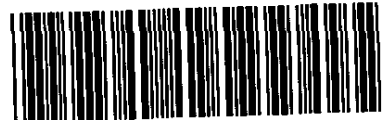


Registered in England and Wales  
Company Registration No: 3899848

# DIPLOMA DELIVERS

THURSDAY



\*AC6QKPC9\*

A08

29/06/2023

#26

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

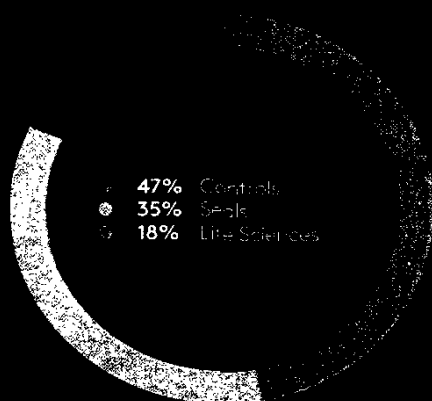
Other Information

## 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 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

**Continuous Improvement**

Determined to get better every day

**Accountability**

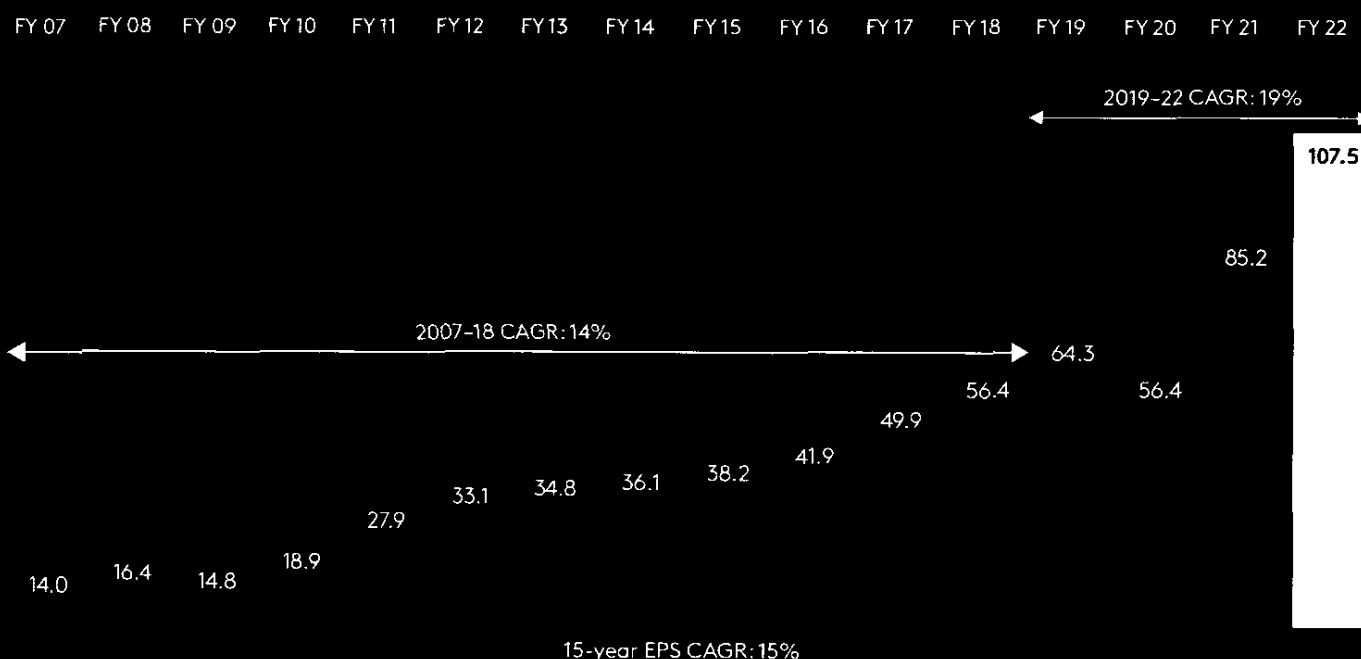
Striving for high standards

**Respect**

Doing the right thing

## TRACK RECORD OF COMPOUNDING GROWTH

Adjusted EPS (pence)



## HIGHLIGHTS

YEAR ENDED 30 SEPTEMBER 2022

### FINANCIAL PERFORMANCE

#### Organic growth

15%

Model: 5%+

#### Free cash flow conversion<sup>1</sup>

90%

Model: ca.90%+

#### Reported revenue growth<sup>1</sup>

29%

Model: 10%+

#### Net debt/EBITDA<sup>1</sup>

1.4x

Model: <2.0x

#### Adjusted operating margin<sup>1</sup>

18.9%

Model: 17%+

#### ROATCE<sup>1</sup>

17.3%

Model: High teens

#### Adjusted EPS growth<sup>1</sup>

26%

Model: double digit

#### Dividend cover<sup>1</sup>

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	10.15p	85.2p	+26%
Statutory EPS	76.1p	56.7p	+34%
DPS	53.8p	49.6p	+26%

<sup>1</sup> FY2021 figures are unaudited and based on management's best estimate.

# 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 OEM 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.*



OUR INTEREST  
IN OUR CUSTOMERS  
TECHNICAL EXPERTISE  
**VALUE-ADD**  
**ORGANIC GROWTH**  
**SCALE**  
SUSTAINABILITY



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.

CONSIS

GREAT SERVICE

TECHNICAL EXPERTISE

VALUE-ADD

ORGANIC GROWTH

SCALE

RESPONSIBLY

POSITIVE IMPACT

VALUE

Overview

Strategic Report

Corporate Governance

Financial Statements

Other Information



WHAT WE DO

# 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



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



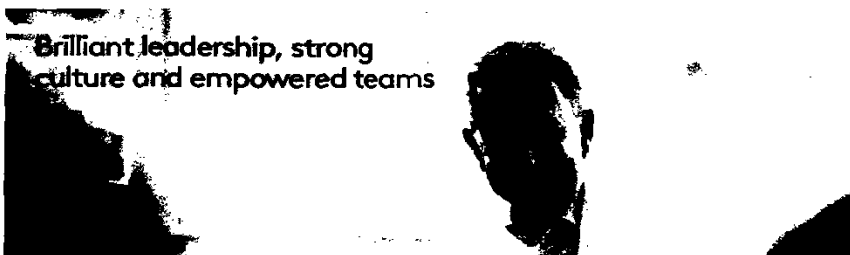
#### Technical expertise



#### Innovative, value-added solutions



#### Brilliant leadership, strong culture and empowered teams





THE GROUP

WE DELIVER  
FOR OUR  
STAKEHOLDERS

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

100%  
of our  
business

### 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 Colleagues

Our colleagues are our strength. We work hard to ensure a strong and motivated team across the Group.

79%  
of our business

### Our Communities

We seek to support the local communities that our business work within, through responsible business practices and through employee and Group fundraising.

### Our Future Potential

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

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 privilege and honor to represent my first statement of Character Diploma. As you know, throughout the past year, in our first year of operation, I have been considering our vision and strategic progress. When I was introduced, I felt that by joining an organization with existing opportunities, a differentiated value added model, delivering sustainable growth and great people. During my first year, I have not been disappointed. I have been impressed by the power of our differentiated model and the pride and commitment to their jobs. Our members are exhibiting qualities that make them a great addition to the organization. Our members are enthusiastic and hardworking. They are taking steps and making positive changes in their lives.

**Very strong financial performance,  
excellent strategic progress**

**Executive Compensation Program**

The Group has developed another very strong financial performance in the year, and digital revenue has been a particular consistent contributor to our growth. Our operations are growing into profitable growth, and our earnings per share (EPS) has also increased. Growth is the most important strategy, and a growth framework is continuing to produce results. We are also seeing growth in a number of areas aligned with our five market segments, indicating that we are well positioned for growing our business in the long term. Our ESG program is also a key focus, and we have been successful in our efforts to improve our ESG performance. We are also focused on our ESG program, and we have been successful in our efforts to improve our ESG performance. We are also focused on our ESG program, and we have been successful in our efforts to improve our ESG performance.

1. The first step is to identify the problem or question that needs to be answered. This involves understanding the context and the specific requirements of the task.

Ensuring the sustainability of our growth is paramount, and the team has continued to build upon investing across our business and the Group to ensure we can continue to deliver for customers as we grow. Throughout this, we remain financially disciplined, maintaining high teens ROATICE at 11.7% and our strong balance sheet allows us to invest in growth. I would like to thank the management team and all our courses for another great year at Diploma.

### Colleagues and culture

**Colleagues and culture**

As a customer service organization, our employees are critical to our success. The following have really enjoyed working at the business and meeting colleagues have been impressed by their commitment to their customers and the great sense of loyalty they feel for their businesses. The following is the very best comment of the year's Colleague Engagement Survey. The Board has a commitment to creating a caring and inclusive and inclusive organization and is pleased to have forgotten to tell that we will continue to evolve and drive forward. Look forward to meeting more of our people in the year ahead.

Our Group Colleague Engagement Survey continued to show excellent levels of engagement. The findings from the survey confirmed our actions and initiatives to ensure colleagues continue to view E.ON as a great place to work. The results and findings were also discussed at the Broad-based meeting and other our internal stakeholder events.

The model is the combination of the two  
 interviewing strategies, a group  
 of 1000 people, 500 male and 500  
 female, is surveyed. The 500 male  
 are interviewed individually and  
 the 500 female are interviewed  
 in groups of 50 female friends.  
 The 500 male are interviewed  
 individually and the 500 female  
 are interviewed in groups of 50  
 female friends. The 500 male  
 are interviewed individually and  
 the 500 female are interviewed  
 in groups of 50 female friends.

As a consequence, the authors were  
convinced that the data were  
not significant and that the  
study should be considered as a  
pilot study.

## Board changes

**Board changes**  
After nearly nine years on the Board, John Lynch stepped down from the role of Chair and the Board in January 2012. The Board also welcomed a new chairman for this year and a new director to the Board in 2012. The new chairman is David G. H. Smith, who has been a director of the company since 2007. The new director is Dr. David G. H. Smith, who has been a director of the company since 2007.

Barbara Gheres worked as a victim in the Houston area in the still active Houston Office in 2010 (before 2012). In her affidavit, Gheres would not mention Barabak's name, employer, or occupation. The Information Center then contacted her by letter in January and in August 2007, we interviewed her. In her affidavit, Gheres identified the "person" as "Chris Cleveland" (later "Franklin Officer Cleveland") and "in 2010." In April 2012, following a meeting with her, we and our staff visited her home in Houston and conducted an interview. Gheres also gave us a letter dated 2010, signed by "Barabak" and dated 2010.

[illegible]

## Dividends

THE UNIVERSITY OF MICHIGAN LIBRARY  
 100 TAPSCOTT DRIVE  
 ANN ARBOR, MICHIGAN 48106-1064  
 TEL: 734 763 7100  
 FAX: 734 763 7101  
 WWW: WWW.LIBRARY.MICHIGAN.EDU  
 E-MAIL: LIBRARY@LIBRARY.MICHIGAN.EDU

David Lowden  
Chuji

1. *Journal of the American Medical Association*, 1997; 277: 1033-1036.

## CEO'S REVIEW

I am delighted with our 2022 financial performance and strategic progress. The management team and all my Diploma colleagues do a brilliant job – thank you.

### Very strong results and excellent strategic progress

I am delighted with our 2022 financial performance and strategic progress, showing the strength of our model and continuing operational resilience and value creation. Our colleagues have been brilliant, and the team has risen to the challenges presented by the external environment.

Our execution has been excellent. Organic growth is the Group's number one priority. It is our portfolio-wide strategy that we have delivered 15% this year. We have not successfully maintained our adjusted operating margin of 18.9%, but our resilient value-added services have enabled us to offset that. We have invested £187m in seven strategic value-added projects, which will accelerate future organic growth and our share price performance.

Growth is a key part of the strategy, and future success depends on the success of our businesses and the Group's overall growth. Sustainable growth for our businesses, we are already developing other target operating models and continuing to improve the core competencies of our value-added model. At a Group level, we continue to diversify our infrastructure portfolio and our revenue mix.

One of the most exciting projects in 2022 has been the acquisition of our subsidiaries, and colleagues have embraced our Value Resourcing and R&D, our ESG programme, our customer and experience initiatives and growth with our A&I. All of these areas have been a key part of our strategy, and we are proud to have achieved this. Our new model is a testament to the resilience of our business.

### A very strong financial performance

Financial results for the year were very strong across the key metrics of our model. Organic growth of 15% reflects the success of our revenue diversification initiatives, positive demand and pricing.

- Controls +24%:** Excellent Windy City, Wile, WCV, performance, international. Controls generating growth in existing and new projects, while also adding US and European exposure.
- Seals +14%:** Accelerated market share, particularly in North America, Aftermarket and product-based growth in international. Seals against product competitor.
- Life Sciences +4%:** Return to growth in 2021, excellent organic growth of 15%, including our various Life Sciences revenue, was moderated by loss of starting ingredients.

### Organic growth

+15%

Very strong organic growth driven by our revenue initiatives, positive demand and pricing

Revenue growth of 15% in 2022, including a positive contribution from high growth businesses and a 6% increase in revenue per unit of capacity.

Our growth is a testament to the resilience of our business, showing a strong and growing demand for our products and services. Our growth is a testament to the resilience of our business, showing a strong and growing demand for our products and services. Our growth is a testament to the resilience of our business, showing a strong and growing demand for our products and services.

Our H1 2022 performance was strong, with a positive conversion of 1.1% in the first half of 2022. This has resulted in a good performance in the second half, with a net profit of 1.4% EBITDA. 2022 has been underpinning our resilience and providing good metrics to continue to invest in growth. We have good liquidity with a strong credit rating of A1 (2022), 100% in our growth sector of fixed interest rates, 100%.

### Sustainable organic growth strategy: revenue diversification driving growth, building scale and increasing resilience

The Group's strategy is to build a high-quality, sustainable business for organic growth. All of our businesses have fantastic opportunities and our strategy is focused on growing a diversified and strong business.

**1. Positioning behind high growth end segments:** major of our core and linked to our business and markets with a positive impact on the end of 2022.

**Technology:** Investment, including in data centres, digital marketing, revenue management and electrification, creating exciting opportunities for growth in Controls.

**Renewable energy and infrastructure investment:** in the US and Europe, we are investing in Seals and Controls.

**Accelerating diagnostics spending:** adding products and services, creating a new platform for our value-added services for the Control market. We are also well positioned to lead in the new high-tech healthcare spending priorities post-pandemic, particularly in the high-tech healthcare.

**2. Geographic penetration of core developed economies:** we remain relatively underpenetrated in our core developed markets, North America, Europe and Asia.

We are a global company, with a strong presence in North America, Europe and Asia. Our growth is a testament to the resilience of our business, showing a strong and growing demand for our products and services.

highlighted our focus on the US and Europe at International Controls, our major new market push in Africa, and our continued product development

revolution drive.

- The acquisition of Antares in the UK and Italy, ACI in Austria, and our further progress in **Australian Seals** where over the last three years we have built a much bigger higher value business. We continue to build share in **Europe in Life Sciences** with the acquisition of Autocentre.

**3. Product range extension to expand addressable markets:** We do this incrementally within the businesses and at portfolio level.

- The acquisition of **R&G Fluid Power Group (R&G)** represents a step change for **Seals** in the UK, broadening Seals' fluid power offering.

Continued development of our **exciting Adhesives business line in Controls**:

- Tennet, acquired last year, has delivered impressive organic growth and the further acquisition of S-wave Solutions further strengthens our position in the UK.

- Across our portfolio, **incremental product adjacency initiatives** funded a key part of growth in the year with future plans including further development of our International Controls supply chain product development in US M&E, initial development Seals relating to Oil rigs, drivelines and gas jets, and ongoing Life Sciences product pipeline development in new innovative technical products, exemplified by ongoing initial development in drug needles.

#### Focused portfolio development

Focused portfolio development is key to the sustainability of our organic growth. As the Group grows, we must continue to invest in the right mix of products, with particular focus on what we do better than our competitors and what the market is going to need in the next 5 to 10 years and beyond.

#### Acquisitions to accelerate organic growth

Acquisitions are a key part of our growth strategy, with a focus on new business opportunities, strengthening our product portfolio, and creating new product lines and markets. We are looking for growth potential through our acquisitions. During 2014, we have acquired 12 companies, 10 of which have been acquired for strategic reasons, and 2 for financial reasons.

## CEO'S REVIEW CONTINUED

- **LJR Electronics (Controls):** acquired in February for £21m (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, acquired in April for £10m (annualised revenue ca. £9m). The business has added scale in the UK and broadened the Seals product portfolio to expand addressable markets.
- **Accuscience (Life Sciences):** a market leading life sciences and medical technology distributor in Ireland, acquired in May for £11m (annualised revenue ca. £28m), adding scale, size and contributing the bulk out of the European pillar of Life Sciences and giving access to the existing distribution segment.
- **ACT (Seals):** a specialist provider of sustainable material engineering and turnkey control solutions. Acquired in July for £7m (annualised revenue ca. £4m) highly complementary and a further step in building a high-quality, scalable Australian platform for growth.
- **Silicone Solutions (Controls):** acquired for £3m in September (annualised revenue ca. £2m), continuing to build out and diversify our new addressable business mix.
- **Two small bolt-ons at R&G (Seals):** R&G continues to enhance its smaller regional players, acquiring two businesses for £4m (annualised revenue ca. £5m).

Our acquisition pipeline is encouraging, despite given the wider market uncertainties we will maintain our strict financial discipline. Furthermore, we continue to invest in value-additive and innovative, attractive businesses. Once our mid results and annual results are in, we invested £14m in Lufkin and since then we R&G has completed a further two acquisitions for £5m. There have also been acquisitions in Q4 ended average multiple

### Portfolio discipline

Especially in a scaled portfolio, it is important to have a disciplined approach to portfolio management. We made two annual non-core disposals in the year. In early May, we disposed of all our interests, formerly part of the Life Sciences Sector for £11m (annualised revenue ca. £13m). In November last year, we also disposed of Keritek, our Russian filters business, for £10m (annualised revenue ca. £22m).

### Scaling our value-added businesses and the Group

#### Scaling our value-added businesses

As our businesses grow and as they need to, evolve their operating model to continue to deliver their value to our customer proposition. All of our businesses have defined their future target operating models, and the strategy to achieve this.

As part of this, we seek to continually improve the **Core Competencies** of our models:

- **Supply chain:** being a part of a more structured and proactive approach, including category management, technical queries and evaluation of suppliers, and a fuller set of criteria including location, flexibility, environmental, and quality practices, not just quality and cost. While we have much more to do in procurement, our supply chain has been a different story in 2022 in terms of much better product availability, particularly at WCM, has enabled our market expansion.

#### Commercial discipline (or pricing):

the combination of improving our processes and the value we deliver to our customers has enabled us to improve our selling margins. We are aiming to continue and improve on this with better data through working with our suppliers and greater transparency with our customers to deliver the right pricing outcomes.

- **Operational excellence:** another focus area for us is to improve warehouse processes across the portfolio of our businesses. As the value is making increasing use of automation. Through our network of best practices, we are also working to standardise processes.

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

- **Talent:** investment in talent remains a key driver for future growth, with a number of important appointments made in the year, these range from 26 functional appointments in Finance, Operations, Supply Chain and Commercial, and a newly created role managing the Life Sciences European pillar. As a result, it has helped retention and have made significant progress with the training and development available to our people, and business leaders.
- Our approach to **Technology** is incremental, and a business approach of managing the right decisions in terms of our existing and planned change. We have a number of digital projects ongoing to improve the time and quality of our sales, moving away from a web-based approach.
- Our investment in **Facility** support the growth of our businesses and is also working with our clients to reduce our carbon footprint and improve our ESG working environment. During the year, we opened new facilities in Life Sciences in Australia and Europe, and we are in the planning stages of another two new facilities in Germany and France.

**We have maintained high-teens margins of**

# 18.9%

## Scaling the Group

We continue to scale our infrastructure, with our new £1.2 billion manufacturing facility in the south of England, which will enable us to supply major UK retailers with around one product per minute, and advanced manufacturing equipment innovation. At 2023, the new £1.2 billion facility and office footprint are well advanced in the building phase, as detailed in our financial outlook for 2023 in our half-year update. Capital Expenditure is also under £1.4 billion.

A long-term, well-powered, decentralised approach and strong local culture will continue to be critical to implementation of our business and diversity-based strategy and success.

## Delivering Value Responsibly: embedding into our commercial strategy and culture

Over the past year, there have been a number of changes in management with DLF, our ESG programme, our colleague and customer experience initiatives aligned to this objective as areas. We have introduced working with the market now embedded, supported by strong governance at Group, Sector and a new executive steering group. Our target was to drive meaningful progress in 2023, and we are well on the way to completing our objectives in the Group Based Targets initiative.

Key points in our ESG update for the year include:

- Excellent and consistent colleague engagement score** (78% in 2023) and a very high employee net promoter score (91%) are testament to the management and leadership operating in our environment, and our commitment to our employees. With this, our new UK-based colleague engagement survey in 2023, we have engaged a leading external provider to deliver engagement and feedback. This is a key step in increasing the diversity of our Senior Management Team (SMT) (see below).
- Improving the diversity of our Senior Management Team (SMT)** (see below).
- Carbon emissions flat despite 15% organic revenue growth** (see below).
- Customer satisfaction** (see below).

Over the past year, we have set targets, agreed and signed up to a number of key initiatives to drive our ESG programme and our value proposition. At the end of the year, our value proposition is to deliver a product for 50p per £1 of 2020. We are currently considering our longer-term business model, but our target is to be in the Science Based Targets initiative (SBTi) in 2023. For further details on our targets, please see the Delivering Value Responsibly section on pages 34-37.

## Increasing resilience underpins our outlook

While we are mindful of the uncertain economic outlook and prospect of a tougher demand environment, we remain confident in the Group's increasing resilience.

## We have grown EPS by

26%

sustaining our impressive compounding track record

Diffring has an excellent track record of compounding growth and delivering strong financial returns through the cycle. Our model is resilient, and our strategic activity makes us more so over time as we diversify and scale, increasing revenue, diversifying our means, we are exposed to exciting structurally growing end segments (our future value-added products and services), multiple customer bases and a very mature, serving apex business, together with our service, equipment, infrastructure, maintenance and engineering and a variety of alternative programs. Our highly experienced and talented leadership team has underpinned our success.

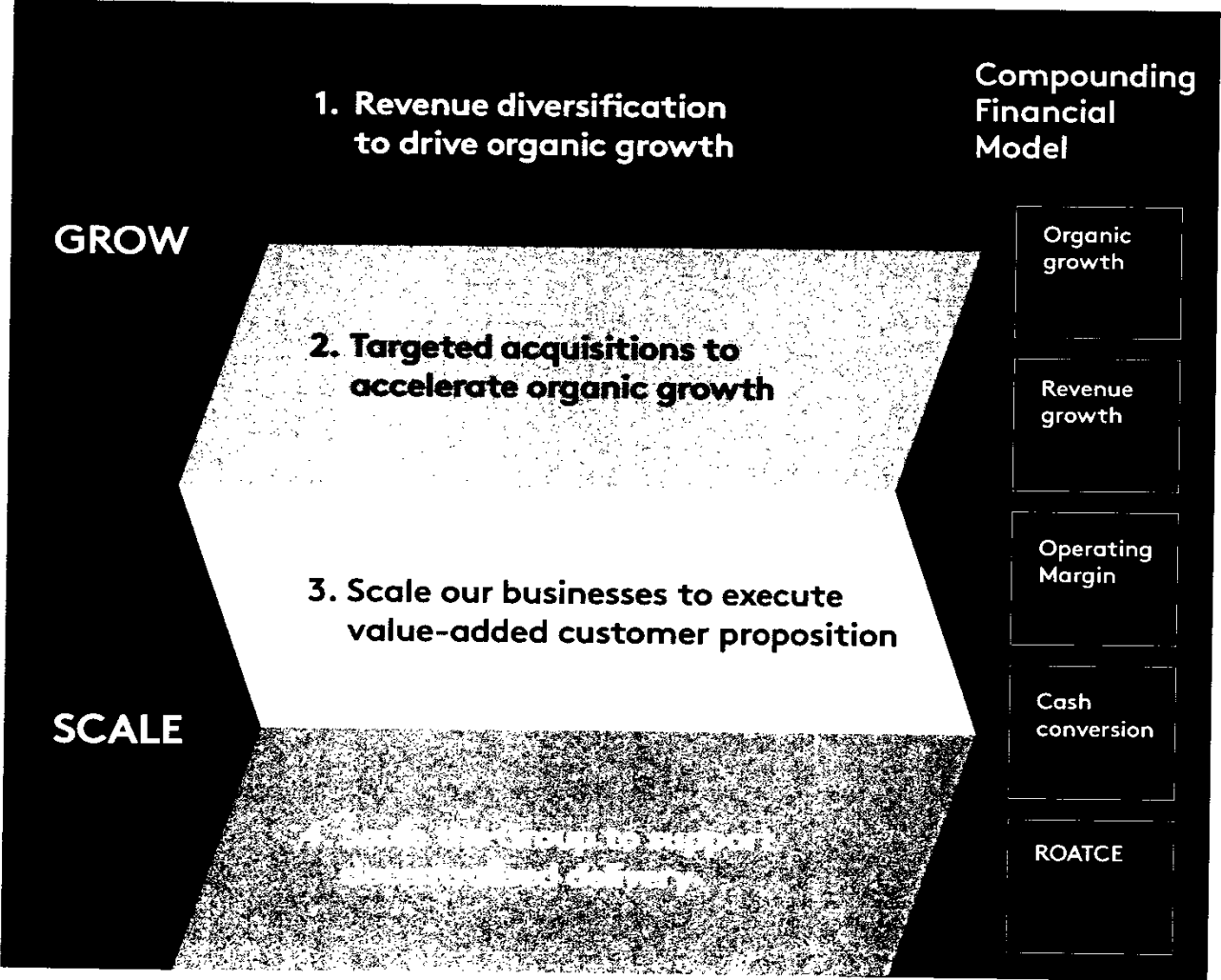
With this, we have a strong track record of delivering value to our shareholders.

- Organic growth with strong margins, a global footprint, a strong and resilient value proposition.
- A solid and strong financial base, we expect to be a strong and resilient business with a strong growth.
- Strong resilience, a strong and resilient financial base, we expect to be a strong and resilient business with a strong growth.
- A strong and resilient financial base, we expect to be a strong and resilient business with a strong growth.

By 2023, we have started our journey with our guidance. We remain confident in our strategy, our building, our growth, our strong financial base, our strong and resilient financial base, our strong and resilient financial base, our strong and resilient financial base.

**Johnny Thomson**  
Chief Executive Officer

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

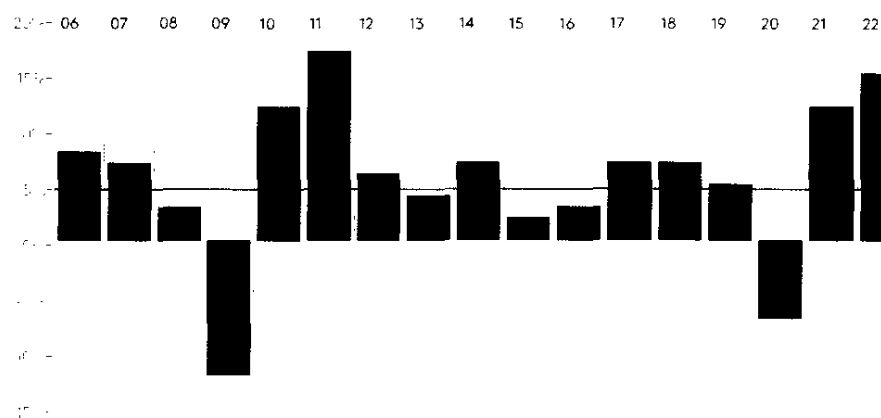
We are relatively underpenetrated in our core developed markets of North America, Europe and Australia where there is significant potential to increase market share.

## 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 acquisition strategy is structured to ensure high quality, value-add businesses that will accelerate organic growth. Fragmented markets offer many opportunities and our strategy is to acquire and grow businesses that meet our strategic objectives.

We plan to add 10% to revenue 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 acquisition strategy is structured to ensure high quality, value-add businesses that will accelerate organic growth. Fragmented markets offer many opportunities and our strategy is to acquire and grow businesses that meet our strategic objectives.

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."

03

### Success factors

#### Target attributes

- Value-add, driving high productivity
- Strong, growing and scalable platform
- High scale potential and strong management team

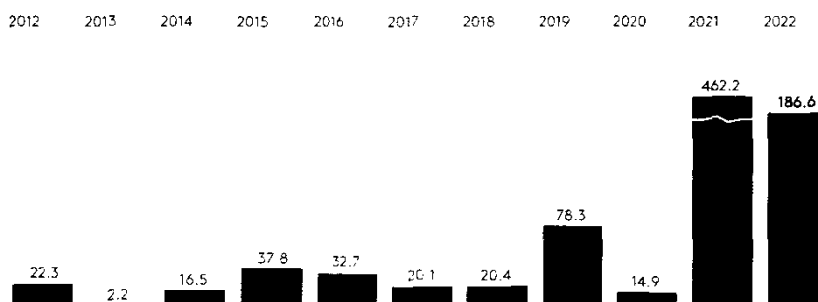
#### How we add value

- Investment in operating growth
- Financial discipline
- Management expertise
- Strong operational track record
- Strong legal, regulatory, and financial expertise

#### Strategically & financially disciplined

- Focused on high quality businesses
- Strong operational track record
- Strong financial and operational performance

#### 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.

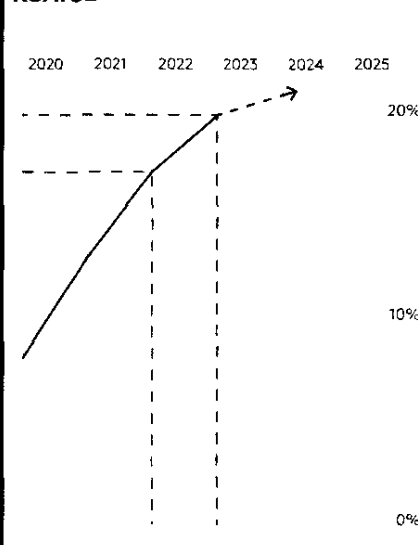
Acquired in October 2020 for £348m, the business represented a material strategic step forward, accelerating organic growth for the Group as a whole. Importantly, Windy City Wire diversified Controls into the large, attractive US industrials market and significantly increased the Group's exposure to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

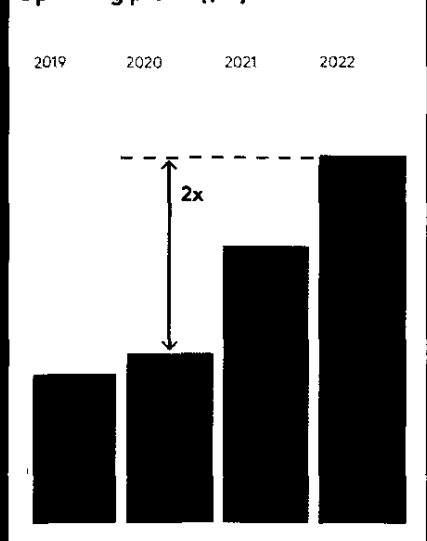
This has been driven by impressive volume growth and operating leverage on a well-invested platform.

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.

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



In April, Moxie completed the acquisition of Accuscience in the UK. The UK serves Germany for EEF. This acquisition has added value in growth, customer portfolio, and geographic coverage to tier one manufacturers. The business portfolio is complementary to portfolio, attract, acquire, and grow best in class products.

The acquisition has created a strong platform for organic growth and value creation across the market ahead.

#### Characteristics:

- Market leader in its sector and a mature product portfolio
- Established in the UK, Ireland and

#### Value drivers:

- Existing and potential customers in tier one markets
- Access to tier one and tier two product segments
- Strong product portfolio

#### Portfolio fit:

- Complementary to Moxie's tier one product portfolio
- Access to tier one and tier two markets
- Product diversification
- Attraction, acquisition, and



We acquired LJR Electronics, a value-added distributor of electronic interconnect products, industrial interconnect products and a selective growing inventory for EEF. This business will bring a portfolio of interconnect products within the current product line and expand our presence into the large automotive and general industrial interconnect market.

#### Characteristics:

- US value-added distributor
- Electronic interconnect products
- Based in Ohio, US

#### Value drivers:

- Organic growth
- Synergies with existing customers
- Moderate value value add products

#### Portfolio fit:

- Complementary to Moxie's tier one product portfolio
- Access to tier one and tier two markets
- Product diversification

## 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:

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

### 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

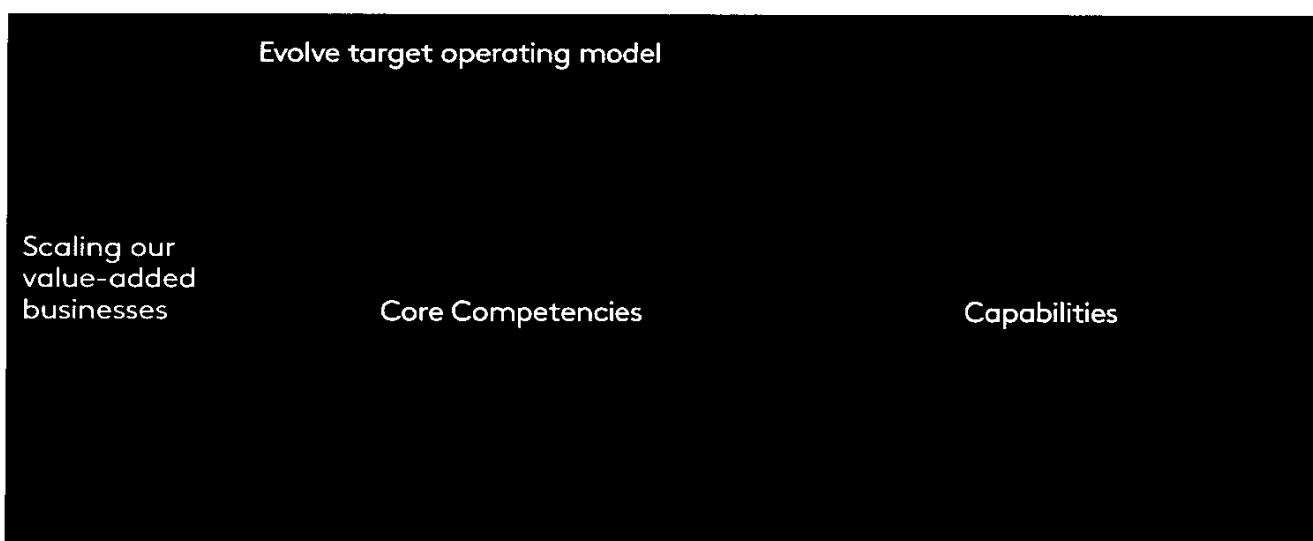
### Value drivers:

- 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

### 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 work to continuously improve the Core Competencies that underpin our model

##### Supply Chain Management

A resilient supply chain to deliver with a bias responsibility. A structured and agile product & supplier to Supply Chain Management

##### Operational Excellence

Efficient end customer experience to customer first delivery model

##### Value-Add

Continuous value-add innovation and growth added through intellectual and technical expertise. Leveraged through a global network of experts

##### Commercial Discipline

Proving the profitable growth. The commercial discipline and pricing processes and the value added for customer

##### Route to Market

Strong customer acquisition and sales management followed by go to market

## 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.

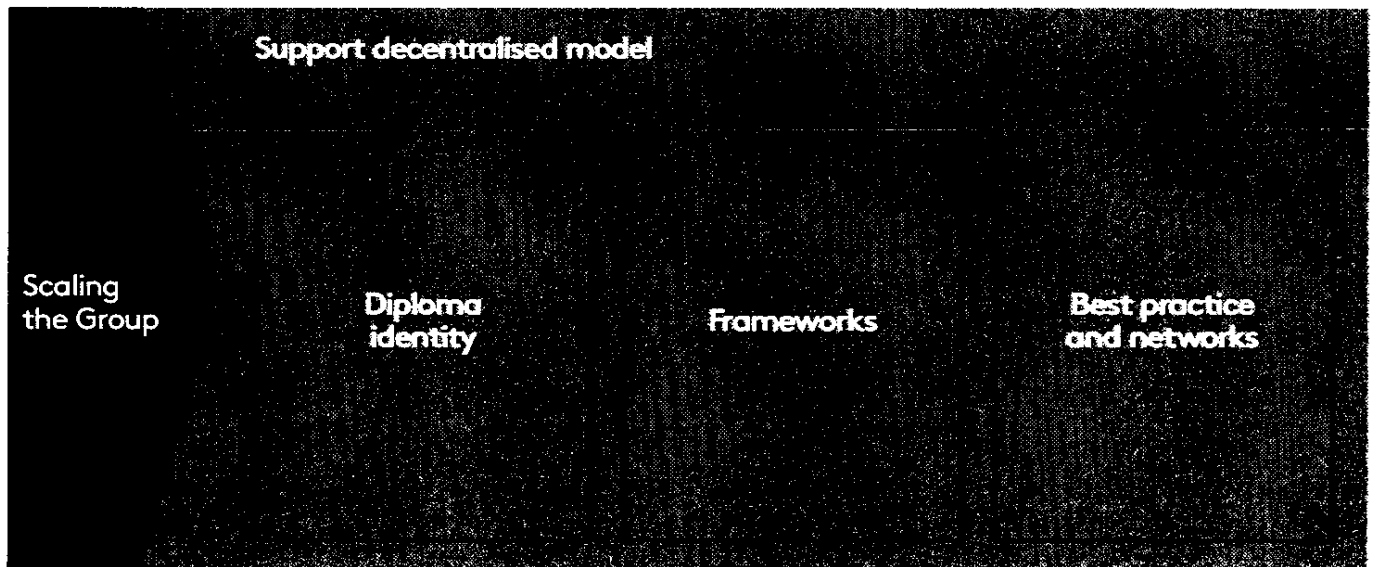
We continue to actively evolve the structures, capability and culture of the Group to deliver for the long-term.

Over the last three years, we have evolved the Group's product and structure around core business lines. We have proactively invested in resources to ensure a lean, skilled head office providing a service to the business. Appointments have been key functional leads.

As a customer-led organisation, the decentralised approach remains central to our success. As a result, we continue to develop a complementary Diploma culture and identity.

The Group has an important role to play in providing strategic and performance frameworks, as well as acting as a conduit for knowledge and best practice sharing between partners.

Through building a robust network, we can be independent of the support of our more experienced partners, grow and scale their businesses.



### Key capabilities

We report the development of three core capabilities that support a growing business.

#### Talent

Through project delivery, we are able to build a strong relationship with our partners, for the long-term business benefit.

#### Technology

Continuous Technology Investment and analysis is a pre-requisite to having the right people in place to effectively implement a product.

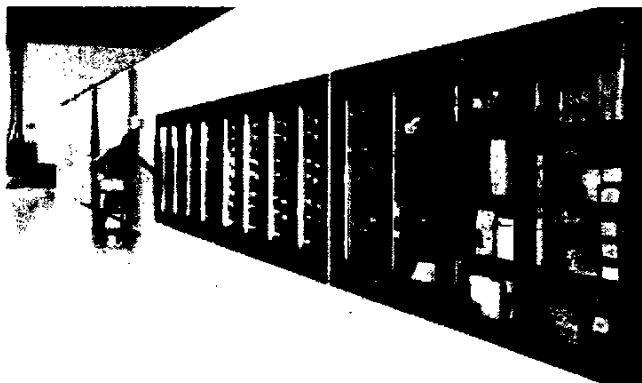
#### Facility

Through the use of facilities, we are able to grow our business. As a result, we support the growth of our partners and our experience with the growing business.

## 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 successfully completed the project to consolidate operations for our Australian Life Sciences businesses: Apollox Bi and Big Green. Building into a single facility in Brisbane. Alongside this, supporting roles and services were also consolidated into a single new office in Sydney.

Building a new facility with capacity for future growth and expansion was only one reason for the project. By combining four stock locations and two operations teams, the planned facility has created an opportunity to improve supply chain management and operational efficiency through harmonising and optimising workflows, processes and systems. For example, it is a more modern, well-lit and comfortable workplace, a better equipped laboratory and an enhanced safety opportunity. The better about it, is also a high level of health & safety. Moreover, from an environmental perspective, the new facility is more energy efficient and better for the planet.

There's more to the new facility that has opened up future opportunities to drive growth and improve the supply chain, offering further technology and process improvements that will benefit customers and suppliers.

#### Chicago June 2022: sharing best practice and building leadership networks



Our second ever in-person Senior Leadership Team (SLT) meeting was held in Chicago in June.

As we support various global business units and the Group, we want to retain our decentralised management approach with strong local cultures. However, there is huge opportunity for our leaders to learn from one another. One of the key roles of the Group is to foster best practice sharing and a trusted leadership network.

Our event in Chicago was both a celebration of success and an opportunity for our leaders to build their internal network and share experiences which they can leverage in their own businesses.





## 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 positions >90% male), increasing female SMT representation to 27.5%. We are committed to achieving gender balance at SMT level by 2030.

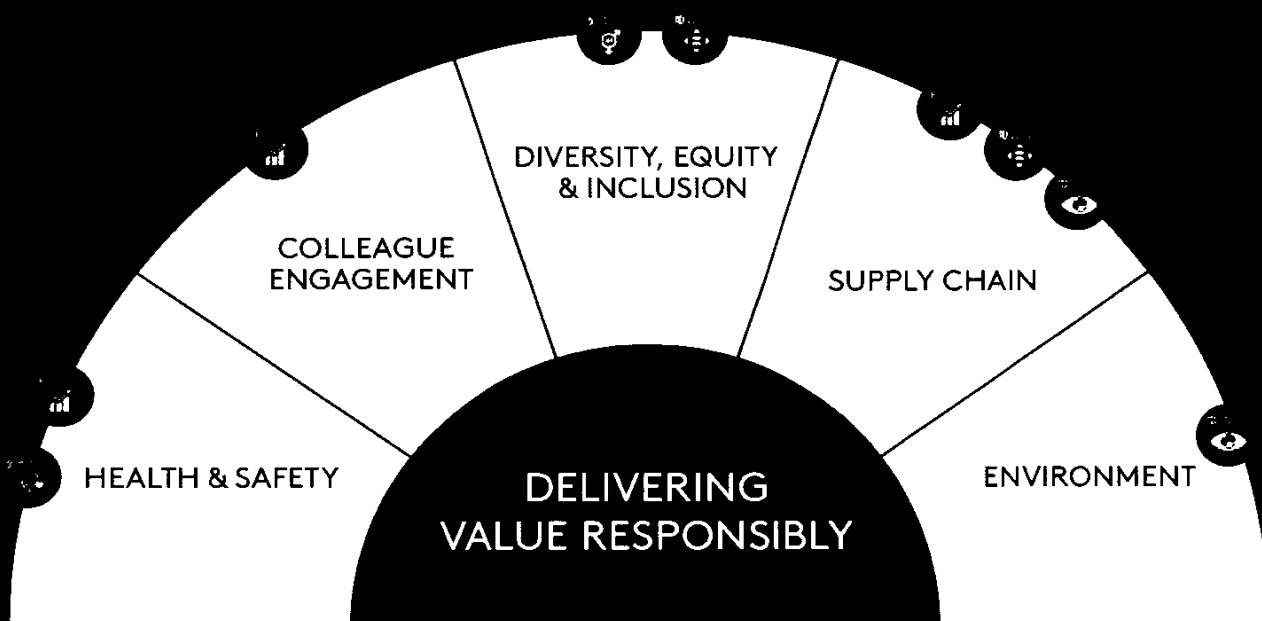
Talent is also central to evolving our leadership structures to support scale. For example, in Life Sciences, having focused the Sector around three strong geographic pillars, we have created a new role heading up Europe and a single CFO role for Australia & New Zealand.

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 Sectors and International Contract 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 businesses. We also have a duty to keep our colleagues safe, champion diversity and create an inclusive and equitable working environment where all of our colleagues are able to fulfil their potential.



### Delivering for the Environment



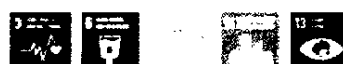
Our role as a distributor gives us the opportunity to have a meaningful impact. We must leverage our relationships with key suppliers to tackle waste, packaging and emissions. This will improve operation efficiency and deliver value for our customers, suppliers and colleagues.



### Delivering a Positive Impact



Many of our products and services have end uses that positively impact the environment and our society – whether safeguarding first responder communications, supporting the transition to Renewable Energy or providing life-saving solutions.



## 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 FY25.**

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 88% 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 turnover remains consistent at 24.4% (2021: 22.6%), reflecting a restructuring in Administration, Healthcare and International. So also increased automation of our Louisville facility, and a challenging talent market.

Our Colleague Engagement Survey is key to understanding how engaged our workforce is and helps us to identify, then act, on areas for improvement in our focus. We have set a relatively modest target to maintain an engagement index of 70%+, which keeps us focused on understanding the real picture, improving engagement, and encouraging open and honest responses.

### Action during 2022

Following the Engagement Survey, our businesses set up listening groups to focus on key themes with their colleagues, to put an improvement plan in place for the year ahead. This plan supported by Group HR, which prioritises the issues seen in understanding and responding to their return and more key Group themes and best practice.

**“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



We've also streamlined our Learning management system across the Group. The online central hub for Group training, training materials, modules and all content, on a single portal, and information to assist with compliance and DLR.

Our engagement score remains high at 75% and we were able to increase the response rate across the Group, particularly engagement scores are consistent across the Group, ranging from 75% - 88%.

# 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

We've also been working to support the new leading to our customers, to our management. 90% of respondents find their work meaningful, 88% of our colleagues are proud to work for their business and 88% believe that their management empowers them and gives them the authority to do their job.

Following the FY21 engagement survey, we identified three areas of focus: Leadership style, learning and development and wellbeing. All of these are an area for improvement in the last year and a number of initiatives in place at many of our businesses.

#### Leadership style

## 75% +2%

2022	75
2021	73

#### Learning and development

## 70% +4%

2022	70
2021	66

#### Wellbeing

## 79% +1%

2022	79
2021	78

Learning and development and wellbeing continue to be ongoing areas of focus for the Group. We provide training and guidance to our leaders on how to present a plan and performance, feedback. We will continue to drive a positive culture, and to support our business, management, wellbeing and wellbeing.

#### CASE STUDY

### M Seals UK Employee Working Group



M Seals UK set up an Employee Working Group in 2021 in response to their first Group Colleague Engagement Survey.

The Employee Working Group is still going strong and meets regularly. It includes colleagues from across the business and from every management level, department and site.

"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

## Ensuring Health & Safety

Our vision is that no one is harmed at work

### 2022 Highlights

- Continuing to build a proactive Health & Safety culture
- More robust reporting
- Reduced severity rate
- Improvement in potential hazard reporting
- Improved governance at business and Sector level

10.6

LTI rate

44%

reduction in severity rate

### KPI

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

### FY23 Target

5% year-on-year reduction in LTI rate

### Ongoing Focus

- Build positive mental health and wellbeing
- Continuous improvement and focus on Health & Safety culture
- Ensure process in place to reduce risks identified by potential hazard reporting

Keeping our colleagues healthy, safe and well is a prerequisite to doing business. We have a duty of care to any person who is working remotely, working at, or visiting a Diploma business.

In line with our de-centralised model, our Managing Directors are accountable for Health & Safety in their businesses. Each business works to build a strong Health & Safety culture, driven by the Managing Director and agreed by all colleagues.

Our Group CEO holds ultimate responsibility for Health & Safety across the Group, including ensuring good governance and provision of a safe working environment for all colleagues.

Businesses are responsible for developing and implementing procedures and frameworks to suit their specific circumstances and risk level. However, we expect all businesses to comply with the standards and requirements of our Group policy.

We have a clear vision that no one should be harmed at work, in order to achieve this, we will focus on risk mitigation and a proactive Health & Safety culture. We see potential hazards, reporting and awareness as a good indicator of that culture.

To further support our long-term vision, we have set an LTI reduction target of 5% year-on-year to support our reducing incidents.

### Action during 2022

For the first time, our annual reported metrics on Health & Safety not only included potential risks, but also potential hazards. Our top 10 Group themes and risks safety and share in the same way as the Group.

An incident we have addressed our master to do more on what is in reducing risk, being tested with driving with the new equipment, in the past, with the new equipment, and introduced an intermediate reporting process. The new process has been implemented in our updated Health & Safety Policy for the new year.

We were pleased that Health & Safety is more a priority to everyone in the Group with both our colleagues feeling that they can speak up about Health & Safety, and our Health & Safety will continue to be a key priority in our production and other activities.

86%

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



Ahead of the Full Year 2022, we held Health & Safety workshops with colleagues who are responsible for Health & Safety in the business unit for the first time. The purpose of these was to allow us to support our colleagues in understanding the Full Year objectives and aligning them with our targets and that is a great step forward in the partnership between Health & Safety managers.

We have also realised that we have started to develop a wider network of Health & Safety colleagues. This network has brought Health & Safety managers together to share best practice and learn on Health & Safety culture as well as sharing experience and learning on external certification such as ISO 45001 for businesses preparing for review.

The primary cause of injury for the Group continues to be slips and trips. Our most severe injury was a fractured ankle which resulted in 24 days off the time as the person could not perform the duties of their active warehouse role.

Potential hazard reporting increased across the Group to 572 for the year with improved consistency of reporting across the businesses. We will continue to focus on ensuring that potential hazard reporting results in mitigating actions.

There were no fatalities during the year.

## CASE STUDY

### North American Seals



During the year our North American Seals businesses created a Health & Safety network to share best practice and resources on Health & Safety.

In FY20 the injury days were 59% lower than the prior year and the number of LTI's decreased by 60%.

#### 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	111

During the year our LTI rate increased to 10.6 (2021: 10.1) an increase in the year despite two incidents. However, we have the benefit of more consistent reporting across the Group and were pleased that LTI's were less severe than in 2021 with the severity rate decreasing from 7.7 to 4.3.

## 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 continue 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 workshops were attended by all senior MDs and other members of the Senior Leadership Team. We have made resources available for all leaders in our management system.

During the year we developed and published our Group DEI policy, which provided guidance and standards for our business to follow, including recruiting diverse applicants from recruiters. We held workshops on the new policy with all employees responsible for recruiting. DEI is then embedded in our senior management training.

During these sessions we shared the key points of the Policy, our DEI targets and our new approach for FY23. This also gave employees the opportunity to ask questions, share best practice and build networks.

### Gender diversity (as at 30 September)

	Male	Female	Total
Board	4	3	7
Executive team	6	2	8
SMT	98	36	134
All employees	1,495	910	2,405

We have set an FY30 target for the Senior Management Team (SMT) to be at least 40% women. We have made some progress towards that during the year with 40% of external recruitment into the SMT being women. However, the retention of acquisitions remains a challenge with just 4% female representation amongst the people who joined the SMT through acquisitions during FY22.

We also remain focused on improving the gender diversity of those joining the SMT through internal recruitment by building a gender-balanced pipeline of talent. Beyond the SMT, our ambition is to achieve gender balance across our workforce.

### Ethnic diversity (as at 30 September)

	Non-minority	Ethnic minority	Prefer not to say	Total
Board	0	0	0	0
SMT	98	13	23	134

We have just started to measure ethnicity in the SMT. We have to report the percentage of the SMT that represent different groups of ethnicity, but we have not yet created sight lines on the data with FY21. Our aim for gender this is to track the external recruits into the SMT during the year.

**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%

### 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.

## Gender diversity across the Group

### Board

Women 43%

### All employees

Women 31%

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



The standards of our Supplier Code ask our key suppliers to commit to conducting their business according to high ethical, professional and legal standards, with a focus relating to human rights, labour, law, anti-bribery and corruption and international trade laws and standards. We also ask that our suppliers work with us to reduce waste and emissions within our value chain.

In the first year of this initiative across the Group, a total of 878 key suppliers were identified across the Group. Just over the identified suppliers have been engaged on the Supplier Code, and approximately 50% of key suppliers have been engaged and are aligned with the Supplier Code. We will continue to engage the remaining identified key suppliers and assess new key suppliers on an ongoing basis.

We have also held workshops with suppliers and developed a robust framework for developing connections, understanding and building understanding of the impact of our supply chain management on our employees.

We will continue to build on this strategy and develop the framework of Sustainable Supply Chain for our Group and supply chain management, aligned with our net zero strategy. We look forward to continuing with them on reducing emissions in our value chain.

FY21 was the first full year of implementing our Supply Chain Policy, and engaging our suppliers on our Supplier Code. Our business has worked hard to engage the suppliers and ensure their alignment with the Supplier Code against a range of the supply chain disruption that was experienced in FY21.

During the year, our businesses have identified their key suppliers. These are not purely based on turnover, but must also not be applicable for at least 5% of our business revenue. In addition, key suppliers may also include high-value suppliers and components suppliers, or high-volume suppliers.

# 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 CO<sub>2</sub>e

## Emissions KPI

% reduction of Scope 1 and 2 emissions (tonnes CO<sub>2</sub>e) against FY22 baseline (10,615 tonnes CO<sub>2</sub>e)

## 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 hugely grateful to our Businesses and the brilliant colleagues that have worked during the year to put sustainable initiatives in place at their facilities, including upgrading to LED lighting, introducing electric company vehicles and reducing their waste.

We have worked with EcoAct, an Angus company, to review our Scope 1 & 2 emissions and set on FY22 base year to our SBTi aligned target to reduce Scopes 1 & 2 by 50% by 2030.

This target puts us on track to achieve net zero emissions across our operations by 2040.

The majority of our emissions are from heating, cooling and lighting our facilities with Scope 2 representing 64% of our operational emissions. We intend to achieve our target by focusing on energy efficiency initiatives and on-site renewable power generation, as well as the purchase of renewable electricity.

		FY22	FY21	FY20
Greenhouse Gas Emissions (tonnes CO <sub>2</sub> e)	Scope 1 emissions	3,256	2,864	2,773
	Scope 2 emissions	7,359	1,111	3,658
	Direct emissions	10,615	3,975	4,331

## Tonnes CO<sub>2</sub>e 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 leased, with non-profit 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 SBT, we have reviewed our reporting methodology and will focus on a percentage reduction of Scope 1 & 2 emissions going forward.

During FY22, when our base level of weighted annual emissions data from the majority of our businesses (90% of Group revenue) had expired, we estimated the emissions of the remaining businesses. Method 1 is reported annually by the business. For our weighted emissions, that data is multiplied by the estimated percentage of revenue base, which is our own or the estimated percentage of the overall revenue (GBE) for that scope category, and aggregated collectively. Estimation is a percentage of revenue base. Calculations are iterative in nature.

Scope 1 emissions for existing businesses have remained relatively flat at 150 tonnes CO<sub>2</sub>e. As at FY21, CO<sub>2</sub>e from electricity usage at 100 tonnes CO<sub>2</sub>e and for revenue has decreased from 10.5 to 10.1, largely driven by increased revenue. Total absolute emissions for the Group were 12,618 tonnes CO<sub>2</sub>e in which 18,111 tonnes CO<sub>2</sub>e was attributable to the UK.

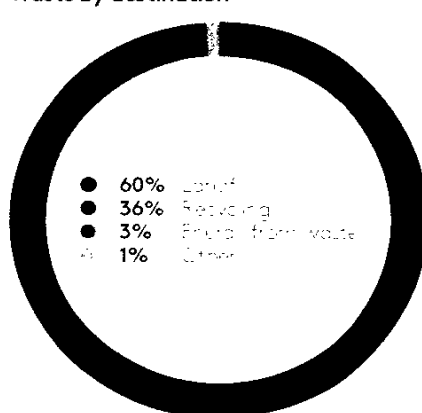
Carbon footprint and energy footprint has been partially an initiative and we have seen a 30% reduction in Scope 2 emissions at our Herringfleet Airport business in the US due to our collaboration with the more energy efficient building footprint. We have also seen some benefit from energy efficiency measures such as upgrades to LED lighting.

Consumption of carbon dioxide for the UK Group was 17,641,647 kg and for the 141,188,975 kg, which is a reduction of 1%

### 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 first and targets but is also an important metric for us to manage.

#### Waste by destination



Waste per £m revenue	1.6
Total waste	2,336 metric tonnes

Our business, Exim, and absolutely report their total waste and waste destination or even quarter on a base that has a profit improvement. Our understanding of waste across our operations. There have been challenges to collecting this data due to the complexity of waste management, waste recycling infrastructure, and the need for a change of infrastructure and processes.

Total waste recycling at 100% of 100% has been achieved, which is a significant milestone.

### CASE STUDY

## Packaging

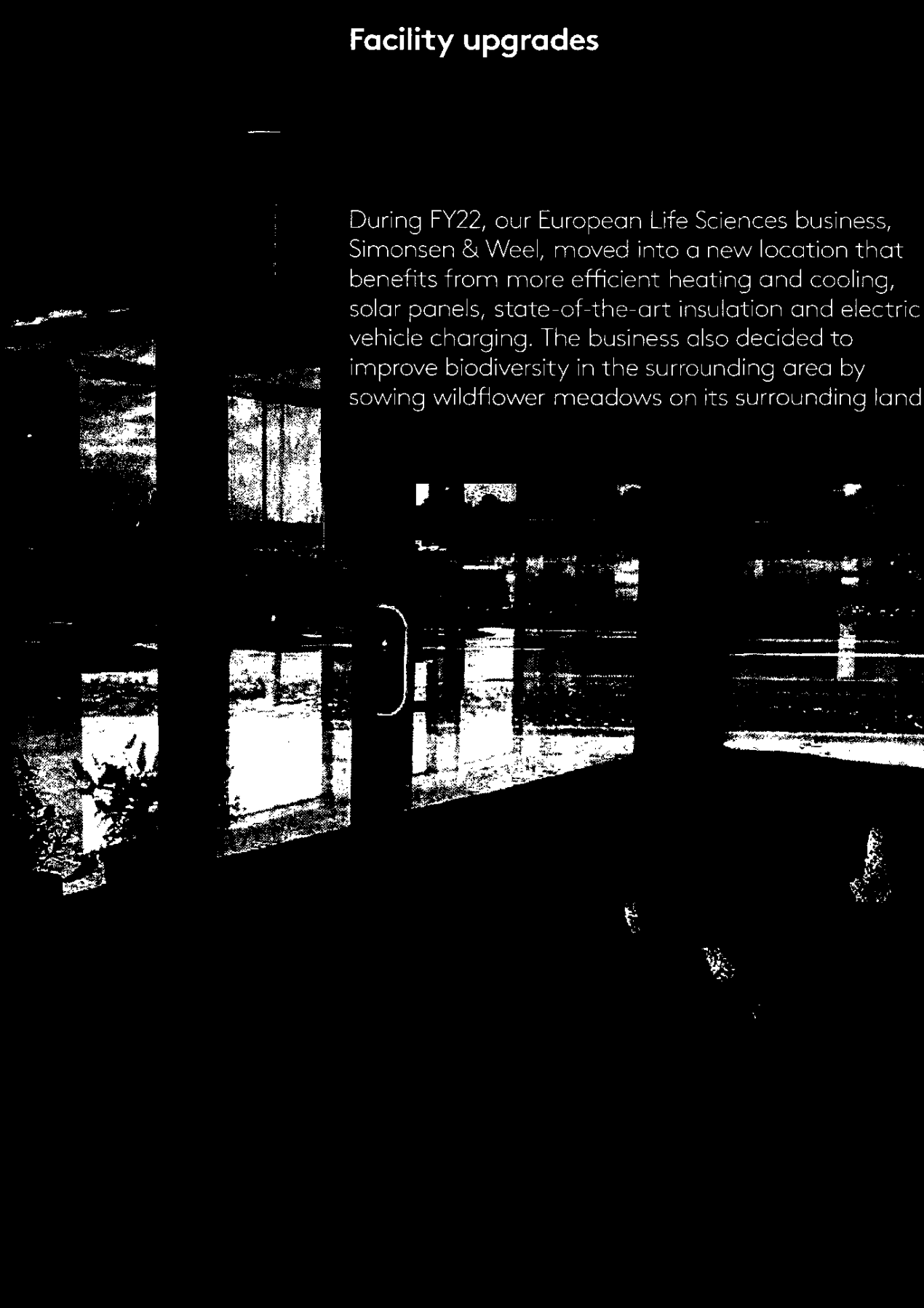


Packaging initiatives are being put in place across the Group. For many businesses, the focus has been on creating a more circular packaging system.

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

FY22 is our first year of reporting on the metrics FY25 and beyond. We have set targets based on our FY21 data.

Focus Area	KPI	Target	Target date	FY22	Our long-term vision
Employee Engagement	Engagement index	More than 70% <sup>1</sup>	FY30	75%	A diverse, engaged and high-performing
Health & Safety	LTIFR <sup>2</sup> Last time reported for 1000 employees	5% reduction year on year	FY30	10.6	No one is harmed at work
Diversity, equity and inclusion	% of women on the Senior Management Team	Women represent 40% of Senior Management Team	FY30	37%	A diverse and gender-balanced workforce
Supply Chain	% of direct tier 1 suppliers aligned with the standards of the Global Supplier Code	80% suppliers are aligned with the Supplier Code	FY30	54%	All key suppliers are compliant with the Supplier Code
Emissions	% reduction of Scope 1 and 2 emissions against the baseline	50% reduction	FY30	Baseline year 2018 (scope 1 & 2 CO <sub>2</sub> e)	To be net zero across our operations by 2040, with net zero across our value chain by 2050 at the latest
Waste	% total waste to landfill	Less than 10% waste to landfill	FY30	60%	To be a zero-waste and circular business

<sup>1</sup> Target based on our FY21 survey data. We will update the target based on the results of regular surveys. <sup>2</sup> The FY21 survey was conducted in March 2021. The survey was conducted in March 2021. The survey was conducted in March 2021.

## Responsible business

We recognise our obligation to undertake business and operate in ethical and responsible fashion, including in relations with employees, customers, suppliers, shareholders and the public.

In line with our sustainability strategy, we will continue to improve our performance and the Group expects senior management to ensure the highest standards of integrity, ethics and responsible conduct.

## Charitable donations

Our business operates across a wide range of charitable and community activities. Our employees can contribute to the community in which they operate. During the year, the total amount donated by the Group totaled £100,737 (2021: £70,374). The Group uses a grant-making approach to those offered to the community, including donations which support

## DELIVERING VALUE RESPONSIBLY CONTINUED

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

We recognise that climate change is an urgent and global crisis and we are committed to building our understanding of its potential impact on our Group as well as making a positive contribution to a low-carbon future. We operate a decentralised model across a large number of geographically spread businesses with lean management structures. Our approach to climate impact reporting has focused initially on developing a sound understanding of our own emissions (Scope 1 and 2) in order to set credible and science-based reduction targets (outlined on page 53 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 expertise engaging EcoAct in FY22 and will increase internal resources in this area in the coming months. This will enable us to make material progress during the first half of FY23. We expect to have fully compliant TCFD reporting by the end of FY24.

At the time of publication, we have made climate-related financial disclosures consistent with the TCFD recommendations against the following:

- Governance (page 42)
- Strategy (page 43)
- Risk management (page 44)

For strategy disclosures, plans to further work underway to understand the impact of climate-related risks and opportunities and we are planning to undertake scenario analysis during FY23. Our understanding of these risks will be further informed by scenario analysis during FY23 in order to remain consistent with targets disclosed in FY22 and FY23. We have disclosed our Scope 1 and 2 emissions and targets in this report as well as work on the material risks. We are not currently fully consistent with metrics and targets in paragraphs 1 and 2 as we have not disclosed our Scope 3 emissions or targets. However, we have engaged EcoAct to review and advise on methodology for calculating our Scope 1 and 2 emissions in line with our Scope 3 targets and a subsequent submission of near-term targets in the GRI in FY23 that consider long-term target alignment in order to align our potential in 2050.

The further work outlined above to align with the recommended TCFD disclosures will be completed during FY23 and the findings will be included in our FY23 Annual Report.

## GOVERNANCE

Disclose the organisation's governance structure and systems related to climate change.

### Board Oversight

The Board is responsible for the Group's business strategy, climate change and has ultimate oversight of climate-related risks and opportunities. The Board has approved the Group's strategy, climate change and environmental policy and approves the Directors' remuneration policy and approves the remuneration policy and approves the remuneration policy.

- Reviews and monitors the Group's climate change and risk management and change that allow the Board to review the Group's principal risks and emerging risks to generate a risk report and
- Quarterly risk updates
- Training on TCFD reporting and other relevant
- Annual ESG updates

The Board is responsible for the Group's business strategy, climate change and has ultimate oversight of climate-related risks and opportunities. The Board has approved the Group's strategy, climate change and environmental policy and approves the Directors' remuneration policy and approves the remuneration policy.

### Management's role

Management is responsible for the Group's business strategy, climate change and has ultimate oversight of climate-related risks and opportunities. The Board is responsible for the Group's business strategy, climate change and has ultimate oversight of climate-related risks and opportunities.

Our ESG governance structure and the governance of climate change risks and opportunities



## STRATEGY

Discusses the approach adopted in assessing climate-related risks and opportunities for the Group's business, strategy and financial performance.

We expect to see increased physical risks due to extreme weather events in the mid to long term, which may lead to operational risk with the potential to impact operations and increase costs due to damage to infrastructure, plants and assets as well as supply chain disruption.

Internal controls and risk management  
pages 80-88

For the purposes of assessing climate-related risk, we have adopted the following time horizons: short term (0-2 years), consistent with the time period for the Group's volatility assessment; mid term (3-10 years), as required by the UK Green Finance Pathway and considered to be appropriate time horizons to assess climate-related risk in the medium term for the Group.

In the mid term, we plan to take advantage of facility-related opportunities to build resilience to extreme weather events, such as the selection of more climate resilient materials, improved drainage systems for site drainage, generation of more efficient cooling, heating and insulation. We have started to integrate environmental requirements when negotiating or renewing facility contracts in order to encourage the use of more efficient energy generation and improved energy efficiency.

In the short term, we do not expect significant increases in extreme weather events beyond the current experience, meaning priorities for risk exposure are expected to increase in the medium to long term as the regulatory and relevant weather events may increase. These are actively mitigated by the continued diversification of the supply base to reduce dependencies, continuous diversification of the customer base with lower dependency dependencies and actions taken to invest in site resilience.

In the mid to long term, we would expect a potential increase in risks associated with the transition to a low carbon economy. This includes the potential decline in certain end markets in which the Group operates, changing user preferences and demand for lower carbon products. However, our diversified supply chain and end markets means that we are not heavily dependent on one particular end market or product. Our diversification of our geographically diversified distribution network allows us to diversify our product portfolio and our geographical footprint, and in the short term, we are driving our business to pursue opportunities in new and growing global markets and products.

We do not expect a significant impact from the risk of changing global retail and consumer preferences in the short to mid term as we do not expect any of the industries that we serve to be materially affected by the effects of climate change. We do anticipate that our end markets may evolve but equally believe that our diversification in manufacturing is enough to evolve with them. Our low dependency on any specific industry mitigates our risk. We do expect to identify climate-related opportunities, including the opportunity to improve our own product efficiency, deliver value to our customers and vendors by aligning with them on their net-zero ambitions and supply specialised products and solutions to high growth, low carbon end markets.

During the year, the Board considered potential risks, impacts and opportunities arising from climate change and its importance as an emerging risk. However, we strongly believe that climate-related risks are not currently a key risk for our business. During FY23, we have committed to undertake short and medium term actions to assess the impact of climate-related risks and opportunities on our business operations and financial performance, and to develop a better understanding of the climate-related risks and opportunities that may impact our business, the impact of the risks and opportunities on our business, and the potential impacts of our business on the environment. We will continue to monitor the climate-related risks and opportunities that may impact our business, and the potential impacts of our business on the environment.

## DELIVERING VALUE RESPONSIBLY CONTINUED

### 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 macro risks as outlined in the internal control and risk management section of the Annual Report.

Internal control and risk management: pages 80-85

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 likelihood and impact to the business. As part of their annual DfV governance process, these risks are reviewed by the DfV Steering Committee and Senior leadership.

The Board has ultimate responsibility for risk management and oversight and for ensuring appropriate levels of control are in place, as well as horizon scanning for emerging and potential risks. They are informed of the outcomes of risk reviews ahead of reviewing and approving principal risks. The Audit Committee ensure the effectiveness of the internal control environment for the Group and that the Group's risk management, governance and internal control are working effectively.

### METRICS AND TARGETS

Explain the metrics and targets used to assess and manage relevant climate-related risk and opportunities

We acknowledge that the climate-related and associated risks of our operations and value chain contribute to climate change and global warming. We also recognise the opportunity to partake in global efforts to tackle climate change as well as our exposure to some transition risks by making positive efforts to reduce carbon usage.

Financial metrics: page 53

We measure and manage our business in three actual, Scope 1 and 2, and 3, as well as a climate related emissions for Scope 1 and 2. There are reported and unreported but needed a considerable reporting on climate and progress. These metrics and our performance against these metrics can be found in pages 40-42.

Operational metrics: pages 40-42

Climate Change Report: 101-107

During the year, we have worked with EcoAct to review our Scope 1 and 2 reporting metrics and to determine our baseline and are currently working with them to analyse and calculate our Scope 3 emissions.

We have announced a 50% reduction target for Scope 1 and 2 by FY30 against an FY22 baseline. This target aligns with the ambition of our value chain partners and Scope 3 to carbon footprint being undertaken ahead of submitting net-zero targets to the UBT in line with the 1.5 degree pathway. Our target for Scope 1 and 2 feature our own contribution to the increase in physical climate impacts and hence will focus on improving the energy efficiency of our facilities. Alongside the calculation of our Scope 3 footprint and net-zero targets, we have also exposure to some transition risks.

We Scope 3 footprint will also need us to better understand the carbon footprint of our business as the other transition risks and opportunities climate-related risks.

## Our policies and procedures

Anti-Slavery & Trafficking	The Group has a policy on anti-slavery and a corruption that complies with the requirements of the Bribery Act 2010. This policy is reviewed periodically to ensure it remains appropriate for our business in our businesses around the world. We provide ongoing training to staff of our businesses through our Learning Management System in regard to our anti-slavery and anti-corruption policies in customer and supplier management roles.
Code of Conduct	Our Code of Conduct sets out the expected standards of conduct and behaviour of our employees across Diploma as they relate to our people, governance and the environment, media, and stakeholder engagement. Much of the Code of Conduct is underpinned by other Group policies, including Modern Slavery, Whistleblowing, Diversity, Equity and Inclusion, and Health & Safety.
Diversity, Equity and Inclusion	Our Diversity, Equity and Inclusion (DEI) Policy applies to all our businesses and is a statement of how we work, and we believe our business leaders to play a key role in creating and sustaining a diverse and equitable workplace. We believe that an effective DEI strategy will support our business, contribute to employee wellbeing and satisfaction, and allow us to recruit and retain a wider pool of exceptional talent.
Equal Opportunity	We value equal opportunities and strive to create a safe and inclusive environment for all our employees, regardless of ethnicity, background, religion, sexual orientation, gender identity, age, disability, nationality, citizenship, marital status or any other protected characteristics. We comply with all applicable DEI and inclusion laws, regulations and standards and also responsible standards where legislation is inadequate. We encourage all members of Diploma to report out discrimination or discriminatory behaviour, either through the internal channels or through our whistleblowing hotline.
Environmental Policy	Our Environment Policy applies to all businesses and asks that they comply with the standards and requirements set out. These include compliance with applicable legislation, applicable environmental laws, understanding the risks and opportunities related to the environment and climate change and how they report impact to our peers. All businesses are required to submit data on their emissions and waste.
Health & Safety Policy	Our objective is to ensure the Health & Safety of our colleagues working with us, either through our active culture, clear standards, good governance and high level of transparency of incidents. Group performance and protocols are reviewed regularly to ensure that our standards are maintained and the Board reviews Health & Safety performance annually. The Group CEO has ultimate responsibility for Health & Safety across the Group, including ensuring provision and safe working environment. Operating procedures are responsible for providing procedures and framework to suit the nature of our work.
Human Rights and Labour Practices	The Group's activities are the policy carried out in countries with strong human rights regulations, which the Group complies with in the countries in which it operates. Our policies cover all of our direct and indirect supply chain and our relevant policies are based on compliance with our Supplier Code, which has standards and requirements related to human rights and labour practices. Our own employees are provided with appropriate working conditions, employment in a fair and work, and have access to employee development programs.
Modern Slavery Statement	The Group has a zero-tolerance approach to slavery in all business, including human trafficking and forced labour and will obtain each business undertaken to ensure the elimination of modern slavery within the business and its supply chain. Our policies cover all of our direct and indirect supply chain and our relevant policies are based on compliance with our Supplier Code, which has standards and requirements related to human rights and labour practices. Our own employees are provided with appropriate working conditions, employment in a fair and work, and have access to employee development programs.
Anti-Money Laundering	We have a robust Anti-Money Laundering (AML) risk management policy and procedures in place to ensure compliance with the AML requirements. The Policy also covers our business and our supply chain. The Policy covers the identification and assessment of the risk of money laundering, the prevention and mitigation of money laundering, and the reporting of suspicious transactions. The Policy also covers the identification and assessment of the risk of money laundering, the prevention and mitigation of money laundering, and the reporting of suspicious transactions.

## KEY PERFORMANCE INDICATORS

### MEASURING OUR PROGRESS

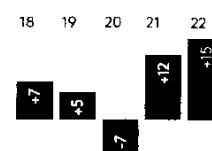
We measure our performance against a number of financial and non-financial metrics which reflect how we are delivering against our strategic objectives (as set out on pages 22-33), our financial model (see page 22) and our ESG framework (see pages 34-57).

#### 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.

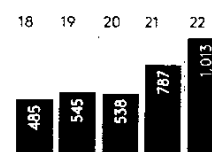
**6%**  
Five-year average



##### 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.

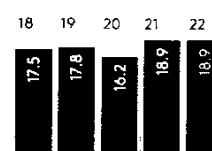
**18%**  
Five-year compound



##### 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%+.

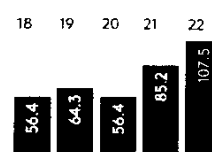
**17.9%**  
Five-year average



##### 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.

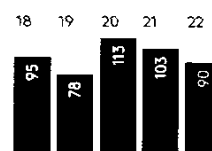
**17%**  
Five-year compound



##### 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%+.

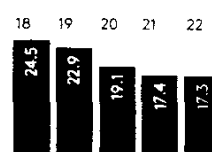
**96%**  
Five-year average



##### 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%+**

21

22



#### Lost time incident (LTI) rate

Number of LTIs per 1,000 employees

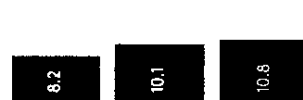
TARGET

**5% year-on-year reduction**

20

21

22



#### % women on the Senior Management Team (SMT)

FY30 TARGET

**40%+**

21

22



### OUR ENVIRONMENT

#### % key suppliers aligned with Supplier Code<sup>1</sup>

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

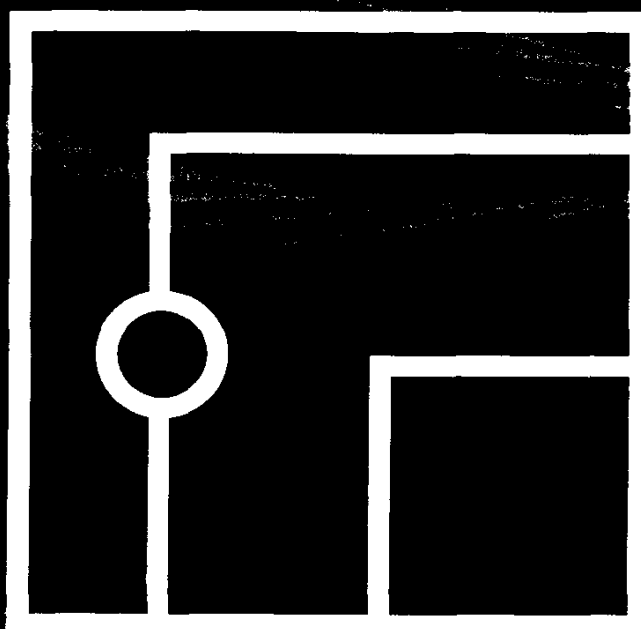
2022 (baseline year)

**10,615** tonnes CO<sub>2</sub>e

<sup>1</sup> Key suppliers are required to cover in aggregate at least 50% of supplier spend in the first year of reporting against the metric. 57% key suppliers were identified against the 2022 Supplier Code. The 2022 spend was £59.7m. The 2022 spend was £59.7m. The 2022 spend was £59.7m.

## 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-add 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.

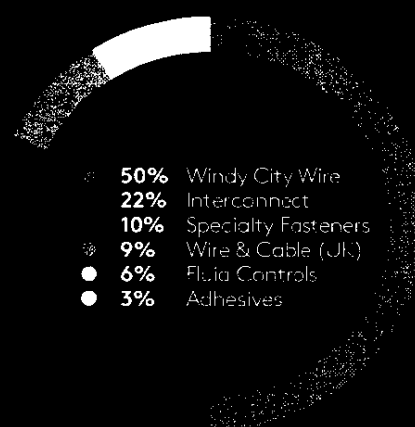
## Fluid Controls: 6%

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 segment<sup>1</sup>



Revenue by geography<sup>1</sup>



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

**+30% p.a.**

22

492.8

<sup>1</sup> Pro forma revenues adjusted for acquisitions and disposals completed during the year.

## SECTOR REVIEW

Controls and Windy City Wire



"Our International Controls businesses have shown tremendous energy in building momentum – it's been great to see their hard work pay off this past year."

**David Goode**  
Sector CEO, Controls



"It's been another great year for Windy City Wire thanks to our great proposition, winning culture and ability to deliver for the customer."

**Rich Galgano**  
CEO, Windy City Wire

## FINANCIAL HIGHLIGHTS

	FY 2022	FY 2021	Change in the year
<b>Revenue</b>	<b>£492.8m</b>	<b>£343.3m</b>	<b>+44%</b>
<b>Organic revenue growth</b>	<b>+24%</b>	<b>+16%</b>	
<b>Adjusted operating profit</b>	<b>£105.8m</b>	<b>£72.4m</b>	<b>+46%</b>
<b>Adjusted operating margin</b>	<b>21.5%</b>	<b>21.1%</b>	<b>+40bps</b>

- Share gains in high growth end markets and compelling customer proposition driving an excellent WCW performance: organic revenue growth 32%, including double-digit volume growth
- International Controls organic growth 18%, with accelerating growth in attractive end segments while also broadening US and European exposure
- Product extension: excellent organic growth in our new Adhesives business line, with a bolt-on acquisition to add scale and diversify end markets

### Sector financial performance

The Controls Sector delivered a very strong full year performance, with reported revenue materially higher, up 44% to £492.8m (2021: £343.3m). This consisted of organic growth of 24% or 17% contribution from acquisitions and a 9% foreign exchange tailwind.

Adjusted operating profit increased 47% to £105.8m (2021: £72.4m) with the adjusted operating margin +40bps higher (2021: 21.1%). Both International Controls and WCW contributed to this margin expansion, with scale benefits and performance more than offsetting investment in growth and mix effects.

**International Controls** 50% of Sector revenue, followed a successful year as a result of organic revenue initiatives and market on the go, in sub-vant end markets particularly in aerospace. This translated into a profit margin of 18% with sustained momentum throughout the year and double digit growth across all business lines. Further on going contributed, but volume growth was the primary driver of organic growth. The US and International Controls margin improved a growth in the operating leverage on volume growth, but also a product mix shift resulting with product offerings including aircraft and

The International Controls **Wire & Cable** business, Food Group, perf in Adhesives against a strong competitor. This reflects supportive end markets and revenue initiatives drive growth in new products through e-commerce and in new markets including electric vehicles, data centres, cloud centres, data centres and renewables. The addition of SVA last year has also increased presence in the electrical wire and cable market and created a new high growth product line.

Double digit organic growth at **Interconnect** reflects strength across the board, particularly our Germany energy portfolio where organic growth was over 30%. The product upgrades to the transmission and distribution network. Other key growth segments include motor control, aerospace and medical. The 2021 revenue of 100 million, with has also made an excellent start delivering double digit organic revenue growth with the support services lines and high margin product lines underpinning market share gains. The business is investing in local resource reallocation to improve performance. The acquisition of Keopline was a strategic move to the automotive focused Rhenish, the new line of business and has been introduced a series of initiatives to improve the margin.

**Specialty Fasteners** delivered excellent growth for national and export, increasing capacity and market share, particularly from diversification into new and existing end segments. F&F, the US joint venture, has

Source: Controls and Windy City Wire



As shown in Table 1, the effect of the addition of the different surface materials on the rate of sorption of the sorbate was not significant. The results of the sorption experiments showed that the addition of the different surface materials did not affect the rate of sorption of the sorbate. The results of the sorption experiments showed that the addition of the different surface materials did not affect the rate of sorption of the sorbate.

As a result of the above, the authors have concluded that the use of the proposed model for the analysis of the data obtained from the tests of the specimens of the composite material is not only possible, but also convenient. The proposed model makes it possible to obtain the results of the analysis of the data obtained from the tests of the specimens of the composite material in a more convenient and accurate manner than the results obtained from the analysis of the data obtained from the tests of the specimens of the composite material using the traditional methods of analysis of the data obtained from the tests of the specimens of the composite material.

[diplomapl.com/about-us/our-sectors/controls](http://diplomapl.com/about-us/our-sectors/controls)

**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.

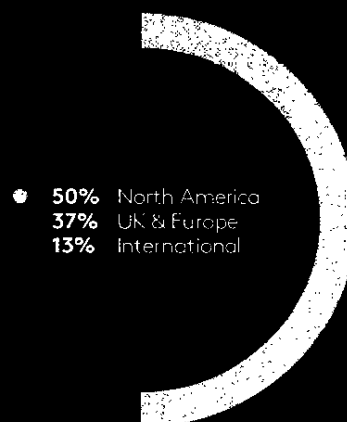
## US Maintenance, Repair & Overhaul (MRO): 12%

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 segment<sup>1</sup>



Revenue by geography<sup>1</sup>



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

**+11% p.a.**

22

331.4

<sup>1</sup> Pro forma revenues adjusted for acquisitions and disposals completed during the year.

## SECTOR REVIEW OF 2022



"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
<b>Revenue</b>	<b>£331.4m</b>	<b>£263.7m</b>	<b>+26%</b>
<b>Organic revenue growth</b>	<b>+14%</b>	<b>+7%</b>	
<b>Adjusted operating profit</b>	<b>£62.6m</b>	<b>£46.5m</b>	<b>+35%</b>
<b>Adjusted operating margin</b>	<b>18.9%</b>	<b>17.6%</b>	<b>+130bps</b>

- 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 6% contribution from product mix and a 1% benefit from foreign exchange movements.

Adjusted operating profit outperformed revenue growth, increasing 35% to £62.6m (2021: £46.5m), with the adjusted operating margin (19%) higher year-on-year at 18.9% (2021: 17.6%). This was primarily due to a step up in the North American margin which benefited from the area of dual running costs and improved efficiency at product mix as well as gains in MRO. The Sector margin also benefited from positive operating leverage on higher volumes and the disposal of the lower margin Kenexa business portfolio, offset by the acquisition of R&G.

**North American Seals** 55% of Sector revenue, the US had organic growth of 16% reflecting very strong growth in our MRO and Aftermarket businesses.

**North American Aftermarket** has been a successful year with Louisville better positioned to extend our footprint and expand product and service into international markets. Entered markets where growth potential was untapped. MRO, Kenexa and Aftermarket brands. This has

been coupled with a commitment to invest, including investment in sales and marketing to build brand awareness in newer locations. Organic growth in the US was 17% (2021: 14%). Growth in the Western states was in particular. The International Aftermarket business also had a good year with double digit organic growth as they introduced diversity into new markets, expanded product and non-innovative.

Organic growth was very strong for **MRO** driven by an excellent product mix, innovative products and market demand. Investments in expanding the business have been successful and new innovations, a product innovation with new customer wins and a product line structure. The end market portfolio was very diverse with automotive, marine, industrial, agricultural and other. The product portfolio is strong and growing.

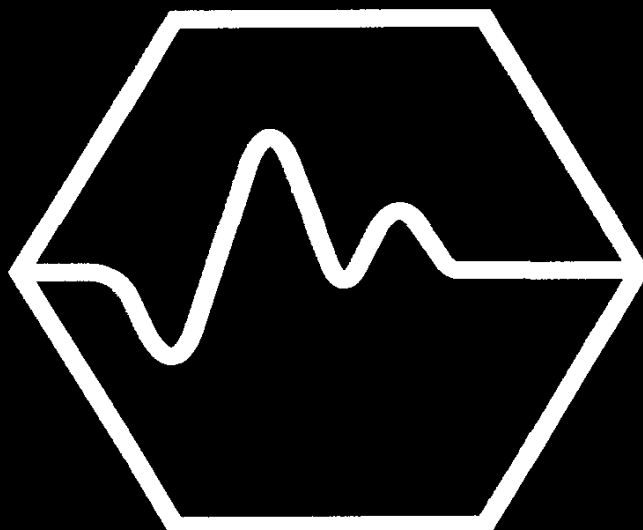
**US Industrial OEM** has been a year of strong product innovation, innovation growth, strong product and product diversification. The business saw the remaining product and innovation and continued to expand its footprint and market share. The business saw the remaining product and innovation and continued to expand its footprint and market share. The business saw the remaining product and innovation and continued to expand its footprint and market share.

been coupled with a commitment to invest, including investment in sales and marketing to build brand awareness in newer locations.



## 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.

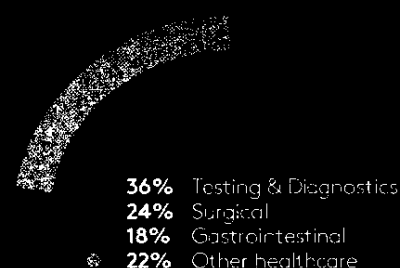
## Australasia: 21%

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 segment<sup>1</sup>



## Revenue by geography<sup>1</sup>



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

# +8% p.a.

22

188.6

<sup>1</sup> Pro forma revenues adjusted for acquisitions and disposals completed during the year.



"Our Life Sciences businesses have done a great job of developing our product pipeline, focusing on innovative products that will improve patient outcomes and position us in high growth areas. Our prospects are exciting."

**Dan Brown**  
Sector CEO, Life Sciences

## FINANCIAL HIGHLIGHTS

	FY 2022	FY 2021	Change in the year
<b>Revenue</b>	<b>£188.6m</b>	<b>£180.4m</b>	<b>+5%</b>
<b>Organic revenue growth</b>	<b>(4)%</b>	<b>+14%</b>	
<b>Adjusted operating profit</b>	<b>£41.0m</b>	<b>£43.2m</b>	<b>(5)%</b>
<b>Adjusted operating margin</b>	<b>21.7%</b>	<b>23.9%</b>	<b>(220)bps</b>

- Organic revenue growth was 2% excluding last year's Covid-related revenues and was moderated by hospital staffing shortages; returned to organic growth in Q4 as expected
- Strong diagnostics and endoscopy performance
- Sector well-positioned for growth: exposed to rising diagnostics spend and significant elective surgical backlogs
- Strategic acquisition of Accuscience: increases exposure to high growth testing, diagnostics and medical segments; continues the build out of our European footprint
- Disciplined portfolio management: disposal of a1-envirosiences

## Sector financial performance

In FY 2022, Life Sciences Sector revenue increased 5% to £188.6m (2021: £180.4m) with organic revenue 4% over the prior year. Adjusted operating profit decreased 5% to £41.0m, the performance from Accuscience and prior year financial and operational adjustments offsetting the impact of the acquisition of a1-envirosiences in May 2021. Q4 2022 saw year-over-year revenue and profit movements that reflected revenue of 2%

Excluding last year's revenue from Covid-related and other special sales, the Sector delivered 2% organic revenue growth. Growth was also not materially moderated by hospital and clinical staffing shortages in Turkey, Canada and Australia or surgical markets

Adjusted operating profit was 5% lower year-over-year at £41.0m (2021: £43.2m). The decline in operating profit in FY 2022 can be attributed to a number of factors, including: operating leverage on lower volumes in a heavily competitive market of production and a highly competitive environment

Underlying momentum was very positive in **testing and diagnostics**, which delivered growth of 10% in the period. Accuscience, a diagnostic and digital health company, acquired in FY 2021, contributed 4% to FY 2022 revenue. The testing and diagnostics business has a strong track record of

profit and strong operating leverage and a high level of innovation and growth. Further, Accuscience acquired a Medisearch unit in the Q4 period, contributing to the Group's revenue growth in testing and diagnostics, the segment with the strongest growth

**Our surgical** business was marginally weaker than in FY 2021, but delivered a strong performance in Canada, the Australian segment with a strong ability to attract new and existing customers and deliver strong operating performance. In FY 2022, the Australian surgical revenue declined by 12% through our ongoing efforts to diversify away from the impact of COVID cases. We are confident about the long-term value and potential of our surgical business and are committed to driving growth in the segment

In **critical care**, we saw a strong performance in Turkey, the European market, and a strong performance in the Australian market. The performance in the Australian market was supported by the acquisition of a1-envirosiences in May 2021, which added a strong presence in the Australian market. The performance in the European market was supported by the acquisition of a1-envirosiences in May 2021, which added a strong presence in the European market. The performance in the Australian market was supported by the acquisition of a1-envirosiences in May 2021, which added a strong presence in the Australian market



## Strategic progress

### Developing new and existing ideas

Existing ongoing projects continued in the FY2022 and several new initiatives began. The Sector's progress into a more profitable business has been a key objective. Several new products have been developed, with a new diagnostic screening and biopsy product pipeline. Across the Sector, businesses have been investing in their portfolios, seeking out new suppliers, developing innovative products, which will enable us to add to be on the cutting edge of our life science healthcare user demand. M&A to accelerate growth, with strategic acquisition of Accuscan in Ireland and for a strong market leading life sciences and medical distribution. The acquisition integrates our expertise to the right place, in a strategic segment including medical diagnostics. The business plan and strategy for the new Ireland and Germany to build the Sector's European pillar.

### Building the new value added business

- Completion of a multi-year project to create a scalable Australian platform and a single distribution site in Brisbane. The consolidation of operations and integration of our Australian businesses to new modern facilities will create efficiencies and reduce our environmental footprint, achieve sustainable future growth, investing in capacity and talent in all functional areas including Finance and Operations.
- Developing regional leadership structures including appointment of new Managing Director of Australia.
- New Simonen & Green facilities in Germany to support growth, improve efficiency, waste efficiency and reduce the impact of a better working environment.

### Developing new and existing ideas

#### Developing new and existing ideas

We have made great strategic progress in Life Sciences and the Sector has made a significant contribution to our overall performance. We are continuing to improve our performance into the new year and the long-term outlook is exciting with the increasing life science surgical bookings as well as increasing diagnostic investment.

## 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/](https://diplomapl.com/about-us/our-sectors/lifesciences/)



## OUR COLLEAGUES

### Why we engage

Education's success depends on its ability to attract and retain our staff and its other stakeholders.

### How we engage

- Group Colleague Engagement Survey, listening groups and engagement plans
- Regular business visits
- Consistent talent and performance management approaches
- Internal communication through Purple Pages and Trust-wide internal newsletters regarding CEO's news and internal memos
- Consistent learning and templates for talent and development, DfE governance and training via the Purple Box, our learning management system
- Workshops delivered on DfE topics, including 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
- Return on a feedback from the Group Colleague Engagement Survey
- Bi-annual staff visits

### Outcomes/action taken

- Analysis of the engagement survey and how engagement activities both the Group and Board are aware of areas of improvement related to talent, health and wellbeing, Diversity, Equity & Inclusion and the cost of doing business as a result the following actions were taken:
- Colleague mental health initiatives, including a mental health awareness and events
- Training on mental wellbeing in the Purple Box and workplace survey with mental health first aiders
- New learning provision, L3 training on mental health and mental health first aid
- The implementation of new talent management and succession planning
- A new external research project on DfE staff health and completion of a survey in 2023

For more information on how we engage with our stakeholders, please visit: [www.gov.uk/government/organisations/education-funding-boards](https://www.gov.uk/government/organisations/education-funding-boards)

## OUR BUSINESSES

### Why we engage

Given the nature of our business, we need to take a proactive approach to our stakeholders' engagement with our business to ensure that we deliver on our business objectives with our Trust strategy. Engage our staff and our stakeholders knowledge and/or professional advice.

### How we engage

- Quarterly business reviews
- Regular business visits from Group
- Quarterly Senior Leadership Team meetings
- Senior Leadership Team conference

### How the Board engages

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

- CEO updates
- Regular updates from Senior CEOs
- Business visits
- Review of the business propositions

## OUR CUSTOMERS

### Why we engage

Education's success will be determined by our customer satisfaction and delivery of value to our customers. That goes beyond what we do, it's also about how we do it. We are engaged with our customers to ensure we receive feedback from our customers to improve our products and our working relationships.

### How we engage

- Providing value to our services
- Differentiated products and services
- Improve our customer relationships and our products to fit their needs
- Conferences and trade events
- Long-term relationships

### How the Board engages

As part of their role, the Board must consider the needs of our customers. They remain up-to-date on key matters through:

- CEO reports
- Updates from Senior CEOs
- Risk management

## OUR SUPPLY CHAIN

### Why we engage

Our supply chain is fundamental to our small business and we engage with our suppliers to encourage and maintain an innovative and transparent working relationship.

### How we engage

- Building mutually beneficial partnerships
- Decentralised model individual businesses maintain a close relationship with suppliers
- Financial alignment and growth opportunities
- Innovation to be innovative
- Regular engagement, including audits as appropriate
- Annual 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 will be kept informed of key matters through:

- Updates from Group CEO and Sector CEO
- Supply 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 open and constructive dialogue with our shareholders, providing investors with objective information about performance and strategy in order to ensure them to put a fair value on the Company and ensure our continued access to capital.

### How we engage

- Results presentations by CEO and CFO
- One on one meetings undertaken by CEO, CFO and Head of Investor Relations throughout the year, including Analyst roadshows
- Annual General Meeting
- Trading updates, regulatory news items and website updates
- Shareholder information on website
- ESG rating schemes
- Responses 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 throughout
- Engagement with the Chairman and Committee Chairs as appropriate
- Including consultation with shareholders on remuneration and the new Shareholder meetings and investor relations update by the Head of Investor Relations
- Approval of trading updates, half year and full year results and F&S
- Review of media and research

## ENVIRONMENT AND COMMUNITIES

### Why we engage

Acting responsibly and beyond the merely lawful is good for our brand. We value engagement with our communities and in line with our decentralised model, business employees then have initiatives highlighted by Group for monitoring. We appreciate the importance of conducting business sustainably and are committed to significantly reducing our carbon footprint and creating long-term beneficial value for stakeholders.

### How we engage

- Charitable donations and fundraising initiatives within Group and business level
- Group Environmental Reporting
- Much frequenty environmental gas emissions reporting
- Integrated sustainability reporting
- Positive impact reporting featuring
- Diversity, equality and inclusion
- Training initiative to bring our net zero targets

### How the Board engages

As part of their role, the Board will be kept informed of key matters through:

- CEO reports
- Updates from Group and Sector CEOs
- Trading updates and website updates

### Outcomes/action taken

As a result of the above, the key engagement outcomes and actions taken were:

- Achieving our net zero 50% reduction, with the 2024 target being closer with 40% reduction achieved
- Building a net zero framework with targets
- Further engagement to ensure a net zero target and strategy
- Continued engagement with stakeholders

For more information on how we engage with our stakeholders, please see page 44

## 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

Silver EcoVadis award at VSP  
Technologies

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

## A1 award

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

## 96%

customer satisfaction at M Seals

Filcon Electronics awarded best  
2021 European Distributor by a  
major supplier

Overview

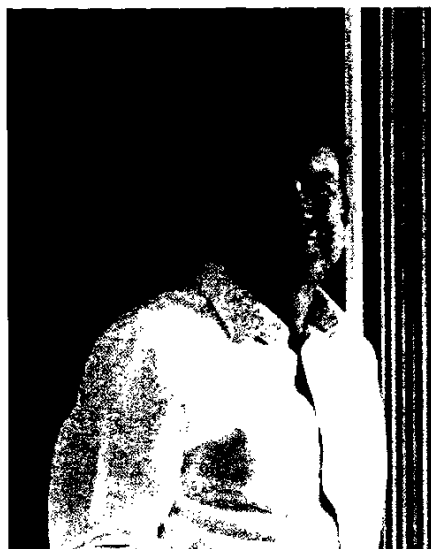
Strategic Report

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 and opportunity was an obvious attraction but I'm equally excited to join a team that is building scope and focused on the sustainability of that growth.

I believe that this is a role that I can really perform, teaming into a business with abundant opportunities for continued, profitable growth. I have been able to get a good feel for the culture of Diploma and what an extremely vibrant where people matter and I think will fit in well here. We have a lot more to go for and I'm very excited to be a part of the team.

**Q**

**What do you bring to the role?**

**A**

First and foremost, energy and enthusiasm to deliver on my commitment to contribute to our long-term success. Over my career, I have accumulated a range of skills and experience which I believe will be a good credit.

I have a lot of experience of contributing to performance, strategy, and a robust financial framework. This has been honed in my role as H&M CFO, the past just through my previous roles as a Director General at The Water and Energy Division, FD roles.

I've worked in many sectors across multiple businesses including in customer service, supply chain and sustainability. I've also worked with a wide range of working environments, both private and public, and I'm looking forward to the role here.

**Q**

**What are your priorities for the year ahead?**

**A**

I'm in a lucky Diploma is in great shape. We have a strong finance team, the business is very profitable and cash generative, and our balance sheet is strong. My onboarding process has been excellent and in the month ahead, I'm looking forward to meeting colleagues in our businesses, building relationships and continuing to develop my understanding of the Group.

It's not easy to get the detailed picture, but my focus will be to work with the team and the senior team to ensure we can continue to deliver the same great financial performance and operational execution.

Clearly things are working well here but as we grow there is a natural need for us to evolve in status and scope. It's important to grasp the opportunity now to ensure that the Group continues to add to its own opportunities ahead of what's most likely to be a more financially difficult time.

What I have inherited is excellent, but there will be plenty of time to do this and put back the growth of the Group.

# FINANCIAL REVIEW

Income and as delivered a strong growth in revenue, performance that is the strongest in the industry in 2022.

## Financial highlights (See table 1)

- Organic growth of more than half of which was organic growth. Reported revenue grew 29% year-on-year, positive 5% net contribution from acquisitions and disposals, and a 5% foreign exchange benefit.
- Consistent 18% margin, 18.9% operating margin, unchanged on the prior year with our resilient value-based core commodity enabling us to continue to not pass supply chain challenges and offset inflation.
- Full year free cash flow conversion 90% including targeted investment in inventory to support growth.
- 26% growth in adjusted EPC.

## Double-digit organic growth

Reported revenues increased by 29% to £1,012.6m (2021: £783.4m), comprising organic growth of 16% and 9% net contribution from acquisitions and disposals, and a 5% benefit from foreign exchange translation. During the year, the Group disposed of Xantek, its oven, belt, and steam crammers. Afloat, which together contributed £49.9m to Group revenues in FY 2022.

## Attractive, high teens margins

(See table 2)

Adjusted operating profit increased by 11% to £191.2m (2021: £174.6m) with the operating margin unchanged on the prior year at 18.9%. This reflects margin expansion at our Central and South Africa, offset by a lower margin in the Americas, which was principally due to the benefit from the 2021 Covid related revenues. In the prior year and 2022, the effects from acquisitions and disposals were primarily related to the impact of our investment in scaling the Group.

## Higher financing costs

The interest expense increased to £1.0m (2021: £0.8m) principally due to increased borrowings to finance acquisitions and the impact of higher interest rates and a portion of the year end of the year.

## Profit before tax

Adjusted profit before tax increased by 27% to £179.6m (2021: £141.9m). Statutory profit before tax was £129.5m (2021: £95.4m) and is stated after charging acquisition related costs of £46.4m (2021: £44.4m) principally comprising the amortisation of intangible assets related to the acquisition of £40.4m (2021: £33.1m) and £10.0m of acquisition related costs (2021: £9.7m) in respect of the several acquisitions in the year. During the year, the profit before tax was a net gain of £1.6m (2021: charge of £1.6m) on two disposals in the year.

## Effective tax rate broadly unchanged

The Group's effective tax charge on adjusted profits was 26.0% (2021: 26.4%) broadly in line with the prior year.

We are committed to being a responsible taxpayer and our approach to comply with tax law is the foundation of our low rate and to pay our share of tax. We recognise the impact of tax on wider society and we are working with the Group's regulatory and corporate and social responsibility into tax considerations. Tax legislation is not always prescriptive and the impact of a transaction on their tax guidance to make that or interpretation of the law. The Group assessed a such exposures and where it is considered probable that further tax will be payable, or uncertain tax provision recognised. The provision is estimated based on the expected value method. The Group's tax strategy was approved by the Board and is published on our website.

## 26% growth in adjusted EPS and total dividend

Adjusted EPS increased by 26% to 10.1p (2021: 8.0p). The adjusted EPS growth reflects margins, lower than the adjusted operating profit growth due to increased interest charges.

For FY 2022, the Board has recommended a final dividend of 58.8p per share, making the proposed full year dividend 58.8p (2021: 42.4p). This represents a 38% increase in the total dividend with dividend cover at 2.0x EPS, continuing the Group's progressive dividend track record.

The Board has a progressive dividend policy that aims to increase the dividend each year broadly in line with the growth in adjusted EPS in determining the dividend in any one year, the Board will also take a number of factors into account, including the strength of the financial position and the Group's cash and working capital position. The Board's long-term growth strategy and the target level of dividend cover. The policy of the Board is to maintain a progressive dividend policy which is determined by the Board and is determined by the Board and is determined by the Board and is determined by the Board.

Table 1: Financial highlights

		Reported results			Adjusted results		
		FY 2022	FY 2021	% change	FY 2022	FY 2021	% change
Revenue	£m	1,012.8	783.4	+29%			
Operating profit	£m	144.3	104.3	+38%	191.2	174.6	+10%
Free cash flow conversion	%				90	90	0%
EPS (pence per share)	pence	76.1	60.1	+26%	107.5	80.1	+34%
Total dividend per share	pence	53.8	42.4	+27%			

Table 2: Adjusted operating profit

	Adjusted operating profit			Adjusted operating margin		
	2022 £m	2021 £m	% change	2022 %	2021 %	% change
Continuing	105.8	112.4	+4%	21.5	21.5	0%
Acq.	62.6	45.5	+37%	18.9	18.9	0%
Disposals	41.0	43.2	-5%	21.7	21.7	0%
Continuing	(18.2)	(13.4)	+36%			
Group	191.2	174.6	+10%	18.9	18.9	0%

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 £126.4m (2021: £108.5m). Free cash flow conversion for the year was 90% (2021: 103%) in line with our targeted 90%+ demonstrating the highly cash generative qualities 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 £9.9m (2021: £4.5m).

Group tax payments increased to £16.4bn in 2021 from £14.2bn in 2020. On an underlying basis, cash tax payments increased to 20% (2020: 17%) of adjusted profit before tax. Our effective cash tax rate is lower than our Group effective tax rate mainly due to provisions on goodwill (which is deductible for IFRS tax purposes). Our cash tax rate is higher than our adjusted cash tax rate due to gains during the period and the benefits from enhanced deductions on capital spend in the prior year.

Acquisition spend of £156.6m, which includes fees, mainly comprises the net spend for R&G (£51.7m) and Acquisition (£49.9m), as well as an additional £54.9m prior to relating to five smaller businesses. The total spend also includes £6.5m of acquisition fees and deferred consideration of £37m. We remain highly disciplined in our approach with all of these in regard to value-add transactions offering our sectors opportunities to accelerate the strategic growth and create value.

The Group recorded two disposals in the year: the disposal of 31% interest in May 2012 for proceeds of £7.4m and the sale of its 20% interest in Kenter in November 2021 for proceeds of £10.6m. 31% interest in Kenter generated revenue of £7.0m and £9m in the year respectively. The proceeds are not included in free cash flow or in the net profit or disposal of £7.0m is not included in equity operating profit.

[illegible]

RD41CF, a proprietary metric used to measure our progress in creating value for shareholders. As of 30 September 2022, the Group's RD41CF was 122.1, 20% higher than the within-portfolio peer target. The five-year outcome reflects a number of ongoing efforts with the long-term vision of more recent adjustments and targeted investments. Investment and its effect on MVA continue to outperform its peers and we look forward to future productivity and value. We expect RD41CF to increase in FY2023.

During the last generation in the pond, the P<sub>1</sub> will be average in the bulk, rather expected. At 30 September 2012, the Group had been growing using 1850 to ease the transition to 1850. The Group will have information and cost change sheet, it is not part of the cost of production, it is 2700, the cost of the 1850 is 4000.

[illegible]



Organic revenue growth

15%

Reported revenue growth

29%

Adjusted operating margin

18.9%

Free cash flow conversion

90%

Net debt/EBITDA

1.4x

The Group's defined benefit pension plans with the largest liabilities are the UK defined benefit pension plan and the Group's interest rate interest rate swap. The Group's interest rate interest rate swap is a swap with the effect of fixing the interest rate on \$100m of debt. The swap is effective from 1 January 2024. The swap is a swap with the effect of fixing the interest rate on \$100m of debt. The swap is effective from 1 January 2024.

At 30 September 2022, the Group's Net Debt/EBITDA ratio was 1.4x. We have strong liquidity with working capital of £204m. (See table 3)

#### Employee pension obligations

For our benefits to existing employees, the Group's defined benefit pension plan is a defined benefit pension plan. The Group's defined benefit pension plan is a defined benefit pension plan. The Group's defined benefit pension plan is a defined benefit pension plan.

The Group's defined benefit pension plan is a defined benefit pension plan. The Group's defined benefit pension plan is a defined benefit pension plan. The Group's defined benefit pension plan is a defined benefit pension plan.

The Group's defined benefit pension plan is a defined benefit pension plan. The Group's defined benefit pension plan is a defined benefit pension plan. The Group's defined benefit pension plan is a defined benefit pension plan.

Both the UK defined benefit pension plan and the interest rate swap are accounted for in the Group's net debt. At 30 September 2022, the aggregate accounting net debt of the Group's defined benefit pension plan and the interest rate swap was £100m. The Group's defined benefit pension plan and the interest rate swap are accounted for in the Group's net debt. At 30 September 2022, the aggregate accounting net debt of the Group's defined benefit pension plan and the interest rate swap was £100m.

#### FX tailwind and interest headwind largely offsetting

Whilst there is a net benefit to the Group's net debt from the FX tailwind and interest headwind, the net benefit is largely offsetting. The Group's net debt is largely offsetting. The Group's net debt is largely offsetting.

Table 3: Composition of net debt

Type	Currency	Amount	GBP equivalent	Interest rate exposure
Bank loans	GBP	£1,200m	£1,200m	Fixed at 4.5%
Debt	GBP	£1,200m	£1,200m	Fixed at 4.5%
Debt	GBP	£1,200m	£1,200m	Fixed at 4.5%
Debt	GBP	£1,200m	£1,200m	Fixed at 4.5%
Debt	GBP	£1,200m	£1,200m	Fixed at 4.5%

Gross debt drawn at year end £370.6m

Net debt drawn at year end £328.9m

Net debt drawn at year end £328.9m

Net debt drawn at year end

Net debt drawn at year end

Net debt drawn at year end

## 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 risks that we want to avoid together with the processes and internal controls in place to examine the exposure and ensure they remain within our overall risk appetite. This framework also provides the means for the businesses to anticipate threats to achieving their own customers and ensures we are resilient to risks we have limited control over.

Our risk management framework continues to evolve to ensure that it supports the Group's ongoing growth and strategic objectives. An audit and assurance

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 primarily 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 periodic 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, focusing on emerging and potential risks and enhancing efficiency of management and governance procedures. We have undertaken initiatives to develop risk reporting thinking and culture while embedding the necessary capabilities to assess, monitor and mitigate risks as appropriate.

The Audit Committee is responsible for overseeing the effectiveness of the internal control framework of the Group. An internal audit function 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 retains a set of criteria to be delivered to shareholders and other stakeholders, dependent upon accepting a level of risk. Our risk appetite sets out how we balance risk and opportunity in pursuit of our strategic objectives. The appropriate level of risk is assessed on an annual basis by the Board which defines its risk appetite against certain key indicators, including potential impact of likelihood of risk and action to reduce risk through mitigation. This ensures alignment between acceptable risk exposure and the strategic priorities of the Group.

## Identifying and monitoring material risks

Each of our Diploma businesses identifies risks and opportunities as part of their regular business reviews, evaluating how risks and opportunities are controlled, whether mitigations are appropriate and whether any further actions are required. Material risks are identified through a detailed analysis of business processes and procedures and a consideration of the strategy and operating environment of the Group.

The businesses use a quantitative framework to determine a 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 hypothetical basis that there are no mitigating actions in place, to provide a score and then recorded to establish the net score, after mitigation. This identifies which risks require internal mitigating controls and which require further treatment. A similar exercise is then performed at Sector and Group level to develop an overall 'bottom up' picture of operational risk for the Group. This exercise is both robust and challenging, it ensures that risks are identified and monitored and that management controls are embedded in the business' operations.

Further risk review is required to ensure that the Board of each business with the Executive Board and relevant committees review and update their material risks, as well as monitor according to new disclosures. These are then reviewed and approved prior to the updated principal risks being reviewed and approved by the Board.

During risk review, the operational risks identified are reviewed to ensure there are no new principal risks or material risks affecting multiple businesses or Sectors. Any actions to improve evaluation or management of risks are shared across the businesses by the relevant Sector. During the year, updates from management to the Board covered a lot of principal risks. With the assistance of the Audit Committee, the Board concluded also, 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 controls and is essential to ensure accurate accounting and to help mitigate the principal risks of the Group. The governance process within the framework ensures that the completeness, objectivity and independence of risk ratings, controls and associated risks reviewed by the Executive team and are reported to the Board in a clear and timely

## Emerging risk

The Board also considers material risks, threats and opportunities that may impact our Group in the future. These emerging risks have not occurred or previously existed, however, in the present, a impact the business, either in the short or medium term, and are either a significant, unusual or the performance of the business.

The risk management framework is an iterative, identification of emerging risks so they can be identified and evaluated thoroughly at the appropriate time, with appropriate risk management action. The Board, the Board's committees and the Group's management are responsible for this.

The Group's emerging risks are subject to periodic review and monitoring, and updates are provided to the Board on a regular basis.

Emerging risk	Description
Technology evolution	The risk that Diploma does not manage its risk associated with technology effectively.
Climate change	The risk that Diploma fails to anticipate the impact of climate change, including the increase in frequency and severity of natural disasters and impact on its end markets and products.
Digitalisation	The risk that Diploma fails to implement digital services, reducing its value added service proposition.

# 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 on the previous page, to have the greatest potential impact on the Group's future viability.

The principal risks are each classified as either macro/external, strategic or operational and are set out presented in order of potential future impact.

The risks set out above do not represent the principal risks and uncertainties faced by the Group, and the steps taken to mitigate such risks. These risks are considered to be material to the development, performance and position in future in respect of the Group. However, the risk of downlisting may lead to the view that the Group may not be able to deliver its strategy, financial targets and business plan.

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 strategy of 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 future. Environment has been reclassified to be a principal risk, previously being considered an emerging risk.

Supplier Concentration, Cost of Key Suppliers and Supply Chain Disruptions have been amalgamated into Supply Chain, which will now include the risk of a supplier going into administration.

Loss of key personnel has also led to Talent & Operations will be added to the risk of having wrong talent in place to cover a variety of areas to attract, retain, staff and inadequate development.

Tax Compliance has been added into Risk Compliance with Legal and Regulatory, which also covers non-compliance with environmental regulation and the increasing attention to compliance of parent budget.

## 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	 Decreased
 Decreased	 Not rated

## Principal risk

### 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

## Risk description and assessment

The ability to service our customers in a timely manner is a key part of our value-added proposition.

For manufacturer-branded products, there is the risk that existing distribution agreements and vertical integration of suppliers is cancelled, therefore losing access to key distribution channels.

There is also the risk of:

- 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.

## Mitigation

Management continues to pursue diversification strategies and regularly seeks alternative sourcing.

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.

We maintain strong relationships with suppliers and keep customers updated in the event of change to retain key business.

Meeting with key customers regularly to gain insight into their product requirements and market developments.

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.

### Inflationary environment

#### Risk category

Macro/external risk

#### Board risk appetite

Cautious

#### Change in risk









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.

Improved pricing processes and the value-added activities undertaken by the businesses mean we are better able to pass cost increases to customers

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.

Principal risk	Risk description and assessment	Mitigation
<p><b>Unsuccessful acquisition</b></p> <p><b>Risk category</b> Strategic risk</p> <p><b>Board risk appetite</b> Tolerant</p> <p><b>Change in risk</b> </p> <p>The acquisition pipeline remains healthy and Diploma retains its disciplined approach to bringing high-quality, value-enhancing businesses into Diploma.</p>	<p>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.</p> <p>The following are the key risks of an acquisition process:</p> <ul style="list-style-type: none"> <li>- The Group may overpay for a target.</li> <li>- The acquired business may experience limited growth post acquisition.</li> <li>- Loss of key customers or suppliers post integration.</li> <li>- Potential cultural misfit as smaller businesses are faced with the new requirements of a listed Company.</li> </ul> <p>The above may be the result of inadequate due diligence, poor integration or unrealistic assumptions used in the investment case.</p>	<p>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.</p> <p>An experienced Corporate Development team is responsible for seeking and evaluating new acquisition opportunities with the Corporate Development Director reporting to the CEO.</p> <p>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.</p> <p>A disciplined post-acquisition integration process covers operational, financial, governance, legal and reporting matters. The Board reviews performance of recent acquisitions annually.</p>
<p><b>Geopolitical disruptions</b></p> <p><b>Risk category</b> Macro/external risk</p> <p><b>Board risk appetite</b> Averse</p> <p><b>Change in Risk</b> </p> <p>This risk remains elevated in certain geographies, including due to ongoing events such as the conflict in Ukraine</p>	<p>Diploma operates in established economies with stable political and legal systems.</p> <p>Geopolitical events that could disrupt the Group's operations are mainly related to:</p> <ul style="list-style-type: none"> <li>- Interruption of trade agreements.</li> <li>- Tariffs.</li> <li>- Change of trade relationships amongst countries in which we operate (e.g. Brexit).</li> <li>- Government budget spending.</li> <li>- Political elections.</li> </ul>	<p>We continue to diversify our supply base and invest in product range development to mitigate exposure to any single market or region.</p> <p>Whenever possible, we capitalise on Group synergies and leverage inter-company trading.</p>

 Increase	 Decrease
 Decrease	 No change

## 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 colleagues 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.

## INTERNAL CONTROL AND RISK MANAGEMENT CONTINUED

### 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	 Decrease
 Stable	 Uncertain

## 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.

Transactional 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	 Significant

#### 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 in the key assumptions influencing the Group, as well as the speed of evolution of the footprint of the Group, which collectively limit the Directors' ability to predict beyond the period chosen (robust). Given the pace of change in the primary global markets in which the Group operates, the Directors believe that three years represents the most appropriate timescale over which to assess the Group's viability. This timescale is consistent with the Board's strategy review, during which the prospects of various business units are discussed. As part of this, assumptions are made regarding entry into new markets and geographical future growth rates of the existing businesses, and the potential performance of existing businesses.

The Directors confirm that this robust assessment also considers the principal risks facing the Group, as described on pages 62 to 88, and the potential impact these risks would have on the Group's business model, future performance and viability, in addition to the assessment period. The board considers that the global nature of the Sector and geographical footprint of the Group operated have a primary, and mitigate the impact any of the risks might have on the Group.

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

A robust financial model of the Group's operations, based on a business-by-business basis and the metrics for the Group's key performance indicators (KPIs) is reviewed for the assessment period. The Group's KPIs have been subjected to sensitivity analysis that includes fixing a number of the main assumptions, namely future revenue growth, gross margin, overseas trading, imports on the Group arising from a downturn in the primary markets in which the businesses operate, operating margins and favourable working capital movements, driven by further supplier chain disruption. The degree of severity applied in this robust assessment was based on management's experience and knowledge of the Sector in which the Group operates.

The results of taking these assumptions into account to reflect a severe but plausible scenario, were to determine whether additional risk factors will be required during the period. The Board has significant experience in these areas, including a strong track record detailed on page 157. The Board has taken a number of actions and is actively pursuing different geographical areas to further diversify market sector. Other relevant long-term agreements for the Group, further supported by robust financial assessment and operating 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 non-generation of the Group's current strategy, the Board's risk appetite and 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 128.



## 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



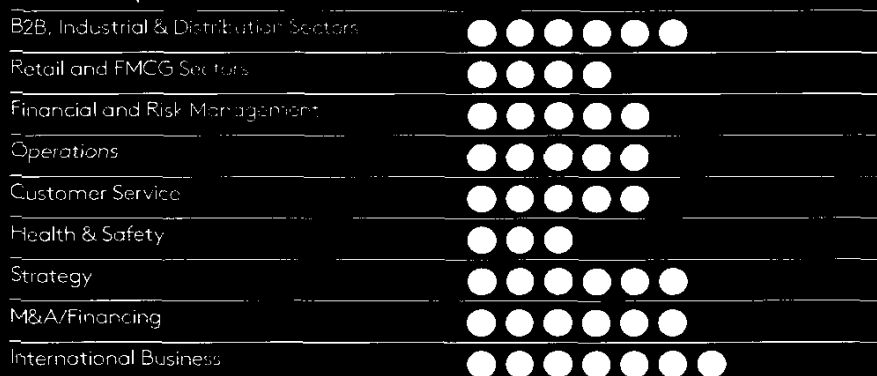
### Gender diversity



### Length of tenure



### Skills and experience



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

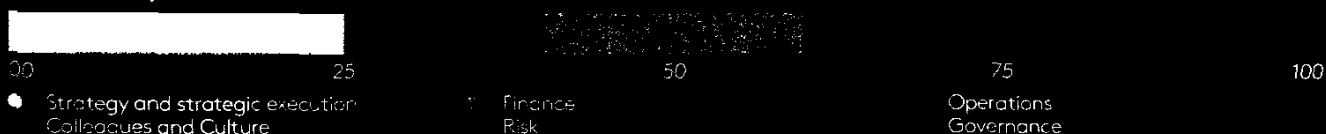
Member	Board	Audit Committee	Nomination Committee	Remuneration Committee
David Lowden	8/8	–	4/4	6/6
John Nicholas	3/3	–	1/1	1/1
Johnny Thomson	10/10	–	–	–
Barbara Gibbes	9/9	–	–	–
Anne Thorburn	10/10	5/5	5/5	6/6
Andy Smith	10/10	5/5	5/5	6/6
Geraldine Huse	10/10	5/5	5/5	6/6
Dean Finch <sup>1</sup>	9/10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

<sup>1</sup> Dean Finch was unable to attend both Board and Nomination Committee meetings to approve the appointment of David Lowden as Chair, as they were called on short notice.

### Changes to the Board

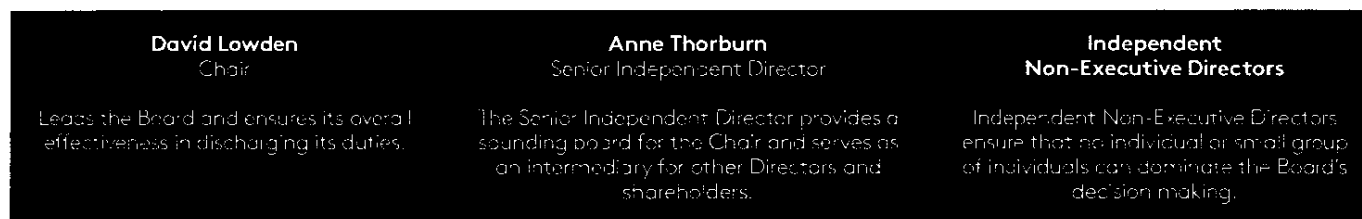
- John Nicholas stepped down from the Board on 19 January 2022.
- David Lowden was appointed as Chair of the Board and Nomination Committee on 19 January 2022.
- Barbara Gibbes stepped down from the Board on 30 September 2022.

### Board activity and focus area



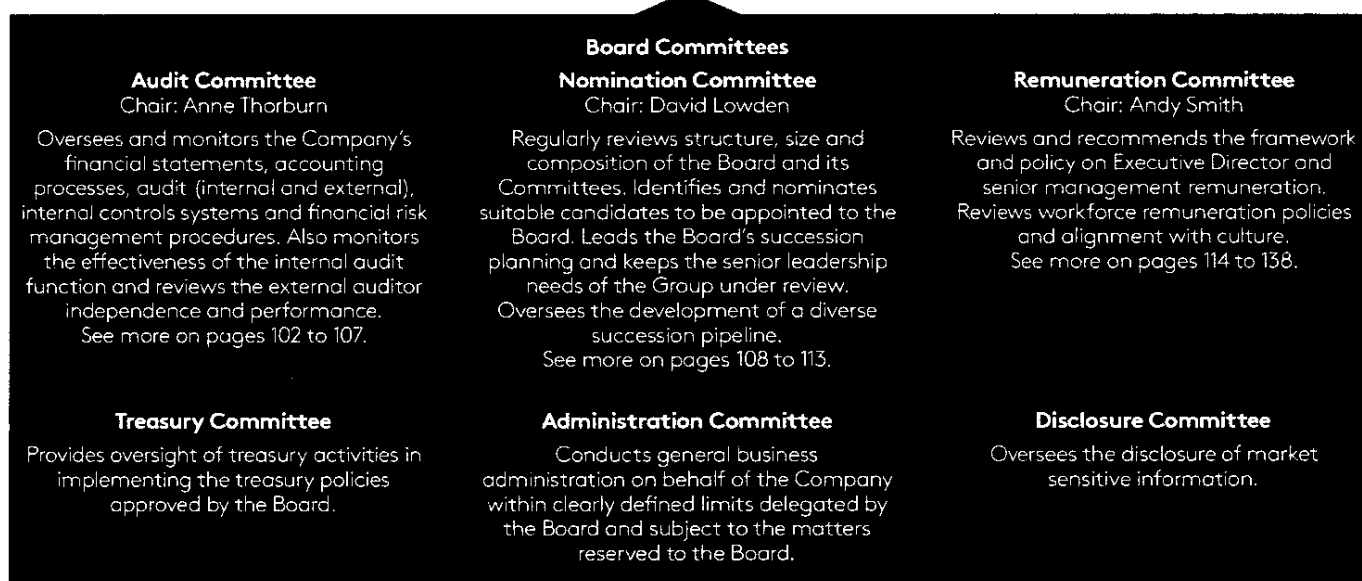
## Our governance framework

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.



### Group Company Secretary

The Group Company Secretary supports the Chair and ensures that Directors have access to accurate and timely information that they need to perform their roles.



### Executive Directors

#### Chief Executive Officer and Chief Financial Officer

The Board CEO and CFO lead the implementation of the Group's strategy set by the Board.

### Executive team

The Executive team provide strategic and operational leadership to the Group, ensuring that strategies are executed effectively. The team comprise the direct reports of the Group CEO.

### Senior Leadership Team

The Senior Leadership Team oversee essential day to day business operations and talent development. They initiate and implement policies and procedures. The team comprise all the members of the Executive team, Managing Directors of the businesses and relevant Group units.

BOARD OF DIRECTORS



**Caroline Hays**  
Non-Executive Director

**Johnny Thomson**  
Chief Executive Officer

Joined  
February 2010

**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

Overview

Strategic Report

Corporate Governance

Financial Statements

Other Information

## 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, Exeva Group plc
- Group Finance Director, British Polymers 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), Inncaple plc
- Chief Financial Officer for North America, Draper plc

**Current external appointments**

- Non-Executive Director, Metabolt 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:**

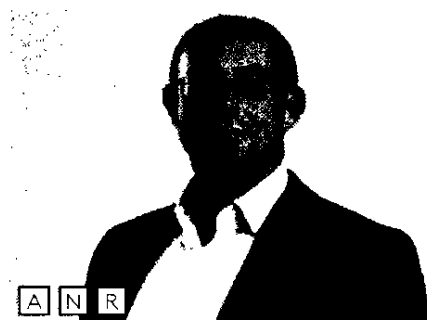
- President, Procter & Gamble, Canada

**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 lawyer, 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 construction 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 and engagement
- sets the agenda for Board meetings (including on strategic performance, value creation, risk management, culture, stakeholders and accountability)
- chairs meetings ensuring there is time for information flow, debate and discussion and adequate time for a decision and debate
- fosters relationships based on trust, mutual respect and open communication inside and outside the boardroom
- establishes relationships with major shareholders in order to understand the views on governance and performance against strategy

### Independent Non-Executive Directors

- ensure that all independent non-executive directors can contribute to the Board decision making
- provide constructive and engaged oversight and guidance effectively and objectively to the Executive Management to achieve

Independent Non-Executive Directors meeting the independence requirements of the Code comprise more than half of Board membership.

### Senior Independent Non-Executive Director

- leads the Board and ensures its overall effectiveness in discharging its duties
- provides the Chair with support in the delivery of objectives, which includes working closely with the Nomination Committee to ensure a robust and effective recruitment process and ensures proper coverage of the Chair's role
- acts as an alternative contact for shareholders, providing a mechanism for dialogue and interaction with the Chair, where appropriate

### 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 CEO leads the Executive team and ensures its effective performance in managing the overall operations and resources of the Group
- Executive Directors provide information and presentations to the Board and contribute to Board decisions 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 business plan for the Group.

### Group Company Secretary

- acts as the Board secretary, liaises the Directors and is responsible for ensuring that the information is provided to them in a timely manner
- liaises with the Chair and the Board and all Group's stakeholders to ensure the management of the Board Executive Directors
- advises the Board on legal and corporate governance matters and provides the Board with the Chair of the Company with all relevant information and documents for strategic and operational matters

# 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 homing in on 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 earnings. 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's Company Secretary.
- Connected with our Global Board effectiveness review.
- Agreed and approved priorities for the 2023 external evaluation of the Board's performance.
- Approved the appointment of a new Executive Director.
- Reviewed and approved matters referred for the board to a Board of Reference or to the Committee.
- Reviewed and approved the Compliance Framework and plan.

## 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](http://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 advisers on ESG issues and ICED 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 89. 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 <sup>1</sup>
John Nicholas	1/1

<sup>1</sup> 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](http://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 Gibbes.

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 Gibbes 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, not least following the search for dual qualified and green leadership programmes to be adopted by the new Directors.

During the year we engaged Russell Reynolds in connection with the recruitment of Chris David Russell Reynolds, as 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 skill-sets 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](http://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 (+11%) 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 set 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 underway 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.

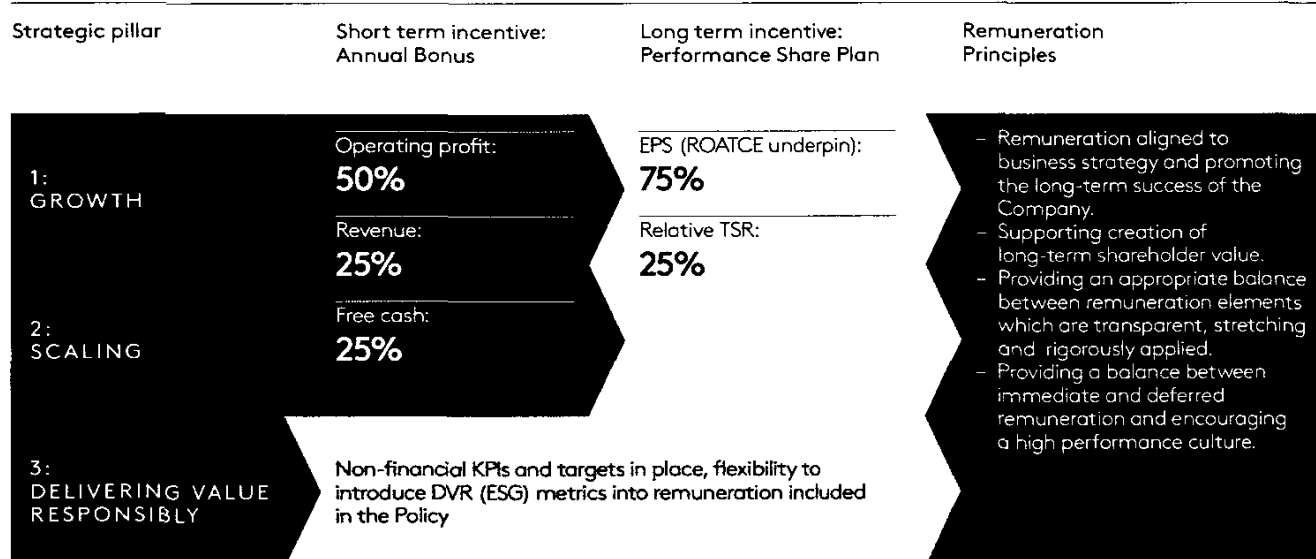
**Andy Smith**  
Chair of the Remuneration Committee  
21 November 2022

## REMUNERATION AT A GLANCE: DIPLOMA'S APPROACH TO REMUNERATION

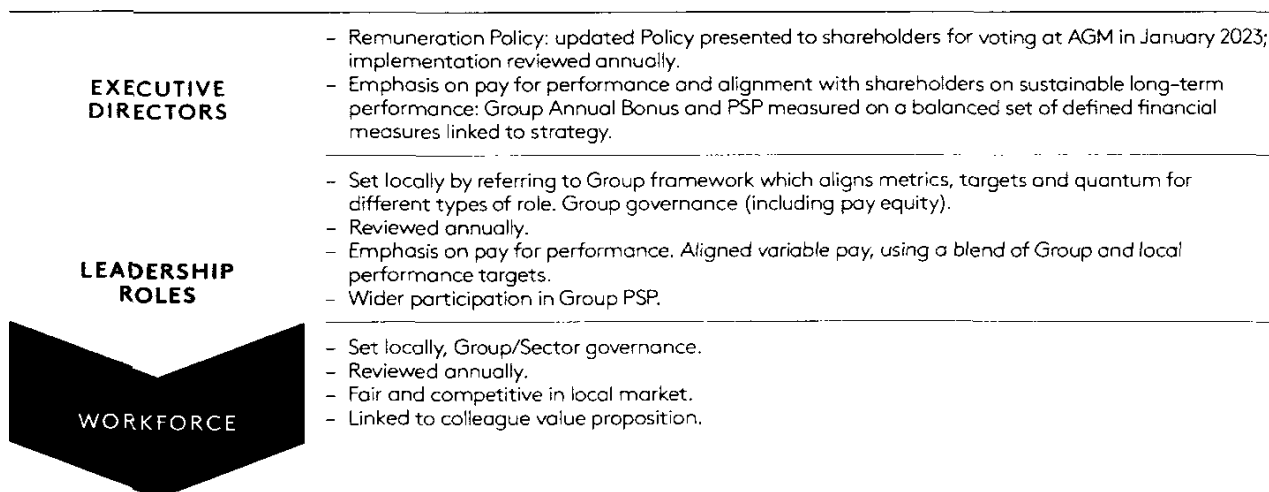
Set out below is an illustration of how remuneration aligns to strategy and how it cascades in our decentralised business model

**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 Kentek and all envirosciences.

#### 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 CO<sub>2</sub> 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.

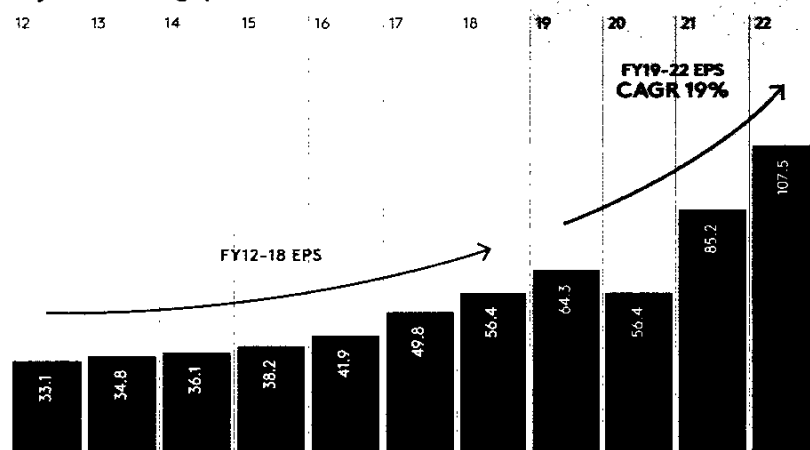
## 2022 Remuneration Policy Review – process

### Changes to Remuneration Policy and its implementation

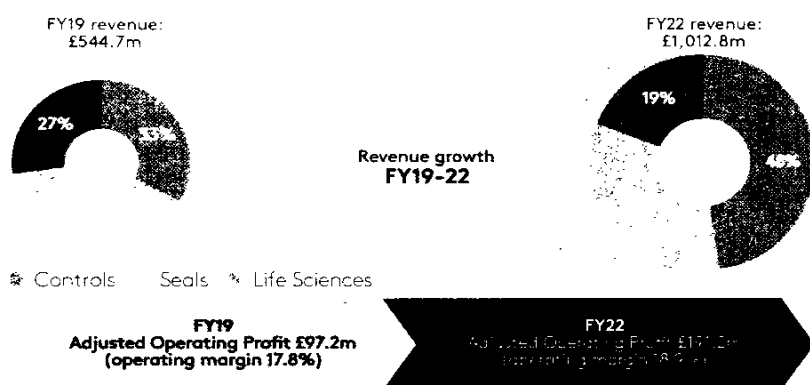
This section sets out the Directors' Remuneration Policy (the Policy) proposed for approval by shareholders at the Company's AGM on 18 January 2023. The Company's current Remuneration Policy (the Policy) was approved by shareholders at the 15 January 2020 AGM and the updated policy, subject to shareholder 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"> <li>- No change to annual bonus Policy maximum.</li> <li>- Increase to PSP maximum from 250% of salary to 300% of salary for CEO and from 200% to 250% for the CFO.</li> </ul> <p>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).</p>
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 ESG	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
<b>Johnny Thomson (CEO)</b>	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
<b>Chris Davies<sup>1</sup> (CFO)</b>	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
<b>Change from 2021</b>	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

<sup>1</sup> 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 or amend remuneration that differs 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 a 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
<b>Base salary</b>	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, reward and attract new talent and attract new talent as required.  Salaries increase which generally being higher than those awarded to other senior executives of the Company. The Committee retains discretion to award larger increases if it considers appropriate.	Salaries level 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 company's level of total remuneration against companies of a similar size and complexity.
<b>Pensions</b>	Designed to benefit	Benefits are subject to an annual review and are provided in line with the Company's policy on benefits. The Committee retains discretion to award additional benefits.	Maximum pension contributions will be no higher than the rate offered to the majority of UK workforce for UK based Executive Directors.  Maximum pension contributions for UK based Executive Directors will be designed with levels in the relevant UK market.	No performance metrics.
<b>Benefits</b>	To provide a comprehensive package of benefits.	Benefits are subject to an annual review and are provided in line with the Company's policy on benefits. The Committee retains discretion to award additional benefits. The Committee may offer an additional benefit to a Director if it considers appropriate. The Committee may also offer an additional benefit to a Director if it considers appropriate. The Committee may also offer an additional benefit to a Director if it considers appropriate.	No maximum limit is prescribed but the Committee monitors and approves the overall level of the benefits provided.	No performance metrics.

Component	Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
Annual Performance Bonus Plan	<p>For Executive Directors, the bonus is linked to the achievement of the annual budget and other business targets for the financial year.</p>	<p>Executives are incentivised by bonuses which are based on annual performance against targets set and approved by the Committee.</p> <p>Where applicable and appropriate, bonus is determined as a proportion of bonus pool value. A pool for bonus will be used to purchase shares in preference to the Executive. The shares will be beneficially owned by the Executive, are eligible for dividend and will receive release on the Executive's release or the minimum unbreached requirement. The remaining pool value will be paid in cash following the relevant award.</p> <p>Maximum bonus pool for each year will be as follows:</p> <p>The Committee may amend the bonus pool between awards if not required for retention of the Company's underlying performance or in exceptional circumstances.</p>	<p>Maximum of 25% of basic salary for the Executive Director.</p> <p>Performance bonus target is based on achievement of the annual budget and other business targets. Achievement of the annual budget and other business targets will result in payment of the target salary. Outstanding performance will result in payment of up to 25% of the target salary.</p>	<p>Performance metrics are selected annually based on the current business objectives. The award for the bonus will be linked to the performance metrics.</p> <p>Each year, the board will determine the bonus pool for the bonus year.</p>
Performance Share Plan (PSP)	<p>Intended Executive Directors to deliver sustainable and long-term value growth.</p>	<p>Performance share plan will run for three year performance periods.</p> <p>Awards are discretionary and do not vest until the date on which the performance is measured. Performance is assessed during a three year performance period, which will normally be three years except in the case of a good leaver.</p> <p>Executive Directors are required to retain shares vesting under the PSP for three years, until the full performance of award.</p> <p>Awards may include awards and dividends which are not subject to vesting requirements for the full term of the award.</p> <p>Maximum bonus pool for each year will be as follows:</p> <p>The Committee may amend the bonus pool between awards if not required for retention of the Company's underlying performance or in exceptional circumstances.</p>	<p>The maximum opportunity will be a percentage of salary, 300% for the CEO and 250% for other Executive Directors.</p> <p>Executive Directors will be eligible to receive up to the maximum available at three years performance.</p>	<p>Awards will be granted subject to a performance plan or a performance strategy. The awards will be granted to the Executive Director and will be subject to the full term of the award.</p> <p>The awards will be granted subject to a performance plan or a performance strategy. The awards will be granted to the Executive Director and will be subject to the full term of the award.</p>

## 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>Fixed quarterly in arrears and reviewed each year.</p> <p>4 independent Non-Executive Directors currently receive their fees in cash; the Company may pay part or all of the fees in the form of shares.</p> <p>Any 'advisative business related expenses' (including tax thereon<sup>4</sup>) determined to be a taxable benefit can be reimbursed<sup>5</sup>.</p>	The Chair and Non-Executive Directors' fees are determined by reference to the time commitment and relevant performance metrics.	Two performance metrics:

### Selection of performance measures and targets for Annual Bonus and PSP

The Annual bonus fund is designed to drive the annual financial and strategic objectives of the business, in line with the business strategy aligned to the company's strategic plan and key objectives. Targets are set by reference to internal and external data for the financial year ended 31/12/2022 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 long-term objectives and is aligned to the delivery of the strategic plan. The PSP is a measure and is intended to align with the objectives and targets are set by reference to internal and external data for the financial year ended 31/12/2022 and the rationale behind the selection can be found in the Annual Report on Remuneration.

### Illustration of application of Policy

Pay for performance: Executive Directors' potential value of 2022 remuneration package

#### Johnny Thomson

Maximum	95	18,000,000
Target	32	12,425,000
Maximum	19	14,125,000
Minimum	15	11,975,000

#### Chris Davies

Maximum	96	13,875,000
Target	38	7,250,000
Maximum	24	7,250,000
Minimum	20	6,425,000

- Fixed: ● Base salary and pension (if relevant)  
Variable: ● Annual bonus and pension (if relevant)

Notes: 1. The above figures are illustrative only and do not represent any guarantee of performance. 2. The above figures are illustrative only and do not represent any guarantee of performance. 3. The above figures are illustrative only and do not represent any guarantee of performance. 4. The above figures are illustrative only and do not represent any guarantee of performance. 5. The above figures are illustrative only and do not represent any guarantee of performance.

### New CFO Remuneration package

Chris Davies was appointed as Chief Financial Officer and an Executive Director on 1 November 2022. Chris was appointed on a fixed term of 3 years, with a maximum incentive opportunity of 125% and 200% of the base salary and RPI respectively for the first and second RPI periods with the Company's remuneration policy contribution of 4% and 6% respectively. The above figures are illustrative only and do not represent any guarantee of performance. The above figures are illustrative only and do not represent any guarantee of performance. The above figures are illustrative only and do not represent any guarantee of performance. The above figures are illustrative only and do not represent any guarantee of performance. The above figures are illustrative only and do not represent any guarantee of performance.

The above figures are illustrative only and do not represent any guarantee of performance. The above figures are illustrative only and do not represent any guarantee of performance. The above figures are illustrative only and do not represent any guarantee of performance. The above figures are illustrative only and do not represent any guarantee of performance. The above figures are illustrative only and do not represent any guarantee of performance. The above figures are illustrative only and do not represent any guarantee of performance. The above figures are illustrative only and do not represent any guarantee of performance. The above figures are illustrative only and do not represent any guarantee of performance. The above figures are illustrative only and do not represent any guarantee of performance. The above figures are illustrative only and do not represent any guarantee of performance.

### Consideration of shareholder views

The Committee has introduced a number of measures designed to improve the flow of information to the Board on ERM. Every line of business is required to submit a written report annually and to understand shareholder and analyst expectations. The Committee has introduced a number of feedback mechanisms to ensure AGM and guidance issues experienced during the year. The Committee also introduced the executive remuneration framework in the context of published investor guidelines and principles to ensure consistency. The 2019 Total Reward Report, which was a pilot initiative, was conducted for the first time, reviewed and expanded on prior years' feedback. The feedback received from ERM was captured in the maximum payout under the ERM from 12% to 13% for the year ended 2022. The retention of a number of outstanding feedback from shareholders was considered the 2020 base pay increase in the context of work to be done. The new framework for remuneration that has been put in place is designed to ensure that all employees and the Board understand ERM and

### Differences in remuneration policy for other employees

The Executive Director remuneration is different from other employees. The Committee considers that the policy for other employees and those of the parent company is different and private about the rest of the Group which is not being the remuneration of the Executive Directors.

The Board and the Executive Director are responsible for gathering the views of the entire workforce and assessing the impact of the views on engagement. While the Committee does not consult employees directly when setting the Executive Director remuneration policy, the senior management team regularly consults with a wide range of staff on a business-wide basis in the context of a mail-in survey process about feedback gathered via a wide range of channels, including remuneration. Feedback is shared to the Committee via the Executive team.

The Committee reviews remuneration arrangements and has based its brief for the wider employee population annually on input from the Group's workforce and the views of the staff on engagement and guidance provided by the Group. Staff views on the remuneration policy are determined by a number of factors, including individual and departmental performance levels, external market conditions, the external environment, benchmarking and general industry trends across the Group. The Committee also considers a wide range of non-monetary and monetary benefits, including pension, to employees in line with the Group's market benchmarking. The Committee has a good working relationship with the Executive Directors and there is a framework of communication which ensures alignment at different levels. Even across the workforce and agreed to align with guidance from the senior management teams.

### Service contracts

The Executive Director service contracts, including arrangements for early termination, are carefully considered by the Committee and are designed to recruit, retain and motivate Directors of the calibre required to manage the Company and successfully deliver its strategic objectives. The Committee is a permanent standing committee with a mandate period of one year's appropriate for existing and new appointments.

## REMUNERATION POLICY CONTINUED

The Executive Director's service contracts (in respect of persons employed at the Company's registered office together with any service contracts for new appointments) contain provisions for compensation in the event of early termination or change of control, equal 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 accordance with the Director being offered an appropriate arrangement to facilitate early termination 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 W. Thomas	15 Jan 2013	Rolling	Three	Two year
Barbara Glades	5 Feb 2013	Rolling	Three	Two year

1. Executive Director's contracts are available at [www.barrickgold.com](http://www.barrickgold.com).

### 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 applying a consistent approach to all Directors. The Company pays no more than a fair and reasonable sum in the circumstances.

The use of notice payment provisions in the Director's contracts will depend on whether the departing Executive Director's rights are being terminated and/or waived and/or waived in the case of a qualified leave of absence.

- Notice period of 12 months payable by pension and contractual benefits or payment in lieu of notice.
- Bonus payable for the year ended in which the Director's rights are terminated or waived and/or waived in the case of a qualified leave of absence. If the Director's rights are waived, the bonus will be payable to the other Executive Directors, provided that the departing Director does not have any other relevant responsibility.
- Vesting of award shares under the Company's long-term incentive plan is not automatic and the Committee will determine whether to award a restricted share plan if the Director's rights are terminated or waived and/or waived in the case of a qualified leave of absence. If the award shares have been vested, the Committee will determine whether to award a restricted share plan if the Director's rights are terminated or waived and/or waived in the case of a qualified leave of absence. If the award shares have been vested, the Committee will determine whether to award a restricted share plan if the Director's rights are terminated or waived and/or waived in the case of a qualified leave of absence.
- The Committee will consider whether to award a restricted share plan if the Director's rights are terminated or waived and/or waived in the case of a qualified leave of absence.

When considering termination of a Director's service contract, the Committee will take into account a variety of factors, including the Director's performance and the company's financial position. The Committee will also consider the Director's position in the company and the Director's position in the industry.

The Committee reserves the right to make additional payments, which may include payments made in good faith in discharge of an existing legal obligation or liability, or 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 will be for compensation or 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 or shares under the Company's PSP depends on the extent to which performance conditions have been met at that time. The provision may be disapplied if the Committee considers it appropriate, given the circumstances of the change of control.

### Malus and clawback

Malus provisions apply to awards made under the Company's long-term incentive and annual bonus plans within the Committee the right to cancel or reduce or forfeit an award made in the case of the Annual Performance Plan or other bonus payments in the event of material misstatement in the Company's financial results or significant reputational damage to the Company, misstatement of a director's or executive's individual gross misconduct or fraud or failure to meet a condition or on the appointment of a director or executive.

The clawback arrangements permit the Committee to require amounts paid to Executive Directors in specified circumstances and for the safeguarding of shareholders' interests.

### Remuneration for new appointments

The Committee has determined that new Executive Directors will receive a non-executive director's remuneration 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 remuneration packages for new Executive Directors:

- The remuneration structure will reflect a role where a significant component of the remuneration will be performance related.
- The remuneration package will be performance related and will be based on the Director's total remuneration package. The package will take into account the experience and knowledge of the individual and the existing remuneration package. Where it is appropriate to offer a new package, it will be a series of increases to the previous package and not a single lump sum payment. The package will be performance related and will be based on the Director's total remuneration package. The package will take into account the experience and knowledge of the individual and the existing remuneration package. Where it is appropriate to offer a new package, it will be a series of increases to the previous package and not a single lump sum payment.
- Benefits will generally be paid in cash, payable with the regular bonus, and will be based on the Director's total remuneration package. The package will take into account the experience and knowledge of the individual and the existing remuneration package. Where it is appropriate to offer a new package, it will be a series of increases to the previous package and not a single lump sum payment.





## 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.

The Company is committed to providing clear and transparent disclosure to shareholders, the workforce and other stakeholders with regard to executive remuneration arrangements.

**Example:** the structure of the Annual Performance Bonus Plan is completely based on financial metrics which align with published accounts.

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 Committee also publishes open and transparent disclosures of our Executive Directors' remuneration arrangements, including undertaking engagement with key stakeholders when considering changes to Remuneration Policy.

#### Simplicity

Remuneration structures should avoid complexity and their rationale and operation should be easily understood.

Our remuneration arrangements for Executive Directors, as well as those throughout the organisation, are simple in nature and are understood by participants.

**Example:** variable pay for Executive Directors is made Annual Bonus Plan and a Performance Share Plan.

The structure for Executive Directors' short-term fixed pay, bonus, benefits, pension and variable pay, including a long-term incentive plan, the PSP.

#### Risk

Remuneration arrangements should avoid a reputational and other risk from excessive rewards and behavioural risks that may arise from target-based incentive plans, are identified and mitigated.

Targets are reviewed to ensure they do not encourage excessive risk taking.

**Example:** the Board/CEO considers the PSP was effective in low and no volatility.

Motivation and drive are provided as an incentive to the annual bonus and long-term incentive plan.

#### 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.

Members of the Board/CEO are involved in regular briefings on development and trends in executive remuneration. The content of the disclosure and compensation of the Executive Directors' remuneration packages at the end of each financial year and maximum scenarios are disclosed in the remuneration policy.

**Example:** variable pay maximums are set out in the Policy.

#### Proportionality

The link between individual awards, the delivery of strategy and the long-term performance of the Company should be clear. Discretions should not reward poor performance.

Annual disclosures and PSP awards are subject to performance against challenging targets that are aligned to the Company's strategy.

**Example:** PSP at budget or above achieved and trigger payment of Annual Performance Bonus. PSP at budget or below results in 0% payment.

The Committee has discretion to over-ride individual targets to ensure that the link and relationship is effective for the company's performance.

#### Alignment to culture

Incentive schemes should drive behaviour consistent with the company's values and strategy.

The variable incentive scheme and its key performance features are designed to be consistent with the Group's purpose, values and strategy.

**Example:** one of the Company's values is continuous improvement, continuous improvement is a key objective for the company's long-term targets.

# ANNUAL REPORT ON REMUNERATION

The following disclosures in this Report include details in the Remuneration Report of the Remuneration Policy for the financial year ending 30 September 2022 and the year ended 30 September 2021. 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
Fixed remuneration	711	690	365	347	1,076	1,037
Taxable benefits	25	25	19	9	44	34
Pension	71	86	15	14	86	100
<b>Total fixed</b>	<b>807</b>	<b>801</b>	<b>399</b>	<b>370</b>	<b>1,206</b>	<b>1,171</b>
Annual performance bonus	889	863	456	415	1,345	1,278
Long-term incentive plan – bonus based on relative return	75	95	17	-	92	95
Long-term incentive plan – performance element	1,725	1,675	340	-	2,065	1,675
Long-term incentive plan – share price appreciation element	262	815	110	-	372	1,615
Long-term incentive plan remuneration	2,062	2,575	467	-	2,529	2,115
<b>Total variable</b>	<b>2,951</b>	<b>4,443</b>	<b>923</b>	<b>415</b>	<b>3,874</b>	<b>4,508</b>
<b>Single total figure</b>	<b>3,758</b>	<b>5,242</b>	<b>1,322</b>	<b>785</b>	<b>5,080</b>	<b>5,679</b>

Johnny Thomson's remuneration for 2022 is based on the 2021 financial year.

Barbara Gibbs' remuneration for 2022 is based on the 2021 financial year. Her remuneration for 2021 is based on the 2020 financial year. Her remuneration for 2020 is based on the 2019 financial year.

## Departure of Barbara Gibbs and appointment of Chris Davies (audited)

As announced on 16 August 2022, Barbara Gibbs stepped down from her role as Group CFO and left the Company on 30 September 2022. Remuneration terms for her departure were in line with the approved Remuneration policy. Barbara will receive payment for the remaining 10% of the term of the Company's long-term incentive plan, based on performance and benefits only, paid in three equal instalments on 30 September 2022, 30 October 2022 and 30 November 2022, and waiving her contractual notice. The maximum PILON is £34,367 and will be subject to deduction for tax and National Insurance contributions in the usual way and also subject to deduction for any litigation or other claims made against the employment.

Barbara was treated as a leaver under the outstanding long-term incentive awards. For 2020, PSP 2021, PSP 2022, PSP 2023 and PSP 2024, she was awarded a performance element of 10% for the three-year period to 30 September 2023 and 30 September 2024 respectively. These awards have been fully credited to her by 30 September 2022 (two of the three years for the PSP 2020 and three of the three awards for the PSP 2021). Barbara's total long-term incentive awards (as included in this report on page 133).

Barbara will receive a pension contribution of £12,500 (excluding VAT) and a payment for use of a company car of £7,000 (excluding VAT) in 2022. Her total remuneration for 2022 is £5,080.

Chris Davies was appointed as Group CFO and an Executive Director on 1 November 2022. Details of his remuneration are included on page 174.

## Executive Directors' base salary (unaudited)

On 14 November 2022, the Board approved a 3% increase in base salary for the CEO and a 1% increase in base salary for the CFO. The increase in base salary for the CEO is £1,000 and for the CFO is £500.

	Salary from 1 October 2022 £000	Salary from 1 October 2021 £000	Change in salary
Johnny Thomson	754	711	£43
Barbara Gibbs	-	807	£807
Chris Davies (appointed 1 November 2022)	450	-	£450

## ANNUAL REPORT ON REMUNERATION CONTINUED

### Pension (audited)

The Executive Directors receive pension benefits in respect of their service with the Company. During 2022 and 2023, both Executive Directors took part in a cash allowance. None of the Executive Directors have participated in Company Defined Benefit pension plan. Jonathan Thompson has opted for a level of pension from 10.5% of base salary to 10% of base salary from 1 October 2021 and from January 2023 his pension contribution 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
Jonathan Thompson	10	71	10.5	66
Barbara Gibbs	4	15	4	14

### Annual performance bonus (audited)

#### Bonus pay out for year ended 30 September 2022

The Board approved a stretching budget each year. For each performance measure, threshold, minimum, on budget, target, stretch and maximum is plus 50% 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 regard to the Group financial objectives and the bonus awarded to each of the Executive Directors.

Performance measure	Targets for 2022 <sup>1</sup>	Overall assessment against targets
Adjusted operating profit (audited) in constant currency £m	Minimum: £154.7m On target: £162.4m Maximum: £170.5m	Adjusted operating profit in FY22 was £175.6m. FY22's target range (the maximum threshold) was met and the maximum award is payable.
50% of bonus opportunity		
Revenue (audited) in constant currency £m	Minimum: £809.1m On target: £844.4m Maximum: £891.6m	Revenue for FY22 was £975.5m, at FY22's expansion rates. The maximum threshold was met and the maximum award is payable.
25% of bonus opportunity		
Free cash flow (reported)	Minimum: £90.1m On target: £104.0m Maximum: £109.7m	Free cash flow for the year was £126.4m. The maximum threshold was met and the maximum award is payable.
25% of bonus opportunity		

<sup>1</sup> The targets in this table are based on the FY22 stretch budget.

#### 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
Jonathan Thompson	710	£0	£159	£159	125%	889
Barbara Gibbs	365	£0	£34	£34	125%	456

In line with the new Remuneration Policy, minimum proposed requirement (MTR) for the CEO will increase to 50% of base salary and will increase to 125% of base salary for the Executive Directors in line with the Company's Shareholding Policy. Jonathan Thompson will meet his minimum proposed requirement (MTR) and therefore his bonus for the year will be paid in cash. The MTR for the other directors is Barbara Gibbs since she met the proposed minimum requirement (MTR) and left the Company on 30 September 2022 and therefore her bonus for the year will be paid in cash. But the minimum proposed bonus is not in the Company's existing Remuneration Policy and will for Barbara Gibbs be paid in cash at 50% of the MTR for the year ended 30 September 2022 and will be retained for 12 months post termination.

#### Bonus awards for year ended 30 September 2023

In the financial year ending 30 September 2023, the actual Bonus will be paid based on the following metrics: 50% will be based on audited operating profit, 25% will be based on revenue, with metrics measured in a constant currency, and the remaining 25% will be based on free cash flow. The targets for each of the targets set for the Annual Remuneration Policy for the year ended 30 September 2023 will be based on the FY23 stretch budget and will be retained for 12 months post termination.

## Long-term incentive awards (audited)

The Compensation Committee has reviewed the performance condition for LTI awards (LTI Awards).

### Performance conditions

Set out below is a summary of the performance condition that applies to the LTI Awards for each year: 2022 (PSF 2022), 2019, 2023 (PSF 2023), 2020, 2024 (PSF 2024) and 2021 (PSF 2021).

Vesting of the award is based on: (i) growth in adjusted EPS; (ii) relative TSR performance; and (iii) the payment to be earned under the PSF over and above the Company's performance over that period relative to the FTSE 250 benchmark. The PSF 2021 is a three-year award, the PSF 2022, 2023 and 2024 are two-year awards. The performance condition for each award is set out in the financial statements.

Further, PSF 2021 has expired and the Chair's letter in 2021 set the performance condition which is the same as the PSF 2021, with the exception of the weighting between EPS and relative TSR performance and the EPS targets. The vesting of the award will be weighted 75% on growth in adjusted EPS (subject to the FTSE 250 benchmark) and 25% on relative TSR performance. The EPS targets will be 1 and 1.5x growth on the PSF 2021 growth to 12x.

### EPS

The performance condition for LTI awards is that the average annual growth and 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 absolute figures. The performance targets are set out below.

Adjusted EPS growth (over three years)	% of awards vesting
4% p.a. (PSF 2022) and PSF 2019	100
12% p.a. (PSF 2022)	100
2% p.a. (PSF 2023)	100
5% p.a.	25
below 5% p.a.	0

Where the Company's adjusted EPS performance is between these performance thresholds, vesting of the award is on a straight-line basis. For the purposes of this condition, EPS is adjusted EPS as defined in note 27 to the financial statements and this definition remains consistent with the definition of adjusted EPS approved by the remuneration 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 set out below.

	% of awards vesting
Under quantile	100
Median	25
Below the bottom	0

Where the Company's TSR performance is between these percentage bands, vesting of the award is on a straight-line basis. The FTSE 250 index was chosen because this is the growth-based benchmark index of which the Company is a member.

## ANNUAL REPORT ON REMUNERATION CONTINUED

### Awards vesting in 2022 (audited)

The PSP award granted on 23 December 2019 (PSP 2019) to Johnny Thomson and on 17 March 2020 (PSP 2019) to Barbara Gibbs was subject to the performance conditions as set out in the table above and independently assessed over a three year period ending 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 <sup>1</sup>	CAGR in EPS	Maximum target	Maximum award	Vested award
PSP 2019	64.3p	109.4	19.4%	14%	50%	50%

<sup>1</sup> The pre-IFRS third adjusted EPS figure has been used for the purpose of assessing the performance of the PSP 2019 award. It was calculated in the 2021 and 2022 DFRs using the same methodology as used in the 2020 DFR for the purpose of assessing the performance of the PSP 2019 award.

The Committee has reviewed the RDAFCE outturn and concluded that 17.5% 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
PSP 2019	20.0% p.a.	17.28% p.a.	16.04% p.a.	50%	50%

Set out below are the shares which vested to Johnny Thomson and Barbara Gibbs at 30 September 2022 in respect of this award.

	Share price at date of grant pence	Share price at 30-Sep-2022 pence	Proportion of award vesting	Shares vested number	Performance element £000	Share appreciation element £000	Total £000
Johnny Thomson PSP 2019	2,018	2,324	100%	85,481	1,725	214	1,939
Barbara Gibbs PSP 2019	1,755	2,324	100%	19,374	340	11	450

<sup>1</sup> The vesting of the award is subject to the performance conditions set out in the table above. The award is subject to the performance conditions set out in the table above. The award is subject to the performance conditions set out in the table above.

### Dividend equivalent payments (audited)

Dividend equivalent payments of £74,861 (2021: £8,263) are payable to Johnny Thomson and dividend equivalent payments of £14,112 (2021: Nil) are payable to Barbara Gibbs in respect of the PSP 2019 award which vested on 30 September 2022. Dividend equivalent payments cover all payments made in the three year performance period.

### Long-term incentive plan – awards granted in the year (audited)

Johnny Thomson and Barbara Gibbs received a grant of the PSP 2021 award on 29 November 2021. The award is subject to the performance conditions set out in the table above and is subject to the performance conditions set out in the table above.

Under normal circumstances, the options will not become exercisable until the performance conditions are determined after the end of the three year measurement period which begins on the first day of the financial year in which the award is granted and the participating Director remains in employment. The level of vesting is dependent on the achievement of the performance conditions at the end of the three year measurement period. The performance conditions for this award are set out on page 131.

### Outstanding share-based performance awards (audited)

Set out below are the share-based awards granted on 30 September 2022. The awards are subject to the performance conditions set out in the table above and are subject to the performance conditions set out in the table above.

## Diploma PLC 2011 and 2020 Performance Share Plan (audited)

	Market price at date of award	Face value of the award at date of grant £000	End of performance period	Vesting date	Shares over which awards held at 1 Oct 2021	Shares over which awards granted during the year	Vested during the period	Lapsed during the period	Shares over which awards held at 30 Sep 2022
<b>Johnny Thomson</b>									
RSP 2011	1.135p	1,135	30 Sep 2022	30 Sep 2022	85,481	-	85,481	-	-
RSP 2020	1.605p	1,605	30 Sep 2023	30 Sep 2023	74,804	-	-	-	74,804
RSP 2021	1.78p	1,780	30 Sep 2024	30 Sep 2024	-	57,007	-	-	57,007
<b>Barbara Gibbs<sup>1</sup></b>									
RSP 2011	1.135p	1,135	30 Sep 2022	30 Sep 2022	19,374	-	19,374	-	-
RSP 2020	1.605p	1,605	30 Sep 2023	30 Sep 2023	28,600	-	-	(8,601)	17,201
RSP 2021	1.78p	1,780	30 Sep 2024	30 Sep 2024	-	20,485	-	(13,656)	6,829

<sup>1</sup> The RSP award was granted to Barbara Gibbs on 13 September 2020. The award was subject to the performance conditions set out in the RSP award agreement. The award was granted to Barbara Gibbs on 13 September 2020. The award was subject to the performance conditions set out in the RSP award agreement.

The RSP award was granted to the person in which the performance conditions are determined and confirmed. The award was granted to the person in which the performance conditions are determined and confirmed. The award was granted to the person in which the performance conditions are determined and confirmed.

The RSP award was granted to the person in which the performance conditions are determined and confirmed. The award was granted to the person in which the performance conditions are determined and confirmed. The award was granted to the person in which the performance conditions are determined and confirmed.

## Chair and Non-Executive Directors' remuneration (audited)

Remuneration for the year ended 30 September was as follows:

	Total fees	
	2022 £000	2021 £000
David Ingham	207	-
John Kinsella	48	143
Angela Smith	67	57
Mike Thompson	77	77
Gerardine Thomas	55	55
Dean Smith	55	55

The remuneration for the year ended 30 September was as follows: The remuneration for the year ended 30 September was as follows: The remuneration for the year ended 30 September was as follows.

The remuneration for the year ended 30 September was as follows: The remuneration for the year ended 30 September was as follows: The remuneration for the year ended 30 September was as follows.

The Non-Executive Directors' remuneration was as follows: The remuneration for the year ended 30 September was as follows: The remuneration for the year ended 30 September was as follows.

\_\_\_\_\_



## Remuneration in context

### Chief Executive pay ratio (unaudited)

The table below sets out the Chief Executive pay ratio as at 30 September 2022.

The ratios compare the single total figure of remuneration for the CEO with the equivalent figures for the 25th, median (50th) and upper quartile (75th) employees. Option A has been used as it is the most statistically accurate method, and derived first principally by the Government and investors, and secondarily in relation to the LEO remuneration.

The employee data was measured in 30 September 2022, using the most up to date internal estimates. The approach used for the same as the single total figure method, plus with the exception that only estimates were used and included various work part time, leave converted to full time equivalent and those who worked part of the year were included.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2020	Option A	150:1	129:1	93:1
2021	Option A	128:1	180:1	106:1
2022	Option A	44:1	35:1	24:1

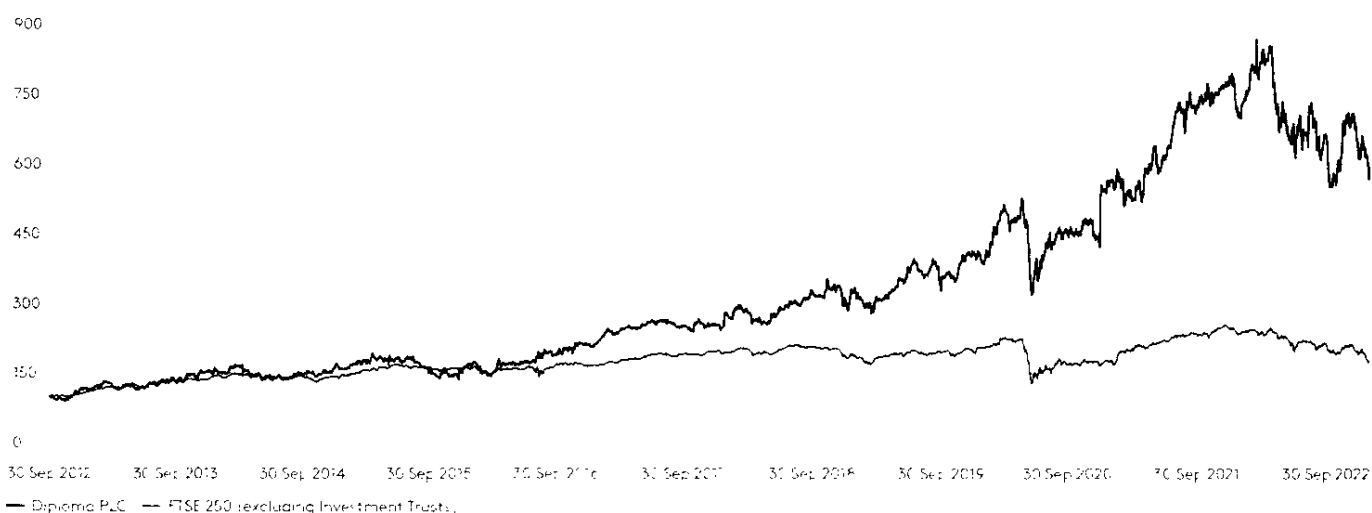
	Base salary	Ratio of base pay to CEO base pay	Total pay and benefits
CEO	£711,000	100%	£3,758,000
25th percentile	£22,630	32%	£24,090
Median	£21,040	28%	£29,074
75th percentile	£36,050	20%	£40,216

The median pay ratio for employees represents the Group's principal descriptor for work to be remunerated. A significant proportion of the CEO's remuneration is delivered through variable pay, whereby awards are linked to financial performance and share price movements over the longer term. This means that the ratio will depend on variable pay outcomes and may fluctuate from year to year. The CEO pay ratio for 2022 had reduced from 180:1 to 129:1. The principal change to the CEO single figure is due to lower share price appreciation. The median pay for UK colleagues has remained at a similar level (£19,074, 2021; £29,036, 2022) with the addition of c.400 new employees from UK acquisitions. If we exclude employees who joined through acquisition during 2022, the median pay for the UK workforce had increased marginally to £29,550.

### 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 performance benchmark. The FTSE 250 Index (excluding Investment Trusts) was chosen because this is the principal benchmark for the stock.

#### Growth in the value of a hypothetical £100 holding over ten years



TSR is defined as the return on investment in the company, calculated as the sum of the dividends paid and the change in the value of the company and other payments made to shareholders 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
<b>2022</b>	<b>Johnny Thomson</b>	<b>3,758</b>	<b>100%</b>	<b>100%</b>	<b>-17%</b>
2021	Johnny Thomson	5,342	100%	100%	+32%
2020	Johnny Thomson	666	25%	-	+34%
2019	Johnny Thomson	1,070	70%	-	+20%
2019	John Nicholas	67	-	-	+20%
2018	John Nicholas	14	-	-	+36%
2018	Richard Ingram	236	-	-	+36%
2018	Bruce Thompson	3,543	100%	99%	+36%
2017	Bruce Thompson	1,258	100%	89%	+24%
2016	Bruce Thompson	1,634	95%	40%	+36%
2015	Bruce Thompson	1,134	50%	25%	+1%
2014	Bruce Thompson	1,846	65%	20%	+8%
2013	Bruce Thompson	1,401	35%	100%	+42%

TSR is calculated as the annual percentage change in the FTSE 100 index, excluding the shares of the company, over the relevant period. The TSR for 2022 is calculated on the basis of the closing share price of the company on 31 December 2022 and the closing share price of the company on 31 December 2021.

### Relative importance of Executive Director remuneration (unaudited)

	2022 £m	2021 £m	Change £m
Total employee remuneration	177.5	141.9	45.6
Total director remuneration	56.2	60.9	5.7

### 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, bonus and annual performance bonus in the Board and the Group's senior managers. Senior managers' compensation growth is not FTSE 100 aligned. The Compensation Committee's performance policy, compared with the Shareholders' provided the most useful changes to remuneration, including the global award, in the prior year. The figures for the Board are on a full year basis, whereas the interim payments

	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
<b>Executive Directors</b>												
Johnny Thomson	+3	No change	+3	-18	-7	-1	+2	+4	No change	+3	+100	+4
Richard Pepper	+7	No change	+3	+7	No change	+3	+2	+7	+3	+7	+100	+3
<b>Non-Executive Directors</b>												
David Luggan	n/a	No change	+3									
John Nicholas	-69	No change	+7									
Andy Smith	+3	No change	No change									
Anna Thompson	+6	+7	+7									
Barbara Luff	+3	No change	+3									
Dean Farrant	+185	+17	+13									
<b>Employees of the Parent Company</b>												
	n/a	+3	+3	n/a	+3	+3	n/a	+3	+3	n/a	+3	+3
Senior management team	+7.5	+7	+3	+7.5	+7	+7	No change	No change	No change	+22	+11	+3

The figures are based on the remuneration of the Board and the Group's senior managers.

The figures are based on the remuneration of the Board and the Group's senior managers.

The figures are based on the remuneration of the Board and the Group's senior managers.

The figures are based on the remuneration of the Board and the Group's senior managers.

The figures are based on the remuneration of the Board and the Group's senior managers.

The figures are based on the remuneration of the Board and the Group's senior managers.

The figures are based on the remuneration of the Board and the Group's senior managers.

The figures are based on the remuneration of the Board and the Group's senior managers.

The figures are based on the remuneration of the Board and the Group's senior managers.

The figures are based on the remuneration of the Board and the Group's senior managers.

The figures are based on the remuneration of the Board and the Group's senior managers.

The figures are based on the remuneration of the Board and the Group's senior managers.

The figures are based on the remuneration of the Board and the Group's senior managers.

The figures are based on the remuneration of the Board and the Group's senior managers.

The figures are based on the remuneration of the Board and the Group's senior managers.

The figures are based on the remuneration of the Board and the Group's senior managers.

The figures are based on the remuneration of the Board and the Group's senior managers.

The figures are based on the remuneration of the Board and the Group's senior managers.

The figures are based on the remuneration of the Board and the Group's senior managers.

## Executives and senior management below the Board (unaudited)

Set out below is a summary of 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. The performance on which the awards were granted has been granted performance and during the year. The awards set out below were granted during the year and have a period between 10 and 100 months to expiry. All awards will vest unless the performance conditions for the awards are not met over the performance period. The committee will consider making share awards to members of the executive team and other senior employees in February 2023.

	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
PSR 2019	2,018p	0.8p	30 Sep 2022	34,000	–	29,546	4,460	–
PSR 2020	2,006p	1.4p	30 Sep 2023	49,410	–	–	9,612	39,860
	3,038p							
	23.4p							
PSR 2021	2,062p	1.6p	30 Sep 2024	–	102,258	–	8,086	94,172

## GOVERNANCE

### Remuneration Committee

The Committee is chaired by Andy Smith and comprises five independent Non-Executive Directors. It is fully comprised as of January 2022 and was replaced by David Lowden. The remaining members, Anne Thorburn, Deborah Jones and Seb Smeaton, report to the Chair of the Committee. The Group CEO and the Group HR Director attend meetings of the Committee. The Committee is authorised to fund and make informed decisions. The Group Company Secretary attends meetings of the Committee as Secretary to the Committee.

### The Remuneration Committee Report

The Annual Report on Remuneration and the Chair's Statement will continue to be subject to our full and complete review and oversight at the end of the 2023 AGM.

### Remuneration principles and structure

The Committee has adopted remuneration principles which are designed to ensure that executive remuneration:

- supports the business strategy and promotes the long-term success of the Company;
- supports the creation of sustainable long-term shareholder value;
- is based on appropriate balance between remuneration elements and includes performance-related elements which are structured to drive short-term and long-term performance;
- provides an appropriate balance between immediate and deferred remuneration and;
- encourages high performance culture by ensuring performance is robustly measured and that the remuneration structure is fit for the long-term success of the company and does not create any undue risk to the company.

The company also ensures that there is no undue risk to the company and that the remuneration structure is fit for the long-term success of the company.

### Key duties and focus in 2022

The Committee's primary objective of the Board is to oversee the remuneration of the Executive Directors. The Committee also oversees the remuneration and performance framework for the senior executives who have a significant impact on the Group's performance. The Committee also oversees the workforce remuneration and related matters. The Committee also oversees the remuneration and performance framework for the senior executives who have a significant impact on the Group's performance.

The Committee has also reviewed the remuneration policy and its implementation. The Committee has also reviewed the remuneration policy and its implementation. The Committee has also reviewed the remuneration policy and its implementation.

The Committee has also reviewed the remuneration policy and its implementation. The Committee has also reviewed the remuneration policy and its implementation. The Committee has also reviewed the remuneration policy and its implementation.

The Committee has also reviewed the remuneration policy and its implementation. The Committee has also reviewed the remuneration policy and its implementation. The Committee has also reviewed the remuneration policy and its implementation.

The Committee has also reviewed the remuneration policy and its implementation. The Committee has also reviewed the remuneration policy and its implementation. The Committee has also reviewed the remuneration policy and its implementation.

The Committee has also reviewed the remuneration policy and its implementation. The Committee has also reviewed the remuneration policy and its implementation. The Committee has also reviewed the remuneration policy and its implementation.

The Committee has also reviewed the remuneration policy and its implementation. The Committee has also reviewed the remuneration policy and its implementation. The Committee has also reviewed the remuneration policy and its implementation.

The Committee has also reviewed the remuneration policy and its implementation. The Committee has also reviewed the remuneration policy and its implementation. The Committee has also reviewed the remuneration policy and its implementation.

The Committee has also reviewed the remuneration policy and its implementation. The Committee has also reviewed the remuneration policy and its implementation. The Committee has also reviewed the remuneration policy and its implementation.

The Committee has also reviewed the remuneration policy and its implementation. The Committee has also reviewed the remuneration policy and its implementation. The Committee has also reviewed the remuneration policy and its implementation.

The Committee has also reviewed the remuneration policy and its implementation. The Committee has also reviewed the remuneration policy and its implementation. The Committee has also reviewed the remuneration policy and its implementation.

The Committee has also reviewed the remuneration policy and its implementation. The Committee has also reviewed the remuneration policy and its implementation. The Committee has also reviewed the remuneration policy and its implementation.

The Committee has also reviewed the remuneration policy and its implementation. The Committee has also reviewed the remuneration policy and its implementation. The Committee has also reviewed the remuneration policy and its implementation.

The Committee has also reviewed the remuneration policy and its implementation. The Committee has also reviewed the remuneration policy and its implementation. The Committee has also reviewed the remuneration policy and its implementation.

The Committee has also reviewed the remuneration policy and its implementation. The Committee has also reviewed the remuneration policy and its implementation. The Committee has also reviewed the remuneration policy and its implementation.

The Committee has also reviewed the remuneration policy and its implementation. The Committee has also reviewed the remuneration policy and its implementation. The Committee has also reviewed the remuneration policy and its implementation.

## ANNUAL REPORT ON REMUNERATION CONTINUED

### Services from external advisors (unaudited)

The Committee has continued to receive its remuneration advice from AITW and legal remuneration advice from Simmons and Simmons. 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 has any relationship with any Director and the Committee is satisfied that the services of advisors are independent. 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 (£)
Wills Towers Watson	Committee	Remuneration advice	None	129,572
Simmons and Simmons LLP	Committee	Legal and remuneration advice	None	10,375

### Shareholder voting at previous Annual General Meeting (unaudited)

The Directors Remuneration Policy was approved by shareholders at the AGM held on 15 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 15 January 2022 with the following votes being cast:

	Policy		2021 Report	
votes for	80,158,041	79.78%	101,736,465	83.16%
votes against	1,209,003	1.20%	17,304,009	1.74%
Abstained	21,745,048	-	21,666,001	-

At the AGM in January 2022 the 2021 DRF was approved with 83.26% of votes in favour. Given the positive engagement in the year no immediate need for urgent performance. Extensive consultation was conducted during 2021 on the new Policy and the 2021 DRF. During consultation there was an opportunity to check with shareholders if they had any outstanding issues from 2021 and none were raised.

## Overview

## Strategic Report

## Corporate Governance

## Financial Statements

## Other Information

## 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 9.8.4C:

	Listing Rule
The Trustees of the Diploma PLC Employee Benefit Trust waived dividend on all shares	9.8.4(1) F and 9.8.4(1) R

### Non-financial information

The Company has chosen, in accordance with section 414C(1) of the Companies Act 2006, to include certain matters from its Strategic Report on pages 7 to 89 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 74 to 87 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 as follows:

- Business model - pages 54 to 57
- Principals and how they are managed or controlled - pages 87 to 88
- Non-financial key performance indicators - page 89
- Employee engagement - pages 56 to 57
- Stakeholder engagement - pages 71 to 73

### Financial

#### Results and dividends

The profit for the financial year attributable to ordinary shareholders of 194.1m (2021: 69.6m). The Directors recommended a dividend of 39.8p (2021: 30.1p) per ordinary share, to be paid in approved on 3 February 2023. This together with the interim dividend of 11p (2021: 10.5p) per ordinary share amounts to 50.8p for the year 2021/22.

The results are set out more fully in the consolidated profit and loss statement on pages 147 to 176 and summarised in the Financial Review on pages 179 to 181.

### Independent Auditors

Each of the persons who is a Director of the Company in respect of the Annual Report & Accounts confirms that as far as they are aware there is no relevant audit information in relation to the Company or auditor in connection with the Directors' Report, and that they have no reason to believe that the auditor is not qualified to carry out the audit or has not acted in accordance with the relevant financial reporting standards. This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Richard Pearce, Chairman of R (PwC) has expressed a willingness to continue in office as independent auditor and a resolution to reappoint PwC will be proposed at the AGM to be held on 15 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 General Accounting Principles (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 the United Kingdom adopted 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 results and cash flows of the Group for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then consistently apply them;
- 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 applicable UK Accounting Standards in preparing FRS 101 have been followed for the Parent Company financial statements; and set out any material accounting policies and estimates used in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements in the proper presentation which is appropriate to the nature of the Group and Parent Company which continues in business.

The Directors are also responsible for safeguarding the assets of the Group and Parent Company and for taking reasonable steps to the prevention and detection of 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 transactions and business and to enable them to ensure that the financial statements and the Annual Report & Accounts comply with the Companies Act 2006.

The Directors are responsible for the fair, accurate 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

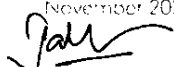
The Directors consider that the Annual Report & Accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and Parent Company's position and performance, business model and strategy. Each of the Directors, whose names and 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.

This Directors' Report was approved by the Board of Directors on 23 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
<b>Revenue</b>	23	<b>1,012.8</b>	<b>787.4</b>
Cost of sales		<b>(638.3)</b>	<b>496.0</b>
<b>Gross profit</b>		<b>374.5</b>	<b>289.4</b>
Distribution costs		<b>(25.9)</b>	<b>27.9</b>
Administrative costs		<b>(204.3)</b>	<b>160.1</b>
<b>Operating profit</b>	1	<b>144.3</b>	<b>101.2</b>
Financial expense, net	1	<b>(14.8)</b>	<b>11.1</b>
<b>Profit before tax</b>		<b>129.5</b>	<b>96.6</b>
Tax expense	5	<b>(34.1)</b>	<b>26.3</b>
<b>Profit for the year</b>		<b>95.4</b>	<b>69.7</b>
Attributable to:			
Shareholders of the Company		<b>94.7</b>	<b>69.8</b>
Minority interests	20	<b>0.7</b>	<b>(0.1)</b>
		<b>95.4</b>	<b>69.7</b>
<b>Earnings per share</b>			
Basic earnings	8	<b>76.1p</b>	<b>61.1p</b>
Diluted earnings	8	<b>75.9p</b>	<b>61.1p</b>

## **ALTERNATIVE PERFORMANCE MEASURES<sup>1</sup>**

	Note	2022 £m	2021 £m
Operating profit		<b>144.3</b>	<b>101.2</b>
Adjusted for finance and other charges (excluding distribution costs)	1	<b>46.9</b>	<b>44.6</b>
<b>Adjusted operating profit</b>	23	<b>191.2</b>	<b>145.8</b>
Deduct: Net interest and other charges	2	<b>(11.6)</b>	<b>1.1</b>
<b>Adjusted profit before tax</b>		<b>179.6</b>	<b>147.3</b>
<b>Adjusted earnings per share</b>	8	<b>107.5p</b>	<b>89.1p</b>

<sup>1</sup> These measures are derived from the consolidated financial statements and are not intended to replace or substitute for the consolidated financial statements.

The consolidated profit before tax forms part of the consolidated financial statements.



# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

## FOR THE YEAR ENDED 30 SEPTEMBER 2022

	Note	2022 £m	2021 £m
<b>Profit for the year</b>		<b>95.4</b>	<b>51.7</b>
<b>Items that will not be reclassified to the Consolidated Income Statement</b>			
Exchange differences on translation of foreign operations	24	10.6	1.4
Deferred tax on items that will not be reclassified	6.3	(2.8)	0.8
		<b>7.8</b>	<b>2.2</b>
<b>Items that may be reclassified to the Consolidated Income Statement</b>			
Exchange differences on translation of foreign operations		76.8	46.2
Changes in fair value of financial assets	19	4.5	1.4
Net unrealised gain on cash flow hedges entered into	18	(0.4)	1.1
Deferred tax on items that may be reclassified	6.13	(1.1)	(1.3)
		<b>79.8</b>	<b>47.4</b>
<b>Total Other Comprehensive Income</b>		<b>87.6</b>	<b>49.6</b>
<b>Total Comprehensive Income for the year</b>		<b>183.0</b>	<b>101.3</b>
<b>Attributable to:</b>			
Ordinary shareholders of the Company		182.2	99.8
Minority interests		0.8	1.5
		<b>183.0</b>	<b>101.3</b>

# 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
<b>At 1 October 2020</b>		6.3	188.6	16.3	0.8	304.1	<b>527.0</b>	3.7	<b>530.7</b>
Total Comprehensive Income		–	–	14.2	0.8	10.1	<b>60.8</b>	1.7	<b>60.5</b>
Share-based payments	4	–	–	–	–	1.8	<b>1.8</b>	–	<b>1.8</b>
Tax on share-based payments	6	–	–	–	–	1.0	<b>1.0</b>	–	<b>1.0</b>
Net change in cash flow		–	–	–	–	(0.5)	<b>(0.5)</b>	–	<b>(0.5)</b>
Acquisition of shares	11	–	–	–	–	–	<b>–</b>	0.9	<b>0.9</b>
Minority interest capitalisation		–	–	–	–	(0.9)	<b>(0.9)</b>	–	<b>(0.9)</b>
Minority interest share		–	–	–	–	–	<b>–</b>	0.7	<b>0.7</b>
Dividend	14	–	–	–	–	(52.9)	<b>(52.9)</b>	0.3	<b>(53.2)</b>
<b>At 30 September 2021</b>		6.3	188.6	30.5	1.6	320.1	<b>536.3</b>	4.7	<b>541.0</b>
Total Comprehensive Income		–	–	76.7	3.1	109.8	<b>182.2</b>	1.6	<b>183.0</b>
Share-based payments	4	–	–	–	–	2.8	<b>2.8</b>	–	<b>2.8</b>
Tax on share-based payments	6	–	–	–	–	0.4	<b>0.4</b>	–	<b>0.4</b>
Net change in cash flow		–	–	–	–	(2.8)	<b>(2.8)</b>	–	<b>(2.8)</b>
Acquisition of shares	11	–	–	–	–	–	<b>–</b>	0.8	<b>0.8</b>
Dividend	14	–	–	–	–	–	<b>–</b>	1.1	<b>(1.3)</b>
Minority interest capitalisation		–	–	–	–	(1.9)	<b>(1.9)</b>	–	<b>(1.9)</b>
Minority interest share		–	–	–	–	–	<b>–</b>	1.2	<b>1.2</b>
Minority interest share		–	–	–	–	–	<b>–</b>	0.1	<b>(0.3)</b>
Dividend	14	–	–	–	–	(56.2)	<b>(56.2)</b>	0.1	<b>(56.4)</b>
<b>At 30 September 2022</b>		<b>6.3</b>	<b>188.6</b>	<b>88.8</b>	<b>3.2</b>	<b>375.1</b>	<b>662.0</b>	<b>6.2</b>	<b>668.2</b>

For the full details of the accounting policies and other information, please refer to the consolidated financial statements.

142 | Annual Report 2022

## AS AT 30 SEPTEMBER 2022

The  $^{67}\text{Zn}$  isotope is the most abundant in nature, comprising 42.16% of the natural Zn, and is the  $^{67}\text{Zn}$  analogue of its behavior.

<sup>1</sup> *Journal of the American Medical Association*, 273, 1994, 1033-1038.

# CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2022

	Note	2022 £m	2021 £m
<b>Operating profit</b>		<b>144.3</b>	<b>104.8</b>
Adjustment related to a prior charge		<b>46.9</b>	<b>44.4</b>
Financial items and other		<b>18.1</b>	<b>9.8</b>
Change in working capital		<b>(28.7)</b>	<b>12.6</b>
<b>Cash flow from operating activities</b>	22	<b>180.6</b>	<b>169.6</b>
Interest paid net of loan drawdowns		<b>(15.0)</b>	<b>11.2</b>
Tax paid		<b>(40.6)</b>	<b>24.7</b>
<b>Net cash from operating activities</b>		<b>125.0</b>	<b>175.5</b>
<b>Cash flow from investing activities</b>			
Acquisition of businesses, net of cash acquired	21	<b>(173.0)</b>	<b>403.4</b>
Depreciation and amortisation paid	19	<b>(7.1)</b>	<b>16.0</b>
Principal firm sale of businesses, net of cash disposed		<b>13.7</b>	<b>11.0</b>
Purchase of property, plant and equipment	23	<b>(14.3)</b>	<b>4.9</b>
Purchase of other intangible assets		<b>(1.1)</b>	<b>1.3</b>
Proceeds from sale of property, plant and equipment		<b>9.9</b>	<b>4.8</b>
<b>Net cash used in investing activities</b>		<b>(171.9)</b>	<b>428.4</b>
<b>Cash flow from financing activities</b>			
Proceeds from issue of ordinary shares (net of fees)		<b>–</b>	<b>0.4</b>
Dividend paid to shareholders		<b>(56.2)</b>	<b>12.9</b>
Dividend paid to minority interests	24	<b>(0.2)</b>	<b>1.3</b>
Proceeds from minority interests		<b>–</b>	<b>0.7</b>
Acquisition of minority interests	25	<b>(0.3)</b>	<b>–</b>
Interest paid on loans by Employee Benefit Trust		<b>–</b>	<b>–</b>
Net share purchase of own shares on exercise of the options		<b>(2.8)</b>	<b>1.5</b>
Proceeds from borrowings	26	<b>154.8</b>	<b>216.3</b>
Repayment of borrowings	26	<b>(20.0)</b>	<b>10.4</b>
Principal elements of lease payments		<b>(10.9)</b>	<b>14.4</b>
<b>Net cash from financing activities</b>		<b>64.4</b>	<b>139.7</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>17.5</b>	<b>190.8</b>
Cash and cash equivalents at beginning of year		<b>24.8</b>	<b>136.6</b>
Effect of exchange rates on cash and cash equivalents		<b>(0.6)</b>	<b>11.6</b>
<b>Cash and cash equivalents at end of year</b>		<b>41.7</b>	<b>348.0</b>

## ALTERNATIVE PERFORMANCE MEASURES<sup>1</sup>

	Note	2022 £m	2021 £m
<b>Free cash flow</b>	27	<b>120.4</b>	<b>168.9</b>
<b>Adjusted earnings</b>	28	<b>133.9</b>	<b>105.7</b>
<b>Free cash flow conversion %</b>	29	<b>90%</b>	<b>158%</b>

<sup>1</sup> Alternative performance measures are not defined by IASB and are therefore not part of 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 6BB. 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, 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 January 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.

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 subsidiaries and other related undertakings is set out on pages 187 to 189.

### 2. Business Sector analysis

The Unit of Operating Decision Maker (UODM) for the purposes of FRS 8 in the IBC, the financial performance of the business which is reported in the CDEM is on an entity basis and this information is used to allocate resources in an appropriate manner.

For management reporting purposes, the Group is organised into three main reporting business Sectors: Life Sciences, Genus and Controls. These Sectors are the Group's operating segments as defined by FRS 8 and form the basis of the primary reporting information disclosed below. The CDEM reviews discrete financial information at this operating segment level. The principal activities of each of these Sectors are presented in the Strategic Report on pages 60 to 71. Sector revenue represents revenue from external customers, there is no inter-Sector revenue. Sector results represent and include all costs, both directly attributable to a Sector, as well as indirect costs that can be allocated on a reasonable basis.

Intangible assets exclude cash and cash equivalents, deferred tax assets, retirement benefit assets and financial assets measured at amortised cost. Intangible assets include but are not limited to: patents, trademarks, customer lists, software, and other intangible assets. Other than those disclosed in the Strategic Report, the Group has no other intangible assets. Retirement benefit obligations, deferred tax liabilities, and other liabilities are allocated to the business Sectors on a reasonable basis to a business Sector. These terms are shown collectively in the following and are not intended to be a full and complete list of all related liabilities, respectively.

	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 recognition	178.0	180.4	294.4	263.7	481.9	343.3	–	–	954.3	887.4
Revenue deduction	10.6	–	37.0	–	10.9	–	–	–	58.5	–
<b>Revenue</b>	<b>188.6</b>	<b>180.4</b>	<b>331.4</b>	<b>263.7</b>	<b>492.8</b>	<b>343.3</b>	<b>–</b>	<b>–</b>	<b>1,012.8</b>	<b>887.4</b>
Adjusted operating profit	39.7	43.2	57.0	40.6	104.0	71.4	(18.2)	13.4	182.5	187.7
Adjusted operating profit deduction	1.3	–	5.6	–	1.8	–	–	–	8.7	–
<b>Adjusted operating profit</b>	<b>41.0</b>	<b>43.2</b>	<b>62.6</b>	<b>40.6</b>	<b>105.8</b>	<b>71.4</b>	<b>(18.2)</b>	<b>13.4</b>	<b>191.2</b>	<b>187.7</b>
Adjusted related and other charges	1.5	4.6	(16.6)	(9.7)	(30.5)	(30.7)	(1.3)	–	(46.9)	(44.4)
<b>Operating profit</b>	<b>42.5</b>	<b>38.6</b>	<b>46.0</b>	<b>30.9</b>	<b>75.3</b>	<b>40.7</b>	<b>(19.5)</b>	<b>13.4</b>	<b>144.3</b>	<b>143.3</b>
Operating assets	74.0	51.0	207.5	164.4	211.5	164.8	–	–	493.0	380.4
Goodwill	106.2	81.4	125.2	60.0	140.9	119.8	–	–	372.3	260.1
Adjusted intangible assets	74.9	41.7	100.2	50.4	279.9	247.3	–	–	455.0	344.9
	255.1	173.6	432.9	244.8	632.3	531.4	–	–	1,320.3	985.4
Liabilities and net										
- Deferred tax liabilities							0.2	1.4	0.2	1.4
- Defined pension liabilities							41.7	14.9	41.7	14.9
- Asset and related assets							1.8	–	1.8	–
- Retirement benefit assets							6.4	–	6.4	–
- Other assets							8.6	1.2	8.6	1.2
<b>Total assets</b>	<b>255.1</b>	<b>173.6</b>	<b>432.9</b>	<b>244.8</b>	<b>632.3</b>	<b>531.4</b>	<b>58.7</b>	<b>17.4</b>	<b>1,379.0</b>	<b>985.4</b>
Operating liabilities	(41.7)	(30.2)	(103.3)	(55.4)	(92.6)	(68.7)	–	–	(237.6)	(154.7)
Liabilities and net										
- Deferred tax liabilities							(38.4)	12.3	(38.4)	12.3
- Retirement benefit liabilities							–	14.9	–	14.9
- Asset and related liabilities							(31.4)	13.7	(31.4)	13.7
- Other liabilities							(32.8)	19.8	(32.8)	19.8
- Funding							(370.6)	105.7	(370.6)	105.7
<b>Total liabilities</b>	<b>(41.7)</b>	<b>(30.2)</b>	<b>(103.3)</b>	<b>(55.4)</b>	<b>(92.6)</b>	<b>(68.7)</b>	<b>(473.2)</b>	<b>145.7</b>	<b>(710.8)</b>	<b>(154.4)</b>
<b>Net assets</b>	<b>213.4</b>	<b>143.6</b>	<b>329.6</b>	<b>189.4</b>	<b>539.7</b>	<b>462.7</b>	<b>(414.5)</b>	<b>13.4</b>	<b>668.2</b>	<b>143.3</b>

Adjusted related and other charges of £46.9m (2021: £44.4m) and on price of £42.4m (2021: £33.1m) in respect of intangible assets, £10.6m in deduction and expenses as defined in note 27 (2021: £9.7m) to £7.3m (2021: £1.1m) net change, net gain on the year ended 30 September 2022, which is set out in note 27, and one-off restructuring costs of £1.3m (as described) in the transition of the Group's 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
Capital expenditure	8.0	0.3	3.7	0.3	2.7	1.1	0.9	0.3	15.3	1.9
Revenue recognition	2.9	0.6	3.5	0.4	4.6	4	0.2	0.3	11.2	1.3
Revenue recognition										
- Revenue recognition	176.4	184.1	315.6	261.1	492.8	343.3	–	–	984.8	874.4
- Revenue recognition	12.2	16.1	15.8	2.6	–	–	–	–	28.0	16.9
	188.6	180.4	331.4	263.7	492.8	343.3	–	–	1,012.8	891.3

Adjusted related and other charges of £46.9m (2021: £44.4m) and on price of £42.4m (2021: £33.1m) in respect of intangible assets, £10.6m in deduction and expenses as defined in note 27 (2021: £9.7m) to £7.3m (2021: £1.1m) net change, net gain on the year ended 30 September 2022, which is set out in note 27, and one-off restructuring costs of £1.3m (as described) in the transition of the Group's Chief Financial Officer.

# 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 <sup>1</sup>		Trading capital employed		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	52.5	202.2	53.4	3.4	0.5
Rest of Europe	166.7	166.5	29.3	39.4	169.1	115.3	179.8	140.3	1.7	0.5
North America	561.0	411.8	129.5	94.1	519.2	443.7	614.2	445.1	8.9	4.1
Rest of world	75.4	61.6	11.4	11.6	57.1	47.8	62.3	53.1	1.3	0.5
	1,012.8	882.4	191.2	145.7	939.0	689.3	1,058.5	792.9	15.3	5.6

<sup>1</sup> Non-current assets exclude deferred tax assets, goodwill and intangible assets, and other intangible assets.

## 4. Group employee costs

### Average number of employees

	2022	2021
Life Sciences	423	453
Seals	1,174	1,055
Controls	981	857
Corporate	36	31
Number of employees – average	2,614	2,396
Number of employees – year end	2,909	2,498

### Group employee costs, including key management

	2022 £m	2021 £m
Wages and salaries	154.8	130.1
Social security costs	13.3	9.5
Other personnel costs	6.6	5.9
Share-based payments	2.8	1.6
	177.5	157.1

### Key management short-term remuneration, including Directors

	2022 £m	2021 £m
Salaries and short-term employee benefits	5.0	5.4
Compensation to directors and key management	0.4	0.1
Pension costs	0.2	0.1
Share-based payments	2.4	1.5
	8.0	7.1

The Group considers key management personnel to be defined in IAS 24 'Related Party Disclosures' to be the Directors of the Company and the members of the Executive team.

The Executive Director's remuneration and the interests of the Executive Director are given on pages 134 to 138 in the Remuneration Committee Report. The long-term incentive payments in 2024 are £2.4m (2021: £1.8m) as set out in the Remuneration Committee Report.

### Directors' short-term remuneration

	2022 £m	2021 £m
Non-Executive Directors	0.5	0.4
Executive Directors	2.6	0.5
	3.1	0.9

Figure 1. The effect of the concentration of the *Agrobacterium* suspension on the transformation efficiency of *Agrobacterium* strains. The number of transformed cells was determined by the number of colonies obtained after plating on the selective medium. The results are the mean of three independent experiments. Error bars represent standard deviation.

# 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 £11.5m (2021: £10.0m) of which £1.9m (2021: £2.7m) related to UK tax liabilities and £9.6m (2021: £7.3m) 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 multinationals groups. On 20 July 2022, HM Treasury released draft legislation to implement these changes, which will have effect for accounting periods beginning on or after 31 December 2023. The Group is reviewing these draft rules 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	15.4
Final dividend of the prior year, paid in February	30.1	29.0	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 38.8p per share (2021: 30.1p) which will be paid on 2 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 PLC Employee Benefit Trust holds 71,035 (2021: 90,640) shares, which are ineligible 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 124,532,060 (2021: 124,468,210) and the profit for the year attributable to ordinary shareholders of £94.7m (2021: £63.5m). Basic earnings per share is 76.1p (2021: 56.1p). Diluted earnings per share is 75.9p (2021: 55.9p) and is based on the average number of ordinary shares which includes any potential dilutive shares of 124,855,007 (2021: 124,744,476).

Further description of the Company's share capital is set out in note 1 to the Parent Company financial statements on page 176.

### Adjusted earnings per share

Adjusted EPS, which is defined in note 2, is 107.5p (2021: 85.2p).

	2022 pence per share	2021 pence per share	2022 £m	2021 £m
Profit before tax			129.5	105.6
Tax expense			(34.1)	26.9
Minority interests			(0.7)	0.1
<b>Earnings for the year attributable to shareholders of the Company</b>	<b>76.1</b>	<b>55.9</b>	<b>94.7</b>	<b>64.6</b>
Amortisation related and other charges and bonus plan related financial charges, net of tax	31.4	29.7	39.2	37.5
<b>Adjusted earnings</b>	<b>107.5</b>	<b>85.6</b>	<b>133.9</b>	<b>102.1</b>

## 9. Goodwill

	Life Sciences £m	Seals £m	Controls £m	Total £m
At 30 September 2020	122.0	60.5	36.5	159.0
Acquisition	12.1	6.8	35.7	117.6
Impairment	7.8	-	-	(3.8)
Redistribution to held for sale	-	4.7	-	(4.7)
Exchange adjustments	11.4	0.4	3.4	(7.4)
At 30 September 2021	134.2	67.2	75.6	260.7
Acquisition	19.1	16.5	5.2	81.0
Exchange adjustments	0.8	3.4	16.4	30.6
<b>At 30 September 2022</b>	<b>154.2</b>	<b>87.2</b>	<b>97.2</b>	<b>372.3</b>

The Group's goodwill, which is measured at cost price at each reporting date, represents the intangible assets acquired in the acquisition of each of the three operating units, Life Sciences, Seals, and Controls, which relate to the goodwill existing in the Group at which goodwill is measured at acquisition and represents the intangible assets acquired in the acquisition of each of the three operating units, Life Sciences, Seals, and Controls. The goodwill represents the intangible assets acquired in the acquisition of each of the three operating units, Life Sciences, Seals, and Controls, which relate to the goodwill existing in the Group at which goodwill is measured at acquisition and represents the intangible assets acquired in the acquisition of each of the three operating units, Life Sciences, Seals, and Controls.



Revenue of 10.1 million, before the first time the distribution of generating rights revenue is given to the licensee, and a higher entry price discount rate and a higher discount rate applied on the high level of depreciation which will be further reduced in 2023. The depreciation expense is also related to the distribution of generating rights revenue, which is applied to the licensee at a rate of 10.1 million, before the first time the distribution of generating rights revenue is given to the licensee, and a higher entry price discount rate and a higher discount rate applied on the high level of depreciation which will be further reduced in 2023. The depreciation expense is also related to the distribution of generating rights revenue, which is applied to the licensee at a rate of 10.1 million, before the first time the distribution of generating rights revenue is given to the licensee, and a higher entry price discount rate and a higher discount rate applied on the high level of depreciation which will be further reduced in 2023.

The depreciation expense is also related to the distribution of generating rights revenue, which is applied to the licensee at a rate of 10.1 million, before the first time the distribution of generating rights revenue is given to the licensee, and a higher entry price discount rate and a higher discount rate applied on the high level of depreciation which will be further reduced in 2023. The depreciation expense is also related to the distribution of generating rights revenue, which is applied to the licensee at a rate of 10.1 million, before the first time the distribution of generating rights revenue is given to the licensee, and a higher entry price discount rate and a higher discount rate applied on the high level of depreciation which will be further reduced in 2023.

Based on the understanding, no impairment in the value of goodwill in the 2022 was identified.

The Directors have performed sensitivity analysis on the key assumptions noted above to determine whether the impairment of goodwill would be identified in any of these assumptions would result in an impairment of goodwill. The analysis indicates that a reasonable value for goodwill would not give rise to an impairment charge to goodwill in any of the three 2022.

## 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
<b>Cost</b>					
At 1 October 2021	50.5	14.5	1.8	183.2	7.6
Additions	-	-	-	-	1.4
Amortisation	(24.4)	-	(4.4)	306.8	0.2
Disposals	(1.5)	(1.0)	(1.1)	(3.6)	(0.9)
Reclassification to intangible	(6.9)	-	-	(6.9)	(0.4)
Exchange adjustments	14.4	(0.7)	-	(16.8)	(0.3)
At 30 September 2022	390.4	15.8	41.5	462.7	7.6
Additions	-	-	-	-	1.0
Amortisation	(94.2)	-	(3.7)	99.9	0.8
Disposals	-	-	-	-	(1.1)
Exchange adjustments	(4.3)	(2.1)	(8.5)	69.9	1.0
At 30 September 2022	547.9	30.9	53.7	632.5	9.3
<b>Amortisation</b>					
At 1 October 2021	12.4	20.7	1.5	96.0	4.6
Additions	14.5	-	4.1	18.7	-
Charge to the year	2.7	1.7	-	14.4	0.7
Disposals	(1.5)	(1.0)	-	(3.6)	(0.7)
Reclassification to intangible	(5.4)	-	-	(5.4)	(0.1)
Exchange adjustments	(12.0)	(0.3)	-	(2.3)	(0.3)
At 30 September 2022	60.8	21.1	5.6	117.8	4.2
Additions	3.5	-	0.4	4.0	-
Disposals to the year	(31.7)	(1.5)	(4.6)	38.4	0.8
Disposals	-	-	-	-	(0.4)
Exchange adjustments	(15.1)	(1.7)	-	17.3	0.6
At 30 September 2022	140.1	24.6	12.8	177.5	5.2
<b>Net book value</b>					
At 30 September 2022	407.8	6.3	40.9	455.0	4.1
At 1 October 2021	390.4	15.8	41.5	462.7	7.6

Acquisition of intangible assets is recorded at the acquisition date, which is the date on which the Group obtains control over the acquired intangible assets.

	Estimated value
Trade names, brands and databases	£1.8 million
Supplier relationships	£14.5 million
Customer relationships	£50.5 million

CONTINUED

Other intangible assets comprise computer software that is separately identifiable from the acquisition and its users, software licenses

## 11. Property, plant and equipment

	Freehold properties £m	Leasehold properties £m	Plant and equipment £m	Hospitality-related equipment £m	Total £m
<b>Cost</b>					
At 1 October 2020	13.8	5.4	32.3	11.6	<b>63.3</b>
Additions	-	0.5	2.4	2.0	<b>4.9</b>
Acquisitions of businesses	-	2.3	10.1	0.4	<b>21.8</b>
Disposals	(3.3)	(10.2)	(2.7)	(1.4)	<b>(7.6)</b>
Reclassification to held for sale	(8.0)	-	(2.6)	-	<b>(10.6)</b>
Exchange adjustments	(0.8)	(0.2)	1.6	-	<b>(2.4)</b>
At 30 September 2021	1.9	7.8	46.9	12.8	<b>69.4</b>
Additions	-	2.2	5.3	6.8	<b>14.3</b>
Acquisition of business, note 21	1.5	2.5	2.7	-	<b>6.7</b>
Disposals	-	(0.4)	(3.0)	(1.4)	<b>(5.0)</b>
Exchange adjustments	0.2	0.1	9.5	1.6	<b>12.3</b>
<b>At 30 September 2022</b>	<b>3.6</b>	<b>13.2</b>	<b>61.2</b>	<b>19.7</b>	<b>97.7</b>
<b>Depreciation</b>					
At 1 October 2020	5.3	3.0	20.8	6.3	<b>35.4</b>
Charge for the year	0.4	1.1	5.9	1.6	<b>9.2</b>
Disposals	(3.6)	(10.1)	(2.4)	-	<b>(5.5)</b>
Reclassification to held for sale	(3.0)	-	(1.1)	-	<b>(4.5)</b>
Exchange adjustments	(0.2)	-	0.3	0.1	<b>(0.6)</b>
At 30 September 2021	0.9	4.0	22.3	8.0	<b>34.0</b>
Charge for the year	0.1	1.0	7.1	2.2	<b>10.4</b>
Disposals	-	(0.3)	(2.7)	(0.7)	<b>(3.7)</b>
Exchange adjustments	0.1	0.5	6.0	0.6	<b>7.4</b>
<b>At 30 September 2022</b>	<b>1.1</b>	<b>5.2</b>	<b>32.7</b>	<b>9.1</b>	<b>48.1</b>
<b>Net book value</b>					
<b>At 30 September 2022</b>	<b>2.5</b>	<b>8.0</b>	<b>28.5</b>	<b>10.6</b>	<b>49.6</b>
At 30 September 2021	1.0	3.8	24.6	8.0	<b>35.4</b>

and enclosed within flexible properties and walls that are not deconstructed (i.e. 2.7m x 2.7m). Captive animals were housed in a 12.7m x 12.7m cage.

Having approved the proposed 150-acre plan for the Stamford Land, that complies with local farm and open space bylaws, the Group has entered into a Framework and Option Agreement with Landwell Limited (Landwell) in respect of the Stamford Land, under the terms of the Agreement, Landwell will transfer the Stamford Land through the planning system. It is satisfactory planning permission granted by Landwell will entitle Landwell to build on the respective development land. The remaining land will be sold by the Group in the near future at a time to be agreed.

The 10- to 15-year age range for a 10-year-old can be extended to 16 years for females and to 17 years for males. The 15- to 20-year age range for a 15-year-old can be extended to 16 years for females and to 17 years for males. For marketing and display purposes, the 16- to 19-year age range for a 16-year-old can be extended to 17 years.

The Shamrock Landowners and the Shamrock North Flood Extension (SNLE) project will sit within the old subunit area of SUEP. Meeting District 12 will include the Shamrock and Futura Courts, Courts A-COO. The SNLE demands a split in the new T-120 Adopted Unit Plan and a split in the old unit plan with the RCC District 12a Plan. In so doing, it is the Regulation 19 stage. The old unit plan is being split in two parts: the Shamrock Landowners have been given the old unit plan for the old unit plan (12a) and the new unit plan (12b) for the new unit plan (12b).

1. The first group of respondents (Group 1) consisted of 100 individuals who were randomly selected from the population of 1,000. This group was used to estimate the overall mean and standard deviation of the population.

## 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
<b>Cost</b>					
At 1 October 2020	34.3	0.3	3.3	0.8	<b>38.9</b>
Additions	14.4	0.1	1.6	1.3	<b>26.9</b>
Disposals	(10.2)	–	(0.4)	–	<b>(2.6)</b>
Reclassification to held for sale	(1.7)	–	(1.2)	–	<b>(0.9)</b>
Exchange adjustments	(0.3)	–	(0.1)	–	<b>(0.7)</b>
At 30 September 2021	35.5	0.4	4.2	1.1	<b>61.6</b>
Additions	19.6	0.2	4.9	0.5	<b>25.4</b>
Disposals	(14.1)	–	(0.9)	–	<b>(2.0)</b>
Exchange adjustments	(6.7)	–	(0.1)	(0.1)	<b>(6.9)</b>
<b>At 30 September 2022</b>	<b>81.1</b>	<b>0.8</b>	<b>8.3</b>	<b>1.7</b>	<b>91.9</b>
<b>Depreciation</b>					
At 1 October 2020	8.6	0.1	1.2	0.2	<b>7.3</b>
Charge for the year	9.0	0.1	1.4	0.3	<b>10.8</b>
Disposals	(0.6)	–	(0.2)	–	<b>(0.8)</b>
Reclassification to held for sale	(0.4)	–	(0.1)	–	<b>(0.5)</b>
Exchange adjustments	(0.1)	–	–	–	<b>(0.1)</b>
At 30 September 2021	13.7	0.2	2.3	0.5	<b>16.7</b>
Charge for the year	10.1	0.1	1.5	0.4	<b>12.7</b>
Disposals	(0.5)	–	(0.6)	–	<b>(1.3)</b>
Exchange adjustments	1.4	–	–	–	<b>1.4</b>
<b>At 30 September 2022</b>	<b>25.3</b>	<b>0.3</b>	<b>3.0</b>	<b>0.9</b>	<b>29.5</b>
<b>Net book value</b>					
<b>At 30 September 2022</b>	<b>55.8</b>	<b>0.5</b>	<b>5.3</b>	<b>0.8</b>	<b>62.4</b>
At 30 September 2021	40.9	0.4	1.9	0.6	<b>44.9</b>

Right-of-use assets represent those assets held under leases within the IFRS 16 scope to be capitalised.

During the year, a property in France and a warehouse and a vehicle were part of the Group's operations and treated as a lease of 15 years. Cash proceeds of £9.0m have been received and a gain of £1.5m has been recognised with administration costs.

### Lease liabilities

The movement on the lease liability is set out below:

	2022 £m	2021 £m
At 1 October	<b>48.3</b>	33.7
Additions	<b>26.6</b>	26.9
Disposals	<b>(0.9)</b>	(1.9)
Lease modifications	<b>(13.5)</b>	(11.3)
Interest on lease liabilities	<b>2.6</b>	1.8
Reclassification to held for sale	<b>–</b>	(0.3)
Exchange movements	<b>6.0</b>	(0.6)
<b>At 30 September</b>	<b>69.1</b>	48.3
Analysed as:	£m	£m
Recognised in the income statement	<b>12.7</b>	10.7
Recognised in other comprehensive income	<b>56.4</b>	36.4

Lease liabilities include direct and indirect lease payments, contingent lease payments and the lease liability for the period ended 30 September 2021 is £44.9m. A number of lease liabilities are held on a short-term basis and are classified as short-term lease liabilities. The lease liabilities for the period ended 30 September 2022 have been reclassified to held for sale. The total lease liabilities for the period ended 30 September 2022 are £69.1m.

# 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)	7.0
Credit for the year (note 6)	6.6	2.1
Acquisitions, disposals and transfers to assets held for sale	(17.6)	16.6
Accounted for in Other Comprehensive Income in parent's liability	(3.9)	1.7
Exchange adjustments	(1.4)	0.6
<b>At 30 September</b>	<b>(38.2)</b>	<b>17.9</b>

Deferred tax assets and liabilities are only offset where there is a legally enforceable right to offset and there is an intention to settle the balances 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)	(26.6)	(42.0)	(26.6)
Pension benefit assets (obligations)	–	0.2	(1.0)	–	(1.0)	0.2
Inventories	3.1	2.5	(0.1)	0.2	3.0	2.6
Share-based payments	1.4	–	–	–	1.4	–
Trading losses	–	–	–	–	–	–
Leases	1.2	0.8	–	–	1.2	0.8
Other temporary differences	5.1	3.7	(0.2)	0.7	4.9	4.4
	<b>10.9</b>	<b>7.6</b>	<b>(49.1)</b>	<b>30.9</b>	<b>(38.2)</b>	<b>17.9</b>
Deferred tax offset	(10.7)	(10.6)	10.7	10.6	–	–
	<b>0.2</b>	<b>0.4</b>	<b>(38.4)</b>	<b>20.3</b>	<b>(38.2)</b>	<b>17.9</b>

No deferred tax has been provided on unremitted earnings of overseas Branch companies as the Group considers the dividend payments to shareholders of unremitted earnings to be less than the amount of tax payable on such dividends if they were to be distributed at all, given the aggregate amount of which unremitted tax has not been recognised in respect of unremitted earnings from overseas but not less than £4.9m (2021: £15.3m) was £9.5m (2021: £6.0m).

#### 14. Inventories

	2022 £m	2021 £m
Finished goods	217.4	134.8

Inventories are stated net of impairment provisions of £4.3m (2021: £5.8m). During the year £4.0m (2021: £2.0m) was written off as a charge against cost of sales, comprising the write down of inventories to net realisable value.

#### 15. Trade and other receivables and assets held for sale

	2022 £m	2021 £m
Trade receivables	158.9	122.0
Loans and advances	(7.2)	0.1
	<b>151.7</b>	<b>122.1</b>
Other receivables	9.8	7.0
Prepayments and accrued income	8.4	6.8
	<b>169.9</b>	<b>135.9</b>

#### Assets held for sale

There were no assets held for sale at 30 September 2022 (2021: £1.3m). Assets held for sale at 30 September 2021 included the shares in a subsidiary which the Group disposed of. The shares were sold for £1.3m and the proceeds were used to settle the Group's debt to the subsidiary. The shares were sold for £1.3m and the proceeds were used to settle the Group's debt to the subsidiary.

The impairment allowance for credit risk on trade receivables at 30 September 2022 is summarised below:

	2022 £m	2021 £m
At 1 January	41.3	26.0
Charged	70.1	48.4
Released	12.6	5.4
At 31	18.0	77.4
Other	16.9	—
	<b>158.9</b>	<b>123.8</b>

Trade receivables classified as post due, but not impaired, are analysed as follows:

	2022 £m	2021 £m
Not past due	124.9	62.9
Past due	26.8	5.9
Receivables impaired	7.2	55.0
	<b>158.9</b>	<b>123.8</b>

The ageing 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	2.4
Between two and four months past due	1.6	0.7
Over four months past due	—	—
	<b>26.8</b>	<b>5.5</b>

The movement in the loss allowance for impairment of trade receivables is as follows:

	2022 £m	2021 £m
At 1 January	3.6	—
Charged against profit net	3.4	1.0
Settlement and other	0.6	1.5
At 31 December	<b>(0.4)</b>	<b>2.5</b>
At 31 September	<b>7.2</b>	<b>7.5</b>

Our estimations of credit risk with respect to trade receivables are very limited, reflecting the Group's current and short-term nature. The Group has a history of low levels of losses in respect of trade receivables. Management is satisfied that the loss allowance reflects its estimate of the future cash 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	74.6
Other payables	25.8	2.1
Trade receivables due to security	11.0	1.8
Accruals and deferred income	56.3	36.7
	<b>189.5</b>	<b>115.2</b>

The impairment allowance for credit risk on trade payables at 30 September 2022 is summarised below:

	2022 £m	2021 £m
At 1 January	24.1	27.4
Charged	50.2	34.4
Released	0.8	1.0
At 31	14.1	62.8
Other	7.2	—
	<b>96.4</b>	<b>62.8</b>

CONTINUED

**THE EFFECT OF THE**

The short-term deposits and loan at bank are both interest bearing at rates  $i$  fixed to the  $i$  or base rate + a "collateral" 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 cooperation with the Group's operating businesses. The treasury team does not undertake speculative foreign exchange dealings 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, during the year, 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 principal risks to which the Group is exposed are those of credit, liquidity, foreign currency, interest rate and pension management. An explanation of each of these risks, how the Group manages these risks and an analysis of sensitivities is set out below.

a) Credit risk

Credit risk is the risk of financial loss to the Group, for a number of reasons, primarily to a financial institution. It is the risk that a counterparty will not meet its contractual obligations, or that a counterparty will default on the Group's trade and other receivables from customers or other non-financial institutions, including defaults on trade and other receivables.

The Group is exposed to customers ranging from government bodies, agencies and large public and private companies to small and medium businesses and the small and medium economic sector all throughout the world. That reduces exposure to any single industry or operating unit where the group and credit risks should be deemed appropriate for a particular customer.

[illegible]

Each party contributed approximately 50% with financial contributions approved by the Group treasury team with the balance of the amount contributed by the Counterparty. Group funds are injected entirely with counterparties whose credit rating is AA or better from the perspective of the counterparty's credit rating. There is no net reduction in expected credit loss given and no volatility.

\* The following information was obtained from the Department of Health and Human Services:

	2022 €m	2021 €m
Trade receivables	151.7	108.4
Other receivables	9.8	0.0
Loan and loan receivables	41.7	21.8
	203.2	130.2

1. The first step is to identify the problem or question that needs to be answered. This involves understanding the context and the specific information required.

### Impairment of financial assets

**Impairment of mineral assets**

[illegible]

The Panel also examined the information provided by the complainant, who stated that she had been sexually abused by a priest in the early 1970s. The Panel noted that the complainant's statement was consistent with the information provided by the priest, who stated that he had been sexually abused by a priest in the early 1970s. The Panel also noted that the complainant's statement was consistent with the information provided by the priest, who stated that he had been sexually abused by a priest in the early 1970s.



# 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 UK 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
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	10
Canadian dollar/UK sterling	12.9	10.2
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 as at 30 September 2022 was £89.6m (2021: nil). The net fair value of interest rate swap contracts used as hedges at 30 September 2022 was £3.1m (2021: nil) and is included within Trade and other receivables on the balance sheet. The amount recognised from Other Comprehensive Income and taken to the Consolidated Income Statement in income 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 £2.1m (credit 2021: nil).

All cash deposits held in the UK and overseas are held in short term deposits at floating rates. Overnight rates moved in the relevant UK base rate (or equivalent rate). Surplus funds are deposited with currency banks that meet the credit criteria approved by the Board, for periods of between one and six months at rates that are generally fixed in reference to the relevant UK base rate (or equivalent rate).

An increase of 1% in interest rates would have a value of £4m (2021: £2.1m) impact on adjusted profit before tax. The impact of interest rate movements has moderated against the prior year due to the fixed interest rate swap contracts entered into in the year.

#### e) Fair values

There are no material differences between the fair value of financial assets and liabilities and their carrying amounts for determining fair values and values.

#### Derivatives

Forward exchange contracts are designated at fair value assets in the fair value hierarchy and valued at near end of month rates, adjusted for the forward points to the contract value date for gain and losses taken to equity. No contracts maturity date is greater than 18 months from the year end.

For hedges of foreign currency transactions, the Group enters into hedge relationships where the critical terms of the hedging instrument match with the terms of the hedged item. In the event of a change in the timing of the forecast transaction changes from what was originally estimated, or if there are changes in the credit risk of the derivative, a write off occurs.

Interest rate swap contracts are designated at fair value assets in the fair value hierarchy and valued at year end at the next present value of the cash flows using current forward market interest rates with gains and losses taken to equity.

The Group enters into interest rate swaps that have a short or long term on the hedged item such as reference rate, payment dates, maturities and notional amount. The Group has established a hedge relationship for the hedging relationship as the underlying risk of the interest rate swap is similar to the hedged risk component. The hedge ineffectiveness can arise from differences in timing or cash flows of the hedged item and hedging instrument, or the counterparty credit risk difference in matching the fair value movements of the hedging instrument and hedged item.

#### Trade and other receivables/payables

As the receivables and payables have a remaining life of less than one year, the carrying value is deemed to reflect the fair value.

#### Borrowings

The fair value of the borrowings is close to the carrying value.

#### Other liabilities

The carrying amount represents a discounted value of the liabilities, as it is not incurred to reflect the fair value, it is designated as a liability in the fair value hierarchy.

#### f) Capital management risk

The Group's capital structure comprises the following components: £175.7m in cash funds, £42.7m in short term debt, £10.0m in long term debt. The Group's capital management includes the following: (i) maintaining a strong credit rating; (ii) ensuring the Group's capital structure is in line with the requirements of the relevant regulatory bodies; (iii) ensuring the Group's capital structure is in line with the requirements of the relevant regulatory bodies; (iv) ensuring the Group's capital structure is in line with the requirements of the relevant regulatory bodies.



the performance and/or impact of the capital structure, the Group is continuing to monitor the impact of the changes to the financial position on return capital to shareholders (issued as shares or increase bank borrowings).

## 19. Other liabilities

	2022 £m	2021 £m
Future purchases of minority interests	7.4	5.2
Deferred share payment	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	–
Fair value remeasurements	1.4	0.1
At 30 September	7.4	5.2

At 30 September 2022, the Group's minority interest retained put options to acquire minority interests of 10% in M Seal, 5% in Tensar, and 20% of R&B Fluid Power Group Limited (R&B), following its acquisition as described in note 21. The acquisition of R&B has resulted in the recognition of a put option liability on acquisition of £5.9m.

During the year, the Group disposed of Kenter CV, and therefore the liability for future purchase of minority interests in respect of Kenter has been derecognised (£1.2m).

At 30 September 2022, the estimate of the financial liability to purchase these outstanding minority shareholdings was determined by the Directors based on their current estimate of the future performance of these businesses, and to reflect a high exchange rate at 30 September 2022. This led to a remeasurement of the options and the liability increased by £1.4m (2021: £0.1m increase) reflecting a new estimate of the future performance of these businesses and in aggregate £1.4m (2021: £0.1m) has been added to the Group's liability for the statement in respect of this remeasurement of the liability.

Deferred share payment comprises the following:

	1 Oct 2021 £m	Additions £m	Discount unwind £m	Revaluation £m	Payments £m	Foreign Exchange £m	30 Sep 2022 £m
Sphere	1.0	–	–	–	1.0	–	–
HIF	0.1	–	–	–	0.1	–	–
360	3.3	–	–	0.5	2.1	–	–
FTT	0.2	–	–	–	0.2	–	–
pm	0.1	–	–	0.1	0.1	–	–
Biocodex	0.4	–	–	–	0.1	–	0.3
Nurigen	5.4	–	0.2	–	–	0.2	5.4
Techrol	–	–	0.1	–	–	–	1.2
4Hx	4.1	–	0.1	–	–	0.7	4.9
R&B	–	5.9	–	–	–	–	8.6
AKG Acoustics	–	0.5	–	–	–	–	0.5
Min. share awards	–	0.5	–	–	–	–	0.5
WOT	–	0.3	–	–	–	–	2.3
Unvested share awards	–	0.2	–	–	–	–	0.3
	18.5	12.3	0.4	(0.6)	(7.1)	0.5	24.0

Deferred share payment in respect of R&B includes £1.3m relating to the acquisition of R&B Fluid Power Group Limited.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 SEPTEMBER 2022

### CONTINUED

#### 20. Minority interests

	£m
At 1 October 2021	3.7
Acquisition of business	0.9
Minority interest issued	0.7
Share of profits	0.4
Dividends paid	1.8
Exchange adjustments	0.2
At 30 September 2021	4.7
Acquisition of business	1.5
Minority interest acquired	0.8
Disposal of business	0.2
Share of profits	0.7
Dividends paid	0.2
Exchange adjustments	0.1
<b>At 30 September 2022</b>	<b>6.2</b>

External minority interests represented a minority interest in each business included in the consolidated financial statements. Minority interests in R&G are as follows:

The minority interest in R&G arose following the acquisition of R&G as explained in note 21, and resulted in a £2.8m increase to the minority interest. The disposal of Kentek City was completed in 16 November 2021 and resulted in a £1.3m reduction in the minority interest.

#### 21. Acquisitions and disposals of businesses

##### Acquisition of R&G Fluid Power Group Limited

On 1 April 2022, the Group completed the acquisition of 98% of the share capital of R&G Fluid Power Group Limited (R&G), which included different asset portfolios of a diverse range of industrial products and pneumatic products in the United Kingdom. The initial consideration was £14.1m, net of cash acquired of £1.7m. Deferred consideration of up to £1.4m is payable based on the individual sales and earnings performance targets in the period up to 31 December 2022.

Acquisition expenses of £2.8m have been recognised in FY 2022.

The acquisition fair value of R&G net assets acquired, excluding acquisition intangibles related to customer relationships, is £11.4m, including fair value adjustments of £1.3m. The goodwill represents the future economic benefits of the acquired workforce and the acquisition intangibles are of revenue generating nature, arising within other businesses. The principal fair value adjustments relate to the intangible assets and the recognition of liabilities, including the recognition of a share purchase provision of £0.5m. The intangible assets are £4.1m, including customer relationships of £4.0m, and brands of £0.1m.

Minority interests of £2.8m have been recognised at fair value upon acquisition of R&G, comprising the 2% minority interest held in R&G as well as the 10% minority interest stake in Pneumatic Services Limited, a company included in R&G's consolidated financial statements and part of the Group.

##### Acquisition of Accuscience

On 31 May 2022, the Group completed the acquisition of 100% of the share capital of Medical Services Network and Accuscience Limited (Accuscience), a market leading life sciences and medical technology innovation and technology provider. The R&G Group's shareholding acquired of £5.1m, net of £0.8m.

Acquisition expenses of £1.1m have been recognised in FY 2022.

The acquisition fair value of Accuscience net assets acquired, excluding acquisition intangibles related to customer relationships, is £4.3m, including fair value adjustments of £0.5m, net of £0.8m. The goodwill and acquisition intangibles are of revenue generating nature, arising within other businesses. The principal fair value adjustments relate to the intangible assets and the recognition of liabilities, including the recognition of a share purchase provision of £0.5m. The intangible assets are £3.8m, including customer relationships of £3.7m, and brands of £0.1m, respectively.

##### Other acquisitions

The Group completed three further other acquisitions during the year. This comprised the acquisition of the majority shareholding in the company, Tech Solutions Group Ltd (Tech Solutions), a technology solutions provider, R&G Fluid Power Group Limited (R&G Fluid Power), a fluid power solutions provider, and Tech Solutions Group Ltd (Tech Solutions), a technology solutions provider. The R&G Group's shareholding acquired of £0.1m, net of £0.1m.

The total consideration for the acquisition of Tech Solutions was £0.1m, net of cash acquired of £0.1m. The acquisition of Tech Solutions resulted in a £0.1m increase to the minority interest in the business.

Acquisition expenses of £0.1m have been recognised in respect of the acquisition of Tech Solutions in the financial year.

At 30 September 2022, the Group has:



CONTINUED

	2022 £m	2022 £m	2021 £m	2021 £m
<b>Operating profit</b>		<b>144.3</b>		<b>104.3</b>
Accruals for related and other charges – note 2		<b>46.9</b>		<b>44.4</b>
<b>Adjusted operating profit</b>		<b>191.2</b>		<b>148.7</b>
Depreciation or amortisation of tangible, other intangible assets and leases – right of use assets	<b>23.9</b>		10.7	
Share-based payments expense – note 4	<b>2.8</b>		1.8	
Defined benefit pension scheme payment in excess of interest	<b>(0.6)</b>		5.9	
Profit on disposal of assets	<b>(1.6)</b>		3.6	
Acquisition and disposal expenses paid	<b>(6.5)</b>		4.2	
Other non-cash movements	<b>0.1</b>		0.1	
<b>Non-cash items and other</b>		<b>18.1</b>		<b>4.8</b>
<b>Operating cash flow before changes in working capital</b>		<b>209.3</b>		<b>153.5</b>
Increase in inventories	<b>(35.6)</b>		13.9	
Increase in trade and other receivables	<b>(10.6)</b>		16.3	
Increase in trade and other payables	<b>17.5</b>		17.1	
<b>Increase in working capital</b>		<b>(28.7)</b>		<b>10.6</b>
<b>Cash flow from operating activities</b>		<b>180.6</b>		<b>164.1</b>

**23. (Net debt)/cash funds**

The movement of subject over time is not the subject of this paper.

	1 Oct 2021 £m	Cash flow £m	Exchange movements £m	Other non-cash movements £m	30 Sep 2022 £m
Debt and other liabilities	24.6	11.5	0.1	0.0	41.7
Equity	264.2	137.7	30.9	2.0	(370.6)
<b>Net debt</b>	<b>181.4</b>	<b>126.2</b>	<b>31.0</b>	<b>2.0</b>	<b>(328.9)</b>

	1 Oct 2020 £m	Cash flow £m	Exchange movements £m	Other non-cash movements £m	30 Sep 2021 £m
Cash and cash equivalents	1,008.8	192.7	10.1	-	1,211.6
Borrowings	-	1,207.9	1.6	1.8	1,211.3
<b>Cash funds/(net debt)</b>	<b>1,008.8</b>	<b>1,400.6</b>	<b>11.7</b>	<b>1.8</b>	<b>1,211.6</b>

[illegible]

On 17 October 2012, the audit officer and a member of management (JA) who completed the audit report for the aggregate process and 11 of 17 for 2012/2013 and 10 of 14 for 2013/2014, respectively, reported RCF for an aggregate process amount of \$350,000, which was allocated to 1165 for the same period of 2012/2013 year.

During the year, the Group has made significant progress towards the 2024 targets. As at 30 September 2024, the CF4 recovery is 51% (target 50%), water recovery is 91% (target 90%), and aggregate production is 1,000,000 tonnes (target 1,000,000 tonnes). The Group is also working on the aggregate production and water recovery targets for the 2025 targets. The Group is also working on the aggregate production and water recovery targets for the 2025 targets.

The Group also has a number of subsidiaries, including the following:

$$\frac{1}{\sqrt{2\pi}} \int_{-\infty}^{\infty} \frac{e^{-itx}}{1 + itx} dt = \begin{cases} 1 & x > 0 \\ 0 & x = 0 \\ 1 & x < 0 \end{cases}$$

On 21/11/2019, the following information was received from the relevant authorities:

1. The first step is to identify the problem or question that needs to be answered. This involves understanding the context and the specific requirements of the task.

Figure 1. Schematic representation of the experimental design. The subjects were divided into two groups: the control group (CG) and the experimental group (EG). The CG was divided into two subgroups: the control group (CG) and the control group (CG). The EG was divided into two subgroups: the experimental group (EG) and the experimental group (EG). The subjects were divided into two groups: the control group (CG) and the experimental group (EG). The CG was divided into two subgroups: the control group (CG) and the control group (CG). The EG was divided into two subgroups: the experimental group (EG) and the experimental group (EG).

## 24. Retirement benefit asset and obligations

The first of the two pension arrangements in which the Group participates is under A&P's 'Reduced and Level Benefits' (The Pension Arrangement) (the defined benefit pension scheme) in the UK, administered by Diploma Holdings PLC UK Pension Scheme (the Scheme). The Scheme is a defined benefit pension plan based on final salary and length of service, in retirement leading to the death and/or pre-nominate to further a child since 5 April 2010.

The second and only other pension arrangement is operated by Kuba, a wholly owned subsidiary of the Group, and is a defined benefit pension leading to the death of the employee, if such employee is over 65 years old. The Kuba Pension Scheme is a defined contribution based scheme, which is funded in accordance with the requirements of the Pensions Act 1995, and is subject to the provisions of the Pensions Act 1995.

The amount of pension asset deficit included in the Consolidated Statement of Financial Position is set out in these two pension arrangements is as follows:

	2022 £m	2021 £m
Diploma Holdings PLC UK Pension Scheme	(6.4)	2.7
Kuba Pension Scheme	–	0.2
<b>Pension scheme net (asset) / deficit</b>	<b>(6.4)</b>	<b>2.9</b>

The amounts included in the Consolidated Income Statement in respect of these two pension arrangements are:

	2022 £m	2021 £m
Diploma Holdings PLC UK Pension Scheme	–	(0.1)
Kuba Pension Scheme	(0.5)	(0.5)
<b>Amounts charged to the Consolidated Income Statement</b>	<b>(0.5)</b>	<b>(0.6)</b>

Let's Health contribution scheme is operated by the Group's subsidiary and is not included in these disclosures.

### Diploma Holdings PLC UK Pension Scheme

The Scheme is subject to a Statutory Funding Objective under the Pensions 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 duration of the time period for which the Statutory Funding Objective will be applied. The most recent triennial actuarial valuation carried out prior to 30 September 2019 resulted in the Scheme being a funding deficit of £9.9m and held assets which covered 76% of its liabilities at that date. The next triennial actuarial valuation of the Scheme will be carried out prior to 30 September 2021 or at the result of the valuation will be required in the 2021 Annual Report & Accounts. There were no Scheme amendments or settlements during the year.

On 28 September 2018, the Trustees completed a buy-in of the members' liabilities in the Scheme with a Permanent Limited. The Scheme is a Defined Contribution Retirement Limited on 28 September 2018 to a Permanent Limited. The buy-in was on 22 October 2018 and the buy-in was 75% of the premium. The impact of this transaction has been reflected in the financial statements for the year ended 2018.

The Scheme is managed by a set of Trustees appointed in part by the Company and in part from independent members of the Scheme. The Trustees have responsibility for obtaining valuations of the fund, administering the Scheme and investing the Scheme's assets. The Trustees have also some of these functions to their professional advisors where appropriate.

The Scheme is exposed to the Company and therefore the Group's financial risk is:

- Investment risk.** The Scheme holds investments in asset classes, such as equities, which have volatile market values and while these assets are expected to provide a return over the long term, volatility over the short term may require additional funding to be required to meet liabilities.
- Interest rate risk.** The Scheme's liabilities are assessed with a long-term interest rate assumption. If interest rates rise, the value of the Scheme's liabilities will decrease, but the value of the assets will increase, but not in the same way.
- Inflation risk.** A significant proportion of the benefits under the Scheme are in cash form. The Scheme is expected to provide a long-term hedge against inflation over the long term, however, investment over the short term may require additional funding to be required to meet liabilities.
- Mortality risk.** In the event that members live longer than assumed, this may result in the Scheme requiring additional funding to meet liabilities.

# 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)
<b>Pension scheme net asset / (deficit)</b>	<b>6.4</b>	<b>(2.7)</b>

1. Quotes market price in an active market.

2. The Buy-in policy was valued on the scheme valuation under an approved valuation.

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	0.6
Charged to financial expense net (note 5)	–	(0.2)
<b>Amounts charged to the Consolidated Income Statement</b>	<b>–</b>	<b>(0.2)</b>

## 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
Financial adjustments on Scheme liabilities	(0.7)	–
<b>Actuarial gain credited in the Consolidated Statement of Comprehensive Income</b>	<b>8.5</b>	<b>6.0</b>

The cumulative amount of actuarial losses recognised in the Consolidated Statement of Comprehensive Income is £1.1m at 30 September 2022, £0.1m at 30 September 2021.

## d) Analysis of movement in the pension (asset) / deficit

	2022 £m	2021 £m
Amounts at 1 October	2.7	12.7
Amounts charged to the Consolidated Income Statement	–	(0.2)
Contributions paid over	(0.6)	(5.9)
Net effect of remeasurements of Scheme assets and liabilities	(8.5)	4.0
<b>(Asset) / deficit as at 30 September</b>	<b>(6.4)</b>	<b>(2.7)</b>

## e) Analysis of movements in the present value of the Scheme liabilities

	2022 £m	2021 £m
At 1 October	41.0	40.9
experience adjustments on Scheme liabilities	0.7	–
Interest cost on liabilities	0.8	0.6
inflow from changes in actuarial assumptions	(15.7)	0.9
Benefit paid	(1.3)	(1.2)
<b>At 30 September</b>	<b>25.5</b>	<b>41.2</b>

## f) Analysis of movements in the present value of the Scheme assets

	2022 £m	2021 £m
At 1st October	38.3	28.7
Interest on assets	0.8	0.6
Return on Scheme assets	(6.5)	5.0
Contributions and payments	0.6	5.9
Benefit paid	(1.3)	1.2
<b>At 30 September</b>	<b>31.9</b>	<b>41.4</b>

The net contribution to the Scheme assets from the grant of interest on assets during the year was a net £1.5 Trn (2021: £5.9 Trn) per year.

## Assets

The Scheme investments are held in a portfolio of funds managed by Legal & General Investment Management Limited. At 30 September 2022, the main categories of assets were as follows:

	2022 %	2021 %
North American equities	28	23
UK equities	12	11
Europe and other international	11	19
Asia Pacific and Emerging Market equities	12	10
Bonds	14	14
Real estate	23	23

## Principal actuarial assumptions for the Scheme at balance sheet dates

	2022 %	2021 %	2020 %	2019 %
Discount rate – LRP	3.6	3.4	2.9	3.4
Expected rate of return – LRP	3.2	3.1	1.9	2.4
Expected rate of return – increases – LRP	3.2	3.0	1.9	2.4
Dividend rate	5.3	2.0	1.8	1.6

The volatility in bond yields in the period leading up to and after the Group's year end meant there was a significant favourable impact on the pension scheme's liabilities. This had a beneficial or adverse impact on the valuation of the scheme's debt, should the valuation of a bond be driven up or down by the level of interest rates with historical trends. The Scheme had 34% of its assets in cash and at 30 September 2022, with no exposure to LRP.

## Demographic assumptions

Mortality table used	S3P4
Health improvement table used	GM 2021
Allowance for future improvements in longevity	Remain birth projections, with a long term mortality improvement rate of 10%
Assumption for when members take a pension or lump sum	Members are assumed to take 100% of their maximum pension, with rounded up current commutation factors
The expected average duration of the deferred benefit obligation	around 15 years

## Sensitivities

The sensitivity of the 2022 year end liability to changes in assumptions are set out below:

Factor	Assumption	Impact on pension liabilities	
		Estimated increase %	Estimated increase £m
Discount rate	Decrease by 0.1	1.7	1.7
Return	Increase by 0.1	0.4	1.1
Expected rate of return	Increase by 0.1	0.4	1.1

## Risk mitigation strategies

As the principal source of risk to the Scheme, the Trustees, in conjunction with the independent actuaries, have put in place a robust risk management framework. Acting with prudence in respect of deferred liabilities, a number of risk mitigation measures have been put in place but the Scheme has not purchased annuities in retirement since 2004.

In order to mitigate the risk of inflation, the Trustees have introduced a Buy-In policy for all existing pensioners aged 65 from 1st April 2022. This will ensure that the value of the pension and annuity payments is protected against inflation. The introduction of the annuity policy will ensure that the value of the pension and annuity payments is protected against inflation.

# 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 triennial actuarial valuation. Following the triennial actuarial valuation carried out as at 30 September 2019, the Company agreed to contribute £0.5m in respect of the Scheme annually, increasing at 2% per year. The current year contribution was £0.5m. No pre-act contributions were made in the year (2021: pre-act contribution of £5.5m).

#### The Kubo Pension Scheme (the Kubo Scheme)

In accordance with Swiss law, Kubo's pension benefits are contribution based, 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 ASGA Pensionkasse, a multi-employer pension 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	11.4
Actuarial liabilities of the Kubo Scheme	(13.5)	(4.6)
<b>Pension scheme net deficit</b>	<b>—</b>	<b>6.8</b>

1. The group's financial position was materially unchanged from the reporting period, ASGA Pensionkasse.

#### b) Amounts charged to the Consolidated Income Statement

	2022 £m	2021 £m
Service cost	(0.5)	(0.5)
<b>Amount charged to operating profit in the Consolidated Income Statement</b>	<b>(0.5)</b>	<b>(0.5)</b>

#### c) Analysis of movement in the pension deficit

	2022 £m	2021 £m
At 1 October	2.2	5.6
Amounts charged to the Consolidated Income Statement	0.5	(0.5)
Contributions paid by employer	(0.5)	(0.5)
Net effect of remeasurements of Kubo Scheme assets and liabilities	(2.1)	3.0
Exchange adjustments	(0.1)	(0.2)
<b>At 30 September</b>	<b>—</b>	<b>6.8</b>

#### d) Amounts recognised in the Consolidated Statement of Comprehensive Income

The actuarial gain credited to the Consolidated Statement of Comprehensive Income is £0.5m (2021: £3.2m) as:

	2022 £m	2021 £m
Investment gain (loss) on Scheme assets in respect of interest	(1.3)	0.8
Effect of changes in financial assumptions on Scheme liabilities	4.2	—
Effect of changes in demographic assumptions on Scheme liabilities	—	(0.2)
Experience adjustments on Scheme liabilities	(0.4)	(0.2)
Adjustment in respect of ASGA	(0.4)	—
<b>Actuarial gain credited in the Consolidated Statement of Comprehensive Income</b>	<b>2.1</b>	<b>0.4</b>

#### Principal actuarial assumptions for the Kubo Scheme at balance sheet dates

	2022	2021
Expected rate of pension credits	0%	0%
Expected rate of salary credits	1.0%	1.0%
Discount rate	2.3%	0.7%
Interest credit rate	1.0%	0.8%
Membership	BVG2020	BVG2020

#### Sensitivities

The sensitivities in the 2022 period are for the impact of a 1% increase in the following:

		Impact of pension liabilities	
Factor	Assumption	Estimated increase %	Estimated increase £m
Discount rate	Discount rate +1%	3.7	0.4
Life expectancy	Life expectancy +1	1.1	0.1



## Effect of the Kubo Scheme on the Group's future cash flows

	£m
Best estimate of the improvement in contribution in 2022	0.4
Best estimate of the increase in contribution in 2023	1.4

The weighted average duration of the defined benefit obligation is approximately 15 years (2021: 16 years).

## 25. Auditors' remuneration

During the year the Group has paid fees for the following services from the auditors:

	2022 £m	2021 £m
Fees payable to the auditors for the audit of: the Longbridge Annual Report & Accounts the Group's consolidated financial statements	1.1	0.9
Audit fees	0.4	0.6
	1.5	1.5

Non-audit fees of £29,200 (2021: £28,200) were paid to the Group's auditor for carrying out agreed upon procedures in both the Half Year Announcement, in which our auditor and subsidiary provided for access to a market-wide research and consulting database.

## 26. Exchange rates

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

	Average		Closing	
	2022	2021	2022	2021
US dollar (US\$)	1.27	1.37	1.12	1.35
Canadian dollar (C\$)	1.63	1.75	1.53	1.71
Euro (€)	1.18	1.11	1.14	1.15
Swiss franc (CHF)	1.20	1.19	1.10	1.16
Australian dollar (A\$)	1.79	1.65	1.74	1.67

## 27. Alternative performance measures

The Group uses a number of alternative non-Generally Accepted Accounting Practice (non-GAAP) financial measures which are not defined within IFRS. The Directors use these measures for internal management reporting and key performance indicators (KPIs) to evaluate the operational performance of the Group and to measure progress against the Group's financial objectives. A constituent of the Group's planning process, as well as comparing targets against which performance is determined, are a number of measures that include non-GAAP alongside the IFRS measures. The following non-GAAP measures are referred to in the Annual Report & Accounts.

### 27.1 Adjusted operating profit and adjusted operating margin

Adjusted operating profit is defined as operating profit excluding amortisation and impairment of intangible assets, long-term investments, exceptional expenses, post-tax restructuring and other non-recurring items, and adjustments to derive our representation of the results of our ongoing restructuring, reorganisation of operations and other activities relating to the Group's business. The Directors believe that adjusted operating profit is an important measure of the operating 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	861.4
Operating profit		144.3	104.3
Add: Adjust for related and other charges and other non-recurring items		46.9	24.4
<b>Adjusted operating profit</b>	2.3	<b>191.2</b>	128.7
<b>Adjusted operating margin</b>	2.3	<b>18.9%</b>	14.9%

### 27.2 Adjusted profit before tax

Adjusted profit before tax is defined as adjusted operating profit, after adjusting for exceptional post-tax items and adjustments for tax. The Directors believe that adjusted profit before tax is an important measure of the Group's performance.

		2022 £m	2021 £m
Adjusted operating profit	2.3	191.2	128.7
Add: Non-recurring expenses and other items	2.3	(11.6)	1.5
<b>Adjusted profit before tax</b>		<b>179.6</b>	130.2

# 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 finance tax costs, but including the tax impact of the items included in the calculation of adjusted profit, less profit, less profit attributable to minority interests, divided by the weighted average number of ordinary shares in issue during the year of 124,333,060 (2021: 124,458,710). 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
<b>Profit before tax</b>			<b>129.5</b>	96.5
Tax expense			<b>(34.1)</b>	(26.9)
Minority interests			<b>(0.7)</b>	0.1
<b>Earnings for the year attributable to shareholders of the Company</b>	<b>76.1</b>	69.7	<b>94.7</b>	69.8
Acquisition related and other charges and acquisition related finance charges net of tax	<b>31.4</b>	29.1	<b>39.2</b>	36.3
<b>Adjusted earnings</b>	<b>107.5</b>	88.2	<b>133.9</b>	106.1

## 27.4 Free cash flow and free cash flow conversion

Free cash flow is defined as net cash flow from operating activities, after net cost to expenditure on tangible and intangible assets, and including proceeds received from property disposals, but before exceptional business combinations, investments, including any and acquisition debt, live items such as pensions or tax settled just acquisition, and proceeds from business disposals, and cash flows received to fund projects, and dividends paid to both minority interests and the financial institutions about free cash flow conversion, and 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 for future investment or distribution to shareholders.

	Note	2022 £m	2021 £m
Net increase/decrease in cash and cash equivalents		<b>17.5</b>	192.7
Adjusted Dividends paid to shareholders	1	<b>56.2</b>	56.6
Dividends paid to minority interests	10	<b>0.2</b>	0.3
Acquisition of minority interests	10	<b>0.3</b>	
Proceeds from minority interests	10	<b>-</b>	0.7
Acquisition of purchases and payments of acquisition related live items, net of cash paid		<b>177.6</b>	481.4
Acquisition and disposal expenses paid	10	<b>6.5</b>	4.7
Proceeds from sale of business, net of expenses	10	<b>(13.7)</b>	11.2
Proceeds from sale of share capital, net of fees		<b>-</b>	0.6
Deferred tax operation paid	1	<b>7.1</b>	5.5
Proceeds from repayment of borrowings, net	13	<b>(131.3)</b>	202.9
<b>Free cash flow</b>		<b>120.4</b>	108.8
<b>Adjusted earnings</b>		<b>133.9</b>	106.1
<b>Free cash flow conversion</b>		<b>90%</b>	103%

[illegible]

	2022 £m	2021 £m
<b>Net assets</b>	<b>668.2</b>	<b>541.0</b>
Assets		
Intangible assets		
Goodwill	38.2	21.4
Retirement benefits liability obligation	(6.4)	4.9
Acquisition related liabilities (assets) net	29.6	27.5
Net debt	328.9	181.4
<b>Reported trading capital employed</b>	<b>1,058.5</b>	<b>792.4</b>
Minority goodwill and acquisition related charges, net of deferred tax and currency movements	99.6	100.8
<b>Adjusted trading capital employed</b>	<b>1,158.1</b>	<b>893.2</b>
Adjusted operating profit	191.2	148.7
Pro forma adjustments	9.7	8.7
<b>Pro forma adjusted operating profit</b>	<b>200.9</b>	<b>157.4</b>
<b>ROATCE</b>	<b>17.3%</b>	<b>17.4%</b>

\*  $\chi^2 = 10.2$ ,  $df = 1$ ,  $p = 0.002$ .  $\chi^2 = 10.2$ ,  $df = 1$ ,  $p = 0.002$ .  $\chi^2 = 10.2$ ,  $df = 1$ ,  $p = 0.002$ .

## 27.6 Net debt to EBITDA

Net debt to EBITDA is a higher order of the cash and cash equivalents and borrowings to EBITDA ratio. In order to compare exchange rates, the debt to EBITDA is determined using foreign currency movements, which is the Group's adjusted EBITDA, divided by the total debt, including and excluding off-balance sheet and other intangible assets. The share of adjusted EBITDA attributable to the parent company, including the principal portion of EBITDA for a subsidiary, is also disposed of and during the financial year and to remove the impact of IFRS changes. The following table presents the ratio of the important measure of the Group's financial position.

	Note	2022 £m	2021 £m
Cash and cash equivalents	25	41.7	14.0
Receivables	26	(370.6)	(166.0)
Financial assets at average exchange rates		23.1	5.0
<b>Net debt (average exchange rates)</b>		<b>(305.8)</b>	<b>9.0</b>
Adjusted operating profit	27	191.2	148.1
Depreciation and amortisation of tangible and other intangible assets	28, 29	11.2	9.0
IFRS 16 impact		1.2	0.2
Financial interest expense adjusted to IGA		(1.1)	(0.8)
Financial profit/(loss)		10.2	8.5
<b>EBITDA</b>		<b>212.7</b>	<b>155.0</b>
<b>Net debt to EBITDA</b>		<b>1.4x</b>	<b>0.6x</b>

[illegible]

### 27.7 Dividend cover

bioRxiv preprint doi: <https://doi.org/10.1101/2019.04.05.300003>; this version posted April 5, 2019. The copyright holder for this preprint (which was not certified by peer review) is the author/funder, who has granted bioRxiv a license to display the preprint in perpetuity. It is made available under aCC-BY-NC-ND 4.0 International license.

	note	2022	2021
Dividend cover	5	107.5	101.5
		53.8	42.5
Dividend cover		2.0	1.0

Figure 1. The effect of the concentration of the *Agrobacterium* suspension on the transformation efficiency of *Agrobacterium* strains.

## GROUP ACCOUNTING POLICIES

### 1.1 Basis of preparation

The consolidated financial statements have been prepared on a basis that aims to reflect the group and also under the historical cost convention except for derivative financial instruments which are held at fair value.

On 31 December 2020, ERS was 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 it is not at 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 relevant to its financial performance, performance and position, are set out in the Strategic Report on pages 1 to 84. The financial statements of the Group, taken together with its notes and accompanying policies are described in the Financial Review on pages 75 to 79 in addition to pages 150 to 169 of the Annual Report & Accounts to include the Group's objectives, policies and processes for managing its risk to its financial performance, subject to the needs of its financial performance and its hedging practices, and its exposure to credit and liquidity risk.

The Group's efforts to identify and address its needs for training and development are outlined in the following ways: a dedicated training and development budget; the training needs analysis of the Group's members; the training plan; and the training report. According to the Director, having an integrated people development strategy is important for the Group's business success. The Group has identified training resources together with a dedicated staff to coordinate all sorts of different programs and/or a section for employee development agreements. As a consequence, the members of the Group have created a people development culture that has been described further on pages 24-26.

### Liquidity and financing position

[illegible][illegible]

The Group's debt facilities are subject to interest on variable rates. During the year the Group entered into the first rate swap contracts with the effect of fixing the interest rate on \$100 mln of debt. The effective fixed rate debt was 24% of total debt. Subsequent to year end, the Group had entered into further interest rate swap contracts with the effect of fixing the interest rate on an additional \$100 mln of debt.

At 30 September 2022, the Group's Net Debt is £1,090.5m, as illustrated in note 27.

As at 30 September 2022, the term liability of non-current, non-current and outstanding principal amount of £13.3m, \$143.5m and the Group has utilised £20.0m of the revolving facility. There remains £158.7m undrawn on the revolving facility, and £45.3m undrawn on the bullet term loan. Borrowings include £1.0m (2021: £0.4m) of accrued interest and the carrying amount of capitalised debt fees of £4.7m (2021: £2.8m).

As at 30 September 2021, under the SIA the Fund had a gross term loan with an aggregate principal amount of 100,000,000,000 and owing of 195,000 under the revolving facility. As at 30 September 2021, the undrawn revolving facility amount was 85,000,000,000.

Total net debt for 1998 (\$m) 2001 11267m, comprising borrowings of £41.7m, 2001 £14.8m; borrowings of £37.1m, 2001 £26.0m; and lease liabilities of £699m, 2001 £48.3m. Borrowing partly secured against net fixed assets at year end excluding goodwill of £m.

## Financial modelling

[illegible]

The outcome of this exercise of the Court's authority is a finding that the Court could create either a fully independent judicial hierarchy or a Bill of Rights which would ensure that the Court would not have to take a permanent reading of the Constitution as a condition for its continued existence in the future.

### Going concern basis

Accordingly, and after making enquiry of the Director, having a reasonable expectation that the Director will approve the application to continue in receipt and extension of the proposed award in the past, continue to assist the public concern in preparing the final Report & Accounts.

## 1.2 Basis of consolidation

The court ruled that the state's anti-bribery statute applied to the defendant's statements to the Ombudsman and other officials, and that the defendant's failure to disclose the bribe to the Ombudsman constituted a crime. The court also ruled that the defendant's failure to disclose the bribe to the Ombudsman constituted a crime, and that the defendant's failure to disclose the bribe to the Ombudsman constituted a crime.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their financials into line with those detailed herein, to ensure that the consolidated statements are prepared on a consistent basis. All of the Group's transactions and prices, income and expenses are eliminated in preparing the consolidated financial statements.

Non-controlling interests, defined as minority interests, in the subsidiaries of consolidated subsidiaries are dealt with separately in the consolidated financial statements. Minority interests in joint ventures are also dealt with separately at the date of the financial statements. Compensation and the minority share of changes in equity are also dealt with separately.

### 1.2.a. New accounting standards adopted

There have been no new accounting standards adopted during the year that have a material impact on the consolidated financial statements.

### 1.3 Acquisitions

Acquisitions are accounted for using the acquisition method at the acquisition date, which is the date on which control is transferred to the Group. Goodwill at the acquisition date represents the excess of the business combination (excluding acquisition-related costs, which are expensed as incurred) over the amount of any non-controlling interest in the acquired business plus the fair value of the identifiable tangible and intangible assets, liabilities and contingent liabilities acquired.

Minority interests may be initially measured at fair value or, alternatively, at their minority interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a case-by-case basis, depending on the facts.

### 1.4 Divestments

The results and cash flows of major lines of business that have been divested are classified as discontinued operations. There were no discontinued operations in either the current or prior year.

### 1.5 Revenue recognition

Revenue is measured as the fair value of the consideration received or receivable for goods and services supplied to customers. After deducting sales discounts and value-added taxes, revenue is recognised for services supplied to customers as opposed to products. Less than 0.3% of Group revenue (prior to FY15) each customer contract is assessed to identify the performance obligation. An assessment of the timing of revenue recognition is made to each performance obligation. Revenue is recognised at a point in time for standard revenue transactions where control of the goods provided is transferred to the customer. Revenue is also recognised at a point in time for contracts that contain multiple elements. Revenue is recognised when the goods supplied to the customer are delivered, unless there are special circumstances. Revenue is also recognised when the goods are delivered to the customer, unless there are special circumstances. Revenue is also recognised when the goods are delivered to the customer, unless there are special circumstances.

The transaction price is adjusted to value the transfer of goods or services based on the relative stand-alone selling price of the goods or services provided. If a stand-alone selling price is not available, the Group will estimate the selling price based on the relative stand-alone selling price of the goods or services provided. There are no contracts with variable consideration.

Provision is made for returns and cancellations of goods. Returns are provided for the goods that are returned to the customer. Returns are provided for the goods that are returned to the customer.

### 1.6 Employee benefits

The Group operates a number of pension plans, both of the defined contribution and defined benefit type.

a. Defined contribution pension plans. Contributions to the Group's defined contribution schemes are recognised as an expense when they fall due.

b. Defined benefit pension plans. The benefit is recognised in the consolidated statement of the Group's defined benefit pension plan. The present value of the defined benefit obligation at the balance sheet date less the fair value of the plan's assets. The defined benefit obligation is calculated by independent actuaries using the projected unit cost method and by discounting the estimated future cash flows using interest rates on high-quality corporate bonds. The pension expense for the Group's defined benefit plan is recognised as follows:

- i. Within the Consolidated Income Statement:
  - Service cost of current members of the Plan Scheme;
  - Gains and losses arising on settlements and curtailments, where the item that gave rise to the settlement or curtailment is recognised in operating profit;
  - An interest cost on the net benefit of the plan, calculated by applying the discount rate to the net defined benefit liability at the start of the annual reporting period;
- ii. Within the Consolidated Statement of Comprehensive Income - Other Comprehensive Income:
  - Actuarial gains and losses arising on the assets and liabilities of the plan related to actual experience and any changes in assumptions at the end of the year;

c. Share-based payments. Equity-settled transactions, which are where the Executive Directors or other full-time employees receive a part of their remuneration in the form of shares in the Company, or rights over shares, are measured at fair value at the date of grant. The fair value determined at the grant date uses the Monte Carlo method and takes account of the effect of market-based measures, such as Total Shareholder Return (TSR) targets, upon which vesting of part of the awards is conditional. An expense is recognised in the Consolidated Income Statement and a corresponding credit to equity. The cumulative expense recognised is adjusted to take account of shares forfeited by Executives who leave during the performance or vesting period and in the case of a non-market related performance condition, where it becomes unlikely that shares will vest. For the market-related measure, the Directors have used a Monte Carlo model to determine the value of the shares at the date of grant.

The fair value determined at the date of grant is adjusted to take account of the cost of shares in the Company, calculated by the FFT, the known and deduction from equity.

# 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 sterling, 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 at the dates of the transactions. At each subsequent balance sheet date:
- 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.
  - Non-monetary items measured at historical cost in a foreign currency are not retranslated.
  - Non-monetary items measured at fair value in a foreign currency are retranslated using the exchange rates at the date the fair value was determined. Where a gain or loss on non-monetary items is recognised directly in equity, any exchange component of that gain or loss is also recognised directly in equity and conversely, where a gain or loss on a non-monetary item is recognised in the Consolidated Income Statement, any exchange component of that gain or loss is also recognised in the Consolidated Income Statement.
- b) Translation from functional currency to presentation currency
- When the functional currency of a Group entity is different from the Group's presentation currency, its results and financial position are translated into the presentation currency as follows:
- Assets and liabilities are translated using exchange rates prevailing at the balance sheet date.
  - Income and expense items are translated at average exchange rates for the year, except where the use of such average rates does not appropriately represent the exchange rate at the time of the transaction, in which case the transaction rate is used.
  - Any resulting exchange differences are recognised in Other Comprehensive Income. These cumulative exchange differences are recognised in the Consolidated Income Statement in the period in which the foreign operation is disposed of.
- c) Net investment in foreign operations
- 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 in the consolidated financial statements of the reporting entity, or the foreign operation as appropriate, in the consolidated financial statements only if exchange differences are initially recognised in Other Comprehensive Income as a separate component of equity and not as equity, as required in the Group's accounting policy for net investment in a foreign operation.

## 1.8 Taxation

The tax expense relates to the sum of current tax and deferred tax.

Current tax is based on taxable profit for the year, which differs from profit before taxation as reported in the Consolidated Income Statement. Taxable profit excludes some income and expense that are taxable or deductible in other years 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 arise primarily from the recognition of the actuarial in the Group's defined benefit pension scheme, the difference between accelerated and fair value reserves or a deferred or undrawn short-term timing differences where a provision held against receivables or inventory is not deductible for taxation purposes. However, deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of an intangible asset, or is subject to non-recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the deductible loss.

Deferred tax liabilities are also recognised for taxable temporary differences arising in investments in subsidiaries, except where the Group is able to control the timing of the temporary difference and it is probable that the temporary difference will reverse in the foreseeable future. Any deferred tax is recognised on the unrelieved earnings if overseas subsidiaries with the Group's ultimate control and control of its cash flows.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax is charged or credited to the Consolidated Income Statement, except where the temporary difference arises from an initial recognition of an asset or liability in equity, in which case the deferred tax is also dealt with in equity. The carrying amount of deferred tax assets is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to utilise all or part of the deferred tax asset. Tax provisions, penalties and interest are also recognised if they are a liability to current tax assets against current tax liabilities and when the deferred income tax relates to the same financial year.



## 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 and not carry any interest and are reduced by a charge for impairment for estimated irrecoverable amounts. Such impairment losses are recognised in the Consolidated Income Statement, calculated under IFRS 9 (see note 1.2 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 an insignificant risk of changes in value. Bank overdrafts are receivable 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 under options held by minority shareholders 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 same bonding entry is recognised in equity as a product of, against retained earnings. At the end of each year, the estimate of the financial liability is reassessed and any variation in value is recognised in the Consolidated Income Statement as part of finance income or expense. Where the liability is a financial liability, any change in the value of the liability resulting from a change in expense or interest is recognised in the Consolidated Income Statement.

### e) Derivative financial instruments and hedge accounting

The Group uses derivatives and other instruments in the form of forward contracts, swap contracts to hedge its 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 of IAS 39 as allowed under IAS 9.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and subsequently changed in the fair value of the derivative. Derivatives which are designated and effective as a hedge of future cash flows are recognised in equity in the hedging reserve and in Other Comprehensive Income and are re-assessed at each reporting date for effectiveness. Changes in the fair value of the designated derivatives are more effectively transferred to the hedging reserve in the accounts in accordance with IAS 39 and are only transferred to the Consolidated Income Statement.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking the hedging transaction. The Group also documents its assessment of both hedge effectiveness and of any high quality debt instrument used as a hedge instrument. Hedge effectiveness is measured using the following methods: (a) hedge effectiveness is measured using the ratio of the change in the fair value of the hedging instrument to the change in the fair value of the hedged item.

No derivative instruments have been designated as fair value hedges.

### 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 IFRS 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 Company 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, being the initial amount of the lease liability, adjusted for any lease incentives made available at the lease commencement date.

Lease liabilities are recorded at the present value of lease payments. Leases are discounted at the Group's incremental borrowing rate, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are depreciated on a straight-line basis over the lease term, less any incentives.

Interest is recognised on the lease liability, resulting in a higher finance cost in the earlier years of the lease term.

Lease payments relating to low value assets or to short-term leases are recognised as an expense on a straight-line basis over the lease term. Short-term leases are those with a maximum lease duration of 12 months or less.

### 1.16 Other liabilities

Other liabilities are recognised when the Group has a legal or constructive obligation as a result of a past event and it is probable that the Group will be required to settle that obligation. Other liabilities are measured at the Director's best estimate of the expenditure required to settle the obligation at the balance sheet date.

### 1.17 Dividends

The Group has a dividend and non-dividend distribution approved at the AGM. Interim dividends are declared in the directors' report.

### 1.18 Share capital and reserves

Ordinary shares are classified as equity and part of the Group's share capital as discussed in note 1.1 of the parent Company's financial statements. Incremental costs directly attributable to the issue of new shares are shown in Equity as a deduction from proceeds from the proceeds. The Group does not anticipate issuing further.

a) Translation reserve - The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries.

b) Hedging reserve - The hedging reserve comprises the net change in the carrying amount of derivatives that are designated as cash flow hedging instruments that are determined in the opening and closing hedge.



[illegible]

There are no related party transactions other than with the management that are required to be disclosed in accordance with AS 24. Details of the remuneration are given in note 4 to the consolidated financial statements.

The IASB has put forward a number of new IFRS standards, amendments and interpretations, existing standards which are not yet effective, but which are preparatory for the Group's accounting period beginning on or after 1 July 2011. An assessment of the impact of these new standards and interpretations is set out below:

$\bar{F}_n = \frac{1}{n} \sum_{i=1}^n F_i$ ,  $\bar{G}_n = \frac{1}{n} \sum_{i=1}^n G_i$ ,  $\bar{H}_n = \frac{1}{n} \sum_{i=1}^n H_i$ ,  $\bar{I}_n = \frac{1}{n} \sum_{i=1}^n I_i$ ,  $\bar{J}_n = \frac{1}{n} \sum_{i=1}^n J_i$ ,  $\bar{K}_n = \frac{1}{n} \sum_{i=1}^n K_i$ ,  $\bar{L}_n = \frac{1}{n} \sum_{i=1}^n L_i$ ,  $\bar{M}_n = \frac{1}{n} \sum_{i=1}^n M_i$ ,  $\bar{N}_n = \frac{1}{n} \sum_{i=1}^n N_i$ ,  $\bar{O}_n = \frac{1}{n} \sum_{i=1}^n O_i$ ,  $\bar{P}_n = \frac{1}{n} \sum_{i=1}^n P_i$ ,  $\bar{Q}_n = \frac{1}{n} \sum_{i=1}^n Q_i$ ,  $\bar{R}_n = \frac{1}{n} \sum_{i=1}^n R_i$ ,  $\bar{S}_n = \frac{1}{n} \sum_{i=1}^n S_i$ ,  $\bar{T}_n = \frac{1}{n} \sum_{i=1}^n T_i$ ,  $\bar{U}_n = \frac{1}{n} \sum_{i=1}^n U_i$ ,  $\bar{V}_n = \frac{1}{n} \sum_{i=1}^n V_i$ ,  $\bar{W}_n = \frac{1}{n} \sum_{i=1}^n W_i$ ,  $\bar{X}_n = \frac{1}{n} \sum_{i=1}^n X_i$ ,  $\bar{Y}_n = \frac{1}{n} \sum_{i=1}^n Y_i$ ,  $\bar{Z}_n = \frac{1}{n} \sum_{i=1}^n Z_i$ .

### 1.21 Significant accounting estimates and critical judgements

The preparation of the Group's consolidated financial statements requires management to make critical accounting judgments, assumptions or estimates with regard to areas such as the timing and amount of potential bad debt provisions, the timing and amount of provisions for restructuring costs, etc.

August 2000

[illegible]

The significant assumptions in valuing the R&D and Acquisition of intangible assets, which were disclosed in the year together with the sensitivity analysis, are set out below:

	R&G	Accruals
Discount rate +1% (all intangibles)	ca. 1.2% p.	ca. 1.2% p.
Revenue growth rate +1% (all intangibles)	ca. 1.2% p.	ca. 1.1% p.
Customer attrition rate +1% (customer acquisition cost)	ca. 1.1% p.	ca. 1.2% p.

#### 1.21.2 Goodwill impairment (estimate)

The Group has impaired a number of goodwill and/or intangible assets (principally customer and supplier relationships) recognised in the Consolidated Statement of Financial Position. As set out in note 11 of the Group Accounting Policies, goodwill is tested annually to determine if there is any indication of impairment. Assessments are used to determine the recoverable amount of each CGU should a basis on the present value of estimated future cash flows to derive the value due to the Group of the impaired goodwill. The key estimates made and assumptions used in performing impairment testing this year are set out in note 12 to the consolidated financial statements.

inventories are stated at the lower of cost and net realisable value as set out in note 11.2 of the Group Accounting Policies. In the course of normal trading and other operations are used as a trading and other and the value of inventory and impairment charge are made for complete obsolescence of inventory and also it is recorded in terms

The decision to make an important change is based on a number of factors, including management's assessment of the current trading environment, changes in the market, change in other matters which are relevant at the time the current strategy and system are deployed.

**Defined benefit pension (estimate)**  
 Defined benefit pensions are accounted for as set out in paragraph 10 of the Group Accounting Policy. Determining the value of the future defined benefit obligation requires estimates in respect of the assumptions used to calculate present values. These include discount rate, future mortality and inflation rate. Management makes these estimates in consultation with an independent actuary. For the year ended 30 September 2022, the Defined benefit pension obligation is on average greater than an obligation due to the members in the relevant rate. Each of the estimates and key assumptions made in calculating the defined benefit cost at 30 September 2022 were set out in the 28th Annual Report at 30 September 2021.

# PARENT COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2022

	Note	2022 £m	2021 £m
<b>Fixed assets</b>			
Investments	c	297.2	297.2
<b>Debtors: amounts falling due within one year</b>			
Amounts owed by Group undertakings		35.8	
<b>Creditors: amounts falling due within one year</b>			
Amounts owed to Group undertakings		—	(34.7)
<b>Net assets</b>		<b>333.0</b>	<b>262.5</b>
<b>Capital and reserves</b>			
Called up share capital	c	6.3	6.3
Share premium		188.6	188.6
<b>Profit and loss account</b>		<b>138.1</b>	<b>67.6</b>
<b>Total shareholders' equity</b>		<b>333.0</b>	<b>262.5</b>

£m: unless otherwise stated, all values are in £m as at 30 September

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 21 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	c	—	—	69.6	69.6
Dividends paid	+	—	—	(52.9)	(52.9)
Settlement of LTIP awards	c	—	—	0.5	0.5
At 30 September 2021		6.3	188.6	67.6	262.5
Total Comprehensive Income	c	—	—	125.5	125.5
Dividends paid	+	—	—	(56.2)	(56.2)
Settlement of LTIP awards		—	—	1.2	1.2
<b>At 30 September 2022</b>		<b>6.3</b>	<b>188.6</b>	<b>138.1</b>	<b>333.0</b>

# 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 prepared the Financial Statements on the basis of adequate resources to continue in operation and expect for the foreseeable future and do not intend, therefore, to adopt the going concern basis in preparing the Financial Statements. The Financial Statements, which are prepared on an accruals basis, are presented in million sterling and all values are rounded to the nearest 100,000 except where it is otherwise indicated.

Diploma PLC is a public company limited by shares incorporated in the United Kingdom, and registered and qualified in England and Wales and listed on the London Stock Exchange. The address of the registered office is 1041, Grange Road, Walsby, Wetherby, E10 4RS. The Financial Statements were authorised by the Directors for publication on 27 November 2022.

The following disclosures have not been included as permitted by FRS 101:

- a cash flow statement and related notes;
- a comparative period reconciliation 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 IFRS;
- disclosures in respect of the compensation of key management personnel as required.

The Company has also taken the exemption under FRS 101 available in respect of the requirements in paragraphs 46(b) and 46(c) of FRS 101 (Share-based Payment) in respect of the Group settled share-based payments as the consolidated 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, interest payable on intercompany borrowings at the UK base rate plus 5% and that are repayable on demand.

#### a.3) Dividend income

Dividend income is recognised when it is received. Final dividend distributions 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 available for sale until the shareholders' meeting in accordance with FRS 101, as applied by FRS 107. Shares that are held by the Trust are not available for sale until such time as the dividends have vested and options have been exercised by the benefit plan.

#### a.5) Auditors' remuneration

Fees payable to the auditors for the audit of the Company's financial statements of £3,500,000 (£3,500,000 were borne by a fully owned group subsidiary).

### b) Directors' and employees' remuneration

Remuneration is paid directly by the Company. Information on the Directors' remuneration is set out in the Company's annual report and the interests in the share capital of the Company are set out in the Remuneration Committee Report on pages 114 to 138 and note 4 to the Consolidated Financial Statements on page 148. The Company had no employees in 2021 or the

### c) Company profit and loss account

As permitted by section 406 of the Companies Act 2006, the separate profit and loss account is presented for the Company. There were no group expenses either in the current or preceding years recognised in Other Comprehensive Income. The Company's profit for the year was £15.5m (2021 profit of £9.2m) before payment of £1.8 dividends.

# 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		
<b>At 30 September</b>	<b>297.2</b>	<b>297.2</b>

A full list of subsidiary and other related undertakings is set out on pages 187 to 189. Investments include a preference share valued at nil due to the fact there are no indicators of impairment. There were none (2021: none).

## e) Called up share capital

	2022 Number	2021 Number	2022 £m	2021 £m
Issued, authorised and fully paid ordinary shares of 5p each				
<b>At 30 September</b>	<b>124,616,170</b>	<b>124,563,616</b>	<b>6.3</b>	<b>6.3</b>

During the year 72,262 ordinary shares in the Company (2021: 27,914) were transferred from the Trust to participants on an after income tax basis in connection with the exercise of options in respect of awards which had vested under the 2007 Long-Term Incentive Plan as set out in the Remuneration Committee Report.

At 30 September 2022, the Trust held 71,933 (2021: 96,640) ordinary shares in the Company representing 0.06% of the nominal value and capital. The market value of the shares at 30 September 2022 was \$1.0m (2021: \$2.6m).

## f) Dividends

Data in respect of dividends proposed and paid during the year by the Company are included in note 1 to the consolidated financial statements.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DIPLOMA PLC

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

#### Unqualified opinion

- Diploma PLC's 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 as at 30 September 2022 and of the Group's profit and the Group's cash flows for the year then ended.
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom General Accounting Practice, United Kingdom Accounting Standards comprising FRS 101 'Reduced Disclosure Framework', and applicable law, and
- 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 as 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 Statement of Changes in Equity for the year then ended, and the notes to the financial statements, which include a description of the significant 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 remained independent of 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 fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we did not provide any prohibited services prohibited by the FRC's Ethical Standard were not provided.

Other than audit related fees, in the 12 months ended 30 September 2022, we did not provide any other services to the Parent Company, its controlled undertakings or the Group under audit.

# 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, Seed and Controls, and we have conducted audit work on 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: 72%) of Group profit before tax and 75% (2021: 77%) of Group revenue.

##### Key audit matters

- Valuation of the intangibles for the R&D and Acquisition/Acquisitions (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: £4.1m (2021: £3.0m) (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 risks 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 include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had 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 informing our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of risks identified by our audit.

Carrying value of investments in subsidiaries (Parent Company) and valuation of the intangibles for the R&D and Acquisition/Acquisitions (Group) are new key audit matters this year. Risk of impairment of inventories - Controls Sector (Group) and Accounting for the Windy City Wire acquisition intangibles valuation (Group) which were key audit matters last year are no longer included because of the reduced impact of COVID-19 in the industries in which the Controls Sector operates and there is no significant fair value adjustments with the carrying and accounting for and valuation of the Windy City Wire intangibles.

Key audit matter	How our audit addressed the key audit matter
<p><b>Valuation of the intangibles for the R&amp;G and Accuscience acquisitions (Group)</b></p> <p>Refer to page 175 for significant accounting estimates and critical judgements (Acquisition accounting) and note 21 (Acquisitions) and business of businesses, within the Group consolidated financial statements.</p> <p>The Group acquired R&amp;G and Accuscience businesses for a consideration of £142.2m.</p> <p>Acquired intangible assets of £85.7m were identified and recognised in respect of these acquisitions. These included customer relationships of £77.0m and brands of £5.7m.</p> <p>We have identified a significant risk associated with the valuation of the intangibles due to the magnitude of the acquisitions, the significant level of estimation involved in determining the fair value of the acquired intangibles and their sensitivity to changes in key assumptions.</p> <p>The valuation of the identifiable intangible assets requires management estimation as it is dependent on a number of key assumptions, including forecast revenue growth rates, discount rates and average historical customer attrition rates, including such assumptions, there is an inherent level of estimation uncertainty and subjectivity.</p>	<p>Procedures undertaken to address this significant risk included, in respect of the valuation of the acquired intangible intangible:</p> <ul style="list-style-type: none"> <li>We validated the mathematical accuracy of management's models and assumptions, of the methods applied used to determine the fair values, with support from our internal valuation experts.</li> <li>We obtained an understanding of the assumptions used to determine these estimates and identified the following key assumptions:             <ul style="list-style-type: none"> <li>- Discount rates: We engaged our valuation experts to corroborate the reasonableness of the discount rates using comparable market data, for example discount rates of other companies in similar industries.</li> <li>- Forecast revenue growth rates and margins: We compared the assumptions in respect of forecast revenue growth rates and margins with historical trading experience and the actual trading performance of the companies post acquisition. In addition, we compared the forecasts used in the valuations to the board approved budgets, the three year forecasts and comparable companies.</li> <li>- Customer attrition rates: In respect of the customer relationship intangible assets, we corroborated the customer attrition rate assumptions and forecast cash flows. We carried out the analysis in respect of forecast cash flows to estimate customer value. We engaged our audit team experts to assist in the evaluation of the methodology applied by management.</li> </ul> </li> </ul> <p>From our analysis, we concluded that management's estimate of the fair value of the acquired intangibles are appropriate.</p>
<p><b>Carrying value of investments in subsidiaries (Parent Company)</b></p> <p>At the balance sheet date, the Parent Company had investments in subsidiaries of £290.0m (2021: £297.0m). Refer to the Parent Company Statement of Financial Position and note 6 within the Parent Company financial statements.</p> <p>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 (2021: 100%). Given the trading performance of the underlying subsidiaries investments, we do not consider the valuation of these investments to be at a high risk of material misstatement or to be subject to a significant level of management judgement or estimation. However, due to their materiality in the context of the Parent Company's financial statement as a whole, it is considered to be the area on which the most audit effort is focused for the Parent Company.</p>	<p>We checked that the net assets on the balance sheets of the individual investments were in excess of the carrying value of the Parent Company's investments in subsidiaries and, in addition, our work performed through the audit did not identify any other impairment indicators regarding the carrying value of the carrying value of these investments at the balance sheet date. We have no reason to believe in respect of this work.</p>

# 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, Seeds and Cereals, 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 are a consolidation of financial 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 consolidation 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 reporting component teams. Our attendance at the clearance meetings, review of the component team reporting, and review and discussion of the audit working papers of a number of overseas locations, together with the additional procedures performed at Group level, gave 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 consolidation fair value adjustments and intangible asset valuations on acquisitions, goodwill and investment impairment trigger assessments, UK pensions and certain tax procedures. The Group engagement team also performed the audit of the Parent Company and five 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 market climate change does not give rise to a material financial statement impact due to the Group's diversified and diverse nature and ability to adapt to changing markets. We used our knowledge of the Group to evaluate management's assessment. We also carefully considered how climate change risks would impact the assumptions made in the forecasts prepared by management and used in the impairment and going concern analysis. We also spoke with management the way in which climate change risks could be a risk to the ability of the Group to continue to develop its response to the impact of climate change. We also considered the non-financial disclosures 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 thresholds at the start of the audit. 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 also across and including the effect of our findings, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined appropriateness for the financial statements as follows:

	Financial statements - Group	Financial statements - Parent Company
<b>Overall materiality</b>	£6.2m (2021: £4.9m)	£3.3m (2021: £3.0m)
<b>How we determined it</b>	Approximately 5% of Profit before tax	1% of Total assets
<b>Rationale for benchmark applied</b>	An appropriate measure for the Group and one of the key measures used by the shareholders in assessing the statutory performance of the Group	An appropriate measure used by shareholders in assessing the performance of the company and a key measure used by the shareholders in assessing the company's performance

For the UK component in the scope of our Group audit, we also applied an additional threshold of 0.5% of the UK component. The range of materiality for related entity components was £1.4m and £5.0m. Certain components were audited to a lower threshold of materiality than that used for our audited component materiality.

The use of performance materiality to rebuttable or appropriate view and the appropriateness of the appropriate threshold and our detected misstatements exceeded overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of individual line items, classes of transactions and balances. For example, in determining sample sizes, our performance materiality was 75% of 2021 UK financial statement materiality, amounting to £4.9m (2021: £3.0m) for the financial statements, and £3.3m (2021: £2.2m) for the Parent Company financial statements.

In determining the performance materiality, we considered inherent risk factors, the risk of misstatement, the appropriateness of the audit approach and the High Level of assurance and concluded that our approach and use of the threshold was appropriate.

We agreed with the Audit Committee that the audit report to them on the financial statements pertained only to the UK and the Group.



Notes 252, 253, 262 and 263, 264, 265 (Parent Company audit) 2021, 2149-2151 (Group financial statements) and with the annual financial statements of the Parent Company for the year ended 31 March 2021.

## Conclusions relating to going concern

Our evaluation of the directors' assessment of the Group's and the Parent Company's ability to continue to operate for the period of at least 12 months from the reporting period:

- Reviewing management's going concern assessment to ensure it was based upon the latest Board approved accounts and that the going concern assumptions were consistent with our understanding of the outlook for the Group's businesses and the wider market;
- Testing the management's assumptions of the model;
- Comparing the model outputs with other procedures performed over the course of the audit;
- Discussing going concern with management across the business to ensure consistency and alignment with the Board's intentions with the business;
- Comparison of the prior year forecasts against current year actual performance to assess management's ability to forecast accurately; and
- Reviewing the related 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 as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the financial statements is appropriate.

However, because no future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Parent Company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing to report and no material observation or finding as to the directors' statement in the financial statements about whether the directors' disclosures are appropriate to support the going concern basis of accounting.

Our next year's fieldwork in the event of a failure of the directors with respect to going concern are described 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 voluntary report thereon. The other information includes the other information which has been included in the Annual Report on the basis of the UK Corporate Governance Code. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, to consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or whether we appear to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, 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 required by the UK Corporate Governance Code have been included.

Based on the work we have performed in the course of the audit, the Companies Act 2006 requires us also to report to you if any of the other information disclosed is false or misleading.

## Strategic Report and Directors' Report

In view of the fact that the work undertaken in the course of the audit of the information given in the Strategic Report and Directors' Report is not part of the audit of the financial statements, it is not subject to the same level of assurance as the financial statements and has been prepared in accordance with applicable legal requirements.

In auditing the financial statements, we have nothing to report in connection with the Strategic Report and Directors' Report or the other information disclosed in the Strategic Report and Directors' Report.

## Directors' Remuneration

In connection with our audit of the financial statements, we have nothing to report in relation to the disclosures required by the Companies Act 2006 and the Listing Rules.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DIPLOMA PLC

## CONTINUED

### Corporate governance statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability, and that part of the corporate governance statement relating to the Parent Company, and compare with the provisions of the UK Corporate Governance Code identified for our review. Our additional responsibilities with respect to the corporate governance statement and other information are described in the Reporting on other information section of 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 add or draw attention to in our opinion:

- 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 this assessment covers 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 and meet its liabilities as they fall due 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 in scope than an audit and so was limited to making inquiries and checking the directors' process supporting their statement, verifying that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code, and checking whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Parent Company, and the going concern disclosure in the course of the audit.

In addition, stated 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 that they consider the Annual Report taken as a whole is fair, balanced and understandable, and provides the information relevant to the members to assess the Group's and Parent Company's position, performance, business model and strategy;
- The content of the Annual Report that describes the company's view of effectiveness of risk management and internal control systems; and
- The content of the Annual Report describing the work of the Audit Committee.

We have nothing further to report that our firm is required to report when the directors' statement relating to the Parent Company is not aligned with the Code as set out above, or a significant departure from relevant provisions of the Code as set out under the Listing Rules or in our report.

## Responsibilities for the financial statements and the audit

### Responsibilities of the directors for the financial statements

An expanded note to the Statement of Directors' responsibility 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 to be 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 overseeing the Group and the Parent Company's ability to continue as a going concern. This includes assessing whether there is going concern and, where the going concern basis of accounting under the applicable framework is appropriate, the Group and the Parent Company's ability to continue operations in a way that is sustainable in the long term.

### Auditors' responsibilities for the audit of the financial statements

Our role as auditors 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 audit report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs (UK) 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 procedures in line with our responsibilities, outlined above, to detect 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 override of controls, and determined that the principal risks were related to fraud, which could be used to manipulate the financial performance and management planning and reporting accounting out of compliance to achieve management incentive scheme targets and a key commercial. The Group engagement team shared this risk assessment with the company's audit team so that they could include appropriate audit procedures in response to such risk in their work. Audit procedures performed by the Group engagement team and its member firm(s) to which it related included:

- interviewing Group and local management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud, and review of internal audit reports, in so far as they related to the financial statements;
- inspecting management reports and Board minutes;
- analysing assumptions and judgements made by management in their accounting estimates, including the inventory provision, reviewing selected unimpaired assets, with:
- • interviewing relevant management, internal and external;
- identifying and testing journal entries, including those entered with unusual and unusual combinations and
- reviewing financial statement disclosures and testing them to supporting documentation to assess compliance with applicable laws and regulations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to 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, forgery or intentional misrepresentations, or through collusion.

Our audit testing might not detect all material misstatements and certain transactions and disclosures, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing all items and disclosures. We will often seek to target particular items for testing based on their size, nature or character, etc. In other cases, we will use audit techniques to enable us to make a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is included in the IFAC's website at [www.ifac.org.uk/auditresponsibilities](http://www.ifac.org.uk/auditresponsibilities). This description forms part of our audit firm's report.

### Use of this report

This report, including the opinions, has been prepared for and only for the Parent Company's members and should be read in conjunction with Chapter 3 of Part 16 of the Companies Act 2006 and other applicable law. We do not intend this report to be relied upon for any other purpose, into or in connection with, which this report is incorporated in whole or in part by some legal or regulatory provision, or in connection with any litigation.

# 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 all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns inadequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not in accordance with 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 7 March 2018 to audit the financial statements for the year ended 30 September 2018 and subsequent financial periods. The period of total uninterrupted engagement is 5 years, covering the years ended 30 September 2018 to 30 September 2022.



**Christopher Burns (Senior Statutory Auditor)**  
**for and on behalf of PricewaterhouseCoopers LLP**  
Chartered Accountants and Statutory Auditors  
London  
21 November 2022

## Overview

## Corporate Governance

## Financial Statements

## Other Information

	Registered office address*
Hytec & Hydraulic Group Limited	4
Primax Hydraulic Services Limited	4
Pneumatic Services Limited	4
AMG Briancauld Limited	4
Millennium Coupling Company Limited	4
Flow Power Products Limited	4
Industrie Hoes & Pex Fringing Limited	4
Millennium Engineering 2002 Limited	4
Art Concession Technology, Franchising	4

1. *Chlorophyll a* and *Chlorophyll b* were determined by the method of Arar and Collins (1987) using a Shimadzu UV-160U ultraviolet-visible spectrophotometer. The concentration of chlorophyll was expressed as  $\mu\text{g mL}^{-1}$  of the sample.

## SUBSIDIARIES OF DIPLOMA PLC

### CONTINUED

	Registered office address*		Registered office address*
<b>Controls</b>		<b>Life Sciences</b>	
IS Rivetast Limited	A	Somagen Diagnostics Inc.	E
S Motorsport Inc.	C	AMT Electrosurgery Inc.	D
Amfast Limited	A	Vantage Endoscopy Inc.	P
Clanchain Specialty Fasteners Limited	A	Big Green Surgical Company Pty Limited	R
Clanchain Specialty Fasteners (Asia) Limited	X	Diagnostic Solutions Pty Limited	D
Clanchain Specialty Fasteners Inc.	B	Sphere Surgical Pty Limited	R
Clanchain Engineering Supplies Limited	A	Aspire Surgical Pty Limited	R
Clanchain Specialty Fasteners GmbH	X	Big Green Surgical (NZ) Limited	T
Captec Interconnect Component Systems Limited	A	Techno-Path (Distribution) Limited	V
Sommer GmbH	G	Abacus dx Pty Limited	R
Pilon Electronic GmbH	H	Abacus dx Limited	T
Actas SAS	G	Simonsen and Weel A/S	AO
Gremtek SAS	O	Simonsen and Weel AB	AA
Gremtek UK Limited	A	Kungshusen Medicinska AB	AE
Gremtek GmbH		Accu-Science Ireland Limited	AF
Agerma SARL	D	MedLink Services (IN) Limited	AL
Capelcraft Limited	A		
Birchvale Plastics Limited	A		
Kremfast Limited	A		
Betadent Limited	A		
Howel Limited	A		
Appexhant Limited	A		
HA War Wright Limited	A		
Harver Refrigeration Limited	A		
Howel Inc.	C		
Microtherm UK Limited	A		
S-Brick Europe Limited	A		
Openark Fasteners Limited	A		
Openark Fasteners & Components Limited	A		
RSC UK Limited	A		
RS Catwin Limited	A		
RM Global Limited	A		
Sap Inc Limited	A		
Sprint Group Limited	A		
Specialised Wiring Accessories Limited	A		
M-Tec Limited	A		
Techra Limited	A		
Blue line Limited	A		
Twist And Turn Ltd	D		
AWW Intermed and Hygiene Ltd	E		
AWW Opti-Med Care & Technology Products LLC	E		
LEP Fasteners LLC	AB		
Bux Electronics Corporation	AB		



# 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	15 May 2023
Q2 Trading Update released	20 July 2023
Provisional Results announced	20 November 2023
Annual Report posted to shareholders	8 December 2023
Annual General Meeting (2023)	12 January 2024

## Dividends (provisional dates)

Interim announced	15 May 2023
Paid	5 June 2023
Final announced	20 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 6DZ  
Telephone: 0773 7020010

its website for shareholder enquiries is  
[www.computershare.co.uk](http://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 below.

## Group Company Secretary and Registered Office

John Morrison Solicitor  
10-11 Chancery Square  
London EC1M 6EE  
Telephone: 020 7549 5700

Registered in England and Wales number 3899848.

## Website

Diploma's website is [www.diplomapi.com](http://www.diplomapi.com)



## ADVISORS

### Corporate Stockbrokers

## Numis Securities

46. George West  
1909 - 1921

## Barclays Bank PLC

Order No. 121446-00

**Independent Auditor**

## PricewaterhouseCoopers LLP

1. What is the purpose of the study?  
 2. What are the research questions?

## Solicitors

Simmons & Simmons LLP

11-10-2017  
 6 rue Mademoiselle Street  
 London EC2A 2SC

## Bankers

Barclays Bank PLC

1990-1991

HSBC Bank plc

City Corporate Banking Centre  
45, Queen Victoria Street  
London EC4A 3DF

## FIVE YEAR RECORD

Year ended 30 September	2022 £m	2021 £m	2020 £m	2019 £m	2018 £m
<b>Revenue</b>	<b>1,012.8</b>	<b>78.4</b>	<b>538.4</b>	<b>144.7</b>	<b>485.1</b>
<b>Adjusted operating profit</b>	<b>191.2</b>	<b>148.7</b>	<b>5.1</b>	<b>1.2</b>	<b>84.9</b>
Net interest and similar charges	(11.6)	(6.8)	(2.1)	0	(0.1)
<b>Adjusted profit before tax</b>	<b>179.6</b>	<b>141.9</b>	<b>3.4</b>	<b>1.2</b>	<b>84.8</b>
Acquisition related and other charges	(46.9)	44.4	11.3	13.1	11.7
Fair value remeasurements	(3.2)	(0.1)	0.4	1.1	1.4
<b>Profit before tax</b>	<b>129.5</b>	<b>186.2</b>	<b>15.1</b>	<b>15.4</b>	<b>97.9</b>
Tax expense	(34.1)	(26.9)	(26.9)	(21.1)	(18.7)
<b>Profit for the year</b>	<b>95.4</b>	<b>159.3</b>	<b>(11.8)</b>	<b>(5.7)</b>	<b>79.2</b>
<b>Capital structure</b>					
Equity shareholders' funds	<b>662.0</b>	<b>556.3</b>	<b>52.0</b>	<b>201.3</b>	<b>201.2</b>
Minority interest	<b>6.2</b>	<b>4.7</b>	<b>3.7</b>	<b>3.3</b>	<b>3.1</b>
Accruals, deduct, income and other equivalents	<b>(41.7)</b>	<b>(24.8)</b>	<b>206.8</b>	<b>(17.0)</b>	<b>(36.1)</b>
bankings	<b>370.6</b>	<b>256.2</b>	<b>—</b>	<b>41.7</b>	<b>—</b>
retirement benefit asset / liabilities	<b>(6.4)</b>	<b>4.9</b>	<b>18.2</b>	<b>17.8</b>	<b>10.8</b>
net asset / or related liabilities	<b>29.6</b>	<b>(21.7)</b>	<b>11.8</b>	<b>11.2</b>	<b>5.5</b>
deferred tax net	<b>38.2</b>	<b>(21.8)</b>	<b>7.4</b>	<b>8.3</b>	<b>8.4</b>
<b>Reported trading capital employed</b>	<b>1,058.5</b>	<b>772.4</b>	<b>341.2</b>	<b>277.3</b>	<b>262.8</b>
Adjusted trading capital employed related changes in deferred tax and current movements	<b>99.6</b>	<b>(21.4)</b>	<b>(41.4)</b>	<b>(64.3)</b>	<b>(74.6)</b>
<b>Adjusted trading capital employed</b>	<b>1,158.1</b>	<b>751.0</b>	<b>299.8</b>	<b>213.0</b>	<b>188.2</b>
Net debt (cash and equivalents) and other funds	<b>(113.8)</b>	<b>(391.8)</b>	<b>(224.0)</b>	<b>(31.9)</b>	<b>(35.0)</b>
Accruals, deduct, income and other equivalents	<b>56.4</b>	<b>(53.0)</b>	<b>(23.4)</b>	<b>(31.1)</b>	<b>(17.0)</b>
bankings, income and other equivalents	<b>177.8</b>	<b>(450.8)</b>	<b>(14.9)</b>	<b>(76.3)</b>	<b>(21.4)</b>
net of other funds	<b>—</b>	<b>(0.6)</b>	<b>(199.8)</b>	<b>—</b>	<b>—</b>
<b>Free cash flow</b>	<b>120.4</b>	<b>(138.8)</b>	<b>(72.0)</b>	<b>(46.8)</b>	<b>(41.0)</b>
<b>Per ordinary share (p)</b>					
Basic earnings	<b>76.1</b>	<b>56.1</b>	<b>47.1</b>	<b>14</b>	<b>4.1</b>
Adjusted earnings	<b>107.5</b>	<b>98.1</b>	<b>51.4</b>	<b>54.3</b>	<b>51.4</b>
Free cash flow	<b>96.7</b>	<b>(87.4)</b>	<b>(41.0)</b>	<b>(43.9)</b>	<b>(33.8)</b>
Dividend	<b>53.8</b>	<b>(42.1)</b>	<b>(50.1)</b>	<b>(10.1)</b>	<b>(18.8)</b>
Total shareholders' equity	<b>532</b>	<b>(47)</b>	<b>(403)</b>	<b>(164)</b>	<b>(187)</b>
Dividend cover	<b>2.0</b>	<b>(2.2)</b>	<b>(1.4)</b>	<b>(5.3)</b>	<b>(2.2)</b>
<b>Ratios</b>					
Return on adjusted trading capital employed (ROATCE)	<b>17.3</b>	<b>(12.4)</b>	<b>(38.1)</b>	<b>(21.9)</b>	<b>(24.8)</b>
Working capital to revenue	<b>15.6</b>	<b>(35.6)</b>	<b>(41.0)</b>	<b>(41.6)</b>	<b>(31)</b>
Adjusted operating margin	<b>18.9</b>	<b>(38.4)</b>	<b>(2.0)</b>	<b>(3.8)</b>	<b>(15.1)</b>

The above figures are based on the consolidated financial statements of the Group. The figures are based on the consolidated financial statements of the Group. The figures are based on the consolidated financial statements of the Group.

The figures are based on the consolidated financial statements of the Group. The figures are based on the consolidated financial statements of the Group.

The figures are based on the consolidated financial statements of the Group. The figures are based on the consolidated financial statements of the Group.

The figures are based on the consolidated financial statements of the Group. The figures are based on the consolidated financial statements of the Group.

The figures are based on the consolidated financial statements of the Group. The figures are based on the consolidated financial statements of the Group.

The figures are based on the consolidated financial statements of the Group. The figures are based on the consolidated financial statements of the Group.

The figures are based on the consolidated financial statements of the Group. The figures are based on the consolidated financial statements of the Group.

The figures are based on the consolidated financial statements of the Group. The figures are based on the consolidated financial statements of the Group.

The figures are based on the consolidated financial statements of the Group. The figures are based on the consolidated financial statements of the Group.

The figures are based on the consolidated financial statements of the Group. The figures are based on the consolidated financial statements of the Group.

The figures are based on the consolidated financial statements of the Group. The figures are based on the consolidated financial statements of the Group.

The figures are based on the consolidated financial statements of the Group. The figures are based on the consolidated financial statements of the Group.

The figures are based on the consolidated financial statements of the Group. The figures are based on the consolidated financial statements of the Group.

The figures are based on the consolidated financial statements of the Group. The figures are based on the consolidated financial statements of the Group.

The figures are based on the consolidated financial statements of the Group. The figures are based on the consolidated financial statements of the Group.

The figures are based on the consolidated financial statements of the Group. The figures are based on the consolidated financial statements of the Group.

The figures are based on the consolidated financial statements of the Group. The figures are based on the consolidated financial statements of the Group.

The figures are based on the consolidated financial statements of the Group. The figures are based on the consolidated financial statements of the Group.

The figures are based on the consolidated financial statements of the Group. The figures are based on the consolidated financial statements of the Group.

The figures are based on the consolidated financial statements of the Group. The figures are based on the consolidated financial statements of the Group.

The figures are based on the consolidated financial statements of the Group. The figures are based on the consolidated financial statements of the Group.

The figures are based on the consolidated financial statements of the Group. The figures are based on the consolidated financial statements of the Group.

The figures are based on the consolidated financial statements of the Group. The figures are based on the consolidated financial statements of the Group.

The figures are based on the consolidated financial statements of the Group. The figures are based on the consolidated financial statements of the Group.

The figures are based on the consolidated financial statements of the Group. The figures are based on the consolidated financial statements of the Group.

The figures are based on the consolidated financial statements of the Group. The figures are based on the consolidated financial statements of the Group.

The figures are based on the consolidated financial statements of the Group. The figures are based on the consolidated financial statements of the Group.

The figures are based on the consolidated financial statements of the Group. The figures are based on the consolidated financial statements of the Group.

The figures are based on the consolidated financial statements of the Group. The figures are based on the consolidated financial statements of the Group.

The figures are based on the consolidated financial statements of the Group. The figures are based on the consolidated financial statements of the Group.

The figures are based on the consolidated financial statements of the Group. The figures are based on the consolidated financial statements of the Group.

The figures are based on the consolidated financial statements of the Group. The figures are based on the consolidated financial statements of the Group.

The figures are based on the consolidated financial statements of the Group. The figures are based on the consolidated financial statements of the Group.

The figures are based on the consolidated financial statements of the Group. The figures are based on the consolidated financial statements of the Group.

The figures are based on the consolidated financial statements of the Group. The figures are based on the consolidated financial statements of the Group.

The figures are based on the consolidated financial statements of the Group. The figures are based on the consolidated financial statements of the Group.

The figures are based on the consolidated financial statements of the Group. The figures are based on the consolidated financial statements of the Group.

The figures are based on the consolidated financial statements of the Group. The figures are based on the consolidated financial statements of the Group.

The figures are based on the consolidated financial statements of the Group. The figures are based on the consolidated financial statements of the Group.

The figures are based on the consolidated financial statements of the Group. The figures are based on the consolidated financial statements of the Group.

The figures are based on the consolidated financial statements of the Group. The figures are based on the consolidated financial statements of the Group.

Ursprünglich entwickelt für Brother-Litho in

Das report ist ein Produkt von Brother-Litho und enthält die Daten  
des Forest Stewardship Council (FSC®). Informationen über die  
Wald- und Umweltmaßnahmen sowie die Zertifizierung finden Sie unter  
B1441, die Ecol. Management und FSC (www.fsc.org) oder  
den FSC-Logo (www.fsc.org) oder die FSC-Logo (www.fsc.org).  
FSC® C022913



# DIPLOMA PLC

10 - 11 Charterhouse Square  
London EC1M 6EE

T +44 (0)20 7549 5700

[www.diplomaplc.com](http://www.diplomaplc.com)