NEWSRELEASE

DIPLOMA PLC

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FOR IMMEDIATE RELEASE

17 November 2014

PRELIMINARY ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2014

Strong Underlying Performance – Consistent Track Record

	Audited 2014 £m	Audited 2013 £m	
Revenue	**305.8**	285.5	***+7%***
Adjusted operating profit[1]	**56.7**	54.3	***+4%***
Adjusted operating margin[1]	**18.5%**	19.0%	
Adjusted profit before tax[1],[2]	**56.2**	54.3	***+3%***
Profit before tax	**49.8**	48.5	***+3%***
Profit for the period	**36.1**	34.8	***+4%***
Free cash flow[3]	**37.8**	31.6	***+20%***
	Pence	Pence	
Adjusted earnings per share[1],[2]	**36.1**	34.8	***+4%***
Basic earnings per share	**31.4**	30.7	***+2%***
Total dividend per share	**17.0**	15.7	***+8%***

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

Financial Highlights

- Underlying revenue and adjusted operating profit both increased by **8%** respectively, after adjusting for currency effects and acquisitions.
- Significant strengthening in UK sterling limited growth in reported revenue and adjusted operating profit to **7%** and **4%** respectively.
- Adjusted operating margins remained robust at **18.5%**, despite transactional currency effects in Canadian and Australian Healthcare businesses.
- Adjusted profit before tax and EPS increased by **3%** and **4%** respectively to **£56.2m** and **36.1p**.
- Free cash flow increased by **20%** to **£37.8m** as Group's Investment for Growth programme nears completion.
- Acquisition expenditure of **£16.5m**; net cash of **£21.3m** at the end of year.
- Total dividend increased by **8%** to **17.0p** per share reflecting confidence in Group's growth prospects.

Operational Highlights

- Strong underlying performance across all three Sectors.
- Life Sciences revenues increased by 9% on an underlying basis, with stronger consumable revenues offsetting weaker capital equipment and service.
- Seals revenues increased by 7% on an underlying basis reflecting strong performance from Industrial OEM businesses; good second half recovery in Aftermarket businesses in the US, following disruption from severe winter.
- Controls revenues increased by 8% on an underlying basis with strong growth in Interconnect, driven by improved markets in the UK and Germany, particularly Civil Aerospace, Energy and Motorsport.
- Acquisition spend increased strongly to £16.5m in 2014 financial year, extending the Group's businesses into new product and market segments.
- Acquisition of Technopath Distribution ("TPD"), shortly after the year end, extends the Group Healthcare businesses into Ireland and the UK and brings acquisition spend to £26m in calendar year 2014.

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

"The Diploma businesses have made good progress this year benefiting from greater confidence in their principal markets with strong underlying revenue growth in each of the Group's Sectors. Given the strong comparatives and the uncertain macroeconomic backdrop, the Board expects growth to trend this year towards our target "GDP plus" rates.

The Group has a strong and proven business model, together with a good geographic spread of activities, strong free cash flow and balance sheet. With an improving acquisition environment and a good pipeline of opportunities, prospects for acquisition activity in 2015 are encouraging. This provides the Board with confidence that further progress will be made in the new financial year."

There will be a presentation of the results to analysts and investors at 9.00am this morning at Butchers' Hall, 87 Bartholomew Close, City of London, EC1A 7EB. This presentation will be made available as a webcast from 2.00pm GMT via www.diplomaplc.com

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Notes:

1. *Diploma PLC uses alternative performance measures as key financial indicators to assess the underlying performance of the Group. These include adjusted operating profit, adjusted profit before tax, adjusted earnings per share, free cash flow and ROATCE. All references in this Announcement to "underlying" revenues or operating profits refer to reported results on a constant currency basis and before any contribution from acquired businesses. The narrative in this Announcement is based on these alternative measures and an explanation is set out in note 2 to the consolidated financial statements in this Preliminary Announcement.*

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

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 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. 1,300 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 **20%** p.a. through a combination of organic growth and acquisitions. Diploma is a member of the FTSE 250 with a market capitalisation of ca. **£800m**.

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

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 2014

CHAIRMAN'S STATEMENT

Delivering strong returns to shareholders

As previously announced, I will be stepping down from the Board immediately after the AGM on 21 January 2015. I joined the Board in 2002 and became Chairman in 2004, following the retirement of the late Christopher Thomas who had previously been Chief Executive and then Chairman of the Company for over 30 years. His guiding objective for the Company was to focus on consistently strong cash flow which would fund the Group's growth strategy and deliver healthy and growing dividends; this has remained a fundamental principle of the Board during my Chairmanship of the Company over the last ten years.

The Group's strong cash flow is generated from businesses which focus on essential products and services within specialised market segments and deliver sustainable and attractive margins, through the quality of customer service, depth of technical support and value adding activities. It is this business model that has provided the Group with the resources over ten years to invest ca. £160m of our internally generated cash in value enhancing acquisitions to support our growth strategy and deliver strong shareholder value.

The success in pursuing this strategy can be measured against the Group's two principal corporate objectives of growth in adjusted earnings per share ("EPS") and total shareholder return ("TSR"). The target for adjusted EPS is to deliver strong double-digit growth over the business cycle and since 2004 the Group's adjusted EPS has grown at a compound rate of 16% p.a. The objective for TSR growth is to deliver upper quartile performance relative to the FTSE mid-250 Index Group ("FTSE-250") and over the last ten years, Diploma's TSR has grown at a compound rate of 24% p.a. compared with median growth of 13% p.a. in the FTSE-250.

I believe that this sustained performance demonstrates the Board's commitment to a clearly defined and well executed strategy, robust business model and relentless focus on strong cash generation. This has helped Diploma develop into a successful and resilient business capable of delivering strong shareholder value on a consistent basis and I am confident that it will continue to do so for many years.

Results

Group revenues increased in 2014 by 7% to £305.8m (2013: £285.5m) despite the significant strengthening of UK sterling against most major currencies in which the Group operates. With ca. 75% of the Group's revenues generated outside the UK, the £17.7m reduction in revenues from currency translation more than offset the contribution to revenue of £15.4m from acquisitions completed during the year. On an underlying basis, which is after adjusting for acquisitions and for currency effects on translation, Group revenues increased by 8% with each of the Group's business Sectors reporting strong underlying growth during the year.

Adjusted operating margins remained robust at 18.5% (2013: 19.0%) and adjusted operating profit increased by 4% to £56.7m (2013: £54.3m). Gross margins in the Canadian and Australian Healthcare businesses were impacted by transactional currency effects, but these were partly mitigated by tight control of operating costs and the benefits arising from the Group's recent Investment for Growth programme which is now substantially complete. Adjusted profit before tax increased by 3% to £56.2m (2013: £54.3m) and adjusted earnings per share, helped by a lower effective tax rate, increased by 4% to 36.1p (2013: 34.8p).

The Group generated strong free cash flow of £37.8m (2013: £31.6m), despite a larger investment in working capital, reflecting both much lower capital expenditure of £2.2m (2013: £4.6m) and a smaller cash contribution of £1.8m (2013: £4.7m) to the Group's Employee Benefit Trust.

With the acquisition environment improving, the Group invested £16.5m (2013: £2.2m) in acquisitions during the financial year. Shortly after the year end, the Group acquired 80% of TPD, which extends the Healthcare business into Ireland and the UK; this acquisition has taken the acquisition spend to ca. £26m in the 2014 calendar year.

At 30 September 2014 the Group's net cash funds increased by £2.0m to £21.3m after distributing £18.2m (2013: £17.4m) to shareholders during the year.

Dividends
The strong balance sheet and free cash flow, supported by a good set of results has led the Board to recommend an increase in the final dividend of 8% to 11.6p per share (2013: 10.7p). Subject to shareholder approval at the AGM, this dividend will be paid on 28 January 2015 to shareholders on the register at 28 November 2014.

The total dividend per share for the year will be 17.0p (2013: 15.7p) which represents an 8% increase on 2013. The dividend is well covered by adjusted EPS at 2.1 times, in line with the Board's objective of targeting towards a two times level of cover. Dividends have increased progressively in each of the last 15 years and represent a total of almost £100m of cash distributed to shareholders over ten years.

Governance
The Board and its Committees have worked effectively throughout the year, benefiting from a stable year, following a number of years of changes as we developed and refreshed the Board. The work of these Committees and the key achievements this year are set out in the Corporate Governance section of the Annual Report & Accounts.

I should like to thank all my colleagues on the Board, past and present, who have always been both supportive and challenging, as needed. Their wise counsel and experience has made a substantial contribution to the success of the Group.

Finally, I am delighted that in John Nicholas, the Company has a highly successful businessman with broad and relevant experience, who I am confident will chair the Group well on the next stage of its journey and to further success.

Employees
I have very much appreciated the consistently high levels of service, performance and hard work that our employees deliver year after year. I believe that this is largely due to our decentralised organisational structure which allows our employees to understand their responsibilities and gives them space to operate efficiently and effectively. This provides enormous strength to the Diploma businesses and helps explain the Group's sustained success. I wish to sincerely thank all our employees for their tremendous hard work and for all they have achieved during my period with the Company.

Outlook
The Group's performance this year has benefited from greater confidence in its principal markets with strong underlying revenue growth in each of the Group's Sectors. Given the strong comparatives and the uncertain macroeconomic backdrop, the Board expects growth to trend this year towards our target "GDP plus" rates.

The Group has a strong and proven business model, together with a good geographic spread of activities, strong free cash flow and balance sheet. With an improving acquisition environment and a good pipeline of opportunities, prospects for acquisition activity in 2015 are encouraging. This provides the Board with confidence that further progress will be made in the new financial year.

CHIEF EXECUTIVE'S REVIEW

In 2014, the Group has delivered underlying revenue growth of 8% (after adjusting for acquisitions and currency effects) with a strong performance across all three Sectors. Adjusted operating margins remained robust at 18.5% of revenue. In an improving environment for acquisitions, £16.5m was invested in acquisitions which contributed £15.4m to revenues this year. This addition to revenues was offset by the adverse translation effect of the stronger UK sterling which reduced revenues by £17.7m. Free cash flow increased by 20% to £37.8m and return on adjusted trading capital employed ("ROATCE") was maintained at 25.8%.

Business model and growth strategy

The Group's strategy is designed to generate strong, double-digit growth in earnings and shareholder value over the business cycle, by building larger, broader-based businesses in the three Group Sectors of Life Sciences, Seals and Controls.

Our businesses target "GDP plus" levels of organic revenue growth over the business cycle. Stable and resilient revenue growth is achieved through our focus on essential products and services funded by customers' operating rather than capital budgets and supplied across a range of specialised industry segments. 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.

Overall growth is accelerated from the underlying GDP plus levels to the corporate target of strong, double-digit growth, through carefully selected, value-enhancing acquisitions which fit the business model and offer entry into new strategic markets. Acquisitions are not made just to add revenue and profit, but rather to bring into the Group successful businesses which have growth potential, capable management and a good track record of profitable growth and cash generation. As part of our Acquire, Build, Grow strategy, we invest in the businesses post acquisition to build a firm foundation to allow them to move to a new level of growth. These acquisitions form a critical part of our Sector growth strategies and are designed to generate a pre-tax return on investment of at least 20% and hence support our Group objective of consistently exceeding 20% ROATCE.

Performance against objectives and KPIs

The Group's principal corporate objectives relate to growth in adjusted earnings per share ("EPS") and total shareholder return ("TSR"). Growth in the year in adjusted EPS has been 4% and growth in TSR has been 8%. Over a five year period, compound growth rates for adjusted EPS and TSR have been 20% p.a. and 36% p.a. respectively.

Underpinning the principal corporate objectives are a set of further objectives, with related key performance indicators ("KPIs") which are used to measure performance at the Group level, but also to drill down through the operating businesses. The first of these next level objectives is to generate stable "GDP plus" levels of *underlying revenue growth* over the business cycle.

This year, after adjusting for translational currency effects and acquisitions, the Group increased revenues by 8% on an underlying basis, with strong performance across all three Sectors. Life Sciences benefited from strong consumable and service revenues across the businesses, offsetting weaker capital equipment revenues and delivered 9% underlying revenue growth. In Seals, underlying revenues grew by 7%, reflecting a more favourable performance in the Aftermarket businesses and continuing good growth in the Industrial OEM businesses. Controls returned to growth this year with good demand across its market sectors and particularly strong performances from the Civil Aerospace, Motorsport and Energy markets; underlying revenue growth of 8% was achieved.

The objective for *adjusted operating margins* is to maintain stable attractive margins which reflect the focus on specialised segments, strongly differentiated products and customer focused solutions, combined with efficiently run operations. This year, adjusted operating margins were 18.5% which is comfortably within the five year average range of 18-19%.

Gross margins in the Group's Healthcare businesses came under increasing pressure during the year from the transactional currency effects of the strong depreciation of the Canadian and Australian dollars. However, the impact on Group operating margins was limited by tight control of operating costs in the Healthcare businesses. More broadly, the Group's Investment for Growth programme, started in 2012 and now nearing completion, has started to deliver the benefits we had expected. As revenues have increased, operational leverage has reduced operating costs as a percentage of revenue and these benefits have offset the impact of acquisitions joining the Group with lower initial operating margins.

To achieve the Group's objective of strong double digit growth, *acquisition spend* at the level of ca. £25m p.a. is targeted. The level of spend this year of £16.5m is below this target level but is close to the five year average of ca. £16m p.a. and is well ahead of the prior year spend of only £2m. After the financial year end in early October 2014, a further acquisition was completed of 80% of Technopath Distribution and this has taken the acquisition spend to ca. £26m in the 2014 calendar year.

The Group continues to focus strongly on *free cash flow*, which funds the growth strategy and allows the Company to provide healthy dividends to shareholders. In 2014, free cash flow was £37.8m, compared with a five year average of £31m p.a. and was equivalent to a conversion rate of over 90% of adjusted after tax earnings. Now that the Investment for Growth programme is approaching completion, capital expenditure is trending back to more normal levels and the principal determinant of free cash flow conversion is now the effective management of working capital. The KPI used to measure and monitor this performance is *working capital as a percentage of revenue*; in 2014 this increased to 17.2% compared with both the target and the five year average level of 16-17%.

Return on adjusted trading capital employed or *ROATCE* is the final indicator of the overall performance of the Group and very importantly of its success in creating value for shareholders. ROATCE is measured as the pre-tax return on total Group investment excluding net cash, but including all goodwill and acquired intangible assets. ROATCE has exceeded the 20% target in each of the last five years and this year was 25.8%.

Acquisitions

Acquisitions are an integral part of the Group's strategy, designed to accelerate growth and to facilitate entry into related strategic markets. Despite sustained and increasing resources focused on identifying and completing value-enhancing acquisitions, acquisition spend does ebb and flow over time. The acquisition environment has improved this year after a period when the uncertainty over future economic prospects had made vendors very cautious, resulting in lengthening transaction processes and delayed completions. During the year, a number of acquisitions have been completed which are natural extensions of the Group's existing businesses and which have extended the scope of the businesses into new products and market segments and geographies.

In Life Sciences, DHG extended its business in Australia with the acquisition of Chemzyme, which has now been integrated into DHG's principal operations in Melbourne. During the year DHG also acquired the remaining 20% minority shareholdings in DSL and shortly after the year end, acquired 80% of Technopath Distribution ("TPD"), an established supplier to the Biotechnology, Clinical Laboratory and Medical markets in Ireland and the UK. The acquisition of TPD represents an important first step in extending the scope of DHG's business into the markets of Ireland and the UK, as well as adding important new products and suppliers.

In Seals, the Group acquired 80% of Kentek, a specialised filter distributor which adds a new product line and extends the reach of the Seals activities into the new markets of Finland, Russia and the Baltic States. During the year, two smaller acquisitions were completed in the UK, AB Seals and Ramsay Services, which will be managed by FPE Seals and M Seals respectively. RT Dygert also acquired the remaining 49% in the HPS Industrial OEM seal business in Seattle.

In Controls, the fastener business was strengthened through the acquisition of SFC, a UK fastener distributor which has a strong fit with Clarendon and brings specialist technical and design skills as well as added value assembly expertise. During the year, Filcon also acquired the goodwill and assets of Sacee, a supplier of specialist connectors to the Satellite sector in France; Sacee's operations have been integrated into Filcon in Munich.

With an improving acquisition environment, a good pipeline of opportunities and additional corporate development resources in place, prospects for acquisition activity in 2015 are encouraging.

SECTOR DEVELOPMENTS

LIFE SCIENCES

The Life Sciences Sector businesses supply a range of consumables, instrumentation and related services to the healthcare and environmental industries.

	2014	2013
Revenue	**£91.4m**	£93.2m
Adjusted operating profit	**£19.7m**	£20.9m
Adjusted operating margin	**21.6%**	22.4%
Free cash flow	**£14.9m**	£14.1m

- *Underlying Sector revenue growth of 9%*
- *In DHG Canada, strong consumable revenues offset weaker capital equipment and service revenues*
- *ERP project well advanced – Somagen completed, Vantage in process and AMT to follow in 2015*
- *DHG Australia building critical mass under single leadership and with consolidated operations; Chemzyme acquired and integrated*
- *Acquisition of TPD after year end extends DHG into Ireland and the UK and adds new products and suppliers*
- *Strong growth in Environmental businesses with stable operating margins*

Reported revenues of the Life Sciences businesses decreased by 2% to £91.4m (2013: £93.2m) because of the translational currency impact from the significant weakening in the Canadian and Australian dollars relative to UK sterling. On a constant currency basis, underlying revenues increased by 9%. Similarly on a reported basis, adjusted operating profit decreased in UK sterling terms by 6% to £19.7m (2013: £20.9m), but increased by 8% on a constant currency basis.

Gross margins in the Healthcare businesses were significantly impacted by the strong depreciation of the Canadian and Australian dollars against the US dollar and the Euro, which are the currencies in which their products are mostly purchased; the impact was increasingly felt as the year progressed, with existing hedging contracts being replaced by less favourable contracts. These transactional currency effects were partly mitigated by an increased proportion of higher margin consumable product revenues this year and by price concessions negotiated with suppliers. However, Sector gross margins still reduced by 190bps in the first half and by 300bps in the second half, compared to the prior year comparable periods. The impact of these reduced gross margins was limited by tight management of operating costs and the benefits from prior year investments and adjusted operating margins decreased by only 80bps to 21.6% (2013: 22.4%).

Capital expenditure in the Sector was £1.2m (2013: £2.8m), which included £0.7m invested in field equipment for placement in hospitals and clinics by the Healthcare businesses and £0.3m invested in the new ERP systems in Somagen and Vantage as part of the Group's broader Investment for Growth programme. Somagen completed the installation of its new ERP system in February 2014 and the implementation at Vantage is well underway, with plans to go live in the first half of the new financial year. The implementation of the new ERP system in AMT will be completed in the second half of 2015. Free cash flow increased by 6% to £14.9m (2013: £14.1m), reflecting lower capital expenditure and tax payments, offset in part by higher investment in working capital.

Healthcare
Revenues from the DHG group of Healthcare businesses, which account for 80% of Sector revenues, increased by 8% after adjusting for translational currency effects and for the initial contribution from a small business acquired in Australia.

The Canadian Healthcare businesses increased revenues by 6% in local currency, with very strong consumable revenues more than offsetting weaker capital and service revenues. Somagen was the strongest performer with increased consumable revenues across its key suppliers and boosted by the supply of testing kits used in the roll-out of colorectal cancer screening programmes across three Provinces. Capital equipment sales have been at a somewhat reduced level this year, but good progress has been made in establishing Somagen in the HbA1c diabetes testing market with best in class technology and as a key player in the Autoimmunity market. Somagen has also been successful in adding new suppliers and products in specialised market segments including quality control products used in calibrating and monitoring clinical diagnostic instrumentation, automated testing of urines and sterile fluids and specialised immunoassay technology to assess the progression of diseases by tracking specific proteins and antibodies. These efforts have contributed to Somagen entering the new financial year with a good backlog of capital equipment orders and good prospects for sales of new instrumentation.

AMT's core electrosurgery business, led by the new Penevac 1 product (combined electrode and smoke evacuation device), continued to deliver strong double digit growth in volume terms, though growth in value terms has been constrained by keener pricing in certain central buying group tenders. Though these tenders can put pressure on the pricing of core products such as the Penevac and the Megapad grounding pad, success generally results in higher unit volumes for these core products, as well as the opportunity to achieve preferred status for a broader range of products. AMT also made further progress in its Minimally Invasive ("MI") Surgery division, consolidating its position in the supply of specialised surgical instruments and devices used in laparoscopic and other MI Surgery procedures. Good advances have been made with core product lines, ranging from surgical instruments used in standard laparoscopic procedures, to leading edge interventional radiology and oncology products for use in the treatment of cancer and cancer related conditions.

Vantage continued to generate strong growth in revenues from consumable products and service which this year accounted for ca. 80% of Vantage revenues (2013: ca. 65%). In particular there were strong performances from the sale of argon plasma probes, from the specialty chemicals used in endoscope reprocessors and from tubing sets for endoscopes as well as from other endoscopic accessories including specialist retrieval devices. Capital equipment revenues were significantly reduced compared with the prior year, when Vantage had an exceptionally strong year for sales of endoscope reprocessors and argon plasma coagulation units. Vantage's supplier of endoscopes has this year launched its new 600 series endoscope range, offering significant benefits in terms of image quality and handling ability. Vantage has been trialling the new endoscopes with target customers in the second half of the year and the response has been positive which should give momentum to capital sales in the new financial year.

In Australia and New Zealand, revenues from DSL and BGS increased by 19% in local currency. BGS generated strong growth by penetrating the existing market for smoke evacuation products, as well as creating new demand for these products. BGS also continued to deliver steady growth in electrosurgical grounding pads and laparoscopic electrodes. DSL has continued to generate good growth in its consumable products, and service business, but had a softer year for capital sales. Encouraging progress was made, however, in developing opportunities in HbA1c diabetes testing, haemoglobin testing and autoimmunity. Following the integration last year of operations and back office functions in Melbourne, DSL and BGS are successfully operating as distinct sales and marketing businesses, benefitting from a single leadership group and shared operations and back office systems in Melbourne – giving the efficiencies and critical mass of a shared services group.

During the year, DHG acquired the remaining 20% minority shareholdings in DSL and in July 2014, DHG acquired the assets and goodwill of Chemzyme Australia, a small distributor of enzymatic cleaning products supplied to the sterilising departments in all hospitals in Australia and New Zealand. Chemzyme has been integrated successfully into DHG's operations in Melbourne. The principal supplier to Chemzyme has signed a new 10 year exclusive distribution agreement with DHG in Australia as well as extending its agreement with Vantage in Canada.

Shortly after the year end, in early October 2014, DHG acquired 80% of Technopath Distribution ("TPD"), an established supplier to the Biotechnology, Clinical Laboratory and Medical markets in Ireland and the UK. The principal owner managers of the business will remain as Directors of TPD and retain a 20% minority shareholding with put and call options to allow the Group to acquire the shares over a period of up to five years. TPD employs ca. 40 staff at its principal location in Ballina, County Tipperary and shares certain key suppliers with the DHG business in Canada. The acquisition of TPD represents an important first step in extending the scope of the Group's Healthcare businesses into the markets of Ireland and the UK, as well as adding important new products and suppliers.

Environmental

Revenues from the Environmental businesses, which account for 20% of Sector revenues, increased by 14% in constant currency terms. The a1-envirosciences business based in Germany increased revenues by 8%, generating good sales of analytical instruments in both the UK and Germany, while increasing the penetration of its laboratory enclosure systems across Europe. The business has also enjoyed an increase in service revenues following an investment in engineering staff last year. During the year, the business's largest supplier of analytical instruments extended its exclusive distribution arrangements with a1-envirosciences to include France.

The a1-CBISS business based in the UK experienced another strong year of trading, with revenues growing by 20%. There was further strong growth in sales of CEMS (continuous emissions monitoring systems) equipment for both alternative energy and conventional electricity generating stations, though more demanding tender requirements had an impact on gross margins. a1-CBISS also benefited from its strong positioning in preventative and emergency maintenance services and as a specialised technical distributor of a range of essential products for the gas detection and air quality sectors.

SEALS

The Seals Sector businesses supply a range of hydraulic seals, gaskets, filters, cylinders, components and kits used in heavy mobile machinery and specialised industrial equipment.

	2014	2013
Revenue	**£119.8m**	£106.1m
Adjusted operating profit	**£21.7m**	£19.5m
Adjusted operating margin	**18.1%**	18.4%
Free cash flow	**£16.4m**	£15.9m

- *Underlying Sector revenue growth of 7%*
- *Good growth in HFPG Aftermarket Seals business in North America despite disruption from severe winter weather*
- *Unified European Aftermarket Seals group taking shape, centred on FPE Seals – AB Seals added during the year*
- *Kentek acquisition brings new geographic markets and adds filter products*
- *Continuing strong growth in the Industrial OEM Seals businesses in the US and Europe*
- *M Seals acquired Ramsay Services in the UK and All Seals is opening a new branch operation in Houston, Texas*

The Seals businesses increased revenues by 13% to £119.8m (2013: £106.1m) which included part year contributions from Kentek, acquired in January 2014 and two smaller bolt-on acquisitions in the UK. After adjusting for the additional contribution from these acquisitions and for the impact from currency translation, underlying revenues increased by 7%. The acquisition of Kentek and the continued development of the FPE Seals and M Seals businesses, through organic growth and bolt-on acquisitions, have increased the European region's share of total Seals revenues from ca. 15% in 2013 to ca. 25% in 2014.

Adjusted operating profits increased by 11% to £21.7m (2013: £19.5m), but with Kentek joining the Group with lower initial operating margins, adjusted operating margins reduced by 30bps to 18.1% (2013: 18.4%). Across the Seals businesses, gross margins continued to be resilient, underpinned by essential product availability and added value technical service. Operating margins in the HFPG and FPE Seals businesses improved as they benefited from prior year investment in people, facilities and equipment.

Free cash flow increased by £0.5m to £16.4m (2013: £15.9m), as increased working capital, particularly in the US businesses, reduced the contribution from higher operating profits. Capital expenditure decreased to £0.5m (2013: £0.9m) following the completion last year of the Investment for Growth programme. In HKX, £0.3m was invested in new automated tube-bending equipment and on expanding the facility to manage higher growth in this business. Further investment was also made in the Clearwater facility in vertical storage carousels to deliver increased efficiencies in inventory handling.

Aftermarket

The Aftermarket businesses, which now account for ca. 60% of Sector revenues, reported a 21% increase in overall revenues. After adjusting for currency translation and the acquisitions of Kentek and AB Seals, underlying revenues increased by 5%.

In the US, Hercules Bulldog grew domestic sales by a robust 6%, despite the disruption caused to general infrastructure projects and heavy construction activities by the severe winter conditions across much of the US which extended through to the end of May. Sales to smaller sub-distributors and OEM cylinder manufacturers increased strongly compared to the prior year and the US business continued to develop its electronic trading capabilities. The level of sales processed online increased by 26% and now accounts for ca. 20% of Hercules Bulldog revenues in the US. The seal machining centres in Hercules Bulldog also continued to deliver good growth, with strong demand from repair shop customers looking to source hard-to-find and outsized seals within 24 hours. Capacity will be further expanded with a fourth machine which is on order for delivery in 2015. Revenues from exports outside the US, which account for 25% of Hercules Bulldog sales, decreased by 5% with reduced demand in Mexico, Central America and Saudi Arabia impacting performance, particularly in the first half of the year.

The Hercules Canada businesses in Ontario and Quebec delivered growth at a similar level to the US, supported by strong sales to OEM cylinder manufacturers. The first half of the year was more challenging as the Canadian economy adjusted to the downturn in demand for natural resources, but the businesses continued to be successful in winning key orders as confidence returned in the second half. The operation in Barrie, Ontario successfully completed its move to a new, custom built facility in October 2013, providing Hercules Canada with a first class platform for future growth.

HKX had an excellent year and resumed its upward momentum after a pause in 2013 following several periods of exceptional growth. Revenues increased by 14% with strong demand from the core excavator dealers and from specialist installers linked to the equipment OEM's. During 2014, the new emissions regulations for heavy mobile equipment continued to be implemented, with the machines fitted with Tier 4 Interim technology beginning to be phased out and replaced by Tier 4 Final technology equipment. With OEM engineering resources focused on this technology transition, more excavators were delivered to dealers without attachments which provided increased demand for HKX's attachment kits. In 2014, HKX also successfully introduced new products and a quality enhancement programme. It also invested in improved automated tube-bending equipment and re-engineered process flows in its expanded facility in the US.

In the European region, plans to create a more substantial, unified European Seals Aftermarket group continued to take shape in 2014. These Aftermarket activities are now centred on FPE Seals with its operations in the UK and the Netherlands. FPE Seals delivered strong organic revenue growth of 11% in the year against the background of a positive economic environment in the UK, although Continental Europe remains challenging. There was continued success in expanding sales of hydraulic cylinder metal parts and the seal machining centre, installed at the Doncaster operation in late 2013, also contributed to the positive overall result. FPE Seals acquired AB Seals in February 2014, a small addition to its UK operations which is based in Gravesend, Kent and strengthens the FPE Seals coverage of the important South East region of the UK.

Outside the core, directly-served markets in the Americas and Europe, the principal products sold by the Aftermarket businesses are the Bulldog branded seal and gasket kits. With effect from October 2014, FPE Seals will take over responsibility, from Hercules Bulldog, for the sales of these Bulldog products to the Middle East and Africa creating a unified EMEA Aftermarket sales region. Hercules Bulldog will retain responsibility for Bulldog sales in the Americas.

In January 2014, the Group completed the acquisition of 80% of Kentek Oy, a specialised distributor of filters and related products, used in heavy mobile machinery and industrial equipment applications. Kentek is based in Finland with operations in Russia and the Baltic States and the acquisition extends the reach of the Seals activities into these new markets. Kentek has solid, long-term relationships with its key suppliers and customers in each of its territories and has performed well and in line with expectations since acquisition. The business has managed the inevitable pressures exerted on the Russian economy and the international supply chain by sanctions imposed following the conflicts in Ukraine and Crimea.

Industrial OEM

The Industrial OEM businesses, which account for ca. 40% of Sector revenues, reported a 3% increase in revenues. After adjusting for currency and the small acquisition of Ramsay Services, underlying revenue growth was 8%.

In North America, the Industrial OEM businesses (RT Dygert, J Royal and All Seals) all performed well in a generally positive industrial economy. As in the prior year, the Industrial

OEM businesses continued with initiatives to move up the value chain, by procuring higher level technical approvals to meet the more stringent demands of customers. The businesses have continued to gain expertise in the approval processes and in qualifying new products for new and existing OEM customers.

RT Dygert delivered another year of solid growth, increasing revenues by 5% and benefiting from its investment in the development of regulatory-compliant elastomer compounds to penetrate the pharmaceutical, water and petrochemical industries. Solid gains were also made in the supply of parts to catalogue houses and these gains more than offset a small reduction in demand from the traditional mid-West cylinder producers. In July 2014, RT Dygert acquired the outstanding 49% shareholding in the HPS business in Seattle, taking its ownership to 100%. HPS delivered strong growth in 2014 benefitting from demand for its heavy duty and harsh environment seals for specialist construction equipment.

All Seals delivered a strong performance in 2014, increasing revenues by 11%, as the investment in people and equipment in prior periods came through in the results. All Seals reported good gains in the Water, Oil and Gas and Medical sectors with the introduction of new, higher specification products and the addition of new customers. The Seals Sector's first water-jet gasket cutting machine became fully operational during the year, supporting the growing demand for rapid turnaround custom gaskets and contributing to the overall positive revenue growth. In November 2014, All Seals will open a branch operation in Houston, Texas to serve the large Texas Oil and Gas sector.

J Royal delivered 16% revenue growth in 2014, benefiting from the significant investments made last year in management and sales resources. Development lead times can be lengthy for new product introductions as OEM customers, prior to ordering production-level quantities, require the completion of stringent quality control processes. In 2014, J Royal saw the results of its efforts in the successful introduction of many new products to existing OEM customers. J Royal also benefited from exceptionally strong demand from the Water sector and filter manufacturers and was also successful in penetrating new, smaller customer accounts across the Eastern US, as its expanded sales team began to win new business.

In Europe, M Seals had a mixed year in its different markets, but increased overall revenues by 8%, helped by the contribution from the acquisition of Ramsay Services. Revenues in the long-established Danish territory were flat as the Danish markets hovered between contraction and growth in the year. The Swedish operation continued to deliver double digit growth and the business is now expanding out of its southern base with the addition of a dedicated sales person for the important industrial region around Stockholm. Sales of large bearing seals to Chinese wind power customers were subdued for a second year as the Chinese wind power industry struggled to regain its earlier momentum. In December 2013, our European Industrial OEM activities were expanded through the acquisition of Ramsay Services, located in Gateshead in the UK. Ramsay is a small, specialist distributor of O-rings and holds the AS9120 accreditation for the aerospace sector, as well as having valuable expertise in the UK Oil and Gas sector. M Seals has taken full responsibility for the Ramsay operation and the business has performed well since acquisition.

CONTROLS

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

	2014	2013
Revenue	**£94.6m**	£86.2m
Adjusted operating profit	**£15.3m**	£13.9m
Adjusted operating margin	**16.2%**	16.1%
Free cash flow	**£11.4m**	£10.8m

- *Underlying Sector revenue growth of 8%*
- *Strong growth in Interconnect, driven by improved markets in the UK and Germany, particularly Civil Aerospace, Energy and Motorsport*
- *Acquisition of SFC strengthened the fasteners business and added design skills and added-value assembly expertise*
- *Sacee acquisition extended Filcon's business into Satellite sector in France*
- *In Fluid Controls, significant gains made by Hawco in Food & Beverage sector*
- *Relocation of Hawco's offices, consolidation of warehouse facilities and extension of new ERP system into Abbeychart*

The Controls businesses increased revenues by 10% to £94.6m (2013: £86.2m), including part year contributions from Specialty Fasteners and Components ("SFC"), acquired in June 2014 and Sacee, a small connector distributor acquired in October 2013. After adjusting for the contribution from these acquisitions and for the impact of currency translation, underlying revenues increased by 8%.

Adjusted operating profits increased by 10% to £15.3m (2013: £13.9m) and adjusted operating margins held steady at 16.2% (2013: 16.1%). Overall gross margins in the Controls businesses remained resilient with their focus on specialised markets and added value opportunities. The benefits from investment programmes completed last year also enabled the businesses to gain some operational leverage which offset the impact from the lower initial operating margin of SFC.

Free cash flow increased by £0.6m to £11.4m (2013: £10.8m), with working capital increasing to take advantage of opportunities within existing markets and this investment more than offset the contribution from increased operating profits. Capital expenditure reduced by £0.4m to £0.5m (2013: £0.9m) following completion last year of the new IS-Rayfast facility and Hawco's investment in a new ERP system, as part of the Group's broader Investment for Growth programme. The IS-Group invested £0.2m in upgrading its IT infrastructure by replacing older servers and adding further functionality to its existing manufacturing systems at IS-Cabletec. Hawco invested £0.2m in the relocation of its sales and administrative offices and extending the new ERP system into the Abbeychart business.

Interconnect

The Interconnect businesses, which account for ca. 70% of Sector revenues, increased revenues by 10% in UK sterling terms. After adjusting for acquisitions and currency translation effects, underlying revenues increased by 8%, reflecting good demand across the market sectors and particularly strong performances from the Civil Aerospace, Energy and Motorsport markets.

Aerospace and Defence accounts for ca. 40% of Interconnect revenues and in 2014, revenues increased by 5%, with Civil Aerospace maintaining strong positive momentum while the Military segments appeared to be stabilising. In Civil Aerospace, the supply of fasteners to the premium aircraft seating industry continued to grow, with Clarendon extending production line-side support to key customers and exploiting further opportunities to export to sub-contract manufacturers. There was also steady demand for the full range of electrical harnessing and protection products. In Military Aerospace, by contrast, the reduced annual production rate of Eurofighter aircraft continued to have an impact on sales of specialist connectors and bonding leads.

The broader Defence markets in the UK remained subdued but the businesses were still able to deliver modest growth over the prior year. While no new major defence projects were initiated, there were signs that activity levels were higher at several specialist military harness contractors. IS-Rayfast also leveraged its excellent stocking profile to provide a rapid turnaround to support projects including the Astute 6 submarine build and modest upgrades to Hawk and Jaguar aircraft. There was continuing demand for IS-Cabletec's cable protection products and an additional braiding machine was added during the year to meet increased production requirements. In Germany, Filcon's traditionally strong sales of specialist connectors to the larger legacy military radio and engine projects were softer in 2014. As with the UK, however, IS-Sommer saw improved, general demand from German military harness sub-contractors.

Sales to specialised Industrial markets (ca. 25% of Interconnect revenues) were positive with revenues growing by 11%. In the UK, there was good, across-the-board demand for specialist tubing and for added value services such as re-spooling wire onto compact spools for repair and refurbishment customers. In Germany, there was also a strong performance in the Industrial markets, despite the uncertain manufacturing environment in the Eurozone countries. IS-Sommer continued to win business through an invigorated field sales team, again supported by superior stocking and value added services. Sales in the US benefited from the generally positive manufacturing environment.

Motorsport accounts for ca. 20% of Interconnect revenues and this sector delivered revenue growth of 21% in 2014. There were gains in the UK, Germany and the US and across both the harnessing and fastener product groups. It was a record year for Motorsport revenues, primarily driven by the changes introduced to the Formula 1 racing series. For the 2014 season, the new 1.6 litre V6 turbo engine was introduced as well as upgraded Energy Recovery Systems. These changes required substantial development engineering and design work and our businesses closely supported the teams and engine manufacturers to ensure the new technologies were successfully introduced. Beyond Formula 1, the Formula E series prepared for the inaugural race and there was continued success in the US in servicing the Nascar and United Sports Cars series. In Germany, Filcon continued to grow its sales to VW and Porsche for the supply of connectors for the VW World Engine and for the Le Mans and GT car series.

In the Energy market (ca. 10% of Interconnect revenues), IS-Sommer supplies components used in repair and refurbishment of low and medium voltage electricity distribution in Germany. In 2014, revenues increased by 13% driven by a higher level of refurbishment work by its customers and benefiting from development work carried out in the prior year. Following its acquisition of Rayquick in late 2012, IS-Sommer secured its appointment as one of only two German Master Distributors for its key energy products supplier and reaped the sales benefits during this year. In the UK, the businesses are focused on a small number of key customers involved in portable electricity generators, subsea power transmission cables and the manufacture of batteries. As the market is concentrated in a small number of key customers, demand can vary significantly and 2014 was a particularly positive year.

In October 2013, Filcon acquired the assets and goodwill of the Sacee business which supplies specialist connectors to the Satellite sector in France; its operations were integrated into Filcon in Munich. In June 2014, the fastener business was strengthened by the acquisition of SFC, a UK based distributor of fasteners and ancillary products to the Aerospace, Industrial and Motorsport sectors. SFC has a strong fit with Clarendon and brings a long-standing reputation for technical competence, design skills and added-value assembly expertise to our rapidly expanding fastener activities. These acquisitions have strengthened the Group's position in attractive segments of the Interconnect market and the performance of both businesses since acquisition has been good and in line with expectations.

Fluid Controls
The Fluid Controls businesses, which account for ca. 30% of Sector revenues, increased revenues by 9%. The Hawco business made significant gains in the core Food and Beverage sector, following a subdued prior year which had included delayed investments by customers and a hang-over of surplus catering equipment from the 2012 London Olympics.

In Food Retailing, Hawco has had to respond to significant structural changes in the industry and now is seeing the benefits of its repositioning and developmental activities. The trend away from major out-of-town food retail stores and towards convenience stores initially dampened demand for Hawco's equipment, but Hawco is now having good success in both the UK and Europe with its range of scroll compressors which offer a smaller footprint and greater efficiency. Hawco is also seeing growing demand for refrigeration units used in transport applications reflecting the increased use of home shopping and delivery. Sales into the Brewery sector have also been buoyed by the introduction of scroll compressors and other improved products designed to provide 'at source' cooling for smaller outlets such as cafes and bars. This reduces the need for cellar cooling space, is more energy efficient and avoids product waste as the beer is only cooled when needed.

The Abbeychart business faced a mixed environment in its key markets with Coffee and Catering continuing to perform well, but with demand from the Vending machine and pure Water applications weakening. In the Coffee and Catering markets, Abbeychart supplies to the equipment OEMs and in the traditional hot and cold drinks Vending market, the primary customers are the equipment operators that supply ingredients and maintain the machines. There have been attempts to drive consolidation in the fragmented Vending operators' market and it may take some time before the results of this activity are clear. The Hawco Group will continue to realign the Abbeychart business model and resources to match changes in end-user tastes and to focus on growth markets where technical expertise can add value.

FINANCE REVIEW

Results in 2014
Diploma reported a strong performance this year, with both underlying revenues and adjusted operating profit increasing by 8% as the businesses benefited from more positive economic conditions in most of its key markets. Reported revenues and adjusted operating profits were £305.8m and £56.7m respectively. Free cash flow was strong at £37.8m of which £16.5m was spent on acquisitions and the Group's return on adjusted trading capital employed remained strong at 25.8%.

Underlying revenues and adjusted operating profits are after adjusting for the contribution from businesses acquired during the year and for the impact on the translation of the results of the overseas businesses from the significant strengthening of UK sterling, in most of the major currencies in which the Group operates.

With ca. 75% of the Group's revenues generated overseas, the impact on reported results from currency translation has led to a reduction in revenues and adjusted operating profits of £17.7m and £4.1m respectively, on a constant currency basis. These translational currency effects more than offset contributions from acquisitions of £15.4m in revenue and £2.3m in adjusted operating profit.

The results of the Healthcare businesses, which represent 80% of Life Sciences revenues, were also impacted by the large depreciation of the Canadian and Australian dollars against the currencies in which these businesses purchase their products. This currency transactional exposure led to a 300 bps reduction in gross margins in these businesses, despite a substantial amount of this exposure being hedged through to June 2014 by forward currency contracts. As these are replaced by contracts which reflect more current exchange rates, the pressure on Healthcare gross margins from the weaker Canadian and Australian currencies will continue well into 2015. Transactional currency exposures in the rest of the Group's businesses were not material.

The weaker gross margins in the Healthcare businesses were partly mitigated by a stronger mix of higher margin consumable revenues in these businesses and by strong control over operating costs. With resilient gross margins continuing in the Seals and Controls businesses and operational benefits now coming through from the Investment for Growth programme, Group adjusted operating margins reduced by only 50 bps to 18.5%, compared with 19.0% reported last year.

Investment for Growth programme
The Investment for Growth programme which was initiated in 2012 is now approaching completion. The programme comprised a series of specific investments and additional management resources designed to provide the foundation for the next phase of the Group's growth. Major investments have been made in modern and expanded facilities and in powerful and efficient new ERP systems.

By the end of the 2014 financial year, £5.1m had been invested across the Group in new facilities and IT infrastructure of which £3.6m was in capital expenditure and £1.5m had been expensed. The remaining investment of ca. £0.3m will be spent in 2015 in completing the implementation of a new ERP system in the Canadian Healthcare businesses. The benefits resulting from these investments have started to positively impact in the second half of 2014, delivering greater operating efficiencies and improved management of working capital as revenues increased.

Investment was also made in additional senior managers at the Group's Head Office and in the major businesses to strengthen corporate development resources, adding ca. £1.2m to annual operating costs. Outside the Investment for Growth programme, there was also further investment within the businesses to strengthen sales and business development resources and in regional management. These additional resources were in place at the beginning of 2014 and gave the strong leadership required to extend the businesses into new areas and develop acquisition opportunities.

Adjusted profit before tax, earnings per share and dividends
Adjusted profit before tax increased by 3% to £56.2m (2013: £54.3m). There was a net finance expense this year of £0.5m (2013: £Nil) which included £0.4m of bank facility and commitment fees, following the renewal of the Group's bank facilities in June 2014. A change in the interest rate used to calculate the return on the pension scheme assets, required by IAS 19 (revised), led to a net interest charge against profit this year of £0.2m, compared with net interest income of £0.2m last year. Statutory profit before tax was £49.8m (2013: £48.5m), after acquisition related charges of £6.4m (2013: £5.6m) and fair value remeasurements of the put options held over minority interests which this year were net £Nil (2013: £0.2m).

The Group's adjusted effective accounting tax charge fell again in 2014 to 26.3% (2013: 27.3%) of adjusted profit before tax. This reflected the benefit of a further reduction in effective UK corporation tax rates to 22.0% (2013: 23.5%), together with the benefit of current and prior year manufacturing tax relief claims in the US Seals businesses which led to a lower effective tax rate in the US of 35% (2013: 37%). The Group's cash tax rate on adjusted profit before tax fell to 23.1% (2013: 27.3%) as UK tax payments benefited from the exercise of share awards last year under the Group's LTIP.

Adjusted earnings per share increased by 4% to 36.1p, compared with 34.8p last year reflecting the benefit from the lower effective tax rate this year. IFRS basic earnings per share increased to 31.4p (2013: 30.7p).

The Board continues to pursue a policy of increasing dividends to shareholders each year, while targeting towards two times dividend cover (defined as the ratio of adjusted EPS to total dividends paid and proposed for the year). Given the strong underlying performance and encouraging prospects for acquisition activity in 2015, the Directors have recommended an increase in the final dividend of 8% to 11.6p per share. This gives a total dividend per share for the year of 17.0p per share with represents an 8% increase on the prior year dividend of 15.7p. The dividend cover moves to 2.1 times from 2.2 times reported last year.

Free cash flow
The Group continues to generate strong free cash flow which in 2014 was £37.8m (2013: £31.6m), despite funding an increase in working capital to support the stronger trading environment towards the end of the year. Free cash flow, which is before expenditure on acquisitions or returns to shareholders, represented 91% of adjusted profit after tax (2013: 80%).

The increase in funding of working capital of £4.6m (2013: £1.1m) led to a small reduction in operating cash flow of £0.9m to £55.0m (2013: £55.9m). This increase was driven by increased inventory of £4.6m (2013: £0.9m) which reflected a number of operational priorities, including contingencies held against a possible longshoreman's dispute in the United States. The higher level of inventories at the year end led to the Group's KPI metric of working capital as a proportion of revenue increasing to 17.2%, compared with 16.7% last year.

Group tax payments reduced by £1.8m to £13.0m (2013: £14.8m) despite higher profits, primarily because of the tax relief taken on the exercise of the LTIP share awards in 2013 and reflecting the benefit of small prior year tax repayments in the US Seals businesses. On an underlying basis and before the currency effects of translation, cash tax payments remained in line with last year at ca. 27% of adjusted profit before tax.

As anticipated last year, capital expenditure reduced to a more normal level of £2.2m (2013: £4.6m) as the Group's Investment for Growth programme reached its final stages. During the year, £0.3m was invested in the ongoing ERP implementation in the Canadian Healthcare businesses which represents the final project in this programme. This compares with £2.0m of capital invested in this programme last year.

Outside of the Investment for Growth programme, the Healthcare businesses in Canada and Australia also reduced their expenditure on acquiring field equipment to support customer contracts with hospitals to £0.7m (2013: £1.7m). Last year this expenditure included £1.0m on funding endoscopy contracts in Vantage structured on a cost per procedure ("CPP") basis; these contracts have been delayed, pending the introduction in 2015 of a new series of endoscopes. In the Seals and Controls Sectors, £0.5m was spent on new tooling and warehouse equipment, including £0.1m on line-side equipment to support a new supply project in IS Group. A further £0.2m was invested in refurbishing the office and warehouse facilities in Hawco and HKX and £0.5m was spent on upgrading the existing IT hardware and software infrastructure in a number of the Group's businesses.

The Company paid the PAYE income tax liability of £1.8m arising on the exercise of LTIP share awards, in exchange for reduced share awards to participants; the comparable payments last year of £4.7m related to the exercise of several awards which had vested in earlier years under the Company's LTIP.

The Group spent £16.5m of the free cash flow on acquisitions, as described below and £18.4m (2013: £17.6m) on paying dividends to both Company and minority shareholders.

Acquisitions completed during the year
The Group invested cash of £16.5m (2013: £2.2m) in acquisitions during the year, including £1.5m on acquiring outstanding minority interests and £0.1m of deferred consideration.

The largest investment was £9.9m in acquiring 80% of Kentek, a business based in Finland, but with a large proportion of its sales being carried out across Russia in supplying filters and related products for a range of heavy mobile machinery. A further £5.0m, was invested in acquiring several small, but strategically important businesses which extend either the product or geography of the Group's existing businesses. These acquisitions added £9.0m to the Group's acquired intangible assets which at 30 September 2014 were £28.6m, after amortisation of £5.6m (2013: £5.6m). Goodwill increased by £6.0m to £80.2m at 30 September 2014, after making some small fair value adjustments to the assets acquired.

Goodwill is not amortised, but is assessed each year to determine whether there has been any impairment in the historic value of goodwill acquired. This year the assessment has been carried out at a Sector level rather than a business unit level as this more accurately reflects the level at which management monitor the value of goodwill. The exercise to assess whether goodwill has been impaired which is described in note 10 to the consolidated financial statements, concluded that there had been no impairment in the value of goodwill at 30 September 2014.

Shortly after the year end, the DHG business completed the acquisition of 80% of Technopath Distribution Limited for cash consideration of £9.6m and debt acquired of £1.5m. Put/call options have also been included which allows the Group to acquire the outstanding minority shares over a period of up to five years.

Liabilities to minority shareholders

At 30 September 2014, the Group's liability to purchase outstanding minority shareholdings had increased modestly to £3.5m (2013: £2.8m). During the year, the outstanding minority interests of 20% in DSL and of 49% in HPS (a small subsidiary of the RT Dygert seals business) were acquired for cash consideration of £1.5m. The acquisition of Kentek in January 2014 included put/call options over the outstanding 20% of share capital held by management in this business which were valued at £2.3m

At 30 September 2014, the put options over the outstanding minority interests held in M Seals and Kentek were valued at £3.5m, based on the Directors' latest estimate of the Earnings before Interest and Tax ("EBIT") of these businesses when these options are expected to crystallise. The Directors expect to acquire 10% of the outstanding minority interest in Kentek within the next six months, with the remaining interest likely be exercised between the next two and five years.

In addition to the liability to minority shareholders, the Group also has a liability at 30 September 2014 for deferred consideration of up to £0.5m (2013: £0.2m) primarily relating to acquisitions completed during the year and which, subject to achievement of performance conditions, will be paid before the end of the 2015 calendar year. During the year, deferred consideration of £0.1m was paid to the vendor of BGS, the Australian Healthcare business acquired in 2010 and there remains £0.1m which will be paid shortly.

Return on adjusted trading capital employed and capital management

A key metric that the Group uses to provide an indication of the overall profitability of the Group and its success in creating value for shareholders is the Return on Adjusted Trading Capital Employed ("ROATCE"). This is a pretax measure which is applied against the fixed assets and working capital of the Group, together with all the acquisition related charges and goodwill previously written off. At 30 September 2014, the Group ROATCE remained unchanged from last year at 25.8%. Adjusted trading capital employed is set out in Note 3 to the consolidated financial statements.

At the Sector level, we have this year amended the basis of the ROATCE calculation to be consistent with that used to calculate Group ROATCE. In particular, all previously written off acquisition related charges and goodwill is now included in each Sector's trading capital employed for the purposes of calculating Sector ROATCE. The comparative ROATCE's for 2013 have been restated on a similar basis.

The Group continues to maintain a strong balance sheet with net cash funds increasing by £2.0m to £21.3m at 30 September 2014. Surplus cash funds are generally repatriated to the UK, unless they are required locally to meet certain commitments, including acquisitions.

On 28 June 2014, the Group renewed its existing revolving multi-currency credit facility at £25m, with an option for the Group to extend this facility to £50m, subject to market pricing. This facility, which is generally utilised to meet any shortfall in cash to fund acquisitions, is committed until June 2017 and was renewed on more favourable terms than the previous facility.

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 2014 of £1.7m (2013: £1.5m).

The Group also maintains a small legacy defined benefit pension scheme in the UK which has been closed to new entrants and further accruals for many years. The latest triennial actuarial valuation was carried out as at 30 September 2013 and the funding deficit remained unchanged at £2.7m, with strong equity returns in 2013 offsetting the large reduction in bond yields since the last valuation was completed in 2010. The Group continues to make regular cash contributions to the scheme at an annual rate of £0.3m, as agreed with the actuary, with the objective of eliminating the funding deficit over eight years. The Group continues to look for opportunities to provide sufficient security to the Trustees in order to limit any requirement to increase the existing cash contribution to the scheme.

On an accounting basis, a further reduction of ca. 0.5% in bond yields since last year was again offset by stronger equity returns and the accounting deficit improved to £4.3m at 30 September 2014 (2013: £4.7m). Scheme assets which are largely represented by equities, increased by £1.6m to £24.9m while pension liabilities increased by £1.2m to £29.2m.

PRINCIPAL RISKS AND UNCERTAINTIES

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. There have been no significant changes to these risks and uncertainties, or their potential impact on the Group, since last year.

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 margin pressures due to increased competition.

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.

Significant global events are closely monitored to determine any potential impact on key markets.

Loss of key supplier(s)
For manufacturer-branded products, there are risks to the business if a major supplier decides to cancel a 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 10% 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 undertaken 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's businesses are required to undertake product risk assessments and comprehensive Supplier Quality Assurance assessments. The Group has also established Group-wide product liability insurance which provides worldwide umbrella insurance cover of £20m 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.

The Group's businesses continue to invest in new testing equipment; employees have also undergone product liability training during the year and are regularly reviewed to demonstrate compliance with Group policies and procedures relating to product liability.

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.

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 a business 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 five 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 in the event of 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 Group's activities expose it to a variety of financial and accounting risks, including foreign currency, liquidity, interest rate and credit. The policies for managing these financial risks, as well as the management of capital risks, are set out in the consolidated financial statements which will be published on 5 December 2014. The principal financial and accounting risks are

summarised below. The Group's overall management of the financial 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 inventory obsolescence which is managed by the operating businesses.

Foreign currency – 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 Canadian dollar, the Australian dollar and the Euro. 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 2014, 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 decrease revenue by £17.7m and decrease adjusted operating profit by £4.1m. It is estimated that a further 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 £4.3m (8%), due to currency translation.

Currency exposures also arise on the net assets of the Group's foreign operations. At 30 September 2014 the Group's non-UK sterling net assets in overseas businesses was £144.9m (2013: £132.9m), which represented 77% of the Group's net assets. It is estimated that a further strengthening of UK sterling of 10% against all the non-UK sterling net assets would reduce shareholders' funds by £13.2m.

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 Preliminary Announcement.

Mitigation
The Group does not hedge translational exposure.

Foreign currency – Transactional exposure
The Group's UK businesses are exposed to foreign currency risk on those 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. The Group's US businesses do not have any material foreign currency transactional risk.

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 forecast 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 ca. £1m each year, but inventories are generally not subject to technological obsolescence.

Mitigation

Inventory write-offs are controlled and minimised by active management of inventory levels based on sales forecasts and regular cycle counts.

Where necessary, a provision is made to cover both excess inventory and potential obsolescence.

RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE ANNUAL REPORT 2014

The responsibility statement below has been prepared in connection with the Group's full Annual Report & Accounts for the year ended 30 September 2014. 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;
- 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; and
- the Annual Report & Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

The Directors of Diploma PLC and their respective responsibilities are listed in the Annual Report & Accounts for 2013.

This responsibility statement was approved by the Board of Directors on 17 November 2014 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 2014

	Note	2014 £m	2013 £m
REVENUE	3,4	**305.8**	285.5
Cost of sales		**(194.2)**	(178.6)
Gross profit		**111.6**	106.9
Distribution costs		**(6.4)**	(6.4)
Administration costs		**(54.9)**	(51.8)
OPERATING PROFIT	3	**50.3**	48.7
Financial expense, net	5	**(0.5)**	(0.2)
PROFIT BEFORE TAX		**49.8**	48.5
Tax expense	6	**(13.7)**	(13.7)
PROFIT FOR THE YEAR		**36.1**	34.8
Attributable to:			
Shareholders of the Company		**35.5**	34.5
Minority interests		**0.6**	0.3
		36.1	34.8
EARNINGS PER SHARE			
Basic and diluted earnings	7	**31.4p**	30.7p

ALTERNATIVE PERFORMANCE MEASURES (NOTE 2)	Note	2014 £m	2013 £m
Operating profit		**50.3**	48.7
Add: Acquisition related charges	3	**6.4**	5.6
ADJUSTED OPERATING PROFIT	3,4	**56.7**	54.3
Deduct: Net interest expense	5	**(0.5)**	-
ADJUSTED PROFIT BEFORE TAX		**56.2**	54.3
ADJUSTED EARNINGS PER SHARE	7	**36.1p**	34.8p

CONSOLIDATED STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME
For the year ended 30 September 2014

	2014 £m	2013 £m
Profit for the year	**36.1**	34.8
Items that will not be reclassified to the Consolidated Income Statement		
Actuarial gains in defined benefit pension scheme	**0.3**	0.2
Deferred tax on items that will not be reclassified	**-**	-
	0.3	0.2
Items that may be reclassified to Consolidated Income Statement		
Exchange rate adjustments on foreign currency net investments	**(8.7)**	(2.5)
Gains on fair value of cash flow hedges	**0.4**	-
Net changes to fair value of cash flow transferred to the Consolidated Income Statement	**-**	(0.2)
Deferred tax on items that may be reclassified	**(0.1)**	0.1
	(8.4)	(2.6)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**28.0**	32.4
Attributable to:		
Shareholders of the Company	**27.7**	32.1
Minority interests	**0.3**	0.3
	28.0	32.4

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 September 2014

	Note	Share capital £m	Translation reserve £m	Hedging reserve £m	Retained earnings £m	Share-holders' equity £m	Minority interests £m	Total equity £m
At 1 October 2012		5.7	18.7	0.2	141.2	165.8	1.4	167.2
Total comprehensive income		-	(2.5)	(0.2)	34.8	32.1	0.3	32.4
Share-based payments		-	-	-	0.5	0.5	-	0.5
Minority interests acquired		-	-	-	-	-	(0.1)	(0.1)
Tax on items recognised directly in equity		-	-	-	0.6	0.6	-	0.6
Purchase of own shares		-	-	-	(4.7)	(4.7)	-	(4.7)
Dividends	14	-	-	-	(17.4)	(17.4)	(0.2)	(17.6)
At 30 September 2013		5.7	16.2	-	155.0	176.9	1.4	178.3
Total comprehensive income		-	(8.7)	0.3	36.1	27.7	0.3	28.0
Share-based payments		-	-	-	0.7	0.7	-	0.7
Acquisition of businesses	12	-	-	-	-	-	2.3	2.3
Minority interest put option	13	-	-	-	(2.3)	(2.3)	-	(2.3)
Minority interest acquired		-	-	-	0.9	0.9	(0.9)	-
Tax on items recognised directly in equity		-	-	-	0.5	0.5	-	0.5
Notional purchase of own shares		-	-	-	(1.8)	(1.8)	-	(1.8)
Dividends	14	-	-	-	(18.2)	(18.2)	(0.2)	(18.4)
At 30 September 2014		**5.7**	**7.5**	**0.3**	**170.9**	**184.4**	**2.9**	**187.3**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2014

	Note	2014 £m	2013 £m
NON-CURRENT ASSETS			
Goodwill	10	**80.2**	78.5
Acquisition intangible assets		**28.6**	26.7
Other intangible assets		**0.8**	0.8
Investment	11	**0.7**	0.7
Property, plant and equipment		**13.1**	13.9
Deferred tax assets		**0.9**	2.1
		124.3	122.7
CURRENT ASSETS			
Inventories		**54.1**	46.7
Trade and other receivables		**46.3**	42.8
Cash and cash equivalents	9	**21.3**	19.3
		121.7	108.8
CURRENT LIABILITIES			
Trade and other payables		**(43.9)**	(40.0)
Current tax liabilities		**(2.3)**	(1.7)
Other liabilities	13	**(1.6)**	(2.0)
		(47.8)	(43.7)
NET CURRENT ASSETS		**73.9**	65.1
TOTAL ASSETS LESS CURRENT LIABILITIES		**198.2**	187.8
NON-CURRENT LIABILITIES			
Retirement benefit obligations		**(4.3)**	(4.7)
Other liabilities	13	**(2.4)**	(1.0)
Deferred tax liabilities		**(4.2)**	(3.8)
NET ASSETS		**187.3**	178.3
EQUITY			
Share capital		**5.7**	5.7
Translation reserve		**7.5**	16.2
Hedging reserve		**0.3**	-
Retained earnings		**170.9**	155.0
TOTAL SHAREHOLDERS' EQUITY		**184.4**	176.9
Minority interests		**2.9**	1.4
TOTAL EQUITY		**187.3**	178.3

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 30 September 2014

	Note	2014 £m	2013 £m
OPERATING PROFIT		**50.3**	48.7
Acquisition related charges	8	**6.4**	5.6
Non-cash items	8	**2.9**	2.7
Increase in working capital	8	**(4.6)**	(1.1)
CASH FLOW FROM OPERATING ACTIVITIES		**55.0**	55.9
Interest paid, net		**(0.3)**	(0.2)
Tax paid		**(13.0)**	(14.8)
NET CASH FROM OPERATING ACTIVITIES		**41.7**	40.9
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of businesses (including expenses)	12	**(14.9)**	(1.2)
Deferred consideration paid	13	**(0.1)**	(0.6)
Purchase of property, plant and equipment		**(1.9)**	(4.1)
Purchase of other intangible assets		**(0.3)**	(0.5)
Proceeds from sale of property, plant and equipment		**0.1**	-
NET CASH USED IN INVESTING ACTIVITIES		**(17.1)**	(6.4)
CASH FLOW FROM FINANCING ACTIVITIES			
Acquisition of minority interests	13	**(1.5)**	(0.4)
Dividends paid to shareholders	14	**(18.2)**	(17.4)
Dividends paid to minority interests		**(0.2)**	(0.2)
Purchase of own shares		**-**	(1.7)
Notional purchase of own shares on exercise of share options		**(1.8)**	(3.0)
Repayment of borrowings	9	**-**	(3.5)
NET CASH USED IN FINANCING ACTIVITIES		**(21.7)**	(26.2)
Net increase in cash and cash equivalents		**2.9**	8.3
Cash and cash equivalents at beginning of year		**19.3**	11.4
Effect of exchange rates on cash and cash equivalents		**(0.9)**	(0.4)
CASH AND CASH EQUIVALENTS AT END OF YEAR	9	**21.3**	19.3

ALTERNATIVE PERFORMANCE MEASURES (NOTE 2)		2014 £m	2013 £m
Net increase in cash and cash equivalents		**2.9**	8.3
Add:	Dividends paid to shareholders	**18.2**	17.4
	Dividends paid to minority interests	**0.2**	0.2
	Acquisition of businesses and minority interests	**16.4**	1.6
	Deferred consideration paid	**0.1**	0.6
	Repayment of borrowings	**-**	3.5
FREE CASH FLOW		**37.8**	31.6
Cash and cash equivalents		**21.3**	19.3
Borrowings		**-**	-
NET CASH		**21.3**	19.3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 September 2014

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 17 November 2014. These 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 2014 and the comparative period, with the exception of accounting for interest on the assets in the defined benefit pension scheme.

For the year ended 30 September 2014 the Group adopted amendments to IAS19 (revised) "Employee Benefits" for the first time. In accordance with the revised Standard, the Group's accounting policy has been changed to replace interest on the defined benefit obligation and expected return on scheme assets with a single net interest cost, calculated by applying the discount rate to the net defined benefit liability. This amendment, which is not material to the Group, has been reflected in the 2014 consolidated financial statements, but not in the comparative period. IFRS 13 "Fair Value Measurement" became effective during the year, however this Standard does not materially impact the Group's consolidated financial statements. There were no other new Standards, amendments or interpretations to existing Standards which have been published and endorsed by the EU and which have a significant impact on the results, financial position or presentation of the consolidated financial statements for the year ended 30 September 2014.

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 2014 and 2013. Statutory financial statements for the year ended 30 September 2013 have been delivered to the Registrar of Companies and are available on the website at *www.diplomaplc.com* The statutory financial statements for the year ended 30 September 2014, which were approved by the Directors on 17 November 2014, will be sent to shareholders on 4 December 2014 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 2014 and 2013. 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 21 January 2015 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, adjustments to deferred consideration (collectively, "acquisition related charges"), the costs of restructuring or rationalisation of operations and the profit or loss relating to the sale of businesses or property. The Directors believe that adjusted operating profit is an important measure of the underlying operational performance of the Group.

2.2 Adjusted profit before tax

At the foot of the Consolidated Income Statement, "adjusted profit before tax" is separately disclosed, being defined as adjusted operating profit, after finance expense (before fair value remeasurements under IAS 39 in respect of future purchases of minority interests) and before tax. The Directors believe that adjusted profit before tax is an important measure of the underlying performance of the Group.

2.3 Adjusted earnings per share

"Adjusted earnings per share" is calculated as the total of adjusted profit before tax, 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 and ROATCE

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 and acquisition liabilities in respect of future purchases of minority interests and deferred consideration. Adjusted trading capital employed is reported as being trading capital employed plus goodwill and acquisition related charges previously written off (net of deferred tax on acquisition intangible assets). Return on adjusted trading capital employed ("ROATCE") at the Group and Sector level is defined as the adjusted operating profit, divided by adjusted trading capital employed and adjusted for the timing effect of major acquisitions and disposals. The Directors believe that ROATCE is an important measure of the underlying performance of the Group.

3. BUSINESS SECTOR ANALYSIS

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

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

	Life Sciences		Seals		Controls		Group	
	2014	2013	2014	2013	2014	2013	2014	2013
	£m	£m	£m	£m	£m	£m	£m	£m
Revenue								
- existing businesses	**91.3**	93.2	**106.4**	106.1	**92.7**	86.2	**290.4**	285.5
- acquisitions	**0.1**	-	**13.4**	-	**1.9**	-	**15.4**	-
Revenue	**91.4**	93.2	**119.8**	106.1	**94.6**	86.2	**305.8**	285.5
Adjusted operating profit								
- existing businesses	**19.6**	20.9	**19.8**	19.5	**15.0**	13.9	**54.4**	54.3
- acquisitions	**0.1**	-	**1.9**	-	**0.3**	-	**2.3**	-
Adjusted operating profit	**19.7**	20.9	**21.7**	19.5	**15.3**	13.9	**56.7**	54.3
Acquisition related charges	**(2.3)**	(2.8)	**(3.2)**	(2.0)	**(0.9)**	(0.8)	**(6.4)**	(5.6)
OPERATING PROFIT	**17.4**	18.1	**18.5**	17.5	**14.4**	13.1	**50.3**	48.7

Acquisition related charges of £6.4m (2013: £5.6m) comprises £5.6m (2013: £5.6m) of amortisation of acquisition intangible assets and £0.8m of acquisition expenses (2013: negligible).

3. BUSINESS SECTOR ANALYSIS (continued)

	Life Sciences		Seals		Controls		Group	
	2014	2013	2014	2013	2014	2013	2014	2013
	£m	£m	£m	£m	£m	£m	£m	£m
Operating assets	**29.3**	29.0	**45.0**	38.4	**37.2**	33.5	**111.5**	100.9
Investment	**-**	-	**0.7**	0.7	**-**	-	**0.7**	0.7
Goodwill	**44.2**	47.3	**21.0**	16.6	**15.0**	14.6	**80.2**	78.5
Acquisition intangible assets	**10.1**	12.9	**15.8**	11.3	**2.7**	2.5	**28.6**	26.7
	83.6	89.2	**82.5**	67.0	**54.9**	50.6	**221.0**	206.8
Unallocated assets:								
– Deferred tax assets							**0.9**	2.1
– Cash and cash equivalents							**21.3**	19.3
– Corporate assets							**2.8**	3.3
TOTAL ASSETS	**83.6**	89.2	**82.5**	67.0	**54.9**	50.6	**246.0**	231.5
Operating liabilities	**(14.7)**	(14.7)	**(14.6)**	(11.6)	**(14.9)**	(13.7)	**(44.2)**	(40.0)
Unallocated liabilities:								
– Deferred tax liabilities							**(4.2)**	(3.8)
– Retirement benefit obligations							**(4.3)**	(4.7)
– Acquisition liabilities							**(4.0)**	(3.0)
– Corporate liabilities							**(2.0)**	(1.7)
TOTAL LIABILITIES	**(14.7)**	(14.7)	**(14.6)**	(11.6)	**(14.9)**	(13.7)	**(58.7)**	(53.2)
NET ASSETS	**68.9**	74.5	**67.9**	55.4	**40.0**	36.9	**187.3**	178.3
OTHER SECTOR INFORMATION								
Capital expenditure	**1.2**	2.8	**0.5**	0.9	**0.5**	0.9	**2.2**	4.6
Depreciation and amortisation	**1.3**	1.4	**0.7**	0.7	**0.5**	0.4	**2.5**	2.5

Alternative Performance Measures (Note 2)	Life Sciences		Seals		Controls		Group	
	2014	2013	2014	2013	2014	2013	2014	2013
	£m	£m	£m	£m	£m	£m	£m	£m
NET ASSETS	**68.9**	74.5	**67.9**	55.4	**40.0**	36.9	**187.3**	178.3
Add/(deduct):								
- Deferred tax, net							**3.3**	1.7
- Retirement benefit obligations							**4.3**	4.7
- Acquisition liabilities							**4.0**	3.0
- Cash and cash equivalents							**(21.3)**	(19.3)
REPORTED TRADING CAPITAL EMPLOYED							**177.6**	168.4
- Historic goodwill and acquisition related charges, net of deferred tax	**22.3**	19.1	**19.6**	17.3	**7.7**	6.7	**49.6**	43.1
ADJUSTED TRADING CAPITAL EMPLOYED	**91.2**	93.6	**87.5**	72.7	**47.7**	43.6	**227.2**	211.5
ROATCE[(1)]	**21.9%**	22.3%	**26.0%**	27.1%	**33.2%**	32.0%	**25.8%**	25.8%

[(1)]ROATCE is calculated after adjusting for the timing of acquisitions completed during the year.

4. GEOGRAPHIC SECTOR ANALYSIS BY ORIGIN

	Revenue		Adjusted operating profit		Non-current assets[1]		Trading capital employed		Capital expenditure	
	2014 £m	2013 £m	2014 £m	2013 £m	2014 £m	2013 £m	2014 £m	2013 £m	2014 £m	2013 £m
United Kingdom	**85.7**	74.8	**13.8**	12.0	**23.8**	21.3	**39.7**	34.2	**0.5**	1.0
Rest of Europe	**53.2**	40.1	**7.9**	6.3	**22.0**	12.9	**32.2**	21.7	**0.1**	0.4
North America[2]	**166.9**	170.6	**35.0**	36.0	**76.9**	85.7	**105.7**	112.5	**1.6**	3.2
	305.8	285.5	**56.7**	54.3	**122.7**	119.9	**177.6**	168.4	**2.2**	4.6

[1]Non-current assets exclude the investment and deferred tax assets.
[2] North America includes the Australian Healthcare businesses.

5. FINANCIAL EXPENSE, NET

	2014 £m	2013 £m
Interest and similar income		
- interest receivable on short term deposits	**0.1**	0.1
- interest income on the defined benefit pension scheme	**-**	0.2
	0.1	0.3
Interest expense and similar charges		
- bank facility and commitment fees	**(0.4)**	(0.1)
- interest payable on bank and other borrowings	**-**	(0.2)
- interest expense on the defined benefit pension scheme	**(0.2)**	-
	(0.6)	(0.3)
Net interest expense	**(0.5)**	-
- fair value remeasurement of put options (note 13)	**-**	(0.2)
FINANCIAL EXPENSE, NET	**(0.5)**	(0.2)

The fair value remeasurement of £Nil (2013: £0.2m) includes £0.1m (2013: £0.3m) which relates to the unwinding of the discount on the liability for future purchases of minority interests.

As described further in Note 1, the Group has adopted the amendments set out in IAS19 (revised) ‘Employee Benefits’ which has given rise to an interest expense on the defined pension scheme of £0.2m, compared with interest income of £0.2m last year. If this amendment had been adopted last year, the interest income of £0.2m on the defined pension scheme would have been an interest expense of £0.2m. The comparative however has not been restated as the amount is not material.

6. TAX EXPENSE

	2014 £m	2013 £m
Current tax		
The tax charge is based on the profit for the year and comprises:		
- UK corporation tax	**2.6**	2.7
- Overseas tax	**12.1**	12.1
	14.7	14.8
Adjustments in respect of prior year:		
- UK corporation tax	**(0.1)**	-
- Overseas tax	**(0.4)**	(0.3)
Total current tax	**14.2**	14.5
Deferred tax		
The net deferred tax credit based on the origination and reversal of timing differences comprises:		
- United Kingdom	**-**	0.1
- Overseas	**(0.5)**	(0.9)
Total deferred tax	**(0.5)**	(0.8)
TOTAL TAX ON PROFIT FOR THE YEAR	**13.7**	13.7

The Group earns its profits in the UK and Overseas. The UK corporation tax rate reduced from 23% to 21% on 31 March 2014; however as the Group prepares its consolidated financial statements for the year to 30 September, the effective tax rate for UK corporation tax in respect of the year ended 30 September 2014 was 22% (2013: 23.5%). The Group's net overseas tax rate is higher than that in the UK, primarily because the profits earned in the US are taxed at rates of up to 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 112,893,129 (2013: 112,454,287) and the profit for the year attributable to shareholders of £35.5m (2013: £34.5m). There were no potentially dilutive shares.

Adjusted earnings per share

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

	2014 pence per share	2013 pence per share	2014 £m	2013 £m
Profit before tax			**49.8**	48.5
Tax expense			**(13.7)**	(13.7)
Minority interests			**(0.6)**	(0.3)
Earnings for the year attributable to shareholders of the Company	**31.4**	30.7	**35.5**	34.5
Acquisition related charges	**5.7**	4.9	**6.4**	5.6
Fair value remeasurement of put options	**-**	0.2	**-**	0.2
Tax effects on acquisition related charges and fair value remeasurements	**(1.0)**	(1.0)	**(1.1)**	(1.1)
ADJUSTED EARNINGS	**36.1**	34.8	**40.8**	39.2

8. RECONCILIATION OF CASH FLOW FROM OPERATING ACTIVITIES

	2014 £m	2014 £m	2013 £m	2013 £m
Operating profit		**50.3**		48.7
Acquisition related charges		**6.4**		5.6
Adjusted operating profit		**56.7**		54.3
Depreciation or amortisation of tangible and other intangible assets	**2.5**		2.5	
Share-based payments expense	**0.7**		0.5	
Cash paid into defined benefit schemes	**(0.3)**		(0.3)	
Non-cash items		**2.9**		2.7
Operating cash flow before changes in working capital		**59.6**		57.0
Increase in inventories	**(4.6)**		(0.9)	
Increase in trade and other receivables	**(3.1)**		(2.5)	
Increase in trade and other payables	**3.1**		2.3	
Increase in working capital		**(4.6)**		(1.1)
Cash flow from operating activities, before acquisition expenses		**55.0**		55.9

9. NET CASH

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

	2014 £m	2013 £m
Net increase in cash and cash equivalents	**2.9**	8.3
Decrease in borrowings	**-**	3.5
	2.9	11.8
Effect of exchange rates	**(0.9)**	(0.4)
Movement in net cash	**2.0**	11.4
Net cash at beginning of year	**19.3**	7.9
NET CASH AT END OF YEAR	**21.3**	19.3
Comprising:		
Cash and cash equivalents	**21.3**	19.3
Borrowings	**-**	-
NET CASH AT 30 SEPTEMBER	**21.3**	19.3

10. GOODWILL

	Life Sciences £m	Seals £m	Controls £m	Total £m
At 1 October 2012	47.6	16.5	15.7	79.8
Transfers	1.9	-	(1.9)	-
Acquisitions	-	-	0.5	0.5
Exchange adjustments	(2.2)	0.1	0.3	(1.8)
At 30 September 2013	47.3	16.6	14.6	78.5
Acquisitions (note 12)	0.3	5.0	0.7	6.0
Exchange adjustments	(3.4)	(0.6)	(0.3)	(4.3)
AT 30 September 2014	**44.2**	**21.0**	**15.0**	**80.2**

10. GOODWILL (continued)

The Group tests goodwill for impairment generally twice a year. For the purposes of impairment testing, goodwill is allocated to each of the Group's three operating Sectors. This represents a change from the prior year and reflects the lowest level within the Group at which goodwill is monitored by management and better reflects the Group's strategy of acquiring businesses to drive synergies across a Sector, rather than in an individual business. The impairment test requires a "value in use" valuation to be prepared for each Sector using discounted cash flow forecasts. The cash flow forecasts are based on a combination of annual budgets prepared by each business and the Group's five year strategic plan. Beyond five years cashflow projections utilise a perpetuity growth rate of 2%.

The key assumptions used to prepare the cash flow forecasts relate to gross margins, 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 operates, unless there are particular factors relevant to a business, such as start-ups. The annual growth rates used in the cash flow forecasts for the next five years represent the budgeted amounts for 2015 and, thereafter, average growth rates for each Sector; these annual growth rates then trend down to 2% over the longer term.

The cash flow forecasts are discounted to determine a current valuation using a single market derived pre-tax discount rate of ca. 13% (2013: 13%). This single rate is based on the characteristics of lower risk, non-technically driven, distribution businesses operating generally in well developed markets and geographies and with robust capital structures. As these features are consistent between each of the Group's Sectors, the Board considers that it is more appropriate to use a single discount rate applied to each Sector's cash flow forecasts.

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

The Directors have also carried out sensitivity analysis on the key assumptions noted above to determine whether a "reasonably possible change" in any of these assumptions would result in an impairment of goodwill. The analysis indicates that a "reasonably possible change" would not give rise to an impairment charge to goodwill in any of the three Sectors. Given the significant headroom in the Group's impairment calculations, an impairment would not have arisen had goodwill continued to have been assessed on a business unit basis.

11. INVESTMENT

	2014 £m	2013 £m
Investment	**0.7**	0.7

The Group holds a 10% interest in the share capital of Kunshan J Royal Precision Products Inc. ("JRPP"), a supplier to J Royal. The Group has no involvement in the day-to-day operations or management of JRPP. At 30 September 2014, there was no material difference between the book value of this investment and its fair value.

12. ACQUISITION OF BUSINESSES

On 13 January 2014, the Group acquired 80% of Kentek Oy ("Kentek") for maximum consideration of £11.0m (€13.3m). The initial cash paid on acquisition was £8.9m (€10.7m), with a further £0.8m (€1.0m) paid on 14 May 2014 relating to net assets at acquisition. Deferred consideration of up to £1.3m (€1.6m) is also payable depending on the operating profit of Kentek in the 12 months ending 31 December 2014. The fair value of the 20% minority interest in Kentek of £2.3m has been calculated based on the net present value of the projected performance of the business between 2015 and 2018, when the put options become exercisable.

12. ACQUISITION OF BUSINESSES (continued)

On 3 June 2014, the Group acquired Speciality Fasteners & Components Limited ("SFC") for a maximum consideration of £2.8m. The initial cash on acquisition was £2.7m and up to a further £0.1m is payable based on the operating profit of the business in the 12 months ended 31 December 2014.

In addition, during the year the Group made a number of smaller acquisitions, all of which were paid for in cash, which were as follows:

17 October 2013	Sacee	£0.3m (€0.3m)
19 December 2013	Ramsay Services Limited ("Ramsay")	£1.3m
28 February 2014	AB Seals Limited ("AB Seals")	£0.5m
10 July 2014	Chemzyme Australia	£0.6m (A$1.2)
31 July 2014	Maxwell Seals	£0.2m

Acquisition expenses of £0.8m were incurred on these acquisitions, of which £0.6m related to the acquisition of Kentek, including local stamp duty taxation.

From the date of acquisition to 30 September 2014, the newly acquired Kentek business contributed £12.4m to revenue and £1.7m to adjusted operating profit and the other newly acquired businesses contributed £3.0m to revenue and £0.6m to adjusted operating profit. If all of these businesses had been acquired at the beginning of the financial year, they would have contributed £20.6m to revenue and £2.7m to adjusted operating profit, in aggregate; however these amounts 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.

	Kentek		Other		Total	
	Book value £m	Fair value £m	Book value £m	Fair value £m	Book value £m	Fair value £m
Acquisition intangible assets	-	6.5	-	2.5	-	9.0
Property, plant and equipment	0.2	0.2	0.1	0.1	0.3	0.3
Inventories	2.9	2.7	1.5	1.3	4.4	4.0
Trade and other receivables	1.0	0.9	1.1	1.1	2.1	2.0
Trade and other payables	(1.6)	(1.6)	(1.2)	(1.2)	(2.8)	(2.8)
Deferred tax	-	(1.2)	-	(0.5)	-	(1.7)
Net assets acquired	2.5	7.5	1.5	3.3	4.0	10.8
Goodwill	-	4.3	-	1.7	-	6.0
Minority of share of net assets (including goodwill)	-	(2.3)	-	-	-	(2.3)
	2.5	9.5	1.5	5.0	4.0	14.5
Cash paid		9.7		5.6		15.3
Cash acquired		(0.4)		(0.8)		(1.2)
Expenses of acquisition		0.6		0.2		0.8
Net cash paid, after acquisition expenses		**9.9**		**5.0**		**14.9**
Deferred consideration payable		0.2		0.2		0.4
Less: Expenses of acquisition		(0.6)		(0.2)		(0.8)
Total consideration		**9.5**		**5.0**		**14.5**

Goodwill arising on these acquisitions of £6.0m represents the product know-how held by employees and the prospect for revenue growth from new customers. Goodwill and acquisition assets relating to these acquisitions of £0.2m will be allowable for a tax deduction in future years.

13. OTHER LIABILITIES

	2014 £m	2013 £m
Future purchases of minority interests	**3.5**	2.8
Deferred consideration	**0.5**	0.2
	4.0	3.0
Analysed as:		
Due within one year	**1.6**	2.0
Due after one year	**2.4**	1.0

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

	2014 £m	2013 £m
At 1 October	**2.8**	3.2
Acquisition of minority interests	**(1.6)**	(0.6)
Put options entered into during the year	**2.3**	-
Unwinding of discount	**0.1**	0.3
Fair value remeasurements	**(0.1)**	(0.1)
AT 30 SEPTEMBER	**3.5**	2.8

At 30 September 2014, the Group retained put options to acquire minority interests in Kentek and M Seals which are exercisable between 2015 and 2022. As described in note 12, put/call options were recognised during the year at a value of £2.3m (€2.7m) in respect of the 20% minority interest in Kentek, acquired on 13 January 2014. On 13 January 2014 and 31 July 2014, the Group acquired the outstanding minority interests in DSL for an aggregate of £0.9m (A$1.6m). On 31 July 2014 the Group acquired the outstanding minority interest in HPS for £0.7m (US$1.2m), including deferred consideration of £0.1m (US$0.1m).

At 30 September 2014 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 2014. This led to a remeasurement of the fair value of these put options and the liability was reduced by £0.1m (2013: reduced by £0.1m). This reduction was offset by the charge from unwinding the discount on the liability and in aggregate £Nil (2013: £0.2m) has been charged to the Consolidated Income Statement.

At 30 September 2014 deferred consideration of £0.5m relates to £0.1m payable to the vendor of SFC, £0.1m (A$0.2m) payable to the vendor of BGS, £0.2m (€0.2m) payable to the vendor of Kentek and £0.1m (US$0.1m) payable to the vendor of HPS. The amount payable to the vendor of BGS represents the third and final instalment of deferred consideration, having paid a second instalment of deferred consideration of £0.1m (A$0.2m) during this year.

14. DIVIDENDS

	2014 pence per share	2013 pence per share	2014 £m	2013 £m
Interim dividend, paid in June	**5.4**	5.0	**6.1**	5.6
Final dividend of the prior year, paid in January	**10.7**	10.2	**12.1**	11.8
	16.1	15.2	**18.2**	17.4

The Directors have proposed a final dividend in respect of the current year of 11.6p per share (2013: 10.7p) which will be paid on 28 January 2015, subject to approval of shareholders at the Annual General Meeting on 21 January 2015, to shareholders on the register on 28 November 2014. The total dividend for the current year, subject to approval of the final dividend, will be 17.0p per share (2013: 15.7p).

15. EXCHANGE RATES

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

	Average 2014	Average 2013	Closing 2014	Closing 2013
US dollar (US$)	**1.66**	1.56	**1.62**	1.62
Canadian dollar (C$)	**1.80**	1.59	**1.81**	1.66
Australian dollar (A$)	**1.81**	1.58	**1.85**	1.73
Euro (€)	**1.23**	1.19	**1.28**	1.20

16. SUBSEQUENT EVENTS

On 6 October 2014 the Group completed the acquisition of 80% of Technopath Distribution Limited ("TPD") for consideration of £11.1m (€14.1m), including debt acquired of £1.5m (€1.9m). Put and call options have been included in the transaction to allow the Group to acquire the outstanding 20% of shares over a period of up to 5 years. The TPD business is based in Ballina, County Tipperary in Ireland and is an established supplier of products to the Biotechnology, Clinical Laboratory and Medical markets in Ireland and the UK.

A review to determine fair values of the net assets acquired will be completed during the next financial year.