NEWSRELEASE

DIPLOMA PLC

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FOR IMMEDIATE RELEASE

14 May 2018

ANNOUNCEMENT OF HALF YEAR RESULTS FOR THE SIX MONTHS ENDED 31 MARCH 2018

"Strong growth in revenue and profit, despite currency headwind"

	Unaudited Six months ended 31 March 2018 £m	Unaudited Six months ended 31 March 2017 £m	
Revenue	234.9	217.3	+8%
Adjusted operating profit(1)	40.6	37.4	+9%
Adjusted operating margin(1)	17.3%	17.2%	+10bps
Adjusted profit before tax(1),(2)	40.4	37.1	+9%
Profit before tax	35.4	32.9	+8%
Profit after tax	26.3	24.0	+10%
Free cash flow(3)	17.7	20.5	-14%
	Pence	Pence	
Adjusted earnings per share(1),(2)	26.7	23.9	+12%
Basic earnings per share	23.0	21.0	+10%
Interim dividend per share	7.7	7.0	+10%

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

Financial Highlights

- Revenue and adjusted operating profit increased by 8% and 9% respectively.
- Underlying revenue increased by 7%; currency movements decreased revenues by 4% and businesses acquired made a contribution of 5%.
- Adjusted operating margins improved by 10bps to 17.3%; in line with Full Year 2017.
- Adjusted profit before tax increased by 9% to £40.4m; adjusted EPS increased by 12% to 26.7p reflecting benefit of reduction in US tax rate.
- Robust free cash flow of £17.7m after an £11.2m investment in working capital; net cash funds of £17.7m at end of March.
- Interim dividend increased by 10% to 7.7p per share reflecting confidence in Group's growth prospects.

Operational Highlights

- In Life Sciences, underlying revenues increased by 9% led by a strong performance by the Group's Healthcare businesses with good growth in consumable product sales and new product introductions.

- In Seals, underlying revenues increased by 9%, with strong revenues in the North American Aftermarket and Industrial OEM businesses and improved growth in International markets in the second quarter.

- In Controls, underlying revenues increased by 3% against a very strong comparative last year.

Commenting on the results for the period, Richard Ingram, Diploma's Chief Executive said:

"Diploma has continued to deliver robust growth in revenues and earnings. During the first half of the year the Group's businesses have taken advantage of the continuing strong global trading environment and delivered a good performance despite currency headwinds.

Acquisitions remain an integral part of the Group's growth strategy although the generally stronger trading conditions in most markets have constrained acquisition activity in the first half of the year. However, the pipeline of acquisition opportunities remains healthy and work is continuing to bring some of these to completion before the end of the fiscal year.

This background, combined with a proven business model and strong balance sheet, provides the Board with confidence that the Group will make further progress this year and will continue its excellent track record of value creation for shareholders."

Note:

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

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

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

For further information please contact:

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NOTE TO EDITORS:

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

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

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

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

The Group employs ca. 1,700 employees and its principal operating businesses are located in the UK, Northern Europe, North America and Australia.

Over the last ten years, the Group has grown adjusted earnings per share at an average of ca. 14% p.a. through a combination of organic growth and acquisitions. Diploma is a member of the FTSE 250 with a market capitalisation of ca. £1.4bn.

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

LEI: 2138008OG17VYG8FGR19

HALF YEAR REVIEW TO 31 MARCH 2018

Group revenues for the six months ended 31 March 2018 increased by 8% over the prior year comparable period, despite a 4% currency headwind from the strengthening of UK sterling against all major currencies except the Euro. At constant exchange rates, Group revenues increased by 12% with acquisitions completed during the last twelve months contributing 5% and underlying growth of 7%.

In the Life Sciences Sector, reported revenues increased by 16% over the comparable period, with a strong contribution from Abacus, the Australian diagnostic business acquired in April last year. On an underlying basis, Life Sciences revenues increased by 9% reflecting stronger consumable product sales, new product introductions and against a weak comparative. In the Seals Sector, reported revenues increased by 5% (up 9% on an underlying basis), principally driven by strong trading activity across the North American businesses where underlying revenues increased by 12%. In International Seals, underlying revenues improved in the second quarter and increased by 3% in the first half with strong trading in the European businesses being partly offset by weaker performances in Russia and Australia. In the Controls Sector, reported revenues increased by 6% (up 3% on an underlying basis) against a very strong comparative last year.

As anticipated, adjusted operating margins improved by 10bps to 17.3%, as compared with the level achieved in the prior year comparable period and were in line with the full 2017 financial year. The stronger revenues provided a benefit to operating margin through operating leverage, but this was largely offset by slightly softer gross margins in the Seals and Controls businesses from strategic pricing initiatives and from the lag in passing on price increases from suppliers.

The Group has a robust balance sheet and a proven track record of strong cash generation which the Group seeks to reinvest in both organic growth and acquiring new businesses to accelerate growth. During the first half, working capital increased substantially to support the much stronger trading environment and reached its seasonal high-point at 31 March 2018.

RESULTS AND DIVIDENDS

In the six months ended 31 March 2018, Group revenues increased by 8% to £234.9m (2017: £217.3m). Adjusted operating profit increased by 9% to £40.6m (2017: £37.4m) and adjusted operating margins were 17.3% (2017: 17.2%). Reported operating profit increased by 8% to £35.7m. After adjusting for the incremental contribution from acquisitions and for translational currency effects, underlying revenues increased by 7%.

Adjusted profit before tax increased by 9% to £40.4m (2017: £37.1m) and adjusted earnings per share increased by 12% to 26.7p (2017: 23.9p) reflecting the benefit to earnings from the reduction in the US Federal corporate income tax rate. On a reported basis, profit before tax was £35.4m (2017: £32.9m) and basic earnings per share were 23.0p (2017: 21.0p).

The cash flow from operations in the period decreased modestly to £31.9m (2017: £32.9m) after a much larger investment in working capital of £11.2m (2017: £7.1m). The Group's free cash flow for the period decreased by £2.8m to £17.7m (2017: £20.5m) reflecting the higher investment in working capital and £2.2m (2017: £0.7m) to fund the Group's incentive programmes. At 31 March 2018, the Group had net cash of £17.7m.

The Group continues to follow a progressive dividend policy, which targets dividend cover towards two times on an adjusted EPS basis. The Directors have declared an increased interim dividend up 10% to 7.7p per share (2017: 7.0p), reflecting the Board's confidence in the Group's growth prospects. The dividend will be payable on 13 June 2018 to shareholders on the register on 25 May 2018.

OPERATING REVIEW

Life Sciences

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

	Half Year		
	2018	2017	
Revenue	£67.4m	£57.9m	+16%
Adjusted operating profit	£11.7m	£10.3m	+14%
Adjusted operating margin	17.4%	17.8%	

Reported revenues increased by 16% over the prior year comparable period. The acquisition of Abacus in April 2017 added 11% to Sector revenues, but this was partly offset by currency movements on translation of results to UK sterling which reduced revenues by 4%. On an underlying basis, after adjusting for currency and this acquisition, Life Sciences revenues increased by 9% over the prior year comparable period.

Adjusted operating margins reduced by 40bps to 17.4%, largely reflecting the investment in support of new endoscopes introduced this year in Canada as well as one-off operating costs incurred in combining the two diagnostics businesses in Australia.

The DHG group of Healthcare businesses, which accounted for 84% of Sector revenues, increased underlying revenues by 9% in constant currency terms, after adjusting for the acquisition of Abacus.

In Canada, DHG underlying revenues increased by 11% against the background of continuing budget pressures throughout the Provincial healthcare systems, with procurement entities continuing to restructure and amalgamate, both nationally and regionally. Somagen's core clinical diagnostics business in Canada delivered solid growth in revenues against a strong prior year comparative. Good growth in sales of consumable products and service more than offset slower capital equipment sales, with several projects remaining in progress pending final acceptance and revenue recognition. AMT and Vantage, the Surgical Products businesses in Canada, delivered strong growth in revenues, driven by the successful introduction of a premium range of rigid and flexible endoscopes and surgical instrument sets, which offer further growth potential in the Urology and Gynaecology segments of the surgical market. Growth has also been achieved in the supply of specialised instruments used in laparoscopic and other minimally invasive surgical procedures. These growth initiatives have diversified the revenue streams across both the core surgical and GI businesses and mitigated the continuing pressures in the electrosurgery and smoke evacuation businesses, where pricing has now stabilised at lower levels.

In Australia, Abacus has been combined with the Diagnostic Solutions business to form Abacus Dx, a larger broader-based Clinical Diagnostics, Life Science and Patient Simulation business, supplying to both the public and private pathology laboratories and to research and educational establishments across Australasia. Abacus Dx has delivered strong double-digit growth in revenues on a like-for-like basis, despite the continuing consolidation of testing within Clinical Diagnostics and more professional procurement in the fragmented Life Science market. Abacus Dx is working closely with key suppliers to position itself strongly in response to the shift towards track based laboratory systems. BGS, the Surgical Products business saw revenues reduce modestly as new products were introduced to replace electrosurgical products from a supplier which had been acquired by a larger industry player with its own channels to market. In smoke evacuation, the implementation of nursing guidelines enforcing smoke compliance will drive longer term growth, but is slowing decision processes in the short term.

The TPD business in Ireland and the UK has delivered solid underlying growth in revenues, while introducing a number of new suppliers and products to replace revenues from certain suppliers who have moved from specialised distribution to a direct supply model. The transition has been mitigated this year by resilient sales of clinical chemistry and serology products and by strong sales of capital equipment, in particular agitators and separators used in the NHS Blood and Transplant (NHSBT) service. The Biotechnology business also saw strong growth attributed to capital equipment sales in the microbial testing segment.

The a1-group of Environmental businesses in Europe, which accounted for 16% of Sector revenues, saw revenues increase by 6% on a constant currency basis. Revenues in the a1-envirosciences business increased by 13% in Euro terms, driven by strong sales in Germany of high-end elemental analysers used in the testing of nitrogen and sulphur in the Petrochemical industry and of halogens in Environmental industries. In the a1-CBISS business, the Energy from Waste (EFW) market remains buoyant, but delays in order placement for continuous emissions monitoring systems (CEMS) led to a modest reduction in revenues. Services revenues increased across both businesses and account for over 30% of revenues.

Seals

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

	Half Year		
	2018	2017	
Revenue	£99.2m	£94.8m	+5%
Adjusted operating profit	£17.1m	£15.4m	+11%
Adjusted operating margin	17.2%	16.2%	

Reported revenues increased by 5% over the prior comparable period. The acquisitions of PSP in the US in April 2017 and Edco in the UK in June 2017 contributed 3% to Sector revenues, but this was more than offset by currency movements on translation of results to UK sterling which reduced revenues by 7%. On an underlying basis, after adjusting for currency and these acquisitions, revenues were 9% above the prior year.

Adjusted operating margins increased by 100bps to 17.2%, with stronger revenues providing operating leverage which more than offset a small decrease in gross margins from the lag in passing on supplier increases and increased freight costs from expediting inventories due to delays in the supply chain.

The North American Seals businesses, which accounted for 62% of Sector revenues, saw underlying revenues increase by 12% on a constant currency basis and after adjusting for the PSP acquisition.

The HFPG Aftermarket businesses reported an increase of 11% in underlying revenues, driven by a solid performance by the core Hercules business in the US and Canada and continued strong growth in the HKX attachment kit business. Generally the North American markets remain strong with the significant pick-up in repair activity in the Oil & Gas sector and as Construction and large Infrastructure projects drive demolition and construction markets.

In the domestic US market, Hercules revenues increased by 7% with sustained growth in the Repair and Distributor segments, where improved inventory levels and fill rates supported customers as seal manufacturers struggled to keep up with demand. Sales to hydraulic cylinder manufacturers have also been strong as the Agricultural and Heavy Equipment markets have returned to healthy growth. Hercules continues to add new products to expand the breadth of equipment supported and E-commerce revenues continue to grow strongly, now representing ca. 25% of Hercules US revenues.

In Canada, Hercules increased underlying revenues by 5% where strong growth in the Repair segment in a robust Construction industry offset softer market conditions in the cylinder OEM and Distributor segments. In markets outside of North America, Hercules and Bulldog export revenues showed strong growth, in particular from South and Central America and the Middle East.

The HKX attachment kit business increased underlying revenues by 26%, driven by strong demand in the domestic US market, in particular from demolition contractors and pipeline construction. Contractors continue to prefer the rent-purchase option (RPO) for their heavy equipment needs which drives demand for HKX attachment kits to be fitted to non-plumbed equipment.

The HFPG Industrial OEM businesses in North America (J Royal, RT Dygert, All Seals and PSP) saw underlying revenues increase by 14% in a very strong US industrial market with healthy Manufacturing PMI data. The businesses have a customer base of ca. 3,000 customers across most industrial market segments of US manufacturing, including hydraulic and pneumatic applications, material handling, semiconductor, pool and spa, metering and HVAC applications. The businesses continue to look for opportunities to deploy higher specification, regulatory-compliant compounds to target new projects with higher levels of added-value.

Good progress has been made in developing the cluster of Industrial OEM Seals businesses, with a senior management team directing the key functions of Sales, Supply Chain, Technical and Finance while maintaining the distinct identity of each business. The new ERP system across these businesses is on track and due to go live in the final quarter of this financial year.

The International Seals businesses, which accounted for 38% of Sector revenues, saw improved growth in the second quarter and underlying revenues increased by 3% in the first half, on a constant currency basis and after adjusting for the acquisition of Edco.

FPE Seals and M Seals, with their principal operations in the UK, Scandinavia and the Netherlands, together delivered underlying growth of 6%. In the UK and the Netherlands, underlying revenue growth was relatively flat, with some improvement in the Oil & Gas market, but with the Construction market experiencing more modest levels of business confidence. However in its first full year with the Group, Edco delivered good growth in revenues on a like-for-like basis, driven by increased sales to key customers, particularly in the Oil & Gas sector. In Scandinavia, underlying revenues increased by 10%, with the principal driver being a strong performance in Sweden based on increased trading activity with established customers and new project wins with existing and new customers.

Kubo increased underlying revenues by 9%, benefiting from the strengthening of the Euro relative to the Swiss Franc which has contributed to an improvement in industrial activity in Switzerland. Customers and suppliers are now reporting full order books and supply shortages. Kubo also benefited from sales initiatives implemented in the prior year, particularly in the Medical and General Industrial equipment sectors. The market in Austria remains buoyant, benefiting from good growth in Germany and Kubo has continued to increase revenues from existing and new customers.

Kentek and WCIS have experienced more difficult trading conditions in their principal markets and saw underlying revenues reduce by 4% in aggregate. The Kentek filtration business has delivered modest growth in revenues in Finland and the Baltic States, but this was offset by a weaker performance in Russia, which accounts for 65% of Kentek's revenues. A combination of weaker end-use markets, competitive pressures and customer limitations as a result of sanctions and government policies, have all contributed to a 9% reduction in revenues in Euro terms. WCIS has been significantly impacted by cost reduction initiatives in the nickel mining and processing operations of its major customer in New Caledonia. However, in Australia, WCIS has made progress in broadening its sales coverage into complementary markets adjacent to its historic Mining focus. This initiative is gaining traction with a number attractive contract opportunities now in the final stages.

Controls

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

	Half Year 2018	Half Year 2017	
Revenue	£68.3m	£64.6m	+6%
Adjusted operating profit	£11.8m	£11.7m	+1%
Adjusted operating margin	17.3%	18.1%	

Reported revenues increased by 6% against the prior year comparable period, with the acquisition of Coast Fabrication Inc. ("Coast") in October 2017 contributing 3% to Sector revenues. On an underlying basis, after adjusting for this acquisition and currency movements, revenues increased by 3%, against the background of strong prior year comparatives.

Adjusted operating margins reduced by 80bps to 17.3%, driven by the absence of major project activity in Filcon and from the strategic pricing used selectively by IS-Group to penetrate new customers within the broader EMEA region. In Clarendon, investment in resources to drive growth within the US market and the lower initial operating margin at Coast have modestly diluted operating margins.

The Interconnect businesses accounted for 58% of Sector revenues. These businesses supply high performance wiring, harness components and connectors, used in technically demanding applications, often in harsh environments. Interconnect underlying revenues increased in the Half Year by 2%, with strong growth across the IS-Group and Cablecraft businesses held back by the absence of major project activity in Filcon.

The IS-Group and Cablecraft businesses, with principal operations in the UK, increased aggregate revenues by 9% in UK sterling terms. The IS-Group delivered steady growth in its core UK markets of Defence & Aerospace, Motorsport and Industrial. This growth was boosted by a major contribution from the EMEA region where the IS-Group is broadening its customer base by targeting cable harness houses across the region as well as supplying the traditional network of European sub-distributors. Cablecraft continued to deliver good growth in revenues from the continued focus on end-user customers, including electrical panel builders and contractors upgrading the UK rail network. Cablecraft continues to benefit from increasing E-commerce revenues and is in the process of substantially upgrading its website and E-commerce capabilities to support its growth.

In Germany, IS-Sommer and Filcon reported a 14% reduction in aggregate revenues in local Euro terms, but this reduction was relative to an exceptional prior year comparative which had been boosted by major project revenue in Filcon. IS-Sommer increased underlying revenues by 7% with good growth in its Industrial and Medical markets, which offset softer demand in Motorsport and in Energy markets, where only modest investments are being made in the electricity network. Filcon saw revenues reduce substantially due largely to the absence of major project activity, as well as lower Motorsport revenues following the withdrawal of Audi and Porsche from the Le Mans series and VW from WRC.

The Clarendon Specialty Fasteners business accounted for 22% of Sector revenues. This business supplies specialty aerospace-quality fasteners to the Civil Aerospace, Motorsport and Industrial & Defence markets. Clarendon continues to perform strongly and increased underlying revenues by 8% over a very strong prior year comparative. The overall Aerospace market remains buoyant and Clarendon continues to strengthen its relationships with the major aircraft seating and cabin interior manufacturers and their sub-contractors, expanding its presence to support customers in the UK, Europe and increasingly Asia, particularly Thailand. At the beginning of the financial year, Clarendon completed the acquisition of Coast, a small US specialty fastener distributor based in California. Coast has settled in well to the Clarendon group and provides a base in the US for supporting Clarendon's current Aerospace customers in the US as well as expanding into new cabin interior customers. Coast also gives access to major fastener suppliers that principally supply to US entities.

The Hawco Group of Fluid Controls businesses accounted for 20% of Sector revenues and supplies temperature, pressure and fluid control products, with a high proportion of its products being supplied to the Food and Beverage industry. Hawco Group revenues increased by 1% against the prior year comparable period, with growth in Abbeychart sales offsetting slower markets in Hawco. The Abbeychart performance was driven by strong growth in its core coffee segment with improved sales into coffee machine makers and operators. Good growth was also achieved in the soft drinks, vending and water segments. Hawco delivered a solid sales performance in its OEM Industrial sector, but OEM Refrigeration equipment saw sales reduce against a strong prior year comparative. In the Contractor market, sales also reduced as Hawco pulled back from lower margin air conditioning and coldroom business. Across both businesses, export sales increased and now represent 17% of combined sales.

FINANCE

Free cash flow

The Group generated free cash flow of £17.7m (2017: £20.5m) during the Half Year, after £11.2m (2017: £7.1m) of cash was invested in working capital and £2.2m (2017: £0.7m) of funding was provided to the Company's Employee Benefit Trust.

Operating cash flow decreased by £1.0m to £31.9m (2017: £32.9m) with an additional £4.1m invested in working capital during the first half of this year, compared with last year. This increased investment reflected the stronger trading environment, with inventories in particular increasing by £7.5m as businesses sought to secure more competitive prices and guard against inventory shortages as a number of supply chains approached full capacity.

The Group's metric of working capital to revenue increased from 15.0% at 30 September 2017 to 15.8% at 31 March 2018 (2017: 15.8%) in response to the increasingly strong trading environment over the past twelve months. It is expected that this additional investment in working capital will decrease during the second half of the year which will be consistent with historical trends.

Tax payments in the first half of the year increased by £0.8m to £9.7m (2017: £8.9m). On an underlying basis, the cash tax rate decreased slightly to 24% (2017: 25%) as the reduction in the US Federal corporate income tax rate began to impact US tax payments. The Group also funded the Company's Employee Benefit Trust with £2.2m (2017: £0.7m) in connection with the Company's long term incentive plan.

Capital expenditure increased to £2.3m, compared with an unusually low spend of £1.0m in the comparable period of 2017 when a number of projects had been delayed into the second half of last year. In Life Sciences, £0.5m was spent on acquiring new hospital field equipment across the Healthcare businesses and a further £0.4m was spent on refurbishing both a new and expanded facility in Healthcare's Kitchener facility and a new facility for the UK Environmental business. In Seals, £0.5m was invested in ERP projects for the Industrial OEM businesses in North America and for the smaller Kentek business in Finland. A further £0.2m was spent on new tooling equipment in the Seals businesses and £0.2m was spent on new equipment in the Controls businesses. Various projects on upgrading office and existing IT infrastructure across the Group's businesses accounted for the remaining £0.5m of capital expenditure.

Net cash

At 31 March 2018, the Group's net cash funds had decreased by £4.6m to £17.7m compared with cash of £22.3m at 30 September 2017. Net funds at 31 March 2018 comprised cash balances of £19.7m less borrowings of £2.0m; these borrowings were repaid in April. During the Half Year, £3.3m (2017: £0.8m) was spent on acquisitions and £18.3m (2017: £15.8m) on dividends paid to ordinary and minority shareholders.

Acquisition expenditure of £3.3m included £1.2m on acquiring Coast, a supplier of specialty fasteners based in California and £2.0m in purchasing the outstanding 10% minority interest held in TPD, the Healthcare business based in Ireland.

At 31 March 2018, the Group retained a three year committed multi-currency revolving bank facility for £30m, which is due to expire in June 2020; options exist to increase the committed facility by £30m to £60m and to extend the term of the commitment up to five years.

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

Exchange rates

A significant proportion of the Group's revenues (ca. 75%) are derived from businesses located outside the UK, principally in the US, Canada, Australia and Northern Europe. In the first half of the financial year, UK sterling recovered quite strongly against all of the currencies (except the Euro) in which the Group operates, compared with the same period last year. The impact on the Group's results from translating the results of the Group's overseas businesses into UK sterling has led to a decrease in Group revenues and Group adjusted operating profit by £9.5m and £1.8m respectively, compared with the same period last year.

On a transactional currency basis, the impact on the UK businesses' adjusted operating profits from currency movements has been limited with the impact of a weaker US dollar largely being offset by a slightly stronger Euro and the utilisation of hedges taken out last year.

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

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

RISKS AND UNCERTAINTIES

The principal risks and uncertainties which may have the largest impact on performance in the second half of the year are the same as those described in detail in pages 32-35 of the 2017 Annual Report & Accounts. In summary these are:

- Strategic risks – downturn/instability in major markets, supplier concentration/loss of key suppliers and customer concentration/loss of key customers;
- Operational risks – cybersecurity/information technology/business interruption, product liability and loss of key personnel; and
- Financial risks – foreign currency and inventory obsolescence.

The Directors consider that the principal risks and uncertainties have not changed since publication of the 2017 Annual Report & Accounts and that they remain relevant for the second half of the financial year. In particular, since a large proportion of the Group's revenue and profits are generated overseas, movements in the UK foreign exchange rate against the major global currencies in which the Group's businesses operate remains a principal risk to the financial performance of the Group in the second half of this year.

The potential impact on the Group from the UK's decision to leave the European Community ("Brexit") was set out on page 31 of the 2017 Annual Report & Accounts. This assessment remains unchanged at the date of this Report and the Directors continue to believe that Brexit will not materially impact the Group's outlook or viability.

OUTLOOK

Diploma has continued to deliver robust growth in revenues and earnings. During the first half of the year the Group's businesses have taken advantage of the continuing strong global trading environment and delivered a good performance despite currency headwinds.

Acquisitions remain an integral part of the Group's growth strategy although the generally stronger trading conditions in most markets have constrained acquisition activity in the first half of the year. However, the pipeline of acquisition opportunities remains healthy and work is continuing to bring some of these to completion before the end of the fiscal year.

This background, combined with a proven business model and strong balance sheet, provides the Board with confidence that the Group will make further progress this year and will continue its excellent track record of value creation for shareholders.

RJ Ingram

Chief Executive Officer
14 May 2018

Responsibility Statement of the Directors in respect of the Half Year Report 2018

We confirm that to the best of our knowledge:

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

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

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

The Directors of Diploma PLC and their respective responsibilities are listed in the Annual Report & Accounts for 2017 and on the Company's website at www.diplomaplc.com. Richard Ingram was appointed to the Board on 23 April 2018 and confirmed as Chief Executive Officer on 8 May 2018, replacing Bruce Thompson who retired from the Board on 8 May 2018.

By Order of the Board

RJ Ingram	NP Lingwood
Chief Executive Officer	Group Finance Director
14 May 2018	14 May 2018

Condensed Consolidated Income Statement

For the six months ended 31 March 2018

	Note	Unaudited 31 March 2018 £m	Unaudited 31 March 2017 £m	Audited 30 Sept 2017 £m
Revenue	3	234.9	217.3	451.9
Cost of sales		(151.5)	(139.9)	(290.8)
Gross profit		83.4	77.4	161.1
Distribution costs		(5.4)	(5.2)	(10.6)
Administration costs		(42.3)	(39.1)	(82.0)
Operating profit	3	35.7	33.1	68.5
Financial expense	4	(0.3)	(0.2)	(1.7)
Profit before tax		35.4	32.9	66.8
Tax expense	5	(9.1)	(8.9)	(18.6)
Profit for the period		26.3	24.0	48.2
Attributable to:				
Shareholders of the Company		26.0	23.7	47.5
Minority interests		0.3	0.3	0.7
		26.3	24.0	48.2
Earnings per share				
Basic and diluted earnings	6	23.0p	21.0p	42.0p

Alternative Performance Measures (note 2)	Note	31 March 2018 £m	31 March 2017 £m	30 Sept 2017 £m
Operating profit		35.7	33.1	68.5
Add: Acquisition related charges	9	4.7	4.3	9.7
Add: Chief Executive Officer transition cost		0.2	-	-
Adjusted operating profit	3	40.6	37.4	78.2
Deduct: Interest expense	4	(0.2)	(0.3)	(0.7)
Adjusted profit before tax		40.4	37.1	77.5
Adjusted earnings per share	6	26.7p	23.9p	49.8p

Condensed Consolidated Statement of Income and Other Comprehensive Income

For the six months ended 31 March 2018

	Unaudited 31 March 2018 £m	Unaudited 31 March 2017 £m	Audited 30 Sept 2017 £m
Profit for the period	26.3	24.0	48.2
Items that will not be reclassified to the Consolidated Income Statement			
Actuarial gains in the defined benefit pension scheme	-	-	7.1
Deferred tax on items that will not be reclassified	-	-	(1.3)
	-	-	5.8
Items that may be reclassified to the Consolidated Income Statement			
Exchange rate (losses)/gains on foreign currency net investments	(9.6)	4.2	(0.8)
Gains/(losses) on fair value of cash flow hedges	1.1	0.1	(1.0)
Net changes to fair value of cash flow hedges transferred to the Consolidated Income Statement	-	-	(0.2)
Deferred tax on items that may be reclassified	(0.3)	-	0.3
	(8.8)	4.3	(1.7)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	17.5	28.3	52.3
Attributable to:			
Shareholders of the Company	17.2	28.0	51.6
Minority interests	0.3	0.3	0.7
	17.5	28.3	52.3

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 March 2018

	Share capital	Transl. reserve	Hedging reserve	Retained earnings	Share -holders' equity	Minority interest	Total equity
	£m	£m	£m	£m	£m	£m	£m
At 1 October 2016	5.7	30.5	0.2	197.1	233.5	4.3	237.8
Total comprehensive income	-	4.2	0.1	23.7	28.0	0.3	28.3
Share-based payments	-	-	-	0.4	0.4	-	0.4
Tax on items recognised directly in equity	-	-	-	-	-	-	-
Notional purchase of own shares	-	-	-	(0.7)	(0.7)	-	(0.7)
Dividends	-	-	-	(15.6)	(15.6)	(0.2)	(15.8)
At 31 March 2017 (unaudited)	5.7	34.7	0.3	204.9	245.6	4.4	250.0
Total comprehensive income	-	(5.0)	(1.0)	29.6	23.6	0.4	24.0
Share-based payments	-	-	-	0.4	0.4	-	0.4
Minority interests acquired	-	-	-	-	-	-	-
Tax on items recognised directly in equity	-	-	-	0.3	0.3	-	0.3
Notional purchase of own shares	-	-	-	-	-	-	-
Dividends	-	-	-	(7.9)	(7.9)	-	(7.9)
At 30 September 2017	5.7	29.7	(0.7)	227.3	262.0	4.8	266.8
Total comprehensive income	-	(9.6)	0.8	26.0	17.2	0.3	17.5
Share-based payments	-	-	-	0.4	0.4	-	0.4
Minority interests acquired	-	-	-	2.5	2.5	(2.5)	-
Minority interest contribution	-	-	-	-	-	0.3	0.3
Tax on items recognised directly in equity	-	-	-	-	-	-	-
Notional purchase of own shares	-	-	-	(2.2)	(2.2)	-	(2.2)
Dividends	-	-	-	(18.1)	(18.1)	(0.2)	(18.3)
At 31 March 2018 (unaudited)	5.7	20.1	0.1	235.9	261.8	2.7	264.5

Condensed Consolidated Statement of Financial Position
As at 31 March 2018

	Note	Unaudited 31 March 2018 £m	Unaudited 31 March 2017 £m	Audited 30 Sept 2017 £m
Non-current assets				
Goodwill	9	118.2	116.8	122.8
Acquisition intangible assets	9	48.4	50.0	54.0
Other intangible assets		1.1	0.9	0.7
Investment		0.7	0.7	0.7
Property, plant and equipment		21.2	22.3	22.6
Deferred tax assets		0.2	0.1	0.2
		189.8	190.8	201.0
Current assets				
Inventories		79.1	71.9	73.2
Asset in course of construction		-	2.5	-
Trade and other receivables		72.0	66.5	68.9
Cash and cash equivalents	8	19.7	22.8	22.3
		170.8	163.7	164.4
Current liabilities				
Trade and other payables		(68.1)	(64.0)	(69.7)
Current tax liabilities		(4.3)	(3.8)	(4.0)
Other liabilities	11	(4.7)	(2.0)	(2.5)
Borrowings	8	(2.0)	(8.0)	-
		(79.1)	(77.8)	(76.2)
Net current assets		91.7	85.9	88.2
Total assets less current liabilities		281.5	276.7	289.2
Non-current liabilities				
Retirement benefit obligations		(9.5)	(17.1)	(9.9)
Other liabilities	11	-	(3.1)	(4.1)
Deferred tax liabilities		(7.5)	(6.5)	(8.4)
Net assets		264.5	250.0	266.8
Equity				
Share capital		5.7	5.7	5.7
Translation reserve		20.1	34.7	29.7
Hedging reserve		0.1	0.3	(0.7)
Retained earnings		235.9	204.9	227.3
Total shareholders’ equity		261.8	245.6	262.0
Minority interests		2.7	4.4	4.8
Total equity		264.5	250.0	266.8

Condensed Consolidated Cash Flow Statement

For the six months ended 31 March 2018

	Note	Unaudited 31 March 2018 £m	Unaudited 31 March 2017 £m	Audited 30 Sept 2017 £m
Operating profit		35.7	33.1	68.5
Acquisition related charges	7	4.7	4.3	9.7
Chief Executive Officer transition cost	7	0.2	-	-
Non-cash items	7	2.5	2.6	5.1
Increase in working capital	7	(11.2)	(7.1)	(4.0)
Cash flow from operating activities		31.9	32.9	79.3
Interest paid		-	(0.2)	(0.4)
Tax paid		(9.7)	(8.9)	(19.3)
Net cash from operating activities		22.2	23.8	59.6
Cash flow from investing activities				
Acquisition of businesses (including expenses)	10	(1.2)	(0.2)	(19.5)
Deferred consideration paid	11	(0.1)	(0.6)	(0.6)
Purchase of property, plant and equipment		(1.8)	(0.9)	(3.1)
Asset in course of construction		-	(1.6)	-
Purchase of other intangible assets		(0.5)	(0.1)	(0.2)
Proceeds from sale of property, plant and equipment		-	-	0.1
Net cash used in investing activities		(3.6)	(3.4)	(23.3)
Cash flow from financing activities				
Acquisition of minority interests	11	(2.0)	-	-
Dividends paid to shareholders	12	(18.1)	(15.6)	(23.5)
Dividends paid to minority interests		(0.2)	(0.2)	(0.2)
Purchase of own shares by Employee Benefit Trust		(1.2)	-	-
Notional purchase of own shares on exercise of share options		(1.0)	(0.7)	(0.7)
Proceeds/(repayment) of borrowings, net	8	2.0	(2.0)	(10.0)
Net cash used in financing activities		(20.5)	(18.5)	(34.4)
Net (decrease)/increase in cash and cash equivalents	8	(1.9)	1.9	1.9
Cash and cash equivalents at beginning of period		22.3	20.6	20.6
Effect of exchange rates on cash and cash equivalents		(0.7)	0.3	(0.2)
Cash and cash equivalents at end of period		19.7	22.8	22.3

Alternative Performance Measures (note 2)		31 March 2018 £m	31 March 2017 £m	30 Sept 2017 £m
Net (decrease)/increase in cash and cash equivalents		(1.9)	1.9	1.9
Add:	Dividends paid to shareholders and minority interests	18.3	15.8	23.7
	Acquisition of businesses and minority interests	3.2	0.2	19.5
	Deferred consideration paid	0.1	0.6	0.6
	(Proceeds)/repayment of borrowings, net	(2.0)	2.0	10.0
Free cash flow		17.7	20.5	55.7
Cash and cash equivalents		19.7	22.8	22.3
Borrowings		(2.0)	(8.0)	-
Net cash		17.7	14.8	22.3

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

Diploma PLC (the "Company") is a public limited company registered and domiciled in England and Wales. The condensed set of consolidated financial statements (the "financial statements") for the six months ended 31 March 2018 comprise the Company and its subsidiaries (together referred to as "the Group").

The comparative figures for the financial year ended 30 September 2017 are not the Group's statutory accounts for that financial year within the meaning of section 434 of the Companies Act 2006. Those accounts have been reported on by the Company's auditor and delivered to the Registrar of Companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. The figures for the six months ended 31 March 2017 were extracted from the 2017 Half Year Report, which was unaudited.

The Group's audited consolidated financial statements for the year ended 30 September 2017 are available on the Company's website (www.diplomaplc.com) or upon request from the Company's registered office at Diploma PLC, 12 Charterhouse Square, London, EC1M 6AX.

1.1 Statement of compliance

The financial statements included in this Half Year Announcement for the six months ended 31 March 2018 have been prepared on a going concern basis and in accordance with IAS 34, Interim Financial Reporting as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority. The financial statements do not include all of the information required for full annual consolidated financial statements and should be read in conjunction with the Group's audited consolidated financial statements for the year ended 30 September 2017.

The Half Year financial statements were approved by the Board of Directors on 14 May 2018; they have not been audited by the Company's auditor.

1.2 Significant accounting policies

The accounting policies applied by the Group in this set of financial statements are the same as those applied by the Group in its audited consolidated financial statements for the year ended 30 September 2017, except for the amount included in the Half Year Report in respect of taxation which has been calculated by applying the Directors' best estimate of the annual rates of taxation to taxable profits for the period. In the audited consolidated financial statements for the full year, the taxation balances are based on draft tax computations prepared for each business within the Group. No new standards, amendments or interpretations have had a material impact on the Group's reported results or financial position.

1.3 Estimates and judgements

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

The accounting estimates and judgements made by management in applying the Group's accounting policies that have the most significant effect on the amounts included within these financial statements, were the same as those that applied to the Group's audited consolidated financial statements for the year ended 30 September 2017. These are set out on page 92 of the 2017 Annual Report & Accounts.

2. ALTERNATIVE PERFORMANCE MEASURES

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

2.1 Adjusted operating profit

At the foot of the Condensed Consolidated Income Statement, “adjusted operating profit” is defined as operating profit before amortisation and impairment of acquisition intangible assets, acquisition expenses, adjustments to deferred consideration (collectively, “acquisition related charges”), the costs of a material restructuring (including the incremental cost related directly to the change of the Chief Executive Officer in 2018) or rationalisation of operations and the profit or loss relating to the sale of businesses or property. The Directors believe that adjusted operating profit is an important measure of the operational performance of the Group.

2.2 Adjusted profit before tax

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

2.3 Adjusted earnings per share

“Adjusted earnings per share” (“EPS”) is calculated as the total of adjusted profit before tax, less income tax costs, but including the tax impact on the items included in the calculation of adjusted profit, less profit attributable to minority interests, divided by the weighted average number of ordinary shares in issue during the year. The Directors believe that adjusted EPS provides an important measure of the underlying earning capacity of the Group.

2.4 Free cash flow

At the foot of the Condensed Consolidated Cash Flow Statement, “free cash flow” is reported, being defined as net cash flow from operating activities, after net capital expenditure on fixed assets and including proceeds received from business disposals, but before expenditure on business combinations/investments and dividends paid to both minority shareholders and the Company’s shareholders. The Directors believe that free cash flow gives an important measure of the cash flow of the Group, available for future investment or distribution to shareholders.

3. BUSINESS SECTOR ANALYSIS

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

Sector information is presented in this Half Year Announcement in respect of the Group's business Sectors, which is the primary basis of Sector reporting. The business Sector reporting format reflects the Group's management and internal reporting structure. The geographic sector reporting represents results by origin. The Group's financial results have not, historically, been subject to significant seasonal trends. In the year ended 30 September 2017, the Group earned 48% of its annual revenues and its annual adjusted operating profits in the first six months of the year.

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

	Revenue			Adjusted operating profit			Operating profit		
	31 Mar 2018 £m	31 Mar 2017 £m	30 Sept 2017 £m	31 Mar 2018 £m	31 Mar 2017 £m	30 Sept 2017 £m	31 Mar 2018 £m	31 Mar 2017 £m	30 Sept 2017 £m
By Sector									
Life Sciences	67.4	57.9	125.9	11.7	10.3	23.3	10.4	9.0	20.1
Seals	99.2	94.8	195.3	17.1	15.4	31.9	14.4	12.5	26.4
Controls	68.3	64.6	130.7	11.8	11.7	23.0	10.9	11.6	22.0
	234.9	217.3	451.9	40.6	37.4	78.2	35.7	33.1	68.5
By Geographic Area									
United Kingdom	62.9	57.1	118.4	11.0	10.3	20.6			
Rest of Europe	56.0	56.2	112.8	8.9	7.9	17.2			
North America	98.0	92.0	188.3	19.1	18.1	36.3			
Rest of World	18.0	12.0	32.4	1.6	1.1	4.1			
	234.9	217.3	451.9	40.6	37.4	78.2			

In the six months ended 31 March 2018, the Group acquired Coast Fabrications Inc. ("Coast") as further described in note 10; this business contributed £1.9m to revenue and £0.2m to adjusted operating profit and operating profit. The results of Coast are included within the Controls Sector and reported within the Geographic Area of North America.

	Total assets			Total liabilities			Net assets		
	31 Mar 2018 £m	31 Mar 2017 £m	30 Sept 2017 £m	31 Mar 2018 £m	31 Mar 2017 £m	30 Sept 2017 £m	31 Mar 2018 £m	31 Mar 2017 £m	30 Sept 2017 £m
By Sector									
Life Sciences	111.1	99.1	117.1	(20.2)	(17.3)	(21.3)	90.9	81.8	95.8
Seals	141.6	146.1	142.2	(25.9)	(24.7)	(26.6)	115.7	121.4	115.6
Controls	86.5	84.7	83.1	(21.9)	(22.7)	(21.1)	64.6	62.0	62.0
Unallocated assets/(liabilities)	21.4	24.6	23.0	(28.1)	(39.8)	(29.6)	(6.7)	(15.2)	(6.6)
	360.6	354.5	365.4	(96.1)	(104.5)	(98.6)	264.5	250.0	266.8

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 March 2018

3. BUSINESS SECTOR ANALYSIS (continued)

	Capital expenditure			Depreciation		
	31 Mar 2018 £m	31 Mar 2017 £m	30 Sept 2017 £m	31 Mar 2018 £m	31 Mar 2017 £m	30 Sept 2017 £m
By Sector						
Life Sciences	1.2	0.5	2.0	1.2	1.0	2.2
Seals	0.9	0.4	1.1	0.9	1.0	1.9
Controls	0.2	0.1	0.2	0.3	0.4	0.6
	2.3	1.0	3.3	2.4	2.4	4.7

4. FINANCIAL EXPENSE

	31 March 2018 £m	31 March 2017 £m	30 Sept 2017 £m
Interest expense and similar charges			
- bank facility and commitment fees	(0.1)	(0.1)	(0.3)
- interest payable on bank and other borrowings	-	(0.1)	(0.1)
- notional interest expense on the defined benefit pension scheme	(0.1)	(0.1)	(0.3)
Interest expense and similar charges	(0.2)	(0.3)	(0.7)
- fair value remeasurement of put options (note 11)	(0.1)	0.1	(1.0)
Financial expense	(0.3)	(0.2)	(1.7)

5. TAXATION

	31 March 2018 £m	31 March 2017 £m	30 Sept 2017 £m
UK corporation tax	1.8	1.4	1.3
Overseas tax	7.3	7.5	17.3
Total tax on profit for the period	9.1	8.9	18.6

Taxation on profits before tax has been calculated by applying the Directors' best estimate of the annual rates of taxation to taxable profits for the period. The effective rate of taxation on profit before tax for the period decreased to 25.7% (2017: 27.1%) and the Group's adjusted effective rate of tax on adjusted profit before tax decreased to 24.5% (2017: 26.4%).

The reduction in the effective rate of taxation reflects the impact from the reduction in the US Federal corporate income tax rate to 21% from 35%, effective from 1 January 2018. There was no material impact from the revaluation of US deferred tax balances at the reduced tax rate. The Group's US businesses account for ca. 26% of Group revenues and adjusted operating profit before tax.

6. EARNINGS PER SHARE

Basic and diluted earnings per share

Basic and diluted earnings per ordinary 5p share are calculated on the basis of the weighted average number of ordinary shares in issue during the period of 113,141,691 (2017: 113,119,951) and the profit for the period attributable to shareholders of £26.0m (2017: £23.7m). There were no potentially dilutive shares.

Adjusted earnings per share

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

	31 Mar 2018 pence per share	31 Mar 2017 pence per share	30 Sept 2017 pence per share	31 Mar 2018 £m	31 Mar 2017 £m	30 Sept 2017 £m
Profit before tax				35.4	32.9	66.8
Tax expense				(9.1)	(8.9)	(18.6)
Minority interests				(0.3)	(0.3)	(0.7)
Earnings for the period attributable to shareholders of the Company	23.0	21.0	42.0	26.0	23.7	47.5
Acquisition related charges	4.1	3.8	8.6	4.7	4.3	9.7
Fair value remeasurement of put options	0.1	(0.1)	0.9	0.1	(0.1)	1.0
Chief Executive Officer transition cost	0.2	-	-	0.2	-	-
Tax effect on above adjustments	(0.7)	(0.8)	(1.7)	(0.8)	(0.9)	(1.9)
Adjusted earnings	26.7	23.9	49.8	30.2	27.0	56.3

7. RECONCILIATION OF CASH FLOW FROM OPERATING ACTIVITIES

	31 March 2018 £m	31 March 2017 £m	30 Sept 2017 £m
Operating profit	35.7	33.1	68.5
Acquisition related charges (note 9)	4.7	4.3	9.7
Chief Executive Officer transition cost	0.2	-	-
Adjusted operating profit	40.6	37.4	78.2
Depreciation or amortisation of tangible and other intangible assets	2.4	2.4	4.7
Share-based payments expense	0.4	0.4	0.8
Cash paid into defined benefit schemes	(0.3)	(0.2)	(0.4)
Non-cash items	2.5	2.6	5.1
Increase in inventories	(7.5)	(3.8)	(5.1)
Increase in trade and other receivables	(3.8)	(5.7)	(6.6)
Increase in trade and other payables	0.1	2.4	7.7
Increase in working capital	(11.2)	(7.1)	(4.0)
Cash flow from operating activities, before acquisition expenses	31.9	32.9	79.3

8. NET CASH

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

	31 March 2018 £m	31 March 2017 £m	30 Sept 2017 £m
Net (decrease)/increase in cash and cash equivalents	(1.9)	1.9	1.9
(Increase)/decrease in borrowings	(2.0)	2.0	10.0
	(3.9)	3.9	11.9
Effect of exchange rates	(0.7)	0.3	(0.2)
Movement in net cash	(4.6)	4.2	11.7
Net cash at beginning of period	22.3	10.6	10.6
Net cash at end of period	17.7	14.8	22.3
Comprising:			
Cash and cash equivalents	19.7	22.8	22.3
Borrowings	(2.0)	(8.0)	-
Net cash at end of period	17.7	14.8	22.3

The Group has a committed multi-currency revolving facility of £30.0m which expires on 1 June 2020 with an accordion option to increase the committed facility by a further £30.0m up to a maximum of £60.0m and a further option to extend the term up to five years. At 31 March 2018, the Group has utilised £2.0m of this facility. Interest on this facility is payable between 70 and 115bps over LIBOR, depending on the ratio of net debt to EBITDA.

9. GOODWILL AND INTANGIBLE ASSETS

	Goodwill £m	Acquisition intangible assets £m
At 1 October 2016	115.2	54.6
Acquisitions	-	-
Amortisation charge	-	(5.1)
Exchange adjustments	1.6	0.5
At 31 March 2017	116.8	50.0
Acquisitions	7.5	10.1
Amortisation charge	-	(5.2)
Exchange adjustments	(1.5)	(0.9)
At 30 September 2017	122.8	54.0
Acquisitions (note 10)	0.2	0.5
Amortisation charge	-	(4.6)
Exchange adjustments	(4.8)	(1.5)
At 31 March 2018	118.2	48.4

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

Acquisition related charges of £4.7m (2017: £4.3m) are charged to the Consolidated Income Statement. These charges comprise £4.6m (2017: £5.1m) of amortisation of acquisition intangible assets and £0.1m (2017: £0.2m) of acquisition expenses. Last year's acquisition related charges included a release of £1.0m of excess deferred consideration.

10. ACQUISITION OF SUBSIDIARIES

On 16 October 2017 the Group acquired 100% of Coast Fabrications Inc. ("Coast"), based in California, US, for total cash consideration of £1.2m (US$1.5m), which included £0.1m of acquisition expenses.

Set out below is an analysis of the provisional fair values relating to the acquisition:

	Coast £m
Acquisition intangible assets	0.5
Deferred tax	-
Property, plant and equipment	-
Inventories	0.5
Trade and other receivables	0.3
Trade and other payables	(0.3)
Net assets acquired	1.0
Goodwill	0.2
	1.2
Cash paid	1.1
Expenses of acquisition	0.1
Net cash paid, after acquisition expenses	1.2
Deferred additional consideration payable (note 11)	0.1
Less: Expenses of acquisition	(0.1)
Total consideration	1.2

The fair values set out above are provisional and will be finalised in the second half of the financial year. The provisional fair value of the net assets acquired, excluding acquisition intangibles and related deferred tax, is £0.5m; no material fair value adjustments have been identified.

From the date of acquisition to 31 March 2018, the newly acquired Coast business contributed £1.9m to revenue and £0.2m to adjusted operating profit. If the Coast business had been acquired at the beginning of the financial year, it would in aggregate have contributed on a pro-rata basis £2.1m to revenue and £0.2m to adjusted operating profit. However these amounts should not be viewed as indicative of the results of this business that would have occurred, if this acquisition had been completed at the beginning of the year.

11. OTHER LIABILITIES

	31 March 2018 £m	31 March 2017 £m	30 Sept 2017 £m
Future purchases of minority interests	4.2	5.0	6.1
Deferred consideration	0.5	0.1	0.5
	4.7	5.1	6.6
Analysed as:			
Due within one year	4.7	2.0	2.5
Due after one year	-	3.1	4.1

11. OTHER LIABILITIES (continued)

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

	31 March 2018 £m	31 March 2017 £m	30 Sept 2017 £m
At 1 October	6.1	5.1	5.1
Acquisition of minority interest on exercise of option	(2.0)	-	-
Unwinding of discount	0.2	0.2	0.5
Fair value movement	(0.1)	(0.3)	0.5
At end of period	4.2	5.0	6.1

On 17 November 2017 and 30 March 2018, the Group completed the acquisition of the outstanding 10% minority interest in TPD for cash consideration of £2.0m (€2.3m). At 31 March 2018, the Group retained put options to acquire minority interests of 10% held in each of M Seals and Kentek which are both exercisable from November 2018.

At 31 March 2018, the estimate of the financial liability to acquire the outstanding minority shareholdings was reassessed by the Directors, based on their current estimate of the future performance of these businesses and to reflect foreign exchange rates at 31 March 2018.

Deferred consideration comprises:

	31 March 2018 £m	31 March 2017 £m	30 Sept 2017 £m
Ascome	-	0.1	0.1
Edco	0.4	-	0.4
Coast	0.1	-	-
	0.5	0.1	0.5

During the period, outstanding deferred consideration of £0.1m (€0.1m) was paid to the vendor of Ascome. The amount outstanding at 31 March 2018 is expected to be paid within the next twelve months.

12. DIVIDENDS

	31 Mar 2018 pence per share	31 Mar 2017 pence per share	30 Sept 2017 pence per share	31 Mar 2018 £m	31 Mar 2017 £m	30 Sept 2017 £m
- Final dividend of the prior year, paid in January	16.0	13.8	13.8	18.1	15.6	15.6
- Interim dividend, paid in June	-	-	7.0	-	-	7.9
	16.0	13.8	20.8	18.1	15.6	23.5

The Directors have declared an increased interim dividend of 7.7p per share (2017: 7.0p) which will be paid on 13 June 2018 to shareholders on the register on 25 May 2018. The total value of the dividend will be £8.7m (2017: £7.9m).

13. EXCHANGE RATES

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

	Average			Closing		
	31 March 2018	31 March 2017	30 Sept 2017	31 March 2018	31 March 2017	30 Sept 2017
US dollar (US$)	1.37	1.24	1.27	1.40	1.25	1.34
Canadian dollar (C$)	1.74	1.65	1.67	1.81	1.67	1.68
Euro (€)	1.14	1.16	1.15	1.14	1.17	1.13
Swiss franc (CHF)	1.32	1.25	1.26	1.34	1.25	1.30
Australian dollar (A$)	1.77	1.65	1.67	1.83	1.64	1.71