NEWSRELEASE

DIPLOMA PLC

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

FOR IMMEDIATE RELEASE

19 November 2012

PRELIMINARY ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2012

"Another year of strong growth"

	Audited 2012 £m	Audited 2011 £m	
Revenue	**260.2**	230.6	13%
Adjusted operating profit(1)	**52.8**	45.2	17%
Adjusted operating margin(1)	**20.3%**	19.6%	
Adjusted profit before tax(1), (2)	**52.6**	44.9	17%
Profit before tax	**46.0**	39.2	17%
Free cash flow	**32.7**	25.0	31%
	Pence	Pence	
Adjusted earnings per share(1), (2)	**33.1**	27.9	19%
Basic earnings per share	**27.9**	24.0	16%
Total dividends per share	**14.4**	12.0	20%
Free cash flow per share	**28.9**	22.1	31%

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

Financial Highlights

- Revenue up **13%** with continued strong performance in the Seals businesses and good contributions from the Life Sciences and Controls businesses; adjusted profit before tax up **17%** to **£52.6m**.
- Adjusted operating margin of **20.3% (+70 bps)** reflecting operational leverage in North American Seals businesses.
- Good underlying organic growth with revenue and adjusted operating profits up **6%** and **11%** respectively, after adjusting for currency, acquisitions and a small divestment.
- Free cash flow up by **31%** to **£32.7m**, despite increased capital investment of **£3.5m** to support future growth of businesses.
- Net funds of **£7.9m**, after investing **£22.3m** acquiring businesses and **£14.2m** in dividend distributions to shareholders.
- Full year dividend up **20%** at **14.4p** reflecting confidence in long term prospects and strong balance sheet.

Operating Highlights

- Underlying growth of **13%** in the Seals businesses; particularly strong growth in North American Aftermarket.
- Good underlying growth of **5%** in Life Sciences businesses; strong sales of capital equipment in first half.
- Underlying growth of **2%** in Controls, held back by reduced activity in Continental Europe and UK Food & Beverage.
- Positive contributions from new businesses acquired during year – J Royal in the US; Abbeychart and Amfast in the UK; DSL in Australia.
- Significant progress made with planned investments to support future growth of the business - **£2.1m** of cash investment in 2012.

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

"Diploma has delivered another year of strong double-digit growth in revenues and profits, by a combination of "GDP plus" levels of organic growth and contributions from a number of good quality, value-enhancing acquisitions.

We have a resilient, well diversified business that provides essential products and services generally funded by customers' operating rather than capital budgets. This business model delivers recurring income and stable organic revenue growth, with carefully selected acquisitions accelerating the growth to the target double-digit levels. Our strategy has been proven over the last five year business cycle with a resilient performance during the downturn, followed by strong growth in the recent period of slow recovery and uncertain markets. Over the last five years, the Group has grown adjusted EPS at a compound growth rate of 20% pa.

During the year, we have also made significant progress in making the investments in the facilities, IT systems and management resources needed to lay the robust foundation for continued growth in the next five year period. The Group's proven strategy, well diversified business and the strong balance sheet and robust cash flow, gives the Board confidence that the Group is well placed to make further progress during the new financial year."

A presentation for analysts and investors will take place at 9.00am this morning, which will be made available as a webcast from 2.00pm GMT via *www.diplomaplc.com*

For further information please contact:

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

Notes:

Diploma PLC uses alternative performance measures as key financial indicators to assess the underlying performance of the Group. These include adjusted operating profit, adjusted profit before tax, adjusted earnings per share and free cash flow. The narrative in this Announcement is based on these alternative measures and an explanation is set out in note 2 to the consolidated financial statements in this Preliminary Announcement.

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. 1,100 employees and its principal operating businesses are located in the UK, Germany, US, Canada and Australia.

Over the last five years, the Group has grown adjusted earnings per share at an average of ca. 20% pa through a combination of organic growth and acquisitions. Diploma is a member of the FTSE 250 with a market capitalisation of ca. £500m.

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

PRELIMINARY ANNOUNCEMENT OF FINAL RESULTS
FOR YEAR ENDED 30 SEPTEMBER 2012

CHAIRMAN'S STATEMENT

Investing for Growth

Over the last five years, against a backdrop of uncertain global markets, the Group has achieved 20% pa compound growth in earnings by a combination of good organic growth and selective, value-enhancing acquisitions. Market capitalisation has more than doubled over the five year period and early in the financial year, the Group entered the FTSE 250 index.

I am pleased to report that the Group has made further good progress during this financial year and has delivered substantial value to shareholders with another year of strong double-digit growth in earnings and dividends.

The ability of the Group to continue to deliver these strong returns to shareholders over the next five year period, requires a commitment to invest strongly in establishing a firm foundation for growth. As I indicated last year, the Board has approved significant investment across the Group's businesses, designed to ensure that the Group will continue to deliver strong growth.

By the end of the 2013 financial year, the Group will have invested ca. £3m in new and enlarged facilities for several businesses in the Group. Substantial investment has also now commenced on large ERP IT projects in three businesses and another project is planned to commence later in 2013 with an aggregate investment of ca. £2m. We have also invested in broadening the skill base across the Group, through a combination of new training programmes and recruiting additional senior management at an annual cost of ca. £1.0m.

The Board is confident that with these investments and with further value-enhancing acquisitions, the momentum of growth in the Group will be sustained over the next five years.

Performance

Group revenue increased in 2012 by 13% to £260.2m (2011: £230.6m) with the continued strong performance in the Seals businesses being the main driver to growth and with good contributions from the Life Sciences and the Controls businesses. Adjusted operating margins increased further during the year to 20.3% (2011: 19.6%) reflecting the operational leverage in the North American Seals businesses and as a result, adjusted operating profit increased by 17% to £52.8m (2011: £45.2m). Underlying Group revenues and adjusted operating profit increased by 6% and 11% respectively, after adjusting for the impact from acquisitions, the divestment of a small business in Switzerland and currency movements on the translation of overseas results. Adjusted profit before tax increased by 17% to £52.6m (2011: £44.9m) and adjusted earnings per share, helped by the purchase of minority interests last year, increased by 19% to 33.1p (2011: 27.9p).

The Group's continuing ability to generate excellent cash flow was demonstrated by an increase in free cash flow of over 30% to £32.7m (2011: £25.0m). This was after increasing capital investment to £3.5m (2011: £1.7m) which included £1.3m to upgrade facilities and other infrastructure assets. After investing £22.3m on acquiring businesses and making dividend distributions to shareholders of £14.2m, the Group had net cash funds of £7.9m at 30 September 2012. This demonstrates the continuing strength of the Group's balance sheet and provides confidence in the Group's ability to continue to invest strongly for future growth.

Acquisitions

The Board's strategy to accelerate growth through carefully selected, value enhancing acquisitions remains a key factor in providing outstanding returns to shareholders. Once acquisitions are completed, the Group looks to make appropriate investment in the newly acquired businesses to build a solid platform for future growth. The Board has continued to pursue this growth strategy during the year by investing over £22m in acquiring new businesses, with all three sectors of the Group benefiting from this investment. Each of these acquisitions has provided our existing businesses with opportunities to expand into new and related product and geographic markets.

We will continue to invest sensibly in broadening our businesses through a combination of organic investment and by acquisition. We have made good progress during the year in adding experienced resources which are designed to accelerate and broaden the acquisition programme over the coming years.

Dividends

With another year of good progress and in light of the strong balance sheet and free cash flow, the Board is recommending an increase in the final dividend of 20% to 10.2p per share (2011: 8.5p) which, subject to shareholder approval at the Annual General Meeting, will be paid on 23 January 2013 to shareholders on the register at 30 November 2012. The total dividend per share for the year will be 14.4p which also represents a 20% increase on 2011. This is well covered by Adjusted EPS at 2.3 times and remains in line with our objective of targeting towards a 2 times cover.

Governance

I am delighted to welcome Marie-Louise Clayton to the Board following her appointment as a non-Executive Director on 13 November 2012. As I indicated last year, this appointment represents the initial stage of developing the Board to meet the higher governance standards required of larger companies and we look forward to advancing this process over the next year with a further new addition. We have also made good progress during the year with updating our Board processes and policies to meet the UK Governance Code requirements. In September 2012, the Board separated the role of Company Secretary from the Group Finance Director with the appointment of Anthony Gallagher as Group Company Secretary.

Employees

We have continued to invest this year in developing our management group through the appointment of external resource and through new internal promotions across the Group. We continue to foster an entrepreneurial culture within our businesses which encourages all our staff to take responsibility for their own businesses. I wish to send my sincere thanks to everyone in the Group, whose exceptional efforts and dedication to deliver outstanding value to our customers, has allowed the Group to continue to make further progress.

Current Trading

The Life Sciences businesses have begun the year well, benefiting from the investments made last year in consolidating the Healthcare businesses in Canada and from expanding further in Australia. The Seals businesses are continuing to enjoy robust underlying growth in their key markets in North America. The Controls businesses are benefiting from the acquisitions completed in the UK last year, but Continental European markets continue to show little sign of underlying growth.

The Group has a resilient business model with a good geographic spread of businesses which are supported by a strong Group balance sheet and robust cash flow. The investments made this year will provide a platform to drive underlying growth and intensify the search for good quality acquisitions. These factors provide the Board with confidence that, despite the background of weak global economic market conditions, the Group is well placed to make further progress in the new financial year.

CHIEF EXECUTIVE'S REVIEW

Proven Strategy for Growth

The Group's strategy is designed to generate strong, double-digit growth in earnings and value over the business cycle, by building larger, broader-based businesses in the three Diploma sectors of Life Sciences, Seals and Controls. Over the last five years, adjusted earnings per share ("EPS") and total shareholder return ("TSR") have grown at compound growth rates of 20% pa and 21% pa respectively.

In 2012, the Group has continued this growth trend, with adjusted EPS growing by 19% and TSR by over 50%. In addition, the Group has made significant progress in making the investments needed to lay the robust foundation for continued growth in the next five year period.

Good Operating Performance

In 2012, revenues increased by 13% to £260.2m (2011: £230.6m) with underlying growth of 6% after adjusting for currency effects, acquisitions and a small divestment. Adjusted operating margins for the year have increased to 20.3% of revenue (2011: 19.6%), though margins have reduced from the record high of 20.8% at the Half Year mainly due to the investment programmes which have been initiated during the year.

Significant progress has been made since the Half Year with the planned investments designed to support the future growth of the business. Two of the Industrial OEM Seals businesses in the US, RT Dygert and All Seals, both completed moves to larger new facilities. IS-Rayfast, the UK Controls business and Vantage, the Canadian Healthcare business, have also completed major facility moves in the first quarter of the new financial year. Three new IT projects have been started in the businesses, with further projects planned for later in the financial year. Finally, investment has been made in additional management resource within the major businesses and in the Diploma corporate group. In total, £2.1m of the planned £6.0m cash investment programme was made in the second half of the year and operating costs of ca. £1.0m were added to support future growth.

Even after these additional investments, free cash flow in 2012 has again been strong at £32.7m (2011: £25.0m), with working capital as a percentage of revenue at 16.5%, in line with the longer term average of 16–17%.

During the year, £20.8m was invested in the acquisition of DSL in Life Sciences, J Royal in Seals and Abbeychart and Amfast in Controls and a 10% minority interest in JRPP was purchased for £0.7m. Return on trading capital employed ("ROTCE") has increased to 26.6% (2011: 25.4%) driven by the growth in profits and strong management of working capital across the business.

Resilient Business Model

The Group comprises a number of high quality, specialised businesses which design their individual business models to make them essential to their customers. Our businesses are focused 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. By supplying *essential solutions*, not just products, we build strong long term relationships with our customers and suppliers, which support sustainable and attractive margins. Finally we encourage an entrepreneurial culture in our businesses through our decentralised management structure and 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.

Acquire, Build, Grow Strategy to Drive Double Digit Growth

Our businesses target organic revenue growth over the business cycle at the rate of 5–6% pa ("GDP plus" growth). Growth is then accelerated through carefully selected, value-enhancing acquisitions which fit the business model and offer entry into new strategic markets. These acquisitions form an integral part of our sector growth strategies, designed to deliver strong double digit growth.

In general, when we ***acquire*** businesses, the acquisitions we make are of companies which fit our business model and which are already successful, with a good track record. They will be marketing led with strong customer relationships and will have a secure supply of high quality, differentiated products. They will have capable management and a track record of stable, profitable growth and cash generation. The objective is to generate a pre-tax return on investment ("ROI") of at least 20% on each acquisition and hence support our Group objective of consistently exceeding 20% ROTCE.

The acquired businesses have often reached the point where additional resources are needed to take them to the next level of growth. Working with management, we provide the investment required to ***build*** a firm foundation to allow the business to move to a new level of growth. The investment will normally be in new facilities and IT systems, increased but carefully managed working capital and additional management resource.

Once the acquisition is integrated into the Group and a solid platform has been established, the priority is to ***grow*** the business. The acquired companies (other than small bolt-on acquisitions) maintain their distinct sales and marketing identity and are managed as independent business units. Where there are opportunities for real synergies, typically in cross -selling, purchasing and back office operations, the businesses are managed within larger business clusters.

Sector Developments
Good progress was made during the year in executing the Acquire, Build, Grow strategy in each of the three sectors and the key developments and results this year are summarised below.

LIFE SCIENCES

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

	2012 £m	2011 £m	
Revenue	**78.4**	74.4	*+5%*
Adjusted operating profit	**18.0**	17.1	*+5%*
Adjusted operating margin	**23.0%**	23.0%	
Free cash flow	**13.3**	11.6	*+15%*

Highlights:

- *Underlying revenue growth of 5% in Life Sciences businesses.*
- *Investment in newly formed Vantage business – integrated sales team, strengthened service and operations management, new facility.*
- *Investment in new Minimally Invasive Surgery business within AMT.*
- *Acquisition of DSL business in Australia – major new supplier added shortly after acquisition.*

The Life Sciences businesses increased revenues in 2012 by 5% on a UK sterling basis to £78.4m (2011: £74.4m), with a similar level of growth on a constant currency basis. Sector revenues benefited with the contribution from the DSL business in Australia, acquired in June 2012 and a full year contribution from the CMI business, acquired in December 2010. After adjusting for these acquisitions, for the divestment of a small Swiss business, for minor currency effects and for the exceptional sale of face shields in the prior year, underlying sector revenues increased by 5%.

Adjusted operating profits increased by 5% to £18.0m (2011: £17.1m), with operating margins stable at 23.0% of revenue (2011: 23.0%). Capital expenditure in the sector was £2.3m, which included £1.6m invested in field equipment for placement by the Canadian and Australian Healthcare businesses, a further £0.3m invested in the new Vantage facility in Toronto and the balance in upgrades to the IT environment. Free cash flow of £13.3m (2011: £11.6m) increased by £1.7m, with lower tax payments largely funding the increase in capital investment.

Healthcare

Revenues from the Diploma Healthcare Group ("DHG") businesses increased by 10% in UK sterling terms and by 9% in Canadian dollar terms. After adjusting for the DSL and CMI acquisitions and for the face shield revenues in the prior year, underlying revenues increased by 5%.

In Canada, DHG comprises three similar sized businesses focused on Electrosurgery (AMT), GI/Endoscopy (Vantage) and Clinical Diagnostics (Somagen), each with good growth potential. During the year, the main investment has been in the new Vantage business, which from the start of the year brought together CMI, acquired in 2010, with AMT's Endoscopy division. Vantage now operates out of a new facility under a single management team and offers a complete product range, taken to market by an integrated, fully trained sales team. Investment has also been made during the year in building a new Surgical business within AMT.

AMT increased revenues in its electrosurgery and surgical products business by 8%, after adjusting for the one-off face shield revenues in the prior year. In the core electrosurgery market, the focus remains on increasing the number of hospitals using smoke evacuation and increasing utilisation rates in existing installations; the launch in October 2012 of new Penevac 1 product (combined electrode and smoke evacuation device) will provide a boost to this initiative. AMT is also successfully building a business supplying specialised surgical instruments and devices used in laparoscopic procedures and other minimally invasive surgical procedures. Products range from traditional surgical instruments, to leading edge interventional radiology and oncology products for use in the treatment of cancer and cancer related disorders. AMT has signed exclusive distribution agreements with a number of leading suppliers in this area and is in the process of adding several new suppliers to the portfolio. This business will be developed as a distinct division within AMT, but using the same infrastructure. As with AMT's former Endoscopy division, this division has the potential of growing into a separate business when it has achieved critical mass through organic growth and/or acquisition.

The newly formed Vantage business, combining AMT Endoscopy with CMI, has operated as an independent business within DHG from the beginning of the financial year. Combined revenues for Vantage increased by 8% over the prior year, but this represented a relatively flat performance on a like-for-like basis, after taking account of CMI's pre-acquisition revenues. The prior year had seen an exceptional level of capital equipment sales which gave a very strong comparative. In addition, Vantage is seeing a trend towards usage based contracts for its endoscopes, with revenues generated on a cost per procedure ("CPP") basis, rather than as a single large capital sale combined with a smaller follow-on stream of consumable revenues. One such major contract awarded to Vantage during the year will generate nearly C$3m of CPP based revenues over a five year period, but required an up-front investment by Vantage of C$1.6m in capital equipment and contributed only C$0.5m to this year's revenues. At the end of October 2012, Vantage relocated its operations to a new 16,300 square foot facility close to the existing facility in Markham, Ontario. Investment has also been made in strengthening the management of the operational and service teams. Following a year of consolidation, Vantage is now well positioned to supply and technically support a complete range of products for the growing GI Endoscopy market.

Somagen increased revenues by 6%, with strong sales of capital equipment adding to the steady growth in the contracted supply of consumable products and service. New technologies recently introduced by each of Somagen's core suppliers has driven growth across a range of market segments, including electrophoresis, diabetes and allergy testing, cellular pathology and microbiology. Further progress has also been made in penetrating the target growth markets of assisted reproductive technology, fecal immunochemical testing (to test for colorectal cancer) and immunohistochemistry (used in cancer diagnostics).

In Australia and New Zealand, BGS increased revenues by more than 20% following its investment in direct sales staff to replace sub-distributors. There has also been a significant investment in smoke evacuation trials at hospital groups and private health companies and the emphasis now is on developing these trials into full implementation programmes. In June 2012, the acquisition was completed of 80% of DSL, which supplies in-vitro diagnostic products to hospitals and private laboratories. DSL is a close equivalent to Somagen in Canada and operates with 20 staff from a facility in Melbourne, Australia. DSL shares several common suppliers with Somagen, including a major new supplier added shortly after acquisition which will add significantly to DSL's growth potential. DSL and BGS serve different customer segments and will be managed as separate business units with their own distinct sales and marketing identities. There will however be good opportunities for efficiencies between the businesses in the areas of operations and back office functions.

Environmental
a1-envirosciences' revenues increased marginally on an underlying basis, which is on a constant currency basis and after excluding the results of the small operation in Switzerland which was sold to its management in May 2012. Continuing Eurozone uncertainty, combined with the impact from a strong Japanese Yen on imported analytical instruments, impacted sales of mid-priced analytical instruments to commercial laboratories. However, the sales of higher end analytical instruments supplied into the petrochemical industry remained robust and sales of the a1-safetech laboratory enclosures held up well. A targeted campaign to encourage customers to sign-up to annual maintenance contracts was successful and delivered strong service income growth.

CBISS experienced another strong year of trading, with revenues growing by 9%. Orders for continuous emissions monitoring systems ("CEMS") were comparable with the prior year, although sales were marginally lower, with delays partly caused by a lack of certainty in the UK Government's alternative energy policies. CBISS's success in recent years has increased the installed base of instruments which has given the opportunity to increase service revenues from both its own supplied CEMS equipment, as well as from that supplied by competitors. CBISS also has seen good growth in selling its focused range of competitively priced instruments and consumables used to detect or measure gases in factories, offices, oil and gas plants, storage facilities and ships.

SEALS

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

	2012 £m	2011 £m	
Revenue	**99.9**	80.0	*+25%*
Adjusted operating profit	**20.4**	14.9	*+37%*
Adjusted operating margin	**20.4%**	18.6%	
Free cash flow	**13.7**	6.9	*+99%*

Highlights:

- *Underlying revenue growth of 13%; particularly strong in North American Aftermarket.*
- *Acquisition of J Royal in the US and minority interest in JRPP, a related supplier in China.*
- *Investment in new modern facilities for RT Dygert and All Seals.*
- *New IT system in development at M Seals – to go live in 2013.*

The Seals sector revenues increased on a UK sterling basis by 25% to £99.9m (2011: £80.0m) which included a contribution of £9.1m from J Royal, acquired in December 2011. After adjusting for this acquisition and for modest currency translation effects, underlying sector revenues increased by 13%, reflecting particularly strong growth in the North American Aftermarket businesses. Adjusted operating profits increased by 37% to £20.4m (2011: £14.9m) with adjusted operating margins increasing to 20.4% (2011: 18.6%), driven by operational leverage from the strong increase in revenues.

Capital expenditure in the sector was £0.6m with the major elements comprising a £0.2m investment in two facility relocations, a further £0.2m in new warehouse equipment and £0.2m in upgrading the IT infrastructure. Free cash flow of £13.7m was generated in the year compared with £6.9m in 2011 and reflected the strong growth in after tax profits and tight control over working capital.

Aftermarket

Over a number of business cycles, the Aftermarket seals businesses (just under 60% of sector revenues) have demonstrated their resilience, but have also delivered strong underlying growth by taking market share. This has been achieved by maintaining high levels of customer service and product availability and continuing investment in IT systems and warehouse automation. The steady revenue growth over many years has delivered increased operational gearing with operating margins increasing substantially to the current levels, which are well in excess of 20% of revenues.

During the year, the HFPG Aftermarket businesses continued to benefit from investments made in earlier years and grew revenues by 14% in US dollar terms. In the US, against a background of robust growth in Heavy Construction and Infrastructure projects, Hercules delivered strong revenue growth of 18% and increased its market share. The increase in revenues has been driven by continuing strength in the core cylinder repair sector, growing demand for the Hercules products from larger sub-distributors and from the introduction of new seal kit products. Revenues have also benefited from further product line extension (in particular metric seals) and the continued success of the Seals-on-Demand service, offering same day service for custom machined seals. Hercules also implemented price increases in response to supplier cost increases, following a period of raw material shortages in 2011; this has now stabilised in 2012. Exports to South America and to other countries grew by 13% as Hercules continued to increase its penetration through in-country product representatives and expansion of the sub-distributor base.

Hercules Canada and Hercules Europe together increased revenues by 16%, while Bulldog revenues fell by 19% against a strong comparative in 2011. Hercules Canada had another excellent year and delivered sales growth in both the resource rich western Provinces and in the more industrial central Provinces. Hercules Europe, based in the Netherlands, continued to build its domestic business servicing local repair shops and added to its network of sub-distributors which extended its reach into mainland European countries. Bulldog has faced tougher market conditions with its traditional strong markets in the Middle East and North Africa suffering from sharply lower demand following the Arab Spring, with only Saudi Arabia continuing to purchase larger quantities of product.

HKX had another exceptional year, growing revenues by 34%. HKX's traditional customers are the North American franchised dealers of the leading excavator manufacturers. Sales of new excavators have steadily recovered since 2010 and grew again in 2012. HKX also benefited from excavator manufacturers having to focus their engineering resource on the urgent need to comply with the new Tier 4i emissions legislation. As a result, the manufacturers delivered fewer excavators with factory-fitted attachment kits to the dealers. Further progress was also made in penetrating international markets with good sales to South America and Saudi Arabia.

In the UK, FPE's revenues increased by 15% with particularly strong demand for standard seals in the first half of the year. Sales of the expanded range of cylinder parts were very positive throughout 2012 and export sales were also strong as sub-distributors in mainland Europe and Saudi Arabia continued to purchase in larger quantities.

Industrial OEMs

The Industrial OEM seal businesses now account for just over 40% of Seal sector revenues and during the year, significant investment was made in the US businesses to establish a solid foundation for future growth. RT Dygert consolidated its operations into a single modern facility in Minneapolis, while retaining a sales office in Chicago. All Seals invested in new sales resource, improved quality and purchasing processes and also moved to a new facility. Finally the acquisition of J Royal extended the geographical coverage of these businesses in the US.

The HFPG Industrial OEM businesses, after adjusting for the acquisition of J Royal, increased revenues by 9% in US dollar terms. RT Dygert and All Seals both delivered robust performances, although margins came under pressure as it proved harder to pass on product cost increases to customers. In the first half of 2012, the revenue momentum of the prior year was maintained but by the spring, manufacturing output in the US appeared to soften, before stabilising again by the year end. RT Dygert also benefited from the diversity of its customer base, with demand from OEM cylinder manufacturers increasing, as growth in its general industrial customer base slowed. Investment of £0.3m was made by RT Dygert in consolidating its Minneapolis and Chicago warehousing operations into a single, modern facility in Minneapolis, while retaining a sales office in Chicago. All Seals also continued to grow as it developed further its sales reach, upgraded its supplier base and invested in significantly improved quality control processes. In September 2012, All Seals moved into a more appropriate modern facility and is now well positioned to further build its business.

J Royal was acquired in December 2011 and delivered good sales growth in 2012 as new projects from existing customers began to come on-line. J Royal has built its business on supplying a broad range of related products to a number of key customers. This is based on the general concept that if a seal is part of an assembly, J Royal will seek to supply the metal parts as well as the rubber or plastic parts, and in some cases, deliver the whole assembly to the customer. J Royal also invested in additional resources to expand its customer base and ensure wider geographical penetration of the Eastern United States; further development plans will be rolled out in 2013. Related to this acquisition, a 10% shareholding in JRPP was acquired in April 2012. JRPP based in Kunshan, near Shanghai in China, is a key supplier to J Royal and manufactures a range of metal and glass components and assemblies that complement J Royal's traditional rubber and plastic sealing range.

With the investment this year in new facilities and strengthened management resources and with clear regional sales territories now agreed, these three Industrial OEM businesses in the US will now focus on delivering growth in the new financial year. The businesses will be managed independently by their management teams, but they will continue to look for synergies by cross-selling (taking advantage of different product and end-user specialisations) and through coordinated purchasing.

In Europe, M Seals increased revenues by 14% as sales in Sweden moved strongly ahead throughout the period due to a combination of new business and the general strength of the Swedish economy. In China, the wholly owned foreign entity established in 2011 to serve the developing Chinese wind power market, delivered a robust first year. Revenues in Denmark saw some strength in the first half of the year, before its traditional industrial customer base became more cautious in the second half of the year.

CONTROLS

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

	2012 £m	2011 £m	
Revenue	**81.9**	76.2	*+7%*
Adjusted operating profit	**14.4**	13.2	*+9%*
Adjusted operating margin	**17.6%**	17.3%	
Free cash flow	**10.0**	9.8	*+2%*

Highlights:

- *Underlying revenue growth of 2% driven by Aerospace & Defence, Motorsport, Energy and Industrial sectors; reduced activity in Continental Europe and Food & Beverage.*
- *Acquisition of Amfast extends Motorsport fastener business into Aerospace.*
- *Acquisition of Abbeychart extends involvement in Food & Beverage sector.*
- *New Swindon facility will be central management and operational hub for IS-Group business in the UK.*

The Controls businesses increased revenues in 2012 by 7% to £81.9m (2011: £76.2m) on a UK sterling basis. After adjusting for currency effects and for the acquisitions of Amfast and Abbeychart, underlying growth was 2%. Adjusted operating profits increased by 9% to £14.4m (2011: £13.2m), with adjusted operating margins remaining stable at 17.6% (2011: 17.3%).

Capital expenditure in the sector was £0.6m, the largest part being £0.4m of initial investment in the new IS-Rayfast facility. The move to a new, modern facility close to the existing location in Swindon was successfully completed in early November 2012. This facility will accommodate the core IS-Rayfast business and will also act as the central management and operational hub for the IS-Group businesses in the UK. Free cash flow of £10.0m (2011: £9.8m) remained broadly unchanged, with the increase in after tax cash flow being invested in the new facility.

The IS Group and Filcon businesses supply specialised, high performance products which are used in technically demanding applications, often in harsh environments. The principal markets served are Aerospace & Defence, Motorsport, Energy, Medical and Industrial. Revenues increased by 7% in UK sterling terms; underlying revenues increased by 6% after adjusting for currency effects and the acquisition of Amfast.

Aerospace, Defence & Motorsport

In the UK, the IS-Group's revenues from the Aerospace & Defence sector were up 10% on the prior year, boosted by the introduction of new products, with specialist relays leading the way. Defence sales recovered to 2010 levels through continued supply to a wide range of customers that build or repair ground vehicles, large field guns and military systems; the military marine sector also benefited from the sale of cables for submarine communications antennae. Commercial Aerospace sales in the UK were positive and were boosted by the acquisition in May 2012 of Amfast, a specialist distributor of fasteners primarily used in aircraft seating, galleys and other interior systems. Amfast shares a number of suppliers with Clarendon, which supplies similar fastener products into Motorsport applications. Clarendon and Amfast will be managed together by a single management team and plans will be developed this year to integrate operational and back office functions. Amfast has performed well since acquisition.

In Germany, Sommer's sales to the Defence sector were also ahead of the prior year and Aerospace sales held up reasonably well, with good demand from the satellite sector. Filcon's sales were comparable to the prior year, even though spending on some Defence equipment supply programmes has been delayed and demand from the Eurofighter programme continued to weaken, as expected. Filcon's resilient performance was achieved by supplying across a range of individual helicopter, tank, missile, radio and engine projects.

In the Motorsport sector in the UK and the US, the IS Group had another exceptionally strong year with revenues up over 20%, partly reflecting increased sales to the two key US racing series, IndyCar and Nascar, where changes were made to the chassis and engine technology. Revenues also benefited from continued growth of fastener sales to F1 teams based in mainland Europe. In Germany, Filcon had another good year supplying its specialised connectors to the Motorsport sector, where the buoyant F1, DTM and Le Mans racing series ensured strong revenues throughout the year. Sommer's revenues also moved ahead in Motorsport as the key players invested in new engines and cars.

Energy and Industrial

The Energy sector delivered revenue growth of 10% over the prior year. In the UK, a slowdown in sales to portable generator manufacturers was more than offset by strong demand for sub-sea cables from oil and gas service providers. The demand for Cabletec's cables, power shunts and components for batteries used in Uninterruptible Power Supply ("UPS") applications was also positive. In early November 2012, after the year end, Sommer completed the acquisition of the assets and goodwill of Rayquick, a small distributor of specialist wiring components supplied to the electricity distribution sector in Germany. Sommer will integrate this business within its main operations in Stuttgart.

The Industrial sector delivered revenue growth of 1% over the prior year. In the UK, revenue growth was strong as additional value added services were taken up by key customers; there was also positive demand across multiple sub-sectors including rail, specialist automotive, leisure marine, mining equipment and lighting. However, in Germany, revenues to the Industrial segment were negatively affected by a slowing in the pace of project enquires, reflecting a general softening in business confidence across the broad commercial electronics and industrial customer base.

Food & Beverage

The Hawco Group, comprising Hawco and the recently acquired Abbeychart, supplies products principally to the Food & Beverage industry (including equipment and components supplied to major food retailers) and this sector accounts for ca. 70% of Hawco Group revenues. The balance of revenues comes from a range of specialised temperature and pressure control applications in the Industrial sector.

Hawco's sales fell by 9% against a strong prior year comparative, as the major food retailers reduced the number of larger store openings in favour of the local convenience store model. However, the energy efficiency product package supplied by Hawco remains the solution of choice to many of the main food retailers and during the year the company introduced a low profile, high efficiency condenser pack for convenience stores. The maintenance and repair of existing products was a major focus in 2012 and Hawco enjoyed good growth from the supply of components through its 'quick-pick service' offering.

The acquisition of Abbeychart in March 2012 extended the Hawco Group into other segments of the Food & Beverage market, including hot drinks and vending machines, pure water and cooling systems, soft drinks dispensing and catering equipment. Abbeychart's broad range of specialised components are used by both the original equipment manufacturers and by contractors and operators for the subsequent repair and maintenance of the equipment. Since acquisition, Abbeychart has performed well against expectations and there are already significant cross selling opportunities within the extended Hawco Group to supply a fuller range of products to both equipment manufacturers and service organisations in the UK, Europe and the US.

Summary and Outlook

The Group's resilient business model, supplying essential products and solutions to specialised market segments, supports steady organic growth in revenues and sustainable attractive margins. With a good geographic and end-use spread of activities, agile and responsive management and a strong balance sheet, the Group is well placed to withstand the effects of the general economic uncertainty. This has been demonstrated over the last five year business cycle with a resilient performance during the downturn, followed by strong growth in the recent period of slow recovery.

The investments made during the past financial year, along with the new investment programme in the years ahead, are key to the Acquire, Build, Grow strategy in our major businesses. These investments are designed to provide the solid foundation for the growth of the Group over the next five year period.

FINANCE REVIEW

Good Progress in 2012

Diploma made further good progress in this financial year achieving record levels of operating margin, free cash flow and return on trading capital employed. The Group also spent £22.3m on acquiring good quality businesses to further broaden its product and geographic reach. Revenue increased by 13% to £260.2m (2011: £230.6m) and adjusted operating profit, which is before acquisition related charges, increased by 17% to £52.8m (2011: £45.2m). The adjusted operating margin increased to 20.3% (2011: 19.6%) benefiting from the high degree of operational leverage from the strong increase in revenues in the Group's North American Seals businesses. On an underlying basis, revenues and adjusted operating profits increased by 6% and 11%, respectively; this is after adjusting for the contribution from acquired businesses, the disposal of its controlling interest in the small Swiss Environmental business and for changes in overseas exchange rates.

The underlying growth rate in Group revenues trended down to 4% in the second half of the year, after the stronger 8% growth in the first half, reflecting a slowdown in the Group's principal markets. As anticipated, the second half of the year also saw a reduction in adjusted operating margins to 19.8%, compared to the record level of 20.8% reported in the first half, following the commencement of the investment programme, described below.

The contribution to revenues and adjusted operating profits from acquired business, which includes the incremental impact of the CMI business acquired in December 2010 and is before allocation of Head Office costs, was £18.4m and £2.7m, respectively. In May 2012, the Group disposed of the small Environmental business, located in Switzerland, to management for negligible consideration. The incremental reduction in underlying revenue and adjusted operating profit from this disposal was £1.9m and £0.4m, respectively.

There was a small net impact on the Group's results this year from the translation of the results of the overseas businesses to UK sterling. Group revenues were reduced by £0.7m, but there was no impact on adjusted operating profit in 2012. The weaker Euro more than offset the impact of a slightly stronger US dollar, while the Canadian dollar exchange rates remained unchanged from last year. On a transaction basis, there was a gain to gross margin of £0.5m which arose in the DHG businesses from the impact of their US dollar and Euro hedging programmes. There was a negligible impact on the rest of the Group on a transaction basis from the movement in exchange rates.

Investing for the Future

As indicated last year, the Board has approved a programme of investment of ca. £6m across the Group to secure a platform to sustain the strong growth in earnings for the next five years. This investment programme comprises the following initiatives:

	Cash investment			
Financial year	**2012**	**2013**	**2014**	**Total**
	£m	**£m**	**£m**	**£m**
Office & warehouse facilities	1.5	1.6	-	**3.1**
IT infrastructure upgrades	0.2	0.9	0.8	**1.9**
	1.7	2.5	0.8	**5.0**
Additional management resources	0.4	0.9	**1.0**	
Estimate of impact on adjusted operating profit	1.0	1.5	1.7	

Good progress has been made in 2012 with four facility moves being completed by early November 2012 and three major IT ERP upgrades having commenced before the end of this financial year. Investment in recruiting additional management resources has also been substantially completed.

With this new investment the Group will be well placed to take advantage of opportunities which will arise as the global economy begins to recover. However, as indicated at the Half Year, the scale of this investment is likely to lead to average operating margins reducing by 50–100bps over the next 2–3 years, at the current level of activity.

Increase in Adjusted Operating Profit, Earnings per Share and Dividends

Adjusted profit before tax increased by 17% to £52.6m (2011: £44.9m), after net interest expense of £0.2m (2011: £0.3m). IFRS profit before tax, which is after acquisition related charges of £6.4m (2011: £4.8m) and fair value remeasurements of £0.2m (2011: £0.9m), was £46.0m (2011: £39.2m).

The Group's adjusted effective accounting tax charge remained unchanged at 28.7% (2011: 28.7%) of adjusted profit before tax which was slightly higher than the cash tax rate of 26.0%. This year's effective rate benefited from a reduction in statutory corporation tax rates in the UK to 25% (2011: 27%), although this was largely offset by the higher proportion of profits contributed by HFPG in the US, where the effective tax rate is ca. 38%.

Adjusted earnings per share increased by 19% to 33.1p, compared with 27.9p last year, with the benefit of buying out certain minorities in FY2011 continuing to have a small impact on adjusted earnings per share. IFRS basic earnings per share increased to 27.9p (2011: 24.0p).

The Board's policy on dividends is to pursue a progressive dividend, while targeting dividend cover (the ratio of Adjusted EPS to total dividends paid and proposed for the year) towards 2.0 times.

Following this policy and recognising the continuing strength of the Group balance sheet and strong free cash flow, the Directors have recommended an increase in the final dividend to 10.2p per share; this gives a total dividend per share for the year of 14.4p per share which represents a 20% increase on the prior year. The dividend cover remains unchanged at 2.3 times.

Strong Free Cash Flow

The Group again generated excellent free cash flow of £32.7m in 2012 (2011: £25.0m) representing 87% of Adjusted profit after tax (2011: 78%); free cash flow is before expenditure on acquisitions or returns to shareholders.

Operating cash flow increased to £50.2m (2011: £40.3m) after investing £5.2m (2011: £7.4m) in working capital which, at 30 September 2012, was broadly stable at 16.5% (2011: 16.1%) of annual revenues, adjusted for the timing of acquisitions. The increase in working capital principally comprised an increase in inventories in the Seals businesses. Group tax payments increased to £13.7m (2011: £12.4m) and benefited favourably from quarterly tax payments in certain businesses being deferred into next year. Capital expenditure increased to £3.5m (2011: £1.7m) because of capital investment of £1.1m in the new office/warehouse facilities, described above, as well as higher funding of field equipment in the Healthcare businesses. The Healthcare businesses in Canada and Australia spent £1.6m (2011: £0.8m) on acquiring field equipment in support of their customer contracts with hospitals; this included £1.0m on funding endoscopes for cost per procedure ("CPP") contracts in Vantage. The remaining capital expenditure of £0.8m was spent on warehouse and testing equipment in the Seals businesses and on general upgrades to the IT infrastructure across the Group.

The rate of capital expenditure is currently running well ahead of depreciation of £2.1m (2011: £2.1m) and this trend is likely to continue over the next two years as the Group completes its current investment programme, described above.

The Group spent £22.3m (2011: £28.2m) of the free cash flow on acquiring new businesses, including deferred consideration of £0.8m (2011: £0.9m), and £14.3m (2011: £14.8m) on paying dividends to both Company and minority shareholders.

Accelerating Growth through Acquisitions

The Group spent £21.5m of cash (2011: £27.3m) on the acquisition of new businesses during the year, the largest of which was the acquisition in December 2011 of J Royal, a supplier of seals to Industrial OEMs, for £12.0m; related to this acquisition the Group also purchased a 10% interest in JRPP, a Chinese manufacturer and key supplier to J Royal, for £0.7m. The 10% shareholding in JRPP is being held as a long term investment as the Group plays no part in the day-to-day operations of this business.

In the middle of the year, the Group also acquired two smaller businesses, Abbeychart and Amfast, for an aggregate cash cost of £5.9m. Each of these acquisitions provide valuable product extension opportunities to existing businesses in the Controls sector. In June 2012, £2.9m was spent on acquiring an 80% shareholding in DSL; this business, which is in the Life Sciences sector, carries out similar activities to Somagen, but is based in Australia and as such represents a small, but important extension to DHG's activities.

These acquisitions, which were completed at EBIT multiples ranging from 5–7 times, have contributed in aggregate £2.3m of adjusted operating profit (before allocation of Head Office costs) and £16.2m of revenues to the current year's results.

Acquisition intangible assets of £11.0m were recognised on completion of these acquisitions, as well as goodwill of £5.6m. Total acquisition intangible assets of £32.2m (2011: £27.3m) are being amortised over periods ranging from 5-15 years and the charge against profit in FY2012 of £6.4m (2011: £4.8m) includes acquisition expenses of £0.6m (2011: £0.3m). The goodwill of £5.6m recognised this year on these acquisitions, represented the value paid for the prospects for sales growth in the future (from both new customers and new products) and operating cost synergies. At 30 September 2012, the value of goodwill in the Group balance sheet, which is not amortised, was £79.8m (2011: £74.4m). During the year £13.1m of goodwill previously recognised in respect of the acquisition of minority interests in AMT, was transferred to shareholders' equity.

Shortly after the year end, the Group also acquired the goodwill and assets of Rayquick, a small business in Germany, for a maximum consideration of £1.3m. This acquisition will broaden the products provided by the Controls businesses to their customers in the Energy sector.

Liabilities to Minority Shareholders

At 30 September 2012, the Group held a liability of £3.2m (2011: £2.0m) to purchase the outstanding minority shareholdings in M Seals, BGS, DSL and HPS (which is a small subsidiary of the RT Dygert seals business). These liabilities arise under put and call option contracts entered into at the time of acquisition and are based on the Directors' estimate of the Earnings Before Interest and Tax ("EBIT") of these businesses when these options crystallise. This liability was reassessed at 30 September 2012 and this led to a financial charge of £0.2m (2011: £0.9m) being made in the consolidated Income Statement.

The options to acquire the outstanding minorities in these companies, with the exception of the 20% minority interest acquired in DSL this year, are exercisable over the next twelve months and account for £2.2m of the liability at 30 September 2012.

In addition to this liability to minority shareholders, the Group also has a liability at 30 September 2012 to pay deferred consideration of up to £0.6m (2011: £1.1m) to the vendors of recently acquired businesses, which will be paid during the next 12 months. During the year, deferred consideration of £0.8m was paid to the vendors of CMI, a Canadian Healthcare business acquired last year.

Record Return on Trading Capital and Strong Balance Sheet
The Group achieved a record return on trading capital employed ("ROTCE") of 26.6% in 2012 (2011: 25.4%). ROTCE is a pre-tax measure and includes all gross historical goodwill and gross intangible assets and represents an indication of the profitability of the Group. This improved return arose from a combination of the growth in profits and from strong management of working capital across the businesses. In absolute terms, trading capital employed ("TCE"), which represents the amount of operational assets held by the businesses, increased by £19.2m to £159.4m (2011: £140.2m). The majority of this increase arose from the acquisition of goodwill and intangible assets, with the balance being contributed by investment in working capital to meet current trading activity.

The Group also continues to maintain a strong Balance Sheet, which at 30 September 2012 had net cash funds of £7.9m, comprising £11.4m of cash balances, offset by £3.5m of borrowings.

The Group has a £20m revolving credit facility which is generally utilised to provide short term funding of acquisitions. During the year, up to £15.0m was drawn down for this purpose of which £11.5m had been repaid from trading cash flow by 30 September 2012. Surplus cash funds are generally repatriated to the UK, unless they are required locally to meet certain commitments, including acquisitions.

The Group's bank facility of £20m can, subject to market pricing, be extended to £40m at the option of the Company. The Group will be renegotiating the bank facility again, early in 2013, prior to expiration of the facility in November 2013.

Employee Pension Obligations
Pension benefits to existing employees, both in the UK and Overseas, are provided through defined contribution schemes at an aggregate cost in 2012 of £1.1m (2011: £0.8m).

The Group also maintains a legacy defined benefit pension scheme in the UK which has been closed to new entrants and further accruals for many years. The Group continues to make regular annual cash contributions to the scheme at a rate of £0.3m, as agreed with the scheme actuary, with the objective of eliminating the funding deficit of £2.7m (as at the last formal actuarial valuation) over ten years. The next formal actuarial valuation of the scheme is due as at 30 September 2013 at which time it is likely, given current market factors, that the funding deficit will have increased substantially. This increase in deficit is likely to lead to a requirement to increase the Group's cash contribution to the scheme.

On an accounting basis, the deficit in this defined benefit pension scheme remained unchanged at £5.4m, before the related deferred tax asset. Scheme assets increased sufficiently to offset the increase in pension liabilities which also increased, principally because of a further reduction in the market discount rate. There have been no other material changes in underlying valuation assumptions.

Measuring Financial Performance
The Group continues to use a number of specific measures to assess the performance of the Group and these are referred to throughout this Preliminary Announcement in the discussion of the performance of the businesses. These measures are not defined in IFRS, but are used by the Board to assess the underlying operational performance of the Group and its businesses. As such the Board believes these performance measures are important and should be considered alongside the IFRS measures. The alternative performance measures, which have been used in this Preliminary Announcement, are described in note 2 to the consolidated financial statements.

Reported performance takes into account all the factors (including those which the Group cannot influence, principally currency exchange rates) that have affected the results of the Group's business and which are reflected in the consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union.

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

PRINCIPAL RISKS AND UNCERTAINTIES

Risk Management Process

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

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

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

The principal risks and uncertainties which are currently judged to have the largest potential impact on the Group's long-term performance are set out below.

Risk: Strategic

Downturn in major markets

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

A number of characteristics of the Group's businesses moderate the impact of economic and business cycles on the Group as a whole:

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

Mitigation

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

Loss of key supplier(s)

For manufacturer-branded products, there are risks to the business if a major supplier decides to cancel the distribution agreement or if the supplier is acquired by a company which has its own distribution channels in the relevant market. There is also the risk of a supplier taking away exclusivity and either setting up direct operations or appointing another distributor.

In times of rapid economic expansion in activity, such as after a global recession, there is also a risk that the lead times to supply key product can become very long.

Currently, no single supplier represents more than 15% of Group revenue and only five single suppliers represent more than 2% each of Group revenue.

Relationships with suppliers have normally been built up over many years and a strong degree of interdependence has been established. The average length of the principal supplier relationships in each of the sectors is over ten years. The strength of the relationship with each supplier and the volume of activity generally ensures continuity of supply, when there is shortage of product.

Mitigation

Actions to mitigate the risks include:

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

Loss of major customer(s)

The loss of one or more major customers can be a material risk.

The nature of the Group's businesses is such that there is not a high level of dependence on any individual customers and no single customer represents more than 5% of sector revenue or more than 2% of Group revenue.

Mitigation

Specific large customers are important to individual operating businesses and a high level of effort is invested in ensuring that these customers are retained and encouraged not to switch to another supplier.

In addition to providing high levels of customer service, close integration is established where possible with customers' systems and processes.

Product liability

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

However, if a legal claim is made it will typically draw in our business as a party to the claim and the business may be exposed to legal costs and potential damages if the claim succeeds and the supplier fails to meet its liabilities for whatever reason. Product liability insurance can be limited in terms of its scope of insurable events, such as product recall.

Mitigation

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

Loss of key personnel

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

The average age of our senior managers making up the self-standing management teams in the operating businesses is 44 with an average length of service of eleven years. The average length of service for all personnel in the Group is over five years.

Mitigation

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

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

Risk: Operational

Major damage to premises

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

However, the Group has not suffered any major damage to premises in recent years and in Clearwater, Florida there has been no significant hurricane activity for at least the last four years.

Mitigation

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

- Backup power generators.
- Materials on hand to secure the facility.
- Communications rerouted to other branches or interim locations.
- IT recovery plan using backup server in separate location.
- Regular building inspection and weather monitoring.
- Plans to drop-ship product from suppliers direct to customers.

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

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

Loss of Information Technology ("IT") systems

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

Mitigation

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

- Full data backups as a matter of routine are automatically taken on a regular basis each week and stored online.
- Backup servers identified and communication reroute options identified.
- Service contracts with IT providers with access to replacement servers.
- Uninterruptible power sources and backup generators where required.
- Virus checkers and firewalls.

Risk: Financial and Accounting

The principal financial risk to which the Group is exposed through its activities is foreign currency risk. The Group's overall management of the foreign currency risks is carried out by a central treasury team under policies and procedures which are reviewed and approved by the Board. The treasury team identifies, evaluates and where appropriate, hedges financial risks in close co-operation with the Group's operating businesses. The treasury team does not undertake speculative foreign exchange dealings for which there is no underlying exposure.

The principal accounting risk is that of stock obsolescence which is managed by the operating businesses.

Foreign currency risk – Translational exposure

Foreign currency risk is the risk that changes in currency rates will affect the Group's results. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, the Euro, the Canadian dollar and the Australian dollar. The net assets of the Group's operations outside the UK are also exposed to foreign currency translation risk.

During the year ended 30 September 2012, ca. 75% of the Group's revenue and adjusted operating profits were earned in currencies other than UK sterling. In comparison to the prior year, the net effect of currency translation was to reduce revenue by £0.7m, but with only a negligible impact on adjusted operating profit. It is estimated that a strengthening of UK sterling by 10% against all the currencies in which the Group does business, would reduce adjusted operating profit before tax by approximately £4.0m (8%), due to currency translation.

Currency exposures also arise from the net assets of the Group's foreign operations. At 30 September 2012, the Group's non-UK sterling trading capital employed in overseas businesses was £131.9m (2011: £118.2m), which represented 83% of the Group's trading capital employed. It is estimated that a strengthening of UK sterling of 10% against all the non-UK sterling capital employed would reduce shareholders' funds by £12.2m.

Details of average exchange rates used in the translation of overseas earnings and of year end exchange rates, used in the translation of overseas balance sheets, for the principal currencies used by the Group, are shown in note 15 to the consolidated financial statements.

Mitigation

The Group does not hedge translational exposure.

Foreign currency – Transactional exposure

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

Mitigation

The Group's businesses may hedge up to 80% of forecast (being a maximum of eighteen months) foreign currency exposures using forward foreign exchange contracts. The Group classifies its forward foreign exchange contracts, which hedge forecasted transactions, as cash flow hedges and states them at fair value.

Inventory obsolescence

Working capital management is critical to success in specialised industrial businesses as this has a major impact on cash flow. The principal risk to working capital, is in inventory obsolescence and write-off. The charge against operating profit in respect of old or surplus inventory is generally ca. £0.5m pa, but inventories are generally not subject to technological obsolescence.

Mitigation

Inventory write-offs are controlled and minimised by active management of inventory levels based on sales forecasts and regular cycle counts. Where necessary, a provision is made to cover both excess inventory and potential obsolescence.

RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE ANNUAL REPORT 2012

The responsibility statement below has been prepared in connection with the Company's full Annual Report & Accounts for the year ended 30 September 2012. Certain parts thereof are not included within this Preliminary Announcement.

The Directors confirm that to the best of their knowledge:

- the Group consolidated financial statements, prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group and the undertakings included in the consolidation taken as a whole; and

- the Preliminary Announcement includes a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties faced by the Group.

The Directors of Diploma PLC and their respective responsibilities are listed in the Annual Report & Accounts for 2011. With the exception of the appointment of Marie-Louise Clayton as a non-Executive Director on 13 November 2012, there have been no changes in the year.

This responsibility statement was approved by the Board of Directors on 19 November 2012 and is signed on its behalf by:

BM Thompson
Chief Executive Officer

NP Lingwood
Group Finance Director

CONSOLIDATED INCOME STATEMENT
for the year ended 30 September 2012

	Note	2012 £m	2011 £m
REVENUE	3,4	**260.2**	230.6
Cost of sales		**(161.0)**	(142.7)
Gross profit		**99.2**	87.9
Distribution costs		**(5.4)**	(5.5)
Administration costs		**(47.4)**	(42.0)
OPERATING PROFIT	3	**46.4**	40.4
Financial expense, net	5	**(0.4)**	(1.2)
PROFIT BEFORE TAX		**46.0**	39.2
Tax expense	6	**(14.4)**	(11.6)
PROFIT FOR THE YEAR		**31.6**	27.6
Attributable to:			
Shareholders of the Company		**31.3**	27.0
Minority interests		**0.3**	0.6
		31.6	27.6
EARNINGS PER SHARE			
Basic and diluted earnings	7	**27.9p**	24.0p

Alternative Performance Measures (note 2)	Note	2012 £m	2011 £m
Operating profit		**46.4**	40.4
Add: Acquisition related charges		**6.4**	4.8
Adjusted operating profit	3,4	**52.8**	45.2
Deduct: Net interest expense	5	**(0.2)**	(0.3)
Adjusted profit before tax		**52.6**	44.9
Adjusted earnings per share	7	**33.1p**	27.9p

CONSOLIDATED STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME for the year ended 30 September 2012

	2012 £m	2011 (Restated) £m
Profit for the year	**31.6**	27.6
Exchange rate adjustments on foreign currency net investments	**(2.1)**	0.3
(Losses)/gains on fair value of cash flow hedges	**(0.4)**	0.6
Net changes to fair value of cash flow hedges transferred to consolidated Income Statement	**(0.5)**	0.6
Actuarial losses on defined benefit pension schemes	**(0.4)**	(0.6)
Deferred tax on items recognised in other comprehensive income	**0.3**	0.3
Other comprehensive (loss) / income for the year	**(3.1)**	1.2
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**28.5**	28.8
Attributable to:		
Shareholders of the Company	**28.2**	28.2
Minority interests	**0.3**	0.6
	28.5	28.8

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the year ended 30 September 2012

	Note	Share capital £m	Translation reserve (Restated) £m	Hedging reserve £m	Retained earnings (Restated) £m	Shareholders' equity (Restated) £m	Minority interests £m	Total Equity (Restated) £m
At 1 October 2010		5.7	20.6	(0.1)	109.9	136.1	3.1	139.2
Total comprehensive income		-	0.3	1.2	26.7	28.2	0.6	28.8
Share-based payments		-	-	-	0.7	0.7	-	0.7
Minority interests acquired		-	-	-	-	-	0.7	0.7
Release of minority interest put options	12	-	-	-	12.1	12.1	-	12.1
Purchase of own shares		-	-	-	(1.6)	(1.6)	-	(1.6)
Dividends	14	-	-	-	(10.9)	(10.9)	(3.9)	(14.8)
At 30 September 2011		5.7	20.9	1.1	136.9	164.6	0.5	165.1
Goodwill on purchase of minority interests	1	-	(0.1)	-	(13.1)	(13.2)	-	(13.2)
At 30 September 2011 – Restated		5.7	20.8	1.1	123.8	151.4	0.5	151.9
Total comprehensive income		-	(2.1)	(0.9)	31.2	28.2	0.3	28.5
Share-based payments		-	-	-	0.8	0.8	-	0.8
Acquisition of subsidiary	13	-	-	-	-	-	0.7	0.7
Deferred tax on items recognised directly in equity		-	-	-	0.6	0.6	-	0.6
Recognition of minority interest put options	12	-	-	-	(1.0)	(1.0)	-	(1.0)
Dividends	14	-	-	-	(14.2)	(14.2)	(0.1)	(14.3)
At 30 September 2012		**5.7**	**18.7**	**0.2**	**141.2**	**165.8**	**1.4**	**167.2**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 September 2012

	Note	2012 £m	2011 (Restated) £m
NON-CURRENT ASSETS			
Goodwill	10	**79.8**	74.4
Acquisition intangible assets		**32.2**	27.3
Other intangible assets		**0.7**	0.7
Investment	11	**0.7**	-
Property, plant and equipment		**12.3**	10.7
Deferred tax assets		**2.9**	2.8
		128.6	115.9
CURRENT ASSETS			
Inventories		**45.8**	38.4
Trade and other receivables		**40.6**	36.3
Cash and cash equivalents	9	**11.4**	17.8
		97.8	92.5
CURRENT LIABILITIES			
Trade and other payables		**(38.5)**	(35.2)
Current tax liabilities		**(3.5)**	(2.4)
Other liabilities	12	**(2.8)**	(0.8)
Borrowings	9	**(3.5)**	(5.6)
		(48.3)	(44.0)
NET CURRENT ASSETS		**49.5**	48.5
TOTAL ASSETS LESS CURRENT LIABILITIES		**178.1**	164.4
NON-CURRENT LIABILITIES			
Retirement benefit obligations		**(5.4)**	(5.4)
Other liabilities	12	**(1.0)**	(2.3)
Deferred tax liabilities		**(4.5)**	(4.8)
NET ASSETS		**167.2**	151.9
EQUITY			
Share capital		**5.7**	5.7
Translation reserve		**18.7**	20.8
Hedging reserve		**0.2**	1.1
Retained earnings		**141.2**	123.8
TOTAL SHAREHOLDERS' EQUITY		**165.8**	151.4
Minority interests		**1.4**	0.5
TOTAL EQUITY		**167.2**	151.9

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 30 September 2012

	Note	2012 £m	2011 £m
CASH FLOW FROM OPERATING ACTIVITIES			
Cash flow from operations	8	**50.2**	40.3
Interest paid, net		**(0.3)**	(0.5)
Tax paid		**(13.7)**	(12.4)
NET CASH FROM OPERATING ACTIVITIES		**36.2**	27.4
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries (net of cash acquired)	13	**(20.8)**	(14.8)
Acquisition of investment	11	**(0.7)**	-
Disposal of subsidiaries (net of cash disposed)	13	**-**	0.9
Deferred consideration paid	12	**(0.8)**	(0.9)
Purchase of property, plant and equipment		**(3.3)**	(1.3)
Purchase of other intangible assets		**(0.2)**	(0.4)
NET CASH USED IN INVESTING ACTIVITIES		**(25.8)**	(16.5)
CASH FLOW FROM FINANCING ACTIVITIES			
Acquisition of minority interests		**-**	(12.5)
Dividends paid to shareholders	14	**(14.2)**	(10.9)
Dividends paid to minority interests		**(0.1)**	(3.9)
Purchase of own shares		**-**	(1.6)
(Repayments)/proceeds from borrowings	9	**(2.2)**	5.4
NET CASH USED IN FINANCING ACTIVITIES		**(16.5)**	(23.5)
Net decrease in cash and cash equivalents		**(6.1)**	(12.6)
Cash and cash equivalents at beginning of year		**17.8**	30.1
Effect of exchange rates on cash and cash equivalents		**(0.3)**	0.3
CASH AND CASH EQUIVALENTS AT END OF YEAR	9	**11.4**	17.8

Alternative Performance Measures (note 2)		**2012 £m**	**2011 £m**
Net decrease in cash and cash equivalents		**(6.1)**	(12.6)
Add/	Dividends paid to shareholders	**14.2**	10.9
(deduct):	Dividends paid to minority interests	**0.1**	3.9
	Acquisition of subsidiaries/minority interests/investments	**21.5**	27.3
	Deferred consideration paid	**0.8**	0.9
	Repayments/(proceeds) from borrowings	**2.2**	(5.4)
FREE CASH FLOW		**32.7**	25.0
Cash and cash equivalents		**11.4**	17.8
Borrowings		**(3.5)**	(5.6)
NET FUNDS		**7.9**	12.2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 September 2012

1. GENERAL INFORMATION

Diploma PLC is a public limited company registered and domiciled in England and Wales and listed on the London Stock Exchange. The address of the registered office is 12 Charterhouse Square, London, EC1M 6AX. The consolidated financial statements comprise the Company and its subsidiaries (together referred to as the "Group") and were authorised by the Directors for publication on 19 November 2012. The statements are presented in UK sterling, with all values rounded to the nearest one hundred thousand, except where otherwise indicated.

The consolidated financial statements, which have been prepared on a going concern basis, have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union, and in accordance with the Companies Act 2006, as applicable to companies reporting under IFRS. The accounting policies have been consistently applied in 2012 and the comparative period. There has been no material impact on the Group's consolidated financial statements in 2012 from the issue of IFRS or interpretations to existing Standards during the year.

In the year ended 30 September 2011, the Group acquired the outstanding 25% minority interest in AMT Vantage Group Inc and accounted for the difference of £13.1m between the cash paid of £12.5m and the minority interest book value as goodwill. Subsequent to the publication of the 2011 Annual Report & Accounts, it was confirmed that the difference of £13.1m should have been written off directly against total shareholders' equity in accordance with the new IAS 27 "Consolidated & Separate Financial Statements", rather than added to goodwill. The Group has therefore corrected this amount in the financial statements in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and the balances for goodwill and total shareholders' equity at 30 September 2011 have been restated accordingly.

The financial information set out in this Preliminary Announcement, which has been extracted from the audited consolidated financial statements, does not constitute the Group's statutory financial statements for the years ended 30 September 2012 and 2011. Statutory financial statements for the year ended 30 September 2011 have been delivered to the Registrar of Companies. The statutory financial statements for the year ended 30 September 2012, which were approved by the Directors on 19 November 2012, will be sent to shareholders on 3 December 2012 and delivered to the Registrar of Companies, following the Company's Annual General Meeting.

The auditor has reported on the consolidated financial statements for the years ended 30 September 2012 and 2011. The reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

The Company's Annual General Meeting will be held at 12.00 midday on 16 January 2013 in the Brewers' Hall, Aldermanbury Square, London, EC2V 7HR. The Notice of Meeting will be sent out in a separate Circular to shareholders.

2. ALTERNATIVE PERFORMANCE MEASURES

The Group uses a number of alternative (non-Generally Accepted Accounting Practice ("non-GAAP")) financial measures which are not defined within IFRS. The Directors use these measures in order to assess the underlying operational performance of the Group and as such, these measures are important and should be considered alongside the IFRS measures. The following non-GAAP measures are referred to in this Preliminary Announcement.

2.1 Adjusted operating profit

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

2.2 Adjusted profit before tax
At the foot of the consolidated income statement, "adjusted profit before tax" is separately disclosed, being defined as profit before tax and before the costs of restructuring or rationalisation of operations, the profit or loss relating to the sale of property, fair value remeasurements under IAS 39 in respect of future purchases of minority interests, and acquisition related charges. The Directors believe that adjusted profit before tax is an important measure of the underlying performance of the Group.

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

2.4 Free cash flow
At the foot of the consolidated cash flow statement, "free cash flow" is reported, being defined as net cash flow from operating activities, after net capital expenditure on fixed assets and including proceeds received from business disposals, but before expenditure on business combinations/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.

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

3. BUSINESS SEGMENT ANALYSIS

For management reporting purposes, the Group is organised into three main business segments: Life Sciences, Seals and Controls. These segments form the basis of the primary reporting format disclosures below. Segment revenue represents revenue to external customers; there is no inter-segment revenue. Segment results, assets and liabilities include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis.

Segment assets exclude cash and cash equivalents, deferred tax assets and corporate assets that cannot be allocated on a reasonable basis to a business segment. Segment liabilities exclude borrowings, retirement benefit obligations, deferred tax liabilities and corporate liabilities that cannot be allocated on a reasonable basis to a business segment. These items are shown collectively in the following analysis as "unallocated assets" and "unallocated liabilities", respectively.

	Life Sciences		Seals		Controls		Total	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Revenue								
- existing businesses	**76.4**	74.4	**90.8**	80.0	**76.8**	76.2	**244.0**	230.6
- acquisitions	**2.0**	-	**9.1**	-	**5.1**	-	**16.2**	-
Revenue	**78.4**	74.4	**99.9**	80.0	**81.9**	76.2	**260.2**	230.6
Adjusted operating profit								
- existing businesses	**17.9**	17.1	**19.1**	14.9	**13.8**	13.2	**50.8**	45.2
- acquisitions	**0.1**	-	**1.3**	-	**0.6**	-	**2.0**	-
Adjusted operating profit	**18.0**	17.1	**20.4**	14.9	**14.4**	13.2	**52.8**	45.2
Acquisition related charges	**(2.7)**	(2.7)	**(2.5)**	(1.7)	**(1.2)**	(0.4)	**(6.4)**	(4.8)
OPERATING PROFIT	**15.3**	14.4	**17.9**	13.2	**13.2**	12.8	**46.4**	40.4

3. BUSINESS SEGMENT ANALYSIS (continued)

	Life Sciences		Seals		Controls		Total	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Operating assets	**25.9**	21.8	**37.9**	33.0	**32.1**	27.8	**95.9**	82.6
Investments	**-**	-	**0.7**	-	**-**	-	**0.7**	-
Goodwill	**47.6**	45.3	**16.5**	14.2	**15.7**	14.9	**79.8**	74.4
Acquisition intangible assets	**16.4**	16.6	**13.2**	9.8	**2.6**	0.9	**32.2**	27.3
	89.9	83.7	**68.3**	57.0	**50.4**	43.6	**208.6**	184.3
Unallocated assets:								
– Deferred tax assets							**2.9**	2.8
– Cash and cash equivalents							**11.4**	17.8
– Corporate assets							**3.5**	3.5
TOTAL ASSETS							**226.4**	208.4
Operating liabilities	**(14.0)**	(11.9)	**(10.3)**	(8.9)	**(13.5)**	(13.0)	**(37.8)**	(33.8)
Unallocated liabilities:								
– Deferred tax liabilities							**(4.5)**	(4.8)
– Retirement benefit obligations							**(5.4)**	(5.4)
– Future purchases of minorities							**(3.2)**	(2.0)
– Borrowings							**(3.5)**	(5.6)
– Corporate liabilities							**(4.8)**	(4.9)
TOTAL LIABILITIES							**(59.2)**	(56.5)
NET ASSETS							**167.2**	151.9
OTHER SEGMENT INFORMATION								
Capital expenditure	**2.3**	0.8	**0.6**	0.6	**0.6**	0.3	**3.5**	1.7
Depreciation/amortisation	**1.2**	1.0	**0.6**	0.8	**0.3**	0.3	**2.1**	2.1

Alternative Performance Measures	Life Sciences		Seals		Controls		Total	
(Note 2)	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
NET ASSETS							**167.2**	151.9
Add/(less):								
– Deferred tax, net							**1.6**	2.0
– Retirement benefit obligations							**5.4**	5.4
– Future purchases of minorities							**3.2**	2.0
– Cash and cash equivalents							**(11.4)**	(17.8)
– Borrowings							**3.5**	5.6
– Adjustment to goodwill	**(7.7)**	(7.0)	**(1.2)**	(1.3)	**(1.2)**	(0.6)	**(10.1)**	(8.9)
GROUP TRADING CAPITAL EMPLOYED							**159.4**	140.2
Corporate liabilities, net							**1.3**	1.4
SEGMENT TRADING CAPITAL EMPLOYED	**68.2**	64.8	**56.8**	46.8	**35.7**	30.0	**160.7**	141.6

4. GEOGRAPHIC SEGMENT ANALYSIS BY ORIGIN

	Revenue		Adjusted operating profit		Non-current assets*		Trading capital employed		Capital expenditure	
	2012 £m	2011 £m	2012 £m	2011 £m	2012 £m	2011 £m	2012 £m	2011 £m	2012 £m	2011 £m
United Kingdom	**69.8**	61.8	**12.5**	10.9	**21.6**	18.2	**27.5**	22.0	**0.6**	0.2
Rest of Europe	**37.6**	40.8	**5.3**	5.8	**11.6**	13.5	**19.3**	19.8	**0.2**	0.3
North America	**152.8**	128.0	**35.0**	28.5	**91.8**	81.4	**112.6**	98.4	**2.7**	1.2
	260.2	230.6	**52.8**	45.2	**125.0**	113.1	**159.4**	140.2	**3.5**	1.7

*Non-current assets exclude investment and deferred tax

5. FINANCIAL EXPENSE, NET

	2012 £m	2011 £m
Interest and similar income		
- interest receivable on short term deposits	**0.1**	0.1
- net finance income from defined benefit pension scheme	**0.1**	0.2
	0.2	0.3
Interest expense and similar charges		
- bank commitment and facility fees	**(0.1)**	(0.3)
- interest payable on bank borrowings	**(0.3)**	(0.3)
	(0.4)	(0.6)
Net interest expense	**(0.2)**	(0.3)
- fair value remeasurement of put options (note 12)	**(0.2)**	(0.9)
FINANCIAL EXPENSE, NET	**(0.4)**	(1.2)

The fair value remeasurement of £0.2m (2011: £0.9m) includes £0.1m (2011: £0.1m) which relates to the unwinding of the discount on the liability for future purchases of minority interests.

6. TAX EXPENSE

	2012 £m	2011 £m
Current tax		
The tax charge is based on the profit for the year and comprises:		
- UK corporation tax	**3.3**	3.1
- Overseas tax	**11.8**	9.7
	15.1	12.8
Adjustments in respect of prior year:		
- Overseas tax	**(0.1)**	-
Total current tax	**15.0**	12.8
Deferred tax		
The deferred tax credit based on the origination and reversal of timing differences comprises:		
- United Kingdom	**(0.1)**	(0.2)
- Overseas	**(0.5)**	(1.0)
Total deferred tax	**(0.6)**	(1.2)
TOTAL TAX ON PROFIT FOR THE YEAR	**14.4**	11.6

The Group earns its profits in the UK and Overseas. The UK corporation tax rate reduced from 26% to 24% on 31 March 2012; however as the Group prepares its financial statements for the year to 30 September, the effective tax rate for UK corporation tax in respect of the year ended 30 September 2012 was 25% (2011: 27%). The Group's overseas tax rate is higher than that in the UK, primarily because the profits earned in the USA are taxed at rates of ca. 38%.

7. EARNINGS PER SHARE

Basic and diluted earnings per share

Basic and diluted earnings per ordinary 5p share are calculated on the basis of the weighted average number of ordinary shares in issue during the year of 112,373,327 (2011: 112,423,842) and the profit for the year attributable to shareholders of £31.3m (2011: £27.0m). There were no potentially dilutive shares.

Adjusted earnings per share

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

	2012 pence per share	2011 pence per share	2012 £m	2011 £m
Profit before tax			**46.0**	39.2
Tax expense			**(14.4)**	(11.6)
Minority interests			**(0.3)**	(0.6)
Earnings for the year attributable to shareholders of the Company	**27.9**	24.0	**31.3**	27.0
Acquisition related charges	**5.6**	4.3	**6.4**	4.8
Fair value remeasurement of put options	**0.2**	0.8	**0.2**	0.9
Tax effects on goodwill, acquisition intangible assets and fair value remeasurements	**(0.6)**	(1.2)	**(0.7)**	(1.3)
ADJUSTED EARNINGS	**33.1**	27.9	**37.2**	31.4

8. RECONCILIATION OF CASH FLOW FROM OPERATING ACTIVITIES

	2012 £m	2011 £m
Profit for the year	**31.6**	27.6
Depreciation/amortisation of tangible and other intangible assets	**2.1**	2.1
Acquisition related charges	**6.4**	4.8
Share-based payments expense	**0.8**	0.7
Financial expense, net	**0.4**	1.2
Tax expense	**14.4**	11.6
Operating cash flow before changes in working capital	**55.7**	48.0
Increase in inventories	**(4.1)**	(5.5)
Increase in trade and other receivables	**(1.2)**	(3.3)
Increase in trade and other payables	**0.1**	1.4
Cash paid into defined benefit schemes	**(0.3)**	(0.3)
CASH FLOW FROM OPERATING ACTIVITIES	**50.2**	40.3

9. NET FUNDS

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

	2012 £m	2011 £m
Net decrease in cash and cash equivalents	**(6.1)**	(12.6)
Decrease/(increase) in borrowings	**2.2**	(5.4)
	(3.9)	(18.0)
Effect of exchange rates	**(0.4)**	0.1
Movement in net funds	**(4.3)**	(17.9)
Net funds at beginning of year	**12.2**	30.1
NET FUNDS AT END OF YEAR	**7.9**	12.2
Comprising:		
Cash and cash equivalents	**11.4**	17.8
Borrowings	**(3.5)**	(5.6)
NET FUNDS AT 30 SEPTEMBER	**7.9**	12.2

10. GOODWILL

	Life Sciences (Restated) £m	Seals £m	Controls £m	Total (Restated) £m
At 1 October 2010	38.2	14.2	14.9	67.3
Acquisitions	7.3	-	-	7.3
Exchange adjustments	(0.2)	-	-	(0.2)
At 30 September 2011	45.3	14.2	14.9	74.4
Acquisitions (note 13)	1.5	3.0	1.1	5.6
Exchange adjustments	0.8	(0.7)	(0.3)	(0.2)
AT 30 SEPTEMBER 2012	**47.6**	**16.5**	**15.7**	**79.8**

10. GOODWILL (continued)

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

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

The cash flow forecasts are discounted to determine a current valuation, using a pre-tax discount rate of ca. 13% (2011: 13%). This rate is based on the characteristics of lower risk, non-technically driven, distribution businesses with robust capital structures, which is broadly consistent with each of the Group's businesses.

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

The Directors have also carried out sensitivity analysis on the key assumptions to determine whether a "reasonably possible change" in any of these assumptions would result in an impairment of goodwill. This analysis indicates that a "reasonably possible change" in these key assumptions would be unlikely to give rise to an impairment charge to goodwill in any of the businesses in the Life Sciences or Seals segments. However, in the Controls sector a reduction of 2% in revenue growth in the medium term in one of the businesses in this sector would result in an impairment charge of up to £0.3m. Before any sensitivities and based on the original assumptions in respect of this business in the Controls sector, there is limited headroom in the cash flow valuation. In the prior year, the sensitivity analysis indicated that a reduction of 2% in revenue growth in the medium term in the Controls sector would have resulted in an impairment of £0.2m. The headroom, before sensitivities, in respect of these businesses in the Controls sector last year was £0.7m.

As described further in note 1, goodwill of £13.1m recognised in the consolidated financial statements at 30 September 2011 on acquisition of the outstanding minority interest in AMT, a business in the Life Sciences sector, has been written off directly against total shareholders' equity and the balances at 30 September 2011 have been restated accordingly.

11. INVESTMENT

	2012 £m	2011 £m
Investment	**0.7**	-

On 16 April 2012, and as an integral part of the acquisition of J Royal, the Group purchased a 10% interest in the share capital of Kunshun J Royal Precision Products Inc. ("JRPP"), a supplier to J Royal for £0.7m (US$1.0m). The Group has no involvement in the day to day operations or management of JRPP. At 30 September 2012, there was no material difference between the carrying value of the investment and its fair value.

12. OTHER LIABILITIES

	2012 £m	2011 £m
Future purchases of minority interests	**3.2**	2.0
Deferred consideration	**0.6**	1.1
	3.8	3.1
Analysed as:		
Due within one year	**2.8**	0.8
Due after one year	**1.0**	2.3

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

	2012 £m	2011 £m
At 1 October	**2.0**	13.2
Released to retained earnings on acquisition	**-**	(12.1)
Put options entered into during the year	**1.0**	-
Unwinding of discount	**0.1**	0.1
Fair value remeasurements	**0.1**	0.8
AT 30 SEPTEMBER	**3.2**	2.0

The Group retains put options to acquire the outstanding minority interests. On 6 June 2012, as part of the acquisition of Diagnostic Solutions Pty Limited ("DSL"), a put and call option was entered into with the outstanding minority shareholders which are exercisable from 1 October 2014. The financial liability in respect of this put option was £1.0m.

At 30 September 2012, the Group retains further minority interests in BGS, HPS and M Seals and the put options to acquire these minority interests are exercisable within the next twelve months.

At 30 September 2012, the estimate of the financial liability to acquire the outstanding minority shareholdings was reassessed by the Directors, based on their current estimate of the future performance of these businesses and to reflect foreign exchange rates at 30 September 2012. This led to a remeasurement of the fair value of these put options and the liability was increased by £0.1m (2011: £0.8m increase). This charge, together with the charge from unwinding the discount on the liability, was in aggregate £0.2m (2011: £0.9m) and has been charged to the consolidated Income Statement.

At 30 September 2012 deferred consideration of £0.6m comprises £0.3m payable to the former vendors of CMI in respect of certain commitments entered into at acquisition and £0.3m payable to the vendors of Amfast Limited in respect of certain gross profit targets to be achieved in the year ending 31 March 2013. These amounts are expected to be paid during the next year.

On 20 December 2011 deferred consideration of £0.8m was paid to the former vendors of CMI in final settlement of their performance payment.

13. ACQUISITION OF SUBSIDIARIES

On 12 December 2011 the Group acquired the trade and net assets of J Royal Co. Inc ("J Royal") for maximum consideration of £11.8m (US$18.4m). The initial cash consideration paid on acquisition was £10.4m (US$16.3m) and a further £1.4m (US$2.0m) was paid on 29 March 2012 in final settlement of the performance payment, including a small adjustment to net assets at completion. Acquisition expenses of £0.3m (US$0.4m) were incurred on the acquisition of both J Royal and JRPP.

13. ACQUISITION OF SUBSIDIARIES (continued)

On 30 March 2012 the Group acquired 100% of Abbeychart Limited ("Abbeychart") from Mr P Best for consideration of £4.0m, including a small adjustment in respect of net assets at completion.

On 10 May 2012 the Group acquired 100% of Amfast Limited ("Amfast") from Mr C Myers and Ms C Brotherton for a maximum consideration of £4.3m, including deferred consideration of £0.3m. Acquisition expenses of £0.2m were incurred on these two acquisitions.

On 6 June 2012 the Group acquired 80% of Diagnostic Solutions Pty Ltd ("DSL"), from Ms E de Gooyer and Mr P West for cash consideration of £3.0m (A$4.8m); the outstanding 20% of shares are subject to put and call options exercisable from October 2014 at an agreed multiple of earnings before interest and tax. The minority interest recognised at the acquisition date was measured by reference to fair value of the minority interest and amounted to £0.7m (A$1.2m). The fair value was assessed by reference to the purchase price paid for the controlling interest. Acquisition expenses of £0.2m (A$0.3m) were incurred on this acquisition.

The consideration for all these acquisitions was paid in cash and met from the Group's existing cash and borrowing resources.

Set out below is an analysis of the net book value and fair value of the net assets acquired and the consideration payable in respect of these acquisitions:

	J Royal		Other		Total	
	Book value £m	Fair value £m	Book value £m	Fair value £m	Book value £m	Fair value £m
Acquisition intangible assets	0.1	6.1	-	4.9	0.1	11.0
Property, plant and equipment	-	-	0.4	0.3	0.4	0.3
Inventories	1.8	1.8	2.8	2.4	4.6	4.2
Trade and other receivables	1.4	1.4	2.8	2.8	4.2	4.2
Trade and other payables	(0.6)	(0.6)	(2.6)	(2.6)	(3.2)	(3.2)
Deferred tax	-	-	(0.1)	(0.9)	(0.1)	(0.9)
Net assets acquired	2.7	8.7	3.3	6.9	6.0	15.6
Goodwill arising on acquisitions		3.0		2.6		5.6
Minority share of net assets (including goodwill)		-		(0.7)		(0.7)
		11.7		**8.8**		**20.5**
Cash paid		11.8		11.0		22.8
Cash acquired		(0.1)		(2.5)		(2.6)
Expenses of acquisition		0.3		0.3		0.6
Net cash paid, after acquisition expenses		**12.0**		**8.8**		**20.8**
Provision for deferred consideration payable		-		0.3		0.3
Less: Expenses of acquisition		(0.3)		(0.3)		(0.6)
TOTAL CONSIDERATION		**11.7**		**8.8**		**20.5**

Goodwill arising on these acquisitions of £5.6m is represented by the product know-how held by employees, prospect for sales growth from new customers and operating cost synergies. Goodwill and acquisition intangible assets relating to this acquisition of £9.1m will be allowable for a tax deduction in future years.

From the date of acquisition to 30 September 2012, the newly acquired businesses contributed £16.2m to revenue and £2.0m to adjusted profit before tax, after allocation of Head Office costs. If the acquisition of these businesses had been made at the beginning of the financial year, these businesses would have contributed £26.5m to revenue and £3.4m

13. ACQUISITION OF SUBSIDIARIES (continued)

to profit before tax. Profit before tax should not be viewed as indicative of the results of these businesses that would have occurred, if these acquisitions had been completed at the beginning of the year.

On 22 May 2012 the Group sold its controlling interest in a1-envirosciences AG, a company based in Switzerland, to members of its management team for maximum consideration of £0.4m. During the year the business contributed £1.0m (2011: £2.9m) to revenues and £nil (2011: £0.4m) to adjusted operating profit. No gain or loss on this disposal has been recognised in the consolidated financial statements.

14. DIVIDENDS

	2012 pence per share	2011 pence per share	2012 £m	2011 £m
Interim dividend, paid in June	**4.2**	3.5	**4.7**	3.9
Final dividend of the prior year, paid in January	**8.5**	6.2	**9.5**	7.0
	12.7	9.7	**14.2**	10.9

The Directors have proposed a final dividend in respect of the current year of 10.2p (2011: 8.5p) which will be paid on 23 January 2013, subject to approval of shareholders at the Annual General Meeting on 16 January 2013. The total dividend for the current year, subject to approval of the final dividend, will be 14.4p (2011: 12.0p).

15. EXCHANGE RATES

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

	Average 2012	Average 2011	Closing 2012	Closing 2011
US dollar	**1.58**	1.61	**1.61**	1.56
Canadian dollar	**1.59**	1.59	**1.59**	1.62
Euro	**1.22**	1.15	**1.26**	1.16

16. SUBSEQUENT EVENTS

On 2 November 2012 the Group acquired the assets and goodwill of Rayquick GmbH ("Rayquick") from Mr S Rias for a maximum consideration of £1.3m (€1.7m), before expenses. The initial cash paid was £1.0m (€1.3m) and up to a further £0.3m (€0.4m) is payable depending on revenues reported in the year ending 31 December 2012. In the year ended 31 December 2011 Rayquick reported unaudited revenues of £1.6m (€2.4m).