closing**		
	31 March 2019	31 March 2018	30 Sept 2018	**31 March 2019**	31 March 2018	30 Sept 2018
US dollar (US$)	**1.30**	1.37	1.35	**1.30**	1.40	1.30
Canadian dollar (C$)	**1.72**	1.74	1.73	**1.74**	1.81	1.69
Euro (€)	**1.14**	1.14	1.13	**1.16**	1.14	1.12
Swiss franc (CHF)	**1.29**	1.32	1.31	**1.30**	1.34	1.27
Australian dollar (A$)	**1.81**	1.77	1.78	**1.83**	1.83	1.80

14. RELATED PARTY TRANSACTIONS

There have been no changes to the related party arrangements or transactions as reported in the 2018 Annual Report & Accounts.

Transactions between Group Companies, which are related parties, have been eliminated on consolidation and are therefore not disclosed. Other transactions which qualify to be treated as related party transactions are: those relating to the remuneration of key management personnel, which are not disclosed in this Half Year Report, but will be disclosed in the Group's next Annual Report & Accounts; and transactions between the Group and the Group's defined benefit pension plan, which are disclosed within the Consolidated Cash Flow Statement.