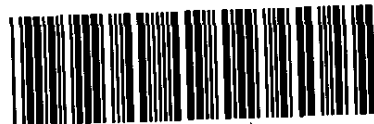


Registered in England and Wales
Company Registration No: 3899848

DIPLOMA DELIVERS

THURSDAY



AC6QKPN

A08

29/06/2023

#78

COMPANIES HOUSE

DIPLOMA PLC

Annual Report 2022

CONTENTS

Strategic Report

- 02 Diploma at a Glance
- 04 Highlights
- 06 What we do
- 14 Our Business Model
- 16 Chair's Statement
- 18 CEO's Review
- 22 Strategy
- 34 Delivering Value Responsibly
- 58 Key Performance Indicators
- 60 Sector Reviews
- 72 Section 172 Statement
- 76 Q&A With Our New CFO
- 77 Financial Review
- 80 Internal Control and Risk Management
- 89 Viability Statement

Governance

- 90 Chair's Introduction to Governance
- 92 Governance at a Glance
- 94 Board of Directors
- 102 Audit Committee Report
- 108 Nomination Committee Report
- 114 Remuneration Committee Report
- 139 Directors' Report

Financial Statements

- 142 Consolidated Income Statement
- 143 Consolidated Statement of Comprehensive Income
- 143 Consolidated Statement of Changes in Equity
- 144 Consolidated Statement of Financial Position
- 145 Consolidated Cash Flow Statement
- 146 Notes to the Consolidated Financial Statements
- 170 Group Accounting Policies
- 176 Parent Company Statement of Financial Position
- 176 Parent Company Statement of Changes in Equity
- 177 Notes to the Parent Company Financial Statements
- 179 Independent Auditors' Report
- 187 Subsidiaries of Diploma PLC
- 190 Financial Calendar, Shareholder Information and Advisors
- 192 Five-Year Record



EVERYTHING WE DO IS
DRIVEN BY OUR PURPOSE

**Our purpose is
to consistently
deliver value
and reward our
stakeholders
by making a
difference to our
colleagues, our
customers and
suppliers, and
our communities.**

Overview

Strategic Report

Corporate Governance

Financial Statements

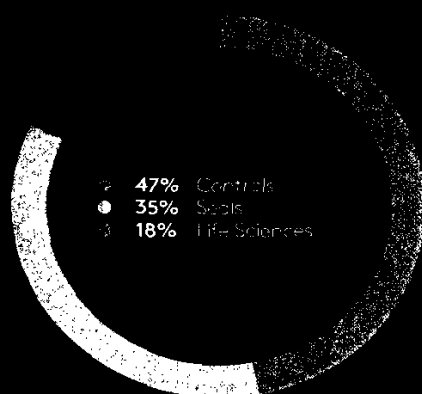
Other Information

DIPLOMA AT A GLANCE

Diploma PLC is an international group distributing specialised products and services to a wide range of end segments in our three Sectors of Controls, Seals and Life Sciences.

We are a well-diversified and resilient business and our decentralised model means our businesses are customer-oriented, accountable and empowered to deliver.

OUR SECTORS (REVENUE)*



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



SEALS
The Seals Sector businesses supply a range of seals, gaskets, cylinders, components and kits used in heavy mobile machinery and a diverse range of fluid power products with Aftermarket, OEM and MRO applications.



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

REVENUE BY GEOGRAPHY*



* Figures are based on revenue split by sector and geography for the year ended 31 March 2022.

Our businesses design their individual value-added business models to closely meet the requirements of their customers, offering a blend of high-quality customer service, deep technical expertise and innovative solutions. Local cultures are created through our decentralised management structure but we recognise a set of values that exist throughout the Group and unite us as Diploma.

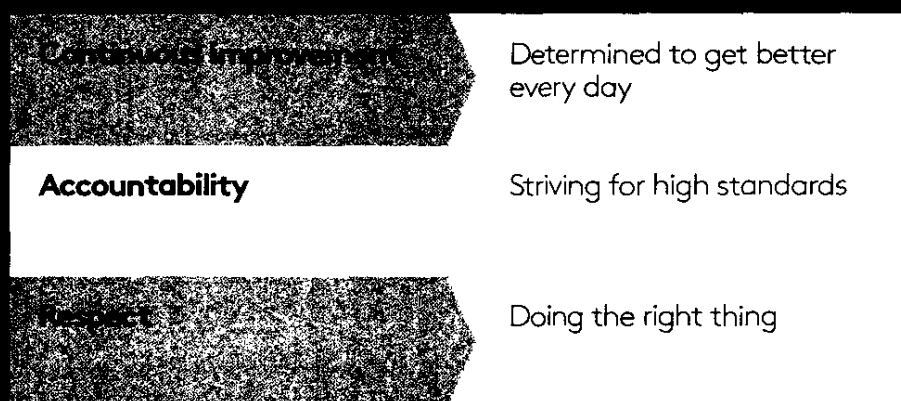
VALUE-ADD IS AT THE HEART OF WHAT WE DO

Technical expertise

Service-led propositions

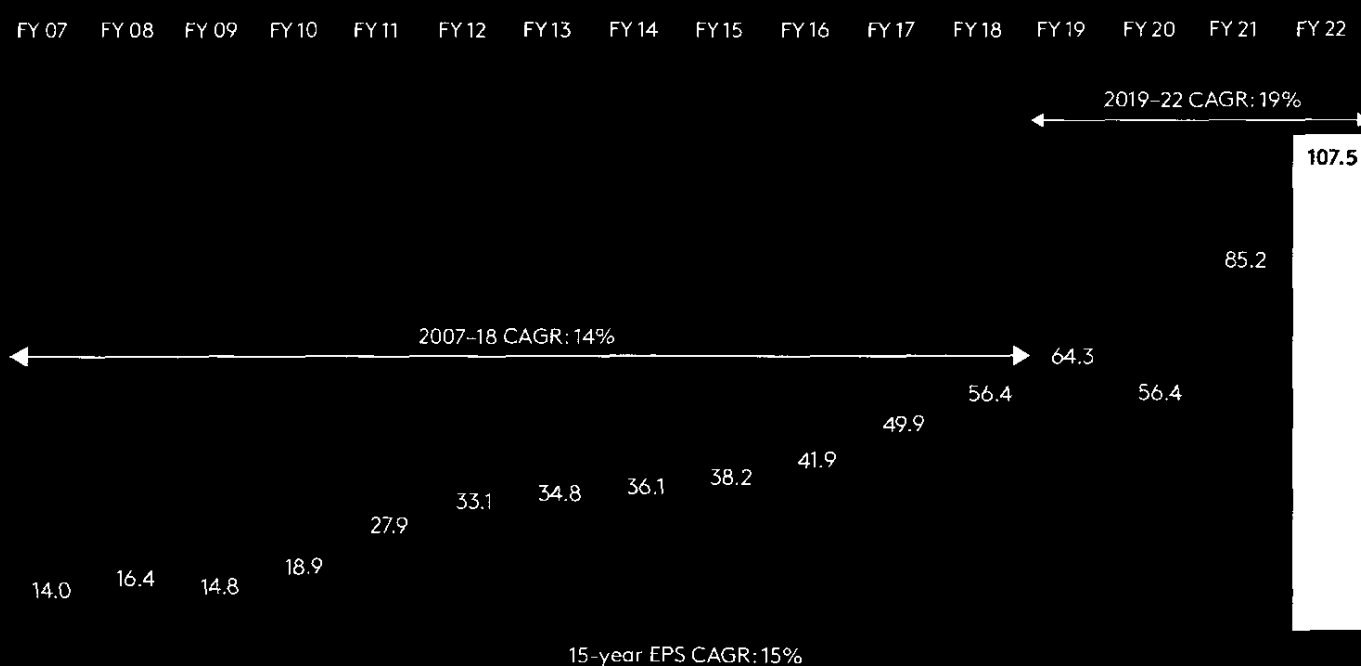
Innovative solutions

WE HAVE A DECENTRALISED BUSINESS MODEL WITH SHARED AND ALIGNED VALUES



TRACK RECORD OF COMPOUNDING GROWTH

Adjusted EPS (pence)



HIGHLIGHTS

YEAR ENDED 30 SEPTEMBER 2022

FINANCIAL PERFORMANCE

Organic growth

15%

Model: 5%+

Reported revenue growth¹

29%

Model: 10%+

Adjusted operating margin¹

18.9%

Model: 17%+

Adjusted EPS growth¹

26%

Model: double digit

Free cash flow conversion¹

90%

Model: ca.90%+

Net debt/EBITDA¹

1.4x

Model: <2.0x

ROATCE¹

17.3%

Model: High teens

Dividend cover¹

2.0x

Model: ca. 2.0x

FOR OUR STAKEHOLDERS

Our Colleagues

We have worked hard to retain great talent by engaging colleagues across the Group. Our Engagement Index is testament to our businesses' efforts.

Our Customers

Responsive customer service is one of the key ways that our businesses deliver value, we are proud that they are recognised by their customers.

Our Suppliers

During the year, our businesses have engaged their key suppliers meaningfully on human rights, labour laws and the environment through our Supplier Code.

Our Communities

As a decentralised Group, we want to support the local communities and causes that matter most to our businesses. We will continue to match our businesses' fundraising in FY23.

	FY 2022	FY 2021	% change
Revenue	£1,012.8m	£787.4m	+29%
Adjusted operating profit	£191.2m	£148.7m	+29%
Statutory operating profit	£144.3m	£104.3m	+38%
Adjusted EPS	107.5p	85.2p	+26%
Statutory EPS	76.1p	56.1p	+36%
DPS	53.8p	47.6p	+13%

¹ These figures are reported on a constant currency basis, adjusted for FX and financial reporting changes, where applicable.

79%

Colleague Engagement Index

"Since beginning a business relationship with Hercules OEM in 2003, we have seen a supplier relationship grow into a true partnership. Over the years the level of service has continued to excel."

Neptune, a Hercules OFM customer

578

Key suppliers identified

75%

Increase in donations to charity

DELIVERS FOR OUR STAKEHOLDERS

KEY ELEMENTS OF OUR LONG-TERM VALUE CREATION STORY

- 14 Our business model
- 22 Our strategy
- 34 Delivering value responsibly
- 60 Sector reviews
- 90 Governance

Overview

Strategic Report

Corporate Governance

Financial Statements

Other Information

WHAT WE DO



DIPLOMA DELIVERS

DIFFERENTIATED VALUE-ADDED SOLUTIONS

Our value-add distribution model underpins everything we do and is the foundation of the Group's success. We supply products and services critical to customer needs. Our service component builds loyalty and resilience, pricing power and margins.

DRIVING OUR GROWTH TECHNICAL EXPERTISE **VALUE-ADD** **ORGANIC GROWTH** **SCALE** OPEN-MINDED



WHAT WE DO

DIPLOMA DELIVERS

SUSTAINABLE ORGANIC GROWTH STRATEGY

Organic growth is our number one priority. All of our businesses have fantastic opportunities. We are focused on business revenue diversification to drive organic growth, build scale and increase resilience. Operating in fragmented markets, we also seek to make complementary acquisitions to accelerate organic growth.

GREAT SERVICE
TECHNICAL EXPERTISE
VALUE-ADD
ORGANIC GROWTH
SCALE
RESPONSIBLY
POSITIVE IMPACT

Overview

Strategic Report

Corporate Governance

Financial Statements

Other Information



WHAT WE DO

AC

AB

DIPLOMA DELIVERS

SCALING OUR VALUE ADDED MODEL

As our businesses grow and scale, they need to evolve their operating model to continue to deliver their value-add customer proposition. Alongside this, we are quietly evolving the structures, capability and culture of our decentralised Group to support the businesses on their journey to scale.

TECHNICAL EXPERTISE
VALUE-ADD
ORGANIC GROWTH
SCALE
RESPONSIBLY
POSITIVE IMPACT
VALUE-ADD

Overview

Strategic Report

Corporate Governance

Financial Statements

Other Information



WHAT WE DO

DIPLOMA DRIVERS

DELIVERING VALUE RESPONSIBLY

Delivering Value Responsibly, our ESG framework, puts environmental and social impact at the forefront of our strategy and culture. We are focused on the key areas in which we can make a difference to our colleagues, customers and suppliers, communities, and shareholders.

VALUE-ADD
ORGANIC GROWTH
SCALE

**RESPONSIBLY
POSITIVE IMPACT
VALUE-ADD**

ESSENTIAL VALUES

OUR BUSINESS MODEL

DRIVEN BY OUR PURPOSE

Our purpose is to consistently deliver value and reward our stakeholders by making a difference to our colleagues, our customers and suppliers, and our communities.

OUR VALUE-ADDED BUSINESSES

Our businesses deliver value-added services and solutions to a wide range of customers and end segments. Our value-add component creates customer loyalty and share of wallet; reputation and market share growth; and pricing power and margin.

Responsive customer service



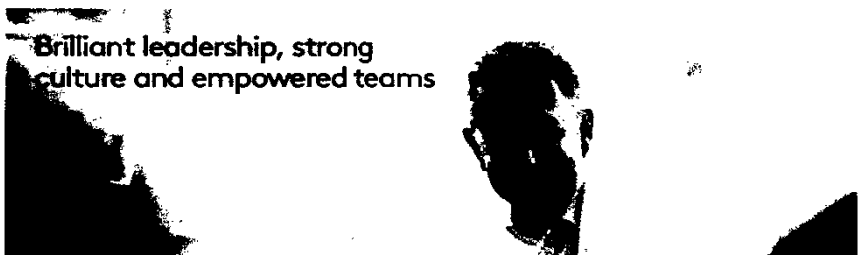
Technical expertise



Innovative, value-added solutions



Brilliant leadership, strong culture and empowered teams



As a customer-service organisation, our decentralised approach is central to our success. The Group has an important role to play in supporting our businesses.

Build Diploma identity

Governance and execution

Best practice guidelines and networks

We work closely with >10,000 suppliers to deliver value-added products and services to our customers.

Our people are our priority

Our colleagues are a priority. We work hard to invest in people and create a culture that drives the Group.

Group business performance

79%

Our Communities

We work to support the local communities that our businesses work within, through responsible business governance, our DVR framework and Group fundmatching.

Strong performance that builds on our track record of consistent, compounding long-term delivery

CHAIR'S STATEMENT

Our businesses have strong cultures, but share the same inherent values – they are accountable, entrepreneurial and empowered to deliver for their customers.

It is a great pleasure to present my first statement as Chair of Diageo. As we have seen throughout this report, my first year has involved a period of consolidation, as well as significant strategic progress. When I was appointed, I felt privileged to be joining an organisation with exciting opportunities for different stakeholders, added momentum, strong sustainable growth and a great people. During my first year, I have not been disappointed. I have been impressed by the power of our decentralised model and the individual employees taking it on board. Our businesses have strong cultures, but share the same inherent values – they are accountable, entrepreneurial and empowered to deliver critical services and products for their customers.

Very strong financial performance, excellent strategic progress

The Group has delivered a strong performance and is well positioned for continued growth. As a result, we have achieved significant progress in our strategic goals, including strong growth in our core brands, improved operating performance, and strong financial performance. We are well positioned for continued growth and are confident that we will continue to deliver strong performance over the next five years. The Group's strong performance is a result of the excellent strategic progress made by our businesses, which have delivered strong growth in their core brands, improved operating performance, and strong financial performance. We are well positioned for continued growth and are confident that we will continue to deliver strong performance over the next five years.

Given the challenges of the external environment, our management has taken a number of steps to ensure the Group's long-term success. These include: strengthening our financial position, improving our operating performance, and focusing on our core brands. We are confident that these steps will enable us to continue to deliver strong performance over the next five years.

Ensuring the sustainability of our growth, our commitment to our employees, and the Group's resilience are all key to our success. We are committed to delivering for our customers as we grow. Throughout this year, we have continued to deliver strong performance, with strong growth in our core brands, improved operating performance, and strong financial performance. We are well positioned for continued growth and are confident that we will continue to deliver strong performance over the next five years.

Colleagues and culture

As a culture, we are committed to our employees and to our customers. We are committed to delivering for our customers as we grow. Throughout this year, we have continued to deliver strong performance, with strong growth in our core brands, improved operating performance, and strong financial performance. We are well positioned for continued growth and are confident that we will continue to deliver strong performance over the next five years.

Our Group, Challenge & Engagement Survey, continued to show excellent levels of engagement. The survey results show that our employees are committed to our mission and vision, and are motivated to deliver for our customers. We are confident that this commitment will enable us to continue to deliver strong performance over the next five years.

Our Group's future continues to be bright, and we are confident that we will continue to deliver strong performance over the next five years. We are committed to our employees and to our customers, and we are confident that this commitment will enable us to continue to deliver strong performance over the next five years.

Our employees are committed to our mission and vision, and are motivated to deliver for our customers. We are confident that this commitment will enable us to continue to deliver strong performance over the next five years.

Board changes

After nearly nine years on the Board, John Wilson has stepped down from the role of Chair and the Board in January 2022. The Board and I would like to thank John for his leadership and contribution to the Group during his tenure.

Barbara Wilson, who has been a member of the Board since 2011, has stepped down from the Board and the role of Chair. I would like to thank Barbara for her leadership and contribution to the Group during her tenure. We have appointed a new Chair, and I would like to welcome them to the Board. We are confident that they will continue to deliver strong performance over the next five years.

The Board has also appointed a new Executive Director, and I would like to welcome them to the Board. We are confident that they will continue to deliver strong performance over the next five years.

Dividends

The Board has approved a dividend of 10p per share for the year ended 31 March 2022. This dividend is payable on 15 May 2022. The Board is also considering a further dividend for the year ended 31 March 2023. We are confident that we will continue to deliver strong performance over the next five years.

Outlook

The outlook for the UK economy has improved since the start of the year, but the recovery remains fragile. The UK economy has been hit by a number of factors, including a weak housing market, a decline in car sales, and a fall in business investment. However, the government has implemented a number of measures to support the economy, including a reduction in the VAT rate on food and a new investment allowance. We expect the economy to continue to recover, but at a slower pace than initially expected.

Our focus in the coming year will be to drive the results of our business forward, despite the challenges we face. We will continue to invest in our people and our technology, and we will work to improve our operational efficiency. We will also continue to explore new opportunities for growth, both in the UK and internationally.

David Lowden
Chair



Very strong results and excellent strategic progress

I am delighted with our 2022 financial performance and strategic progress, proving the other side of the coin to be our continued success in the free market and value creation over the long term. We have been brilliant and the team have delivered to the highest standards with the external environment.

But there is an important difference between the two future scenarios that depends on the fact that the long-run behavior of the global economy is not entirely given by the global \bar{L} and \bar{K} . In our business-as-usual scenario, we do not allow for technological progress, which would allow for faster growth in the long run. In our business-as-usual scenario, we do not allow for technological progress, which would allow for faster growth in the long run.

One of the most striking aspects of the evidence for the role of the environment, and especially the environment of the child, in the development of language is the evidence that the environment can influence the development of language in a way that is not predictable from the genetic code. This is the case with the development of the language of the deaf child. The deaf child, who is born with a hearing impairment, will develop a language that is different from the language of the hearing child. This is because the deaf child's environment is different from the hearing child's environment. The deaf child's environment is one in which the child is not exposed to the spoken language of the hearing child. Instead, the deaf child is exposed to the sign language of the deaf community. This exposure to sign language leads to the development of a language that is different from the language of the hearing child. This is the case with the development of the language of the deaf child. The deaf child's environment is one in which the child is not exposed to the spoken language of the hearing child. Instead, the deaf child is exposed to the sign language of the deaf community. This exposure to sign language leads to the development of a language that is different from the language of the hearing child.

- Controls +24%:** excellent W&A, live, and W&W performance, international growth and operating growth in existing and new segments while dropping US and Europe exposure
- Seals +14%:** accelerated pilot market growth in North America, Africa, and Asia, focused growth in International Seals against price cost competition
- Life Sciences -4%:** return to growth in Q4, accelerated organic growth in IP, excluding loss from Covid related inventory loss and deferred product launch delays

+15%

[illegible][illegible]

Sustainable organic growth strategy: revenue diversification driving growth, building scale and increasing resilience
The Group's strategy is to build a strong, profitable, sustainable business for long-term growth. At the heart of our business is a fantastic opportunity and our strategy is focused on growing this for the long-term in the right way.

Technology requirement: an online, internet-enabled data base, available to researchers, either through a secure connection or through an intermediary, such as a clearing house, and a means of providing a secure connection to the database.

- Accelerating diagnostics spending:
 - ageing population and growing burden of chronic and non-communicable diseases
 - the need to improve the health of the world's healthiest to sustain changing population planning and development
 - the need to build on the success of the past

2. Geographic penetration of core developed economies: the role of relative value of capital

North American Aftermarket

Regulatory changes in the US and Europe at International Controls

With ongoing regulatory changes in the US and Europe, we have continued to invest in our compliance and governance systems.

The acquisition of A in February

Technology, A2 in April and the move

further progress in **Australian Seals** (under

letter of intent) and our continued efforts to

bring in stronger higher quality business

for our Life Sciences business in Europe in

Life Sciences with the acquisition of

A4 and A5.

3. Product range extension to expand addressable markets: we do this

primarily with the purchase and/or development of new

The acquisition of R&G Fluid Power

Group (R&G) represents a step change for Seals in the UK, providing leading

technology offerings.

Continued development of our exciting

Adhesives business line in Controls:

Technologies and our new developments

improve organic growth and the

market penetration of our products

to new end markets and positions in the UK.

Acquiring partners in **incremental**

product adjacency initiatives further

diversify our portfolio and enhance

technical and product

capabilities and capabilities.

Acquisitions in international markets

complementary product development in

the US and Europe, and the acquisition

of high quality and growth and

high quality technology and product

development in new markets.

Acquisitions to expand our product

portfolio, the generation and acquisition

Focused portfolio development

Included efforts to develop our existing

capabilities and our existing products

and our existing products and the

development of new products and

the development of new products and

the development of new products and

the development of new products and

the development of new products and

the development of new products and

the development of new products and

the development of new products and

the development of new products and

the development of new products and

the development of new products and

the development of new products and

the development of new products and

the development of new products and

the development of new products and

the development of new products and

the development of new products and

the development of new products and

the development of new products and

the development of new products and

the development of new products and

the development of new products and

the development of new products and

the development of new products and



CEO'S REVIEW CONTINUED

- **LJR Electronics (Controls):** acquired a subsidiary for £17m (annualised revenue ca. £16m) to give interconnect improved access to the large, attractive and growing US interconnect market.
- **R&G (Seals):** a value-added aftermarket distributor of a diverse range of industrial, hydraulic and pneumatic products including seals and gaskets, and sold in April for £107m (annualised revenue ca. £69m). The business has added supply in the UK and broadened the Seal's product portfolio to expand addressable markets.
- **Accuscience (Life Sciences):** a market-leading life sciences and medical technology distributor in the UK, acquired in May for £5m (annualised revenue ca. £28m), adding scale in the UK and continuing the build-out of the European pillar of Life Sciences and giving access to the existing distribution network.
- **ACT (Seals):** a dependent provider of sustainable material engineering and corrosion control products, acquired in July for £1m (annualised revenue ca. £4m), highly complementary and a further step in building our high-quality global Australian aftermarket growth.
- **Silicone Solutions (Controls):** acquired for £3m in September (annualised revenue ca. £6m), contributing to product and diversity in our new addressable business line.
- **Two small bolt-ons at R&G (Seals):** R&G continues to acquire like-minded UK and overseas and, in two businesses for £4m (annualised revenue ca. £5m).

Our acquisition pipeline is encouraging, despite given the uncertain market uncertainties we will maintain a cautious approach. In the short-term, we continue to invest in value-added businesses, which are attractive multiples, undervalued assets and offer a clear and well-defined £14m in 2024 to drive the value of R&G and completed a further acquisition on acquisition for £1m. The acquisition was acquired for a debt and a dividend, which

Portfolio discipline

As part of a disciplined approach to portfolio management, we made two other acquisitions in the year. In April, we acquired a former life sciences, formerly part of the Life Sciences Sector for £17m (annualised revenue ca. £13m). In November last year, we also acquired Kentex, a purification firms business, for £16m (annualised revenue ca. £23m).

Scaling our value-added businesses and the Group

Scaling our value-added businesses
As our businesses grow and scale, they need to evolve their operating model to continue to deliver their value-added business proposition. All our businesses have defined their future target operating model and are in the process of achieving

As part of this, we have to continuously improve the **Core Competencies** of our business.

Supply chain: As a value-added business, our supply chain is a critical part of our business, including procurement, management, technology and logistics. Our partners, including our internal supply chain, are critical to our success. We have implemented a number of initiatives to improve our supply chain, including a number of initiatives to improve our supply chain, including a number of initiatives to improve our supply chain.

Commercial discipline (or pricing): the competition is increasing and is increasing and the value we deliver is increasing. We have implemented a number of initiatives to improve our supply chain, including a number of initiatives to improve our supply chain.

Operational excellence: another focus of this year, we have improved warehouse processes across the portfolio, as our business scale, they are making increasing use of automation. Through our network of best practice, we are working to standardise processes.

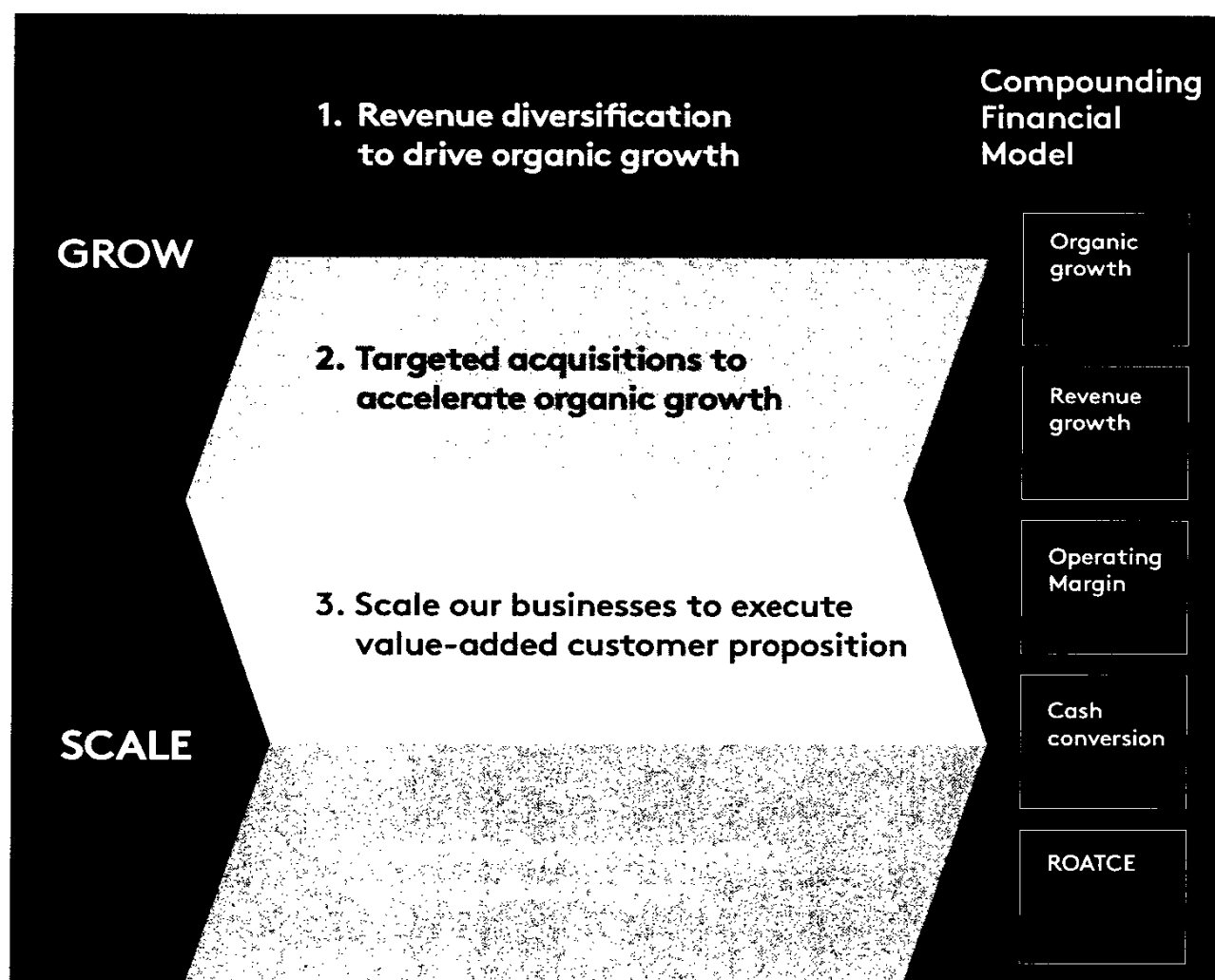
We support the development of these Core Competencies through investing in **Talent, Technology and Facility:**

Talent: investment in talent remains a key driver for future growth, with a focus on recruitment and retention. In the year, we have targeted 25 functional appointments in Finance, Sales, Supply Chain and Operations, and have created a new training and development programme. We have implemented retention and have made important progress with the training and development of our talent, including our business leaders. **Technology:** investment, and support to dependent, including the implementation of a number of initiatives to improve our supply chain, including a number of initiatives to improve our supply chain. We have implemented a number of initiatives to improve our supply chain, including a number of initiatives to improve our supply chain.

We have maintained high-teens margins of

18.9%

Building high-quality, scalable businesses for sustainable organic growth



5. Delivering Value Responsibly

1. Revenue diversification to drive organic growth

Our sustainable growth strategy is focused on revenue diversification to drive organic revenue growth, build scale and increase resilience. Operating in a broad range of markets, all of our businesses have fantastic opportunities. Our strategy is focused on growing, diversifying and scaling in three ways:

01

Positioning behind high-growth end segments

All of our businesses have opportunities to tap into high growth end segments, many of which also have a positive impact on the environment or society.

02

Geographic penetration of core developed markets

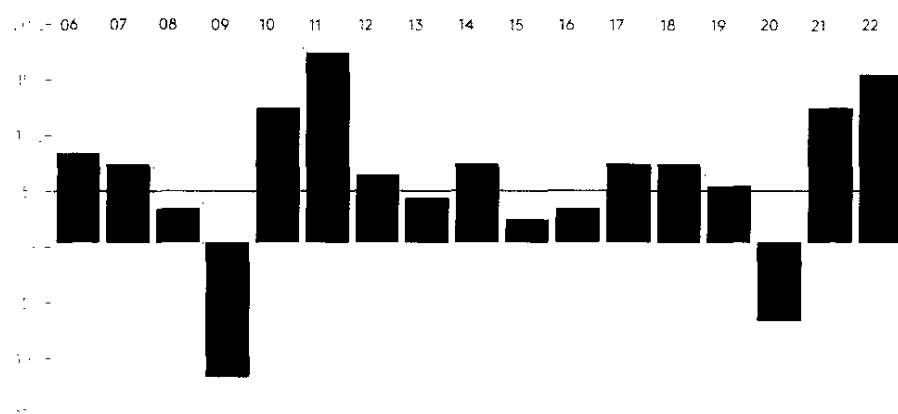
We are relatively underpenetrated in our core developed markets of North America, Europe and Australia where there is significant potential to increase market share.

03

Product range extension to expand addressable markets

We extend our product ranges incrementally within our businesses and at portfolio level.

STRONG ORGANIC GROWTH TRACK RECORD:



**TARGET:
MID-SINGLE DIGIT
ORGANIC GROWTH**

2. Targeted acquisitions to accelerate organic growth

Focused portfolio development is key to the sustainability of our growth strategy. As we grow, it is important that we focus on the key, scalable business lines that represent our model and which we are the right owners to grow and scale.

01

Acquisitions to accelerate organic growth

Our value-add strategy spans across and encompasses both value-add businesses that will accelerate organic growth through our markets offering and value-add businesses that should drive our financial performance.

We aim to add 5% to our value growth from M&A on average.



“Our approach to acquisitions has become more structured and strategic. This has expanded our acquisition pipeline, enabling us to take advantage of a busy market whilst also maintaining our strong financial discipline.”

Steve Sargeant,
Corporate Development
Director

02

A disciplined approach

Our disciplined approach to acquisition, investment and exit has helped us build a strong pipeline of value-add businesses.

Our disciplined approach to acquisition, investment and exit has helped us build a strong pipeline of value-add businesses.

03

Success factors

Target attributes

- Value-add businesses with growth potential
- Targeting growth in our core markets
- Strongly disciplined
- Highly profitable

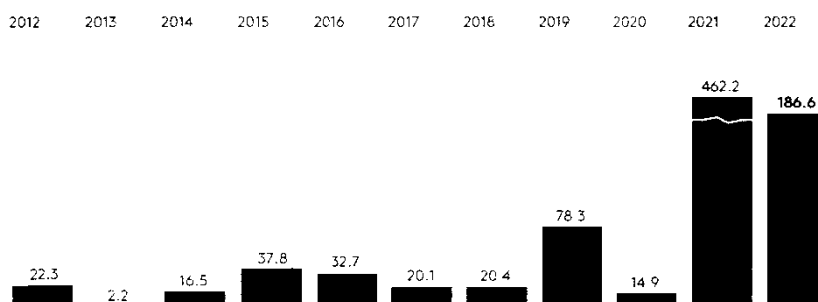
How we add value

- Investment in growth potential
- Operational excellence
- Management expertise
- Financial discipline
- Strong financial performance

Strategically & financially disciplined

- Further to our value-add businesses
- Operational excellence
- Management expertise
- Financial discipline

Historic M&A spend (£m)



CASE STUDY

Windy City Wire: accelerating organic growth for the Group

Windy City Wire is a leading value-added distributor of premium quality low voltage wire and cable.

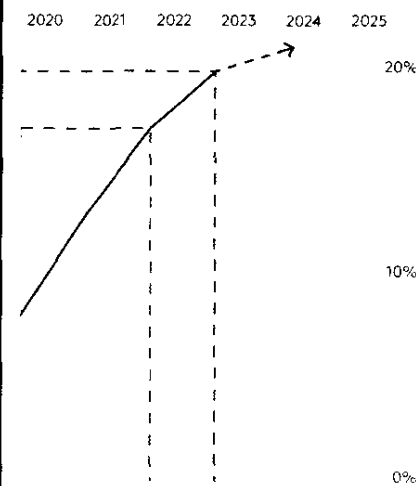
Acquired in October 2020 for £348m, the business represented a material strategic step forward, accelerating organic growth for the Group as a whole. Importantly, Windy City Wire diversified Controls into the large, attractive US industrials market and significantly increased the Group's exposure to high growth end segments.

Since joining the Group, Windy City Wire's operating profit has doubled and the business is significantly outperforming its acquisition case. ROATCE is now mid-teens two years ahead of expectations.

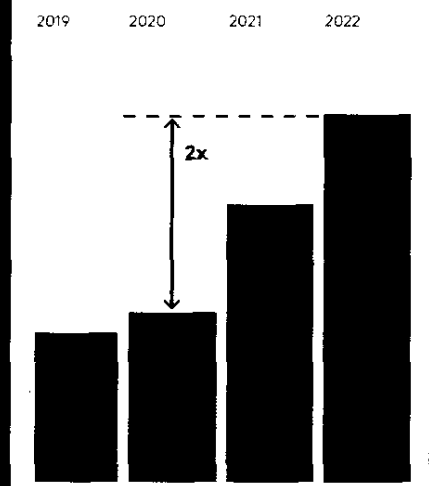
This has been driven by impressive volume growth and operating leverage on a well invested platform.

Growth has been driven by exposure to high growth end segments – building automation, security access, data centres and digital antenna systems – as well as strong market share growth. A compelling customer proposition and superior product availability, underpinned by a secure and stable supply chain, have been a winning combination.

ROATCE



Operating profit (\$m)



STRATEGY CONTINUED

STRATEGY IN ACTION: ACQUISITIONS ACCELERATING ORGANIC GROWTH

Acquisition of Accuscience in Ireland:
positioning behind high growth end segments
and penetrating core developed economies.



In April, M&A team closed the purchase of Accuscience in the life sciences sector in Ireland. Accuscience has a well-established, high quality customer network in pharmaceuticals, biotechnology and diagnostics. The customer network and the quality of product portfolio, service and pipeline are a key driver.

Key value drivers and differentiating factors include:

- Established network of product regions

Characteristics:

• Market leading technology and product portfolio
• Well established product regions

Value drivers:

- Existing global network and regional presence
- Established customer and high quality technology
- Strong product pipeline

Portfolio fit:

- Established customer base in Europe
- Regional presence in key markets
- Regional growth
- Established product

Acquisition of LJR Electronics in the US:
penetrating core developed economies and product
range expansion to expand addressable markets.



We acquired LJR Electronics, a well established manufacturer of interconnect products in North America with a strong and profitable revenue stream and a solid financial position. LJR has a strong portfolio of interconnect products with a strong focus on high quality expansion products in the global interconnect market.

Characteristics:

- US based company
- Established interconnect products
- Strong product pipeline

Value drivers:

- Strong growth
- Strong product pipeline
- Strong customer base in key markets

Portfolio fit:

- US based company
- Established product portfolio
- Strong product pipeline

CASE STUDY

Acquisition of R&G Fluid Power Group in the UK: penetrating core developed economies and product range extension

In April, we acquired R&G Fluid Power Group (R&G), a high-quality aftermarket distribution business for our Seals Sector in the UK, for ca. £100m.

R&G is a value-added distributor of a diverse range of industrial, hydraulic and pneumatic products (including seals and gaskets). Its value-added proposition is based on responsive customer service, technical advice, breadth of stock and product customisation. Over time, the management team has built a platform with extensive reach across the UK, including through consolidating a number of regional distributors to extend geographic and product reach.

Characteristics:

- UK value-added aftermarket distributor
- Extensive UK reach
- Fluid Power product range

Value drivers:

- Excellent organic growth track record and significant potential through developing the aftermarket e-commerce channel, continued regional expansion in the UK, and further product cross-selling and diversification
- Continued 'buy & build' active pipeline with an opportunity to further consolidate small regional competitors

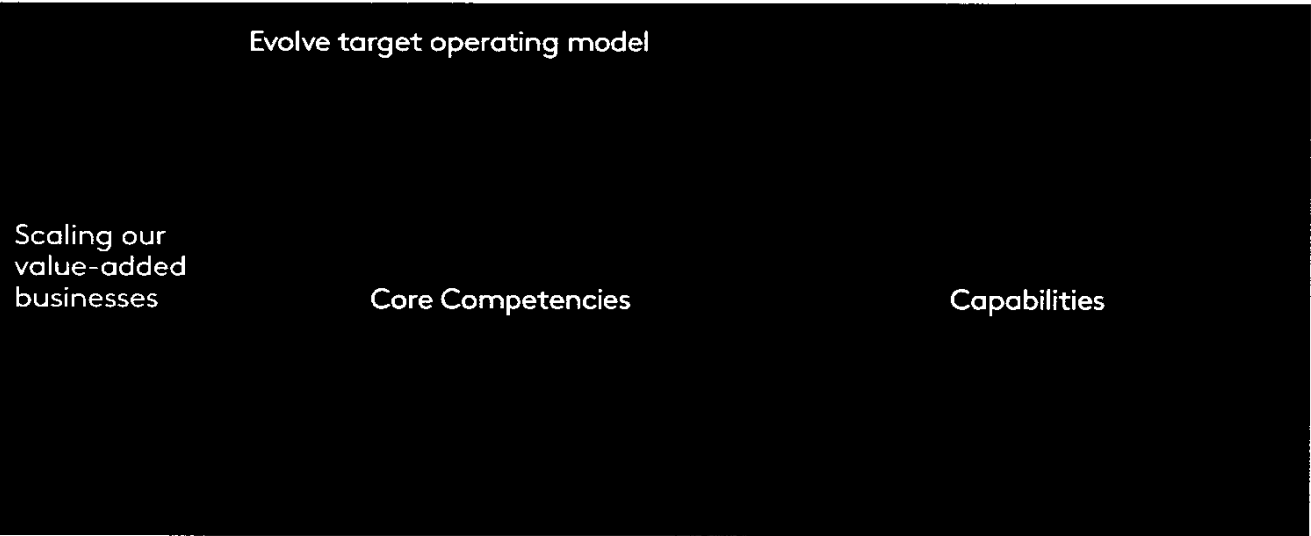
Portfolio fit:

- Scale in core UK market and scope to drive revenue synergies with existing UK Seals businesses
- Expands addressable markets - product diversification for global Seals

3. Scale our businesses to execute value-added customer proposition

Our service component builds loyalty and resilience, pricing power and margins. As our businesses grow, they evolve their operating models to continue to deliver their value-add proposition at scale – how a £10m revenue business delivers for its customers is very different to a £100m revenue business.

We have created a framework for our businesses to plot their journey to scale, including defining the right target operating model of the future, developing the Core Competencies that underpin it and the capability that will deliver it.



Core Competencies

We seek to identify and improve the Core Competencies that underpin our business.

Supply Chain Management

Align, Anticipate, Plan and deliver products and resources. A structured and proactive approach to Supply Chain Management.

Operational Excellence

Share and optimise our internal processes to drive growth.

Value-Add

Deliver the value-add proposition to our customers through our products, services and solutions.

Commercial Discipline

Maximise the value of our proposition. The commercial discipline is a structured approach to value creation and delivery.

Route to Market

Define customer proposition and deliver it through a structured growth plan.

4. Evolve the Group to support decentralised delivery

Our value-add distribution model underpins everything we do and is the foundation of the Group's success.

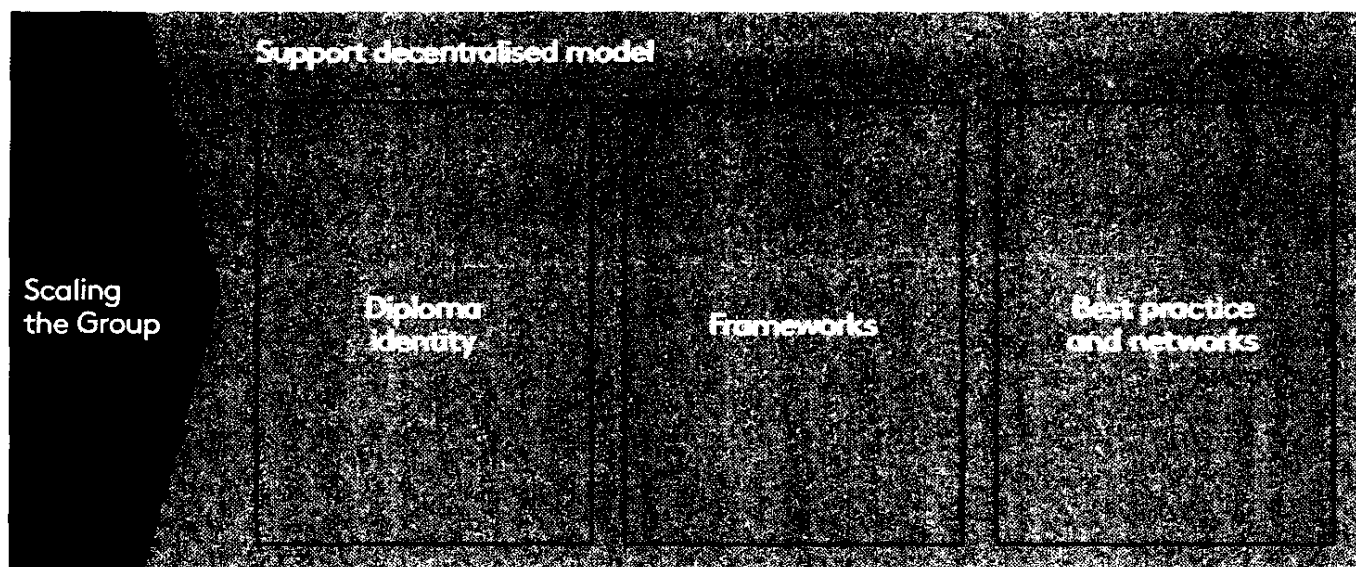
We continue to evolve the structure, organisation and culture of the Group to deliver for the long-term.

Over the last three years, we have moved the Group's organisational structure and organisational model. We have also actively invested in new vice to ensure a world-class head office and a service to the business. Our efforts have seen key functional areas

aligned to underpin our value-add distribution model and our commitment to our success. As a result, we continue to develop and implement the Group's culture and identity.

The Group has an important role to play in providing strategic and operational support to our business, as well as providing a platform for knowledge and best practice across

the Group. We are working proactively to ensure we are at the forefront of all our business, ensuring we are able to deliver the best results for our business and our customers.



Key capabilities

We have identified three key capabilities that underpin our success:

Talent

We have identified three key capabilities that underpin our success:

Technology

We have identified three key capabilities that underpin our success:

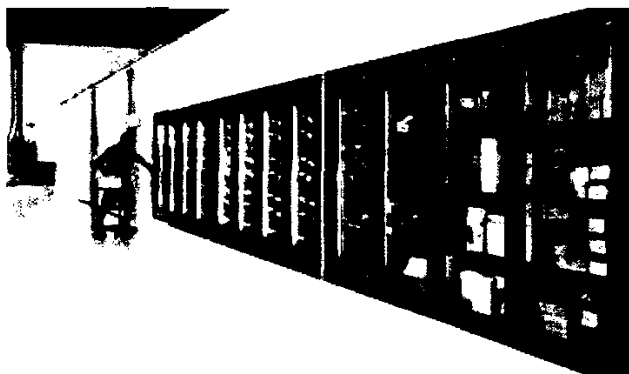
Facility

We have identified three key capabilities that underpin our success:

STRATEGY CONTINUED

STRATEGY IN ACTION: SCALING OUR VALUE-ADDED BUSINESSES AND THE GROUP

Australian Life Sciences: building a scalable platform for growth



In early 2022, we completed a comprehensive project to consolidate operations across Australian Life Sciences businesses. Arriving by combining Riverina Labs into a single facility in Brisbane. A key objective of this restructuring was to create a new, more efficient platform to support new office locations.

Building on our focus on operational excellence, we are now focused on driving the growth of our platform. By combining our two laboratories, we have created a more efficient platform for our customers. This has allowed us to expand our services and increase our capacity to serve our customers. We are also focused on building a strong relationship with our customers, ensuring that we are able to provide them with the best possible service. This is a key part of our strategy to build a scalable platform for growth.

The combination of our two laboratories has provided us with the opportunity to create a more efficient platform for our customers. This has allowed us to expand our services and increase our capacity to serve our customers. We are also focused on building a strong relationship with our customers, ensuring that we are able to provide them with the best possible service. This is a key part of our strategy to build a scalable platform for growth.

Chicago June 2022: sharing best practice and building leadership networks



Our second Annual Leadership Forum, held in June 2022, was a key event for our leadership team.

As we look forward to the future, we are focused on building a strong relationship with our customers, ensuring that we are able to provide them with the best possible service. This is a key part of our strategy to build a scalable platform for growth.

Our second Annual Leadership Forum, held in June 2022, was a key event for our leadership team. It provided an opportunity for our leadership team to share best practice and build leadership networks.

CASE STUDY

Talent



"Investing in talent is critical to the sustainability of our growth"

Jill Tennant
Group HR Director

I'm delighted with our progress in Talent in 2022. For me, one of the key highlights of the year was the very high level of colleague engagement. Engaged colleagues perform better and, in a customer service business operating in challenging labour markets, retention is a differentiator. Our decentralised model fosters loyalty and engagement; alongside this, tools such as our Engagement Survey mean we are getting better at listening and responding to what colleagues want.

A successful Talent agenda starts with the right organisation design. During 2022, we've worked with our businesses to refine their target operating models. These inform succession planning, training and development, and external recruitment.

Investment starts with our existing team. For the Senior Management Team (SMT), we are helping leaders develop the skills and experiences they will need to scale their businesses – from our newly launched 'Leadership at Scale' development programme to building leadership networks, not least through our event in Chicago in June. In response to last year's feedback, we have launched a new internal learning management system for colleagues.

The majority of external recruitment has been focused on our businesses. Building scale means building capability. Smaller businesses are typically built around a small number of key individuals who often

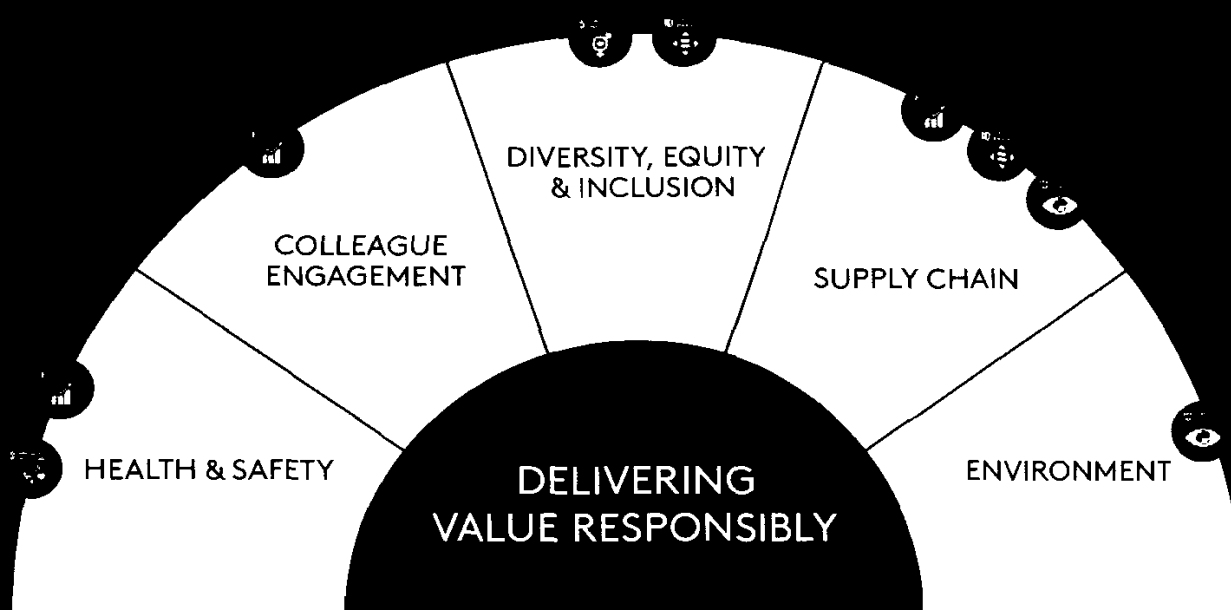
wear many hats. Incremental investment in functional expertise is critical to scaling. In 2022, we made 20 SMT hires focused on Commercial, Operations, Supply Chain, Finance and Human Resources. We are leveraging this external hiring to improve diversity – in 2022, 40% of external SMT hires were women, more than offsetting the impact of acquisitions (SMT additions >90% male). Increasing female SMT representation to 27.5%. We are committed to achieving gender balance at SMT level by 2030.

Talent is also central to evolving our leadership structures to support scale. For example, in Life Sciences, having focused the Sector around three strong geographic pillars, we have created a new role heading up Europe and a single CEO role for Australia & New Zealand. We intend to maintain lean Sector structures and a small, skilled Group centre providing a service to our businesses. Here too we are selectively investing in key roles including US-based Corporate Development leads for North American Seals and International Controls; at Group centre, we have made incremental investments in Human Resources, Finance and Legal.

In a fast growing organisation such as ours, there will always be more to do, but we enter 2023 with a great team, a clear strategy for how Talent will support future growth, and significantly improved internal tools and resources for colleague development.

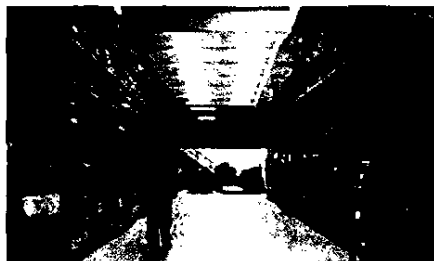
5. Delivering value responsibly

Our DVR programme is built on five, material focus areas and positioning ourselves for commercial growth with a positive impact on society and the environment. Embracing DVR is key to executing our strategy, fulfilling our purpose and scaling and managing our business sustainably.



By aligning our businesses with our five focus areas and positioning ourselves for commercial growth with a positive impact on society and the environment, we can play a meaningful role in building a more sustainable world.

Delivering for our People



Our people are our success. It is our priority to engage our colleagues and retain talent in our business. We also have a duty to keep our colleagues safe and to promote diversity and create an inclusive and supportive working environment where all our colleagues are able to fulfil their potential.



Delivering for the Environment



Our role is a great opportunity for us to have a meaningful impact. We must engage in our operations with our suppliers to make sure we are doing good things and looking to improve operations efficiency and deliver value for our customers, suppliers and our Region.



Delivering a Positive Impact



Many of our products and services have and will have a positive impact on the environment and society, whether it's supporting first aid, our fire alarm systems, our air conditioning, our energy generation, or our water supply and wastewater treatment.



OUR PROGRESS DURING THE YEAR

A step change in momentum. Business-driven initiatives are creating improvement across the Group.

Our businesses have established DVR committees and appointed persons responsible for performance and progress against targets.

Our DVR governance structure and policies are key to how we deliver value responsibly. We have improved reporting with metrics now embedded and targets to drive progress in FY23.

Read about our performance in each of our focus areas on pages 36-47.

Read more about our DVR metrics and targets on page 53.

Read about our DVR governance, responsible business practices, and policies and procedures on pages 50-57.



DELIVERING VALUE RESPONSIBLY

DIPLOMA DELIVERS FOR OUR COLLEAGUES

Our colleagues are the foundation of our business. They deliver value-add to our customers, execute against our strategy and are essential to our ongoing success.

Our decentralised Group employs ca. 3,000 colleagues across multiple businesses, geographies and communities. This year, we welcomed ca. 500 new colleagues through acquisitions. The safety, wellbeing and engagement of those colleagues is our primary concern and central to how we deliver value.

Developing, attracting and retaining talent in an equitable and inclusive environment will support our journey to scale, and is an important differentiator in a challenging labour market. Protecting our agile and accountable culture as we grow underpins our performance and helps us attract high-quality acquisitions.

89%

of our colleagues are proud to work for their business

Brilliant leadership

Our decentralised model means that our Senior Leadership Team (SLT) plays a key role in progressing the culture and strategy of the Group, as well as the performance of their businesses and Sectors. Our SLT comprised of our Executive team, the Managing Directors of our businesses and key Group roles - has demonstrated brilliant leadership during FY22, continuing to look after and support our colleagues, serve our customers and show great agility and resilience despite geopolitical and economic uncertainties.

In June this year, we brought together

75

members of the SLT in Chicago to celebrate their hard work and discuss our strategy. This was the SLT's first time meeting in person since the pandemic and a key opportunity to strengthen networks, build our culture and integrate new senior leaders

Building engaging and fulfilling careers

We continue to evolve our culture and support colleague engagement across the Group. We acquire new businesses every year and give careful consideration to how we onboard colleagues that join us through acquisition.

Group internal communication is a powerful tool for us - our CEO updates our colleagues directly through quarterly videos and information is shared across businesses and Sectors through our internal newsletter. This year we introduced a learning management system, which is currently being rolled out across the Group.

Development of talent supports our strategy, deepens engagement and is important at every level of our business. Many of our colleagues undergo on-the-job training, whether through apprenticeships or external certification. Through our DVR programme, we have started to develop networks that facilitate knowledge sharing across certain functions such as Health & Safety, Supply Chain Management, and HR.

Mental health and wellbeing

We are mindful of the potential impact that working environments and practices have on our colleagues. During the year we continued to hold wellbeing and resilience workshops with businesses and provided resources to mark World Mental Health Day, which was celebrated across the Group.

We are also acutely aware of external factors - Covid-19, political instability, the cost-of-living crisis - that may further impact our colleagues' wellbeing and mental health. We have worked hard to reassure existing colleagues, as well as those that join the Group through acquisition, and are pleased that 86% of colleagues feel that their job is secure, according to our engagement survey.

Further assistance is offered through our Employee Assistance Programme, which covers all existing businesses. Acquisitions are brought onto the programme during onboarding. Counselling is also offered to businesses where colleagues have suffered a bereavement or tragic event.

Engaging our Colleagues

Our vision is for all of our colleagues to be highly engaged

2022 Highlights

- 86% response rate
- 79% colleague engagement index
- 70% of Group colleagues are active on our new learning management system

86%

response rate

79%

engagement index

KPI

Engagement Index
(an externally benchmarked score from our annual engagement survey)

Target

Maintain an engagement index of 70%+

Ongoing Focus

- Build out our learning management system
- Continued focus on wellbeing and mental health
- HR network to support best practice
- Continued leadership development

Engaged colleagues perform better. Our colleagues have great technical expertise and in-depth knowledge of their products and markets. In a challenging labour market, engagement helps us to hold onto that talent, knowledge and expertise.

Our engagement and consultant at 24.4% (2021 22.6%) reflects a good structure in Australian Heritage, core and international assets, increased participation at our Louisville base, and a strong ongoing talent market.

Our 2022 Engage! Engagement Survey is key to understanding how our engaged colleagues feel about the Group and their business, and to help us improve our business. We have set a relative engagement target to ensure no engagement index of 70% which keeps us focused on understanding the real picture of our engagement, and developing better and more responses.

Action during 2022

Following the Engagement Survey, our business units are taking steps to ensure they are listening to their colleagues' feedback and engagement, and implementing the best practice. They are also providing a Group-wide structure to ensure the survey is implemented.

Our engagement is responding to their feedback and providing a Group-wide structure to ensure the survey is implemented.

"It's really important to us that we continue to prioritise and engage our colleagues across the Group. Earlier this year we held our second engagement survey. The engagement index was 79% with over 2000 colleagues taking part."

Jill Tennant,
Group HR Director



As a business, we're committed to our employees and to the success of our business. This commitment is reflected in our policies, procedures, and the way we work. We're committed to the success of our business and to the success of our employees.

Our engagement index score is high at 75% and we're working to keep it high. We're working to keep it high and we're working to keep it high. We're working to keep it high and we're working to keep it high.

75%+

all of our businesses achieved an engagement index within a range of 75-85%

90%

of our colleagues believe that their work is meaningful, according to our engagement survey

88%

of our colleagues believe that their manager empowers them, according to our engagement survey

As a business, we're committed to our employees and to the success of our business. This commitment is reflected in our policies, procedures, and the way we work. We're committed to the success of our business and to the success of our employees.

Our engagement index score is high at 75% and we're working to keep it high. We're working to keep it high and we're working to keep it high. We're working to keep it high and we're working to keep it high.

Leadership style

75% +2%



Learning and development

70% +4%



Wellbeing

79% +1%



Our engagement index score is high at 75% and we're working to keep it high. We're working to keep it high and we're working to keep it high. We're working to keep it high and we're working to keep it high.

CASE STUDY

M Seals UK Employee Working Group



M Seals UK set up an Employee Working Group in 2021 in response to the annual Group-wide engagement survey.

The group has been successful in improving working conditions and has been successful in improving working conditions and has been successful in improving working conditions.

"I like that I can act on behalf of my colleagues to voice their concerns or issues. I also like that we develop a plan or response to each issue right there in the meeting so it gets sorted straightaway. It's a great way to communicate as all the branches of the business are there together at the meeting – whether it's a finance issue, a management issue, or a warehouse issue."

Sati Sing,
Warehouse Operative and
member of the Employee
Working Group at M Seals UK

Our vision is that no one is harmed at work

- Continuing to build a proactive

- Figure 1**

LD rate

reduction in severity rate

Lost time incident (LTI) Rate
(number of lost time incidents per
1,000 employees)

5% year-on-year reduction in LTI rate

- Build positive mental health

-

and in the last decade, he has moved from Managing Director to Chairman of the Board. He is a frequent speaker at international events & has written and edited several books. He is also a member of the Board of Directors of the American Chamber of Commerce in the Soviet Union, a director of the National Directors' Club and a past president of the American Society of International Business.

Businesses are increasingly being asked to provide information about their products and services to a wider range of stakeholders, including investors, regulators, and the public. This has led to a growing emphasis on transparency and accountability in business reporting. The concept of 'greenwashing'—where companies make false or misleading claims about their environmental credentials—has become a major concern for consumers and investors alike. Companies are now being held to account for their environmental impact, and those that fail to do so are increasingly being exposed and criticized. This has led to a growing demand for more robust and reliable information about companies' environmental performance. The challenge for businesses is to ensure that their reporting is accurate, transparent, and verifiable, and that they are taking genuine steps to improve their environmental performance. This is not only a moral imperative, but also a business imperative, as companies that are seen to be environmentally responsible are more likely to attract investment and retain customers.

[illegible]

For the first time, our databases reported separate single & split data for a full financial year. In addition, it is identified and set up in the system and risks quickly and effectively. The aim is to test the Group.

Noting in a paper that Meath & Society's future will be largely determined by the financial success of its fundraising efforts, the author of the paper, a member of the Society, writes: "Meath & Society will continue to be a place of exploration for individuals and groups of people."

of colleagues feel that Health & Safety is taken seriously in their business, according to our Colleague Engagement Survey

Employees in the EU will continue to attend Health & Safety training and participate in all activities and programmes for Health & Safety at their business premises. The purpose of these national visits is to support business leaders in embedding the Regulatory Safety Framework in alignment with our targets and to ensure that R22 and its related activities between Health & Safety managers.

We are also collaborating and starting to develop a partnership with Health & Safety colleagues. The network has brought Health & Safety managers together to share best practice and discuss Health & Safety during all levels of working arrangements and campaigns for external certification, such as Sustainable for businesses preparing for R22.

Group performance stats

LTI rate

2022	10.6
2021	10.1
2020	8.2

Severity rate

2022	4.3
2021	7.7
2020	5.2

Potential hazards

2022	572
2021	420
2020	371

During the year our LTI rate increased to 10.6 from 10.1 in the prior year. This is due to the increase in the number of working hours. However, the severity rate has decreased from 7.7 to 4.3. This is due to the decrease in the number of potential hazards. The LTI rate is a good indicator of the safety performance of the business and the severity rate is a good indicator of the safety performance of the business.

The primary cause of LTIs was the Group's commitment to being a safe and healthy workplace. The primary cause of LTIs was the Group's commitment to being a safe and healthy workplace. The primary cause of LTIs was the Group's commitment to being a safe and healthy workplace.

During the year, the Group's commitment to being a safe and healthy workplace was maintained. The primary cause of LTIs was the Group's commitment to being a safe and healthy workplace. The primary cause of LTIs was the Group's commitment to being a safe and healthy workplace.

The following table shows the number of LTIs during the year.

CASE STUDY

North American Seals



During the year, our North American Seals business created a Health & Safety network to ensure a consistent approach to Health & Safety.

In February, the network held a meeting to discuss the results of the year and the future of the business.

Promoting Diversity, Equity & Inclusion

Our vision is to build a diverse workforce, where all of our colleagues feel able to bring their full selves to work and fulfil their potential.

2022 Highlights

- New Group Diversity, Equity & Inclusion Policy
- Unconscious bias workshops
- Training for Senior Leadership Team on inclusive leadership
- Ethnicity reporting

27%

of the Senior Management Team are women

KPI

% of women on the Senior Management Team

FY30 Target

Women represent 40%+ of Senior Management Team

Ongoing Focus

- Succession planning
- Implementing the Diversity, Equity and Inclusion Policy across the Group
- Further learning and knowledge sharing

We remain committed to better representation across our Group and businesses, particularly in management and leadership positions.

We continued to build awareness around Diversity, Equity and Inclusion (DEI) and during FY22 we held workshops on unconscious bias with colleagues across our businesses.

Our inclusive leadership webinars were attended by all business MDs and senior members of the Senior Management Team. We also have reviewed our online learning management system.

During the year we developed and published our Group DEI policy which provides guidance and standards for our businesses to follow, including recruiting diverse shortlists from recruitment. We held a DEI workshop for our business with our group's corporate planning group, DEI in their time and an ongoing DEI management plan.

During these sessions we defined the key points in the Policy, our DEI targets and our focus areas for FY22. This will give an added opportunity to our business to embed best practice and build networks.

Gender diversity (as at 30 September)

	Male	Female	Total
Board	4	3	7
Executive team	6	2	8
SMT	46	36	82
At any given time	148	910	1,058

We have set a 30% target for the Senior Management Team (SMT), to be at least 40% women. We have made a significant head start during the year with 44% of executive recruitment for the SMT being women. More of the influence of recruitment remains to be done with just 31% female representation amongst those that joined the SMT this year, including during FY22.

We also remain focused on improving gender diversity within our key SMT through informal interventions, including gender-biased red piping on talent review. The SMT will continue to achieve gender balance in recruitment and promotion.

Ethnic diversity (as at 30 September)

	Non-minority	Ethnic minority	Prefer not to say	Total
Board	0	0	0	0
SMT	48	13	1	62

We have a 10% target for ethnic diversity in the SMT. We have found that the percentage of the SMT that are non-minority belonging to ethnic minority groups has increased from 10% in the previous year to 21%. As a result of this change, we set external targets for FY23 to be 10% for the SMT.

40%

of external hires into the Senior Management Team during the year were women

% of women on SMT

2022	27%
2021	24%

Diversity of our Senior Management Team

Gender diversity

Women 27%

Ethnic diversity

Ethnic minority 10%
Prefer not to say 15%

Gender diversity across the Group

Board

Women 43%

All employees

Women 31%

CASE STUDY

International Women's Day



International Women's day was celebrated by businesses across the Group on 8th March 2022.

Businesses brought their teams together at lunches, discussion groups and through fundraising events to discuss bias and the challenges faced by women in the workplace.

All colleagues were also given the opportunity to attend a #BreakTheBias workshop, which highlighted examples of unconscious bias and the role that we can all play in tackling it at work.

DELIVERING VALUE RESPONSIBLY
CONTINUED

DIPLOMA DELIVERS FOR THE ENVIRONMENT

We are a Group whose businesses, supply chain and end users stretch across the globe. As a distributor, our operational emissions are relatively modest, and the vast majority of our emissions will sit in Scope 3.

Calculation of our Scope 3 emissions is a complicated undertaking in a decentralised Group, such as ours. We are working to do this ahead of submitting a net zero target to the Science-Based Targets Initiative (SBTi) during FY23.

The climate crisis is urgent and global, we recognise the impact of our wider footprint and the narrowing window of opportunity to make a positive contribution in tackling this crisis. Beyond the moral obligation that we feel, we also see the contribution to the long-term value creation and growth of our businesses.

Our colleagues are increasingly passionate about climate change and expect the Group to drive progress and support their initiatives. There is also the opportunity to deliver value to our customers by offering more sustainable products and solutions, building our knowledge and expertise, and working to be a more carbon-efficient business that can support their net zero goals.

Our positive impact revenue initiatives help us to position ourselves for commercial growth with a positive impact on society and the environment.

Sustainable Supply Chain Management

Our vision is for all of our key suppliers to be compliant with our Supplier Code.

2022 Highlights

- Active engagement with our suppliers on the environment
- Key suppliers identified and the process has started to align with our Supplier Code

59%

of our identified key suppliers are aligned with our Supplier Code

KPI

% of identified key suppliers aligned with Supplier Code

FY30 Target

80% of key suppliers are aligned with our Supplier Code

Ongoing Focus

- Continue to ensure alignment of key suppliers with Supplier Code
- Align our Supply Chain Policy and processes with our net zero targets
- Build our understanding of supplier emissions

Management of our supply chain is key to our broader social and environmental impact as a Group, and a key part of our strategy and commercial proposition. Our focus is to work with our suppliers to tackle climate change and reduce our own impact through more sustainable packaging, logistics and products.

Percentage of identified key suppliers aligned with our Supplier Code



FY22 was the first full year of implementing our Supply Chain Policy and engaging our suppliers on our Supplier Code. Our businesses have worked hard to engage their suppliers and ensure their alignment with the Supplier Code against a backdrop of supply chain inflation and at very elevated costs of capital.

During the year, our businesses have identified their key suppliers. These are categorised by the businesses but must amount in aggregate for at least 50% of annual spend. In addition, key suppliers must also include any high volume supplier, critical component supplier or non-substitutable supplier.

The standards of our Supplier Code ask our key suppliers to commit to several of the UN Sustainable Development Goals and professional standards including those relating to human rights, labour laws and anti-bribery and corruption and international trade law and standards. We collaborate with our suppliers, work with us to reduce waste and emissions within our value chain.

In FY22, a total of 578 key suppliers were identified across the Group. 340 of the identified suppliers have been engaged on the Supplier Code, 25% of which is underway, and so far 59% of key suppliers have been engaged and aligned with the Supplier Code. We will continue to engage the remaining identified key suppliers and determine key suppliers in FY23 and following years.

We have also been working with our suppliers to ensure they are connected to our development efforts on climate change and to build upon the work in the region on our supply chain management strategy.

We will continue to plan for the necessary and feasible measures to ensure our environmental and social performance is aligned with our strategy. We are looking to continue working with the key suppliers across our value chain.

Tackling Emissions and Waste

To be net zero across our operations by 2040 and net zero across our value chain by 2050 at the latest.

2022 Highlights

- Emissions flat, excluding the impact of new acquisitions during the year, despite strong organic growth
- Waste measured for the first time
- Business-driven initiatives

Total Scope 1 and 2 emissions

10,615

Tonnes CO₂e

Emissions KPI

% reduction of Scope 1 and 2 emissions (tonnes CO₂e) against FY22 baseline (10,615 tonnes CO₂e)

Waste KPI

% of total waste to landfill

FY30 Emissions Target

50% reduction of Scope 1 & 2 emissions on FY22 baseline

FY30 Waste Target

Less than 15% waste to landfill

Ongoing Focus

- Set SBTi net zero target
- Build internal knowledge of Scopes 1, 2 & 3
- Divert waste from landfill
- Set out a clear roadmap to our 2030 targets

We are committed to net zero emissions across our value chain by 2050 at the latest. We have set an interim 50% reduction target for our own operations by FY30. We are currently calculating our Scope 3 and will submit our net zero targets for verification by the SBTi in FY23.

We are happy and grateful to our businesses and the brilliant colleagues that have worked during the year to put in thoughtful initiatives in place at their facilities, including upgrading to LED lighting, introducing electric car parking policies and reducing their waste.

We have worked with EcoAct, an Atlas Community EcoAct, to review our Scope 1 & 2 emissions and set an FY22 base year for our SBTi related target to reduce Scope 1 & 2 by 50% by 2030.

This target primarily is intended to achieve net zero emissions across our operations by 2040.

The majority of our emissions are from our heating, cooling and lighting our facilities with Scope 2 representing 84% of our operational emissions. We intend to achieve our targets by investing in energy efficiency initiatives and switching to renewable power generation, such as the purchase of renewable electricity.

	FY22	FY21	FY20
Operational Use Own Emissions (tonnes CO ₂ e)	3,256	2,554	1,112
Scope 2 Emissions (tonnes CO ₂ e)	7,359	12,111	3,466
Total Emissions	10,615	14,665	4,578

Tonnes CO₂e per £1m revenue

10.5

2022	10.5
2021	12.5
2020	8.0

Purchased electricity kWh

14,033,971

2022	14,033,971
2021	13,947,147
2020	7,762,447

Gross emissions

10,615

2022	10,615
2021	9,825
2020	4,331

DELIVERING VALUE RESPONSIBLY CONTINUED

There are some challenges to this as the majority of our facilities are aged, which can prohibit solar panel installation or energy efficient upgrades. However, we have started to incorporate environmental criteria into our facility requirements when negotiating or renewing leases.

As part of the work we are doing to submit net zero targets to the SBTi, we have reviewed our reporting methodology and will focus on a percentage reduction of Scope 1 & 2 emissions going forward.

During FY22, which is our base line year, we used actual emissions data from the majority of our businesses (90% of the turnover) and estimated the emissions of the remaining businesses. Methods are reported quarterly by the businesses, for which we estimate emissions from business electricity, estimated on a percentage of revenue, plus methane combustion, estimated by applying the average vehicle CO₂Es to all but leased vehicles, and purchased electricity, estimated on a percentage of the electricity consumption and electricity demand.

Scope 1 emissions for existing businesses have remained relatively flat at 150 tonnes CO₂e less than in 21. Our Group emissions of 1,040 tonnes CO₂e per £1m revenue, has decreased from 10.5 to 10.3, largely driven by increased revenue. Total scope emissions for the Group were 12,618 tonnes CO₂e or 10.3 tonnes CO₂e per £1m revenue for FY22. 1,945 tonnes CO₂e was attributable to the UK.

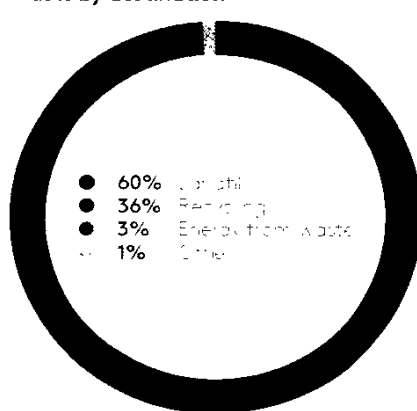
Consolidating and upgrading facilities has been particularly effective and we have moved 30% of our operations to more energy efficient premises. Attemperet, our base in the US, due to moving operations to a more energy efficient building for its. We have also seen some benefit from energy efficiency measures such as upgrading our LED lighting.

Consumption of purchased electricity for the Group was 15,142 MWh (FY21: 14,111 MWh). 1,855 MWh was consumed in the UK.

Waste

Ahead of our Scope 3 calculation, we have started to measure our waste across the Group. This will be incorporated into our Scope 3 calculation and net zero targets but also an important metric for waste management.

Waste by destination

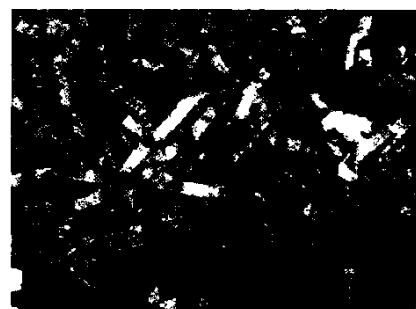


Waste per £m revenue FY22	
UK	Rest of the world
10.3	10.3

Our waste management strategy aims to reduce the total waste and waste by destination and encourage customers to use that more sustainably. Initiatives include understanding of waste across our operations. There have been and are going to be significant changes to the capacity of our waste management and waste recycling operations in some regions and this will be a significant challenge for us in the future.

The total waste generated in FY22 (Scope 3) was 1,040 tonnes CO₂e or 10.3 tonnes CO₂e per £1m revenue for FY22.

CASE STUDY Packaging



Packaging initiatives are being put in place across the Group. For many businesses, the focus has been on creating a more circular packaging system.

Some businesses have invested in shredding machines in order to reuse incoming cardboard packaging as packing material for outgoing orders. Other businesses have focused on removing non-recyclable elements from their packaging by replacing plastic tape with paper tape – removing more than a tonne of plastic for their customers. Another scheme has completely removed branding from all packaging. By working closely with our suppliers to have products delivered in plain, cardboard boxes, product packaging can be reused by our businesses and customers.

All of these initiatives support our ambition to reduce our waste-to-landfill and overall waste. It also supports our customers in achieving their own net zero and waste reduction initiatives.



CASE STUDY

Facility upgrades

During FY22, our European Life Sciences business, Simonsen & Weel, moved into a new location that benefits from more efficient heating and cooling, solar panels, state-of-the-art insulation and electric vehicle charging. The business also decided to improve biodiversity in the surrounding area by sowing wildflower meadows on its surrounding land.

DELIVERING VALUE RESPONSIBLY
CONTINUED

DIPLOMA DELIVERS POSITIVE IMPACT

Our businesses deliver positive impact through products and services that benefit our society or environment. Growth initiatives in these areas offer exciting commercial opportunities and support our purpose.

Positive impact revenue is generated across all businesses from the sale of products, services and solutions that benefit our society or environment and support the transition to a more sustainable future. Growth initiatives in these areas offer a key opportunity to positively impact our stakeholders.

There are huge opportunities to be found in the scale of transformation required to create a more sustainable, low-carbon economy, such as the adhesives we sell into electric vehicle assembly or the seals sold into renewable energy generation.

Our businesses also supply products that support healthy and safe communities, such as the highly stranded silicone cable, supplied by our Controls Sector, that is used in defibrillators and ECG electrodes.

Our Life Sciences businesses offer diagnostic solutions that make it quicker and easier to identify life-threatening diseases, including cutting-edge technology that allows for early detection of diseases in newborns, and home-testing kits for remote communities.

Our MRO seals business sells fluid sealing solutions and trademarked products specifically designed to prevent fugitive emissions.

Our decentralised model gives us the agility to capitalise on opportunities in these new and fast-growing end segments as we work with our suppliers and their industries to innovate new, specialised products and solutions.

Our positive impact revenue streams are an important component of our organic growth strategy and each Sector has growth plans in place.

DELIVERING VALUE RESPONSIBLY
CONTINUED

DIPLOMA DELIVERS RESPONSIBLY

Our Group purpose is to consistently deliver value and reward our stakeholders by making a positive difference to our colleagues, our customers and suppliers, and our communities. We are committed to fulfilling our purpose in a way that is environmentally, socially and ethically responsible.

DVR governance

Our DVR governance structure is lean and reflects our decentralised model. The Group has responsibility for providing direction and support, and the Board has ultimate oversight and responsibility for DVR across the Group.

Operational execution takes place in our businesses, close to our customers. Managing Directors are responsible for DVR performance of their business and are given flexibility to prioritise DVR focus areas in line with materiality to their business. Targets are set at Group and Sector level and the Executive team, which includes the Group CEO and Sector CEOs, is responsible for performance within their area of responsibility.

In line with our 2021 pledge, DVR KPIs are now integrated into our regular management reporting, including biannual updates on our emissions. Our businesses report their emissions data quarterly to the Group, where it is reviewed by the senior finance team and managed for improvement by the Sector leadership team.

Positive Impact Revenue data is collected from each business and analysed twice a year as part of management reporting. This analysis is considered a useful tool for assessing climate-related risks and opportunities. This data is reviewed by the Sectors, Group Finance, DVR steering committee and the Board.

The role of the DVR Steering Committee, which is chaired by the Group CEO, is to outline Group strategy against the DVR framework, set Group initiatives and targets, support the Sectors and businesses, and monitor and communicate progress. The challenge of a decentralised business can be to ensure alignment with Group objectives and drive meaningful progress. Communication is key to the effectiveness of DVR management across the Group and DVR features heavily in regular internal and SLT communications.

Our Senior Leadership Team (SLT), which includes business MDs, is updated quarterly on DVR during regular SLT updates from the CEO. They also attend in-depth sessions with members of the DVR Steering Committee to review performance and DVR governance, receive updates on DVR strategy and policy changes, and share their successes and best practice.

The Executive team is updated on DVR along with the SLT but also hold more detailed sessions biannually as part of the Executive Meetings. Sector CEOs meet biannually with the DVR Steering Committee for a DVR Governance meeting to discuss DVR strategy, governance, climate-related risks and opportunities, and review progress and initiatives.

The Board holds an annual DVR session to review DVR strategy, objectives and progress. Climate-related risk management is integrated into Group risk management.

Our DVR governance structure



Our metrics and targets

Our methods and targets

Focus Area	KPI	Target	Target date	FY22	Our long-term vision
Employee Engagement	Employee sentiment index	Maintain 70%	FY20	75%	A place where employees thrive and excel.
Health & Safety	Lost time due to workplace incidents	5% reduction year on year	FY20	10%	No one is injured or lost time.
Diversity, Equity and Inclusion	% of women on the Senior Management team	Women represent 40% of Senior Management team	FY20	27%	A place where gender equality thrives.
Supplier Code	% of identified key suppliers aligned with the standards of the Supplier Code	50% suppliers are aligned with the Supplier Code	FY20	64%	A place where everyone follows the Supplier Code.
Environment	Reduction in CO2e and greenhouse gas emissions	50% reduction	FY20	Base level of 100% from FY22 baseline	There is zero carbon footprint from FY40 onwards and we have reduced CO2e by 90% by the year 2050.
Waste	% of total waste recycled	Less than 1% waste to landfill	FY20	90%	To be zero waste and landfill free.

Responsible business

responsable business

$\alpha = 0.05$ and $\beta = 0.80$ for the two-sided test. The power of the test is 0.80 for the two-sided test. The power of the test is 0.80 for the two-sided test.

Charitable donations

Charitable donations

The above information is provided for informational purposes only. It is not intended to be used for tax purposes. For more information, please contact your tax advisor. The information is not intended to be used for tax purposes. For more information, please contact your tax advisor.

Taskforce on Climate-related Financial Disclosures (TCFD): our response

Taskforce on Climate-related Financial Disclosures (TCFD), our response

We believe that climate change is an urgent and global risk, and we are committed to building our understanding and response to its impact on our Group as well as making a positive contribution to a low carbon future. We operate a decarbonised, zero-emission, global, large number of geographically diverse operations with a management structure. Our approach to climate impact reporting has included initially an understanding and understanding of our own emissions (Scope 1 and 2) in order to set credible and sensible reduction targets (published on page 17 of this report). With many thousands of supply chain partners, we are on a journey to understand our Scope 3 emissions and as a consequence, our ability to create credible climate change scenario models. We have already engaged third party experts to develop our Article 4(1) FCD and will increase training resources in this area in the coming months. This will enable us to include material progress data in the first half of 2023. We expect to have fully compliant TCFD reporting by the end of FY23.

At the time of publication, we have no other interested financial disclosures consistent with the TCED declaration settings against the following:

- Governor's and a
Strategy to
"..."

For strategy disclosure, we continue to partner with our peerway to understand the impact of climate-related risks and opportunities and we are continuing to improve our climate and sustainability disclosures. Our understanding of these risks will benefit our internal investment and financing decisions, our strategic planning, our operations and target market selection, and our reporting. We have achieved our Scope 1 and 2 emissions and targets improvement, we have improved the water risks. We are not currently fully consistent with other disclosures, as in the case of climate, as we have not yet achieved Scope 3 emissions and targets. However, we have engaged ERM to improve and advance our methodology for calculating our Scope 1 and 2 emissions and our Scope 3 footprint and support us in submitting near-term targets to the global ERM that could be adopted by a significant number of other global retailers in 2025.

The former was cultivated in a growth chamber, kept sterile, with the recommended TCEC diet and water, and maintained on F03 media (fructose 1.000 g/l, yeast 1.000 g/l, yeast extract 1.000 g/l, Bacto).

GOVERNANCE

GOVERNANCE
 The Board of Directors is responsible for the overall management and control of the company.

Board Oversight

Board Oversight
The Board of Directors, composed of 10 members, including 4 independent non-executive directors, oversees the company's business and financial performance, and is responsible for the company's overall strategy and financial performance. The Board also oversees the company's risk management and internal control systems.

- Regularly scheduled meetings, including the use of a matrix, to be that allow the Board to review the English language and governance, and together with ongoing actions
- Quarterly updates
- Working in 100% meeting agenda, for R. 1
- Annual RFP updates

The Burgos process (2007–2009) and the E-4 partnership (2009–2012) dedicated efforts to the Ordozola sector for management transformation. In parallel, the E-4 introduced the Burgos engaged external experts to assist in the expansion of the E-4 engagement. In addition, the E-4 also worked with local organizations to build a strong foundation for the E-4 and to ensure that the E-4 could be sustained beyond the E-4's initial target period of 2012–2015.

Management's role

[illegible]

Copyright © 2006 by John Wiley & Sons, Inc.

^a $\chi^2 = 0.76$, $df = 1$, $p = 0.38$. ^b $\chi^2 = 0.90$, $df = 1$, $p = 0.34$.

STRATEGY

discusses the current and potential impact of climate-related risks and opportunities on the organization's business strategy and financial planning.

We expect to see increased costs to risk due to extreme weather events in the short to long term, largely in our US operations, with the cost of claims in past operations and operations due to property damage, injury, property and business loss as well as supply chain disruption.

Internal control and risk management pages 80-85

For the purposes of assessing climate-related risks, we have adopted the short, long and mid-term time horizons consistent with the time periods for the Group's value-at-risk, short-term (1-10 years), mid-term (10-20 years) and long-term (20+ years) risk horizons. We consider the appropriate time horizons for each risk, taking into account the nature of the risk.

In the mid-term, we continue to see advantages and associated opportunities to our resilience to extreme weather events, such as the selection of more climate resilient locations, the development of systems for waste energy generation and more efficient cooling, heating and ventilation. We have started to integrate environmental requirements when negotiating other winning factors such as location, energy, infrastructure, renewable energy, generation and improved energy efficiency.

In the short-term, we do not expect significant increases in extreme weather events beyond the current experience of the business. This risk is expected to increase in the mid to long term as the regulatory and severity of weather events may increase. These risks are mitigated by the continued diversification of the supply chain to reduce dependencies, further diversification of the customer base away from a market dependency, and actions taken to invest in site resilience.

In the mid to long term, we would expect a positive impact or increase in risks associated with the transition to a low carbon economy. This includes the potential to lose important markets in which the Group operates through user preferences and demand for lower carbon products. However, our diversified supply chain and our market means that we are not unduly dependent on one customer or one market for products. The part of our operations with a high carbon model will be at risk, but we have a positive impact through initiatives which are in place at every business, are bringing our business into a low carbon future, new low carbon emerging low carbon and markets.

We do not expect significant impact from the risk of changing markets or consumer preferences in the short to mid-term, as we do not expect any of the industries that we serve to be unduly or disproportionately impacted due to climate change. We do anticipate that our end markets may evolve, but equally we believe that our diversified model is agile enough to evolve with them. Our low dependency on any one market has mitigated our exposure. We also expect to benefit from climate-related opportunities, including the opportunity to improve our operation and efficiency, deliver value to our customers and suppliers, aligning with many of the major, ambitions and supply chain related products and solutions to high growth low carbon end markets.

During the year the Board has identified a number of key risks and opportunities due to climate change and its impact on emerging risk. However, we strongly believe that the climate-related risks and opportunities will require further analysis. During FY22 we have taken steps to identify, assess and evaluate climate-related risks and opportunities in our business, identified opportunities and planning, a climate analysis, a further a better understanding of the climate-related risks and opportunities that are most relevant to our Group, the impact of those risks and opportunities on the business, and the actions that we will take to manage the associated risks, opportunities and financial impacts.

RISK MANAGEMENT

How the organisation identifies, assesses and manages climate-related risks

We take the same approach to identifying and monitoring climate-related risks as we do for strategic, operational, financial and other major risks as outlined in the internal control and risk management section of the Annual Report.

Internal control and risk management, pages 80-88

Our decentralised model means that local businesses are responsible for identifying, assessing and managing risks to their businesses. The businesses use a framework to map risks based on both the hood and impact to the business. As part of the planned DfVf governance process, these risks are reviewed by the DfVf Steering Committee and Senior Leadership.

The Board has ultimate responsibility for risk management and oversight of other arrangements for climate systems of control are in place, as well as horizon scanning for emerging and potential risks. The Board informed of the outcomes of risk reviews ahead of reviewing and approving principal risks. The Audit Committee ensures the effectiveness of the internal control environment for the Group, and that the Group's risk management governance and internal control are operating effectively.

METRICS AND TARGETS

Describe the metrics and targets used to assess and manage relevant climate-related environmental impacts

We recognise that the emissions are produced as a result of our operations and value chain, which contribute to climate change and global warming. We also recognise the opportunity to undertake good practice to tackle climate change as well as our exposure to climate transition and physical risks making an effort to reduce our emissions.

Environmental metrics, page 63

We measure and manage our businesses on their Scope 1 and 2 emissions as well as a combined emissions ratio for Scope 1 and 2. These are reported quarterly by our businesses alongside a water usage and energy efficiency and progress. These metrics and our performance against these metrics can be found in pages 63-64.

Environmental metrics, pages 63-64

Audit Committee report, 110-111

During the year, we have worked with EtoAirt to review our Scope 1 and 2 reporting metrics and calculation methods and are currently working with them on the year-end calculation for FY23 reporting.

We have announced a 50% reduction target for Scope 1 and 2 by FY30 against an FY22 baseline. This target aligns with the analysis of our value chain emissions and Scope 3 calculations currently being undertaken ahead of submitting net zero targets to the SBTi in line with the 1.5 degree pathway. Our target for Scope 1 and 2 will reduce our own contribution to the increase in physical climate impacts and help to reduce our own energy efficiency of our facilities. Alongside the calculation of our Scope 2 footprint and net zero targets, we remain committed to climate adaptation and risk.

Our Scope 3 calculation will be enhanced to better understand the carbon footprint of our business, in relation to both physical and transition climate-related risks.

Our policies and procedures

Anti-bribery & Corruption	The Group has a policy on anti-bribery and corruption that complies with the requirements of the Bribery Act 2010. This policy is reviewed regularly to ensure it is up to date and effective at compliance with business ethics and the law. We promote the training to all of our personnel through our Learning Management System, including senior management and employees in customer and supplier management roles.
Code of Conduct	Our Code of Conduct sets out the expected standards of our behaviour and that of our employees across Diadora as they relate to our people, goods, place and the law, social media and stakeholders and openness. Much of the Code of Conduct is underpinned by other Group policies, including Modern Slavery, Whistleblowing, Diversity, Safety and Hydration, and Health & Safety.
Diversity, Equity and Inclusion	Our Diversity, Equity and Inclusion (DEI) Policy sets out our business-wide commitment to how we work, and we believe our business leaders play a key role in creating an inclusive, diverse and equitable workplace. We believe that an effective DEI strategy is a vital value to our business, contribute to employee wellbeing and satisfaction, and play a role in recruitment and retention of a wider pool of exceptional talent.
Equal Opportunity	We are an equal opportunity employer with policies and procedures in place to ensure that we do not discriminate on the basis of race, ethnicity, background, religion, sexual orientation, gender identity, pregnancy and maternity, age, gender, nationality, marital status, and other protected characteristics. We comply with all applicable DEI and inclusion laws, regulations and standards and apply responsible standards where legislation is inadequate. We are a signatory member of Diadora to call out discrimination or discriminatory behaviour either internally or through management through our whistleblowing hotline.
Environmental Policy	Our Environmental Policy applies to all businesses and assets that we control, with the standards and requirements set out. These include complying with all applicable applicable environmental laws, understanding the risks and opportunities related to the environment and climate change and how they impact on our business. All our workers are required to submit data on their emissions and waste.
Health & Safety Policy	Our objective is to ensure the Health & Safety of our people given our nature of business through appropriate culture, clear standards, good governance, and rigorous reporting of incidents. Group performance and progress are reviewed regularly, and our performance standards are maintained and the Board reviews Health & Safety performance annually. The Group CEO has ultimate responsibility for the Health & Safety of the Group, including ensuring provision of a safe working environment. Group management are responsible for developing procedures and frameworks to put them into practice.
Human Rights and Labour Conditions	The Group's activities are primarily carried out in compliance with human rights laws and regulations, which the Group complies with in the countries in which it operates. Our business partners carry out due diligence on their supply chain and our relationships are subject to comply with our Supplier Code, which has standards on procurement, employment, human rights and labour conditions. Our own colleagues are employed in a safe, secure and healthy environment in which to work and have access to employee assistance programmes.
Modern Slavery Statement	The Group has a zero tolerance approach to slavery, which is reflected in our anti-slavery trafficking policy, which prohibits our business and our suppliers from any involvement in modern slavery within the business and supply chain. All our business units monitor and carry out due diligence to prevent forced labour, modern slavery and the practices implemented in the business to prevent, identify and address modern slavery and that slavery is not taking place in our supply chain. Our Modern Slavery Statement is available on the Diadora PLC website.
Anti-money Laundering	We have a Group-wide Anti-Money Laundering Policy that is approved by the Board and is monitored by the Audit Committee. The Policy is designed to ensure compliance with the Money Laundering Regulations and encourage all our employees to report concerns to the relevant authorities. The Policy, which is managed centrally, managed by an external firm, is available on our website. All our business units are reviewed by the Group Compliance Department and are subject to independent external audits and external checks and reviews.

KEY PERFORMANCE INDICATORS

MEASURING OUR PROGRESS

We measure our performance against a number of financial and non-financial metrics which reflect how we are delivering against our strategic objectives (as set out on pages 22-33), our financial model (see page 22) and our ESG framework (see pages 34-57).

FINANCIAL KPIs

Organic revenue growth

Organic revenue growth is the Group's number one priority. We focus on products and solutions which are critical to customers' needs, giving resilience to revenues. We target mid-single digit organic growth.

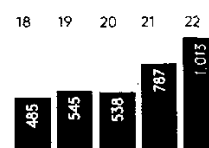
6%
Five-year average



Reported revenue growth

We aim to deliver sustainable double-digit growth through a combination of organic growth and high-quality, value-enhancing acquisitions which accelerate our organic growth.

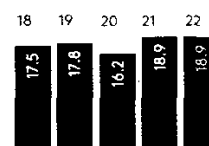
18%
Five-year compound



Adjusted operating margin

Our differentiated value-added solutions and customer-focused approach drive customer loyalty and create pricing power, supporting sustainable and attractive margins. We target a margin of 17%+.

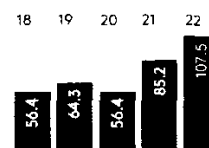
17.9%
Five-year average



Adjusted EPS

EPS growth is a measure of how successful we have been in growing organically and through acquisition, including capital allocation and tax considerations. We target double-digit EPS growth.

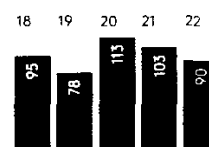
17%
Five-year compound



Free cash flow conversion

A strong balance sheet and cash flow fund our growth strategy and provide healthy, growing dividends. We target free cash flow conversion of 90%+.

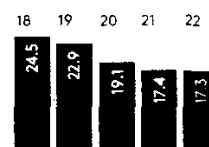
96%
Five-year average



ROATCE

This measures how successful we are at generating returns on the investments we make. We target ROATCE in the high teens.

20.2%
Five-year average



NON-FINANCIAL KPIs

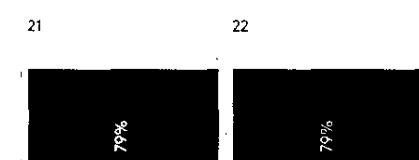
OUR COLLEAGUES

Engagement index

An externally benchmarked score from our annual engagement survey

TARGET

maintain **70%+**



Lost time incident (LTI) rate

Number of LTIs per 1,000 employees

TARGET

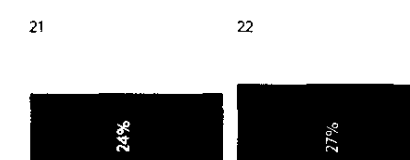
5% year-on-year reduction



% women on the Senior Management Team (SMT)

FY30 TARGET

40%+



OUR ENVIRONMENT

% key suppliers aligned with Supplier Code¹

FY30 TARGET

80%

of key suppliers aligned with Supplier Code by FY30

2022

59%

% of total waste to landfill

FY30 TARGET

<15%

waste to landfill

2022

60%

% reduction of Scope 1 & 2 emissions against FY22 baseline

FY30 TARGET

50%

reduction in Scope 1 & 2 emissions

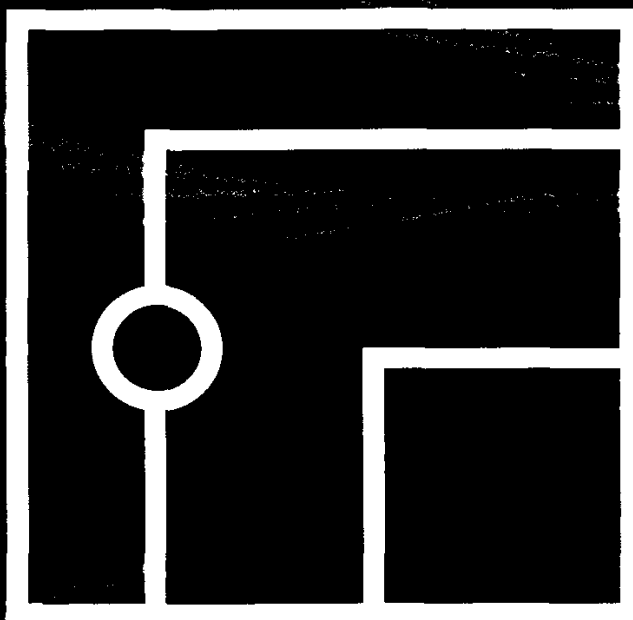
2022 (baseline year)

10,615 tonnes CO₂e

¹ Key suppliers are required to cover in aggregate at least 50% of supplier spend in the first year of reporting against this metric. 578 key suppliers were identified across the Group. ² Employment in the Supplier Code is under review and the number of key suppliers will be the focus of the Supplier Code.

SECTOR REVIEW

CONTROLS SECTOR



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

Windy City Wire (WCW): 50%

A leading value-added distributor of premium quality low voltage cable and wire. WCW's comprehensive cable management systems generate significant time and cost savings for customers.

Wire & Cable (UK): 9%

Specialist and flexible cable products and cable identification, termination and management products, and cable management solutions across a broad base of customers in Europe.

Interconnect: 22%

Harness components and specialist connectors used in technically demanding applications across multiple industries in Europe and the US. Our businesses supply a range of products and value-added services and products including protective sleeving, cut-to-length tubing, kitting, connector assembly and prototype quantities of customised multi-core cables.

Specialty Fasteners: 10%

Specialty, premium-quality fasteners together with technical support, quality specification and other value-added services for customers in Civil Aerospace, Motorsport, Defence and general Industrial. We also support key customers with our automated inventory replenishment solutions.

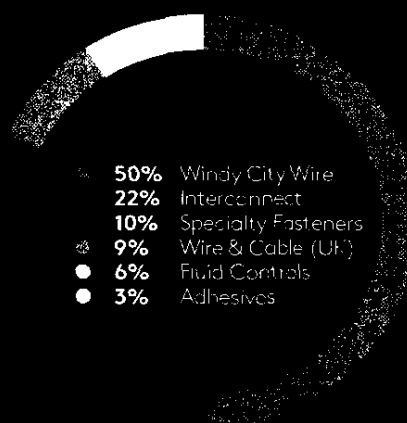
Fluid Controls: 6%

Fluid controllers, compressors, valves, temperature and pressure measurement devices, and specialised liquid dispensing components primarily for customers in the UK Food & Beverage sector.

Adhesives: 3%

Specialty silicones, adhesives and sealants together with technical support and other value-added services.

Revenue by segment¹



Revenue by geography¹

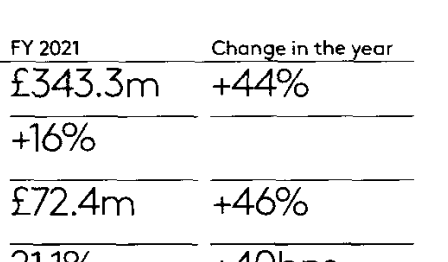


Reported revenue (£m)
(compound growth over five years)

+30% p.a.

22 492.8

¹ Pro forma revenues adjusted for acquisitions and disposals completed during the year.



- Product extension: excellent organic growth in our new Adhesives business line, with a bolt-on acquisition to add scale and diversify end markets

[illegible]

FY 2021	Change in the year
£343.3m	+44%
+16%	
£72.4m	+46%
21.1%	+40bps

- Product extension: excellent organic growth in our new Adhesives business line, with a bolt-on acquisition to add scale and diversify end markets

The International Council Wire & Cable

between SLD and the performance of the equipment during competition. This reflects important environmental and technical considerations to give athletes new insight into their equipment and to help maximize the safety and performance of all of the athletes during the competition. The addition of SLD will clearly benefit the athletes and the equipment manufacturers and will help to make the competition more enjoyable for all of the athletes.

Double digit and triple growth at **Interconnect** reflect strength and the broad appeal of the German energy grid, the whole region grew with over 10% in a double digit growth to the transportation and distribution network. Germany's growth segment in the transportation sector also enjoyed a double digit rate of 10.6% in 1997. A major mode of transportation is the road and it grew at over 10% in 1997. The other modes of transportation are rail and air transport. The rail mode grew at 7.7% in 1997. The air mode is the fastest growing mode at 12.6% in 1997. The other modes of transportation are water and pipeline. The water mode is the slowest growing mode at 1.1% in 1997. The pipeline mode is the fastest growing mode at 12.6% in 1997.

Specialty Fasteners 70 100 80 110 120

Specialty Publishers:

Chapman & Hall, 275 Third Avenue, New York, NY 10016-3399, U.S.A. Tel: 212 850 6000. Fax: 212 850 6040. E-mail: custserv@chappam.com

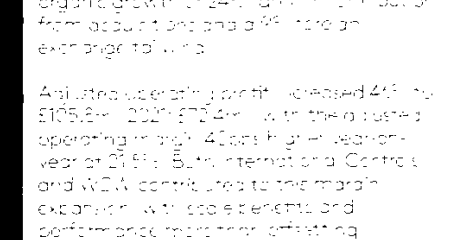
Elsevier, P.O. Box 973, Amsterdam 1000 KB, The Netherlands. Tel: 31 20 485 3747. Fax: 31 20 485 3742. E-mail: orderdept@elsevier.nl

Interscience, 3501 Market Street, Philadelphia, PA 19104, U.S.A. Tel: 215 625 8900. Fax: 215 625 2210. E-mail: orderdept@interscience.com

Springer, Haberstrasse 7, 69126 Heidelberg, Germany. Tel: 49 6221 487 40. Fax: 49 6221 487 4011. E-mail: orderdept@springer.de

Wiley, 605 Third Avenue, New York, NY 10158, U.S.A. Tel: 212 850 6000. Fax: 212 850 6040. E-mail: custserv@wiley.com

Journal of Management Studies, 2006; 43(7): 1098–1114
DOI: 10.1080/00220820600591000



International Controls 15% of Sector revenue (estimated) – would be a result of origin of the goods and markets in the goods and services market; commodity – composite. For transported

[illegible]

CASE STUDY High growth end markets



Our Adhesives business delivered >20% organic growth, helped by exposure to high growth end markets. Our products and solutions have many applications, including in electronic control units for electric and autonomous vehicles and for waterproofing connections as part of a large scale fibre optic roll-out in the UK by a major telecommunications company.

Read more
diplomac.com/about-us/our-sectors/controls

Strategic progress

Delivering on our growth strategy
Our Group's businesses are benefitting from our strategy to capture growth in our various growing end segments, from automotive and digital antenna systems to ACW's electric vehicles and energy management Controls, which is a particularly important contract with a number of major OEMs in emerging markets such as India and South America for electric vehicles. Our wide geographic diversification of our international Controls, building upon our presence in our German energy business, has delivered excellent growth. Further, we are winning share in Asia and Europe and acquisitions in forklifts and interconnect are now delivering strong organic growth in the US.
Our digital antennas remain a core element of our businesses' growth, including through our recent acquisition and cross-selling of M&A to accelerate organic growth.
Our strategic acquisition of LRS Electronics in February for \$60m to our stake in the UK's largest developer of interior car markets, also giving us existing operations in Europe, is the start of a strategic supply chain partnership with one of our new customers, building out of our new automotive, trucking and energy markets.

Building scale in our value-added businesses
As a group, we have fully integrated AM, into our existing US business operations, merging our facilities at Long Beach and Huntington Beach. The US business is now a single, combined entity with a management team and a single ERP system.

Our continued progress with the project to move our core businesses towards a single management structure and ERP system, investment in talent, including new and returning directors to support the retention of our core competencies, and our continued technology investment in the US and Germany, has been a success.

As a result, we have created a strong, integrated, value-added and diversified business, with a strong presence in high growth end markets and a strong customer base. Our operating performance, as measured by EBITDA, has improved significantly, generating strong EBITDA growth and a strong cash flow position.

Our four major end markets, integrated into existing operations, have delivered business growth, with strong and capitalising on recovering demand in Germany. Geographic diversification has been a key theme in our portfolio, with growth in Asia and other important markets with a number of major OEMs in emerging markets such as India and South America for electric vehicles and energy management Controls, which is a particularly important contract with a number of major OEMs in emerging markets such as India and South America for electric vehicles.

Fluid Controls has continued to deliver strong digital growth and capitalising on the recovering food and beverage market.

Adhesives Technical solutions to automotive and industrial markets, where adhesives have many applications. The business has particularly benefited from the diversification of customer base and is winning new projects in the automotive and telecommunications markets. In September, we completed a major order for a truck and trailer chassis at Shuang Shun and is now applying and diversifying end markets.

Windy City Wire (ACW) Sector revenue
ACW had another excellent year, building on its strong track record. Organic growth was 32%, with a strong digital volume growth against the competition, as well as the pass-through of higher material input prices. The impact of inflation moderated through the middle of the year as we started to see through the inflation. The business has benefited from its exposure to high growth end markets, in deep related to building automation, security, access control and digital antenna systems. Over and above this, ACW has taken market share at a number of key projects, customer acquisition and customer loyalty, available to underpin the secure and stable supply chain.

Our strong performance, as measured by EBITDA, has improved significantly, generating strong EBITDA growth and a strong cash flow position. Our operating performance, as measured by EBITDA, has improved significantly, generating strong EBITDA growth and a strong cash flow position.

SECTOR REVIEW

SEALS
SECTOR



The Seals Sector businesses supply a range of seals, gaskets, cylinders, components and kits used in heavy mobile machinery and a diverse range of fluid power products with Aftermarket, OEM and MRO applications.

International Seals: 47%

Our Seals businesses in Europe and Australia supply seals, gaskets, pumps and related accessories, custom moulded and machined parts, hydraulic cylinder components, and a diverse range of fluid power products to Aftermarket, OEM and MRO customers.

North American Aftermarket: 23%

Supplies a variety of seals, generally on a next day basis, for a broad range of mobile machinery used in heavy Construction, Mining and Agriculture. Products are used in repair and maintenance after equipment has completed its initial warranty period or been sold on the pre-used market. Customers are mainly repair shops, engine and transmission rebuilders and other heavy equipment parts distributors.

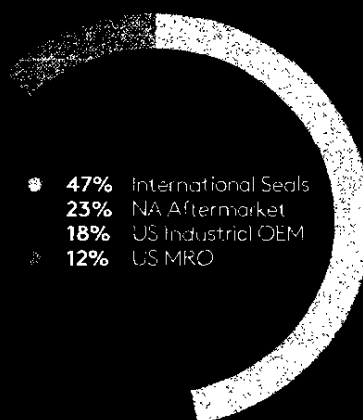
US Industrial OEM: 18%

Supplies seals, gaskets, O-rings and custom moulded and machined parts. The business works closely with customers to specify the most appropriate seal design, material and manufacturer for the application; provides technical support during product development; and delivers the logistics capabilities to support small to medium-sized production runs.

US Maintenance, Repair & Overhaul (MRO): 12%

Our MRO business, VSP Technologies (VSP), supplies high-quality gaskets and fluid sealing products to critical services in high cost-of-failure applications. The business works directly with customers to improve sealing performance, providing expertise, product recommendations and training. VSP sells primarily to transportation, chemical processing, power and marine customers.

Revenue by segment¹



Revenue by geography¹



Reported revenue (£m) (compound growth over five years)

+11% p.a.

22

331.4

¹ Pro forma revenues adjusted for acquisitions and disposals completed during the year.

SECTOR REVIEW US MRO



"The team has been the standout highlight of my first year – they've shown great leadership in driving growth in a tough supply chain environment. I'd like to thank them all for their commitment."

Ted Messmer
Sector CEO, North American Seals



"2022 was a transformational year for International Seals: we've welcomed around 400 new colleagues from R&G and other businesses and enter the year ahead better positioned than ever."

Alessandro Lala
Sector CEO, International Seals

FINANCIAL HIGHLIGHTS

	FY 2022	FY 2021	Change in the year
Revenue	£331.4m	£263.7m	+26%
Organic revenue growth	+14%	+7%	
Adjusted operating profit	£62.6m	£46.5m	+35%
Adjusted operating margin	18.9%	17.6%	+130bps

- Geographic penetration: Louisville giving access to previously untapped Western and Midwestern states, driving accelerated market share gains in North American Aftermarket
- Diversification in growth end segments: International Seals organic growth 11% with broad-based growth against a strong comparator
- Product extension: strategic acquisition of R&G in April to build scale in the UK and

- broaden the Seals product portfolio into pneumatics, expanding addressable markets
- Building scale: acquisition of ACT, a supplier of innovative anti-corrosion products and solutions, adds further scale to the high quality platform for growth we have built in Australia over the last three years

Sector financial performance

Reported revenues increased 26% to £331.4m (2021: £263.7m), reflecting 14% organic growth, a 1% contribution from acquisitions and a 1% benefit from the exchange rate translation.

Adjusted operating profit, currently a revenue growth, increased 35% to £62.6m (2021: £46.5m), with the adjusted operating margin 18.9% (higher year-on-year at 17.6% (2021: 17.6%)). This was primarily due to a step up in the North American margin which benefited from the end of our running costs and improved efficiency of our sales and logistics in MRO. The Sector margin was also benefited from positive operating leverage on higher volumes and the dilution of the lower margin after the acquisition of the other parts of the group in 2022.

North American Seals 60% of Sector revenue delivered organic growth of 16% reflecting very strong growth in our MRO and Aftermarket businesses.

North American Aftermarket had an operational year with doubled better position extended service and repair and new product and services, further increasing the after-market and the growth in productivity and cost efficiency in the Western states. The other

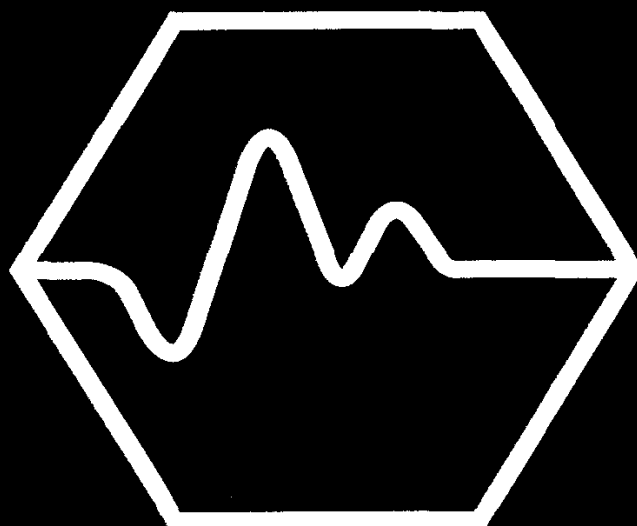
parts of the growth in the business includes the addition of the other parts and marketing, further enhancing our position in the Western states. Organic growth in the US Aftermarket Seals growth in some Western states was higher than the international Aftermarket businesses and had a good level of growth in the light organic growth as they continued to diversify into new markets, heavy industrial and machinery markets.

Organic growth was very strong for **MRO** driven by revenue and operational cost reduction and the high demand for demand investment in broadening the business value proposition and the new customer acquisition and the high demand for the new customer acquisition and the high demand for the new customer acquisition and the high demand for the new customer acquisition.

US Industrial OEM had a good year with revenue and operational cost reduction and the high demand for demand investment in broadening the business value proposition and the new customer acquisition and the high demand for the new customer acquisition and the high demand for the new customer acquisition.

SECTOR REVIEW

LIFE SCIENCES SECTOR



The Life Sciences Sector businesses supply a range of equipment, consumables, instrumentation and related services to the Healthcare industry.

Canada: 43%

Our market leading Canadian businesses supply clinical diagnostics instrumentation and products, and specialty surgical devices together with related consumables and services to public hospitals, private clinics and pathology laboratories.

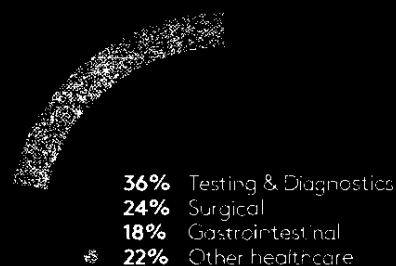
Australasia: 21%

A leading supplier of instrumentation and consumables to the pathology, scientific research and medical segments. Operating in Australia and New Zealand, the businesses also supply specialist surgical equipment and consumables used in hospital operating rooms.

Europe: 36%

Our Irish & UK business distributes leading-edge technologies, focused on specialist laboratory diagnostics and specialty medical devices. Our Scandinavian businesses supply devices, equipment and patient monitoring technologies used in operating theatres as well as medically supervised nutrition.

Revenue by segment¹



Revenue by geography¹



Reported revenue (£m) (compound growth over five years)

+8% p.a.

22

188.6

¹ Pro forma revenues adjusted for acquisitions and disposals completed during the year.

Strategic progress

Delivering our strategy with strategic

Execution has led to great strategic progress. Life Sciences has added significant value through a number of strategic initiatives, which have helped to drive our growth. The growth in our endoscopy business has been a key driver of our performance, with a number of new products and services being launched. This has been supported by our strong financial performance, which has enabled us to invest in our future. In the past, our endoscopy business has been a key driver of our performance, with a number of new products and services being launched. This has been supported by our strong financial performance, which has enabled us to invest in our future. In the past, our endoscopy business has been a key driver of our performance, with a number of new products and services being launched. This has been supported by our strong financial performance, which has enabled us to invest in our future.

Building value in our major added businesses

- Completion of our first acquisition to create a new endoscopy business in the UK. The acquisition of the endoscopy business has been a key driver of our performance, with a number of new products and services being launched. This has been supported by our strong financial performance, which has enabled us to invest in our future. In the past, our endoscopy business has been a key driver of our performance, with a number of new products and services being launched. This has been supported by our strong financial performance, which has enabled us to invest in our future.

Delivering our strategy with strategic

Execution has led to great strategic progress. Life Sciences has added significant value through a number of strategic initiatives, which have helped to drive our growth. The growth in our endoscopy business has been a key driver of our performance, with a number of new products and services being launched. This has been supported by our strong financial performance, which has enabled us to invest in our future. In the past, our endoscopy business has been a key driver of our performance, with a number of new products and services being launched. This has been supported by our strong financial performance, which has enabled us to invest in our future.

We have made great strategic progress in Life Sciences and the Sector. Life Sciences has added significant value through a number of strategic initiatives, which have helped to drive our growth. The growth in our endoscopy business has been a key driver of our performance, with a number of new products and services being launched. This has been supported by our strong financial performance, which has enabled us to invest in our future. In the past, our endoscopy business has been a key driver of our performance, with a number of new products and services being launched. This has been supported by our strong financial performance, which has enabled us to invest in our future.

CASE STUDY

Innovative products driving growth



A key highlight for the year was Life Sciences' success with Fuji CAD EYE™, an innovative endoscope utilising AI technology. Our team partnered with Fuji to commercialise this cutting edge product, which has been a huge success and an important contributor to our strong performance in endoscopy in the year.



Read more

diplomapl.com/about-us/our-sectors/lifesciences/

Overview

Strategic Report

Corporate Governance

Financial Statements

Other Information

Our business strategy is shaped and informed by the views of our shareholders and we have always been open and frank in our dialogue with them regarding stakeholder engagement and the business case for ESG. This includes:

- providing the highest standards of conduct in line with our governing Group governance.
- The Board reviews and decides regularly on the Executive team, who in

One of the principal decisions considered by the Board over the year has been in relation to returning value to shareholders. In making its decisions regarding the 2021 final dividend and 2022 interim dividend

Stakeholder engagement

1. The first step in the process of identifying a problem is to define the problem. This involves identifying the symptoms of the problem and determining the scope of the problem.

The Board of Directors and Executive Management report to the Executive team, who in turn report to the Board of Directors. Senior and Executive Management is responsible for helping the Board understand and assess the impact of our business strategy, interests and needs. Our relationship with the Board involves strategic, financial and operational performance, business strategy and covering broad areas of corporate and legal management. The Board consists of 10 directors, 5 of whom are independent non-executive directors. The Board and its subcommittee, the Board of Directors, must be given notice of all relevant information and objectives and needs have been considered as part of the business management. As a result of these activities, the Board has an overview of management, its strategy, goals and other relevant factors. It is the duty of the Directors to ensure that the Board is duly informed of the company's affairs and to ensure that the Board is duly informed of the company's affairs and to ensure that the Board is duly informed of the company's affairs. Please see pages 55 to 57 of the annual report for more information on how the Board operates and the role of the Board and its committees and subcommittees. The Board and its committees report on its activities and the strategy discussed during the year.

Influenced decision making

It is important for the board and its committees to understand the effects of the various factors on the decision-making process. The board should be aware of the influence of the various factors on the decision-making process and should be able to identify the factors that are likely to influence the decision-making process. The board should also be aware of the factors that are likely to influence the decision-making process and should be able to identify the factors that are likely to influence the decision-making process.

Set out below are some examples of decisions made by the Board in the year.

One of the principal decisions considered by the Board over the year has been in relation to returning value to shareholders. In making its decisions regarding the 2021 final dividend and 2022 interim dividend the Board considered our shareholders' expectations, the Company's liquidity position, and the requirement to maintain a prudent level of dividend cover, taking into account the financial resources required to execute our strategy.

Acquisition opportunities remain central to our strategy, but the Board is also mindful of their potential impact on our existing stakeholders. Throughout the year, the Board discussed and approved several new opportunities and projects across our Sectors. The Board receives detailed proposals from our CEO and Corporate Development team in respect of a potential acquisition to consider the long-term impact, allowing us to make careful investments in businesses that possess essential Diploma characteristics, particularly high-quality, value-add, customer-serving, distribution and great management teams. The Board balances the financial commitment required against the risks and anticipated return, the relative benefits of capital investment within existing businesses, potential cultural differences, local regulatory or community impacts as well as how it will be perceived by investors. The Board was particularly cognisant that investors would want to understand how any acquisitions would fit within the existing financial framework and the impact, if any, on cash flow and capital investment.

OUR COLLEAGUES

Why we engage

Engaging our colleagues underpins our ability to attract and retain our highly skilled, experienced employee.

How we engage

- Group Colleague Engagement Survey
- Listening groups and engagement events
- Regular business visits
- Consistent to line and performance management approach
- Internal communications through Pulse Page
- Our Group had internal news after regular CEO video and internal emails
- Consistent learning and development to print and development DVD, e-learning and training via the Pulse Page our learning management system
- Workshops delivered in LRP for the following diversity Equity & Inclusion, Health & Safety and the Environment

How the Board engages

As part of their role, the Board must consider the needs of our colleagues. They engage with them through:

- Regular updates from the Group CEO
- Group HR Director and Senior CEOs
- Reports and feedback from the Group
- Colleague Engagement Survey
- Annual facilities visit

Outcomes/action taken

As a result of the engagement survey and key engagement activities, both the Group and Board are aware of the need for improvement to create mental health and wellbeing, Diversity Equity & Inclusion and the cost of living crisis and will implement the following outcomes to date:

- Colleague mental health and wellbeing video and email series which goes deep and beyond
- Training in mental wellbeing for the Pulse Forum and working closely with the business to create a safe culture
- Employee Assistance Scheme, Employee Help Line and Employee Financial FRAG Plan
- One-to-one support via a dedicated support line
- Employee and Family Support via support via EAP, an Employee Help Line and a dedicated support line

For more information on how we engage with our colleagues, see our colleague section.

OUR BUSINESSES

Why we engage

Given the nature of our operations, we recognise the imperative to drive meaningful and active engagement with our customers to align with our engagement and the alignment with our Group strategy, vision, future and to state knowledge sharing and best practice.

How we engage

- Quarterly business reviews
- Regular updates via internal Group
- Quarterly Senior Leadership Team meetings
- Senior Leadership Team's internal

How the Board engages

As part of their role, the Board must consider the needs of our customers. They engage with them through:

- CEO updates
- Regular updates from Senior CEOs
- Business visits
- Review and analysis of business

OUR CUSTOMERS

Why we engage

Our business is based on a customer-centric approach and delivering value to our customers is at the core of our business. We are committed to providing a high level of service to our customers and to ensuring that we are able to meet their needs and expectations.

How we engage

- Providing value to our customers
- Ensuring that our products and services are of high quality and are reliable
- Ensuring that our products and services are of high quality and are reliable
- Ensuring that our products and services are of high quality and are reliable
- Ensuring that our products and services are of high quality and are reliable

How the Board engages

As part of their role, the Board must consider the needs of our customers. They engage with them through:

- CEO updates
- Regular updates from Senior CEOs
- Business visits

OUR SUPPLY CHAIN

Why we engage

Our supply chain is fundamental to Diageo's business and we engage with our suppliers to encourage and maintain collaborative and transparent working relationships.

How we engage

- Strong, mutually beneficial partnerships.
- Decentralised model: individual businesses maintain close relationships with suppliers. Strategic alignment and growth opportunities.
- Collaboration to realise innovation.
- Regular engagement, including audits at appropriate.
- Group Supplier Code and Supply Chain Policy.
- Clear payment practices.

How the Board engages

As part of their role, the Board must consider the needs of our supply chain. They remain well informed on key matters through updates from Group CEO and Senior CEOs.

- Supplier chain reporting.
- Modern Slavery Statement.
- Risk management.

For more information on how we engage with our supply chain, please see page 44.

OUR INVESTORS

Why we engage

We are committed to maintaining an open and constructive dialogue with our shareholders, providing investors with objective information about performance and strategy in order to enable them to put a fair value on the Company and ensure our continued access to capital.

How we engage

- Results presentation by CEO and CFO.
- One-on-one meetings, undertaken by CEO, CFO and Head of Investor Relations throughout the year, including results roadshows.
- Annual General Meeting.
- Trading updates, regulatory disclosures and website updates.
- Proactive performance information website.
- ESG reporting updates.
- Responsible to general investor enquiries.

How the Board engages

As part of their role, the Board must consider the needs of our investors. They engage with them through:

- Attendance and engagement at the Annual General Meeting.
- CEO and CFO roadshows for key results.
- Engagement with the Chair and Committee Chairs at appropriate.
- Including consultation with analysts, pension fund managers and the new remuneration policy.
- Shareholder meetings and investor relations updates by the head of Investor Relations.
- Annual briefing to senior investors on group strategy, results and KPIs.
- Review of the investor feedback.

ENVIRONMENT AND COMMUNITIES

Why we engage

Acting responsibly and being commercially successful go hand in hand. We value engagement with our communities and, in line with our power-based model, businesses pursue their own and initiatives supported by Group for alignment. We appreciate the importance of conducting business sustainably and are committed to significantly reducing our carbon footprint and creating long-term benefits and value for stakeholders.

How we engage

- Charitable donations and fundraising.
- Initiatives at the Group and business level.
- Group Environmental Policy.
- More frequent, greater engagement from reporting.
- Integrated waste reporting.
- ESG training and development.
- ESG governance and workbooks.
- Training and skills to achieve net zero targets.

How the Board engages

As part of their role, the Board must consider the needs of our stakeholders. They engage with them through:

- ESG reports.
- Quarterly and annual Q&A sessions.
- Training and consultation with stakeholders.

Outcomes/action taken

Action plan for the achievement of engagement activities and to key priorities relevant to:

- Adopting a circular economy approach, reducing the Group's reliance on virgin materials and increasing the use of recycled materials.
- Business relocation to more energy efficient locations.
- Linking innovation to energy and energy efficiency in the drink, confectionery and meeting in their business operations.

For more information on how we engage with our stakeholders, please see pages 44 to 47.

CASE STUDY

Relocation of Abacus dx and Big Green Surgical

This year, two of our Australian Life Sciences businesses successfully integrated their operations at a shared facility. The objective was to create better operational efficiency and improve service to customers and suppliers. Careful consideration was given to colleague wellbeing, engagement and career progression, including through internal communication, colleague consultation, and openly addressing any concerns raised. The move has improved employee engagement and development, as well as Health & Safety. The new facility also benefits from LED lighting, better insulation and more efficient heating and cooling systems.

A number of our businesses have been recognised by their customers, suppliers and colleagues this year.

Feefo Trusted Service Award
at Shoal Group

A1 award

Techsil won the A1
Distributor Awards for the fourth
year running from a major
supplier

Silver EcoVadis award at VSP
Technologies

96%

customer satisfaction at M Seals

M Seals UK shortlisted in
Developing Future Talent
Category for Make UK

Filcon Electronics awarded best
2021 European Distributor by a
major supplier

Overview

Strategic Report

Corporate Governance

Financial Statements

Other Information

Q&A WITH OUR NEW CFO



"Our strong performance and strategic progress in such challenging circumstances are testament to our outstanding colleagues."

Chris Davies
CFO

Q

What attracted you to Diploma?

A

Diploma is a great business with a track record that speaks for itself. The Group's growth opportunity was an obvious attraction but I'm equally excited to join a team that is building scale and focused on the sustainability of that growth.

I believe that this is a role that I can really get my teeth into in a business with abundant opportunities for continued strategic growth. I have been able to get a good feel for the culture. Diploma is a down-to-earth environment where people matter and things will fit in well here. We have so much to offer and I'm very excited to be part of the team.

Q

What do you bring to the role?

A

Financial acumen, energy and drive are all essential for us to continue to grow and prosper this business. Over my career, I have accumulated a range of skills and experience which will prove to be a good fit.

I have lots of experience of contributing to performance, strategy and product financial frameworks. This has been honed in various senior roles out across the Group, including as a Group Controller, a Treasurer and a Group Director of Finance.

I've worked in many different areas of multiple geographies, including in customer service, operations and importantly, we also need to find creative ways to spend working in a centralised organisation and I'm looking forward to this.

Q

What are your priorities for the year ahead?

A

I'm in a hurry. Diploma is a great place. We have a strong financial team, the business is very profitable and cash generative and a sound and focused strategic plan and strategic process has been excellent and in the months ahead, I'm looking forward to meeting the agreed financial milestones, ensuring that financial controls continue to be strong and understanding of the Group.

It's too early to define performance but my focus will be to work with the team and the performance to ensure we can continue to deliver the Group's strategy and performance and strategy execution.

Our strategies are working well and so far we grow there is a natural need to continue to invest in our people and infrastructure across the financial function to ensure that the Group continues to have the right people in the right place and the right infrastructure to support the growth of the Group.

What I have inherited is a great team and there is a big opportunity to make things better support the growth of the Group.

FINANCIAL REVIEW

Discipline has delivered a mix of strong and resilient performance, with strong growth in our most profitable

Financial highlights (See table 1)

- Organic growth for more than half of which was volume growth
- Reported revenue growth 29% versus planned 24% net of currency and other factors and discounts and a £1.5m foreign exchange benefit
- Consistent margin margin of 18.9% with margin unchanged on the prior year with our marginable added services and enabling us to continue to invest in our growth and offset inflation
- Full year free cash flow conversion 90% including targeted investment in our growth to support growth
- 21% growth in adjusted EPS

Double-digit organic growth

Reported revenue increased by 29% in FY 2022 from £1,012.8m in FY 2021 to £1,317.4m, comprising organic growth of 15% and 9% net of currency and other factors and discounts and a £1.5m benefit from foreign exchange from prior year. During the year the Group disclosed a revenue adjustment and discount of £1.5m, which together contributed £1.5m to Group revenue in FY 2022.

Attractive, high teens margins

(See table 2)

Adjusted operating profit rose by 21% to £191.2m in FY 2022 from £156.4m in FY 2021, with the operating margin unchanged on the prior year at 18.9%. This reflects margin expansion at both Current and Sustained by a lower margin rate of 18.9% and a higher margin rate due to the £1.5m benefit from foreign exchange and a discount of £1.5m. The increase in operating profit is related to the investment in our investment in the Group.

Higher financing costs

The interest expense increased to £17.0m in FY 2022 from £14.9m in FY 2021, principally due to increased borrowing to finance acquisitions and the impact of higher interest rates and higher costs of financing on the Group.

Profit before tax

Adjusted profit before tax increased by 21% to £191.2m in FY 2022 from £156.4m in FY 2021, principally due to increased borrowing to finance acquisitions and the impact of higher interest rates and higher costs of financing on the Group. The increase in profit before tax is related to the investment in our investment in the Group.

Effective tax rate broadly unchanged

The Group's effective tax rate on adjusted profit was 26.0% (FY 2021 25.4%), broadly in line with the prior year.

We are continuing to be prudent in our tax cover and our approach is to comply with tax law in the countries in which we operate and to pay what we owe in tax. We are also reviewing our tax position in a number of jurisdictions and we are working to improve our tax position and our reputation in the jurisdictions in which we operate. We are also reviewing our tax position in the jurisdictions in which we operate and we are working to improve our tax position and our reputation in the jurisdictions in which we operate. We are also reviewing our tax position in the jurisdictions in which we operate and we are working to improve our tax position and our reputation in the jurisdictions in which we operate.

26% growth in adjusted EPS and total dividend

Adjusted EPS increased by 21% to 107.5p in FY 2022 from 88.2p in FY 2021, principally due to increased borrowing to finance acquisitions and the impact of higher interest rates and higher costs of financing on the Group.

For FY 2022, the Board has recommended a final dividend of 35.8p per share, making the proposed full year dividend 88.8p (FY 2021 40.0p). This represents a 26% increase in the total dividend to shareholders over the 12 months, continuing the Group's progressive dividend policy.

The Board has a progressive dividend policy that aims to increase the dividend each year, subject to the growth in adjusted EPS. In FY 2022, the dividend increased by 26% over the prior year, reflecting the growth in adjusted EPS and the Board's commitment to return value to shareholders. The Board has also announced a new dividend policy that aims to increase the dividend each year, subject to the growth in adjusted EPS.

Table 1: Financial highlights

		Reported results		Adjusted results	
		FY 2022	FY 2021	FY 2022	FY 2021
Revenue	£m	1,012.8	787.2	1,317.4	1,012.8
Operating profit	£m	144.3	104.1	191.2	144.3
Free cash flow conversion	%	90	90	90	90
Operating margin	%	76.1	76.1	107.5	107.5
Total dividend per share	pence	53.8	42.1	88.8	40.0

Table 2: Adjusted operating profit

	Adjusted operating profit			Adjusted operating margin		
	2022 £m	2021 £m	% change	2022 %	2021 %	% change
Operating profit	105.8	71.4	48%	21.5	18.9	14%
Finance costs	62.6	41.1	52%	18.9	18.9	0%
Other income	41.0	41.0	0%	21.7	21.7	0%
Operating profit	(18.2)	18.2	100%	18.9	18.9	0%
Operating profit	191.2	156.4	22%	18.9	18.9	0%

FINANCIAL REVIEW
CONTINUED

Free cash flow conversion 90%

Free cash flow conversion 70%
Free cash flow represents cash available to invest in growth through value-enhancing acquisitions or to return to shareholders. Free cash flow increased 11% in the year to £120.4m (2021: £108.8m). Free cash flow conversion for the year was 90% (2021: 103%) in line with our targeted 90%, demonstrating the high yield-generative quality of the business model despite very strong organic revenue growth and targeted investment in inventory. Free cash flow benefited from fixed asset disposal proceeds of £30m (2021: £2.5m).

The working capital outflow of \$28.7m (2021: \$12.0m outflow) was driven by increased inventory and receivables, reflecting the strong growth in trading activity and a targeted inventory and inventory to support customer service in the year. We are focused on ensuring optimal levels of inventory, taking into account working capital management and customer service. The Group's working capital to cover up to 30 September 2022 improved by 15.4% (2021: 15.8%).

Group tax payments increased by \$16.4m to \$40.6m (2021: \$24.2m). On an underlying basis, our tax payments increased to 25% (2021: 17%) of adjusted profit before tax. Our effective tax rate is higher than our Group effective tax rate mainly due to acquisition gains than on a product line for a tax purposes. Our cash tax rate is higher than our effective rate due to capital gains during the period and the benefits from enhanced deductions on capex spend in the prior year.

The Budget's capital expenditure was higher this year at \$5.4m (2021: \$6.1m), largely consisting of ongoing investment in new fire equipment in the months prior to the end of 2021. \$2.0m was spent on direct support revenue growth. Excluding this, capital expenditure increased by \$3.4m to \$3.4m, consisting of infrastructure and equipment grants to make fire engines, fire pumps, fire gear and improvements to fire stations. A capital grant of \$1.0m was transferred into new, donated equipment, \$2.0m.

The Group spent 1956 on 130,134,922 on acquisitions and 156,491,000 on paying dividends to both Common and minority shareholders.

Acquisitions to accelerate our growth

Acquisitions to accelerate our growth
 Acquisition spend of \$166.5m, which includes fees, mainly comprises the net spend for R&C (\$21.7m), and Acquisition (\$149.9m), or we also add additional \$14.4m principally relating to live and/or businesses. The total spend also includes \$6.5m of acquisition fees and deferred consideration of EITF. We remain highly disciplined in our approach with a clear high-quality value add acquisitions into our core business opportunities to accelerate their organic growth and create value.

Growth at 30 September 2017 was 17.03%, 20.11% and 17.14% respectively. Growth rate decreased with year to determine whether there was any significant difference in the growth rate of the three treatments. The results showed that there was no significant difference in the growth rate of the growth compared with the control and the control.

Disciplined portfolio management

[illegible]

**Liabilities to shareholders
of acquired businesses**

[illegible][illegible]

The liability for deferred compensation payable at 30 September 2022 was \$24.1m (2021: \$18.6m). This liability represents the Directors' best estimate of any outstanding amounts likely to be paid to the winners of businesses, based on the expected performance of these businesses during the measurement period. The increase in the year is primarily due to the acquisition of F&G.

ROATCE: strong returns

ROATICEF strongly retains
ROATICEF is a key metric used to measure our success in creating value for shareholders. As at 30 September 2020, the Group's ROATICEF was 173% (2019: 144%), in line with our long-term target. The full-year outcome reflects a number of major upturns with the return profile of our non-renewable divisions and targeted inventory investment last year. Subject to WOG's continuing to apply financial discipline, we expect ROATICEF to increase in FY 2021.

As a result of our calculations, we defined in note 27 to the article cited in the statement:

Strong balance sheet

Selling the last generation doesn't end the Group's involvement in the industry. Expected A-FCB September 2022, the Group Net Clearing Using FRS 16 Based on the cost of £28.9m. The group continues to offer a profitable business model with net profit per share based on borrowings of £17.0m less than full capacity.

On 12 October 2020, the Group entered into a contract for the agreement of a new long-term lease for the use of the aggregate processing plant in 2021 for an amount of 113,000, which is reported in the consolidated financial statements.

[illegible]

The Group's debt has been refinanced in a number of currencies. During the year, the Group entered into the last refinancing, hedging with the effect of fixing the interest rate on £100m of 6% interest. The effective fixed rate paid was 2.4% and a reduction in total debt was equivalent to the year end, the Group entered into further interest rate swap contracts with the effect of fixing the interest rate on an additional £100m of debt.

At 30 September 2022, the Group's net Debt/EBITDA was 1.4x. We have strong liquidity with year end headroom of £20.4m. (See table 3)

Employee pension obligations

Pension payments to existing and new employees in the UK are covered by consolidated trust funds. The contribution for the year ended 30 September 2022 of £6.6m, was £5.5m.

The Group maintains a legally insured defined benefit pension scheme in the UK. The Group's current funding to the scheme is with contributions of £2.0m in 2021, £2.5m, which increases annually for inflation plus 1%.

In Switzerland, Swiss law requires for Kuhn that assets for a defined contribution based pension fund are held in a Swiss bank, which is funded every year by annual employee contributions. The pension plan is managed for Kuhn through a professional fund manager and is run in accordance with comparable, which assess the funding ratio between participating companies in Switzerland. Kuhn's funding ratio is 100% for the pension scheme in 2021 and 2022.

Both the UK defined benefit scheme and the Swiss contribution scheme are funded fully, according to with AS 11 revised. At 30 September 2022, the aggregated accounting value in both schemes is a deficit in the UK schemes moved from a deficit of £4.4m to a surplus of £6.4m, reflecting the credit increase in period, ending at 30 September 2022, which in turn reduced the value of the scheme liability. The next term, the initial funding valuation of the UK scheme is due at 30 September 2022, with completion expected in the second half of FY 2023. Further information on these schemes is included in note 24 to the consolidated financial statements.

FX tailwind and interest headwind largely offsetting

With there being no major uncertainty over future interest rate and exchange rates, a windhead to 2023. This is why that exchange rates, especially Sterling/Dollar, are likely to affect the reported earnings. With increasing interest rates, windhead to 2023. With around 80% of the Group's debt floating, should USD/GBP rates remain at current levels, we would expect these effects to largely offset each other.

Organic revenue growth

15%

Reported revenue growth

29%

Adjusted operating margin

18.9%

Free cash flow conversion

90%

Net debt/EBITDA

1.4x

Table 3: Composition of net debt

Type	Currency	Amount	GBP equivalent	Interest rate exposure
Bank loans	EUR	\$143.5m	\$177.3m	Fixed at 2.3%
APL	USD	\$6.0m	\$7.2m	Fixed at 2.3%
RDF	GBP		\$122.2m	Floating
RDF	EUR	\$81.0m	\$110m	Floating
Total long-term debt, including interest			\$376.7m	
Gross debt drawn at year end			£370.6m	
Cash & Equivalents at year end			\$40.7m	
Net debt at year end			£328.9m	

Source: Group's financial statements

Reviewed by the Board on 12 April 2023

INTERNAL CONTROL AND RISK MANAGEMENT

Effective risk management is integral to our strategic ambitions and provides a solid foundation for our businesses to scale.

Our risk management framework supports informed risk taking by our businesses. It sets out those risks that we are prepared to be exposed to and the risk that we want to avoid, together with the processes and internal controls necessary to evaluate the exposures and ensure they remain within our overall risk appetite. This framework also provides the basis for the businesses to anticipate threats to deliver on their customers' and ensure we are resilient to risks we have identified for recovery.

Our risk management governance continues to evolve to ensure that it supports the Group's ongoing growth and strategic objectives whilst not obstructing

approach to the management of risk is fundamental to the continued success of the Group. By improving our understanding and management of risk, we provide greater assurance to our shareholders, employees, customers, suppliers and the communities in which we operate.

Our approach

Risk management and oversight of appropriate systems of control are ultimately the responsibility of the Board. Due to the decentralised nature of our Group, each of our businesses is accountable for managing risks effectively to take advantage of opportunities. This is done while ensuring necessary mitigations and controls are incorporated with

appropriate assurance, review and challenge from the Group. This is an integral part of our decentralised business model which encourages local accountability. The Board and our Group employees have a continuous improvement focus including how to better identify, evaluate and manage risk and enable growth. We have continued to broaden our risk management and governance in 2022 by developing our top down approach to our scanning for emerging and potential risks and enhancing efficiency of management and governance procedures. We are undertaking initiatives to develop a reporting framework and culture while enhancing the necessary capabilities to assess and manage multiple risks as appropriate.

The Audit Committee has a role in overseeing the integration of the internal control, management and Group and Internal Control which has been in place for many years to provide independent assurance that the Group's risk management, governance and internal control processes are operating effectively.

Our risk management framework



Top down

The Group manages horizon scanning for emerging risks, review of principal risks, internal controls, processes and risk management frameworks

Bottom up

Our businesses continually identify risks and opportunities to feed into sector and Group risk reviews

Risk appetite

The Board has principles which help it to work resiliently and to consider shareholders and other stakeholders' interests before accepting new or different risks. Current appetite sets out how we balance risk and opportunity in pursuit of our strategic objectives. The appetite is developed and processed on an ongoing basis by the Board which defines its risk appetite against certain key indicators, including potential impact of risk, the need for risk and ability to reduce risk through mitigation. This includes alignment between acceptable risk exposure and the strategic priorities of the Group.

Identifying and monitoring material risks

Formal risk assessment processes identify risks and opportunities as part of their regular business review, evaluating material risks and opportunities on a continuous basis, whether mitigation are appropriate and whether any further action are required. Material risks are identified through a desktop analysis of business processes and procedures and a consideration of the strategy and operating environment of the Group.

The Business Risk Quantitative Framework is a termite risk score for each risk, which is based on both the likelihood and consequence of each risk occurring, and its impact on the business. Each risk is evaluated on the hypothesis that there are no mitigating actions in place, to provide a score, and then reassessed to establish the net score for the mitigation. This identifies which risks require more mitigating controls, and which require further treatment. A final exercise is then performed at Sector and Group level to develop an overall picture of business risk for the Group. The approach is not subjective and emerging risks which are identified and monitored at a strategic management level are also included in the business operations.

For each major risk, including the potential, the Head of Legal meets with the Executive team and relevant others to review and update their material risks, as well as monitor standing for new disruptors. These are then reviewed and approved or until the updated principal risks being reviewed and approved by the Board.

During the process, the principal risks identified are reviewed to ensure there are no new principal risks, or material new affecting principal businesses or Sector. A robust and improve evaluation of management of risks are shared across the business by the relevant Sector. During the year, updates from management to the Board covered principal risks. With the assistance of the Audit Committee, the Board concluded that the Group's risk management and internal control framework was operating effectively and therefore was satisfied that risks were being managed in line with risk appetite.

Risk management relies on internal control activities to ensure accurate accounting and to help mitigate the principal risks of the Group. The governance processes within the framework ensure that the competent people, the risks and adequacy of mitigating actions are appropriately reviewed by the Executive team and are reported to the Board on a regular basis.

Emerging risk

The Board also considers external risks, threats or opportunities that could impact our Group in the future. These emerging risks have not materialised in previous experience to which the current impact is likely to be small, and the impact could be significant if it significantly influence the sustainability of the Group.

The risk management framework includes a process for identification of emerging risks to the next period and a robust thorough view of the business and future with a potential to exist or develop. This is done by the Board to ensure that the group is ready to respond to the emerging risks.

The risk management framework has been continued in the future and will be reviewed and updated on a regular basis.

Emerging risk	Description
Technology evolution	The risk that the Group's current management systems may not keep up with technology developments.
Climate change	The risk that the Group's current management systems may not keep up with climate change, including the impact of frequency and severity of natural disasters and production to end markets and products.
Digitalisation	The risk that the Group's current management systems may not keep up with digitalisation.

Principal risks and uncertainties

The Group's decentralised operations, which have different Sectors and geographical spread, helps mitigate the potential impact of these principal risks.

Set out in this section of the Strategic report are the principal risks and uncertainties affecting the Group. These have been determined by the Board using the robust risk evaluation described in the previous chapter to have the greatest potential impact on the Group's future viability.

The principal risks are equally classified as either internal or external strategic opportunities and are not prevented or hindered or prohibitively or impact.

The risks set out should be seen to represent the principal risks and uncertainties faced by the Group and the steps taken to mitigate them. These are not considered to be related to the development, performance, position or future prospects of the Group, however, the risks do not mean, like all of them, that the Group may face and a warning of the likelihood of not intended or expected future.

There have been some changes to the Group's principal risks arising from the evolved risk identification process together with the increased scale of the Group and revenue diversification strategies being successfully implemented:

- Customer Concentration and Inventory Obsolescence are no longer considered to be principal risks, although will continue to be monitored and evaluated in the only Environment has been re-categorised to be a principal risk, previously being considered an emerging risk.
- Supplier Concentration, Loss of Key Suppliers and Supply Chain disruption have been re-categorised into Supply Chain, which will also include the risk of supply chain fragmentation.
- Loss of key personnel has evolved into Talent & Diversity, and will also cover the risk of having significant talent or lack of poor diversity, failure to attract, retain, train and inadequate development.
- Tax Compliance has evolved into Risk Compliance with Laws and regulations, which also covers non-compliance with environmental regulations and the increasing international compliance requirement burden.

Principal risk

Downturn/instability in major markets

Risk category

Macro/external risk

Board risk appetite

Averse

Change in risk



This risk remains at a similar level to last year and is addressed continuously in our risk management process.

Risk description and assessment





Adverse changes in the major markets that the businesses operate in can result in slowing revenue growth due to reduced or delayed demand for products and services, or margin pressures due to increased competition.



Mitigation

The businesses identify key market drivers and monitor trends and forecasts, as well as maintaining close relationships with key customers who may give an early warning of slowing demand.

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

- The Group's businesses operate in three different Sectors with different characteristics and across a number of geographic markets.
- The businesses offer specialised products and services, which are often specific to their application, increasing customers' switching costs.
- A high proportion of the Group's revenue comprises consumable products, which are purchased as part of the customer's operating budget, rather than through capital budgets.
- In many cases the products are used in repair, maintenance and refurbishment applications, rather than original equipment manufacture.

	Increased		Reduced
	Increased		Increased

Principal risk	Risk description and assessment	Mitigation
Supply chain Risk category Strategic risk Board risk appetite Cautious Change in risk  Supply chain disruption has reduced since last year but operational interruptions at customers and suppliers continue.	<p>The ability to service our customers in a timely manner is a key part of our value-added proposition.</p> <p>For manufacturer-branded products, there is the risk that existing distribution agreements and vertical integration of suppliers is canceled, therefore losing access to key distribution channels.</p> <p>There is also the risk of:</p> <ul style="list-style-type: none"> - A supplier taking away exclusivity. - Manufacturing lead times increasing as a result of supply chain shortages. We have experienced this, particularly with suppliers based in Asia, in the current year. - Supply chain partners not operating to the same ethical standards as Diploma. 	<p>Management continues to pursue diversification strategies and regularly seeks alternative sourcing.</p> <p>Long-term, multi-year exclusive contracts have been signed with suppliers with change of control clauses, where applicable, for protection or compensation in the event of acquisition.</p> <p>We maintain strong relationships with suppliers and keep customers updated in the event of change to retain key business.</p> <p>Meeting with key customers regularly to gain insight into their product requirements and market developments.</p> <p>We work with our supply chain partners to help them meet our standards of acceptable working conditions, financial stability, ethics and technical competence. If they are unable to meet these standards then we will source product elsewhere.</p>
Inflationary environment Risk category Macro/external risk Board risk appetite Cautious Change in risk 	<p>Significant or unexpected cost increases by suppliers due to the pass through of higher commodity prices or other price increases, higher trade tariffs and/or foreign currency fluctuations, could adversely impact profits if businesses are unable to pass on such cost increases to customers.</p>	<p>Improved pricing processes and the value-added activities undertaken by the businesses mean we are better able to pass cost increases to customers.</p> <p>A number of characteristics of the Group's businesses moderate the impact of economic and business cycles:</p> <ul style="list-style-type: none"> - The Group's businesses operate in three different Sectors with different characteristics and across a number of geographic markets. - The businesses offer specialised products and services, which are often specific to their application, increasing customers' switching costs. - A high proportion of the Group's revenue comprises consumable products, which are purchased as part of the customer's operating budget, rather than through capital budgets. - In many cases the products are used in repair, maintenance and refurbishment applications, rather than original equipment manufacture.

Principal risk

Unsuccessful acquisition

Risk category

Strategic risk

Board risk appetite

Tolerant

Change in risk



The acquisition pipeline remains healthy and Diploma retains its disciplined approach to bringing high-quality, value-enhancing businesses into Diploma.

Risk description and assessment

Diploma has a strong history of disciplined acquisitions. The business model of the Group is based on successful acquisitions in large and developed markets and sectors.

The following are the key risks of an acquisition process:

- The Group may overpay for a target.
- The acquired business may experience limited growth post acquisition.
- Loss of key customers or suppliers post integration.
- Potential cultural misfit as smaller businesses are faced with the new requirements of a listed Company.

The above may be the result of inadequate due diligence, poor integration or unrealistic assumptions used in the investment case.

Mitigation

A clearly defined acquisition strategy is in place with a disciplined approach, including financial return hurdles, to bringing high-quality, value-enhancing businesses into the Group.

An experienced Corporate Development team is responsible for seeking and evaluating new acquisition opportunities with the Corporate Development Director reporting to the CEO.

A formal due diligence process is followed for every acquisition, with close supervision by the CEO and relevant Group senior management. A formal governance process is in place up to Board level.

A disciplined post-acquisition integration process covers operational, financial, governance, legal and reporting matters. The Board reviews performance of recent acquisitions annually.

Geopolitical disruptions

Risk category

Macro/external risk

Board risk appetite

Averse

Change in Risk



This risk remains elevated in certain geographies, including due to ongoing events such as the conflict in Ukraine.







Diploma operates in established economies with stable political and legal systems.

Geopolitical events that could disrupt the Group's operations are mainly related to:

- Interruption of trade agreements.
- Tariffs.
- Change of trade relationships amongst countries in which we operate (e.g. Brexit).
- Government budget spending.
- Political elections.

We continue to diversify our supply base and invest in product range development to mitigate exposure to any single market or region.

Whenever possible, we capitalise on Group synergies and leverage inter-company trading.

	Increase		Decrease
	Decrease		Increase
	Stable		Stable

Principal risk

Health & Safety

Risk category

Operational risk

Board risk appetite

Averse

Change in risk



Relative to FY21 there has been a significant decrease in Health & Safety risk as a result of the conclusion of the Covid-19 pandemic and improvements in processes arising from the pandemic.

Risk description and assessment

Some Diploma businesses are exposed to Health & Safety risks, including via the environment in which their employees, contractors, customers, and suppliers operate, or through the products they sell.

Mitigation

The Covid-19 pandemic placed a greater focus on Health & Safety and preventive measures to limit the spread of Covid-19, implementing and continuously evolving these measures has improved Health & Safety across the Group.

Additionally, management continues to promote mental health and wellbeing, offering support to co-leagues and access to an employee assistance programme.

Technology & cyber

Risk category

Operational risk

Board risk appetite

Cautious

Change in risk



The risk of cyber attacks remained high in 2022.

The businesses maintained a high standard of cybersecurity whilst accommodating remote working practices in territories where strict lockdowns were in place as a response to the Covid-19 pandemic.

Group and operating business management depend critically on timely and reliable information from their IT systems to run their businesses and serve their customers' needs.

Any disruption or denial of service may delay or impact decision-making if reliable data is unavailable.

Poor information handling or interruption of business may also lead to reduced service to customers. Unintended actions of employees caused by a cyber-attack may also lead to disruption, including fraud.

The decentralised nature of the Group, including stand-alone IT systems for each business, limits the potential impact to any individual business. There is good support and back-up built into local IT systems.

All businesses in the Group have a robust cybersecurity programme and we regularly engage with cybersecurity experts to continuously improve and strengthen our IT systems.

A formalised ERP approval and implementation process ensures businesses have the most suitable IT systems to effectively manage their business.

Business continuity plans exist for each business with ongoing testing.

Principal risk

Talent & diversity

Risk category

Operational risk

Board risk appetite

Cautious

Change in risk



This risk has increased in the year, mainly due to current market labour conditions with the tightening of labour markets affecting candidate availability and retention, upward pressure on wage levels in certain geographies and changing expectations of working environments.

Risk description and assessment

The success of the Group is built on 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 an impact on performance for a limited time period.

Not having the right talent or diversity at all levels of the organisation to deliver our strategy, resulting in reduced financial performance.

Mitigation

Contractual terms such as notice periods and non-compete clauses can mitigate the risk in the short term.

The Group places very high importance on planning development, motivation and reward:

- Ensuring a challenging working environment where managers feel they have control over, and responsibility for, their businesses.
- Implementing a structured talent review process for the development, retention and succession of key personnel.
- Offering balanced and competitive compensation packages with a combination of salary, annual bonus and long-term cash or share incentive plans.
- Giving the freedom, encouragement, financial resources and strategic support for managers to pursue ambitious growth plans.

Product liability

Risk category

Operational risk

Board risk appetite

Averse

Change in risk



This risk remains at a similar level to last year.

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 Group may be exposed to legal costs and potential damages if the claim succeeds and the supplier fails to meet its liabilities for whatever reason.

In situations where a Group business is selling own-branded products and cannot subrogate the liability to a supplier, the business will be liable for failure of the product.

The Group has liability insurance in place providing appropriate cover for each business.

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 businesses, in their terms and conditions of sale with customers, will typically mirror the terms and conditions of purchase from the suppliers to limit any liabilities.

	↑ Increase		→ No change
	↓ Decrease		* New risk

Principal risk

Foreign currency

Risk category

Financial risk

Board risk appetite

Cautious

Change in risk



This risk has remained at a similar level to last year.

Risk description and assessment

The Group is exposed to two types of financial risk caused by currency volatility: translational exposure, on translating the results of overseas subsidiaries into UK sterling; and transactional exposure, due to operating businesses' revenues or product costs being denominated in a currency other than their local currency.

Translational foreign exchange risk arises primarily with respect to the US dollar, the Canadian dollar, the Australian dollar and the Euro.

A strengthening of UK sterling by 10% against all the currencies in which the Group does business, would reduce adjusted operating profit by approximately £17.0m (9%), due to currency translation. Similarly, a strengthening of UK sterling by 10% against all the non-UK sterling capital employed would reduce shareholders' funds by £31.6m (5%).

Transactional foreign exchange risk arises principally with respect to US dollars and Euros. The majority of the Group's Canadian and Australian businesses' 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 operates across a number of diverse geographies but does not hedge translational exposure of operating profit and net assets.

The Group's businesses may hedge up to 80% of forecast (for a maximum of 18 months) foreign currency transactional exposures using forward foreign exchange contracts.

Rolling monthly forecasts of currency exposures are reviewed on a regular basis.

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 26 to the consolidated financial statements.

 Increase	 Decrease
 Decrease	 New risk

Principal risk

Non-compliance with laws

Risk category

Operational risk

Board risk appetite

Averse

Change in risk



Laws governing businesses continue to increase in volume, scope and complexity. As the Group scales, businesses are increasingly subject to the regulations of multiple jurisdictions that may not all align with one another.

Our businesses are facing a large number of regulatory changes over the coming years in respect of environmental commitments and controls.

Risk description and assessment

The Group's businesses are affected by various statutes, regulations and standards in the countries and markets in which they operate. Diploma PLC itself is a listed entity subject to regulation and governance requirements.

Mitigation

The board of each business is accountable for identifying and monitoring what laws are relevant to their business, including any emerging or changing legislation, and for ensuring commercial legal risks are appropriately managed.

The Head of Legal advises on legislative and regulatory changes relevant to the Group as a listed company and has oversight of all material transactions including acquisitions.

VIABILITY STATEMENT – DIPLOMA PLC

In accordance with the UK Corporate Governance Code, the Directors have assessed the viability of the Group over a three-year period to 30 September 2025, which is a longer period than the outlook required in adopting the going concern basis of accounting.

A period of three years has been chosen for this assessment, having considered the speed and degree of change across the key assumptions influencing the Group, as well as the speed of evolution of the footprint of the Group, which is reflective of the Directors' ability to predict, develop and control the business plan. Given the pace of change in the commercial markets in which the Group operates, the Directors believe that three years represents the most appropriate time period within which to assess the Group's viability. This time period is consistent with the Board's strategic review, during which the prospects of each business are considered. As part of this process, risks are identified and prioritised into key markets and geographies, future growth rates of the existing businesses, and the potential for new material opportunities and threats.

The Directors confirm that their viability assessment has considered the principal risks facing the Group, as identified on pages 55 to 56, and the potential impact these risks would have on the Group's business model, future performance, solvency or liquidity over the assessment period. The Directors also confirm that the assessment is of the Group and its subsidiaries, and of the Group's operations and its financial position, taking into account the impact of all relevant risks and uncertainties over the period.

The viability assessment considers severe but plausible scenarios aligned to the principal risks facing the Group, where the realisation of these risks is considered remote, and considering the effectiveness of the Group's risk management and controls, and current risk appetite.

A robust financial model of the Group's built on a business-by-business basis and the metrics for the Group's key performance indicators (KPIs) are reviewed for the assessment period. The Group's KPIs have been subjected to sensitivity analysis that includes flexing a number of the main assumptions, namely future revenue growth (incorporating adverse trading impacts on the Group arising from a downturn in the major end markets in which the businesses operate), operating margins and unfavourable working capital movements (driven by further supplier chain disruption). The degree of severity applied in this sensitised analysis was based on management's experience and knowledge of the Sector in which the Group operates.

The results of flexing these assumptions, in aggregate to reflect a severe but plausible scenario, are used to determine whether additional capital facilities will be required during this period. The Group has significant financial resources, including banking facilities in detail on page 157. The Group also has a broad spread of customers and suppliers across different geographical areas and independent market leaders, often secured with longer term agreements. The Group is further supported by a robust balance sheet and strong operational performance.

The Directors confirm that they have a reasonable expectation that the Group will continue to operate and meet its liabilities, as they fall due, for the next three years to September 2025. The Directors' assessment has been made with reference to the resilience of the Group, as evidenced by its robust performance during the past 14 months during the COVID-19 pandemic, its strong financial position and its long generation of the Group's current strategy. The Board has adopted the Group's principal risks and how these are managed as described in the Strategic Report.

Overview

Strategic Report

Corporate Governance

Financial Statements

Other Information

CHAIR'S INTRODUCTION TO GOVERNANCE

Compliance with the UK Corporate Governance Code

It is the Board's view that for the financial year ended 30 September 2022, the Company has been compliant with all of the principles and provisions set out in the UK Corporate Governance Code 2018 (the Code), with the exception of provision 38 (alignment of executive director pension contribution rates with those available to the workforce), for which arrangements are in place to ensure compliance by 31 December 2022, as detailed in the Remuneration Report on page 121. The current Remuneration Policy also provides that, for directors appointed since the Policy was approved, the annual maximum pension allowance or contribution will be aligned to the maximum rate available to the majority of the wider UK workforce.

Principles of the UK Corporate Governance Code 2018

More information

Board leadership and company purpose

Diploma is led by an effective and committed Board, dedicated to promoting the long-term sustainable success of the Company, generating value for shareholders and stakeholders, and contributing to wider society.

Read more on pages 72 to 75, and page 99.

Division of responsibilities

The roles of the Chair and the Group CEO are separate and there is an appropriate balance of Executive and Independent Non-Executive Directors.

Read more on pages 96 to 98.

Composition, succession and evaluation

Appointments are subject to a formal, rigorous and transparent procedure. Succession plans are in place for the Board and senior management. An evaluation of the Board and its committees is undertaken annually, in line with the Code.

Read more on page 96, and pages 108 to 113.

Audit, risk and internal control

Formal, transparent policies and procedures are in place to ensure the independence and effectiveness of the internal and external audit functions, and the integrity of financial and narrative statements, and to manage and mitigate risks.

Read more on pages 80 to 88, and pages 102 to 107.

Remuneration

Diploma has remuneration policies designed to attract the best talent and promote long-term sustainable performance aligned with shareholder interests. Executive remuneration is aligned to the Company's purpose and values and is clearly linked to the delivery of long-term strategy.

Read more on pages 114 to 135.



Dear Shareholder,

On behalf of the Board, I am delighted to present the Company's Corporate Governance Report for the year ended 30 September 2022, which is my first report as your Chair. One of the responsibilities of my role as Chair is to promote and oversee the highest standards of corporate governance within the Board and across the Group. The Board plays a critical role in ensuring that every part of our Group conducts its business in a manner which is consistent with ethical standards appropriate to a responsible corporate citizen. A sound corporate governance framework with the right systems and controls is key to ensuring sustainable long-term success; we are also very conscious that effective governance is not purely a matter of regulatory compliance but encompasses many issues including operating with integrity and honesty, promoting diversity and enabling better decision-making through inclusion to ensure we balance the needs of all stakeholders and operate in a fair and transparent manner.

This year will be the 30th anniversary of the publication of the Cadbury Committee's report on corporate governance, the founding document for today's UK Corporate Governance Code (the Code). The report highlighted the importance of an effective board in creating and maintaining good corporate governance and set out the fundamentals of good governance which remain in the current Code. As the environment in which corporate citizens operate has evolved and our Group has continued to grow in scale and complexity, we have continued to develop and improve what constitutes good governance with a particular focus on stakeholders, sustainability, and long-term value creation.

"The high standards of corporate governance underpin everything we deliver."

The Board is very conscious of the role it plays in ensuring that Diploma operates in a manner which is consistent with the highest standards of corporate governance. The pandemic has accelerated the evolution in the approaches of shareholders and other stakeholders to these and broader topics. Financial performance is no longer the sole guiding reason for a corporation, instead it must consider its place and role in society, its resilience and its ability to create value over time for a wide range of different stakeholders. Throughout the last few years, we have developed our approach and thinking around shareholders and stakeholders, how we capture their views and deliver their interests. A core element of this is the work that the Board has done over the year to ensure that Diploma contributes to wider society through sustainable, long-term practices as well as through our Delivering Value Responsibly (DVR) targets. Further information on our sustainability programmes can be found on pages 42 to 53. We have also continued to evolve and embed our DVR programme throughout the Group. Insights from our DVR programme have been used to inform steps taken by the Board, executive management and our businesses to improve the efficiency of systems and processes, with the goal of further empowering our colleagues, increasing agility and speed in execution and enhancing local accountability.

Effective leadership and optimal colleague engagement depends on a healthy, empowered and positive business culture. Diploma has a strong purpose, set of values and cohesive cultural fundamentals which govern our actions and provide guidance across our varied businesses even in recent challenging times. The importance of culture has been particularly acute this year as our colleagues continued to adapt to new ways of working. Further details on how the Board has monitored and assessed culture can be found on page 99.

We will continue to refine and develop our governance processes, to ensure robustness and efficiency at Board level and throughout the Group, in a way which enables the creation of sustainable long-term value for our shareholders and stakeholders.

Board succession and evaluation

Board succession remains a key area of activity and focus. Following the retirement of John Nicholas at our Annual General Meeting (AGM) on 19 January 2022, I assumed the role of Chair of your Board. Barbara Gibbes stepped down as CFO on 30 September 2022, and Chris Davies was appointed to the role on 1 November 2022. Anne Thorburn and Andy Smith are due to retire prior to the 2024 AGM and therefore the Board has commenced the process of seeking suitable candidates to take over their Committee Chair positions. The Board is keenly aware of the need for diversity and inclusion, which is a key component of the Group's DVR programme. The Board will continue to set the right conditions and lead by example through its own approach to inclusion and diversity across its composition; further information can be found in our Nomination Committee Report on pages 108 to 113.

A key aspect of good governance is for the Board to critically self-analyse itself, its members and Committees, in order to continually improve its effectiveness. The Board carries out effectiveness reviews annually, and in FY22 this was undertaken internally in line with the Code. This evaluation has also enabled the Board to identify opportunities for it to further improve its effectiveness; additional detail on the evaluation results and areas of agreed focus can be found on page 113.

The Board's priorities for 2023 remain consistent with a continued focus on the implementation of the Group's strategy; challenging and empowering management; succession planning and management of risk. Your Board is well placed to execute its stewardship role to ensure that the Group continues to evolve, scale and deliver long-term sustainable growth. We will also continue to be agile, adapting our thinking and priorities and promoting the interests of our investors, employees and other stakeholders over the coming years.

Our AGM will be held on 18 January 2023. I hope that as shareholders in the Company, you will be able to attend to meet with the Board of Directors and discuss any matters you feel are important to the future success of the Group.

David Lowden
Chair

GOVERNANCE AT A GLANCE

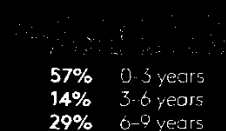
Ethnic diversity



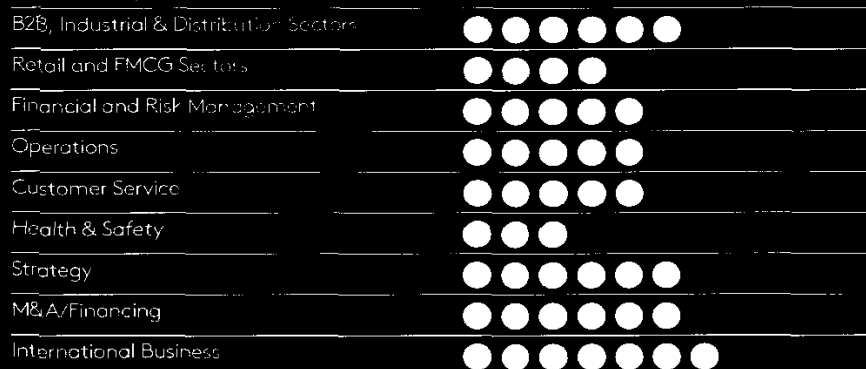
Gender diversity



Length of tenure



Skills and experience



Board and Committee attendance FY22 (as at 30 September 2022)

Member	Board	Audit Committee	Nomination Committee	Remuneration Committee
David Lowden	8/8	–	4/4	6/6
John Nicholas	3/3	–	1/1	1/1
Johnny Thomson	10/10	–	–	–
Barbara Gibbes	9/9	–	–	–
Anne Thorburn	10/10	5/5	5/5	6/6
Andy Smith	10/10	5/5	5/5	6/6
Geraldine Huse	10/10	5/5	5/5	6/6
Dean Finch ¹	9/10	5/5	4/5	6/6

1. Dean Finch was unable to attend the Remuneration Committee in September 2022 as they were going to support the appointment of David Lowden as Chair as they were called on short notice.

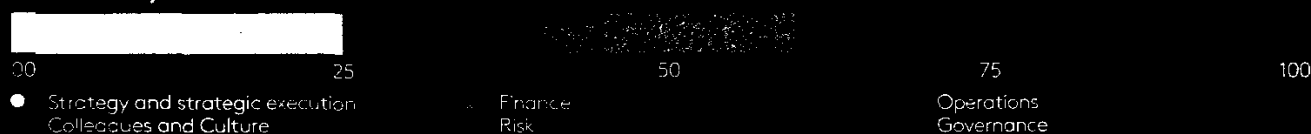
Changes to the Board

– John Nicholas stepped down from the Board on 19 January 2022.

David Lowden was appointed as Chair of the Board and Nomination Committee on 19 January 2022.

– Barbara Gibbes stepped down from the Board on 30 September 2022.

Board activity and focus area



Our governance framework

The Board comprises the Chair, Executive Directors and Independent Non-Executive Directors, and is responsible for the performance and long-term success of the Company, including health and safety, leadership, strategy, values, standards, controls and risk management.



BOARD OF DIRECTORS



Barbara Jones
Non-Executive Director

Johnny Thomson
Chief Executive Officer

Andy Smith
Non-Executive Director

Dean Finch
Non-Executive Director

Joined
May 2021

David Lowden
Board Chair

Joined
October 2021

Anne Thorburn
Senior Independent
Director

Joined
September 2015

BOARD OF DIRECTORS SKILLS AND EXPERIENCE



David Lowden
Board Chair & Nomination Chair

Joined
October 2021

Current external appointments:

- Senior Independent Director, Morgan Sindall plc
- Chair, Capita PLC

Relevant skills and experience:

- Industrial and Distribution Sectors
- Financial and Risk Management
- Operations
- Strategy
- M&A and Financing
- International Business

Past appointments:

- Chair, PageGroup plc
- Senior Independent Director, Berendsen plc
- Chair, Huntsworth plc
- Non-Executive Director, William Hill plc and Cable & Wireless Worldwide plc
- Chief Executive, Taylor Nelson Sofres



Johnny Thomson
Chief Executive Officer

Joined
February 2019

Current external appointments:

- None

Relevant skills and experience:

- B2B Industrial, Distribution and Service Sectors
- Financial and Risk Management
- Operations and Customer Service
- Strategy
- M&A and Financing
- International Business

Past appointments:

- Group Finance Director, Compass Group PLC
- Regional Managing Director, Latin America, Compass Group PLC



Anne Thorburn
Senior Independent Director & Audit Chair

Joined
September 2015

Current external appointments:

- Non-Executive Director and Chair of the Audit Committee, TT Electronics plc

Relevant skills and experience:

- B2B Industrial and Manufacturing Sectors
- Financial and Risk Management
- Strategy
- M&A and Financing
- International Business

Past appointments:

- Chief Financial Officer, Exova Group plc
- Group Finance Director, British Polymethene Industries plc
- Non-Executive Director, BTG plc



Chris Davies
Chief Financial Officer

Joined
November 2022

Relevant skills and experience

- Retail and FMCG Sectors
- Financial & Risk Management
- Strategy
- M&A and Financing
- International Business
- Operations and Customer Service

Past appointments

- Chief Financial Officer, National Express Group PLC
- Group Financial Controller and Treasurer (and Interim Group CFO), Inchcape plc
- Chief Financial Officer for North America, Diageo plc

Current external appointments

- Non-Executive Director, Motability Operations Group PLC

Committee membership

R Remuneration

A Audit

N Nomination

Chair



Andy Smith
Independent Non-Executive Director
& Remuneration Chair

Joined
February 2015

Current external appointments:
– None

Relevant skills and experience:
– Healthcare, Retail, FMCG and Utilities Sectors
– Operations, HR and Customer Service
– Strategy and Risk Management
– Sustainability, Diversity Equity & Inclusion and Health & Safety
– International Business

Past appointments:
– Managing Director, Severn Trent Services Water Services Director, Severn Trent plc
– Group HR Director, The Boots Company PLC
– Customer, Retail and Technology Director, Severn Trent plc



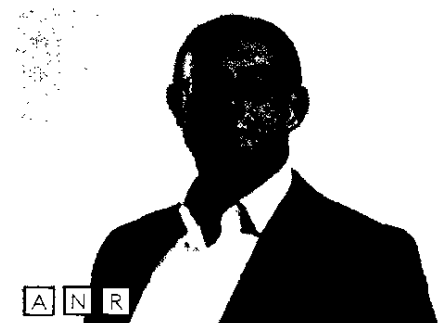
Geraldine Huse
Independent Non-Executive Director

Joined
January 2020

Current external appointments:
– President, Procter & Gamble, Canada

Relevant skills and experience:
– Retail and FMCG Sectors
– Customer Service
– Sales and Marketing
– Diversity, Equity & Inclusion
– Organisational Development
– International Business

Past appointments:
– Chief Executive Officer, P&G Central Europe
– Chair of the Institute of Grocery Distribution



Dean Finch
Independent Non-Executive Director

Joined
May 2021

Current external appointments:
– Group Chief Executive, Persimmon PLC

Relevant skills and experience:
– B2B Industrial, Services and Retail Sectors
– Financial and Risk Management
– Operations and Customer Service
– Health & Safety
– M&A and Financing
– Strategy
– International Business

Past appointments:
– Chief Executive Officer, National Express Group plc
– Group Chief Executive, Tube Lines
– Group Finance Director & Group Chief Operating Officer, FirstGroup plc



John Morrison
Group Company Secretary
& Head of Legal

Joined
April 2020

An experienced FTSE Company Secretary and commercial solicitor, John is responsible for the Group's legal, compliance and governance framework.

John provides support and advice to the Directors, the Board and its Committees. He brings rigour to corporate governance and ensures that Board procedures are fit for purpose and adhered to. John has expertise in regulatory and contractual law and legal risk management.

BOARD OF DIRECTORS

DIVISION OF RESPONSIBILITIES

The Board is responsible to shareholders for the Group's financial and operational performance, risk management, culture, and is collectively responsible for promoting the long-term success of the Group.

The Board is responsible for monitoring progress made against strategic objectives, approving proposed actions and ensuring that the appropriate internal controls are in place and that they are operating effectively.

There is a formal schedule of matters reserved for the Board which sets out the structure under which the Board manages its responsibilities, providing guidance on how it discharges its authority and manages the Board's activities. The Board is assisted by three principal committees (Audit, Nomination and Remuneration), each of which is responsible for reviewing and dealing with matters within its own terms of reference.

Matters reserved for the Board

The Board has a formal schedule of matters reserved for its decisions:

- purpose, strategy and management
- values, culture and stakeholders
- membership of the Board and other appointments
- financial and other reporting and controls
- audit, risk and internal controls
- contracts and capital structure
- communication
- remuneration
- delegation of authority
- corporate governance and other matters

ROLES IN THE BOARDROOM

Non-Executive Chair

- leads the Board and ensures its overall effectiveness in discharging its duties
- shapes the culture in the boardroom and promotes openness, challenge and debate
- sets the agenda for Board meetings, focusing on strategic performance, value creation, risk management, culture, stakeholders and accountability
- chairs meetings ensuring there is timely information flow before meetings and adequate time for discussion and debate
- fosters relationships based on trust, mutual respect and open communication inside and outside the boardroom
- leads relations with major shareholders in order to understand their views on governance and performance against strategy

Independent Non-Executive Directors

- ensure that no individual or small group of individuals can dominate the Board's decision making
- provide constructive challenge, give strategic guidance, offer support and advice and hold executive management to account

Independent Non-Executive Directors meeting the independence criteria stated in the Code form more than half of Board membership.

Senior Independent Non-Executive Director

- lead the Board and ensure its overall effectiveness in discharging its duties
- provide the Chair with support in the delivery of objectives, where the Chair is not closely aligned with the Nomination Committee, lead the process for the election of the Chair and ensure chair's succession at the Board level
- acts as an alternative contact for shareholders, including a means of dealing concerns other than with the Chair or senior management

Group CEO & Group CFO

- lead the implementation of the Group's strategy, set by the Board
- Group CEO is responsible for delivering the strategy and for the overall management of the Group
- Group CFO leads the Executive team and ensures its effectiveness in managing the overall operations and resources of the Group
- Executive Directors provide information and presentation to the Board and participate in Board discussions regarding Group management, financial and operational matters

Matters delegated to the CEO and CFO include managing the Group's business in line with the Group's strategy, annual budget and implementation of the budget, financial reporting.

Group Company Secretary

- supports the Chair and ensures the Directors have access to and are fully informed by all the information needed to perform their roles
- is the trusted intermediary within the Board and to Chair in meetings and between Executive management and the Non-Executive Directors
- advises the Board on legal and corporate governance matters and ensures the Board is complying with all regulatory requirements and other applicable regulatory requirements

BOARD OF DIRECTORS MONITORING CULTURE

Purpose, culture and values

The Board is responsible for ensuring that the Group achieves its purpose, which is to consistently deliver value and reward its stakeholders by making a difference to our colleagues, customers and communities. In reviewing and ensuring the implementation of the Group's strategy, the Board ensures that the objectives of our purpose are met while also taking into account the risks and opportunities facing the Group.

The 2018 UK Corporate Governance Code (the Code) emphasises the importance of the role of the Board regarding culture, with specific recommendations that the Board assesses and monitors. Our decentralised model means that culture is embedded in our businesses, each of which has its own unique aspects which we believe are critical to the autonomy and empowerment that underpins the Group's success. However, there are core shared values across our businesses: respect, continuous improvement and accountability.

During the year, the Board has monitored culture in a number of ways. This includes business visits, presentations from Sector leadership, strategy review sessions as well as updates on people and culture from the Group HR Director. Successfully scaling up our value-add model requires constant evolution, and our culture has a critical role to play in supporting growth. When considering acquisition strategies, cultural fit is also an important area of focus and discussion.

One of the key ways in which the Board can experience and evaluate the culture is through meeting with colleagues across our businesses. We were delighted to travel to the USA in March 2022 and visit Windy City Wire in Chicago and Hercules Aftermarket in Louisville. The results of our Group Colleague Engagement Survey (discussed on page 36 to 37) have also provided further insight.

How the Board monitors culture

The Board

- Strategy updates
- CEO's report
- Presentations by the Group HR Director
- Sector and function presentations
- Employee engagement survey
- Site visits
- Board Committees

Our Board Committees also play an important role in monitoring our culture:

- Remuneration Committee receives updates from the Group HR Director that provide an overview of pay structures across the Group and their alignment with our purpose, values and strategy. This allows the Committee to ensure that the relevant policies and practices are consistent with our values.
- Audit Committee has oversight of internal controls and continuous access to internal audit, both of which can give an indication of culture, particularly highlighting any negative elements that don't align with the Group's culture.

Employee engagement

The Board is committed to engaging with employees and has considered the employee engagement methods specified by the Code but felt that alternative methods are more appropriate. Given the Group's decentralised model and its geographical spread, the Board has continued with a multi-faceted approach to engagement with the global workforce that is not led by any one Director or group of Directors.

We consider that engagement by the local Managing Directors (MDs) with their own workforce, together with strong channels of communication from MDs to their respective Sector CEO as well as communication with the global workforce led by the Group's central functions, provides an effective platform for transparent two-way dialogue with employees.

The Board feels well-informed on colleague views and matters and uses a combination of methods to comply with the Code's requirements:

- Regular updates to the Board at every scheduled Board meeting on people matters. Over the past year, colleague wellbeing and morale have been areas of keen focus.
- Colleague talent and culture updates from the Group HR Director
- The Remuneration Committee reviews workforce pay practices across Diploma.
- The Board regularly undertakes site visits
- Executive Board members regularly interact with individual businesses and our flat structure ensures strong channels of communication.
- The Board was presented with the outcomes of the Group Colleague Engagement Survey and discussed these together with key learnings. We were delighted with the high participation rate and engagement index score; the full results of the survey are detailed on pages 36 to 37.

BOARD OF DIRECTORS BOARD ACTIVITIES

Set out below are some of the key activities, matters considered and decisions made by the Board in the year.

Strategy & strategic execution

25%

- Regularly reviewed the Group's performance against the strategy including actions taken in respect of managing the pandemic.
- Presentations by the Corporate Development Director and Sector leadership on strategic priorities and execution against those priorities.
- Reviewed and discussed our ESG strategy and approach, Delivering Value Responsibly.
- Reviewed and approved the Group's M&A and business development activities, reorganisations and various other projects.
- Strategy review session.

Finance

20%

- Received updates on the Group's financial performance.
- Approved the 2023 budget; monitored performance against the 2022 budget through regular presentations from the CFO.
- Assessed and approved the proposed dividend payments, balancing the views of various stakeholders.
- Investor relations: received regular reports including share register movement and feedback from analysts and investors.
- Presentations from Tax and Treasury Functions.
- Control of Treasury and Tax policies.

Operations

10%

- Regular updates from the CEO.
- Monitored and discussed the impact of Covid-19 on the Group's operations.
- Modern Slavery Statement.
- Sector presentations.

Colleagues & culture

15%

- Reviewed Group Colleague Engagement Survey.
- Received reports on workforce wellbeing throughout the year.
- USA site visits.
- Talent and succession update.
- Whistleblowing reports.

Risk

15%

- Received reports on the macroeconomic environment, world events and emerging trends.
- Annual risk review: review of principal risks to ensure they remain appropriate together with mitigating activity; reviewed and approved the inclusion of new and emerging risks.
- Quarterly risk updates.
- Cybersecurity briefing.
- Annual Insurance Review.

Governance

15%

- Regular corporate governance and regulatory updates from the Group Company Secretary.
- Concluded external facilitator's Board effectiveness review.
- Agreed and trusted outcome from the 2021 external evaluation of the Board's performance.
- Approved the appointment of a new Executive Director.
- Reviewed and agreed matters reserved for the Board and Terms of Reference of its Committees.
- Reviewed and approved the Company's financial reporting.

Overview

Strategic Report

Corporate Governance

Financial Statements

Other Information

AUDIT COMMITTEE REPORT

Member	Meetings attended
Anne Thorburn (Chair)	5/5
Andy Smith	5/5
Geraldine Huse	5/5
Dean Finch	5/5

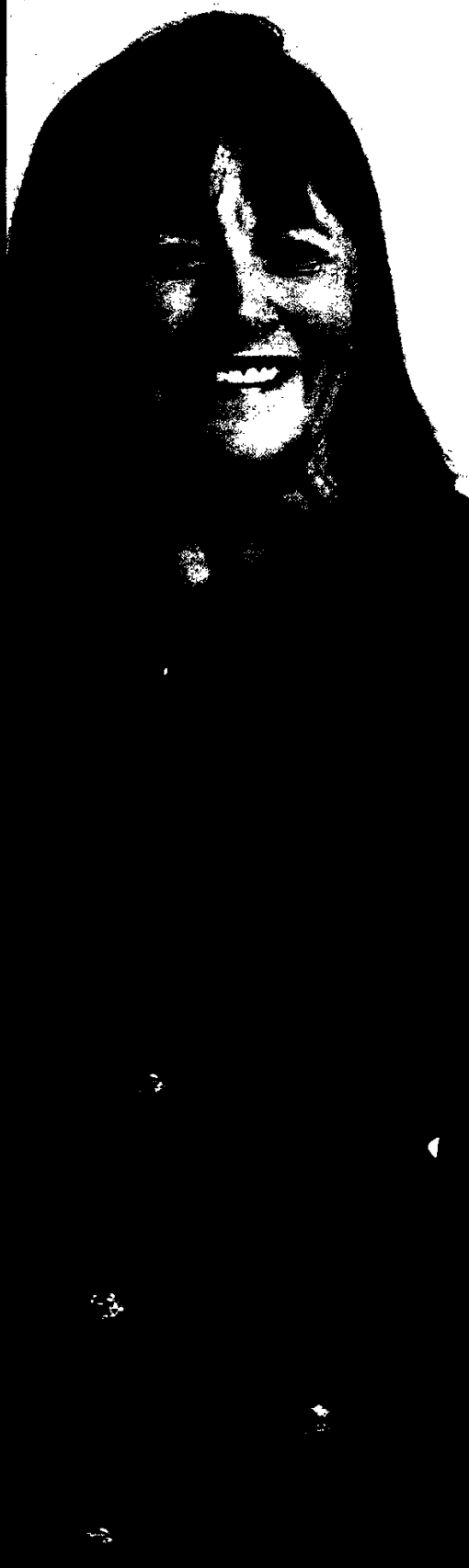
The role of the Committee

The Audit Committee is responsible for ensuring that the Group maintains a strong control environment. It provides effective governance over the Group's financial reporting, including oversight and review of the systems of internal control and risk management, the performance of internal and external audit functions, as well as the behaviour expected of the Group's employees through the whistleblowing policy and similar codes of conduct. The Committee continues to focus on monitoring and overseeing management on these improvements to governance, compliance and financial safeguards.

🔗 **Terms of reference can be found on our website at www.diplomapl.com**

Key matters discussed

- Reviewed and agreed the scope of audit work to be undertaken by the external auditor and agreed the terms of engagement and fees to be paid for the external audit.
- Reviewed the Annual Report & Accounts and received reports from the CFO and the external auditor on the key accounting issues and areas of significant judgement.
- Reviewed the report on compliance with the UK Corporate Governance Code 2018 and reports on the provision of information to the auditor.
- Reviewed the report from the CFO on the controls in place to mitigate fraud risk. Reviewed the Half Year Announcement and received reports from the external auditor on the key accounting issues and areas of significant judgement.
- Reviewed the trading updates.
- Reviewed the effectiveness of the Group's internal control and risk management procedures and where appropriate, made recommendations to the Board on areas for improvement.
- Invited the Group Internal Audit Director to attend meetings to review the results of the internal audit work for the current year and to agree the scope and focus of internal audit work to be carried out in the following year.
- Reviewed the UK Corporate Governance Code 2018 and future reporting under section 172 Companies Act 2006. Approved the Committee work programme for 2023.
- Approved the Going Concern and Viability Statements.
- Continued to monitor developments in audit reform and changing best practice.
- Received training and key updates from external advisors on ESG issues and TCFD reporting requirements.
- Oversaw the audit partner rotation process.



Dear Shareholder

The Audit Committee assists the Board in discharging its responsibilities with regard to monitoring the integrity of Group financial reporting, external and internal audits and controls. This includes advising on the reappointment and independence of external auditors and assessing the quality of their services; and reviewing the effectiveness and appropriateness of the Company's internal audit activities, internal controls and management systems.

During the year ended 30 September 2022, the Committee has ensured that it has had oversight of all these areas while also focusing on diverse changes in the external environment, both regulatory and political, including any continued residual impact of the Covid-19 pandemic, which has had a range of implications on the risk management activities of the Company.

The Committee continues to monitor the uncertainties arising from these changes and consider the management and mitigation of these risks. In addition, the Committee has received reports on internal audits for the Group's businesses, together with several deep dive sessions including in respect of audits of recently acquired businesses, as well as updates on the steps being taken to address internal audit findings and control issues.

I commented in last year's report that the Committee was mindful of the changing governance landscape and potential weight of anticipated regulation in the near future, given the number of recent formal reviews undertaken regarding different aspects of corporate governance and audit market reform. In particular, we note the UK government's proposed reforms to the audit and corporate governance regime which were published on 31 May 2022 and which include the creation of a new regulator for the audit industry and increased disclosure requirements in respect of internal controls. In anticipation of these reforms and under the supervision of the Committee, management has started planning for expected changes, including preliminary steps in determining the scope and contents of the Company's audit and assurance policy.

The Committee has also monitored initiatives of other regulatory authorities to provide investors with consistent, comparable and reliable information on climate-related and ESG matters. We are supportive of regulation that enables informed investment decisions and support efforts to encourage harmonisation across regulatory regimes.

As Audit Chair, I have regular conversations with the CFO, Group Internal Audit Director, Group Financial Controller, Group Company Secretary & Head of Legal and also the audit partner at PricewaterhouseCoopers LLP (PwC), our external auditor.

PwC has now completed its fifth full annual cycle, and we value the rigour and challenge of its approach. I am pleased to report that again there have been no significant control deficiencies or accounting irregularities reported to the Committee this year. The Committee plans to commence a retender process for the audit during 2026/2027 for the FY28 Annual Report and Accounts in order to make any necessary changes to providers of other services in a timely and orderly fashion and to appoint an auditor before the start of that year as this is in the best interests of our shareholders. I am confident that the Audit Committee has carried out its duties effectively and to a high standard during the year, providing independent oversight with the support of management and assurance from the external auditors. In accordance with UK regulations, PwC adheres to a rotation policy based on best practice and the Group engagement partner will serve a period of no longer than five years. Chris Burns became the lead audit partner for the year ended 30 September 2018 following the appointment of PwC, and therefore this will be his final audit.

I look forward to meeting shareholders at the Annual General Meeting on 18 January 2023 and will be happy to respond to any questions relating to the activities of the Audit Committee.

Anne Thorburn
Chair of the Audit Committee
21 November 2022

"Adapting to a changing environment and new ways of working to ensure financial integrity and robust and effective internal controls."

AUDIT COMMITTEE CONTINUED

Audit Committee

The Committee is chaired by Anne Thorburn and comprises four Independent Non-Executive Directors. The Committee acts independently of the Executive Directors and management. Our members have a range of skills and the Committee as a whole has experience relevant to the Sectors in which the Group operates. Anne has recent and relevant financial experience, as required by the Code.

The Group Company Secretary & Head of Legal acts as Secretary to the Committee. The Executive Directors also attend Committee meetings and subject matter experts are invited to present on specific topics as and when required. The Committee met with the external auditor during the year, without the Executive Directors being present.

The Audit Committee confirms that the Company has complied with the provisions of the Competition & Markets Authority Order throughout its financial year ended 30 September 2022 and up to the date of this report.

Financial reporting and significant financial judgements and estimates

The Committee considered and assessed:

- the full year and half year results, and trading updates for recommendation to the Board;
- the appropriateness of accounting policies and practices, as well as critical accounting estimates and key judgements; and
- whether the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

The Committee considered the matters set out below as being significant in the context of the consolidated financial statements for the year ended 30 September 2022. These were discussed and reviewed with management and the external auditor; the Committee then challenged judgements and sought clarification where necessary.

The Committee considered the judgements made in preparing the financial statements, including the accounting for acquisitions and associated valuation of intangible assets, the provisions for excess and slow-moving inventory, the potential for impairment of goodwill and the appropriateness of the Going Concern assumption. The Committee also reviewed the movements in the Group's defined benefit pension schemes.

Accounting for acquisitions and disposals

The Committee reviewed the accounting for acquisitions completed during the year, in particular the acquisitions of R&G Fluid Power Group and Accuscience. The acquisitions were material for the FY22 audit and, in accordance with IFRS 3 (Business Combinations), management has performed a full fair value exercise for these two acquisitions in this year's financial statements. As part of their audit of the Group, the external auditor has performed work on:

- a) the Purchase Price Allocation (PPA);
- b) the opening balance sheet as at the acquisition date; and
- c) audit of any material fair value adjustments arising on the acquisition balance sheet.

The Committee reviewed and challenged management's assessment, which also included consideration of the external audit findings. The Committee concluded that the accounting for these two acquisitions and the other five smaller acquisitions is appropriate.

The Group completed two disposals in the year for combined proceeds of £21m resulting in a net profit on disposal of £7.3m. The profit on disposal has been presented within acquisition and other related items.

Provisions for excess and slow-moving inventory

The Committee reviewed the report of the CFO that set out the gross balances, together with any related provision against the carrying value of inventory. The Committee reviewed the bases used to value inventory held across the Group; they also considered the appropriateness of provisions held against the carrying value of inventory, having regard to the age and volumes of inventory relative to expected usage and considering the actions taken in response to supply chain disruptions during the year and any continued impact of the Covid-19 pandemic.

Following its review, which also included consideration of the external audit findings, the Committee concluded that the provision for excess and slow-moving inventory is appropriate.

Impairment of goodwill

The Committee considered the carrying value of goodwill and the assumptions underlying the impairment review. The judgements in relation to goodwill impairment largely relate to the assumptions underlying the calculations of the value in use of the cash-generating units (CGUs) being tested for impairment. These judgements are primarily the calculation of the discount rates, which have increased due to rising risk free rates and the cost of debt, the achievability of management's forecasts in the short to medium term against the backdrop of a challenging macroeconomic environment, residual impact of the Covid-19 pandemic and the selection of the long-term growth rate. Following the review, which also included consideration of the external audit findings, the Committee concluded that the carrying value of the goodwill recorded is appropriate.

Other audit matters

The Committee also considered other less material matters including the valuation of the Group's defined benefit scheme and the impact of the key actuarial assumptions on the balances. The Committee is satisfied with the year end position and the assumptions used.

In addition to the above, the Committee also seeks comments from the auditor on whether the Group's businesses follow appropriate policies to recognise material streams of revenue, and their audit work carried out more generally has assessed whether there is any evidence of management override of key internal controls designed to guard against fraud or material misstatement.

As part of its monitoring of the integrity of the financial statements, the Committee reviews whether suitable accounting policies have been adopted and whether management has made appropriate estimates and judgements, and seeks support from the external auditor to assess them.

Going Concern and Viability

The Going Concern and Viability assessment was prepared by management. In preparing the assessment, management carried out reverse stress testing as well as scenario analysis. Two scenarios were considered – the base case and the downside case. The base case reflects actual recent trading and takes account of any further residual impact of Covid-19. The downside case reflects a more significant decline in trading, adverse movements in working capital and lower than forecast operating margin, and is considered by management to be a severe but plausible scenario.

The Group has ample liquidity and covenant headroom in each scenario for both Going Concern and Viability Statement purposes. The Audit Committee reviewed the assumptions underpinning each scenario and is satisfied with management's assessment and conclusions in respect of Going Concern and Viability. Further detail on the assessment of Viability and the Viability Statement are set out on page 69. Further details on Going Concern can be found on page 170.

Engagement of the external auditor

The external auditor is engaged to express an opinion on the financial statements of the Group and of the Company. The audit includes the consideration of the systems of internal financial control and the data contained in the financial statements, to the extent necessary for expressing an audit opinion on the truth and fairness of the financial statements.

During the year, the Committee carried out an assessment of the audit process, led by the Chair of the Committee and assisted by the CFO. The assessment focused on certain criteria that the Committee considered to be important factors in demonstrating an effective audit process. These factors included the quality of the audit process and the robustness of challenge to management, key audit risks and how these have been addressed, the planning and execution of the audit and the role of management in the audit process.

The Committee was satisfied that the PwC audit of the Company and Group had provided a robust and effective audit and an appropriate independent challenge of the Group's senior management. It also supported the work of the Committee through clear and objective communication on developments in financial reporting and governance.

The Committee also oversaw the audit partner rotation process as Chris Burns, the current lead audit partner, is due to rotate after this FY22 year end. A replacement has been identified and has been shadowing the audit process to ensure a smooth handover.

AUDIT COMMITTEE CONTINUED

Non-audit services

The Committee has approved the Group's internal guidelines covering the type of non-audit work that can be carried out by the external auditor of the Group, in light of the regulation set out in the EU Audit Directive and Audit Regulation 2014 (the Regulations) and the Financial Reporting Council (FRC) Revised Ethical Standard 2019.

The Regulations substantially curtail those non-audit services that can be provided by the auditor to the Group and in particular prohibits all tax related services, including compliance services as well as general advice and all consultancy and advisory services. The Regulations stipulate that Board approval is required if eligible non-audit services, such as due diligence and similar assurance services, exceed 30% of the prior year Group audit fee and the Company may not allow eligible non-audit services to exceed 70% of the Group audit fee, calculated on a rolling three-year basis.

The CFO does not have delegated authority to engage the external auditor to carry out any non-audit work, but must seek approval from the Chair of the Audit Committee.

Taxation services are not provided by the Group's current audit firm; a range of different firms are used for the provision of tax advice and any assistance with tax compliance matters generally. In addition, due diligence exercises on acquisitions and similar transactions are not provided by the auditor, but are placed with other firms.

The external auditor is retained to carry out assurance services to the Committee in connection with 'agreed upon procedures' on the Group's half year consolidated financial statements (£28,000). The external auditor also provides access to its Viewpoint technical subscription service (£1,200).

With the exception of these services, PwC has not provided any non-audit services to the Group or its subsidiaries and has confirmed its independence to the Audit Committee. Further information is set out in note 25 to the consolidated financial statements.

The Committee assures itself of the auditor's independence by receiving regular reports from the external auditor which provide details of any assignments and related fees carried out by the auditor in addition to its normal audit work, and these are reviewed against the above guidelines. PwC has reconfirmed its independence for the current financial year.

Risk management and internal control

The principal risks and uncertainties that are currently judged to have the most significant impact on the Group's long-term performance are set out in a separate section of the Strategic Report on Internal Control and Risk Management on pages 80 to 88.

The Committee is responsible for reviewing the effectiveness of the Group's system of internal control. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group has the necessary procedures in place to ensure that there is an ongoing process for identifying, evaluating and managing the principal risks to the Group. These procedures are in line with the FRC's guidance. The Board has established a clear organisational structure with defined authority levels.

The day-to-day running of the Group's business is delegated to the Executive Directors of the Group who are supported by the heads of each business Sector and functional heads of the Group.

Key financial and operational measures relating to revenue, cash and receivables are reported on a weekly basis. Detailed management accounts and key performance indicators are prepared monthly using a robust proprietary reporting system to collect and analyse financial data in a consistent format. Monthly results are measured against both budget and half year reforecasts which have been approved and reviewed by the Board. All capital expenditure above predefined amounts must be supported by a paper prepared by management.

All financial data is taken directly from each business' trial balance held in their local ERP system and reanalysed and formatted in a separate Group management reporting system, operated by the Group Finance department. There is no rekeying of financial data by the Group businesses to report monthly financial results. The Group Finance department continues to develop the functionality of this management reporting system, to provide greater insights into the financial and operational activities of the Group's businesses.

The Group's internal auditor regularly audits the base data at each business to ensure it is properly reported through to the Group management reporting system.

As part of the year end close process, each business is required to complete a self-assessment that evaluates the financial control environment in their business, designed to identify weaknesses in controls. These assessments are critically reviewed by the Group Internal Audit Director and evaluated as part of regular Internal Audit reviews.

A summary for each business is prepared for the Audit Committee. In addition, senior management of each business is required to confirm its adherence with Group accounting policies, processes and systems of internal control by means of a representation letter.

The Committee has reviewed the effectiveness of the Group's risk management and internal control systems for the period from 1 October 2021 to the date of this report. Taking into account the matters set out on pages 82 to 88 relating to principal risks and uncertainties and the reports from the Group Internal Audit Director, the Board, with the advice of the Committee, is satisfied that the Group has in place effective risk management and internal control systems.

Internal audit

The Group maintains an internal audit department which reports directly to both the CFO and Chair of the Audit Committee. The department comprises a Group Internal Audit Director and a Group Internal Auditor based at the Group's offices in London.

In January 2022, the Group Internal Audit Director presented his audit plan for the year to the Committee for its approval. Increasingly during the year, internal audit undertook audits in person as travel restrictions were lifted in a number of key jurisdictions. The department continued to effectively rely on remote visits with the use of appropriate communication technology where site visits were not possible.

The scope of work carried out by internal audit generally focuses on the internal financial, operational and compliance controls operating within each business, including risk management activities and business process improvements. Formal written reports are prepared on the results of each internal audit visit that set out internal control weaknesses/risks identified during their work, together with recommendations to improve the internal control environment and mitigate these weaknesses/risks. These reports are timely and regularly discussed with senior management within the Group. The reports are also shared with the external auditors.

At the end of the financial year, the Group Internal Audit Director formally reports to the Committee on the results of the internal audit work carried out by his department during the year. The Committee reviews management's responses to matters raised, including the time taken to resolve such matters. Updated reports on progress against the plan are provided at regular intervals and the Audit Chair also meets separately with the Group Internal Audit Director at least twice a year to review some of the department's reports and discuss their findings.

There were no significant or high-risk matters identified in the internal audits undertaken during the current financial year. Several recommendations were again made this year to the businesses in regard to implementing adequate and effective internal controls and procedures aimed at improving existing processes around cybersecurity, inventory management and procurement.

The Committee conducted the annual review of the effectiveness of the internal audit department, including its audit plan, general performance and relationship with the external auditors. Based on its review, the Committee was satisfied with the effectiveness of the Group's internal audit function, specifically that the internal audit department is sufficiently independent of executive management and has sufficient resources and scope that is appropriate for the size and nature of the Group.

Whistleblowing

The Committee also monitors the adequacy of the Group's whistleblowing policy, which provides the framework to encourage and give employees confidence to 'blow the whistle' and report irregularities. The policy together with hotline posters, are placed on site noticeboards across the Group. Employees are encouraged to raise concerns via the confidential multilingual hotline, which is managed by an independent external company and is available 24/7, 365 days a year.

All reports are provided to the Group Company Secretary & Head of Legal for review, to ensure that they are appropriately investigated – with the support of internal audit and external resource, if required. Most matters reported through the whistleblowing service relate to personnel/HR matters and, while these are not areas for review by the Committee, such matters are duly investigated in the same manner as any other issue raised.

NOMINATION COMMITTEE REPORT

Member	Meetings attended
David Lowden (Chair)	4/4
Anne Thorburn	5/5
Andy Smith	5/5
Geraldine Huse	5/5
Dean Finch	4/5 ¹
John Nicholas	1/1

¹ Dean Finch was unable to attend the meeting to confirm the appointment of David Lowden as it was called on short notice.

The role of the Committee

The Nomination Committee reviews the composition of the Board and principal Committees, considering skills, knowledge, experience and diversity requirements before making appropriate recommendations to the Board regarding any changes. It also manages succession planning for Directors and the Group Company Secretary and oversees succession planning for senior leadership across the Group.

📄 **Terms of reference can be found on our website at www.diplomapl.com**

Key matters discussed

- Recruitment of a Chief Financial Officer and broader succession planning for Chairs of Audit and Remuneration Committee.
- Consideration of a detailed skills, experience and diversity matrix that sought to identify recruitment priorities based on identified gaps, industry expectations and good practice.
- Facilitating a more diverse list of potential candidates ahead of the search for two Non-Executive Directors by setting clear objectives for the external search consultants and ensuring a clear articulation of the company's ongoing commitment to improving diversity in role specifications.
- Consideration of the contributions and effectiveness of the Non-Executive Directors seeking re-election at the 2022 Annual General Meeting, prior to giving recommendations to the Board and shareholders for their re-elections.



“Ensuring the right mix of skills and experience to deliver long-term value for our stakeholders.”

Dear Shareholder,

I am pleased to set out below the report on the activities of the Nomination Committee during the year.

The Board is of the view that it is essential to have an appropriate mix of experience, expertise, diversity and independence. Such diverse attributes enable the Board as a whole to provide informed opinions and advice on strategy and relevant topics, thereby discharging its duty of oversight. Appointments to the Board are made following consideration of the experience and expertise of existing Directors, any required skill sets or competencies, and the strategic requirements of the Group. During 2022, the composition of the Board changed slightly, reflecting: (i) John Nicholas stepping down from the Board, and (ii) the departure of Barbara Gibbs.

A fundamental responsibility of the Committee is to ensure plans are in place for orderly succession to the Board, as well as our Group Company Secretary and senior management positions, and the Committee debates these regularly. The main focus of the Committee during this past year has been on Board succession planning, including the appointment of our new Chief Financial Officer and the search for the Chairs of the Audit and Remuneration Committees to ensure these positions are appointed in time for an orderly handover. The Committee continually monitors the balance on the Board to ensure we have the right combination of skills, experience and knowledge consistent with the long-term strategy of the Company. This allows us to identify where further focus is needed in the coming years and beyond.

We are mindful of the discussions around improving diversity and inclusion, together with the targets set by the Hampton-Alexander Review and the Parker Review. Following the departure of Barbara Gibbs at the end of the financial year, two out of seven Directors (28.57%) are women. It is the Board's aim to meet the targets set by the Hampton-Alexander and Parker reviews, dealing with gender and ethnic diversity respectively, which is feasible given current succession plans.

The Board will maintain oversight of the range of activities the Group is pursuing aimed at increasing the diversity of our workforce – including the executive pipeline that is essential for Executive Director succession planning. We have written elsewhere (see page 40) about our Group-wide approach to diversity and inclusion, which emanates from the Board and impacts the approach of the Nomination Committee.

The FRC's guidance on board effectiveness recognises a breadth of diversity that goes beyond just gender and race, and includes personal attributes including intellect, critical assessment, judgement, courage, honesty and tact; and the ability to listen and forge relationships and develop trust. This ensures that a board is not comprised of like-minded individuals. The Committee agrees that diversity is vital when reviewing the composition of the Board and setting the criteria for the recruitment of new appointees, alongside succession planning activities. External search consultants are expected to make every effort to put forward diverse candidates for new Board positions. Whilst appointments will continue to be made on merit and against objective criteria, it remains the Committee's intention that the diversity on the Board will continue to increase over time.

The Committee has also maintained its focus on the executive succession pipeline and senior management succession plans within the Group, reflecting its responsibility to ensure appropriate plans are in place.

David Lowden

Chair of the Board and Nomination Committee
21 November 2022

NOMINATION COMMITTEE CONTINUED

Nomination Committee

The Nomination Committee is chaired by David Lowden, Board Chair. The Committee comprises the Non-Executive Directors and meets as necessary to discharge its responsibilities.

The Group Company Secretary acts as Secretary to the Committee.

The Committee reviews the composition of the Board and principal Committees, considering skills, knowledge, experience and diversity requirements before making appropriate recommendations to the Board regarding any changes. It also manages succession planning for Directors and the Group Company Secretary, and oversees succession planning for senior leadership across the Group.

The Committee's role and responsibilities are set out in its Terms of Reference, which were reviewed during the year and approved by the Board.

Induction and professional development

The Chair, assisted by the Group Company Secretary, is responsible for ensuring that there is a properly constructed and timely induction for new Directors upon joining the Board. Upon appointment, all new Directors are provided with a comprehensive induction, where they meet with key members of management and familiarise themselves with all core aspects of the Group, its businesses and the markets in which it operates.

Directors are encouraged, wherever possible, to visit the Group's sites so that they can get a better understanding of the business and interact with employees. While travel was restricted and complex during the Covid-19 pandemic, site visits by individual Directors (and the Board as a whole) have resumed and allowed Directors to see Diploma's safety and sustainability processes, to talk with local management and workforces and to assess how effectively Diploma's culture is communicated and embedded at all levels.

The Chair also has the responsibility of ensuring that Directors receive training on a continual basis in support of their ongoing development. This training is provided by way of technical updates, reports and briefings prepared for Board meetings. Directors have full access to our corporate advisors as well as a regular and comprehensive supply of financial, operational, strategic and regulatory information to help them discharge their responsibilities.

During the year, the Board held a strategy review session to confirm the Company's strategic goals as well as receiving detailed updates on operations and support functions.

Process for Board appointments

When making Board appointments, we follow the five steps outlined below. We also disclose the name of the search agent and any other connection they have with Diploma in our Annual Report & Accounts published following the search. In due course, a tailored induction programme is delivered for the new Director.

During the year we engaged Russell Reynolds in connection with the recruitment of Chris Davies. Russell Reynolds do not have any other connection to the Group, other than providing executive search services.

Step 1

The Committee reviews and approves an outline brief and role specification and appoints a search agent to facilitate the search.

Step 2

A Committee member discusses the specification with the independent search agent, who prepares an initial longlist of candidates.

Step 3

The Committee then defines a shortlist of candidates and we hold interviews.

Step 4

The Committee makes a recommendation to the Board for its consideration.

Step 5

Following Board approval the appointment is announced in line with the requirements of the FCA's Listing Rules.

Induction of our new Chair

David Lowden was appointed Board Chair earlier this year, and a comprehensive induction programme was put in place to enable a smooth transition into the role. A number of key induction highlights are outlined below.

Calendar of activities

November 2021

Meeting all Board colleagues, both individually and collectively

Meeting Group heads of functions

January 2022

Handover with outgoing Chair

March 2022

Visit to Windy City Wire in Chicago, and Hercules Aftermarket in Louisville in the USA

Visit to Shoal Group, IS Group and Clarendon in the UK

April 2022

Chair Q&A published in the Purple Portal, the Group's newsletter

NOMINATION COMMITTEE CONTINUED

Onboarding processes

The decentralised nature of the Group has always made induction processes complex. The pandemic led us to reconsider how these processes can be conducted effectively. Customarily there would have been face-to-face meetings with key executives and management, introductions to their direct reports, one-to-ones following the initial meetings, and site visits arranged to key businesses. Now parts of the induction plan are conducted via video calls; particularly where key people are located outside of Europe. This permits Directors to have considerably greater exposure to the various businesses and personnel and we are pleased that we can once again encourage Directors to visit our businesses and appreciate our culture and colleagues in person as well as continuing to develop their understanding of each business.

Succession planning

The Committee formally reviews succession planning for the Board, Group Company Secretary and Head of Legal, and senior management at least once each year, taking into account the challenges and opportunities facing the Group and the background, skills and expertise that will be required by the Group in the future. During 2022, following the appointment of the new Board Chair, the Committee undertook a more thorough analysis of the Board's competencies. The Committee also considered how the Board would be required to evolve to be fit for the future, as well as any potential gaps that may need to be filled through succession or training.

The CEO manages the development of succession plans for executive management, and these are overseen by the Committee. The CEO and Group HR Director presented a succession planning update to the Board in January 2022.

The Committee is aware of the importance of identifying critical roles within the businesses to ensure we retain and motivate key talent and have the necessary skills for the future. Overall, it was clear that we have a good executive and management succession planning process and, importantly, succession is being actively managed by the Executive team to achieve the desired long-term outcomes.

The standard term for Non-Executive Directors is three years. They normally serve for a maximum of nine years, which is split across three terms of three years each. All Directors are subject to annual re-election. With only specific exceptions that may be necessary to ensure Board continuity, Non-Executive Directors shall not stand for re-election after they have served for the period of their independence, as determined by applicable UK standards, of nine years.

Length of tenure

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
David Lowden																
Andy Smith																
Anne Thorburn																
Geraldine Huse																
Dean Finch																

■ Length of term:

1. Director in third and final term

Board evaluation

The Board conducts an annual evaluation of its performance and that of its committees and, in accordance with good practice, engages an independent third-party facilitator to assist in this process every three years. For the year ended 30 September 2022, the evaluation of the Board as a whole and of its committees was undertaken internally, led by the Board Chair. Board members completed questionnaires regarding the operation and effectiveness of the Board and its committees. Findings were collated by the Group Company Secretary and the Board Chair discussed the conclusions and recommendations separately with each Director.

The performance of the Non-Executive Directors was reviewed by the Board Chair. The performance of the Executive Directors was reviewed by the Board Chair and the Non-Executive Directors and the results of the 2022 evaluation process were considered by the Board. The conclusion was that the Board continued to function well, and the onboarding of the Board had been well received, resulting in improvement to Board processes and workplans. Directors operated in an atmosphere of open and constructive debate with a good breadth of skills, experience, and viewpoints. Following the evaluation, the below recommendations were made:

Recommendation	Action
Consider the diversity of the Board, from both a gender and ethnicity standpoint.	Nomination Committee to address diversity requirements in succession planning and during the Non-Executive Director recruitment process.
Continue to challenge and support on the progress of DVR actions.	Consider ESG skillsets during the Non-Executive Director recruitment process, creation of an ESG Committee as well as enhanced focus on climate-related financial risks.
Improve information shared with the Board to enhance visibility on certain topics and improve decision-making.	Board papers to include executive summaries to bring focus to discussions, and Sector presentations to the Board to include key indicators of customer and supplier performance.

The Company expects to update shareholders on the progress made in relation to the matters identified above in its 2023 Annual Report.

Key areas for development

The below recommendations were made following the 2021 external Board performance evaluation.

Recommendation	Action
Consider increasing the size of the Board and bringing in further skills relevant to Diploma's size and operations	Nomination Committee reviewed the composition of the Board and incorporated this into succession planning.
Board training programme to be evolved	Additional sessions included as part of annual calendar as well as bespoke sessions from advisors as required.
Employee engagement to be reviewed.	Increased number of site visits, with Non-Executive Directors conducting these individually on occasion and providing feedback to the Board.
Board schedule to be reviewed.	Board dinner in the evening prior to meetings included to cover specific areas of focus or concern and permit further informal engagement with key management.

REMUNERATION COMMITTEE REPORT

Member	Meetings attended
Andy Smith (Chair)	6/6
Anne Thorburn	6/6
David Lowden	6/6
Geraldine Huse	6/6
Dean Finch	6/6
John Nicholas	1/1

The role of the Committee

The Committee, on behalf of the Board, agrees all aspects of the remuneration of the Executive Directors. It agrees the strategy, direction, and policy framework for the remuneration of the senior executives who have significant influence over the Group's ability to meet its strategic objectives. The Committee also oversees all workforce remuneration policies.

📄 **Terms of reference can be found on our website at www.diplomapl.com**

Key matters discussed

- Approved Remuneration Committee work programme for 2022.
- Reviewed the AGM 2022 votes on the 2021 Remuneration Committee Report.
- Reviewed and proposed the new Directors' Remuneration Policy, and as a result, proposed amendments to the rules of the Diploma PLC 2020 PSP.
- Approved the service contract for the new CFO.
- Approved annual performance bonus targets and the subsequent bonus awards for 2022.
- Approved new Performance Share Plan (PSP) awards for Executive Directors and Group senior management.
- Confirmed the vesting percentages for the PSP awards made in December 2019, which crystallised in 2022.
- Reviewed Executive Directors' salaries, pensions, and benefits.
- Reviewed the fees of the Chair and Non-Executive Directors.
- Reviewed remuneration framework for Executive Team and senior management in the operating businesses.
- Reviewed workforce remuneration framework.
- Approved the 2022 Remuneration Committee Report.



Dear Shareholder

As Chair of the Board Remuneration Committee (Committee), I am pleased to present our Directors' Remuneration Report (DRR) for the year ended 30 September 2022 and our revised Remuneration Policy for which shareholder approval will be sought at the January 2023 AGM.

Context and approach to remuneration

Our people lie at the heart of our success. As our business grows and becomes more complex, our people, teams and organisation must grow with it. It is vital that we have the right calibre of people and that we incentivise excellent performance and reward them when they do. On page 118, Diploma's approach to remuneration is illustrated showing how strategy, performance and reward align. In a decentralised Group, we work hard to balance alignment with local accountability and agility. Our reward policies and practices have supported the growth of the business well over the years. During this policy period, our performance has been excellent and our talented management team have doubled the size of the business.

“Reinforcing alignment of strategy and reward, 2022 was a very strong year of performance, strategic execution and consequently reward. Long term growth and shareholder returns are excellent. Our plans remain ambitious and we are pleased to set out our Remuneration Policy for the next phase of growth.”

It is against this backdrop that we have considered our remuneration policy for the upcoming three years.

2022 performance and pay

The Diploma team has delivered another year of strong financial results, adding to the Group's long-term track record of excellent business performance and shareholder returns. Organic growth has been driven by revenue initiatives, positive demand, and pricing. Alongside this, implementation of our strategy continues apace with the acquisition of new businesses to bring new capabilities and opportunities to drive future organic growth. With regards to scaling, it has been a year of excellent progress building infrastructure for scale, developing the target operating model, and evolving the structures, capability and culture of the Group.

Excellent delivery against our strategic priorities of growth, scaling and Delivering Value Responsibly have resulted in strong performance (shown in table on page 119). Adjusted operating profit (+29%), reported revenue (+29%) and free cash (+13%) all exceeded annual bonus targets (on page 130), resulting in a full bonus payment of 125% of salary for both Johnny Thomson and Barbara Gibbs.

Our long-term performance continues to create excellent shareholder returns. Our three-year compound annual growth rate (CAGR) for adjusted earnings per share (EPS) is 19%. This exceeds the performance target maximum of 14%, and the return on adjusted trading capital employed (ROATCE) is 17.3% meaning that the underpin applying to our PSP is in line with the Group's financial model and meets the Board's expectation. Our relative three-year total shareholder return (TSR) performance is in the 91st percentile of FTSE 250 companies (excluding financial services and investment trusts), ranking 15 out of 158 companies. Based on these excellent results, the Performance Share Plan (PSP) (PSP (2019)) has vested at maximum for Johnny Thomson and Barbara Gibbs, as well as all other PSP participants.

Johnny Thomson's total compensation for 2022 (shown in the Single Figure table on page 129) is £3.8m (2021 £5.2m). The difference versus last year is mainly due to lower share price appreciation.

In line with the Code, the Committee reviewed individual Directors' incentive plan outcomes and overall remuneration considering the Group's underlying performance. We have not made any adjustments to our remuneration schemes as a result of Covid, no furlough support was taken, and no discretionary adjustments have been applied to outcomes. Accordingly, the Committee is satisfied that the incentive plan outcomes and the total remuneration received by Executive Directors in respect of the year ended 30 September 2022 are consistent with the levels of company performance delivered and that the Remuneration Policy is operating as intended.

Appointment of new CFO

Chris Davies joined Diploma as CFO on 1 November 2022 after Barbara Gibbs left the Company on 30 September 2022. Having played an important role in helping to steer Diploma through the pandemic and building strong foundations for the future, the Committee determined to treat Barbara as a good leaver and her remuneration arrangements on departure were in accordance with the Remuneration Policy and plan rules. Her exit arrangements are set out on page 129.

We appointed Chris following a thorough process, which considered internal and external candidates. Diploma was Barbara's first FTSE Board appointment and her package was set accordingly. Chris' package is commensurate with his experience as an established CFO with an excellent track record in decentralised, service-led, multi-national organisations. It reflects the increasing size and complexity of Diploma and the important support he will provide in the delivery of strategy, business performance and a robust financial control framework. This provides the right balance within the company and reflects a fair package. The details of Chris's package are laid out on page 124. Consistent with our policy, Chris received buy-out awards in the form of cash, Diploma shares and Diploma PSP grants to compensate him for some of the variable remuneration awards that he has surrendered in order to join Diploma. Payments take account of the details of

REMUNERATION COMMITTEE CONTINUED

the remuneration foregone including the nature, vesting dates and performance requirements attached to that remuneration and payments will not exceed the expected value being forfeited. Exact amounts will be finalised following the publication of his previous employer's results and will be disclosed in next year's DRR.

Remuneration in the workforce

The skill and dedication of Diploma's colleagues lie at the heart of our success. The Group achieved outstanding levels of colleague engagement again this year (more information on page 36 to 37). Remuneration in Diploma provides a careful balance that enables local decision-making in line with our decentralised business model, whilst ensuring guidance and governance from the Group, and including a review of pay equity, which is one of the Group's ESG priorities.

The CEO pay ratio for 2022 (detail on page 135) has reduced from 180:1 to 129:1. The principal reason for the reduction is lower share price appreciation from market movements. The median pay for UK colleagues has remained at a similar level £29,074 (2021: £29,036), with the addition of ca. 400 new employees from UK acquisitions. If we exclude employees who joined through acquisitions, the median pay for the UK workforce has increased marginally to £29,550.

This year's Group reward guidance to the businesses focused on looking after colleagues. The first priority was focusing on colleagues affected by inflationary pressures arising from the macro-environment, including energy prices and other rising costs of living. For the first time the Group's governance included an independent review of colleagues in lower paid roles (<£40k per annum), and these colleagues received an average increase of 7.5%, higher than the overall workforce increase.

For senior leaders, the rationale for increasing remuneration is recognition of increasing responsibilities in a growing business and incentivising future growth aligned to Diploma's strategy. We remain conscious of ensuring we can retain top talent in highly competitive international markets.

The 2022 overall base salary increase across the Group is 7% for the workforce (2021, 4%), including senior managers. The management team and Committee will continue to review total compensation proactively in order to ensure our wider workforce is fairly rewarded. The Committee considers workforce perspectives when setting Remuneration Policy. Executive Director compensation and overseeing senior management compensation frameworks.

Remuneration policy review

The Committee completed a comprehensive policy review in 2022. The review process is set out on page 120 and covered a number of key factors.

The Group has increased considerably in size and complexity in this policy period (shown in the diagram on page 120). Since the appointment of our CEO in 2019, the Group has doubled in size from a combination of strong organic growth, strategic execution and the acquisition of 25 strategically important businesses. Shareholders have benefited and Diploma has grown from FTSE 185 to FTSE 111 over the period and the Group's plans remain ambitious. Designing our policy to recognise the increased responsibilities to attract, retain and incentivise management for the next phase of growth was a top priority.

ESG is increasingly important to all our stakeholders and we wish to introduce targets into our variable pay. Ensuring that bonus measures are rigorous, specific, stretching and go beyond the 'day job' is an essential principle of reward in Diploma.

Work is under way to develop Delivering Value Responsibly as part of the strategy and we have set some non-financial KPIs and targets (shown on page 59) but more time is needed to assure these measures before we can introduce them into variable pay. Accordingly, our proposed policy has flexibility to introduce ESG metrics during this policy period (at an appropriate point).

Within the wider stakeholder context, we considered how we reward our whole workforce, as covered earlier. The senior management team engages frequently with employees, either on a business-wide basis or in the context of smaller focus groups, to solicit feedback generally on a wide range of matters, including remuneration. Feedback is passed to the Committee via the Executive team and is taken into account by the Committee when setting Executive Directors' Remuneration Policy. Additionally, we paid attention to how governance is evolving and have made a number of enhancements in our new policy which are set out on page 121 including increasing minimum shareholding requirements (MSR) and post cessation shareholding requirements.

The last step in the policy review was to review relevant market data to inform (but not drive) the Committee's considerations. (data overview is set out on page 120). The Committee is aware of, and shares, shareholder concerns regarding the risk of over reliance on benchmarking. The Committee's driver for any increased reward is greater responsibility or complexity in the relevant role and to recognise greater capability in the individual. In a growing, very successful business such as ours, we are cognisant of retaining our key people as they gain increasing market worth from their proven capabilities and track record. In this regard, market data does provide a useful 'sense-check'.

From the multiple steps of the review, the Committee concluded there was a compelling case to increase total compensation potential for our Executive Directors. The Committee believes that incorporating the increase into the PSP to incentivise long-term performance best aligns performance delivery, strategic execution and shareholder value. Therefore we propose to increase the maximum award potential for the PSP from 250% to 300% of base salary for the CEO, and from 200% to 250% of base salary for the CFO alongside the increases to both our in-situ and post-cessation shareholding guidelines.

Shareholder consultation on proposed changes

Our 2021 DRR was supported with 93% of votes in favour. During 2022, we consulted extensively on our policy and DRR 2022 implementation and engaged with 21 of our largest shareholders, representing around 65% of our register, as well as the key proxy agencies. The quality of the interactions was excellent, and we appreciate the engagement and valuable feedback. There was a range of views and preferences expressed, but we were pleased that the overall weight of opinion was strongly supportive.

Remuneration for 2023 – implementation Fixed pay:

As disclosed previously, Johnny Thomson's cash allowance in lieu of pension contribution will reduce to 4% of basic pay from 1 January 2023 to align with the majority of the UK workforce.

The Committee considered Johnny Thomson's salary as part of the review. The Committee is aware that high inflation is not a solid rationale for increasing executive pay. The Committee considered the increased size and complexity of the Group (doubled in size as shown in the diagram on page 120), and Johnny's value as a high-performing CEO, and concluded that a base pay increase was required as part of increasing his total compensation opportunity. Shareholders asked us to review the increase in the context of intended wider workforce pay increases, the macro-economic environment, inflationary pressures faced by our colleagues and the overall quantum of CEO reward.

Having taken these views on board we agreed an increase to his pay of 6%, which remains below the increase awarded to our wider workforce at 7%. We believe this provides the right balance within the Company and will deliver a competitive CEO package.

Annual bonus:

The 2023 annual performance bonus will follow the same measures as 2022, namely 50% adjusted operating profit, 25% revenue, 25% free cash flow. Targets will be based on the Board approved budget. Maximum bonus for the CEO and CFO will remain unchanged at 125% of base salary.

PSP:

Arising from the compelling case to increase total compensation for the CEO, the Committee plans to implement the new PSP maximum this year for the CEO, subject to shareholder approval of the policy. Johnny Thomson will receive a PSP award of 300% of base salary (PSP 2022). Chris Davies will receive a PSP award of 200% of base salary (PSP 2022) (which will be pro-rated based on him working eleven months of the year).

A number of shareholders have expressed a preference for EPS over TSR (provided the ROATCE underpin remains), and in our consultation we discussed increasing the weighting of three-year CAGR adjusted EPS growth to 75% of the total award (from 50%), with 25% (previously 50%) remaining on TSR relative to the FTSE 250 (excluding financial services and investment trusts). As the majority of shareholders were supportive, we intend to progress with this change for PSP (2022). We will retain the ROATCE underpin, recognising this is critically important to shareholders.

During consultation shareholders asked that we ensure targets are appropriately stretching given the greater quantum of reward proposed. The Committee recognises that increased quantum of reward should be accompanied by appropriately high levels of performance delivery. In setting targets, we seek to ensure that the focus on organic growth is strong, the quality of acquisitions remains high and that the right risk appetite is maintained. In response to feedback, we intend to increase EPS growth required for maximum payout under the PSP from 12% to 13% for the award in 2022. The minimum threshold will remain at 5%. This provides the right degree of stretch ambition for Diploma at this time considering the organic growth opportunities, the acquisition pipeline and the prevalent market conditions. The Board will maintain oversight of ROATCE. We will continue to review the level of stretch annually for each PSP grant cycle.

Non-Executive Directors and Committee evaluation

John Nicholas retired as Chair of the Board in January 2022 and was succeeded by David Lowden. David joined the Board as Non-Executive Director and Chair designate on 19 October 2021. Non-Executive Director fees were reviewed using equivalent inputs and increases are shown on page 133.

The Committee's performance was assessed as part of the annual Board evaluation. I am pleased to report that the Committee is regarded as operating effectively and that the Board takes reassurance from the quality of the Committee's work.

Conclusion

In closing I would once again like to thank shareholders for their engagement over this last year. We will maintain a close dialogue as we seek to deliver a competitive, motivating pay framework that is tightly aligned to shareholder experience whilst maintaining good governance standards. I trust you find this report useful and look forward to receiving your support at the AGM on 18 January 2023.

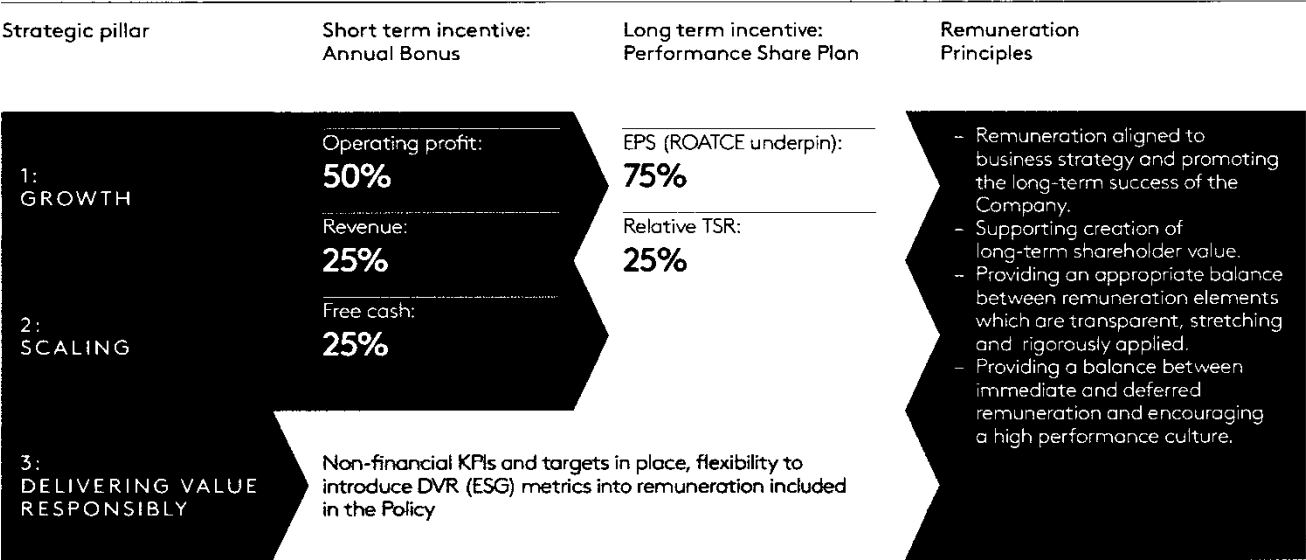
Andy Smith
Chair of the Remuneration Committee
21 November 2022

REMUNERATION AT A GLANCE:
DIPLOMA'S APPROACH TO REMUNERATION

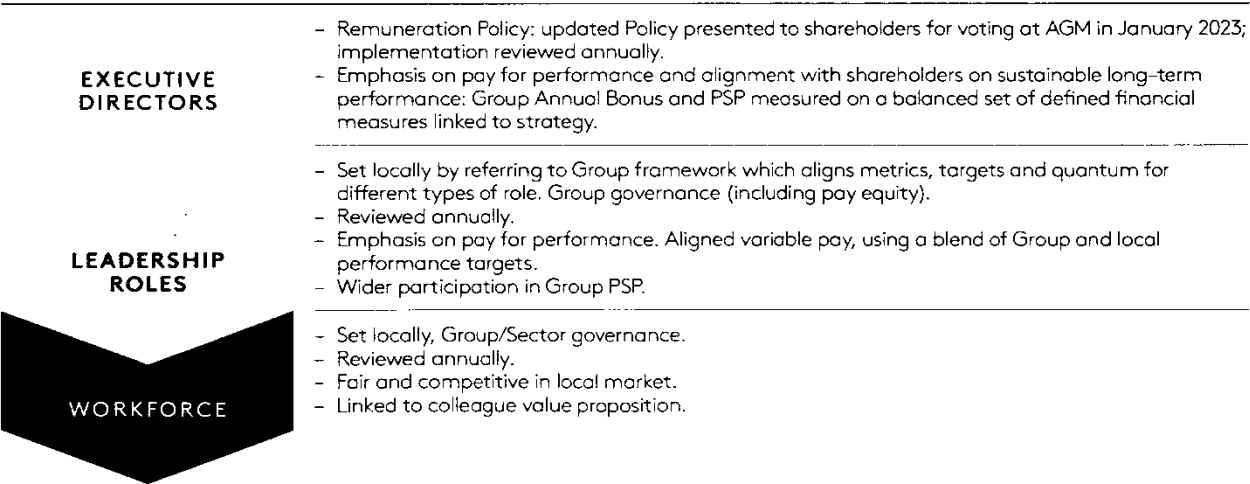
Set out below is an illustration of how remuneration aligns to strategy and how it cascades in our decentralised business model

Our Purpose: Diploma's purpose is to consistently deliver value and reward our stakeholders by making a positive difference to our colleagues, our customers and suppliers and our communities.

Diploma's Strategy: build high-quality, scalable businesses for organic growth



CASCADE OF REMUNERATION IN OUR DECENTRALISED BUSINESS:



Business Performance 2022 Annual Report of Remuneration

Strategic execution

Growth

Revenue diversification: revenue initiatives delivering strong growth in structurally growing end markets, further penetrating more developed economies and extending product ranges.

M&A to accelerate organic growth, £187m invested in seven strategically important acquisitions.

Disciplined portfolio development: disposals of Heretek and a1 environments.

Scaling

A year of exciting progress. Building the infrastructure for scale, developing target operating model; evolving the structures, capability and culture of the Group for scale.

DVR

Excellent progress and accelerated momentum as businesses embed DVR in commercial strategies and operations.

A year of more consistent and robust reporting.

Targets set for the first time.

Performance

Adjusted operating profit
+29%

Revenue
+15%

Free cash flow
+11%

Adjusted EPS
19%
(3-year CAGR)

ROATCE:
17.3%

**Relative TSR:
percentile rank**
91%
(3-year performance)

Engagement index
79%
(2021: 79%)

Scope 1 & 2 emissions
10,615 tonnes CO₂ e
(baseline year)

Waste to landfill
60%
(first year of measurement)

Reward

Maximum bonus payable

Maximum vesting on PSP

Flexibility to introduce DVR metrics in remuneration included in Policy.

2022 Broader Reward Priorities

Goal

Support lower paid colleagues most affected by the cost of living crisis

Retain talent in the competitive talent market

Incentivise brilliant leaders on long-term success

Action

Wage increase for colleagues paid less than £40k of 7.5%, which is higher than the overall workforce increase.

Wage increase for the workforce of 7% (2021: 4%).
Review of variable pay structures and quantum.

PSP participation increased to ca. 50 participants (2021: ca. 35 participants, 2020: ca. 15 participants).
To keep pace with the growing Group variable pay structures and quantum reviewed, high pay for high performance.

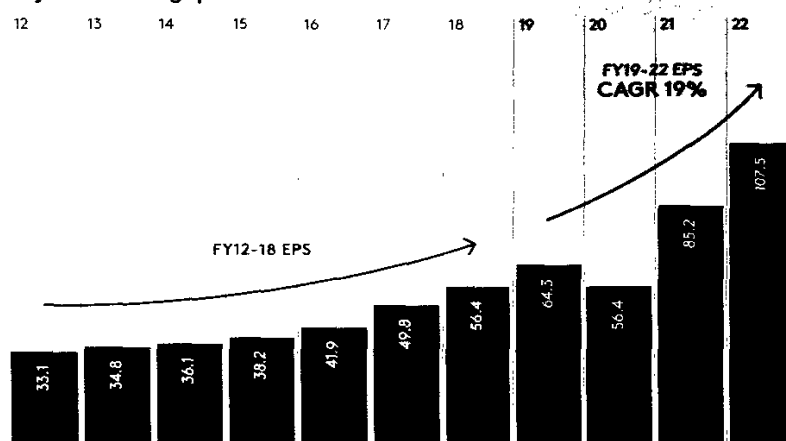
2022 Remuneration Policy Review – process

Changes to Remuneration Policy and its implementation

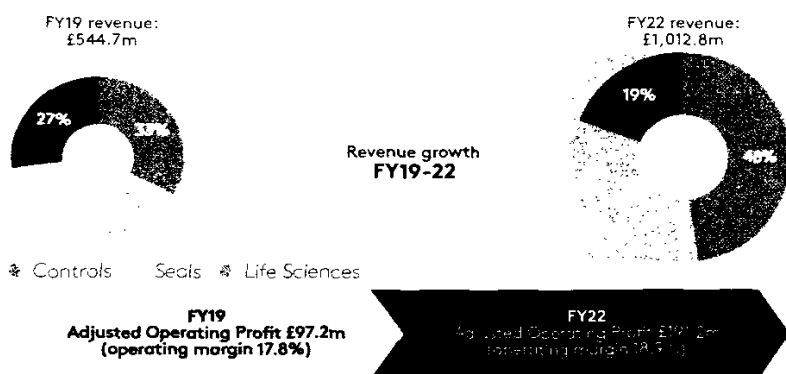
This section sets out the Directors' Remuneration Policy (the Policy) proposed for approval by shareholders at the Company's AGM on 18 January 2023. The Company's current Remuneration Policy (the Policy) was approved by shareholders at the 15 January 2020 AGM and the updated policy, subject to shareholder approval, is intended to remain in effect for three years from the AGM.

1. Excellent performance and increased scale and complexity of the Group: moved from FTSE ca. 185 to FTSE ca. 111

Adjusted earnings per share



The Group has doubled whilst improving operating margin



2. Wider stakeholder context considered during Policy review:

- Ambitious growth plans.
- Attracting, retaining and incentivising management.
- Increased market worth of management given performance track record.
- Workforce remuneration experience and views.
- Focus on supporting wider workforce during macro environment affecting workforce-inflation, energy.
- Increasing importance of ESG performance.
- Broader indicators of culture e.g. colleague engagement (Engagement index 79%).
- Market developments in governance practices, ensuring our governance aligns with needs of stakeholders.

3. Market insight: used to 'sense check':

- Information on UK pay levels for companies of similar size FTSE 150-100 (Diploma: FTSE 111, 30 September 2022).
- There are few direct peers for Diploma. Hence we use a range of companies in similar markets or with similar value-add business models to provide a comparison (RS Group plc, Bunzl plc, Inchcape plc, Spirax-Sarco Engineering plc, Rentokil Initial plc, Howden Joinery Group Plc, Spectris plc, Halma plc, DS Smith plc, Travis Perkins plc, Johnson Matthey plc). Some within this list are larger than Diploma but provide useful insight.
- Variable pay targets for FTSE 250.

4. Shareholder consultation on proposed changes:

- Extensive, direct shareholder consultation with ca. 65% of the register.
- Consultation with key proxy voting agencies.
- Conversations with shareholders shaped policy proposals including considerations of quantum and stretch in performance targets.

2022 Remuneration Policy proposals and rationale

Pension alignment with wider workforce	Pension contribution for CEO reduced to 4% of base pay from 10% of base pay from January 2023. CFO pension value already aligned to wider workforce rate of 4% of base pay.
Improving the competitiveness of Executive Directors' compensation opportunity, reflecting growing business and criticality of leadership	<p>We recognise the need to retain and motivate our team over the next period of exceptional Company growth. The renewed Policy and its implementation for 2022 will align pay to performance and investor expectations, as follows:</p> <ul style="list-style-type: none"> – No change to annual bonus Policy maximum. – Increase to PSP maximum from 250% of salary to 300% of salary for CEO and from 200% to 250% for the CFO. – For 2022, the CEO's PSP award will be aligned to the new Policy maximum at 300% of base pay. The newly appointed CFO's PSP award will be 200% of base pay (prorated).
Shareholder alignment	<p>Increased shareholding guideline (MSR) to align with new PSP policy maximum – 300% of salary for CEO and 250% of salary for CFO.</p> <p>Extension of post employment shareholding requirement to now require 50% of MSR to be held for two years after termination date.</p>
Introduction of FS&S	Flexibility to include ESG metrics during next policy period.

Proposed implementation of policy in FY23

	Fixed remuneration	Annual bonus	Long-term incentives	Shareholding guideline	Post-cessation guideline
Johnny Thomson (CEO)	Base pay: £754,000 Benefits fund Pension: £41,085 (equivalent to 4% of base pay from 1 Jan 23)	Max: 125% base pay Target: 62.5% base pay	Max: 300% base pay PSP (2022): 300% base pay Performance period: three years Holding period: five years from grant	Holding requirement: 300% base pay	Holding requirement: 50% of MSR for 2 years after the termination date
Chris Davies' (CFO)	Base pay: £450,000 Benefits fund Pension: £18,000 (equivalent to 4% of base pay)	Max: 125% base pay Target: 62.5% base pay	Max: 200% base pay PSP (2022): 200% base pay Performance period: three years Holding period: five years from grant	Holding requirement: 250% base pay	Holding requirement: 50% of the MSR for 2 years after the termination date
Change from 2021	CEO base pay 6% increase; CEO pension reduced; New CFO appointed	No change	Policy maximum increased for CEO & CFO PSP award increased for CEO New CFO appointed	Shareholding guideline increased in line with new PSP maxima	Increased post-cessation guideline from 12 months to 2 years

1. Chris Davies was appointed from 1 November 2022. Remuneration amounts in the table above are annualised. When implemented, all his fixed and variable pay is prorated in FY23.

REMUNERATION POLICY

Remuneration Policy

The Committee reserves the right to approve payments on terms that differ from the Policy where the terms of the payment were agreed before the Policy came into effect or were agreed at a time when the relevant individual was not a Director of the Company.

The Committee may also make minor amendments to the arrangements for Directors described in the Policy without shareholder approval for regulatory, tax or administrative purposes or to take account of a change in legislation.

Executive Directors

Component	Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
Base salary	To attract and retain people of the calibre and experience needed to develop and execute the Company's strategy.	Salaries are reviewed annually, with changes normally effective from 1 October.	There is no maximum limit set. Salaries will be market competitive to retain skilled executive talent and attract new talent as required. Salary increases will generally be no higher than those awarded to other employees although the Committee retains discretion to award larger increases if it considers it appropriate.	Salary levels and increases are determined based on a number of factors, including individual and business performance, level of experience, scope of responsibility, salary increases both for UK employees and for senior management more generally and the competitiveness of total remuneration against UK peers of similar size and complexity.
Pensions	Designed to be fair	Penetration contributions are offered and directly into pension and cash scheme or taken as a separate cash allowance.	Maximum pension contributions will be no higher than the rate offered to the majority of our UK workforce for UK based Executive Directors. Maximum pension contributions for non UK based Executive Directors will be aligned with employees in the relevant local market.	No performance metrics
Benefits	To provide a competitive package of benefits	Includes various cash non-cash benefits, such as payment in lieu of company car, life insurance, income protection, annual leave in excess insurance. The Committee may offer any additional benefits if they are appropriate in line with the interests of the Company and local market conditions. Renewable and non-renewable expenses and living expenses can be included in a performance related bonus plan.	No maximum limit is prescribed, but the Committee monitors annually the overall cost of the benefit provision.	No performance metrics

REMUNERATION POLICY CONTINUED

Chair and Non-Executive Directors

Component	Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
Chair and Non-Executive Directors' fees	To attract and retain a Chair and independent Non-Executive Directors of the required calibre and experience	<p>Paid quarterly in arrears and reviewed each year.</p> <p>Although Non-Executive Directors currently receive their fees in cash, the Company may pay part or all of their fees in the form of shares.</p> <p>Any reasonable business related expenses (including tax thereon) if determined to be a taxable benefit can be reimbursed.</p>	The Chair's and Non-Executive Directors' fees are determined by reference to the time commitment and relevant benchmark market data.	Appropriate market metrics

Selection of performance measures and targets for Annual Bonus and PSP

The Annual Bonus Plan is designed to drive the annual financial and strategy objectives of the business. Performance measures are selected aligned to the Company's strategic plan and key objectives. Targets are set by reference to internal budget, details of the measures selected for 2023 and the rationale behind the selection can be found in the Annual Report on Remuneration.

The PSP is designed to drive the delivery of the Company's longer term objectives and support the delivery of value for shareholders. Performance measures are selected to align with these objectives and targets are set by reference to internal budget, financial plans and market adjustment. The calculation of performance measures will be disclosed in the Annual Report on Remuneration. Details of the measures selected for 2023 and the rationale behind the selection can be found in the Annual Report on Remuneration.

Illustration of application of Policy

For top performance: Executive Directors' potential value of 2023 remuneration package

Johnny Thomson

Minimum	95%	£280,000
Target	32% 19%	£124,210
Maximum	19% 23%	£142,300
Maximum	15% 18%	£114,000

Fixed: ● Base salary and benefits ● Pension
Variable: ● Annual performance bonus ● Long-term incentive plan

Chris Davies

Minimum	96%	£245,000
Target	38% 23%	£128,000
Maximum	24% 29%	£150,000
Maximum	20% 23%	£114,000

Source: Annual Report 2022, Appendix A, page 101 and page 102

Note: For 2023, the remuneration package for the Chairman of the Board is £280,000 plus fees of £10,000.

New CFO Remuneration package

Chris Davies was appointed as Group CFO and an Executive Director on 1 November 2022. Chris will be appointed a fixed salary of £480,000 with maximum incentive opportunity of 120% and 200% of salary respectively for the annual bonus and PSP in line with the Company's remuneration policy. The pension contribution of 4% of salary is in line with the UK Corporate Governance Code. The maximum incentive opportunity on a fully annualised basis (including bonus, benefit, pension and PSP) in line with the Remuneration Policy of the Company's maximum opportunity and long-term incentive plan elements when they are determined to be in the best interests of the Company and shareholders. To ensure a smooth transition of Chris Davies from the previous role to the new role, the Board has agreed to take account of the details of the remuneration package including the nature, timing and form of the annual bonus and long-term incentive plan elements and the details of the fixed salary and pension contribution to ensure the transition is as smooth as possible.

The target bonus and long-term incentive plan for 2023 of the new Group CFO and Executive Director will be set by reference to the target bonus and long-term incentive plan for 2023 of the Group CFO and Executive Director. The target bonus and long-term incentive plan for 2023 of the Group CFO and Executive Director will be set by reference to the target bonus and long-term incentive plan for 2023 of the Group CFO and Executive Director. The target bonus and long-term incentive plan for 2023 of the Group CFO and Executive Director will be set by reference to the target bonus and long-term incentive plan for 2023 of the Group CFO and Executive Director.

Consideration of shareholder views

The Committee encourages input from all shareholders in advance of any significant change to the approved Remuneration Policy, in particular to enable them to express their observations and understanding of the proposed changes. Additionally, the Committee will seek shareholder feedback on relevant matters at our AGM during the year, as well as feedback during the year. The Committee will review the relevant remuneration proposals in the context of published relevant guidelines or appropriate regulation, including the UK Corporate Governance Code. Although consultation was conducted for the 2020 review, as explained in page 120, no shareholder feedback was sent to the Board or was required for maximum payout under the EBF from 2020 to 2021. The award of 2021, reflecting a strong performance against all forms of proposals, was considered on the basis of a increase in the context of a very strong performance, the macro-economic environment, inflationary pressures on our core products and the overall strength of the business.

Differences in remuneration policy for other employees

The Group works in a competitive environment with a global. The Committee's primary role is to pay and incentivise our employees and ensure a competitive reward and markets across the rest of the Group when considering the remuneration of the Executive Directors.

The Board as a whole is responsible for gathering the views of the wider workforce and does so through multiple channels of Engagement. While the Committee does not consult employees directly when setting the Executive Directors' Remuneration Policy, and the Senior Management team engages with employees either on a business-wide basis in the context of employee focus groups, to solicit feedback, or on a wide range of matters, including remuneration. Feedback is passed to the Committee via the Executive team.

The Company reviews compensation arrangements, including base salaries for the wider employee population annually, in line with the Group's established model. Remuneration is agreed, in line with governance and guidance provided by the Group, having taken into account the relevant internal and external factors, including individual and business performance, external benchmarking, external competitive benchmarking, and general salary increases across the Group. The Company also seeks to provide an appropriate range of benefits, including pension, to employees in line with their local markets. Senior employees have individual contracts with the Executive Directors and there is a framework on remuneration which includes a general staff benefit policy. Benefits for the workforce are agreed, in line with oversight from the Senior Management team.

Service contracts

The Executive Directors' service contracts, including arrangements for early termination, are approved in principle by the Committee and approved and then negotiated and ultimately issued, at the call of the required to manage the Company and subsequent compliance to the relevant provisions. The Committee considers that a rolling contract with a rolling period of one year is appropriate for Executive Directors.

REMUNERATION POLICY CONTINUED

The Executive Directors' service contracts (copies of which are held at the Company's registered office) together with any service contract for new appointments, contain provisions for compensation in the event of early termination or change of control, equating to the value of salary, pension and contractual benefits for the Director's notice period. The Company may make a payment in lieu of notice in the event of early termination and the Company may make any such payment in instances with the Director being obliged in appropriate circumstances to mitigate loss (for example by gaining new employment). The Committee considers that these provisions assist with recruitment and retention and that their inclusion is therefore in the best interests of shareholders.

Details of the service contracts of the Executive Directors who served during the year are set out below.

	Contract date	Unexpired term	Notice period	Compensation payable upon early termination
John V. Thompson	15 Jan 2019	Rolling	1 year	1 year
Barbara Gibbs	5 Feb 2020	Rolling	1 year	1 year

John V. Thompson's contract of employment is available at www.baxters.co.uk

Payment for loss of office

The Committee has considered the Company's policy on remuneration for Executive Directors leaving the Company and is committed to providing consistent guidance to ensure that the Company pays no more than a fair and reasonable amount in the circumstances.

The value of the payment payable is linked to the role of the Director and will depend on whether the departing Executive Director is or is deemed to be treated as a junior, middle or senior employee in the case of a 'good leaver'. The Policy includes:

- Notice period of 12 months plus salary, pension and contractual benefits or payment in lieu of notice.
- Bonus payable for the period worked plus a further payment of the relevant performance conditions. Different performance measures to the other Executive Directors may be set for a departing Director as appropriate to reflect any change in responsibility.
- Vesting of award shares under the Company's long-term incentive plan (and automatic) and the Committee would retain discretion to allow a departing Director to continue to receive any performance related bonus or remuneration until the end of the time the awards have been held. The discretion may be dispensed if the Committee is advised that, for example, in the circumstances Performance Related Bonus will be measured to the end of the normal performance period and to the extent applicable, vest on the normal vesting date (and in excess and circumstances when the Committee may determine that early vesting is appropriate).
- The Committee will advise the relevant Director of the award of a departing Director in accordance with the relevant agreement and arrangements for the award of a departure.

When calculating termination payments the Committee will take into account a variety of factors including the role and Director performance over the relevant period. The Executive Director's applicable award may be terminated or reduced or may be paid on a new employment and the Executive Director's right to exercise

The Committee reserve the right to make additional benefit payments where such payments are made in good faith in discharge of an existing legal obligation or by way of damages for breach of such an obligation or by way of settlement or compromise of any claim arising in connection with the termination of a Director's office or employment.

Change of control

Change of control provisions provide for compensation equal to the value of salary, pension and contractual benefits for the notice period in the event of a change in control, vesting of an award of shares under the Company's PSP depending on the extent to which performance conditions had been met at that time. Time averaging may be dispensed if the Committee considers it appropriate, given the circumstances of the change of control.

Malus and clawback

Malus provisions apply to all awards made under the Company's long-term incentive and annual bonus plans which give the Committee the right to consider and reduce unvested share awards (from the date of the Annual Performance Review) and cash payments in the event of material misstatement of the Company's financial results, significant reputational damage to the Company, misallocation of a participant's entitlement, individual gross misconduct or of corporate failure resulting in a liquidation or the appointment of administrators.

The clawback arrangements permit the Committee to recover amounts paid to Executive Directors in specified circumstances and further safeguard shareholders' best interests.

Remuneration for new appointments

The Committee has determined that new Executive Directors will receive a compensation package in accordance with the terms of the Group's approved Policy in force at the time of appointment.

The Committee has agreed the following principles that will apply when arranging a remuneration package to recruit new Executive Directors:

- The remuneration structure will be set in place where appropriate.
- The emphasis on linking pay with performance shall continue with variable pay representing a significant component of the Executive Directors' total remuneration package.
- Initial pay shall vary in line with the individual's experience and position of the individual and their existing remuneration package. Where it is appropriate to offer a cover salary, this will be a series of increases to the agreed salary, continuing to be given over subsequent years but not to individual performance.
- The structure of variable pay will be in accordance with the approved Policy, detailed above with a maximum aggregate variable pay opportunity of 425% of salary for the CEO and 275% for other Executive Directors. Different performance measures may be set in the first year for the annual bonus, taking account of the new role, responsibilities, individual and the point in the financial year that the executive joins the Company.
- Benefits will generally be provided in accordance with the approved Policy, with regard to Executive Director's pension and other applicable arrangements.
- In the event of an external recruitment the Committee may appoint additional cash and non-cash related benefits which it considers these to be in the best interests of Company and shareholders and therefore an appropriate remuneration package.

underpinning the financial disclosure in this general statement for the Group. This includes the level of discretion made when selecting 94% of the UK Listing Rule A.1.1.1.1 payments would take place on the date of the relevant other financials including the relevant listing date and of performance and requirements attached to that year's selection. In all payments would not exceed the relevant value being selected in the case of an internal appointment or outstanding variable bonus awarded in relation to the relevant value being selected in the case of a new Executive Director appointment to the designated key role assigned element of the relevant variable bonus award and the Holding Period for PSP awards will apply in all awards with the Rules and the relevant Plan rules. Fees for a new Chair or Non-Executive Director will be set in line with the approved Policy.

Committee discretion

The Committee operated the Annual Performance Bonus Plan and the Performance Share Plan, the Plans in accordance with the relevant Plan rules and, where appropriate, the Listing Rules and HMRC legislation.

The Committee will exercise its powers in accordance with the terms of the relevant Plan rules.

The Committee retains discretion over a number of areas relating to the operation and administration of the Plans. These include but are not limited to:

- selecting the Executive Director participants and a performance participation parameters for the annual bonus and PSP awards, timing of awards and points of setting performance targets for each year;
- determining the duration of awards and payments with the limits set out in the Rules Tables;
- adjusting the contribution of the PSP to the overall plan;
- determining the extent of vesting based on the achievement of performance;
- determining the outcome of awards and amending payments under the Annual Bonus Plan and for PSP should it determine that the results do not reflect the underlying performance of the business or the circumstances;
- suspending or disqualifying the participant dealing with leavers;
- discretion to waive or shorten the holding period for awards awarded under the PSP;
- discretion to retrospectively amend performance targets or exceptional circumstances, including making the appropriate adjustments required in certain circumstances (e.g. grant of special dividend or other events, variation of capital and special dividends); and
- review of share awards awarded to the employee in variable bonus or awards in the event of a grant under the variable bonus of the Company.

Policy in respect of external board appointments for Executive Directors

The Committee recognises that external Non-Executive Directorships provide benefits both to the Company and Executive Directors. Any nomination of the Board Executive Directorship should be made in the interests of the Company and the Company's shareholders.

Employee and post-employment shareholding requirements

The Committee has adopted a shareholding requirement for Executive Directors to encourage substantial long-term ownership. These specify that, over a period of five years from the date of appointment, each Executive Director should build up a minimum shareholding of shares with a value equivalent to 300% of base salary in the case of the CEO and for other Executive Directors to 250% and are set out in the M&P.

Unvested PSP awards and deferred bonus awards, which are subject to shares must be retained until the required shareholding has been achieved.

As explained in the long-term incentive award section on page 103, Executive Directors are required to hold shares awarded under the PSP (net of tax) until the fifth anniversary of the grant of the Holding Period. The Holding Period continues to apply to awards relating to employment expect where cessation of employment occurs, if there is a change in control, in the Committee exercises discretion.

In addition, a revised post-cessation shareholding requirement will apply during 50% of the M&P for two years after the termination date of the award. In the M&P, the value of shares held at the cessation date. Post-cessation awards must be held until the required shareholding is achieved under the PSP since the approval of the 2019 Policy.

Chair and Non-Executive Directors

Recruitment and term

The board currently has four Executive Directors of a high calibre with broad and diverse commercial, international and financial or other relevant experience. Non-Executive Directors are appointed by the Board on the recommendation of the Nominations Committee. Appointment of the Chair or Executive Director is for a term of three years, subject to election by shareholders at the first AGM following their appointment and subject to annual re-election thereafter. The terms of appointment are set out in the relevant articles of association which can be found at the relevant page of the 2019 Policy.

Fees

The four Executive Directors are paid a total of £1.1 million plus tax which is approved by the Board on the recommendation of the Chair and the Executive Directors. The Chair's fees are approved by the Committee including the Chair's additional fees may also be payable to the Chair or members of the Board for acting as Senior Independent Director or in respect of any other major or additional responsibilities taken on. Fees are reviewed each year and take account of the fees paid in other companies of a similar size and complexity, the responsibilities of the role and the responsibilities and commitments.

The Chair's remuneration is reported in the table below. The Chair's remuneration is set by the Board on the recommendation of the Chair and the Executive Directors.

The Chair's remuneration is set by the Board on the recommendation of the Chair and the Executive Directors. The Chair's remuneration is set by the Board on the recommendation of the Chair and the Executive Directors.

REMUNERATION POLICY CONTINUED

Provision 40 table

The following table summarises how the Remuneration Policy fulfils the factors set out in Provision 40 of the 2018 UK Corporate Governance Code.

Clarity

Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.

Example: the structure of the Annual Performance Bonus Plan is completely based on financial metrics which align with published accounts.

The Committee is committed to providing open and transparent disclosures to shareholders, the workforce and other stakeholders with regard to executive remuneration arrangements.

The Committee determines the Remuneration Policy and agrees the remuneration of each Executive Director as well as the remuneration framework for other senior managers. The Company provides open and transparent disclosures of our Executive Director remuneration arrangements including undertaking engagement with key shareholders when considering changes to Remuneration Policy.

Simplicity

Remuneration structures should avoid complexity and their rationale and operation should be easy to understand.

Example: variable pay for Executive Directors is split in Annual Bonus Plan and a Performance Share Plan.

Our remuneration arrangements for Executive Directors, as well as those throughout the organisation, are simple in nature and well understood by participants.

The structure for Executive Directors consists of fixed pay (salary), benefits (pension) and variable pay (annual bonus plan and a long-term incentive plan, the PSP).

Risk

Remuneration arrangements should ensure reputational and other risks from excessive rewards and behaviour risks that can arise from target-based incentive plans are identified and mitigated.

Example: the RACFCE underpin in the PSP reduces risk of low quality earnings.

Targets are reviewed to ensure they do not encourage excessive risk taking.

Malus and clawback provisions also apply to both the annual bonus and long-term incentive plans.

Members of the Committee are provided with regular briefings on pay policies and trends in executive remuneration.

Predictability

The range of possible values of rewards to individual Directors and any other limits or discretions should be identified and explained at the time of approving the Policy.

Example: variable pay maximums are set out in the Policy.

The potential value and composition of the Executive Directors' remuneration packages at the low threshold, target and maximum standards are provided in the relevant policy.

Proportionality

The link between individual awards, the delivery of strategy and the long-term performance of the Company should be clear. Outcomes should not reward poor performance.

Example: 95% of budget must be achieved to trigger payment of Annual Performance Bonus, 95% of budget or less results in no payment.

Annual bonus payments and PSP awards are based upon performance against the ongoing conditions that we align with the Company's strategy.

The Committee has discretion to over- or under-perform results to ensure that they are accurate and provide a view of overall performance.

Alignment to culture

Incentive schemes should drive behaviours consistent with company purpose, values and strategy.

The variable incentive schemes and performance measures are designed to be consistent with the Group's purpose, values and strategy.

Example: one of the Diploma values is continuous improvement. Continuous improvement is required each year to reach remuneration targets.

ANNUAL REPORT ON REMUNERATION

The following details in this Report provide detail on the implementation of the Remuneration Policy for the Executive Directors for the year ended 30 September 2022. All of the information set out in this section of the report has been audited unless indicated otherwise.

Executive Directors (audited)

Total remuneration in 2022 and 2021

	Johnny Thomson		Barbara Gibbs			
	2022 £000	2021 £000	2022 £000	2021 £000	2022 £000	2021 £000
Salary	711	690	365	340	1,076	1,030
Taxable benefits	25	25	19	0	44	44
Pension	71	64	15	14	86	78
Total fixed	807	801	399	354	1,206	1,152
Annual performance bonus	889	863	456	405	1,345	1,268
Long term incentive plans - low paid equivalent	75	85	17	-	92	85
Long term incentive plans - performance element	1,725	1,675	340	-	2,065	1,675
Long term incentive plans - share appreciation element	262	1,815	110	-	372	1,815
Long term share-based remuneration	2,062	3,578	467	-	2,529	3,578
Total variable	2,951	4,441	923	415	3,874	4,866
Single total figure	3,758	5,242	1,322	769	5,080	6,018

1. The figures for the 2021 bonus are based on the performance of the Group for the year ended 30 September 2021. The figures for the 2022 bonus are based on the performance of the Group for the year ended 30 September 2022. The figures for the 2023 bonus are based on the performance of the Group for the year ended 30 September 2023. The figures for the 2024 bonus are based on the performance of the Group for the year ended 30 September 2024.

Departure of Barbara Gibbs and appointment of Chris Davies (audited)

As announced on 10 August 2022, Barbara Gibbs stepped down from her role as Group CFO and left the Company on 30 September 2022. Her remuneration terms on leaving were in line with the approved Remuneration policy. Barbara will receive a sum of £1,076,000 (2022) for the year ended 30 September 2022, which will include her salary, taxable benefits, pension and benefits only, paid in arrears for the period from 1 October 2022 to 30 August 2023 and reflecting her contractual notice. The maximum P2D is £341,357 and will be subject to deductions for tax and National Insurance contributions in the usual way and also subject to deduction of any outstanding loan and any other relevant alternative employment.

Barbara was treated as a good leaver and her outstanding long term incentive awards (P2D 2022: P2D 2021: £1,725,000) will include 1/3 of the annual performance criteria being met for the three year period to 30 September 2023 and 30 September 2024 respectively. These awards have been prorated for time served to 30 September 2022, two of the three years for the P2D 2021, and one of the three years for P2D 2022. Further details on her outstanding long-term incentives awards is included in this report on page 133.

Barbara will receive a contribution of up to £25,000 (excluding VAT) for employment counselling and up to £7,000 (excluding VAT) for travel expenses.

Chris Davies was appointed as Group CFO and an Executive Director on 1 November 2022. Details of his remuneration are included on page 14.

Executive Directors' base salary (unaudited)

On 16 November 2022, the Committee approved a 1% increase in base salary for the CEO. Explanation of why the Committee has not considered a 2% increase in the way for any of the other Executive Directors is in the Chair letter on page 16.

	Salary from 1 October 2022 £000	Salary from 1 October 2021 £000	Increase in salary
Johnny Thomson	754	737	1.7%
Barbara Gibbs	-	735	-
Chris Davies (appointed 1 November 2022)	450	-	-

1. The figures for the 2021 bonus are based on the performance of the Group for the year ended 30 September 2021. The figures for the 2022 bonus are based on the performance of the Group for the year ended 30 September 2022. The figures for the 2023 bonus are based on the performance of the Group for the year ended 30 September 2023. The figures for the 2024 bonus are based on the performance of the Group for the year ended 30 September 2024.

ANNUAL REPORT ON REMUNERATION CONTINUED

Pension (audited)

The Executive Directors receive pension contributions from the Company. During 2022 and 2021, both Executive Directors took this as a cash award. None of the Executive Directors have a right to a Company Defined Benefit pension plan. Johnny Thompson, the major shareholder, is entitled to pension from 10.6% of base salary to 10% of base salary from 1 October 2021 and from 1 January 2023, his pension contributions will be reduced further to 4% of base salary in line with the majority of the UK workforce.

	2022		2021	
	Contribution rate % of base salary	Pension paid as cash £000	Contribution rate % of base salary	Pension paid as cash £000
Johnny Thompson	10	71	10.6	86
Barbara Stokes	4	15	4	14

Annual performance bonus (audited)

Bonus pay out for year ended 30 September 2022

The Board approves a stretching budget each year. For each performance measure, threshold is minus 5% on budget, target is budget and maximum is plus 5% on budget. Based on the performance of the Group, the Executive Directors will receive 100% of their maximum bonus for the year ended 30 September 2022. The following table summarises the performance assessment by the Committee in respect of 2022 with regards to the Group financial objectives and the bonus awarded to each of the Executive Directors:

Performance measure	Targets for 2022 ¹	Overall assessment against targets
Adjusted operating profit (as audited on a constant currency basis)	Minimum: £154.7m On-target: £162.4m Maximum: £170.5m	Adjusted operating profit for FY22 was £174.6m at FY22 exchange rates. The maximum threshold was met and the maximum award is payable.
50% of bonus opportunity		
Revenue (audited on a constant currency basis)	Minimum: £809.0m On-target: £849.4m Maximum: £891.9m	Revenue for FY22 was £875.9m at FY22 exchange rates. The maximum threshold was met and the maximum award is payable.
25% of bonus opportunity		
Free cash flow (audited)	Minimum: £99.0m On-target: £104.0m Maximum: £109.0m	Free cash flow for the year was £125.4m. The maximum threshold was met and the maximum award is payable.
25% of bonus opportunity		

¹ See report to the Shareholders on page 52 for target setting.

Bonus awarded to each of the Executive Directors for year ended 30 September 2022

	Base salary		2022 actual bonus - as a percentage of 2021 base salary			2022 bonus	
	£000	Minimum	On-target	Maximum	Financial objectives	Total bonus	£000
Johnny Thompson	713	5%	£34%	125%	125%	125%	889
Barbara Stokes	365	5%	£34%	125%	125%	125%	456

In line with the 2021 Remuneration Policy, minimum shareholding requirement (MSR) for the CEO will increase to 300% of base salary and will increase to 250% of base salary for other Executive Directors in line with the Company's Shareholding Policy. Johnny Thompson has met his minimum shareholding requirement (300%) and therefore his bonus for the year will be paid as cash. The MSR will increase to 300% for Barbara Stokes from one third of base salary from 1 October 2022 and the Company on 30 September 2022 and therefore her bonus for the year will be paid as cash. If the minimum shareholding requirement is not met in the Company's existing Remuneration Policy, it will apply to Barbara Stokes when she meets the 2022 MSR and her actual shareholding will be retained for 12 months post termination.

Bonus awards for year ended 30 September 2023

In line with the 2022 Remuneration Policy, the Annual Performance Bonus Plan will be based on the following metrics: Financial performance (audited on a constant currency basis), which will be based on revenue and two metrics measured on a constant currency basis on the following 12% will be based on free cash flow. The Annual Performance targets set for the Annual Performance Bonus Plan in the Award will be based on the FY22 Actuals, FY23 target, Adjusted operating profit on a constant currency basis.

Long-term incentive awards (audited)

The Company's long-term incentive was only the EY Executive Share Plan (ESP).

Performance conditions

Set out below is a summary of the performance conditions that apply to the RSP awards which vest in 2022 (RSP (2021)), 2023 (RSP (2022)) and 2024 (RSP (2023)).

Vesting of the awards is based on a combination of growth in adjusted EPS and RPS (which are risk parts metrics) in order for any payment to be earned. Under the EPS element of awards, the Committee must consider that a satisfactory level of RQ4/QE performance has been achieved. The RQ4/QE underpin will be measured as the RQ4/QE in the relevant financial performance condition and as defined in note 2 for the consolidated financial statements.

For the RSP (2022) as explained in the Chairs letter on page 17, the performance condition will remain the same as the RSP (2021) with the exception of the weighting between EPS and the relative TSR performance and the EPS targets. The vesting of this award will be weighted 75% on growth in adjusted EPS, subject to the RQ4/QE underpin, and 25% on relative TSR performance. The EPS target will be 5% to 13% growth per annum (RSP (2021) 15% to 12%).

EPS

The performance condition for RSP awards is that the average annual compound growth in the Company's adjusted EPS over the three consecutive financial years following the financial year immediately prior to the grant must exceed the specified performance targets. The performance targets are as follows:

Adjusted EPS growth (over three years)	% of awards vesting
14% p.a. (RSP (2020) and RSP (2019))	100
13% p.a. (RSP (2021))	100
12% p.a. (RSP (2022))	100
5% p.a.	25
Below 5% p.a.	0

Where the Company's adjusted EPS performance is between these percentage bands, vesting of the award is on a pro-rata basis. For the purposes of this condition, EPS is adjusted EPS as defined in note 2 for the consolidated financial statements and this definition remains consistent with the definition of adjusted EPS approved by the Committee in previous years.

TSR

The performance condition compares the growth of the Company's TSR over a three year period to that of the companies in the FTSE 250 index (excluding financial services and investment trusts). The performance targets are as follows:

	% of awards vesting
Upper quartile	100
Median	25
Below median	0

Where the Company's TSR performance is between these percentage bands, vesting of the awards is calculated as a pro-rata basis. The FTSE 250 index was chosen because it is the appropriate benchmark index at which the Company is a member.

ANNUAL REPORT ON REMUNERATION
CONTINUED

Awards vesting in 2022 (audited)

The PSP award granted on 23 December 2014 (PSP (2014)) to John H. Thomson and on 10 March 2020 (PSP (2020)) to Barbara Gidycz was subject to the performance conditions as set out in the table above and independently assessed over a three year period ended 30 September 2022. The outcome of this award is presented in the table below.

Adjusted earnings per share

	Base EPS	EPS at 30 Sep 2022 ¹	CAGR in EPS	Maximum target	Maximum award	vested award
EPS (2012)	4.3x	109.4	19.4%	12%	50%	50%

¹ The pre-1995 data on FPI flows has been used in the past to compare the performance of the FPI 2009 against the experience in the 2003 and 2004 FPI markets. The 2003 and 2004 FPI markets were the first two years of the FPI market, and the 2009 FPI market was the first year of the FPI market.

The Committee has reviewed the ROATCE output and concluded that 173% meets the Board's expectations.

TSR growth against FTSE 250 (excluding financial services and Investment Trusts)

	TSR at 30 Sep 2022	Median	Upper quartile	Maximum award	Vested award
PSC, 2019	20.0% p.a.	138% p.a.	814% p.a.	50%	50%

Set out below are the scores which vested to Jatin's Thompson and bow are far best at 31 September 2022 in respect of the award

	Share price at date of grant pence	Share price at 30 Sep 2022 pence	Proportion of award vested	Shares vested number	Performance element £000	Share appreciation element ² £000	Total £000
Johnny Thomson PSP 2019	20.8	132.4	100%	85,481	1,325	254	1,579
Barbara Gibbs PSP 2019	11.55	132.4	100%	19,374	340	110	450

Dividend equivalent payments (audited)

Dividend equivalent payments (assumed)

Dividend equivalent payments of £4,580,000 (18,603,000) are payable to various shareholders and dividend equivalent payments of £472,700 (N/A) are payable to Barbara Gieber in respect of the PUK. PUK awards which vested in 30 September 2022 will have dividend payments covered by awards made in the three-year performance period.

Long-term incentive plan – awards granted in the year (audited)

January, Tracy and Barbara Glaser received a grant of the RSU 2021 Award on 24 November 2021 in the form of the first option. The award was based on a share price of \$118, being the end market price of our shares on the day prior to the first day of trading of the award. The award for Tracy, Thomas was 150% of base salary and for Barbara Glaser was 175% of base salary.

Under normal circumstances, the salary will not become comparable until the awards made (and are determined after the end of the three-year measurement period) will be equal to the first salary the recipient will receive in the award period and pay, and the participating Director remains in employment. The size of the award is dependent on the achievement of selected performance criteria at the end of the three-year measurement period. The performance criteria for the award are set out on page 10.

Outstanding share-based performance awards (audited)

Outstanding Share-Based Performance Awards Issued: Set out is a summary of the share-based awards outstanding at 30 September 2022, including both share options and share vesting units. The year-based awards, based on performance, and share awards which have been granted during the year. The awards set out were granted based on a price value of 750% of base salary to Jonathan Tinsley and a base salary of £75k, RSP 2021 and 100% RSP 2022, and 100% RSP 2019, of base salary to Barbara Gibbs. RSP 2019 being the share-based award, the relevant award is designated as a share award. No award is vest until the performance condition is met out of 30 September 2022.

Overview

Strategic Report

Corporate Governance

Financial Statements

Other Information

Chair and Non-Executive Directors' remuneration (continued)

The Non-Executive Directors received a basic remuneration of £14,000 during the year, or a grant of a fee of £14,000 in 2001/2002. Additionally, a Chairman's fee of £9,000, £10,000, £10,000, £10,000 for acting as Senior Independent Director, £10,000 for acting as a Director of a Committee of the Board, is payable to the Chair of the Company. The fees for Non-Executive Directors are reviewed annually and the Board taking into account their responsibilities and reduced time commitment. From 1 October 2002 there is a general 5% increase to the Non-Executive Director fees to £17,500 and 5% increase to the Chair's fee to £26,750 per annum. The Chairman's fee for 2002/2003 is £26,750 and the Board fee increased 4% for acting as a Senior Independent Director to £14,000 per annum. The Chairman's fee for 2003/2004 is £28,088 per annum. There were no board employment benefits for the Financial Director in 2002/2003.

ANNUAL REPORT ON REMUNERATION CONTINUED

Executive Directors' interests (audited)

In options over shares

In respect of in-the-money options granted under the PSP, the remuneration receivable by an Executive Director is calculated on the date that the options first vest. The remuneration of the Executive Directors is the difference between the amount the Executive Directors are required to pay to exercise the options to acquire the shares and the total value of the shares on the vesting date.

If the Executive Directors choose not to exercise the in-the-money options on the vesting date (they may exercise the options at any time up to the day preceding the tenth anniversary of the date of grant), any subsequent increase or decrease in the amount received will be due to movements in the underlying share price between the initial vesting date and the date of exercise of the option. This increase or decrease in value reflects an investment decision by the Executive Director and, as such, is not regarded as remuneration.

The in-the-money options outstanding at 30 September 2022 and the movements during the year are as follows:

	Year of vesting	Options as at 1 Oct 2021	Exercised in year	Vested during the year	Options unexercised as at 30 Sep 2022	Exercise price*	Earliest normal exercise date	Expiry date
Johnny Thomson	2021	122,801	122,801	–	–	£1	Nov 2021	Feb 2029
	2022	–	–	85,481	85,481	£1	Nov 2022	Nov 2029
Barbara Glaser	2022	–	–	19,374	19,374	£1	Nov 2022	Mar 2030

* The exercise price of the in-the-money options granted to the Executive Directors is £1.00 per share. The exercise price of the in-the-money options granted to the Executive Directors is £1.00 per share. The exercise price of the in-the-money options granted to the Executive Directors is £1.00 per share.

The exercise price of the in-the-money options granted to the Executive Directors is £1.00 per share. The exercise price of the in-the-money options granted to the Executive Directors is £1.00 per share.

Directors' interests in ordinary shares

	As at 30 Sep 2022			As at 30 Sep 2021		
	Ordinary shares	Options vested but unexercised	Options with performance measures	Ordinary shares	Options vested but unexercised	Options with performance measures
Johnny Thomson	102,330	85,481	131,811	37,048	121,503	160,169
Barbara Glaser	5,082	19,374	24,030	1,649	–	49,115

In the new Remuneration Report on page 121, the Committee has increased the MSR of 300% (previously 250%) for the CEO and at least 150% for other Executive Directors. As at 30 September 2022, Johnny Thomson's shareholding was 503% of salary and therefore he had met his MSR.

MSR no longer applies to Barbara Glaser and, at present, on holding of 50% of MSR (which is assessed against the existing pay by 20% of base salary for 12 months), meaning that Barbara should hold 100% of base salary in shares for 12 months prior to the next employment PSP awards must be held until the fifth anniversary of the PSP grant. By adhering to the five-year rule, the Barbara Glaser complies with the post-vesting MSR. The shareholding calculations are in line with the Company's Shareholding Policy and individualised remuneration PSP awards.

As at 11 November 2022, there have been no changes to these interests in ordinary shares of the Company.

Chair and Non-Executive Directors' interests in ordinary shares (audited)

The Non-Executive Directors' interests in ordinary shares of the Company at the start and end of the financial year were as follows:

	Interest in ordinary shares	
	As at 30 Sep 2022	As at 30 Sep 2021
Dalia Givner	2,500	–
John Nankall	9,045	5,148
Andy Smith	7,545	5,148
Anna Thompson	5,045	5,148
Gabrielle Harp	2,045	5,148
David Firth	640	–

As at 11 November 2022,

there have been no changes to these interests in ordinary shares of the Company.

Remuneration in context

Chief Executive pay ratio (unaudited)

The table below sets out the Chief Executive pay ratio as at 30 September 2022.

The ratio compares the single total figure of remuneration of the CEO with the equivalent figures for the lower quartile (25th percentile), median (50th percentile) and upper quartile (75th percentile) employees. Option A has been used as it is the most statistically accurate method of comparison used by the Government and investors, and is also comparable to the CEO's remuneration.

The employee data was measured on 30 September 2022 using the most up-to-date bonus estimates. The approach used was the same as the single total figure methodology with the exception that bonus estimates were used and colleagues who work part-time were pro-rated to full-time equivalent and those who worked part of the year were annualised.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2022	Option A	156.1	129.1	93.1
2021	Option A	125.1	180.1	126.1
2020	Option A	44.1	85.1	14.1

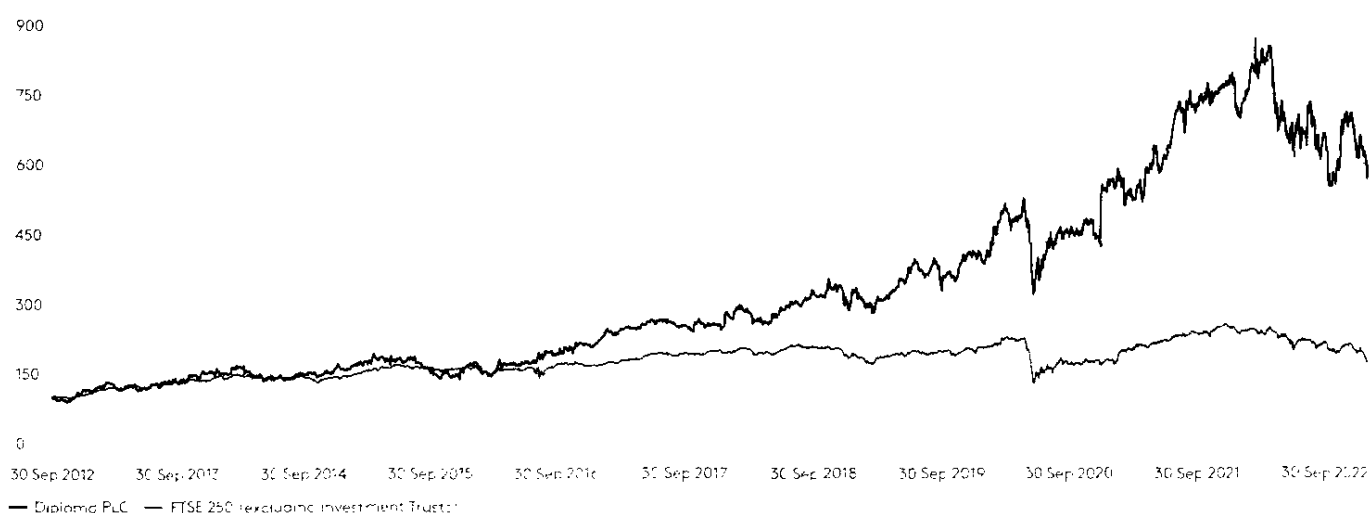
	Base salary	Ratio of base pay to CEO base pay	Total pay and benefits
CEO	£771,000	1.0	£3,169,000
25th percentile	£20,531	2.7	£14,090
Median	£27,040	28.1	£24,074
75th percentile	£36,050	20.1	£41,016

The median pay ratio for Diploma PLC represents the Group's employees for workforce remuneration. A significant proportion of the CEO's remuneration is delivered through variable pay, whereas bonuses are linked to financial performance and share price movements over the longer term. This means that the ratio will often be an variable by bonuses and may fluctuate from year to year. The CEO pay ratio for 2022 has reduced from 180.1 to 129.1. The principal change for the CEO's single figure is due to lower share price appreciation. The median pay for UK colleagues has risen a net of a similar level (£29,074, 2021; £29,036, 2022) with the addition of c.400 new employees from UK acquisitions, five executive employees who joined through acquisition during 2022, the median pay to the UK workforce has increased marginally to £36,050.

Aligning pay with performance (unaudited)

The graph below shows the TSR performance of Diploma PLC for the ten-year period ended 30 September 2022 against the FTSE 250 index (excluding Investment Trusts) as the Company's benchmark (red line). The FTSE 250 index (excluding Investment Trusts) was chosen because this is a strong growth broad equity market index.

Growth in the value of a hypothetical £100 holding over ten years



TSR is defined as the return on investment for shareholders over a period. It includes a dividend paid and the change in the total value of the investment (dividend plus return on investment) over the period.

ANNUAL REPORT ON REMUNERATION CONTINUED

Chief Executive Officer remuneration compared with annual growth in TSR (unaudited)

Year	Name	CEO single figure of total remuneration (£000)	Annual bonus against maximum opportunity	Actual share award vesting against maximum opportunity	Annual growth in TSR
2022	Johnny Thomson	3,758	100%	100%	-17%
2021	Johnny Thomson	5,242	100%	100%	+32%
2020	Johnny Thomson	999	25%	-	+34%
2019	Johnny Thomson	1,079	72%	-	+20%
2019	John Nicholas	62	-	-	+20%
2018	John Nicholas	14	-	-	+36%
2018	Richard Ingham	235	-	-	+36%
2018	Bruce Thompson	3,842	100%	99%	+36%
2017	Bruce Thompson	2,258	100%	89%	+24%
2016	Bruce Thompson	1,634	95%	45%	+36%
2015	Bruce Thompson	1,139	51%	35%	+1%
2014	Bruce Thompson	1,846	65%	51%	+8%
2013	Bruce Thompson	2,401	33%	100%	+42%

1. The figures above are based on the remuneration of the CEO as disclosed in the Annual Report and Accounts for the relevant year. The figures are based on the remuneration of the CEO as disclosed in the Annual Report and Accounts for the relevant year.

Relative importance of Executive Director remuneration (unaudited)

	2022 £m	2021 £m	Change £m
Total employee remuneration	177.5	176.9	40.6
Total dividend paid	56.2	42.9	3.3

Percentage change in remuneration of Directors and employees (unaudited)

Set out below is the change over the prior financial year in base salary, fees, benefits, pension and annual performance bonus of the Board and the Group's senior managers. Senior management is defined as a group of up to 130 individuals. The Committee have selected senior managers for pay comparisons with the Board as it provided the most appropriate designed comparator group, considering the global and diverse nature of the Group's business. The figures for the Board are shown for a full year basis to show the intended movement.

	Base salary/fee change (%)			Pension change (%)			Taxable benefits change (%)			Bonus change (%)		
	2022 vs 2021	2021 vs 2020	2020 vs 2019	2022 vs 2021	2021 vs 2020	2020 vs 2019	2022 vs 2021	2021 vs 2020	2020 vs 2019	2022 vs 2021	2021 vs 2020	2020 vs 2019
Executive Directors												
Johnny Thomson	+3	No change	+3	-18	-	-7	+2	+4	No change	+3	+50%	+34
Barbara Gibbs	+7	No change	+3	+7	No change	+3	+2	+7	+3	+7	+50%	+3
Non-Executive Directors												
David Snowden	n/a	No change	+1									
John Nicholas	-69	No change	+1									
Andy Smith	+3	No change	No change									
Anna Thompson	+6	+1	+1									
Gerardine Hulse	+3	No change	+1									
Dean Farrant	+185	+1	+1									
Employees of the Parent Company												
	n/a	+3	+3	n/a	+3	+3	n/a	+3	+3	n/a	+3	+3
Senior management team												
	+7.5	+1	+3	+7.5	+1	+3	No change	No change	No change	+22	+11	25

1. The figures above are based on the remuneration of the CEO as disclosed in the Annual Report and Accounts for the relevant year. The figures are based on the remuneration of the CEO as disclosed in the Annual Report and Accounts for the relevant year.

2. The figures above are based on the remuneration of the CEO as disclosed in the Annual Report and Accounts for the relevant year. The figures are based on the remuneration of the CEO as disclosed in the Annual Report and Accounts for the relevant year.

3. The figures above are based on the remuneration of the CEO as disclosed in the Annual Report and Accounts for the relevant year. The figures are based on the remuneration of the CEO as disclosed in the Annual Report and Accounts for the relevant year.

4. The figures above are based on the remuneration of the CEO as disclosed in the Annual Report and Accounts for the relevant year. The figures are based on the remuneration of the CEO as disclosed in the Annual Report and Accounts for the relevant year.

5. The figures above are based on the remuneration of the CEO as disclosed in the Annual Report and Accounts for the relevant year. The figures are based on the remuneration of the CEO as disclosed in the Annual Report and Accounts for the relevant year.

6. The figures above are based on the remuneration of the CEO as disclosed in the Annual Report and Accounts for the relevant year. The figures are based on the remuneration of the CEO as disclosed in the Annual Report and Accounts for the relevant year.

7. The figures above are based on the remuneration of the CEO as disclosed in the Annual Report and Accounts for the relevant year. The figures are based on the remuneration of the CEO as disclosed in the Annual Report and Accounts for the relevant year.

Executives and senior management below the Board (unaudited)

Outstanding awards comprise all the share-based awards outstanding at 30 September 2022, which have been granted to members of the executive team and other senior employees, including share awards which have vested during the year based on the performance and share awards which have been granted both last year and during this year. The awards set out below were granted at a price and fair value that varied between 95% and 100% of base salary. All awards will vest unless the performance conditions set out in page 181 are achieved over a three-year measurement period. The committee anticipates making significant awards to members of the executive team and other senior employees in October 2022.

	Market price at date of award	Face value of the award at date of grant £000	End of performance period	Share over which awards held at 1 October 2021	Shares over which awards granted during the year	Vested during the year	Lapsed during the year	Shares over which awards held at 30 Sep 2022
RSP (2019)	2,018p	686	30 Sep 2022	34,306	–	29,546	4,460	–
RSP (2020)	2,306p	734	30 Sep 2023	49,472	–	–	9,612	39,860
	3,108p 2,574p							
RSP (2021)	2,682p	2,366	30 Sep 2024	–	102,258	–	8,086	94,172

GOVERNANCE

Remuneration Committee

The Committee is chaired by Anna Smith and comprises five independent Non-Executive Directors. Jonathan Smith stepped as Chairman in January 2022 and was replaced by David Howden. The remaining members, Anne Thorburn, Dean Frenn and Geraldine Huse, continue to serve on the Committee. The Group CEO and the Group HR Director attend meetings at their invitation. The Committee is provided advice to help it make informed decisions. The Group Company Secretary attends meetings as Secretary to the Committee.

The Remuneration Committee Report

The Annual Report on Remuneration and the Chairs Statement will continue to be subject to an annual vote from shareholders at the 2023 AGM.

Remuneration principles and structure

The Committee has adopted remuneration principles which are designed to ensure that executive remuneration:

- is aligned to the business strategy and promotes the long-term success of the Company;
- supports the creation of sustainable long-term shareholder value;
- provides an appropriate balance between remuneration elements and includes performance-related payments which are short-term, stretching and rigorously applied;
- provides an appropriate balance between immediate and deferred remuneration; and
- encourages a high-performance culture over long performance-related remuneration, consistent with a prudent approach to the remuneration package and by linking maximum payout opportunity to outstanding results.

These principles also extend to those of senior management and align to those of the wider workforce.

Key duties and focus in 2022

The Committee agrees on behalf of the Board all aspects of the remuneration of the Executive Directors and agree the strategy, direction and policy framework for the remuneration of the senior executives who have a significant influence over the Group's ability to meet its strategic objectives. The Committee also oversees all workforce remuneration policy in addition to this. The Committee has a process in place to review risk of conflict of interest.

The Committee's roles and responsibilities are set out in its Terms of Reference, which are reviewed annually and approved by the Board. The Terms of Reference are available on Diploma PLC's website at www.diploma.co.uk/governance/committees/remuneration.

The Committee's key responsibilities and focus during the year have been:

- Approved Remuneration Committee work programme for 2022.
- Reviewed the AGM 2022 votes.
- Invited external adviser to provide opinion on the new Remuneration Policy and to make recommendations.
- Approved annual performance bonus targets and the subject of Annual Awards for 2022.
- Approved new RPI awards to Executive Directors and confirmed the performance conditions for the awards.
- Confirmed the vesting arrangements in the RSP (2019) which crystallised in 2022.
- Reviewed Executive Directors' remuneration and benefits.
- Reviewed remuneration arrangements for LFO and senior management wider seniority, the new CEO.
- Reviewed the role of the Chair and for Executive Directors, including new grant to Executive Director, Jonathan.
- Evaluation of the appointment of new Chair.
- Reviewed remuneration framework for executive management and senior management – the latter of which will be reviewed in 2023.
- Reviewed workforce remuneration framework.
- Approved the 2022 Remuneration Committee Report.

ANNUAL REPORT ON REMUNERATION CONTINUED

Services from external advisors (unaudited)

The Committee has continued to receive its remuneration advice from WTW and legal remuneration advice from Emmens and Emmens. The fees are agreed in advance with the advisor, based on the scope of work. All advisors are selected by the Committee based on their technical expertise and independence. None of the advisors have any relationship with any Director and the Committee is satisfied that the services of advisors are independent, which it validates by checking that the advisors are not providing other services to the Company. Fees during 2021 were higher due the Policy review and the change of CFO. Details are shown in the table below.

Advisor	Appointed by	Services provided to the Committee	Other services provided to the Company	Fees (£)
WTW Towers Watson	Committee	Remuneration advice	None	129,872
Emmens and Emmens LLP	Committee	Legal and remuneration advice	None	10,375

Shareholder voting at previous Annual General Meeting (unaudited)

The Director's Remuneration Policy was approved by shareholders at the AGM held on 18 January 2020 and the Remuneration Committee's Annual Report (Report) for the year ended 30 September 2021 was approved by shareholders at the AGM held on 19 January 2022, with the following votes being cast:

	Policy		2021 Report	
Voted for	63,766,441	74.98%	12,075,475	93.26%
Voted against	15,109,003	10.02%	1,304,998	8.74%
Withheld	21,728,956	-	1,065,630	-

At the AGM in January 2022, the 2021 DRP was approved with 93.26% of votes in favour. Given the positive voting outcome, there was no immediate need for shareholder feedback. Extensive consultation was conducted during 2021 on the new Policy and the 2021 DRP. During consultation there was an opportunity to consult with shareholders, if they had any outstanding queries from 2021 and none were raised.

DIRECTORS' REPORT

This section contains information which the Directors are required by law and regulation to include within the Annual Report & Accounts. The Directors' written statement for the year is set out on page 92.

Shareholders

Incorporation and principal activity

Diakron PLC is domiciled in England and is registered in England and Wales under Companies Number 3899848. At the date of this report there were 14,179,547 ordinary shares of 5p each in issue, all of which are fully paid up and admitted to the London Stock Exchange.

The principal activity of the Group is the supply of specialised technical products and services. A description and review of the activities of the Group during the financial year, including the Company's business model and strategy, trading risks and uncertainties facing the Group and how these are managed and mitigated, together with an indication of future developments, is set out in the Strategic Report on pages 2 to 49, which incorporates the requirements of the Companies Act 2006 (the Act).

Annual General Meeting

The Annual General Meeting (AGM) will be held on 29.06.2023 on Wednesday 18 January 2023 in The Chamber, 100, Chamberlayne Square, London EC1M 6AN. The Notice of the AGM, which is a separate document, will be sent to all shareholders and will be published on the Diakron PLC website.

Substantial shareholdings

As at September 2022, the Company had received written notifications of the following changes in its substantial shares in accordance with the requirements of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules (DTRs):

	Percentage of ordinary shares (September 2022)	Percentage of ordinary share capital (November 2022)
Mayer Wertheimer Management Limited	9.60	No change
Capital Research Global Investors	2.11	17.06
Royal London Group	4.95	No change
The Vanguard Group Ltd	5.42	No change
Morgan Investment Partners Limited	3.74	No change
BlackRock Inc	8.67	Below 8

Other than Capital Research Global Investors and BlackRock, no other shareholder has changed its interest notified to the Company in accordance with the DTRs up to the date of this report.

Share capital

The rights attaching to the Company's ordinary shares, as well as the powers of the Directors to alter the rights attached to the Company's shares, are set out in the Articles of Association which is published on the Company's website. The Articles may be amended by special resolution of the Company's shareholders.

Shareholders

Shareholders are entitled to attend and speak at general meetings of the Company and to appoint one or more proxies or corporate representatives. On a show of hands each holder of ordinary shares (not having one vote) as shareholders (or their proxies) has one vote. On a poll, every ordinary share present in person or by proxy has one vote for every share of which they are the holder. Elections and appointments, appointments and voting instructions must be received not later than 48 hours before a general meeting.

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities and/or voting rights. No person holds securities in the Company carrying special rights with regard to control of the Company.

Contracts of significance and change of control

There are a number of agreements that have effect, either on termination upon a change of control of the Company, principally bank facility agreements, the Company's long term incentive Plan and the Annual Performance Bonus Plan.

Restrictions on transfer of shares

The Directors may refuse to register a transfer of the uncertificated share that is not fully paid, provided that the refusal does not prevent dealings in shares in the Company from taking place on an open and proper basis, or where the Company has accepted that share. The Directors may also refuse to register a transfer of a certificated share unless the instrument of transfer is fully signed, duly stamped (if necessary) at the registered office of the Company, and in other cases as the Board may decide from time to time. Transfers of uncertificated shares must be carried out using CREST and the Directors can refuse to register a transfer of an uncertificated share.

Participants in the Company's Performance Share Plan (PSP) have yet to meet shareholding requirements. Have vested PSP shares held in trust until the earlier occurrence of them meeting their shareholding requirements or for a period of five years, during which period these shares cannot be transferred to them. Executive Directors who participate in the Annual Performance Bonus Plan and have yet to meet shareholding requirements have 50% of their net annual bonus held in shares until the earlier occurrence of them meeting their shareholding requirements or five years.

Share allotment

A general allotment power and a limited power to allot shares in specific circumstances for cash, otherwise than in relation to existing shareholders, were given to the Directors by resolution approved at the AGM of the Company held on 19 January 2012.

Authority to make market purchases of own shares

An authority to make market purchases of up to 10% of the issued share capital of the Company was given to the Directors by special resolution at the AGM of the Company held on 19 January 2012. In the year to 30 September 2022, the Company has not purchased any of its own shares.

Liability insurance and indemnities

As at the date of this report, the Company has granted qualifying third party indemnities to each of its Directors and officers, and to the extent permitted by the Companies Act 2006, to the Directors and officers of the Company and to third party directors and officers to be covered by Directors and Officers liability insurance.

DIRECTORS' REPORT CONTINUED

Disclosures required under Listing Rule 9.8.4C

To comply with Listing Rule 9.8.4C, the following table provides the information to be disclosed by the Company in respect of Listing Rule 9.8.4R:

	Listing Rule
The Trustees of the Pension Plan (PwC Employee Benefit Trust) waived a waiver of a claim.	9.8.4(1)(F) and 9.8.4(3)(F)

Non-financial information

The Company has chosen, in accordance with section 414L(1) of the Companies Act 2006, to include certain matters in its Strategic Report on pages 7 to 85 that would otherwise be required to be disclosed in this Directors' Report.

Non-financial information statement

Other information that is relevant to the Directors' Report and which is incorporated by reference into this report can be viewed in the section on 'Delivering Value Responsibly' on pages 34 to 57 and includes:

- Our employees
- Environmental matters
- Health & Safety
- Greenhouse gas emissions
- Human rights
- Business ethics, corruption and bribery
- Modern slavery
- Community

Other related information can also be found set out in:

- Business in scope – pages 14 to 16
- Risk and resilience – with a new integrated risk category – pages 80 to 86
- Non-financial key performance indicators – page 89
- Employee engagement – pages 34 to 37
- Stakeholder engagement – pages 44 to 55

Financial

Results and dividends

The profit for the financial year attributable to ordinary shareholders (£44.7m (2021: £64.9m)). The Directors recommend a final dividend of 39.8p (2021: 30.6p) per ordinary share to be paid on 26 May 2022 (2021: 26 February 2022). This, together with the interim dividend of 12.2p (2021: 12.6p) per ordinary share, amounts to 52.0p (2021: 43.2p).

The results are shown in more detail in the consolidated financial statements on pages 147 to 178 and summarised in the Financial Review on pages 134 to 174.

Independent Auditors

Form of the decision on the appointment of the auditor is disclosed in the Annual Report & Accounts in the notes on page 179. The Directors' advice is that the appointment of the auditor is in the best interests of the Company's shareholders and that the auditor is independent of the Company and that the auditor is not related to the Company or any of its subsidiaries. The Directors' decision is based on the information provided by the auditor and is subject to the auditor's independence statement on pages 179 to 180 and the auditor's independence statement on pages 179 to 180.

PricewaterhouseCoopers LLP (PwC) has expressed its willingness to continue in office as independent auditor and a resolution to reappoint PwC will be proposed at the AGM to be held on 18 January 2023.

Directors' assessment of going concern

The Directors continue to adopt the going concern basis in preparing the Annual Report & Accounts. Their assessment in reaching this conclusion is set out in the notes to the consolidated financial statements on page 170.

Statement of Directors' responsibilities for preparing the financial statements

The Directors are responsible for preparing the Annual Report & Accounts and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards comprising FRS 101 Reduced Disclosure Framework) and applicable law. Additionally, the Financial Conduct Authority's Disclosure, Guidance and Transparency Rules require the Directors to prepare the Group financial statements in accordance with United Kingdom and the international financial reporting standards.

Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of the profit or loss of the Group in that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed for the Group financial statements and United Kingdom Accounting Standards (comprising FRS 101) have been followed for the Parent Company financial statements
- subject to any material departures allowed and explained in the financial statements
- make judgements and accounting estimates that are reasonable and prudent and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Parent Company will continue in business.

The Directors are responsible for safeguarding the assets of the Group and Parent Company and for preventing and detecting fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Parent Company's transactions and business with reasonable accuracy at any time the financial position of the Group and Parent Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Parent Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

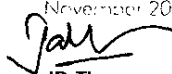
The Directors consider that the Annual Report & Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and Parent Company's position and performance, business model, and strategy. Each of the Directors, whose names and functions are listed in the Board of Directors confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with international accounting standards in conformity with the relevant financial reporting framework, the Parent Company financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 101, give a true and fair view of the assets, liabilities and financial position of the Parent Company, and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and Parent Company, together with a description of the principal risks and uncertainties that it faces.

In the case of each Director in office at the date the Directors' report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group's and Parent Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's and Parent Company's auditors are aware of that information.

The Directors' Report was approved by the Board of Directors on 21 November 2022 and is signed on its behalf by



JD Thomson
Chief Executive Officer

Registered office:
10-11 Charterhouse Square
London
EC1M 6EE

Registered Number:
3899848

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2022

	Note	2022 £m	2021 £m
Revenue	2.3	1,012.8	787.4
Cost of sales		(638.3)	499.6
Gross profit		374.5	287.8
Distribution costs		(25.9)	21.9
Administration costs		(204.3)	190.2
Operating profit	4	144.3	104.9
Financial expense, net	5	(14.8)	1.7
Profit before tax		129.5	96.6
Tax expense	6	(34.1)	16.9
Profit for the year		95.4	89.7
Attributable to:			
Shareholders of the Company		94.7	88.8
Minority interests	10	0.7	0.9
		95.4	89.7
Earnings per share			
Basic earnings	8	76.1p	66.1p
Diluted earnings	9	75.9p	65.9p

ALTERNATIVE PERFORMANCE MEASURES¹

	Note	2022 £m	2021 £m
Operating profit		144.3	104.9
Add: Adjusted for related and other charges included in administration costs	7	46.9	32.4
Adjusted operating profit	11	191.2	147.3
Deduct: Net interest and other charges	1	(11.6)	6.8
Adjusted profit before tax		179.6	154.1
Adjusted earnings per share	8	107.5p	91.1p

¹ The alternative performance measures are non-financial measures and are not permitted under IFRS. They should not be used to assess performance.

The notes on pages 141 to 161 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2022

	Note	2022 £m	2021 £m
Profit for the year		95.4	59.7
Items that will not be reclassified to the Consolidated Income Statement			
Actuarial gains on the defined benefit pension schemes	24	10.6	14
Deferred tax on items that will not be reclassified	6.13	(2.8)	0.8
		7.8	14.8
Items that may be reclassified to the Consolidated Income Statement			
Financial derivatives on translation of foreign operations		76.8	16.2
Changes in the value of cash flow hedges	6	4.5	0.4
Net changes to fair value of cash flow hedges transferred to the Consolidated Income Statement	18	(0.4)	0.0
Deferred tax on items that may be reclassified	6.13	(1.1)	-
		79.8	16.6
Total Other Comprehensive Income		87.6	31.4
Total Comprehensive Income for the year		183.0	91.1
Attributable to:			
Shareholders of the Company		182.2	90.8
Minority interests		0.8	0.3
		183.0	91.1

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2022

	Note	Share capital £m	Share premium £m	Translation reserve £m	Hedging reserve £m	Retained earnings £m	Shareholders' equity £m	Minority interests £m	Total equity £m
At 1 October 2020		6.3	188.6	28.3	0.7	304.1	527.0	27.7	554.7
Total Comprehensive Income		-	-	16.2	0.5	76.8	60.8	0.2	61.0
Share buy-backs	4	-	-	-	-	1.8	1.8	-	1.8
Tax on share buy-backs	4	-	-	-	-	1.0	1.0	-	1.0
Financial derivatives on foreign exchange		-	-	-	-	(0.5)	(0.5)	-	(0.5)
Dividends	20	-	-	-	-	-	-	0.9	0.9
Minority interests in subsidiaries		-	-	-	-	(0.9)	(0.9)	-	(0.9)
Minority interests issued		-	-	-	-	-	-	0.7	0.7
Dividends	20	-	-	-	-	(52.9)	(52.9)	0.7	(53.2)
At 30 September 2021		6.3	188.6	44.5	0.2	329.1	536.3	29.2	565.5
Total Comprehensive Income		-	-	16.7	3.0	102.5	182.2	0.4	182.6
Share buy-backs	4	-	-	-	-	2.8	2.8	-	2.8
Tax on share buy-backs	4	-	-	-	-	0.4	0.4	-	0.4
Financial derivatives on foreign exchange		-	-	-	-	(2.8)	(2.8)	-	(2.8)
Dividends	20	-	-	-	-	-	-	2.5	2.5
Dividends	20	-	-	-	-	-	-	(1.3)	(1.3)
Financial derivatives on foreign exchange		-	-	-	-	(1.9)	(1.9)	-	(1.9)
Minority interests in subsidiaries		-	-	-	-	1.2	1.2	-	1.2
Minority interests issued	20	-	-	-	-	-	-	0.3	0.3
Dividends	20	-	-	-	-	(56.2)	(56.2)	0.1	(56.4)
At 30 September 2022		6.3	188.6	88.8	3.2	375.1	662.0	6.2	668.2

Financial results are stated in the reporting currency, unless otherwise stated.

Approved for issue by the Board on 11 October 2022.

Overview

Strategic Report

Corporate Governance

Financial Statements

Other Information

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2022

	Note	2022 £m	2021 £m
Non-current assets			
Goodwill	9	372.3	260.7
Acquisition intangible assets	10	455.0	344.9
Other intangible assets	10	4.1	3.4
Property, plant and equipment	11	49.6	35.4
Leases – right-of-use assets	12	62.4	44.9
Retirement benefit assets	24	6.4	–
Deferred tax assets	13	0.2	0.4
		950.0	689.7
Current assets			
Inventories	14	217.4	139.6
Trade and other receivables	15	169.9	117.6
Assets held for sale	15	–	11.3
Cash and cash equivalents	17	41.7	24.8
		429.0	293.7
Current liabilities			
Borrowings	23	(30.5)	(18.0)
Trade and other payables	16	(189.5)	(127.0)
Current tax liability	6	(11.8)	(10.0)
Other liabilities	19	(19.0)	(11.7)
Lease liabilities	12	(12.7)	(19.7)
		(263.5)	(176.4)
Net current assets		165.5	117.3
Total assets less current liabilities		1,115.5	807.0
Non-current liabilities			
Retirement benefit obligations	24	–	(4.9)
Borrowing	23	(340.1)	(188.2)
Lease liabilities	12	(56.4)	(38.6)
Other liabilities	19	(12.4)	(12.0)
Deferred tax liabilities	13	(38.4)	(22.3)
Net assets		668.2	541.0
Equity			
Share capital		6.3	6.3
Share premium		188.6	188.6
Translation reserve		88.8	12
hedging reserve		3.2	0.2
Retained earnings		375.1	329
Total shareholders' equity		662.0	536.1
Minority interests	20	6.2	4.7
Total equity		668.2	541.0

The consolidated financial statements on pages 42 to 75 were approved by the Board of Directors on 21 November 2022 and signed on its behalf by:


JD Thomson
 Chief Executive Officer


C Davies
 Chief Financial Officer

The notes on pages 76 to 110 form an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2022

	Note	2022 £m	2021 £m
Operating profit		144.3	104.3
Acquisition related and other charges		46.9	64.4
Non-recurring items and other		18.1	9.9
Increase in working capital		(28.7)	10.6
Cash flow from operating activities	12	180.6	48.9
Interest paid, net of cash paid in flowing flows		(15.0)	5.3
Tax paid		(40.6)	14.1
Net cash from operating activities		125.0	68.3
Cash flow from investing activities			
Acquisition of businesses, net of cash acquired	11	(173.0)	481.4
Deferred consideration paid	14	(7.1)	6.6
Proceeds from sale of business, net of cash disposed		13.7	3.0
Expenditure on property, plant and equipment	15	(14.3)	4.9
Purchase of other intangible assets		(1.1)	11.3
Proceeds from sale of property, plant and equipment		9.9	4.8
Net cash used in investing activities		(171.9)	445.4
Cash flow from financing activities			
Proceeds from issue of share capital, net of fees		–	1.6
Dividends paid to shareholders	16	(56.2)	51.4
Dividends paid to minority interests	20	(0.2)	0.3
Proceeds from minority interests	10	–	9.1
Exemption of minority interest	10	(0.3)	–
Purchase of own shares by Employee Benefit Trust		–	–
Net cash purchase of own shares on exercise of share options		(2.8)	0.6
Proceeds from borrowings	23	154.8	15.3
Repayment of borrowings	23	(20.0)	12.4
Principal payments of lease payments		(10.9)	9.5
Net cash from financing activities		64.4	100.9
Net increase/(decrease) in cash and cash equivalents		17.5	151.6
Cash and cash equivalents at beginning of year		24.8	206.8
Effect of exchange rates on cash and cash equivalents		(0.6)	10.6
Cash and cash equivalents at end of year		41.7	248.8

ALTERNATIVE PERFORMANCE MEASURES¹

	Note	2022 £m	2021 £m
Free cash flow	17	120.4	108.8
Adjusted earnings	17	133.9	106.1
Free cash flow conversion %	17	90%	121%

¹ The above measures are non-GAAP measures and should not be used as a substitute for measures derived from the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

1. General information

Diploma PLC is a public company, limited by shares, incorporated in the United Kingdom, registered and domiciled in England and Wales and listed on the London Stock Exchange. The address of the registered office is: 10-11 Charterhouse Square, London EC1M 6AE. 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 21 November 2022. These statements are presented in UK sterling, with all values rounded to the nearest 100,000, except where otherwise indicated.

On 31 December 2020, FRS as adopted by the European Union at that date was brought into UK law and became UK-adopted international Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. Diploma PLC transitioned to UK-adopted international Accounting Standards in its consolidated financial statements on 1 October 2021. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework.

The consolidated financial statements of the Group have been prepared in accordance with UK-adopted international Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. The financial statements of the Parent Company, Diploma PLC, have been prepared in accordance with FRS 101, Reduced Disclosure Framework, and are set out in a separate section of the Annual Report & Accounts on pages 176 to 178. A full list of subsidiary and other related undertakings is set out on pages 187 to 189.

2. Business Sector analysis

The Chief Operating Decision Maker (CODM) for the purposes of FRS 8 is the CEO. The financial performance of the business (as reported) is attributed to the CODM on a monthly basis and this information is used to allocate resources and to appraise performance.

For management reporting purposes, the Group is organised into three main operating Business Sectors: Life Science, Sugar and Confection. These Sectors are the Group's operating segments as defined by FRS 8 and form the basis of the primary reporting information required below. The CODM receives discrete financial information at a regular management level. The principal activities of each of these Sectors are described in the Strategic Report on pages 60 to 77. Segment revenue comprises revenue from external customers, there is no inter-Sector revenue. Segment results exclude non-current assets and non-current liabilities, but do include the results of investments in subsidiaries and other entities.

Segment assets exclude cash and cash equivalents, deferred tax assets, non-current intangible assets, available-for-sale assets and available-for-sale debt instruments and a reasonable share of non-current financial assets. Segment liabilities exclude deferred tax liabilities, non-current intangible liabilities, available-for-sale debt instruments and a reasonable share of non-current financial liabilities. These items are shown separately in the following and are not allocated between the Sectors and are included in the respective line items.

	Life Sciences		Seals		Controls		Corporate		Group	
	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m
Revenue excluding	178.0	180.4	294.4	263.7	481.9	343.3	–	–	954.3	787.4
Revenue on acquisition	10.6	–	37.0	–	10.9	–	–	–	58.5	–
Revenue	188.6	180.4	331.4	263.7	492.8	343.3	–	–	1,012.8	787.4
Adjusted operating profit excluding	39.7	43.3	57.0	46.5	104.0	72.4	(18.2)	13.4	182.5	148.7
Adjusted operating profit on acquisition	1.3	–	5.6	–	1.8	–	–	–	8.7	–
Adjusted operating profit	41.0	43.2	62.6	46.5	105.8	72.4	(18.2)	13.4	191.2	148.7
Adjustment related and other charges	1.5	4.6	(16.6)	(4.7)	(30.5)	(30.7)	(1.3)	–	(46.9)	44.4
Operating profit	42.5	38.6	46.0	36.8	75.3	41.7	(19.5)	13.4	144.3	64.3
Operating assets	74.0	81.0	207.5	134.4	211.5	164.8	–	–	493.0	350.4
Goodwill	106.2	81.4	125.2	60.0	140.9	119.3	–	–	372.3	260.7
Analysis of intangible assets	74.9	47.2	100.2	50.4	279.9	247.3	–	–	455.0	344.9
	255.1	199.6	432.9	244.8	632.3	531.4	–	–	1,320.3	956.0
– Intangible assets										
– Deferred tax assets							0.2	0.4	0.2	0.4
– Cash and cash equivalents							41.7	14.6	41.7	14.6
– Available for sale assets							1.8	–	1.8	–
– Retirement benefit assets							6.4	–	6.4	–
– Corporate assets							8.6	–	8.6	–
Total assets	255.1	199.6	432.9	244.8	632.3	531.4	58.7	17.4	1,379.0	983.0
Operating liabilities	(41.7)	(30.2)	(103.3)	(58.4)	(92.6)	(68.1)	–	–	(237.6)	(67.7)
Analysed liabilities										
– Deferred tax liabilities							(38.4)	11.3	(38.4)	11.3
– Retirement benefit obligations							–	4.4	–	4.4
– Financial liabilities							(31.4)	(3.7)	(31.4)	(3.7)
– Corporate liabilities							(32.8)	(18.6)	(32.8)	(18.6)
– Borrowings							(370.6)	(216.1)	(370.6)	(166.2)
Total liabilities	(41.7)	(30.2)	(103.3)	(58.4)	(92.6)	(68.1)	(473.2)	(238.7)	(710.8)	(441.4)
Net assets	213.4	149.4	329.6	186.4	539.7	463.3	(414.5)	(159.3)	668.2	541.6

Adjustment related and other charges are £46.9m (2021: £44.4m) and comprise £48.4m (2021: £33.1m) of amortisation of intangible intangible assets, £10.5m of acquisition expenses as defined in note 2, (2021: £9.1m), a £7.3m (2021: £1.6m) net charge in respect of the provision of services which is set out in note 21, and the off restructuring costs of £1.3m associated with the transfer of the Group Chief Financial Officer.

Other Sector information

	Life Sciences		Seals		Controls		Corporate		Group	
	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m
Goodwill expenditure	8.0	2.3	3.7	2.5	2.7	–	0.9	0.3	15.3	5.2
Goodwill impairment	2.9	2.6	3.5	2.9	4.6	4.7	0.2	0.3	11.2	3.9
Revenue recognition										
– Intangible assets	176.4	164.1	315.6	260.1	492.8	343.3	–	–	984.8	767.5
– Goodwill	12.2	16.3	15.8	3.6	–	–	–	–	28.0	16.3
	188.6	180.4	331.4	263.7	492.8	343.3	–	–	1,012.8	787.4

Adjusted operating profit on acquisition of £1.3m (2021: £5.6m) and deferred revenue on acquisition of £13.5m at 31 December 2022, £11.2m (2021: £11.2m) are included in revenue and other intangible assets in note 19, and include and other intangible assets in note 19.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

CONTINUED

3. Geographic segment analysis by origin

	Revenue		Adjusted operating profit		Non-current assets ¹		Trading capital employed ²		Capital expenditure	
	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m
United Kingdom	209.7	142.5	21.0	10.5	193.6	30.5	202.2	55.4	3.4	0.5
Rest of Europe	166.7	116.5	29.3	31.9	169.1	115.3	179.8	46.2	1.7	0.6
United America	561.0	411.8	129.5	94.1	519.2	443.7	614.2	445.1	8.9	4.0
Rest of world	75.4	61.6	11.4	11.6	57.1	47.8	62.3	52.1	1.3	0.8
	1,012.8	787.4	191.2	148.1	939.0	689.3	1,058.5	1,129.9	15.3	6.2

¹ Non-current assets exclude financial assets, cash and derivative assets and the retirement benefit assets.

4. Group employee costs

Average number of employees

	2022	2021
Life sciences	423	453
Drug	1,174	1,055
Contract	981	931
Corporate	36	21
Number of employees – average	2,614	2,460
Number of employees – year end	2,909	2,498

Group employee costs, including key management

	2022 £m	2021 £m
Wages and salaries	154.8	110.1
Social security costs	13.3	10.5
Other pension costs	6.6	5.5
Long-term employee benefits	2.8	2.6
	177.5	128.7

Key management short-term remuneration, including Directors

	2022 £m	2021 £m
Salaries and short-term employee benefits	5.0	4.4
Compensation to directors for loss of office	0.4	–
Pension costs	0.2	0.1
Share-based payments	2.4	1.5
	8.0	6.0

The Group's key management personnel (as defined in IAS 24, Related Party Disclosures) is the Director of the Company and the members of the Executive team.

The Executive Directors' remuneration and their interests in shares of the Company are given on pages 144 to 156 in the Remuneration Committee Report. The Group's key management personnel at 30.09.2022 (£1.8m) relates to the Group's RIF benefits in the Remuneration Committee Report.

Directors' short-term remuneration

	2022 £m	2021 £m
Non-Executive Directors	0.5	0.4
Executive Directors	2.6	1.5
	3.1	1.9

5. Financial expense, net

	2022 £m	2021 £m
Interest (expense)/income and similar charges		
- bank facilities and current interest fees	(1.0)	(0.6)
- interest income on short-term deposits	0.1	-
- interest expense on bank borrowings	(7.9)	(4.7)
- financial interest expense on the defined pension scheme (note 24)	-	(0.1)
- government-related debt swap arrangements	(0.2)	(0.2)
- interest on lease liabilities	(2.6)	(1.8)
Net interest expense and similar charges	(11.6)	(6.8)
- acquisition-related finance charges	(3.2)	(0.9)
Financial expense, net	(14.8)	(7.7)

Acquisition-related financial charges includes fair value remeasurements of put options for future minority purchases of £.4m before 2021 (£0.1m before) and discounts on acquisition liabilities of £0.4m before 2021 (£nil) and £1.4m before 2021 (£0.8m) debt finance arrangements in respect of borrowings for acquisition-related borrowings.

6. Tax expense

	2022 £m	2021 £m
Current tax		
The tax charge is based on the profit for the year and comprises:		
- UK corporation tax	10.0	11.5
- Overseas tax	30.8	21.5
	40.8	27.0
Adjustments in respect of the year:		
- UK corporation tax	(0.2)	(0.1)
- Overseas tax	0.1	(0.5)
Total current tax	40.7	26.5
Deferred tax		
The net deferred tax credit based on the originator and reversal of timing differences comprises:		
- United Kingdom	(3.1)	(1.9)
- Overseas	(3.5)	(0.8)
Total deferred tax	(6.6)	(2.7)
Total tax on profit for the year	34.1	23.9

In addition to the above credit for deferred tax included in the Consolidated Income Statement, a net deferred tax and generating in the tax-efficient benefit scheme and company budget of £3.9m was credited to the 2021 £0.9m credit to the Consolidated Statement of Comprehensive Income. A further £0.4m was credited to the 2021 £1.1m credit to the Consolidated Statement of Changes in Equity. Comprehensive current tax of £0.4m (2021: £0.8m) within deferred tax in the current year (2021: 2021) and a further £0.4m related to share-based payments.

Factors affecting the tax charge for the year

The difference between the total tax charge and the amount calculated at the effective rate of UK corporation tax at 19.0% to the profit before tax of £129.0m and the amount set out below is as follows:

	2022 £m	2021 £m
Profit before tax	129.5	90.6
Tax on profit at UK effective corporation tax rate of 19.0% (2021: 19.0%)	24.6	17.4
Effects of:		
- higher tax rates on overseas earnings	6.7	4.7
- adjustments in respect of prior years	(0.1)	(1.6)
- change to future tax rate in the United Kingdom	-	(0.5)
- other permanent differences	2.9	(0.7)
Total tax on profit for the year	34.1	23.9

The Group earns its profits in the United Kingdom and overseas. The Group is subject to consolidated financial statements for the year to 30 September and the statutory tax rate for UK profits and the tax rate in the year ended 30 September 2022 was 19.0% (2021: 19.0%) and this rate has been used for tax on profit in the table above.

The Group's net overseas tax rate is slightly higher than the UK rate mainly because of the effect of the US, Japan, Germany and Australia's tax rates on overseas profits. The overseas tax rate is also affected by the 2021 and 2022 tax rate changes in the UK and overseas. The UK rate of 19.0% was introduced from 1 April 2022 and the overseas rate of 19.0% was introduced from 1 April 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

CONTINUED

At 30 September 2022, the Group had outstanding tax liabilities of £11.6m (2021: £10.1m) of which £1.9m (2021: £1.7m) related to UK tax liabilities and £9.7m (2021: £8.3m) related to overseas tax liabilities. These amounts are expected to be paid within the next financial year.

During 2021, the OECD published a framework for the introduction of a global minimum effective tax rate of 15% applicable to large multinational groups. On 20 July 2021, HM Treasury released draft legislation to implement these 'Pillar 2' rules with effect for accounting periods beginning on or after 1 January 2023. The Group is reviewing these provisions to understand any potential impact.

7. Dividends

	2022 pence per share	2021 pence per share	2022 £m	2021 £m
Interim dividend paid in June	15.0	12.5	18.7	15.6
Final dividend of the prior year paid in February	30.1	30.0	37.5	37.3
	45.1	42.5	56.2	52.9

The Directors have proposed a final dividend in respect of the current year of 35.8p per share (2021: 30.1p) which will be paid on 3 February 2023 subject to approval by shareholders at the Annual General Meeting (AGM) on 18 January 2023. The total dividend for the current year, subject to approval of the final dividend, will be 53.8p per share (2021: 42.6p).

The Diploma PwC Employee Benefit Trust holds 71,333 (2021: 97,640) shares which are eligible for dividends.

8. Earnings per share

Basic and diluted earnings per share

Basic earnings per ordinary share are calculated on the basis of the weighted average number of ordinary shares in issue during the year of 124,552,060 (2021: 124,468,210) and the profit for the year attributable to shareholders of £94.7m (2021: £94.7m). Basic earnings per share is 76.1p (2021: 76.1p). Diluted earnings per share is 75.9p (2021: 75.9p) and is based on the average number of ordinary shares which includes any potentially dilutive shares of 124,855,060 (2021: 124,468,210).

Further descriptions of the Company's share capital is set out in line 40 to the Parent Company Financial Statements on page 175.

Adjusted earnings per share

Adjusted EPS, which is defined in line 27 to 30, is 107.5p (2021: 85.2p).

	2022 pence per share	2021 pence per share	2022 £m	2021 £m
Profit before tax			129.5	91.2
Tax expense			(34.1)	(26.9)
Minority interests			(0.7)	0.1
Earnings for the year attributable to shareholders of the Company	76.1	66.1	94.7	69.8
Adjustment related to other intangible and goodwill related financial charges net of tax	31.4	19.1	39.2	24.3
Adjusted earnings	107.5	85.2	133.9	104.1

9. Goodwill

	Life Sciences £m	Seals £m	Controls £m	Total £m
At 30 September 2021	62.0	60.8	36.8	159.0
Acquisitions	14.1	6.8	6.7	117.6
Disposals	3.9	-	-	(3.8)
Revaluation of intangible assets	-	4.7	-	(4.7)
Exchange adjustments	0.9	1.1	3.4	(7.4)
At 30 September 2022	80.9	73.4	46.9	260.7
Acquisitions	9.1	56.6	1.0	81.0
Exchange adjustments	0.9	8.4	16.4	30.6
At 30 September 2022	100.9	138.4	64.3	372.3

The Group tests goodwill for impairment at least once a year but reports on impairment at intermediate reporting dates. Goodwill is allocated to each of the Group's three cash-generating units (CGUs) which comprise the following businesses: Seals and Controls. This represents the lowest level within the Group at which goodwill is monitored on a regular basis. The Group therefore monitors goodwill impairment by comparing cash flows from operations with the carrying amount of the goodwill. The carrying amount of the goodwill is calculated as the difference between the carrying amount of the cash-generating unit and the carrying amount of the identifiable intangible assets. The Group's goodwill is not subject to amortisation.

10. Acquisition and other intangible assets

	Customer relationships £m	Supplier relationships £m	Trade names, brands and databases £m	Total acquisition intangible assets £m	Other intangible assets £m
Cost					
At 1 October 2021	161.2	4.5	-	183.2	7.6
Additions	-	-	-	-	1.4
Disposals	(164.4)	-	(41.2)	306.8	0.2
Impairment	(1.1)	-	-	(3.6)	(0.9)
Reclassification to held for sale	(6.9)	-	-	(6.9)	(0.4)
Exchange adjustments	(14.4)	(0.7)	(1.5)	(16.8)	(0.3)
At 30 September 2021	342.4	16.8	21.8	462.7	7.6
Additions	-	-	-	-	1.0
Disposals	(96.2)	-	(1.1)	99.9	0.8
Impairment	(1.1)	-	-	-	(1.1)
Exchange adjustments	(69.7)	(1.1)	(1.1)	69.9	1.0
At 30 September 2022	547.9	30.9	53.7	632.5	9.3
Amortisation					
At 1 October 2021	12.4	1.7	1.4	96.0	4.6
Additions	14.5	-	1.1	18.7	-
Charge for the year	12.7	1.7	-	14.4	0.7
Disposals	(1.5)	(0.1)	-	(3.6)	(0.7)
Reclassification to held for sale	(5.6)	-	-	(5.4)	(0.1)
Exchange adjustments	(1.0)	(1.0)	-	(2.3)	(0.3)
At 30 September 2021	90.8	2.3	2.5	117.8	4.2
Additions	3.6	-	1.4	4.0	-
Charge for the year	(62.0)	(1.6)	(1.4)	38.4	0.8
Disposals	-	-	-	-	(0.4)
Exchange adjustments	(1.7)	(1.1)	(1.0)	17.3	0.6
At 30 September 2022	140.1	24.6	12.8	177.5	5.2
Net book value					
At 30 September 2022	407.8	6.3	40.9	455.0	4.1
At 1 October 2021	301.6	2.8	1.4	424.4	3.4
Additions in net book value are the following additions through business combinations and other intangible assets and other intangible assets in the year					
Goodwill					
Goodwill in the year					£4.5 million
Goodwill in the year					£1.0 million
Goodwill in the year					£1.0 million

FOR THE YEAR ENDED 30 SEPTEMBER 2022
CONTINUED

[illegible]

Other studies have used computer software that is designed to identify form "fillers" and "redaction code" (e.g.,

11. Property, plant and equipment

	Freehold properties £m	Leasehold properties £m	Plant and equipment £m	Hospital field equipment £m	Total £m
Cost					
At 1 October 2021	13.8	5.4	32.1	11.8	63.3
Additions	-	0.6	1.4	1.1	4.9
Acquisition of businesses	-	0.3	19.1	0.4	21.8
Disposals	(3.3)	(0.2)	0.1	1.4	(7.6)
Reduction in value for sale	(8.0)	-	2.6	-	(10.6)
Exchange adjustments	(0.6)	(0.2)	1.5	-	(2.4)
At 30 September 2021	1.9	5.9	46.2	12.7	66.7
Additions	-	0.1	5.3	0.8	14.3
Acquisition of businesses	1.5	2.5	1.1	-	6.7
Disposals	-	(0.4)	3.1	1.4	(5.0)
Exchange adjustments	(0.2)	0.1	0.5	1.8	12.3
At 30 September 2022	3.6	13.2	61.2	19.7	97.7
Depreciation					
At 1 October 2021	8.3	3.1	20.6	6.3	35.4
Charge for the year	0.4	0.1	1.1	0.8	9.2
Transfers	1.2	0.1	1.4	0.1	(5.5)
Reduction in value for sale	(3.0)	-	3.3	-	(4.5)
Exchange adjustments	(0.2)	-	(0.3)	0.1	(0.6)
At 30 September 2021	6.7	4.2	25.1	7.3	34.0
Charge for the year	0.1	0.1	1.1	1.1	10.4
Disposals	-	(0.3)	0.1	1.1	(3.7)
Exchange adjustments	(0.1)	(0.1)	0.3	1.8	7.4
At 30 September 2022	1.1	5.2	32.7	9.1	48.1
Net book value					
At 30 September 2022	2.5	8.0	28.5	10.6	49.6
At 30 September 2021	1.2	3.8	24.5	6.4	35.9

For a detailed description of the procedure, see the article by Zeng and Li (2012). Briefly, the procedure is as follows:

[illegible]

There is a significant positive correlation between the number of days that a person has been in the United States and the number of days that a person has been in the United States. The correlation is significant at the 0.05 level.

The Applicant, Applicant, is the former owner of the Greenfield Mills property and is submitting this document to request that the Greenfield Mills Planning and Zoning Commission (PZC) of the Town of Greenfield, Massachusetts, review the PZC's decision regarding the proposed PZC decision to deny the application for a Special Use Permit for the proposed development. The Applicant is requesting that the PZC be allowed to reconsider its decision and grant the Special Use Permit for the proposed development.

Figure 1. The effect of the concentration of the H_2O_2 solution on the amount of the released H_2O from the H_2O_2 -loaded hydrogel. The amount of the released H_2O was measured by the weight difference of the hydrogel before and after the release. The concentration of the H_2O_2 solution was 0, 1, 2, 3, 4, 5, 6, 7, 8, 9, and 10 wt. %.

[illegible]

12. Leases – right-of-use assets and lease liabilities

Right-of-use assets

	Land & buildings £m	Plant & machinery £m	Motor vehicles £m	IT & office equipment £m	Total £m
Cost					
At 1 October 2020	34.3	0.5	3.3	0.6	38.9
Additions	14.4	0.1	1.6	0.3	26.9
Disposals	(2.0)	–	(0.4)	–	(2.6)
Reclassification to held for sale	(0.7)	–	(0.2)	–	(0.9)
Exchange adjustments	(0.3)	–	–	–	(0.7)
At 30 September 2021	55.7	0.6	4.3	0.9	61.6
Additions	15.8	0.2	4.0	0.6	25.4
Disposals	(1.0)	–	(0.9)	–	(2.0)
Exchange adjustments	(8.7)	–	(0.1)	(0.1)	6.9
At 30 September 2022	81.1	0.8	8.3	1.7	91.9
Depreciation					
At 1 October 2020	5.8	0.1	1.2	0.2	7.3
Charge for the year	9.0	0.1	1.4	0.3	10.8
Disposals	(0.6)	–	(0.2)	–	(0.8)
Reclassification to held for sale	(0.4)	–	(0.1)	–	(0.5)
Exchange adjustments	(0.1)	–	–	–	(0.1)
At 30 September 2021	13.7	0.2	2.3	0.5	16.7
Charge for the year	10.7	0.1	1.8	0.4	12.7
Disposals	(0.8)	–	(0.8)	–	(1.3)
Exchange adjustments	1.4	–	–	–	1.4
At 30 September 2022	25.3	0.3	3.0	0.9	29.5
Net book value					
At 30 September 2022	55.8	0.5	5.3	0.8	62.4
At 30 September 2021	42.0	0.4	2.0	0.6	45.0

Right-of-use assets represent those assets held under leases with a PFR for recognition to be determined.

During the year, a property in Switzer was sold and the depreciation on part of the Group's operational strategy, with a cost of £8.9m, was disposed of £5.0m has been recognised within administration costs.

Lease liabilities

The movement on the lease liability is set out below:

	2022 £m	2021 £m
At 1 October	48.3	33.3
Additions	26.6	10.4
Disposals	(0.9)	(0.9)
Lease repayments	(13.5)	(10.3)
Interest on lease liabilities	2.6	1.8
Reclassification to held for sale	–	(0.3)
Exchange adjustments	6.0	1.0
At 30 September	69.1	45.3
At a glance:	£m	£m
Repayable within one year	12.7	8.7
Repayable after one year	56.4	36.6

Details of the lease liability and the cash flows related to it are set out in paragraph 16 of PFR to Lease Liability. £62.4m (2021: £45.3m) in respect of the lease liability is included in the cash flow statement and is included in the measurement of the net assets held for sale. The lease liability is included in the measurement of the net assets held for sale. The lease liability is included in the measurement of the net assets held for sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

CONTINUED

13. Deferred tax

The movement on deferred tax is as follows:

	2022 £m	2021 £m
At 1 October	(21.9)	15.5
Credit for the year (note 6)	6.6	2.7
Acquisitions, disposals and transfers to assets held for sale	(17.6)	(16.6)
Accounted for in Other Comprehensive Income and Equity	(3.9)	0.7
Exchange adjustments	(1.4)	0.6
At 30 September	(38.2)	21.9

Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balance on a net basis.

	Assets		Liabilities		Net	
	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m
Property, plant and equipment	0.1	0.4	(5.8)	5.8	(5.7)	(5.4)
Goodwill and intangible assets	–	–	(42.0)	(36.6)	(42.0)	(36.6)
Retirement benefit assets (obligations)	–	2.9	(1.0)	–	(1.0)	2.9
Inventories	3.1	2.6	(0.1)	(0.1)	3.0	2.6
Share-based payments	1.4	–	–	–	1.4	–
Trading losses	–	–	–	–	–	–
Leases	1.2	0.6	–	–	1.2	0.8
Other temporary differences	5.1	2.7	(0.2)	0.7	4.9	3.4
	10.9	16.2	(49.1)	36.2	(38.2)	21.9
Deferred tax effect	(10.7)	10.6	10.7	10.6	–	–
	0.2	0.4	(38.4)	20.7	(38.2)	21.9

No deferred tax has been provided on unremitted earnings of overseas Group companies as the Group controls the dividend flows of its subsidiaries. Unremitted earnings may be subject to various withholding tax rates allowing the usual tax relief, if they were to be distributed as dividends. The aggregate unremitted earnings of overseas subsidiaries have not been recognised in respect of unremitted earnings from overseas businesses of \$184.0m (2021: \$157.2m) as \$18.4m (2021: \$18.7m).

14. Inventories

	2022 £m	2021 £m
Finished goods	217.4	175.6

Inventories are stated net of impairment provisions of \$2.7m (2021: \$5.6m). During the year \$4.0m (2021: \$2.0m) was recognised as a charge against cost of sales, forming the write-down of inventories to their net realisable value.

15. Trade and other receivables and assets held for sale

	2022 £m	2021 £m
Trade receivables	158.9	120.7
Assets held for sale	(7.2)	3.6
	151.7	124.4
Other receivables	9.8	7.4
Prepayments and other assets	8.4	5.6
	169.9	137.6

Assets held for sale

There were no assets held for sale at 30 September 2022 (2021: nil). Assets held for sale at 30 September 2021 comprised the operating facility whereby the freighter ship *Hydra* was sold and the ship was held during the year for sale (Group 2021 investment in *Hydra*), which was disposed of during the year above the net book value.

The maximum exposure to credit risk for trade receivables at 30 September 2022 is summarised as follows:

	2022 £m	2021 £m
Unsettled	41.3	25.3
Settlements	70.1	48.4
Contractual claims	12.6	5.9
Financing	18.0	11.4
Other	16.9	17.5
	158.9	108.5

The breakdown of the maximum exposure to credit risk for trade receivables is as follows:

	2022 £m	2021 £m
Not past due	124.9	92.0
Past due	26.8	16.5
Receivables impaired	7.2	9.9
	158.9	118.4

The breakdown of trade receivables classified as past due but not impaired is as follows:

	2022 £m	2021 £m
Up to one month past due	20.7	2.4
Between one and two months past due	4.5	1.4
Between two and four months past due	1.6	2.7
Over four months past due	-	-
	26.8	6.5

The movement in the loss allowance for impairment of trade receivables is as follows:

	2022 £m	2021 £m
At 1 October	3.6	1.2
Charged against profit, net	3.4	1.3
Set up in relation to:	0.6	1.5
- credit losses	(0.4)	1.4
At 30 September	7.2	5.4

Concurrent with credit risk with respect to trade receivables are various losses reflecting the Group's customer credit policy and a write. The Group has a history of low levels of losses in respect of trade receivables. Management's estimation of the loss allowance takes into account the historical loss experience and forward-looking expected credit losses, in line with IFRS 9 requirements.

16. Trade and other payables

	2022 £m	2021 £m
Trade payables	96.4	41.5
Other payables	25.8	11.0
Other taxes and social security	11.0	1.8
Accruals and deferred income	56.3	31.1
	189.5	85.4

The maximum exposure to credit risk for trade payables at 30 September 2022 is summarised as follows:

	2022 £m	2021 £m
Settlements	24.1	10.9
Contractual claims	50.2	30.1
Contractual debt	0.8	1.1
Financing	14.1	2.7
Other	7.2	1.3
	96.4	46.1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

CONTINUED

17. Cash and cash equivalents

	UK £m	US\$ £m	C\$ £m	Euro £m	Other £m	2022 Total £m	UK £m	US\$ £m	C\$ £m	Euro £m	Other £m	2021 Total £m
Cash at bank	15.2	7.1	2.3	7.8	6.4	38.8	8.5	2.3	2.6	5.5	3.8	22.0
Short-term deposits	–	0.1	1.8	–	1.0	2.9	–	0.0	1.3	–	1.2	2.8
	15.2	7.2	4.1	7.8	7.4	41.7	8.5	2.3	3.9	5.5	5.0	24.8

The short-term deposits and cash at bank are both interest-bearing at rates linked to the UK base rate, six-month rate.

18. Financial instruments

The Group's overall management of 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 operations for which there is no underlying exposure.

The Group's principal financial instruments, other than a number of forward foreign currency and fixed interest rate contracts, comprise cash and short-term deposits, trade and other receivables and trade and other payables, borrowings and other liabilities. Trade and other receivables and trade and other payables arise directly from the Group's day-to-day operations.

The financial risks to which the Group is exposed are those of credit liquidity, foreign currency, interest rate, and capital management. An explanation of each of these risks, how the Group manages these risks and an analysis of potential effect follows.

a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This arises principally from the Group's trade and other receivables from customers and from cash and deposits held with financial institutions.

The Group is exposed to customers ranging from government-backed agencies and large public and private firms, listed and private, to small businesses and the underlying economic risks vary throughout the world. Trade receivables are sold to third parties within the reporting units where they arise and are distributed and sold at agreed discount rates for each country.

The Group calculates a loss allowance that represents its estimate of potential losses in respect of its credit exposure. Where there is evidence that a trade receivable might be non-recoverable (see below), and a provision factor is calculated, the provision factor is multiplied by the gross trade receivable to give the loss allowance. Where there is evidence that a trade receivable is non-recoverable, the loss allowance is calculated as the gross trade receivable. During the year, the Group has not significant trade receivables.

Exposure to counterparty credit risk with financial institutions is controlled by the Group treasury team with limits and approvals in place. Central counterparty funds are invested either with counter parties whose credit ratings are AAF or better. The Group has not identified material credit risk. There has been no material credit risk in respect of cash and deposits.

The group's maximum exposure to credit risk was as follows:

	Carrying amount	
	2022 £m	2021 £m
Trade receivables	151.7	138.4
Other receivables	9.8	3.1
Cash and other deposits	41.7	24.8
	203.2	166.3

There is a maximum difference between the carrying value of the trade receivables and the fair value of the receivables at the reporting date. The carrying value of the receivables is the carrying value of the receivables at the reporting date. The fair value of the receivables is the carrying value of the receivables at the reporting date.

Impairment of financial assets

The Group has tested ECEP, which has been approved to measure expected credit losses on cash and deposits, trade receivables and other receivables.

The expected credit losses are based on the payment profile of the receivables over a period of 12 months. The expected credit losses are based on the payment profile of the receivables over a period of 12 months. The expected credit losses are based on the payment profile of the receivables over a period of 12 months.

The Group has tested the current credit risk of the receivables, cash and deposits, trade receivables and other receivables. The Group has tested the current credit risk of the receivables, cash and deposits, trade receivables and other receivables. The Group has tested the current credit risk of the receivables, cash and deposits, trade receivables and other receivables.

Exposure to impairment risk is largely due to the risk of a change in credit risk of one of the customers that is customer specific. Under the terms of the contract, the customer entering into the loan provides information and earnings. All significant additional risk is covered. An individual supply of a commodity does not have a significant impairment.

b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group is regularly monitoring its net cash and forecasts cash flows to ensure that sufficient resources are available to meet the Group's requirements in the short, medium and long term. As at 30 September 2022, the Group's cash cover and the short-term regulatory and during 2022 a short-term cover test were complied with. The short-term test only covers the interest cover and leverage, whereas EBITDA must be at least 4x net finance charges (or better) by the SPA, and the long-term test for EBITDA must not exceed 5x.

On 18 October 2020, the Group entered into a debt facility agreement for A, which comprised a three-year term loan for an aggregate principal amount of \$181.0m (2020: \$181.0m) and a committed multi-currency revolving facility (RFF) for an aggregate principal amount of \$135.0m, which was increased to \$185.0m during the previous financial year.

During the year the Group has amended the SPA to increase the total facility cap. As at 30 September 2022 the SPA comprises a committed multi-currency revolving facility (RFF) for an aggregate principal amount of \$185m, for an amortising term loan for an aggregate principal amount of \$174.2m (2021: \$127.0m) and a further term loan for an aggregate principal amount of \$59.1m (2021: \$66.0m) and a further term loan for an aggregate principal amount of \$45.2m. The SPA is due to expire in December 2024 and there is an option to extend the term for 12 months periods.

The Group's debt is either linked to a floating interest rate or variable rates. During the year the Group has fixed its interest rate on all of its debt with the effect of fixing the interest rate on \$102.0m (2021: \$69.0m) of debt. The effective fixed rate debt was 24% of total debt. In subsequent periods the Group may extend this further, the interest rate was contracted with the effect of fixing the interest rate on an additional \$10.0m of debt.

As at 30 September 2021, the Group's Net Debt EBITDA position was 4.4x as illustrated in note 91.

The Group's committed facilities as at 30 September are as follows:

	2022 £m	2021 £m
Expiring within one year	–	–
Expiring after one year	204.0	89.9

The Group's undrawn committed facilities are as follows:

	2022 £m	2021 £m
Trade receivables	96.4	74.5
Other receivables	25.8	14.0
Other payables	35.0	15.2
Borrowings	370.6	212.7
	527.8	316.4

The maturities of the Group's financial liabilities are as follows:

	2022 £m	2021 £m
Less than one year	171.7	74.5
One to five years	48.7	18.3
Two to five years	307.4	176.0
	527.8	268.8

There is no material difference between the book value of these financial liabilities and their fair value at each reporting date.

c) Currency risk

The Group's principal currency risk arises from manufacturing operations and arises from its exposure to movements in the US dollar and Canadian dollar and Euros. The principal currency risk arises from the sales of the Group's products and the cash and foreign exchange flows and the foreign exchange flows are measured by the US dollar, the Canadian dollar and the Euro.

The Group's principal currency risk arises from the sales of the Group's products and the cash and foreign exchange flows and the foreign exchange flows are measured by the US dollar, the Canadian dollar and the Euro. The Group's principal currency risk arises from the sales of the Group's products and the cash and foreign exchange flows and the foreign exchange flows are measured by the US dollar, the Canadian dollar and the Euro. The Group's principal currency risk arises from the sales of the Group's products and the cash and foreign exchange flows and the foreign exchange flows are measured by the US dollar, the Canadian dollar and the Euro.

The Group's principal currency risk arises from the sales of the Group's products and the cash and foreign exchange flows and the foreign exchange flows are measured by the US dollar, the Canadian dollar and the Euro. The Group's principal currency risk arises from the sales of the Group's products and the cash and foreign exchange flows and the foreign exchange flows are measured by the US dollar, the Canadian dollar and the Euro. The Group's principal currency risk arises from the sales of the Group's products and the cash and foreign exchange flows and the foreign exchange flows are measured by the US dollar, the Canadian dollar and the Euro.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

CONTINUED

Management considers that the most significant foreign exchange risk relates to the US dollar, Canadian dollar and Euro. The Group's sensitivity to a 10% strengthening in sterling against each of these currencies (with all other variables held constant) is as follows:

	2022 £m	2021 £m
Decrease in adjusted operating profit (at average rates)		
US dollar/UK sterling	10.3	7.1
Canadian dollar/UK sterling	2.6	2.4
Euro/UK sterling	1.7	1.6
Decrease in total equity (at spot rates)		
US dollar/UK sterling	12.6	7.2
Canadian dollar/UK sterling	12.9	9.2
Euro/UK sterling	5.4	3.2

d) Interest rate risk

Interest rate risk is the risk that changes in interest rates will affect the Group's results. The Group's interest rate risk arises primarily from its cash funds and borrowings. The Group uses interest rate swaps to hedge a proportion of the external borrowings. These interest rate swaps are classified as cash flow hedges and are stated at fair value. The notional value of interest rate swap contracts at 30 September 2022 was £89.6m (2021 nil). The net fair value of interest rate swap contracts used as hedged at 30 September 2022 was £3.1m (2021 nil) and is included within Trade and other receivables in the balance sheet. The amount removed from Other Comprehensive Income and taken to the Consolidated Income Statement in finance costs during the year was nil (2021 nil). The change in the fair value of cash flow hedges taken to Other Comprehensive Income during the year was £3.1m (2021 nil).

All cash deposits held in the UK and overseas are held on bank of term basis at floating rates or overnight rates. As a result, the relevant UK base rate or Euro overnight rate. Borrowings are contracted with commercial banks that meet the credit criteria provided by the Group for periods of between one and six months at rates that are generally fixed by reference to the relevant UK base rate or Euro overnight rate.

An increase of 1% in interest rates would have a net £1.4m (2021 £1.0m) impact on adjusted profit before tax. The impact of interest rate movements has not varied significantly over the year due to the fixed interest rate swap contracts entered into in the year.

e) Fair values

There are no material differences between the book value of financial assets and liabilities and their fair value. The principal determining fair values are set out below.

Derivatives

Forward exchange contracts with designated as well as assets in the fair value hierarchy, and valued at year end as the net present value, adjusted for the time value of the contract, value date with gains and losses taken to equity. Two contracts maturity date is greater than 18 months from the year end.

For hedged items on currency transaction and the Group enters into hedge relationships where the critical terms of the hedging instrument match with the terms of the hedged item. The effect varies and is due to the timing of the hedged transaction or change from what was originally estimated, or if there are changes in the credit risk of the derivative counterparty.

Interest rate swap contracts are designated as well as assets in the fair value hierarchy, and valued at year end as the net present value of the cash flows arising from the fixed and floating interest rates, with gains and losses taken to equity.

The Group enters into interest rate swaps that involve a fixed critical terms of the hedged item, such as reference rate, payment dates, maturities and notional amount. The Group has established a hedge ratio of 100% for the hedging relationship as the underlying risk in the interest rate swap is derived from the hedged item. The hedge effect varies and arises from differences in timing or cash flows of the hedged item and hedging instrument, or the credit risk of the derivative, impacting the fair value movements of the hedging instrument and hedged item.

Trade and other receivables/payables

As the receivables payable are short-term in nature, the carrying amount is assumed to reflect the fair value.

Borrowings

The fair value of the borrowings is equal to the carrying value.

Other liabilities

The carrying amount represents the carrying value at the expected maturity date, which is deemed to reflect the fair value as the designated as well as assets in the fair value hierarchy.

f) Capital management risk

The Group's capital structure is funded by cash, cash equivalents, £375.5m cash funds, £47.7m overdraft and term bank borrowing facilities. The Group's policy is to maintain sufficient liquidity to ensure it is able to continue operating and to manage its ability to raise additional capital. The Group's policy is to maintain a strong credit rating and to ensure it is able to raise additional capital.

In order to maintain or adjust the capital structure the Group may change the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or increase debt financing.

19. Other liabilities

	2022 £m	2021 £m
Future purchases of minority interests	7.4	5.7
Deferred consideration	24.0	18.5
	31.4	23.7
Analysed as:		
Due within one year	19.0	11.7
Due after one year	12.4	12.0

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

	2022 £m	2021 £m
At 1 October	5.2	4.2
Minority interest put option arising on acquisition	1.9	0.9
Minority interest put option removed on disposal	(1.2)	-
Exchange movements	0.1	-
Foreign currency revaluations	1.4	0.6
At 30 September	7.4	5.7

At 30 September 2022, the Group's minority interest put option arose due to the minority interest in 100% of M8 Energy E.U. in Ireland, or 2% of R&B Fluid Power Group Limited (R&B) following its acquisition of debt held in rate 21. The acquisition of R&B has resulted in the recognition of a liability for acquisition of £1.9m.

During the year, the Group disposed of Kentex QV and therefore the liability for future purchase of minority interests in respect of Kentex has been de-recognised (£1.2m).

At 30 September 2022, the estimate of the financial liability to acquire these 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 2022. This led to a remeasurement of the liability and the liability increased by £1.4m (2021: £0.6m increase) reflecting a revised estimate of the future performance of these businesses and in aggregate of £4m (2021: £0.6m) has been added to the Group's dated balance sheet in respect of the remeasurement of the liability.

Deferred consideration comprises the following:

	1 Oct 2021 £m	Additions £m	Discount unwind £m	Revaluation £m	Payments £m	Foreign Exchange £m	30 Sep 2022 £m
Sphère	1.0	-	-	-	(1.0)	-	-
H&P	0.1	-	-	-	(0.1)	-	-
SBW	3.5	-	-	0.1	(3.6)	-	-
FTT	2.2	-	-	-	(2.2)	-	-
PGI	0.7	-	-	-	(0.7)	-	-
Biosperfin	0.4	-	-	-	(0.4)	-	0.3
Kungshuset	5.4	-	(0.2)	-	-	(0.2)	5.4
Techig	1.1	-	(0.1)	-	-	-	1.2
AMA	4.1	-	0.1	-	-	0.7	4.9
R&B	-	1.7	-	-	(1.7)	-	8.6
AMG Seeding	-	0.8	-	-	-	-	0.5
Impropagator	-	1.8	-	-	-	-	0.5
ACI	-	1.2	-	-	-	-	2.3
Online Solutions	-	0.7	-	-	-	-	0.3
	18.5	12.3	0.4	(0.6)	(7.1)	0.5	24.0

Deferred consideration of £8.6m added in respect of R&B is in line with the estimate of value of acquisition of the company R&B from its acquisition by Ecolab.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

CONTINUED

20. Minority interests

	£m
At 1 October 2021	5.7
Acquisition of business	0.9
Minority interest disposed	0.7
Share of profit	0.1
Dividends paid	0.3
Exchange adjustments	(0.2)
At 30 September 2021	4.7
Acquisition of business	2.6
Minority interest acquired	0.3
Disposal of business	(0.3)
Share of profit	0.1
Dividends paid	(0.2)
Exchange adjustments	0.1
At 30 September 2022	6.2

External shareholders represented by managers' entities in our businesses hold a 10% minority interest in M5 Fluid Power, minority interest in Jetech, and a 2% minority interest in R&G.

The minority interest in R&G arose following the acquisition of R&G (an explained in note 21) and resulted in a £2.6m increase to the minority interest. The disposal of Jetech Gk was completed on 16 November 2021 and resulted in a £0.3m reduction in the minority interest.

21. Acquisitions and disposals of businesses

Acquisition of R&G Fluid Power Group Limited

On 6 April 2022, the Group completed the acquisition of 98% of the share capital of R&G Fluid Power Group Limited (R&G) and acquired after-market distributors of a diverse range of industrial hydraulic and pneumatic products in the United Kingdom. The initial cash payment was £51.4m, net of cash acquired of £1.7m. Deferred consideration of up to £4m is payable to R&G if the acquisition achieves a meeting certain performance targets in the period up to 31 December 2022.

Acquisition expenses of £2.6m have been recognised in FY 2022.

The provisional fair value of R&G net assets acquired excluding acquisition intangibles related deferred tax and cash of £13.6m, including fair value adjustments of £1.8m. The goodwill represents the technical expertise of the business, intangible assets and the ability to leverage only revenue synergies through cross selling with other businesses. The provisional intangible assets, representing the business' intellectual property, £1.8m, and goodwill of £40.4m, plus provision of £1.6m. The intangible assets of £14.4m are amortised over 10 years and goodwill of £3.6m.

Minority interests of £2.6m have been recognised at fair value at acquisition of R&G, including the £1.6m minority interest held in R&G, plus the 10% minority interest stake in Pneumatic Services Limited, a company that is an R&G owned 99% of the share capital at the time of acquisition by the Group.

Acquisition of Accuscience

On 10 May 2022, the Group completed the acquisition of 100% of the share capital of Medix Healthcare Limited and Accuscience Reimbursement Limited (collective Accuscience) and after acquiring life sciences and medical equipment and pharmaceuticals distribution in the UK. The initial cash payment was £17.0m, net of cash acquired of £3.0m, £3.6m.

Acquisition expenses of £1.0m have been recognised in FY 2022.

The provisional fair value of Accuscience net assets acquired excluding acquisition intangibles related deferred tax and cash of £2.6m, £0.3m, including fair value adjustments of £0.6m, £0.9m. The provisional goodwill of £10.4m, plus provision of £1.0m, £0.7m, and £1.2m, £0.1m, respectively.

Other acquisitions

The Group completed a further six other acquisitions during the year. This included the acquisition of UK-based and US-based companies: Fluidex Limited, Thermo Solutions, 9 September 2022, £10.1m, net of cash acquired of £0.5m, £0.5m, £0.5m, £0.5m, £0.5m, £0.5m; Air Control Systems, 20 July 2022, £2.5m, net of cash acquired of £0.5m, £0.5m, £0.5m, £0.5m, £0.5m, £0.5m; and others.

The combined initial consideration for these acquisitions was £33.4m, net of cash acquired of £1.0m. Deferred tax provision of £3.2m and goodwill of £28.2m, plus provision of £1.2m, £1.2m, £1.2m, £1.2m, £1.2m, £1.2m.

Acquisition expenses of £1.0m have been recognised in respect of these transactions in the financial year.

£1.0m has been recognised in FY 2022.

The purchase price includes the fair value of net direct acquired goodwill acquired in intangible related to the acquisition and a £1.0m fair value adjustment in £1.0m fair value adjustment principally related to an increase in provision for impairment in relation to goodwill.

The fair value of the purchase price and the determination of the fair value of the purchase price is the period of the purchase price. The purchase price is determined with the purchase price and pending completion of a final valuation. Given the similarity between the purchase price and the purchase price, the fair value of the purchase price and the purchase price is principally related to the purchase price and the purchase price is the purchase price at the date of the purchase price.

The purchase price is the purchase price of the purchase price in relation to the purchase price and the purchase price is the purchase price.

	R&G		Accuscience		Others		Total	
	Book value £m	Fair value £m	Book value £m	Fair value £m	Book value £m	Fair value £m	Book value £m	Fair value £m
Intangible intangible assets		47.6		33.7		11.8	–	98.2
Goodwill	10.7	12.3		4.3		1.7	(0.7)	(18.5)
Property, plant and equipment	5.9	5.9	0.7	0.7	0.7	0.7	6.7	6.7
Inventory	14.4	13.8	4.7	4.0	9.1	8.2	28.2	26.1
Trade and other receivables	14.4	14.3	5.5	5.3	2.8	2.7	22.7	22.3
Trade and other payables	19.4	22.0	7.5	17.9	1.6	1.6	(28.9)	(29.7)
Net assets acquired	14.6	49.1	3.0	31.0	10.4	25.0	28.0	105.1
Goodwill	–	50.3	–	18.9	–	4.0	–	80.6
Minority interests	–	1.5	–	–	–	–	–	(2.5)
Total investment		99.1²		49.9		34.2		183.2
Goodwill		48.4		33.7		11.8		178.3
Goodwill		1.7		4.3		1.7		(6.1)
Goodwill		9.7		28.9		2.7		172.2
Goodwill		7.4		–		7.8		11.0
Total investment		99.1²		49.9		34.2		183.2

1. The purchase price is the purchase price of the purchase price in relation to the purchase price and the purchase price is the purchase price.

2. The purchase price is the purchase price of the purchase price in relation to the purchase price and the purchase price is the purchase price.

The purchase price is the purchase price of the purchase price in relation to the purchase price and the purchase price is the purchase price.

Acquisitions revenue and adjusted operating profit

The purchase price is the purchase price of the purchase price in relation to the purchase price and the purchase price is the purchase price.

	Acquisition date	Revenue £m	Adj. ² £m	Pro forma revenue £m	Operating profit £m	Adj. £m	Pro forma operating profit £m
ASB	1 Feb 2012	10.8	1.4	12.2	1.8	1.9	1.9
ASB	1 Apr 2012	34.8	34.2	68.6	4.6	4.6	4.6
ASB	1 May 2012	1.6	1.6	3.2	0.3	0.3	0.3
ASB	1 May 2012	1.6	1.6	4.7	0.4	0.4	0.4
ASB	1 May 2012	0.8	0.8	1.4	0.1	0.1	0.1
ASB	29 Jun 2012	0.8	0.8	3.6	0.2	0.2	0.2
ASB	1 Sep 2012	1.1	0.9	2.2	0.1	0.1	0.1
Total		58.5	65.8	124.3	8.7	10.9	19.6

1. The purchase price is the purchase price of the purchase price in relation to the purchase price and the purchase price is the purchase price.

2. The purchase price is the purchase price of the purchase price in relation to the purchase price and the purchase price is the purchase price.

Disposals

The purchase price is the purchase price of the purchase price in relation to the purchase price and the purchase price is the purchase price.

The purchase price is the purchase price of the purchase price in relation to the purchase price and the purchase price is the purchase price.

The purchase price is the purchase price of the purchase price in relation to the purchase price and the purchase price is the purchase price.

CONTINUED

2. Recommendation of a primary provider to start, stop, or change therapy

23. (Net debt)/cash funds

1. The first part of the paper is devoted to the study of the asymptotic behavior of the solutions of the system (1) as $t \rightarrow \infty$. It is shown that the solutions of the system (1) are bounded and tend to zero as $t \rightarrow \infty$ if the matrix A is stable. The second part of the paper is devoted to the study of the asymptotic behavior of the solutions of the system (1) as $t \rightarrow \infty$ if the matrix A is not stable. It is shown that the solutions of the system (1) are bounded and tend to zero as $t \rightarrow \infty$ if the matrix A is not stable and the matrix B is positive definite.

During the year, the Group has increased the GFA to address the vital facility, one. As at 30 September 2022, the GFA comprises a committed amount of \$1.1 billion in principal, \$257.7 million aggregate principal amount of \$257.7 million in short-term variable rate borrowings, and a further amount of \$174.3 million in principal amount of \$174.3 million in long-term debt, an aggregate principal amount of \$432.0 million, and a further amount of \$145.7 million in aggregate principal amount of \$145.7 million. The GFA is due to expire in December 2024 and there is an option to extend the facility for a further period.

[illegible][illegible]

1. *Phragmites* 2. *Scirpus* 3. *Eleocharis* 4. *Sagittaria* 5. *Sparganium* 6. *Najas* 7. *Chara* 8. *Alisma* 9. *Sparganium* 10. *Sparganium* 11. *Sparganium* 12. *Sparganium* 13. *Sparganium* 14. *Sparganium* 15. *Sparganium* 16. *Sparganium* 17. *Sparganium* 18. *Sparganium* 19. *Sparganium* 20. *Sparganium* 21. *Sparganium* 22. *Sparganium* 23. *Sparganium* 24. *Sparganium* 25. *Sparganium* 26. *Sparganium* 27. *Sparganium* 28. *Sparganium* 29. *Sparganium* 30. *Sparganium* 31. *Sparganium* 32. *Sparganium* 33. *Sparganium* 34. *Sparganium* 35. *Sparganium* 36. *Sparganium* 37. *Sparganium* 38. *Sparganium* 39. *Sparganium* 40. *Sparganium* 41. *Sparganium* 42. *Sparganium* 43. *Sparganium* 44. *Sparganium* 45. *Sparganium* 46. *Sparganium* 47. *Sparganium* 48. *Sparganium* 49. *Sparganium* 50. *Sparganium* 51. *Sparganium* 52. *Sparganium* 53. *Sparganium* 54. *Sparganium* 55. *Sparganium* 56. *Sparganium* 57. *Sparganium* 58. *Sparganium* 59. *Sparganium* 60. *Sparganium* 61. *Sparganium* 62. *Sparganium* 63. *Sparganium* 64. *Sparganium* 65. *Sparganium* 66. *Sparganium* 67. *Sparganium* 68. *Sparganium* 69. *Sparganium* 70. *Sparganium* 71. *Sparganium* 72. *Sparganium* 73. *Sparganium* 74. *Sparganium* 75. *Sparganium* 76. *Sparganium* 77. *Sparganium* 78. *Sparganium* 79. *Sparganium* 80. *Sparganium* 81. *Sparganium* 82. *Sparganium* 83. *Sparganium* 84. *Sparganium* 85. *Sparganium* 86. *Sparganium* 87. *Sparganium* 88. *Sparganium* 89. *Sparganium* 90. *Sparganium* 91. *Sparganium* 92. *Sparganium* 93. *Sparganium* 94. *Sparganium* 95. *Sparganium* 96. *Sparganium* 97. *Sparganium* 98. *Sparganium* 99. *Sparganium* 100. *Sparganium*

24. Retirement benefit asset and obligations

The Group maintains two pension arrangements which are accounted for under IAS 19 (Revised), (Employee Benefits). The primary arrangement is the diploma benefit pension scheme in the UK, managed by Diploma Holdings PLC and named the Diploma Holdings PLC UK Pension Scheme, the Scheme. This Scheme provides benefits based on final salary and length of service (unretirement), early retirement, or death and has been closed to new entrants since 5 April 2010.

The second and smaller pension arrangement is operated by a subsidiary business based in Switzerland and provides benefits on retirement, early retirement, or death for the employees of a subsidiary incorporated in Switzerland. The Kappa pension scheme is a defined contribution funded scheme which for technical purposes, is covered under IFRS 19 but is not covered for insurance with IAS 19 (Revised).

The amount of pension assets and liabilities included in the Consolidated Statement of Financial Position in respect of these two pension arrangements is:

	2022 £m	2021 £m
Diploma Holdings PLC UK Pension Scheme	(6.4)	2.7
Kappa Pension Scheme	—	0.2
Pension scheme net (asset) / deficit	(6.4)	2.9

The amount included in the Consolidated Income Statement in respect of these two pension arrangements is:

	2022 £m	2021 £m
Diploma Holdings PLC UK Pension Scheme	—	0.1
Kappa Pension Scheme	(0.5)	0.6
Amounts charged to the Consolidated Income Statement	(0.5)	0.5

Actively controlled pension schemes operated in the foreign subsidiaries are not included in these disclosures.

Diploma Holdings PLC UK Pension Scheme

The Scheme is subject to a Statutory Funding Objective under the Pension Act 2004 which requires that a valuation of the Scheme is carried out at least once every three years to determine whether the Statutory Funding Objective is met. As part of the process, the Company must agree with the Trustees of the Scheme the contribution rate payable to address any shortfall against the Statutory Funding Objective. The most recent triennial actuarial valuation carried out at 30 September 2019 reported that the Scheme had a funding deficit of 29.9% and held assets which covered 74.1% of its liabilities at that date. The next triennial actuarial valuation of the Scheme will be carried out at 30 September 2022 and the results of the valuation will be reported in the 2023 Annual Report & Accounts. There were no structural amendments, curtailments or settlements during the year.

On 26 September 2018, the Trustees completed a Buy-in of the pension liabilities in the Scheme with Just Retirement Limited. The Scheme paid £1.5m to Just Retirement Limited on 26 September 2018 to fund Part A of the Buy-in premium and £0.1m on 10 October 2018 to fund the remaining £1.4m of the premium. The impact of the transaction has been reflected in the pension disclosures set out below.

The Scheme is managed by a set of Trustees, appointed in part by the Company and in part from elections by members of the Scheme. The Trustees have responsibility for obtaining valuations of the fund, administering benefit payments and investing the Scheme's assets. The Trustees delegate some of these functions to their professional advisers where appropriate.

The Scheme exposes the Company, and therefore the Group, to a number of risks:

- **Investment risk.** The Scheme holds investments in assets with volatile or equities which have volatile market values and while these assets are expected to provide real return over the long term, volatility over the short term can cause additional funds to be required to fund liabilities.
- **Interest rate risk.** The Scheme's liabilities are expressed using market value of annuity contracts but at the discount rate applies. As the Scheme's assets include equities, the value of the assets can fall in line with the value of the annuity.
- **Inflation risk.** A significant proportion of the benefits under the Scheme are linked to inflation. The Scheme's assets are expected to provide a partial hedge against inflation over the long term, however, over the short term could lead to funding deficits emerging.
- **Mortality risk.** In the event that members live longer than assumed, a funding deficit may emerge in the future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022
CONTINUED

a) Pension surplus / (deficit) included in the Consolidated Statement of Financial Position

	2022 £m	2021 £m
Market value of Scheme assets:		
Equities	20.7	21.9
Bonds	3.9	5.7
Buy-in policy	7.3	10.5
Cash	–	0.2
	31.9	38.3
Present value of Scheme liabilities	(25.5)	(41.0)
Pension scheme net asset / (deficit)	6.4	(2.7)

1. Quoted market price or active market.
2. The buy-in policy was valued on the same basis as the underlying pension liabilities.

In addition to the Buy-in policy, the pension scheme net asset includes £3.5m of historic annuities and related assets on a net basis, rather than on a gross basis.

b) Amounts charged to the Consolidated Income Statement

	2022 £m	2021 £m
Charged to operating profit	–	–
Interest cost on liabilities	(0.8)	0.6
Interest on assets	0.8	0.5
Charged to financial expenses – net (note 5)	–	(0.1)
Amounts charged to the Consolidated Income Statement	–	0.1

c) Amounts recognised in the Consolidated Statement of Comprehensive Income

	2022 £m	2021 £m
Investment (loss) gain on Scheme assets in excess of interest	(6.5)	5.0
Effect of changes in financial assumptions on Scheme liabilities	15.4	0.1
Effect of changes in demographic assumptions on Scheme liabilities	0.3	0.9
Experience adjustments on Scheme liabilities	(0.7)	–
Actuarial gain credited in the Consolidated Statement of Comprehensive Income	8.5	4.2

The non-ratative amount of actuarial losses recognised in the Consolidated Statement of Comprehensive Income, since the transfer to FRC, is £12m (2021: £9.7m).

d) Analysis of movement in the pension (asset) / deficit

	2022 £m	2021 £m
Deficit as at 1 October	2.7	12.7
Amounts charged to the Consolidated Income Statement	–	0.1
Contributions paid by employers	(0.6)	5.9
Net effect of remeasurements of Scheme assets and liabilities	(8.5)	4.2
(Asset) / deficit as at 30 September	(6.4)	2.1

e) Analysis of movements in the present value of the Scheme liabilities

	2022 £m	2021 £m
At 1 October	41.0	40.8
Experience adjustments on Scheme liabilities	0.7	–
Interest cost on liabilities	0.8	0.6
Impact from changes in actuarial assumptions	(15.7)	0.8
Benefits paid	(1.3)	1.2
At 30 September	25.5	43.4

f) Analysis of movements in the present value of the Scheme assets

	2022 £m	2021 £m
At 1 October	38.3	38.7
Interest on assets	0.8	0.5
Return on Scheme assets	(6.5)	0.0
Contributions and employer	0.6	5.9
Benefits paid	(1.3)	(2.1)
At 30 September	31.9	43.0

The above return on the Scheme assets (including interest on assets) during the year was a loss of £6.5m (2021 a profit of £0.5m).

Assets

The Scheme's assets are held in passive unit funds managed by Legal & General Investment Management and at 30 September 2022 the major categories of assets were as follows:

	2022 %	2021 %
North American equities	28	23
UK equities	12	10
European equities (non-UK)	11	10
Asia Pacific and Emerging Markets equities	12	10
Bonds	14	14
Burn-in assets	23	33

Principal actuarial assumptions for the Scheme at balance sheet dates

	2022 %	2021 %	2020 %	2019 %
Inflation rate – RPI	3.6	3.4	2.4	3.4
– CPI	3.2	3.0	2.0	2.4
Expected inflation per year increases – RPI	3.2	3.0	1.9	2.4
Discount rate	5.3	2.1	5.0	1.8

The volatility in zero yields in the period (adding up to and after the Group's year end) meant there was a significant favourable impact on the pension scheme liabilities. This volatility also had an adverse impact on the valuation of the Scheme assets. In the year ended 30 September 2022, the volatility in bond yields was more in line with expectations. The Scheme had 4 years to go to its buy-in period by 30 September 2022, with an expected net £2.

Demographic assumptions

Member table used	S3PA
Member mortality table used/published	CMI 2021
Assumptions for future mortality in dependency	Yearly cohort projections with a variation in the level of mortality of 2%
Assumptions for future annuitants to have a cash lump sum on retirement	Members are assumed to take 100% of their pension as a lump sum, reduced on account of commutation factors
The weighted average duration of the defined benefit liabilities is around 15 years	

Sensitivities

The sensitivity of the 2022 pension liability to changes in assumptions are as follows:

Factor	Assumption	Impact on pension liabilities	
		Estimated increase %	Estimated increase £m
Discount rate	Decreased by 0.5%	1	0.7
Wages	Increased by 0.5%	1.4	1.1
Longevity factor	Increased by 0.05 years	2.5	1.9

Risk mitigation strategies

When setting its investment strategy for the Group, the Trustees (in consultation with the group's external investment adviser) are of the opinion that the current strategy is designed to invest in line with targets in respect of defined pension scheme. A number of other investment factors are relevant to the risk mitigation plan, but the Scheme has not purchased any hedged derivatives until 2023.

In addition to the hedging strategy outlined, the Trustees have purchased a Burn-in hedging product with a notional value of £4.8m. The hedging strategy used the information about both interest and volatility risk relating to the pension scheme. The hedging strategy is reviewed on an annual basis, and the hedging strategy is only used when the volatility in the market is high.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

CONTINUED

Effect of the Scheme on the Group's future cash flows

The Company is required to agree a schedule of contributions with the Trustees of the Scheme following each financial reporting valuation. Following the financial reporting valuation carried out as at 30 September 2019, the Company agreed to contribute £0.5m in cash to the Scheme annually, increasing at 2% per year. The current year contribution was £0.6m. No one-off contributions were made in the year 2021 or the contribution of £0.55m.

The Kubo Pension Scheme (the Kubo Scheme)

In accordance with Swiss law, Kubo's pension benefits are contribution related with the level of benefits varying according to category of employment. Swiss law requires certain guarantees to be provided on such pension benefits. Kubo finances its Swiss pension benefits through the AGGA Pensionskasse, a multi-employer plan of non-associated companies which pools risks between participating companies. Set out below is a summary of the key features of the Kubo Scheme.

a) Pension deficit included in the Consolidated Statement of Financial Position

	2022 £m	2021 £m
Assets of the Kubo Scheme	13.5	14.4
Actuarial liabilities of the Kubo Scheme	(13.5)	(14.4)
Pension scheme net deficit	–	–

1. The assets of the Kubo Scheme are held by the Swiss legal entity managed by AGGA Pensionskasse.

b) Amounts charged to the Consolidated Income Statement

	2022 £m	2021 £m
Deficit account	(0.5)	–
Amount charged to operating profit in the Consolidated Income Statement	(0.5)	–

c) Analysis of movement in the pension deficit

	2022 £m	2021 £m
At 1 October	2.2	1.4
Amounts charged to the Consolidated Income Statement	0.5	–
Contributions paid by employers	(0.5)	–
Net effect of remeasurements of Kubo Scheme assets and liabilities	(2.1)	–
Exchange differences	(0.1)	–
At 30 September	–	–

d) Amounts recognised in the Consolidated Statement of Comprehensive Income

The actuarial gain credited to the Consolidated Statement of Comprehensive Income is £2.1m (2021: £3.2m) as follows:

	2022 £m	2021 £m
Investment gain/(loss) on Swiss denominated assets of interest	(1.3)	–
Effect of changes in financial assumptions on Scheme liabilities	4.2	–
Effect of changes in demographic assumptions on Scheme liabilities	–	–
Expected return on assets of Scheme liabilities	(0.4)	–
Adjustment in respect of FR Q14	(0.4)	–
Actuarial gain credited in the Consolidated Statement of Comprehensive Income	2.1	–

Principal actuarial assumptions for the Kubo Scheme at balance sheet dates

	2022	2021
Expected rate of inflation in Switzerland	0%	–
Expected rate of salary increases	1.0%	–
Expected return	2.3%	–
Interest rate on debt	1.0%	–
Weighted average	BVG2020	BVG2020

Sensitivities

The sensitivity of the 2022 pension deficit to changes in principal assumptions is as follows:

Factor	Assumption	Impact on pension liabilities	
		Estimated increase %	Estimated increase £m
Discount rate	Current rate of 2.3%	–	–
Expected return	Current rate of 2.3%	–	–

The Group's pension liability is £0.0m.

Effect of the Kubo Scheme on the Group's future cash flows

	£m
Best estimate of employee contribution in 2022	0.4
Best estimate of employee contribution in 2023	0.4

The weighted average duration of the defined benefit obligation is approximately 16 years (2021: 16 years).

25. Auditors' remuneration

During the year the Group paid fees to the following services from the auditors:

	2022 £m	2021 £m
Fees payable to the auditors for the audit of: - the Company's Annual Report & Accounts - the Company's subsidiaries	1.1 0.4	0.5 0.6
Audit fees	1.5	1.1

Non-audit fees of £29,200 (2021: £28,200) were paid to the Group's auditors for carrying out agreed upon procedures on both the Half Year Announcement, which is unaudited, and subscription of debt to invest in a market-wide technical accounting database.

26. Exchange rates

The exchange rates used to translate the results of the foreign operations were as follows:

	Average		Closing	
	2022	2021	2022	2021
US dollar (US\$)	1.27	1.37	1.12	1.35
Canadian dollar (C\$)	1.63	1.73	1.53	1.71
Euro (€)	1.18	1.15	1.14	1.16
Swiss franc (CHF)	1.20	1.25	1.10	1.25
Australian dollar (A\$)	1.79	1.63	1.74	1.57

27. Alternative performance measures

The Group uses a number of alternative non-GAAP Accounting Practice Index (GAAP) financial measures which are not defined within IFRS. The Directors use these measures for internal management reporting of key performance indicators (KPIs) in order to assess the operational performance of the Group and compare this against the Group's KPIs as a key constituent of the Group's planning process, as well as comparing to date against which remuneration is determined. As such these measures should be considered alongside the IFRS measures. The following non-GAAP measures are referred to in this Annual Report & Accounts:

27.1 Adjusted operating profit and adjusted operating margin

Adjusted operating profit is defined as operating profit after an adjustment for impairment of goodwill or intangible assets in goodwill, provisions, expenses, provisions and related remuneration, and adjustments to deferred consideration, the cost of material restructuring provisions, provisions and the cost of material relating to the sale of businesses. The Directors believe that adjusted operating profit is an important measure of the operational performance of the Group. Adjusted operating margin is the Group's adjusted operating profit divided by the Group's revenue.

	Note	2022 £m	2021 £m
Revenue		1,012.8	767.4
Operating profit		144.3	104.3
Adj. Acquisition related and other charges (including impairment costs)		46.9	44.4
Adjusted operating profit	27	191.2	148.7
Adjusted operating margin	27	18.9%	18.9%

27.2 Adjusted profit before tax

Adjusted profit before tax is defined as adjusted operating profit after adjustment for interest, but before required or restricted financial charges, and before tax. The Directors believe that adjusted profit before tax is an important measure of the operational performance of the Group.

		2022 £m	2021 £m
Adjusted operating profit	27	191.2	148.7
Adjusted Net interest expense and other charges	28	(11.6)	6.6
Adjusted profit before tax		179.6	155.3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022
CONTINUED

27.3 Adjusted earnings per share

Adjusted earnings per share (adjusted 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/loss attributable to minority interests) divided by the weighted average number of ordinary shares in issue during the year of 124,533,060 (2021: 124,468,212). The Directors believe that adjusted EPS provides an important measure of the earnings capacity of the Group.

	2022 pence per share	2021 pence per share	2022 £m	2021 £m
Profit before tax			129.5	91.6
Tax expense			(34.1)	26.9
Minority interests			(0.7)	0.1
Earnings for the year attributable to shareholders of the Company	76.1	56.1	94.7	69.8
Acquisition related and other charges and acquisition related finance charges net of tax	31.4	29.0	39.2	36.5
Adjusted earnings	107.5	85.2	133.9	106.3

27.4 Free cash flow and free cash flow conversion

Free cash flow is defined as net cash flow from operating activities (after net cash expenditure on tangible and intangible assets) and including proceeds received from property disposals but before expenditure on business combinations, investments, including any pre-acquisition settlement items such as net assets or tax settled prior to acquisition, and proceeds from business disposals, borrowings, dividends, fund acquisition and dividends paid to both minority shareholders and the Financial Institutions. Free cash flow conversion is defined as free cash flow as a percentage of adjusted earnings.

The Directors believe that free cash flow gives an important measure of the cash flow of the Group available to fund investment or distribution to shareholders.

	Note	2022 £m	2021 £m
Net increase/decrease in cash and cash equivalents		17.5	192.6
Additional dividends paid to shareholders	7	56.2	61.4
Dividends paid to minority interests	20	0.2	0.3
Acquisition of minority interests	20	0.3	
Proceeds from minority interests	20	–	1.7
Acquisition of businesses and payment for the acquisition of certain assets, net of cash acquired		177.6	451.4
Acquisition and disposal expenses paid	22	6.5	4.2
Proceeds from sale of business, net of expense	21	(13.7)	111.0
Proceeds from sale of shareholdings, net of fee		–	0.6
Deferred consideration paid	21	7.1	6.7
Proceeds from repayment of borrowings	23	(131.3)	202.9
Free cash flow		120.4	118.8
Adjusted earnings		133.9	106.3
Free cash flow conversion		90%	123%

27.5 Trading capital employed and ROATCE

Trading capital employed includes trading capital employed, being defined as net assets less cash and cash equivalents, loan funds and other debt and provisions (other than lease liabilities, retirement benefit obligations, deferred tax and adjustments for losses in respect of future purchases of minority interests and deferred consideration). Adjusted trading capital employed is reported in the trading capital employed plus goodwill and acquisition related charges previously written off net of deferred tax on acquisition of intangible assets and retransferred at 12 month average exchange rates. Return on adjusted trading capital employed (ROATCE) is defined as the pro forma adjusted operating profit divided by adjusted trading capital employed, where pro forma adjusted operating profit is adjusted operating profit adjusted for the full year effect of acquisitions and disposals. The Directors believe that ROATCE is an important measure of the profitability of the Group.

	2022 £m	2021 £m
Net assets	668.2	641.0
Adjusted net		
- Deferred tax net	38.2	21.9
- Retirement benefits, assets and liabilities	(6.4)	4.0
- Acquisition related liabilities, assets, net	29.6	13.7
Net debt	328.9	381.4
Reported trading capital employed	1,058.5	1,123.4
- Historical goodwill and acquisition related charges, net of deferred tax and currency movements	99.6	129.6
Adjusted trading capital employed	1,158.1	1,253.0
Adjusted operating profit	191.2	148.7
Pro forma adjustments	9.7	8.7
Pro forma adjusted operating profit	200.9	157.4
ROATCE	17.3%	12.5%

Adjusted trading capital employed and pro forma adjusted operating profit are:

27.6 Net debt to EBITDA

Net debt to EBITDA is the net debt (defined as debt and cash equivalents and provisions) divided at 12 month average exchange rates by EBITDA or defined in the Group's external financial covenants, which is the Group's adjusted operating profit, plus the fair value of intangible assets and amortisation of tangible and other intangible assets, the share of adjusted EBITDA attributable to minority interests, the share of adjusted EBITDA for acquisitions and disposals made during the financial year and to write the impact of FRP 16 leases. The Directors believe this metric to be an important measure of the Group's financial position.

	Note	2022 £m	2021 £m
Debt and cash equivalents	10	41.7	14.8
Provisions	11	(370.6)	(306.2)
Revaluation at average exchange rates		23.1	1.6
Net debt (average exchange rates)		(305.8)	(289.8)
Adjusted operating profit	12	191.2	148.7
Intangible and amortisation of tangible and other intangible assets	13	11.2	6.9
FRP 16 impact		1.2	0.8
Minority interest share of adjusted EBITDA		(1.1)	(0.8)
Pro forma adjustments		10.2	6.3
EBITDA		212.7	155.9
Net debt to EBITDA		1.4x	1.9x

Adjusted trading capital employed and pro forma adjusted operating profit are:

27.7 Dividend cover

Dividend cover is adjusted earnings per share (as per note 27.3) divided by the total dividend for the year and for the prior period.

	Note	2022	2021
Adjusted earnings per share	14	107.5	89.0
Total dividend for the year, including prior period		53.8	42.8
Dividend cover		2.0	2.1

GROUP ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 SEPTEMBER 2022

1.1 Basis of preparation

The consolidated financial statements have been prepared on a consistent basis to show value and also under the historical cost convention, except for derivative financial instruments which are held at fair value.

On 31 December 2011, IFRS as adopted by the European Union at that date was brought into UK law and became UK adopted international Accounting Standards with future changes being subject to endorsement by the UK Endorsement Board. Diploma PLC transitioned to UK adopted international Accounting Standards in its consolidated financial statements on 1 October 2021. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement and disclosure in the period reported as a result of the change in framework.

Going concern

The consolidated financial statements have been prepared on a going concern basis. The Group's business activities together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 2 to 89. The financial position of the Group has links to a company structure and borrowing facilities as described in the Financial Review on pages 77 to 79. In addition, pages 160 to 169 of the Annual Report & Accounts include the Group's objectives, policies and procedures for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities and its exposure to credit risk and liquidity risk.

The Group continues to operate against a programme of management improvement including a described global inflation hedging interest rate and the credit performance of the DASH9 portfolio in part to protect against inflation of global supply chains. Accordingly, the Directors have approved a more comprehensive portfolio view than in previous years. The Group has not provided for provisions, together with a broad spread of further provisions, as against different geographic areas and sectors, after taking into account a long-term agreement. As a consequence the management view is that the Group is well placed to manage its business and its interests, as described further in pages 82 to 86.

Liquidity and financing position

The Group's capital and funding arrangements are described in notes 18 and 23 to the consolidated financial statements. On 18 October 2021, the Group entered into a debt facility agreement ("DFA") with an authorised British year term loan for an aggregate principal amount of £600m, £1700m, and a committed minimum undrawn revolving facility ("RCF") for an aggregate principal amount of £1350m, which was independently £1850m during the previous financial year.

During the reporting period under review, the DFA has been entered into for the year ended 30 September 2022, the DFA has provided a committed minimum undrawn revolving facility ("RCF") for an aggregate principal amount of £1350m, which was independently £1850m during the previous financial year. The DFA has provided a committed minimum undrawn revolving facility ("RCF") for an aggregate principal amount of £1350m, which was independently £1850m during the previous financial year. The DFA has provided a committed minimum undrawn revolving facility ("RCF") for an aggregate principal amount of £1350m, which was independently £1850m during the previous financial year.

The Group's debt facilities are entered into at variable rates. During the year the Group entered into interest rate swap contracts with the effect of fixing the interest rate on £1000m (£89.5m) of debt. The effective fixed rate debt was 24% of total debt. Subsequent to year end, the Group has entered into further interest rate swap contracts with the effect of fixing the interest rate on an additional \$1000m of debt.

At 30 September 2022, the Group's Net Debt/EBITDA ratio is 1.4x as illustrated in note 27.

As at 30 September 2022, the Group has an aggregate outstanding principal amount of £173.3m (£193.5m), and the Group has utilised £201.0m of the revolving facility. There remains £188.7m undrawn on the revolving facility, and £45.3m undrawn on the bullet term loan. Borrowings include £10m, 2021 £14m, of accrued interest and the carrying amount of capitalised arbitrage is £4.7m (2021 £2.8m).

As at 30 September 2021, under the DFA the Group had a drawn term loan with an aggregate principal amount of £173.3m (£153.5m) and drawings of £95.9m under the revolving facility. As at 30 September 2021, the undrawn revolving facility amount was £189.4m.

Total net debt is £398.0m (2021 £129.4m), including cash funds of £41.7m (2021 £14.8m), borrowings of £100m (2021 £100.0m), and lease liabilities of £69.3m (2021 £45.6m). Bank covenants are tested against net debt funds only, in the following table, as applicable.

Financial modelling

The Group has modelled at base case and at a range of its assessment of going concern. The base case is based on the Group's approved budget which is a 12-month business plan, which is reviewed and considers both the internal and external factors which could impact performance in the future, and a range of other factors that business operators. The model is based on a range of revenue and operating performance, as well as material adverse working capital movements. The model is based on a range of unfavourable impact from a range of external factors, which are reviewed.

The purpose of the exercise is to provide a view on the impact of the Group's base case, which is based on the Group's approved budget which is a 12-month business plan, which is reviewed and considers both the internal and external factors which could impact performance in the future, and a range of other factors that business operators. The model is based on a range of revenue and operating performance, as well as material adverse working capital movements. The model is based on a range of unfavourable impact from a range of external factors, which are reviewed.

Going concern basis

According to and after making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operation and extend to the five year future and they continue to support the going concern basis in preparing the Annual Report & Accounts.

1.2 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all the entities controlled by the Company, its subsidiaries and Associate Berwick Trust ("BT"). Control exists when the Company has power over an entity, variable returns from that entity, and the ability to affect those returns through its power over the entity. The assets, liabilities and results of subsidiaries and Associate Berwick Trust during the year are included in the consolidated financial statements from the effective date of acquisition or the date of establishment, whichever is appropriate.

GROUP ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 SEPTEMBER 2022

CONTINUED

1.7 Foreign currencies

The individual financial statements of each Group entity are prepared in their functional currency, which is the currency of the primary economic environment in which that entity operates. For the purpose of the consolidated financial statements, the results and financial position of each entity are translated into US dollars, which is the presentation currency of the Group.

a) Reporting foreign currency transactions in functional currency
Transactions in currencies other than the entity's functional currency (foreign currencies) are initially recorded at the rates of exchange prevailing on the dates of the transactions. At each subsequent balance sheet date:

- i) Foreign currency monetary items are retranslated at the rates prevailing at the balance sheet date. Exchange differences arising on the settlement or retranslation of monetary items are recognised in the Consolidated Income Statement.
- ii) Non-monetary items measured at historical cost in a foreign currency are not retranslated.
- iii) Non-monetary items measured at fair value in a foreign currency are retranslated using the exchange rate at the date the fair value was determined. A foreign gain or loss, or non-monetary items retranslated at a rate in a different exchange component of that gain or loss and recognised directly in equity and conversely, where a gain or loss on a non-monetary item is recognised in the Consolidated Income Statement, an exchange component of that gain or loss is also recognised in the Consolidated Income Statement.

b) Translating from functional currency to presentation currency
When the functional currency and presentation currency differ from the Group's presentation currency, the translation of the functional currency into the presentation currency is as follows:

- i) Assets and liabilities are translated at the current exchange rate prevailing at the balance sheet date.
- ii) Income and expense items are translated at average exchange rates for the year, except that the use of current average rate does not approximate the exchange rate in the date of the transaction in which case the transaction rate is used.
- iii) A resulting exchange difference is recognised in Other Comprehensive Income (reserves) and the difference are recognised in the Consolidated Income Statement in the period in which the foreign operation is consolidated.

c) Net investment in the group translation

- Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation are recognised in the Consolidated Income Statement and the corresponding financial statements of the reporting entity in the foreign operation at each reporting date in the Consolidated financial statements and exchange differences arising on a monetary item in Other Comprehensive Income as a separate line item in the consolidated financial statements, subsequently recognised in the Consolidated Income Statement on disposal of the net investment.

1.8 Taxation

The tax expense relates to the sum of current tax and deferred tax.

Current tax is based on taxable profits for the year, which differs from profit before tax as reported in the Consolidated Income Statement. Taxable profit excludes items of income and expense that are taxable or deductible in other ways and also excludes items that are never taxable or deductible. The Group's liability for current tax, including UK corporation tax and overseas tax, is calculated using rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method. Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Temporary differences are defined as differences between the carrying amount in the Group's defined concept financial statements, the difference between accelerated capital allowances and a depreciation and for short-term differences where a reversal is expected, and receivables or inventory is not deemed to be further taken in purposes. However, deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill, or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction or that affects only the tax expense or the accounting profit.

Deferred tax liabilities are also recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. No deferred tax is recognised on the unlimited earnings of overseas subsidiaries, as the Group controls the dividend flows of the subsidiaries.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled. Deferred tax is charged or credited to the Consolidated Income Statement in the period in which the temporary difference originates or charged or credited directly to equity in which case the deferred tax is charged with income. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to utilise the benefit of the assets to be recognised. Tax assets and liabilities are offset when there is a legally enforceable right to enforce current tax assets against current tax liabilities when the deferred income tax relates to the same tax authority.

1.9 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the purchase price plus costs directly incurred in bringing the asset into use. Repairs and maintenance expenditure is charged to the Consolidated Income Statement in the period in which it is incurred.

Reents and is not depreciated. Depreciation on other non-current property, plant and equipment begins when the asset is available for use and is charged to the Consolidated Income Statement on a straight-line basis to write off the cost less residual value of the asset over its estimated useful life as follows:

Freehold property	- between 20 and 50 years
Leasehold property	- term of the lease
Plant and equipment	- plant and machinery between 3 and 7 years
	- IT hardware between 3 and 5 years
	- fixtures and fittings between 5 and 15 years
Intangible equipment	- 5 years

The depreciation methods used, residual values and estimated useful lives are reviewed and changed, if appropriate, at least at each financial year end. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or, where shorter, over the term of the relevant lease. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses arising on disposals are determined by comparing sales proceeds with carrying amount and are recognised in the Consolidated Income Statement.

1.10 Intangible assets

Intangible assets, excluding goodwill arising on business combinations, are stated at their amortised cost, i.e. fair value at initial recognition less any subsequent impairment. Amortisation of intangible assets is recognised as an administrative cost.

a) Research and development costs

Research expenditure is written off as incurred. Development cost are written off as incurred unless forecast revenues for a particular project exceed attributable forecast development costs, in which case they are capitalised and amortised on a straight-line basis over the assets' estimated useful life. Costs are capitalised as intangible assets unless physical assets, such as tooling, exist when they are capitalised as property, plant and equipment.

b) Computer software costs

Where computer software is not integral to an item of property, plant and equipment, its costs are capitalised as other intangible assets. An amortisation period on a straight-line basis is determined, depending on life, at between three and seven years.

c) Acquired intangible assets – business combinations

Intangible assets that may be acquired as a result of a business combination include, but are not limited to, customer lists, customer contracts, proprietary technology and software, and patents that can be sold or more fully used at fair value. Intangible assets are valued at fair value at acquisition of the fair value, together with the goodwill generated at acquisition. An amortisation charge is recognised on the cost to the Consolidated Income Statement over the expected useful life of the asset.

For intangible assets that are not subject to amortisation, their fair value at acquisition is valued using a discounted cash flow model. Goodwill is valued using a discounted cash flow model. For intangible assets that are subject to amortisation, their fair value at acquisition is valued using a discounted cash flow model, based on the experience of similar transactions.

d) Goodwill – business combinations

Goodwill arising on the acquisition of a subsidiary represents the excess of the aggregate of the fair value of the consideration over the aggregate fair value of the identifiable intangible, tangible and current assets and part of the aggregate fair value of the liabilities (including contingent liabilities) of businesses acquired at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Transfers of goodwill are expensed and are not included in the cost of acquisition.

1.11 Impairment of tangible and intangible assets

An impairment loss is recognised to the extent that the carrying amount of an asset or a CGU exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the higher of its fair value less costs to sell and its value in use. Its value in use is the present value of the future cash flows expected to be derived from the asset or CGU, discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. Impairment losses are recognised immediately in the Consolidated Income Statement.

a) Impairment of goodwill

Goodwill acquired in a business combination is allocated to a CGU. CGUs to which goodwill is allocated are the Group's cash generating units and the lowest level within the Group at which the goodwill is monitored by the Group's Board of Directors for financial and management purposes. CGUs to which goodwill has been allocated are tested for impairment annually or more frequently where there is an indication that the unit may be impaired.

If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the goodwill attributable to the CGU and any remaining loss to the subsequent assets.

b) Impairment of other tangible and intangible assets

Other tangible and intangible assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Impairment losses and any subsequent reversals are recognised in the Consolidated Income Statement.

1.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated on a FIFO (first-in, first-out) basis. Inventory is measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price for inventory less estimated costs of completion and estimated costs of disposal.

Net realisable value is determined by the cost of the inventory less estimated costs of completion and estimated costs of disposal. Net realisable value is determined by the cost of the inventory less estimated costs of completion and estimated costs of disposal.

1.13 Financial instruments

Financial assets and liabilities are classified as either financial assets or financial liabilities. Financial assets are classified as either financial assets or financial liabilities. Financial assets are classified as either financial assets or financial liabilities.

GROUP ACCOUNTING POLICIES FOR THE YEAR ENDED 30 SEPTEMBER 2022

CONTINUED

a) Trade receivables and loss allowance

Trade receivables are initially measured at fair value, less credit loss allowance, and are reduced by a charge for impairment for estimated irrecoverable amounts. Such impairment losses are recognised in the Consolidated Income Statement, calculated under ERS 9 (see note 12(a)).

b) Trade payables

Trade payables are non-interest bearing and are initially measured at their nominal value.

c) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, interest-bearing deposits, bank overdrafts and short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to only insignificant risk of changes in value. Bank overdrafts are repayable on demand and can form an integral part of the Group's cash management. Bank overdrafts (where used) are presented net of cash and cash equivalents on the balance sheet.

d) Put options held by minority interests

The purchase price of shares to be acquired in acquisitions held by minority interests held in the Group's subsidiaries are calculated by reference to the estimated profitability of the relevant subsidiary at the time of exercise, using a multiple-based formula. The net present value of the estimated future payments under these put options is shown as a financial liability. The corresponding entry is recognised in equity as a deduction against retained earnings. At the end of each year, the estimate of the financial liability is reassessed and any change in value is recognised in the Consolidated Income Statement as part of financial income or expense. Where the liability is denominated in a foreign currency, any change in the value of the liability resulting from changes in exchange rates is recognised in the Consolidated Income Statement.

e) Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments in the form of forward foreign exchange contracts to hedge foreign currency exposure and interest rate swaps to hedge its exposure to market interest rates. These derivatives are designated as cash flow hedges. The Group has elected to continue to apply the hedge accounting requirements in AIC 39 as allowed under ERS 9.

Derivatives are initially recognised at fair value on the date a derivative instrument is entered into and subsequent changes in the fair value of foreign currency derivatives which are designated and effective as hedges of future cash flows are recognised in equity in the hedging reserve and in Other Comprehensive Income, and are reclassified to financial income or expense of the derivative. Changes in the fair value of foreign currency derivative which are ineffective are recognised in the Consolidated Income Statement in accordance with AIC 39. Where the hedge is ineffective, the Group is treated as if the hedge is not in place.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group documents its assessment both at hedge inception and on an ongoing basis of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged item.

For derivative contracts that have been designated as fair value hedges, the net result of the hedge.

f) Borrowings

Borrowings are initially recognised at the fair value of the consideration received. They are subsequently measured at amortised cost. Borrowings are classified as non-current when the repayment date is more than 12 months from the period end date or where they are drawn on a facility with more than 12 months to expiry.

1.14 Investments (fair value through Other Comprehensive Income)

The investments held by the Group comprise equity shares which are not held for the purposes of equity trading and, in accordance with ERS 9 is classified as fair value through Other Comprehensive Income. They are initially recognised at fair value. Subsequent to initial recognition, they are measured at fair value and changes therein are recognised in Other Comprehensive Income.

1.15 Leases

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, comprising the amount of the lease liability plus direct costs, less any lease incentives. The lease liability is determined at the commencement date.

Lease liabilities are recorded at the present value of lease payments. Leases are accounted at the Group's incremental borrowing rate, being the rate that the Group would have to pay to obtain the funds necessary to obtain an asset of similar quality and term for which it is entering into the lease arrangement.

Right-of-use assets are depreciated on a straight-line basis over the lease term, usually 5 years or more.

Interest is recognised on the lease liability, including on any finance lease in the consolidated statement of cash flows.

Lease payments for right-of-use assets under short-term leases are recognised as an expense on a straight-line basis over the lease term. Short-term leases are those with a contract duration of less than 12 months.

1.16 Other liabilities

Other liabilities are recognised when the Group has a legal or constructive obligation as a result of past events, it is probable that the Group will be required to settle that obligation. Other liabilities are measured at the present value of the expected future requirements with the exception of the provision sheet date.

1.17 Dividends

The dividend payable is recognised when approved by the AGM. Interim dividends are recognised when they are paid.

1.18 Share capital and reserves

Ordinary shares are classified as equity. Dividends to the Group's shareholders are classified as either a dividend in cash or a dividend in kind. Dividends are recognised when they are paid or payable to shareholders. The Group's financial statements are prepared on a going concern basis.

a) Translation reserve: The translation reserve is used to record the exchange differences arising from the translation of the financial statements of foreign subsidiaries.

b) Hedging reserve: The hedging reserve is used to record the exchange differences arising from the translation of the financial statements of foreign subsidiaries, which are used to hedge the Group's net assets.

When the Trust is made in accordance with the Company's policy, there is no right and no obligation for the Trustee to purchase or to sell any shares of the Company or of ESO Ltd. or the proceeds of the sale and the addition or subtraction of shares will not affect the net of the Company's equity as reported from equity attributable to the Company's equity holders until the shares are purchased or sold or distributed. Where such shares are subsequently sold or distributed, any consideration received net of any direct, attributable increments to transaction costs and the related income tax effects will be paid to equity attributable to the Company's equity holders. These shares are used to satisfy future awards granted to Directors or other Group's share schemes. The Trustee purchased the Company's equity in the open market at various points in the Company's history and any of the Company's

There are no related parties and no related party transactions in the current or prior reporting periods. There are no related party disclosures in the financial statements.

As published standards not yet effective
The AICPA has published guidance regarding the new standards,
which address both interpretation and existing standards that are
not yet effective. It is the author's view that the AICPA's guidance
can be helpful in the transition to the new standards. An assessment of the
impact of these new standards on the financial reporting of not-for-profit
organizations is provided in the next section.

$$= \frac{1}{n} \sum_{i=1}^n \left(\frac{\partial}{\partial \theta} \log f(\mathbf{x}_i; \theta) \right)^T \left(\frac{\partial}{\partial \theta} \log f(\mathbf{x}_i; \theta) \right)$$

Highly significant researching conducted in various management disciplines in the 1980s and 1990s has provided a theoretical framework for management education to deal with a management education of the 21st century. The management education of the 21st century should attempt to develop a management education that is not only a product of theory, but also a product of practice. Management education should be a product of theory and practice.

[illegible]

	R&G	AccuSource
Discontinued + 10% of intangibles	10.12%	10.12%
Revenue growth + 10% of intangibles	10.12%	10.12%
Customer attrition rate = 0%		
Customer retention plus	10.12%	10.12%

Defined benefit pensions are accounted for with a liability in the Group Accounting Policies. Determining the value of the future defined benefit obligation requires estimates of a number of the assumptions used to calculate present values. These include discount rate, future mortality, and future salary. Management makes these estimates in consultation with an independent actuary. For the year ended 30 September 2012 the defined benefit obligation is based on an interest rate of 4.5% rather than the 4.0% rate in effect at the end of the year ended 30 September 2011. Details of the defined benefit pension plan are included in the accounting policy notes to the financial statements for 30 September 2012, and set out in note 29 of the annual financial statements for 2012.


PARENT COMPANY STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2022

	Note	2022 £m	2021 £m
Fixed assets			
Investments	d	297.2	297.2
Debtors: amounts falling due within one year			
Amounts owed by Group undertakings		35.8	
Creditors: amounts falling due within one year			
Amounts owed to Group undertakings		-	(34.7)
Net assets		333.0	262.5
Capital and reserves			
Called up share capital	c	6.3	6.3
Share premium		188.6	188.6
Profit and loss account		138.1	67.6
Total shareholders' equity		333.0	262.5

£ 333,000,000 (three hundred and thirty-three million)

The financial statements of Diploma PLC and the notes on 176 to 178, which form part of these financial statements (company number 3899848) were approved by the Board of Directors on 27 November 2022 and signed on its behalf by


JD Thomson
Chief Executive Officer


C Davies
Chief Financial Officer

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2022

	Note	Share capital £m	Share premium £m	Retained earnings £m	Total shareholders' equity £m
At 1 October 2020		6.3	188.6	50.4	245.3
Total Comprehensive Income	b	-	-	69.6	69.6
Dividend paid	f	-	-	(52.9)	(52.9)
Settlement of LTIP awards	e	-	-	0.5	0.5
At 30 September 2021		6.3	188.6	67.6	262.5
Total Comprehensive Income	b	-	-	125.5	125.5
Dividends paid	a	-	-	(56.2)	(56.2)
Settlement of LTIP awards		-	-	1.2	1.2
At 30 September 2022		6.3	188.6	138.1	333.0

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

a) Accounting policies

a.1) Basis of accounting

The Parent Company Financial Statements (the Financial Statements) have been prepared consistently in accordance with the Companies Act 2006 and FRS 101 'Reduced Disclosure Framework'. The Directors confirm they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and accordingly they continue to adopt the going concern basis in preparing the Financial Statements. The Financial Statements which are prepared on an annual basis, are presented in UK sterling and all values are rounded to the nearest 100,000 except where otherwise indicated.

Diploma PLC is a public company, limited by shares, incorporated in the United Kingdom, and registered and domiciled in England and Wales and listed on the London Stock Exchange. The offices of the registered office is 111 Chancery Lane, Square, London EC4M 4EE. The financial statements were authorised by the Directors for publication on 20 November 2022.

The following disclosures have not been provided as permitted by FRS 101:

- a cash flow statement and related notes;
- a comparative period regarding information for share capital;
- disclosures in respect of transactions with wholly owned subsidiaries;
- disclosures in respect of capital management;
- the effects of new but not yet effective FRS;
- disclosures in respect of the compensation of key management personnel required.

The Company has also taken the exemption under FRS 101 available in relation to the remuneration of directors in paragraph 44(c) and 44(d) of FRS 2 (Share-based Payment) in respect of Group-entitled share-based payments as they are not stated that the Financial Statements of the Company include the equivalent disclosures within the Remuneration Committee Report.

a.2) Total Comprehensive Income

Total Comprehensive Income comprises dividends received from subsidiaries and investments, other income, corporate expenses at the UK base rate, plus 1.5% and that attributable to non-resident.

a.3) Dividend income

Dividend income is recognised when it is received. Financial dividend contributions are recognised in the Company's Financial Statements in the year in which the dividends are approved by the Company's shareholders. Interim dividends are recognised when paid.

a.4) Diploma PLC Employment Benefit Trust and employee share schemes

Shares held by the Diploma PLC Employee Benefit Trust, the Trust, are stated at cost and are not funded for and do not form part of share capital. In accordance with IAS 32 as applied by FRS 101, Charges that are held by the Trust are not a liability for a liability until such time as the awards have vested and liabilities have been exercised by the participants.

a.5) Auditors' remuneration

Fees payable to the auditors for the audit of the Company's financial statements of £13,600, 2021 of £10,000 were for the audit of the Group undertaking.

b) Directors' and employees' remuneration

Remuneration is paid directly by the Company. Information on the Directors' Remuneration Committee's policy and compensation policy, and their interests in the share capital of the Company are set out in the Remuneration Committee Report in pages 114 to 136 and note 4 to the Consolidated Financial Statements on page 148. The Company has a Long-Term Incentive (LTI) scheme.

c) Company profit and loss account

As permitted by section 408 of the Companies Act 2006, the following profit and loss account is presented for the Company. There were no dividend payments either in the current or preceding periods reported in the Consolidated Financial Statements. The Company's profit for the year was £175,000 (2021 profit of £99,000) were re-settlement of LTI awards.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022
CONTINUED

d) Investments

	2022 £m	2021 £m
Shares in Group undertakings held at cost		
At 30 September	297.2	297.2

A full list of subsidiary and other related undertakings is set out on pages 187 to 189. Investments in subsidiary undertakings are reviewed annually to see if there are any indicators of impairment. There were none in 2021 or 2022.

e) Called up share capital

	2022 Number	2021 Number	2022 £m	2021 £m
Issued, authorised and fully paid ordinary shares of 5p each				
At 30 September	124,616,170	124,667,515	6.3	6.3

During the year 12,212 ordinary shares in the Company (2021: 27,914) were transferred from the Trust to certain directors in order to settle income tax liabilities in connection with the exercise of options in respect of awards which had vested under the LTIP Long Term Incentive Plan as set out in the Remuneration Committee Report.

At 30 September 2022 the Trust held 11,133 (2021: 90,640) ordinary shares in the Company representing 0.01% of the called up share capital. The market value of the shares at 30 September 2022 was \$1.7m (2021: £0.6m).

f) Dividends

Details in respect of dividends proposed and paid during the year by the Company are included in note 19 to the consolidated financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DIPLOMA PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion:

- the Diploma Group financial statements and Parent Company financial statements (the "financial statements") give a true and fair view of the state of the Group and of the Parent Company's affairs at 30 September 2022 and of the Group's financial performance for the year then ended;
- the Group financial statements have been properly prepared in accordance with the applicable International Accounting Standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Principles, in accordance with Accounting Standards, and in accordance with the 2017 Reduced Disclosure Requirements, and in accordance with the law;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements included within the Annual Report (the "Annual Report"), which comprise the Consolidated and Parent Company Statements of Financial Position at 30 September 2022, the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Cash Flow Statement, and the Consolidated and Parent Company Statements of Changes in Equity for the year then ended, and the notes to the financial statements, which include a description of the accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)"), and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We confirm our independence in the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard as applicable to listed public interest entities, and we have taken all other ethical requirements into consideration with these requirements.

In the context of our knowledge and one of us being a firm that provides non-audit services provided by the FRC's Brokers of Finance, we are not a listed

entity. Therefore, as disclosed in note 25, we have provided non-audit services to the Parent Company, or its subsidiaries or departments, in the year then ended.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DIPLOMA PLC

CONTINUED

Our audit approach

Overview

Audit scope

The Group is split into three Sectors: Life Sciences, Seeds and Cereals, and we have conducted audit work across all of them. Through our full scope component audits, audit of the consolidation and additional audit procedures performed at a Group level we have achieved coverage of 75% (2021: 70%) of Group profit before tax and 75% (2021: 71%) of Group revenue.

Key audit matters

- Valuation of the intangibles for the R&D and Agris Science production (Group)
- Carrying value of investments in subsidiaries (Parent)

Materiality

- Overall Group materiality: £6.2m (2021: £4.8m), based on approximately 5% of profit before tax.
- Overall Parent Company materiality: £3.3m (2021: £3.0m), based on 1% of total assets.
- Performance materiality: £4.7m (2021: £3.6m) (Group) and £2.5m (2021: £2.2m) (Parent Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risk of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and, therefore, the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors. The matter that we considered has the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and do not form a separate basis for them, and we do not provide a separate opinion on these matters.

Intangible assets, particularly of all non-dependent on audit

Carrying value of investments in subsidiaries (Parent Company) and valuation of the intangibles for the R&D and Agris Science production (Group). The new key audit matters in our Report on the impairment of investments in Cereals Sector Company and Agris Science and the Wind Driven power production intangibles valuation (Group), which were key audit matters last year, are no longer included because of the reduced impact of COVID-19 on the intangibles in the Cereals Sector companies and there is no significant correlation with the wind driven accounts for the valuation of the Wind Driven intangibles.

Key audit matter**Valuation of the intangibles for the R&G and Accuscience acquisitions (Group)**

Refer to page 176 Significant accounting estimates and critical judgements: Acquisition accounting, on page 20, and section on a critical accounting estimate, within the Group consolidated financial statements.

The Group acquired R&G and Accuscience businesses for a combined consideration of £42.2m.

Acquired intangible assets of £8.0Tm were identified and recognised in respect of these acquisitions. There are close customer relationships, R&G's IP, and brands, R&G's IP.

We have identified a significant risk associated with the valuation of the intangibles due to the magnitude of the acquisition and the significant level of estimation involved in determining the fair value of the acquired intangibles and their sensitivity to management's assumptions.

The valuation of the acquired intangible assets made by management estimation as it is dependent on a number of key assumptions, including a forecast revenue growth rate, discount rates and average stock, a customer attrition rate, and considering other assumptions, there is an inherent level of estimation uncertainty and subjectivity.

Carrying value of investments in subsidiaries (Parent Company)

At the year end sheet date the Parent Company had investments in subsidiaries of £297.0m (2020: £257.2m). Refer to the Parent Company's consolidated Financial Statements within the Parent Company financial statements.

We have focused our audit efforts on this balance given the significance of it. The carrying amount of the Parent Company's investments in subsidiaries represents 89% of the Parent Company's total assets (2020: 107%). Given its trading performance, history, underlying subsidiary investments, we do not consider the valuation of these investments to be at a high risk of material misstatement in the absence of a high level of impairment judgement. However, due to their materiality in the context of the Parent Company financial statements and where it is a key element of the area on which the most audit effort is focused for the Parent Company.

How our audit addressed the key audit matter

Procedures undertaken to address the significant risk identified in respect of the valuation of the acquired intangibles include:

We validated the mathematical accuracy of management's models and assumptions of the methodologies used to determine the fair value, with support from our internal valuation experts.

We obtained an understanding of the assumptions used to estimate the intangible assets and obtained fair value analysis from experts.

- Discount rates: We engaged our valuation experts to corroborate the appropriateness of the discount rates using comparable market data to extract a discount rates of other comparable companies.
- Forecast revenue growth rate and margin: We compared the assumptions in respect of forecast revenue growth rates and margin to historical trading experience and the actual trading performance of the businesses post acquisition. In addition, we compared the forecasts used in the valuation to the Board approved budgets, the three year forecast, and comparable companies.
- Customer attrition rates: In respect of the customer relationship intangible assets, we corroborated the customer attrition rate assumption and obtained a fair value. We compared the assumptions in respect of forecast attrition rates to historical attrition rates. We engaged our valuation experts to assist in the calculation of the methodology used in the calculation.

Based on prices paid, we concluded that management's estimate of the fair value of the acquired intangibles was reasonable.

We checked that the net assets in the balance sheet of the subsidiaries (investments) were in excess of the carrying value of the Parent Company's investment in the subsidiaries. In addition, our work corroborated the audit and management's valuation of management's valuation regarding the carrying value of the carrying value of these investments at the year end sheet date. We have concluded that the net assets of the subsidiaries.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DIPLOMA PLC

CONTINUED

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Parent Company, the accounting processes and controls, and the industry in which they operate.

The Group is focused on three core Sectors: Life Sciences, Smart and Connected, with operations primarily geographically located in Australia, Canada, the USA, the UK and Continental Europe. Within the aforementioned Sectors are a number of businesses – management reporting entities which are consolidated by Group management. The financial statements also encompass a number of reporting components representing the operating businesses within these three core Sectors. Our audit scope was determined by considering the significance of each component's contribution to profit before tax and contribution to individual financial statement line items, with specific consideration to obtaining sufficient coverage over significant risks and other areas of higher risk. We identified 20 financial reporting components across eight countries for which we determined that full scope audits would need to be performed. Through our full scope audits, the audit of the consolidated and other audit procedures performed at a Group level, we have achieved coverage of 75% of the Group's profit before tax and 75% of the Group's revenue, giving us the evidence we needed for our opinion on the financial statements as a whole.

The reporting components, excluding those audited by the Group engagement team, were audited by eight component teams. The Group engagement team attended audit clearance meetings via video conference or in-person, met with management from certain UK, USA and Canada businesses and discussed the audit approach and audit findings with all reporting component teams. Our attendance at the clearance meetings, reviews of the component team reporting, and review and discussion of the audit working papers at a number of overseas locations, together with the additional procedures performed at Group level, give us the evidence we needed for our opinion on the financial statements as a whole. Our audit procedures at the Group level included the audit of the consolidated fair value adjustments and intangible asset valuation on acquisitions, goodwill and investment impairment impairment assessments, provisions and certain tax procedures. The Group engagement team also performed the audit of the Parent Company and two UK components.

As part of our audit, we made enquiries of management to understand the process they have adopted to assess the extent of the potential impact of climate change risk on the Group and Parent Company financial statements. Management considers that the impact of climate change does not give rise to a material financial statement impact due to the Group's decentralised and diverse nature and ability to adapt to changing environments. We used our knowledge of the Group to evaluate management's assessment. We particularly considered how climate change risks would impact the assumptions made in the forecasts, impairment and goodwill and going concern analysis. We discussed with management the work which is in place to monitor and evaluate the climate change risks, as the Group continues to develop its response to the impact of climate change. We also considered the consistency of procedures in relation to climate change contained in the other information within the Annual Report to the financial statements and our knowledge from our audit.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain audit expectations to the financial statements. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and discussed and evaluated the effect of any misstatements on the financials and in aggregate on the financial statements as a whole.

Based on our profession and judgement, we determined materiality for the financial statements as follows:

	Financial statements - Group	Financial statements - Parent Company
Overall materiality	£6.2m (2021: £4.8m)	£3.5m (2021: £3.0m)
How we determined it	Approximately 5% of Profit before tax	Profit before tax
Rationale for benchmark applied	An appropriate measure of underlying financial performance, measured by the Group, in assessing the statutory performance of the Group.	A financial measure used by management in assessing the performance of financial reporting and as a generalised audit benchmark.

For each component in the scope of our Group audit, we also set a performance materiality threshold, which is less than the overall materiality. The range of materiality thresholds applied to the components was £1.4m and £5.0m. Certain components were subject to a qualitative audit materiality threshold that was also less than our overall materiality threshold.

We use performance materiality to reduce the risk of aggregated misstatements exceeding the overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of accounting policies, controls and financial reporting, and in determining sample sizes. Our performance materiality was 75% (2021: 75%) of overall materiality, amounting to £4.7m (2021: £3.6m) for the consolidated financial statements and £2.6m (2021: £2.3m) for the Parent Company financial statements.

In determining the performance materiality, we considered an inherent risk of an error in the financial statements, misstatement and aggregation of errors and the effectiveness of internal controls used to prevent and detect misstatements, and our risk appetite for aggregation.

We agreed with the Audit Committee that we would communicate misstatements identified during our audit above £10,000 to the Group.

£1,011,202, £150,000 and £105,000. Parent Company share in 2021 is 49,900, as well as 100,000 ordinary shares with those amounts that include the associated starting financial provisions.

Conclusions relating to going concern

In the evaluation of the directors' assessment of the Group's and the Parent Company's ability to continue to adopt the going concern basis of accounting we have:

- Reviewed management's going concern assessment to ensure it was based upon the latest Board approved forecasts and that the cash flow assumptions were consistent with our understanding of the outlook for the Group's business and the wider market;
Testing the management's methodology of the model;
Comparing key model inputs with other procedures performed over the course of the audit;
Discussing the going concern with management about their intent to ensure consistency and going forward in the developments within the business;
Comparison of the prior year forecasts against current year actual performance to assess management's ability to forecast accurately; and
Reviewing the latest signed financing agreements to validate covenants used in the modelling and the timing of debt maturities.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Parent Company's ability to continue to adopt going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In evaluating the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee of the Group's and the Parent Company's ability to continue to adopt going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to report or to add or attend on in relation to the directors' statement in the financial statements about whether the directors' are keeping the principles of the going concern basis of accounting.

Our responsibility for the independent audit of the financial statements with respect to going concern is explained in the relevant section of the report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our audit opinion thereon. The directors are responsible for the other information, which includes reporting about the UK Tax Framework, Financial Reporting and/or a Disclosure of Tax Information, and the financial statements, against the background information and information we do not express an audit opinion or expect to be stated in the report, in relation to our audit of the Annual Report.

In connection with our audit of the financial statements, our responsibility is to read the other information, to consider whether the other information is materially inconsistent with the financial statements or otherwise appears to be materially misstated. If we identify or are aware of material inconsistency or material misstatement, we are required to perform procedures to determine whether there is a material misstatement of the financial statements or material misstatement of the other information. Based on the work we have performed, we conclude that there is a material misstatement of the other information. We are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures were required by the UK Companies Act 2006 had been disclosed.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us to state whether the disclosures are in accordance with the provisions of the Act.

Strategic Report and Directors' Report

In connection with our audit of the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report has been prepared in accordance with the provisions of the Companies Act 2006 and the financial statements and has been prepared in accordance with the provisions of the Act.

Based on the work we have performed in the course of the audit, we have concluded that the disclosures in the Strategic Report and Directors' Report are in accordance with the provisions of the Act.

Directors' Remuneration

The disclosures in the Strategic Report and Directors' Report have been prepared in accordance with the provisions of the Companies Act 2006 and the financial statements and has been prepared in accordance with the provisions of the Act.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DIPLOMA PLC

CONTINUED

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Parent Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibility is to report to the corporate governance statement on any information we identified in the Report or in other information in connection with this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit and we have nothing material to draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
 - The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
 - The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Parent Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.
- The directors' explanation as to their assessment of the Group's and Parent Company's prospects, the period of assessment chosen and why the period is appropriate and
- The directors' statement as to whether they have a reasonable expectation that the Parent Company will be able to continue in operation in the medium to long term as they fore-see over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the Group was substantially less extensive than our audit and was limited to reading and considering the directors' disclosures regarding their statement in making that statement, for alignment with the relevant provisions of the UK Corporate Governance Code and in doing so, whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Parent Company and their environment and strategy at the time of the audit.

In addition to this, in the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement in which they consider the Annual Report taken as a whole, is fair, balanced and unbiased and that it includes the "clear, concise and easy to understand" information to assist the Group's and Parent Company's ability to perform and deliver on its strategy.
- The directors' going concern disclosures, the review of effectiveness of risk management and internal control systems and
- The section of the Annual Report detailing the work of the Audit Committee.

We have not made any report or recommendation to report when the directors' statement regarding the Parent Company's compliance with the Corporate Governance Code disclosed a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditor.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities for preparing the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework, and for being satisfied that they give a true and fair view. The directors are also responsible for such internal controls as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing as applicable, matters relating to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company, or to cease operations, or have no alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but it does not guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design and perform our audit to detect irregularities, outlined above, that result in material misstatements, in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK Listing Rules, the Companies Act 2006 and indirect and direct tax laws, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of over-accruals, and determined that the principal risks were related to fraudulently, and unintentionally, misstate the financial statements and management play a significant role in setting estimates, in order to achieve management's financial objectives and business strategy. The Group engagement team and third party assessment of the compliance audit firm, so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and third party assessment auditors included:

- reviewing of Group and individual management, including non-compliance or unknown or suspected instances of non-compliance with laws and regulations and fraud and tax law, which may be a part of the reporting, in relation to the financial statements;
- inspecting management's internal controls and minutes;
- inspecting assumptions and management's judgements in their accounting estimates, including the inventory provisions;
- reviewing selected independent auditors' work;
- inspecting management's internal controls in their work;
- identifying and testing management's, including third parties, with fraud risk, account manipulations, and
- reviewing financial statement disclosures and related disclosures, including documentation to assess compliance with applicable laws and regulations.

There are inherent limitations in the audit procedure described above. We are not able to become aware of all irregularities in compliance with laws and regulations that are not discovered by events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, collusion or internal control weaknesses, or through collusion.

Our auditing might include setting sample population for statistical or data driven data auditing techniques. However, this does not involve testing of the population of the data being audited, from testing sample population. We will often seek to target particular items for testing based on the risk of material misstatement. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is drawn.

A further description of our responsibilities for the audit of the financial statements is set out in the FRC's guidance at www.frc.org.uk/auditorsresponsibilities. This includes a statement of our duties to auditors.

Use of this report

This report, including the financial statements, is intended solely for the use of the Parent Company's members and is in accordance with Chapter 3 of Part 10 of the Companies Act 2006, which states that the directors have no liability in respect of their duties or discharge of their duties to any other person, including any auditor, in connection with the financial statements, where the directors have acted in good faith and with reasonable care.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DIPLOMA PLC

CONTINUED

OTHER REQUIRED REPORTING

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained sufficient information or explanations we require for our audit or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us;
- certain disclosures of directors' remuneration specified by law are not made; or
- the Parent Company financial statements and the part of the Remuneration Committee Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 1 March 2016 to audit the financial statements for the year ended 30 September 2016 and subsequent financial periods. The period of total uninterrupted engagement is 5 years, covering the years ended 30 September 2016 to 30 September 2022.



Christopher Burns (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
27 November 2022

^a The number of subjects who were included in each group was as follows: 10 in the control group; 10 in the low-dose group; 10 in the medium-dose group; 10 in the high-dose group.

SUBSIDIARIES OF DIPLOMA PLC
CONTINUED

[illegible]

	Registered office address*
Life Sciences	
Schlaggen Diagnostics Inc.	B
AKT Electrosurgery Inc.	D
Vantage Endoscopy Inc.	E
Big Green Surgical Company Pty Limited	F
Diagnostic Solutions Int. Limited	H
Sphere Surgical Pty Limited	R
Aspire Surgical Pty Limited	R
Big Green Surgical NZ Limited	T
Techni Path Distribution Limited	V
Apacus dx Pty Limited	R
Apacus dx Limited	T
Simonsen and Wee A/S	41
Simonsen and Wee AB	44
Kunigshuser Medicinal AB	45
Acute Science (Singapore) Limited	48
Mediatrix Services Pty Limited	49

FINANCIAL CALENDAR AND SHAREHOLDER INFORMATION

Announcements (provisional dates)

Q1 Trading Update released	18 January 2023
Annual General Meeting (2022)	18 January 2023
Half Year Results announced	18 May 2023
Q3 Trading Update released	20 July 2023
Interim Results announced	20 November 2023
Annual Report posted to shareholders	21 December 2023
Annual General Meeting (2023)	1 January 2024

Dividends (provisional dates)

Interim announced	18 May 2023
Paid	5 June 2023
Final announced	21 November 2023
Paid, if approved	February 2024

Annual Report & Accounts

Copies can be obtained from the Group Company Secretary at the address shown opposite.

Share Registrar

Computershare Investor Services PLC

The Pavilions
Bridgewater Road
Bristol BS99 6EE
Telephone: 020 702 7020

to website for shareholder enquiries
www.computershare.co.uk

Shareholders' enquiries

If you have any enquiry about the Company's business or about something affecting you as a shareholder (other than questions dealt with by Computershare Investor Services PLC) you are invited to contact the Group Company Secretary at the address shown here.

Group Company Secretary and Registered Office

John Marshall Solicitor
10-11 Charterhouse Square
London EC3M 6EE
Telephone: 020 7549 5700

Registered in England and Wales number 3899648

Website

Diagrams website: www.diagrams.com

ADVISORS

Corporate Stockbrokers
Numis Securities

40 Abchurch Lane
London EC4N 3DF

Barclays Bank PLC
1 Churchill Place
London E14 5HP

Independent Auditor
PricewaterhouseCoopers LLP
15 Broad Street Place
London WC2N 6RH

Solicitors
Simmons & Simmons LLP
City Point
One Fenchurch Street
London EC2Y 9US

Bankers
Barclays Bank PLC
1 Churchill Place
London E14 5HP

HSBC Bank plc
City Corporate Banking Centre
60 Gresham Street
London EC4N 4TF

Overview
Strategic Report
Corporate Governance
Financial Statements
Other Information

FIVE YEAR RECORD

Year ended 30 September	2022 £m	2021 £m	2020 £m	2019 £m	2018 £m
Revenue	1,012.8	756.4	536.4	544.7	485.7
Adjusted operating profit	191.2	146.7	67.1	47.2	64.9
Net interest and similar charges	(11.6)	1.3	2.1	1.7	(0.7)
Adjusted profit before tax	179.6	148.0	64.4	48.9	64.2
Adjustment related and other charges	(46.9)	144.4	173	13.1	11.7)
Fair value remeasurements	(3.2)	10.9	0.4	1	(0.4)
Profit before tax	129.5	96.4	137.7	63.5	72.7
Tax expense	(34.1)	16.9	16.9	21.7	16.8)
Profit for the year	95.4	69.7	49.8	32.4	54.4
Capital structure					
Equity shareholders' funds	662.0	536.3	527.0	321.7	291.2
Minority interest	6.2	4.7	3.7	3.3	3.1
Adjusted equity, cash and cash equivalents	(41.7)	14.8	206.8	17.7	36.0
borrowings	370.6	206.2	1	42.1	
retirement benefit (asset) obligations	(6.4)	4.9	8.3	17.8	0.0
net adjustment related activities	29.6	13.7	11.3	11.3	5.6
deferred tax, net	38.2	11.9	7.9	6.7	8.4
Reported trading capital employed	1,058.5	772.9	543.5	377.1	281.8
Adjustment, goodwill and acquisition related, in a gain, net of deferred tax and currency movements	99.6	129.3	49.4	64.3	74.6
Adjusted trading capital employed	1,158.1	902.3	592.9	441.4	356.4
Net (decrease) increase in net fixed funds	(113.8)	339.3	204.1	51.4	13.1
Adjusted cash flow	56.4	63.2	13.4	31.1	27.0
acquisition of businesses and adding minority interest, intangible assets	177.8	497.3	12.9	19.3	20.4
proceeds from issue of share cap to offset of fees	—	0.1	189.8	—	—
Free cash flow	120.4	105.8	20.3	64.3	47.4
Per ordinary share (p)					
basic earnings	76.1	61.7	41.5	34.7	47.5
Adjusted earnings ¹	107.5	85.2	44.4	34.3	51.4
Free cash flow	96.7	81.4	19.2	41.1	33.3
Dividend	53.8	42.3	11.2	10.7	15.5
Total dividend per equity	532	437	42.3	154	237
Dividend cover	2.0	2.0	1.9	2.4	2.2
Ratios	%	%	%	%	%
Return on adjusted trading capital employed (ROATCE)	17.3	7.4	19.1	12.9	14.6
Working capital turnover	15.6	8.9	6.0	16.5	15.1
Adjusted working capital	18.9	6.5	6.0	17.3	17.5

Adjusted trading capital employed is calculated as the adjusted trading capital employed at the start of the period plus the adjusted trading capital employed at the end of the period, divided by two.

Adjusted earnings is calculated as the adjusted earnings at the start of the period plus the adjusted earnings at the end of the period, divided by two.

Adjusted cash flow is calculated as the adjusted cash flow at the start of the period plus the adjusted cash flow at the end of the period, divided by two.

Adjusted dividend per equity is calculated as the adjusted dividend per equity at the start of the period plus the adjusted dividend per equity at the end of the period, divided by two.

Adjusted dividend cover is calculated as the adjusted dividend cover at the start of the period plus the adjusted dividend cover at the end of the period, divided by two.

Adjusted working capital turnover is calculated as the adjusted working capital turnover at the start of the period plus the adjusted working capital turnover at the end of the period, divided by two.

Adjusted working capital is calculated as the adjusted working capital at the start of the period plus the adjusted working capital at the end of the period, divided by two.

Adjusted working capital turnover is calculated as the adjusted working capital turnover at the start of the period plus the adjusted working capital turnover at the end of the period, divided by two.

Design and layout: Götterjohn.

The graphic shows a sample of the paper used. The paper is 100% recycled and contains 10% fibre from responsible sources. The paper is produced in Germany and is certified according to the FSC standard. The FSC logo is a tree with the letters FSC inside. The FSC logo is a tree with the letters FSC inside. The FSC logo is a tree with the letters FSC inside.



DIPLOMA PLC

10 - 11 Charterhouse Square
London EC1M 6EE

T +44 (0)20 7549 5700

www.diplomaplc.com