

Registered in England and Wales
Company Registration No: 3899848

DIPLOMA DELIVERS

THURSDAY



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29/06/2023

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DIPLOMA PLC

Annual Report 2022

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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

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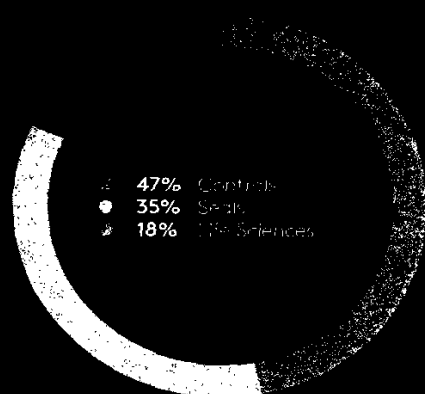
Other Information

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 preliminary and subject to audit and should only be used as a guide. Figures are in £m unless stated otherwise.

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

Customer focus

Determined to get better every day

Accountability

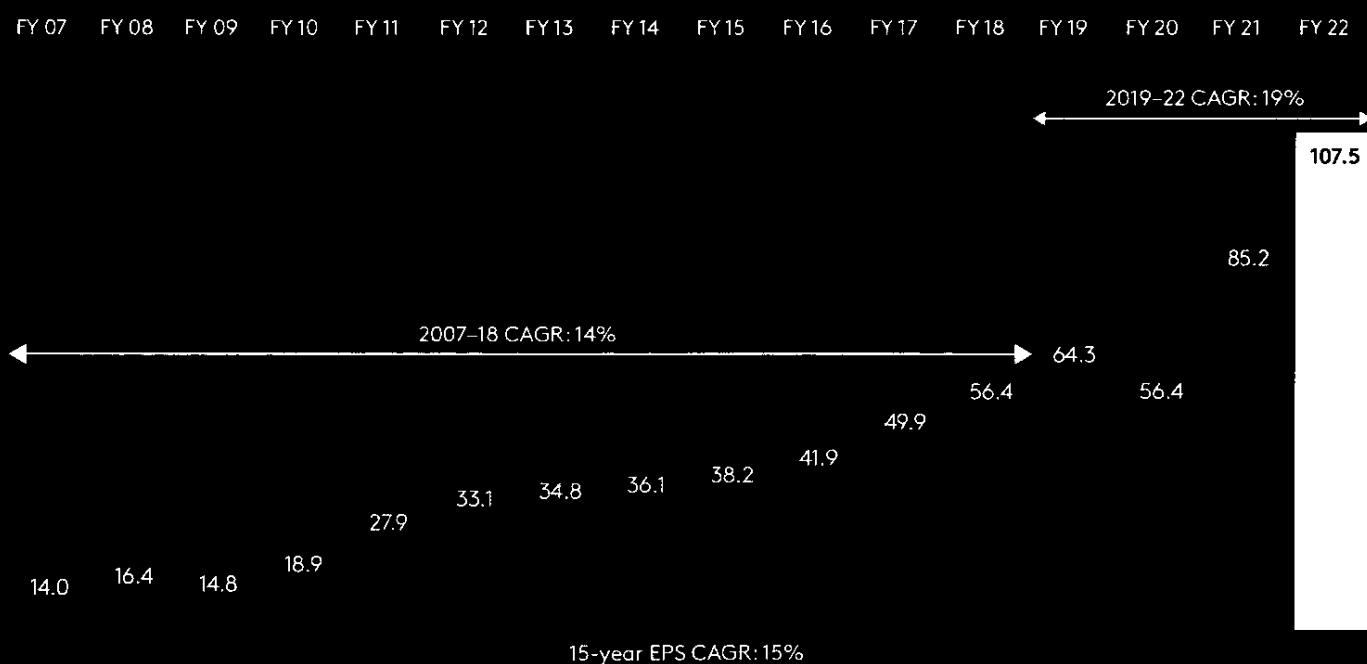
Striving for high standards

Integrity

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%+

Reported revenue growth¹

29%

Model: 10%+

Adjusted operating margin¹

18.9%

Model: 17%+

Adjusted EPS growth¹

26%

Model: double digit

Free cash flow conversion¹

90%

Model: ca. 90%+

Net debt/EBITDA¹

1.4x

Model: <2.0x

ROATCE¹

17.3%

Model: High teens

Dividend cover¹

2.0x

Model: ca. 2.0x

FOR OUR STAKEHOLDERS

Our Colleagues

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

Our Customers

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

Our Suppliers

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

Our Communities

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

	FY 2022	FY 2021	% change
Revenue	£1,012.8m	£787.4m	+29%
Adjusted operating profit ¹	£191.2m	£143.7m	+29%
Statutory operating profit	£144.3m	£104.3m	+38%
Adjusted EPS	107.5p	85.2p	+26%
Statutory EPS	76.1p	56.1p	+36%
DPS	53.8p	42.6p	+26%

¹ Figures are statutory adjusted operating profit, as presented in our 2022 financial statements.

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

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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.

2022 ANNUAL REPORT TECHNICAL EXPERTISE **VALUE-ADD** **ORGANIC GROWTH** **SCALE** REPUTATION



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.

CONS

GREAT SERVICE

TECHNICAL EXPERTISE

VALUE-ADD

ORGANIC GROWTH

SCALE

RESPONSIBLY

POSITIVE IMPACT

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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
FORWARD



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**

ESG INTEGRAL 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



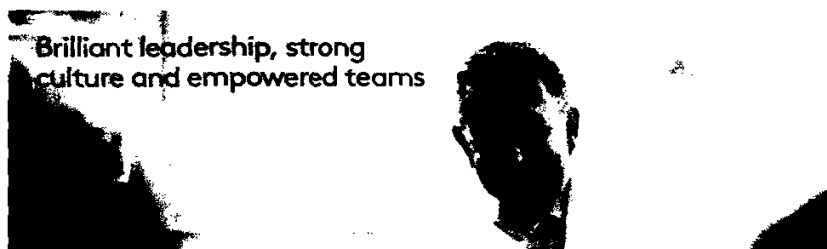
Technical expertise



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

Governance and execution

Best practice guidelines and networks

Our customers

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

Our people

Our colleagues need priority. We work hard to meet it, through our employee value proposition across the Group.

Our financials

79%

Our communities

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

Our performance

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

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Outlook

The Board is confident that the business is well positioned to meet the challenges ahead. The Board has a strong track record of delivering value to shareholders and is committed to continuing to do so. The Board is also committed to maintaining a strong relationship with the wider community and to supporting the sustainable development of the business.

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David Lowden
Chair



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. The management team and all my Diploma colleagues do a brilliant job – thank you.

Our 2022 financial performance was strong, driven by our operational excellence and strategic progress. The management team and all my Diploma colleagues do a brilliant job – thank you.

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A very strong financial performance

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

Controls +24%: excellent productivity

Controls +24%: excellent productivity. The management team and all my Diploma colleagues do a brilliant job – thank you.

Seals +14%: accelerated market share

Seals +14%: accelerated market share. The management team and all my Diploma colleagues do a brilliant job – thank you.

Life Sciences -4%: return to growth

Life Sciences -4%: return to growth. The management team and all my Diploma colleagues do a brilliant job – thank you.

Organic growth

+15%

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

Reported revenue growth of 15%... The management team and all my Diploma colleagues do a brilliant job – thank you.

Our 2022 financial performance was strong, driven by our operational excellence and strategic progress. The management team and all my Diploma colleagues do a brilliant job – thank you.

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

The 3R strategy of Revenue Diversification, Resilience and Resilience. The management team and all my Diploma colleagues do a brilliant job – thank you.

1. Positioning behind high growth end segments: many of which are deep-seated

Positioning behind high growth end segments: many of which are deep-seated. The management team and all my Diploma colleagues do a brilliant job – thank you.

Technology investment, including in data science and artificial intelligence

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Renewable energy and infrastructure investment in the US and Europe

Renewable energy and infrastructure investment in the US and Europe. The management team and all my Diploma colleagues do a brilliant job – thank you.

Accelerating diagnostics spending: ageing population and increasing demand for diagnostics

Accelerating diagnostics spending: ageing population and increasing demand for diagnostics. The management team and all my Diploma colleagues do a brilliant job – thank you.

2. Geographic penetration of core developed economies: we remain relatively underpenetrated in some developed markets, including America, Europe and Australia

Geographic penetration of core developed economies: we remain relatively underpenetrated in some developed markets, including America, Europe and Australia. The management team and all my Diploma colleagues do a brilliant job – thank you.

We are already benefiting from increased investment in the North American Aftermarket

We are already benefiting from increased investment in the North American Aftermarket. The management team and all my Diploma colleagues do a brilliant job – thank you.

- Geographical diversification in the US and Europe at International Controls Corporation, a division of our business creating a more balanced portfolio of businesses.
- The acquisition of Art Control, a technology leader in fluid power systems, gives us a new business line and brings us Australian Seals where we have not before. As a result, we have built a more global, more diversified risk.
- We continue to build upon Europe in Life Sciences and Fluid Power and Asia in Seals.

3. Product range extension to expand addressable markets: We do this incrementally within the business and portfolio line.

- The acquisition of R&G Fluid Power Group (R&G) represents a step change for Seals in the high end engineering fluid power market.
- Continued development of our exciting Adhesives business line in Controls: Technological development has delivered impressive organic growth and the track record of the R&G line Seals of the further strengthening of position in the US.
- We focus with our incremental product adjacency initiatives to make a key part of growth in the year with future potential and a highly diversified international Controls proprietary product development in US MRO, industrial, process Seals and high end industrial and aerospace and ongoing US Seals product line development in new innovative technologies, for example leveraging our artificial intelligence and diagnostics.

Focused portfolio development

Focused portfolio development is key to the sustainability of our organic growth. As the Group grows, we must focus on business lines that represent our competitive advantage, which we are the right owners to grow and make this means being good and doing it and then doing it again.

Acquisitions to accelerate organic growth

Acquisitions are a key part of our growth strategy, with a disciplined focus on non-related, high margin, value-added, attractive, non-related, low carbon growth opportunities with a clear growth potential and a strong track record. During 2022, we have had several high quality acquisitions, the portfolio should improve as a result of our continued efforts.



CEO'S REVIEW CONTINUED

LJR Electronics (Controls): acquired in February for £27m, annualised revenue of £10m, to give interconnect improved access to the large attractive and growing US interconnect market.

R&G (Seals): a value added offshoot distributor of a diverse range of industrial, hydraulic and pneumatic products, including seals and gaskets, acquired in April for £101m, annualised revenue of £59m. The business has added value in the UK and broadened the Seal product portfolio to expand addressable markets.

Accuscience (Life Sciences): a market-leading laboratory animal test distribution, Ireland, acquired in May for £51m, annualised revenue of £28m, adding a significant international contribution to the build out of the European platform, life science and drug research, existing diagnostic segment.

ACT (Seals): a flexible elastomer in customisable materials engineering and precision control solutions, Australia, July for £7m, annualised revenue of £4m, highly complementary and a further step in building high quality sealable Australia platform for growth.

Silicone Solutions (Controls): acquired for £10m, 6th term of annualised revenue of £1m, adding the liquid and diversifying new elastomer business line.

Two small bolt-ons at R&G (Seals): R&G continued to acquire bolt-on acquisitions, acquiring two businesses for £4m and £10m, annualised revenue of £5m.

Our acquisition pipeline is strong and growing, a key driver of the wider market leadership and our financial discipline. Nonetheless, we continue to invest in value-added bolt-ons at very attractive multiples. Since our H1 results and prior to year end, we invested £14m in four bolt-ons, since year end R&G has completed a further two bolt-on acquisitions for £5m. These bolt-on acquisitions are underpinned by a blended average multiple

Portfolio discipline

As part of a disciplined approach to portfolio management, we made two small non-core disposals in the year. In early May, we disposed of all our industrial, formerly part of the Life Science, Sector for £11m, annualised revenue of £13m. In November last year, we also disposed of Kentex, our Russian filters business, for £19m, annualised revenue of £20m.

Scaling our value-added businesses and the Group

Scaling our value-added businesses

As our businesses grow and scale, they need to evolve and the strategy needs to change to deliver their value and return on capital. All of our businesses have defined a clear strategic intent, business model and the strategic areas of focus.

A clear strategic intent is critical to the success of the **Core Competencies** in our businesses.

Supply chain: development of the supply chain and product mix, and the scaling of capacity and production. Including category management, supply chain optimisation, and product mix optimisation. We have made significant investments in our supply chain, including a £10m investment in 2020 in the new supply chain and product mix optimisation at WCV, and a £10m investment in 2021 in the new supply chain and product mix optimisation at WCV.

Commercial discipline (or pricing):

the combination of our manufacturing processes and the value we deliver. Our commercial discipline is a key driver of our growth and more value added. Better data through working with our suppliers on a greater number of data points with customers to deliver the right pricing for each.

Operational excellence: another key area this year as we improve across the enterprise across the portfolio as our businesses scale, they are 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 our **Talent, Technology and Facility:**

Talent: investment in talent remains a key driver of future growth, with a focus on high potential talent. In 2021, we made a significant investment in talent, with a focus on high potential talent. In 2021, we made a significant investment in talent, with a focus on high potential talent.

Technology: investment in technology is a key driver of future growth, with a focus on high potential talent. In 2021, we made a significant investment in technology, with a focus on high potential talent. In 2021, we made a significant investment in technology, with a focus on high potential talent.

Facility: investment in facility is a key driver of future growth, with a focus on high potential talent. In 2021, we made a significant investment in facility, with a focus on high potential talent. In 2021, we made a significant investment in facility, with a focus on high potential talent.

The investment in Facility supports the growth of our businesses and is a key driver of future growth. We are investing in facility to support the growth of our businesses and is a key driver of future growth. We are investing in facility to support the growth of our businesses and is a key driver of future growth.

We have maintained high-teens margins of

18.9%

Scaling the Group

We continue to actively evolve the structures, capacity and nature of the Group. Over the last three years we have evolved the structure of our operations at various levels, including in the financial and developed product strategy and customer experience work. At the same time, we have also been head office focused on moving elements to the business, delivering value, investing in working capital and our Finance, Legal, Compliance, Data, Human and Internal Audit.

Alongside our growth, we've also scaled operations and strengthened our culture. We continue to develop a complementary internal life and culture and identity based on our commitment to sharing.

Delivering Value Responsibly: embedding into our commercial strategy and culture

Over the last year there has been a real change in our culture with DvR and ESG programmes, our operations and processes are evolving in a way aligned with our investment goals. We have introduced a new internal framework embedded in our operating model and our Group, for financial and ESG, linking these to our targets, which further aligns our DvR and ESG work with the wider business. At the same time, the business has also set new targets for the business based targets in 2024.

Our performance highlights at the year include:

Excellent and consistent colleague engagement score

Our colleague engagement score has improved by 10% over the last year. This is a significant achievement given the challenges of a restructuring environment and has been achieved with no turnover across the firm. We have achieved a high engagement score and a high level of employee engagement and productivity.

Increasing the diversity of our Senior Management Team (SMT)

We have increased the diversity of our SMT from 10% to 20% in 2023. This is a significant achievement given the challenges of a restructuring environment and has been achieved with no turnover across the firm. We have achieved a high engagement score and a high level of employee engagement and productivity.

Carbon emissions flat despite 15% organic revenue growth

Our carbon emissions have remained flat despite a 15% increase in organic revenue. This is a significant achievement given the challenges of a restructuring environment and has been achieved with no turnover across the firm. We have achieved a high engagement score and a high level of employee engagement and productivity.

We are also on track to meet our DvR targets aligned to our five business areas. We are committed to net zero emissions by 2050, with a target of 100% reduction by 2050. We are currently reviewing our Scope 3 emissions in order to submit them to targets to 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

Drax has an excellent track record of compounding growth and delivering strong financial returns through the cycle. Our model is resilient and our strategic outlook makes us more resilient as we diversify and expand, increasing revenue diversification and we are exposed to exciting structurally growing end segments. Our focus on value added products and solutions critical to customer needs and productivity, reducing tier budgets, together with our service commitment, fosters sticky customer relationships and financial power and supports our financial growth. Our data driven generative model and strong balance sheet underpin our resilience.

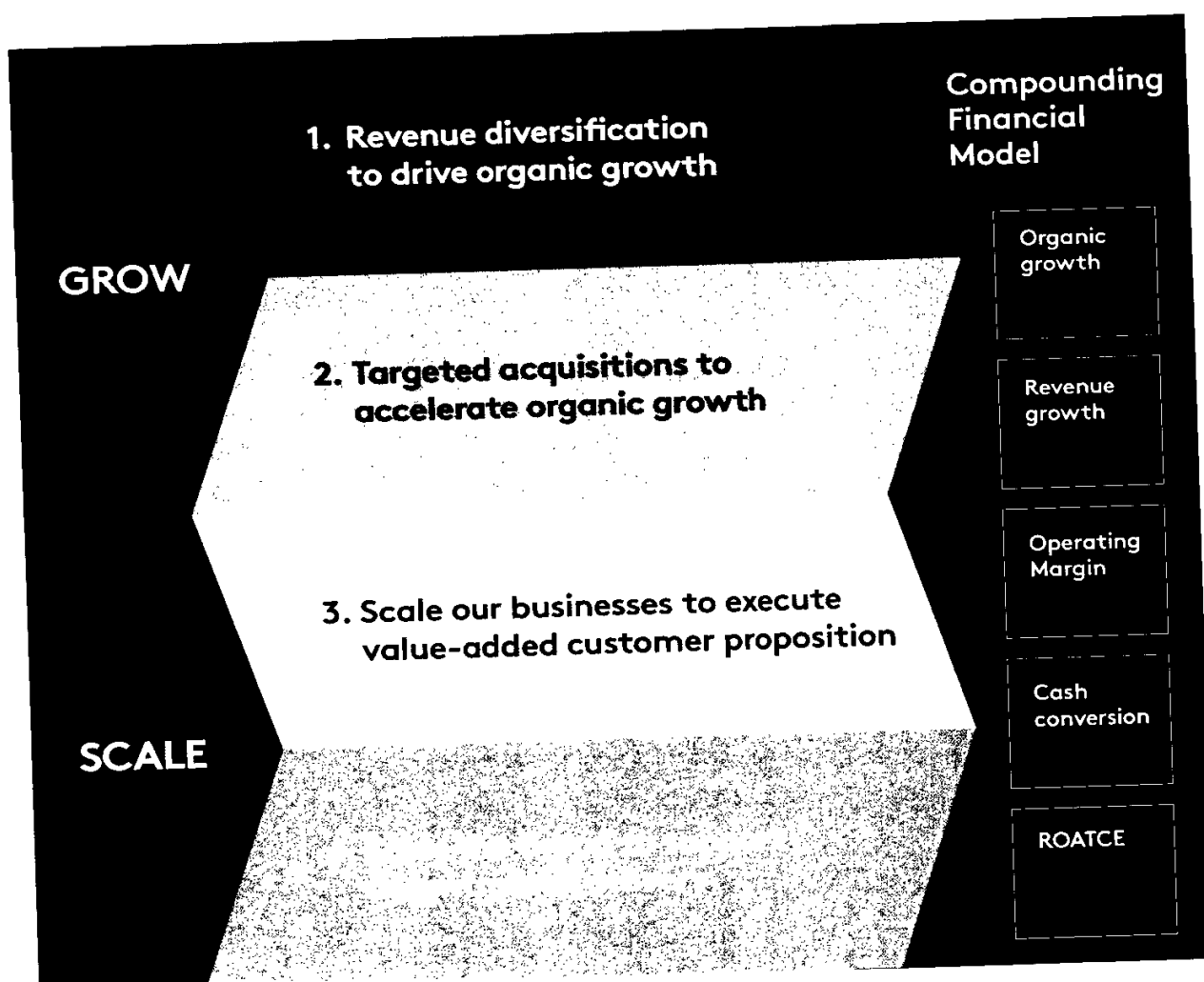
At the same time, in 2023 we expect to be in line with our long-term model.

- Strong revenue growth from a range of products and services, including our new products and services.
- Strong operational performance, with a focus on cost efficiency and productivity.
- Strong financial performance, with a focus on cash flow and profitability.
- Strong environmental performance, with a focus on reducing carbon emissions and improving resource efficiency.
- Strong social performance, with a focus on improving employee engagement and community relations.

Our 2023 performance is a testament to our resilience. We remain focused on delivering strong financial returns and improving our operational performance, while also maintaining our commitment to our stakeholders and the environment.

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

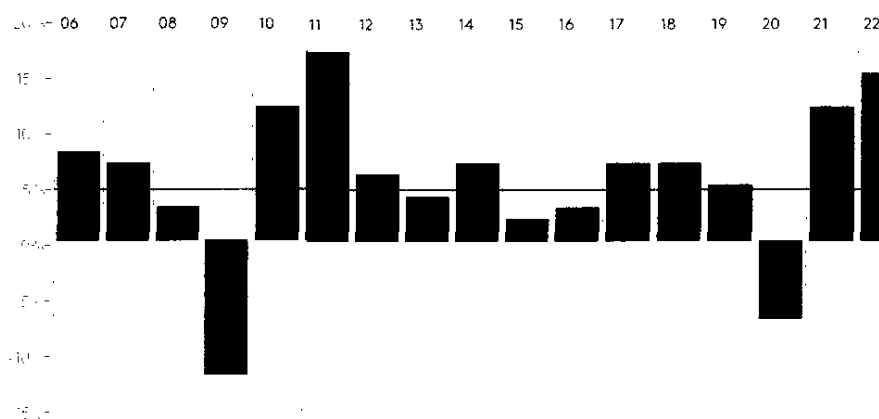
We are relatively underpenetrated in our core developed markets of North America, Europe and Australia where there is significant potential to increase market share.

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 focused on acquiring high-quality, value-added businesses that will accelerate organic growth. High-value transactions offer many advantages and a business plan which gives us flexibility to reinvest.

We aim to add 5% 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 aims to identify high-quality businesses with growth potential, offering strategic and financial discipline, and a clear path to a profitable outcome.

Our disciplined approach to acquisitions will result in a portfolio of value-added businesses.

03

Success factors

Target attributes

- Value-add and/or high gross margins
- Limited competition and scale benefits
- Proven operational track record
- Management team

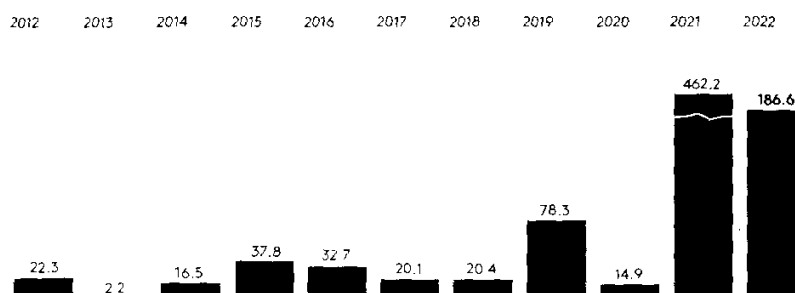
How we add value

- Investment in accelerating growth
- Operational excellence
- Management expertise
- Strong debt profile
- Financial integration benefits

Strategically & financially disciplined

- Focused focus on additive businesses
- Structured negotiation
- Strong focus on financial returns
- S&P 500

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.

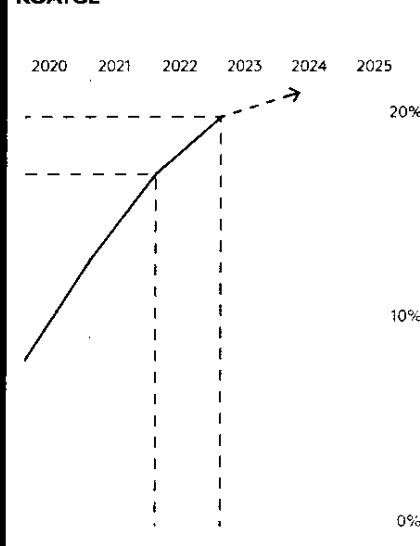
Acquired in October 2020 for £348m, the business represented a material strategic step forward, accelerating organic growth for the Group as a whole. Importantly, Windy City Wire diversified Controls into the large, attractive US industrials market and significantly increased the Group's exposure to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

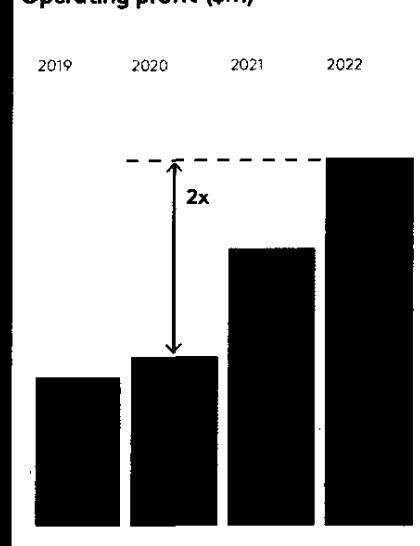
This has been driven by impressive volume growth and operating leverage on a well-invested platform.

Growth has been driven by exposure to high growth end segments – building automation, security access, data centres and digital signage 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 early May, we completed the acquisition of Accuscience in the US. Accuscience has a strong, established, high quality reputation in the US in its core revenue generating markets. The business has a proven ability to identify, attract, develop and retain top management talent.

The acquisition adds an exciting track record on growth and excellent customer service and of course

Characteristics:

- Market leading in several core markets, including
- a number of new and emerging

Value drivers:

- Existing product portfolio with organic growth
- New technology growth and aggressive customer
- introduction of new

Portfolio fit:

- Existing product portfolio with organic growth
- New technology growth and aggressive customer
- introduction of new

We acquired LJR Electronics in the US. LJR Electronics is a leading provider of interconnect solutions in the US and a leading provider of interconnect solutions in the US. The business has a proven ability to identify, attract, develop and retain top management talent.

Characteristics:

- High value product portfolio
- Established interconnect solutions
- Based in Ohio, US

Value drivers:

- Organic growth
- Synergies with existing US business
- Introduction of new

Portfolio fit:

- Existing product portfolio with organic growth
- New technology growth and aggressive customer
- introduction of new

CASE STUDY

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

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

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

Characteristics:

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

Value drivers:

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

Portfolio fit:

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

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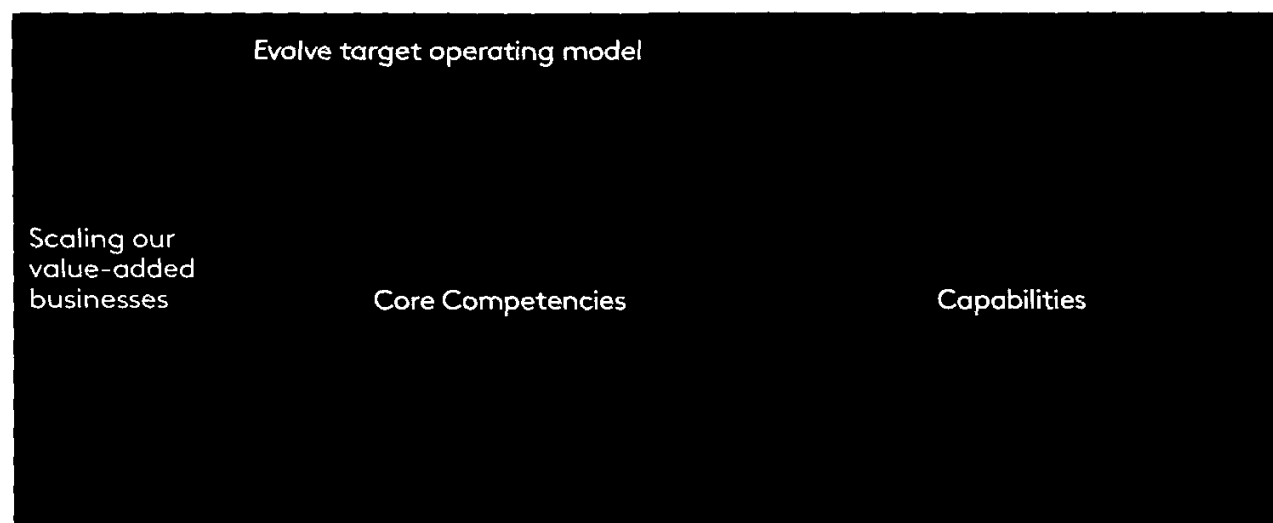
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3. Scale our businesses to execute value-added customer proposition

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

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



Core Competencies

We seek to continuously improve the Core Competencies that underpin our model.

Supply Chain Management

Accelerate supply chain to drive growth and respond to customer demand and more effective performance. Supply Chain Management

Operational Excellence

Improve operational performance and efficiency. Operational Excellence

Value-Add

Improve value-added proposition and customer experience. Value-Add

Commercial Discipline

Improve commercial performance and efficiency. Commercial Discipline

Route to Market

Improve customer acquisition and retention. Route 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.

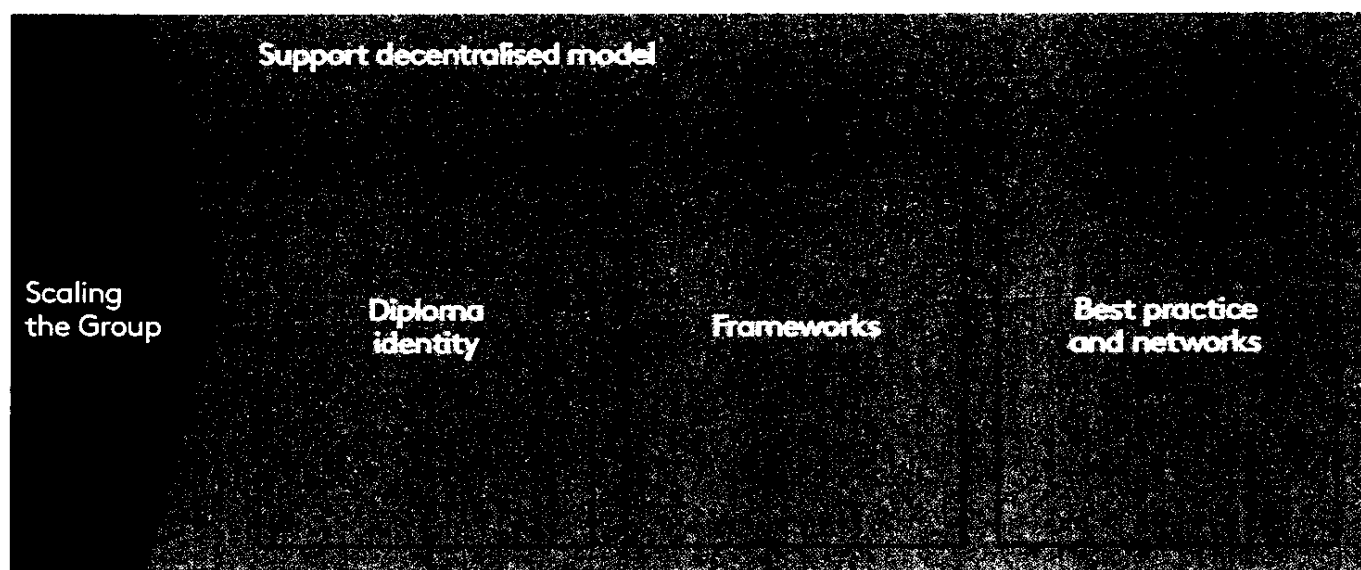
We continue to actively evolve the structures, capability and culture of the Group to deliver for the long term.

Over the last three years, we have evolved the Group's organisation and structure around our business lines. We have also delivered targeted investment to ensure a well-mixed head office portfolio providing service to the business – capabilities that are seen key functional areas.

As a customer-led organisation, the decentralised approach is fundamental 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.

Through leading leadership networks, we provide our leaders with the opportunity to share experience, achieve growth and develop the business plan.



Key capabilities

We support the development of these three capabilities through ongoing investing in capability.

Talent

Talent is a key enabler for our strategic vision. The right people, with the right skills, are fundamental to our success.

Technology

Our approach to Technology is to ensure that our customers' requirements are met in a timely and efficient manner. This is achieved through a combination of investment in people and technology.

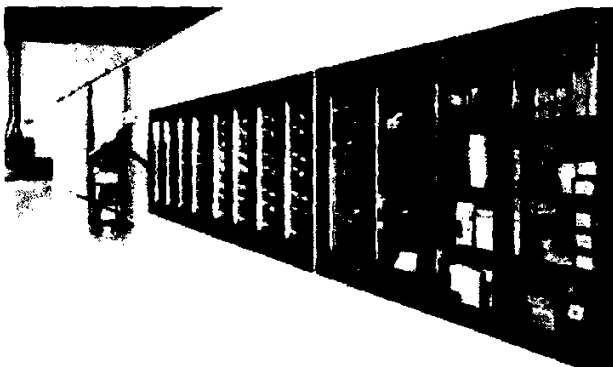
Facility

Our facilities are a key enabler for our strategic vision. The right facilities, with the right location, are fundamental to our success. This is achieved through a combination of investment in people and technology.

STRATEGY CONTINUED

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

Australian Life Sciences: building a scalable platform for growth



In May 2022, we successfully completed the project to build a state-of-the-art Australian Life Sciences business, Apacetyx, in Big Green, Burginalthorpe, Queensland. Apacetyx is a leading provider of high-quality, reliable and affordable laboratory services and products, and is a key player in the Australian Life Sciences market.

Building a new facility with capacity for future growth and expansion was a key requirement for the project. By harnessing their state-of-the-art technology, Apacetyx is able to deliver a high-quality, reliable and affordable laboratory services and products, and is a key player in the Australian Life Sciences market. The project also provided a number of opportunities for Apacetyx to improve its operational efficiency and to expand its customer base. The project also provided a number of opportunities for Apacetyx to improve its operational efficiency and to expand its customer base. The project also provided a number of opportunities for Apacetyx to improve its operational efficiency and to expand its customer base.

The project also provided a number of opportunities for Apacetyx to improve its operational efficiency and to expand its customer base. The project also provided a number of opportunities for Apacetyx to improve its operational efficiency and to expand its customer base. The project also provided a number of opportunities for Apacetyx to improve its operational efficiency and to expand its customer base.

Chicago June 2022: sharing best practice and building leadership networks



Our leadership team, including our CEO, attended a meeting in Chicago, Illinois, to share best practice and build leadership networks.

The meeting was a key opportunity for our leadership team to share best practice and build leadership networks. The meeting was a key opportunity for our leadership team to share best practice and build leadership networks. The meeting was a key opportunity for our leadership team to share best practice and build leadership networks.

Our CEO, Mr. [Name], was a key speaker at the meeting, and our CEO, Mr. [Name], was a key speaker at the meeting. Our CEO, Mr. [Name], was a key speaker at the meeting, and our CEO, Mr. [Name], was a key speaker at the meeting.



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, much work 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 model. These inform succession planning, training and development, and external recruitment.

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

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

wear many hats. Incremental investment in functional expertise is critical to scaling. In 2022, we made 20 SMT hires focused on Commercial, Operations, Supply Chain, Finance and Human Resources. We are leveraging this external hiring to improve diversity - in 2022, 40% of external SMT hires were women, more than offsetting the impact of acquisitions (SMT additions 190% male), increasing female SMT representation to 27.5%. We are committed to achieving gender balance at SMT level by 2030.

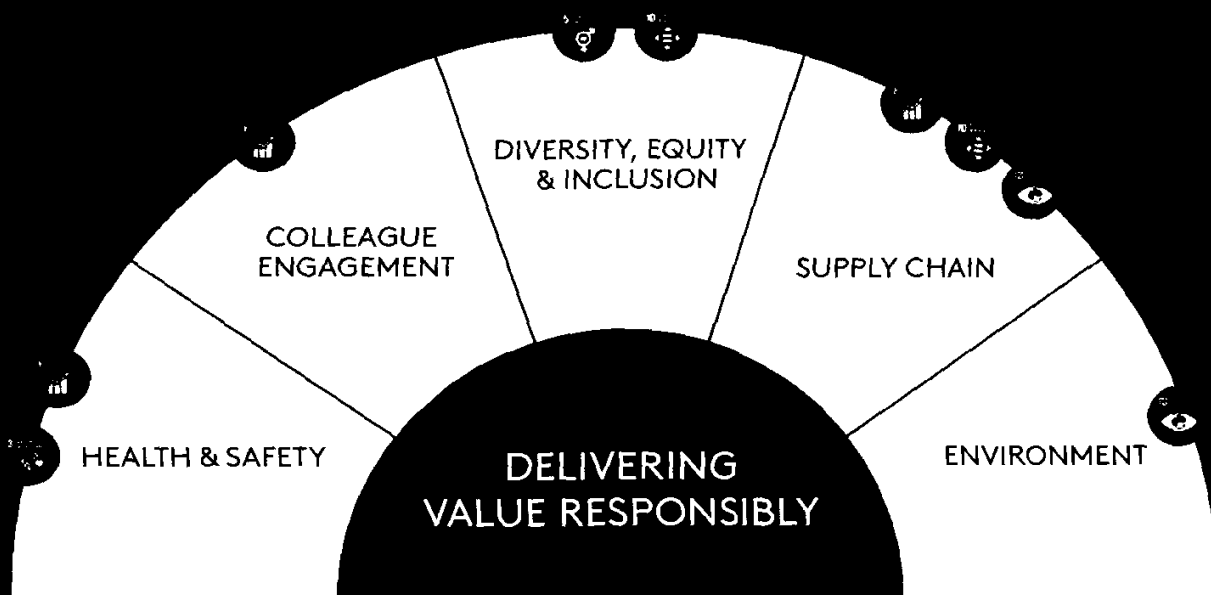
Talent is also central to evolving our leadership structures to support scale. For example, in Life Sciences, having focused the Sector around three strong geographic pillars, we have created a new role heading up Europe and a single CEO role for Australia & New Zealand.

We intend to maintain lean Sector structures and a small, skilled Group centre providing a service to our businesses. Here too we are selectively investing in key roles including US-based Corporate Development leads for North American Seals and International Controls; at Group centre, we have made incremental investments in Human Resources, Finance and Legal.

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

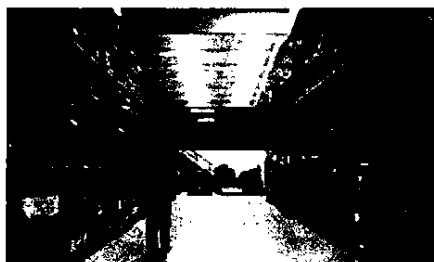
5. Delivering value responsibly

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



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

Delivering for our People



Our people are our success. It's 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 inclusion, and ensure a safe and healthy 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 major positive impact. We must leverage our relationship with key suppliers to tackle waste, packaging and emissions. This will drive efficiency, lower costs and deliver value for our customers, suppliers and ourselves.



Delivering a Positive Impact



Many of our products and services have end uses that positively impact the environment and our society. Whether it's safeguarding first responders' communications, supporting the transition to renewable energy and building the smart grid.



DVR PROGRESS DURING THE YEAR

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

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

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

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

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

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



DELIVERING VALUE RESPONSIBLY

DIPLOMA DELIVERS FOR OUR COLLEAGUES

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

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

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

89%

of our colleagues are proud to work for their business

Brilliant leadership

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

In June this year, we brought together

75

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

Building engaging and fulfilling careers

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

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

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

Mental health and wellbeing

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

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

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

Engaging our Colleagues

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

2022 Highlights

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

86%

response rate

79%

engagement index

KPI

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

Target

Maintain an engagement index of 70%+

Ongoing Focus

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

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

Our turnover remains consistent at 24.4% (2021 22.5%), reflecting a restriction in Australian healthcare and international demand, increased automation, and a challenging talent market.

Our Colleague Engagement Survey allows us to understand how we are doing our work for our colleagues and helps us to identify opportunities for improvement and development for us. We have set a sustainable target to maintain an engagement index of 70%+ which keeps us focused on understanding the real picture regarding engagement and encouraging open and honest responses.

Action during 2022

Following the Engagement Survey, our businesses set up listening groups to discuss key themes from their survey and put on-going compliance in place for the year ahead. They are supported by Group HR which assists the businesses in understanding and responding to their results and shares 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 will continue to not only bring our assessment system across the Group, but also a central hub for Group internal communications, courses and documents, and other courses and information to our internal coaches and DvE.

Our engagement score improved from 74.9% in 2021 and we were able to exceed the target score of 75% across the Group. In particular, engagement scores are consistently above the Group target of 75% (85%+).

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 will be working against the target of 75% for leadership and management, 70% for engagement, the target score for staff is 85% for leadership and management, with 70% for staff and 80% for staff. We believe that their management is working and able to meet the target to do this.

Following the 2021 Engagement Survey, we identified three areas of focus for leadership and management: development of leadership and management, development of leadership and management, and development of leadership and management. We will be working against the target of 75% for leadership and management, 70% for engagement, the target score for staff is 85% for leadership and management, with 70% for staff and 80% for staff.

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 will continue to be a key area of focus for leadership and management. We will be working against the target of 75% for leadership and management, 70% for engagement, the target score for staff is 85% for leadership and management, with 70% for staff and 80% for staff. We believe that their management is working and able to meet the target to do this.

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 Employee Engagement Survey.

The Employee Working Group is a group of staff from across the business and management level, department and line.

"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.

Working with our partners to protect our Diploma business, we have been proactive in ensuring our Health & Safety culture is robust, and our reporting is clear and consistent. We have also been proactive in ensuring our Health & Safety culture is robust, and our reporting is clear and consistent.

Our approach to Health & Safety is to ensure that we have a robust Health & Safety culture, and our reporting is clear and consistent. We have also been proactive in ensuring our Health & Safety culture is robust, and our reporting is clear and consistent.

By ensuring we have a robust Health & Safety culture, and our reporting is clear and consistent, we have been proactive in ensuring our Health & Safety culture is robust, and our reporting is clear and consistent.

We have continued to ensure that we have a robust Health & Safety culture, and our reporting is clear and consistent. We have also been proactive in ensuring our Health & Safety culture is robust, and our reporting is clear and consistent.

In further support of our ongoing focus, we have continued to ensure that we have a robust Health & Safety culture, and our reporting is clear and consistent.

Action during 2022

During 2022, we have been proactive in ensuring our Health & Safety culture is robust, and our reporting is clear and consistent. We have also been proactive in ensuring our Health & Safety culture is robust, and our reporting is clear and consistent.

We have continued to ensure that we have a robust Health & Safety culture, and our reporting is clear and consistent. We have also been proactive in ensuring our Health & Safety culture is robust, and our reporting is clear and consistent.

We have continued to ensure that we have a robust Health & Safety culture, and our reporting is clear and consistent. We have also been proactive in ensuring our Health & Safety culture is robust, and our reporting is clear and consistent.

86%

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

Head of the Police Support Vehicle Health & Safety Workgroup with colleagues who are responsible for Health & Safety at their various locations. The purpose of these meetings is to support our businesses in embedding the Police Support Vehicle ensure management is fully integrated and included, for 2023, and share best practice between Health & Safety managers.

We are pleased that we have started to develop a wider network of Health & Safety colleagues. This network will support Health & Safety managers together to share best practice and develop Health & Safety.

There are several training opportunities and courses on external certification available for our drivers and other businesses providing training.

The primary cause of LTI across the Group continued to be slips and trips. Our most severe injury was a sprained ankle which resulted in 24 hours lost time as the person could not perform the duties of their police warehouse role.

Potential hazard reporting increased across the Group to 572, for the year with an improved consistency of reporting across the businesses. We will continue to focus on ensuring that potential hazard reporting increases in all reporting periods.

There were no fatalities during the year.

CASE STUDY

North American Seals



During the year our North American Seal customers created a Health & Safety network to improve safety and management of Health & Safety.

4,832 hours of safety were achieved with 100% compliance and 100% of the year's safety goals were met.

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	375

During the year our LTI rate increased to 10.6, a 5.0% increase in the prior year of two incidents. However, we feel that safety is an ongoing process and the 2022 figures were a positive step. We are pleased that LTIs were reduced by 10% in 2022, with the severity rate dropping 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 all leaders across our business.

Our inclusive leadership workshops were well received by all senior M&D and other members of the senior management team. We also have a number of available learning and training management solutions.

During the year, we developed and published our Group Diversity and Inclusion Policy and standards and a commitment to follow it, including setting a goal for the senior management team to ensure 40% of external hires into the SMT are female. We are also working on ways to ensure a more equitable approach to DEI in our future succession planning, management and HR.

During the year, we have shared the key points of the policy with all SMT and senior management. This has given them the opportunity to give their own views on the policy and build networks.

40%

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

Gender diversity (as at 30 September)

	Male	Female	Total
Board	4	3	7
Executive team	6	2	8
SMT	46	36	82
Management	50	39	89

We have continued to work on the gender diversity of our SMT, to reach the 40% target. We have a number of initiatives in place, including the goal to ensure 40% of external hires into the SMT being women. However, the impact of the COVID-19 pandemic has meant that we have not yet reached the 40% target. We are working on ways to ensure a more equitable approach to DEI in our future succession planning, management and HR.

We are also working on ways to ensure a more equitable approach to DEI in our future succession planning, management and HR. We are also working on ways to ensure a more equitable approach to DEI in our future succession planning, management and HR.

Ethnic diversity (as at 30 September)

	Non-minority	Ethnic minority	Prefer not to say	Total
Board	1	0	0	1
SMT	45	13	2	60

We have also started to measure ethnicity for the SMT. We have a number of initiatives in place, including the goal to ensure 40% of external hires into the SMT being women. We are working on ways to ensure a more equitable approach to DEI in our future succession planning, management and HR.

% of women on SMT



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

Key suppliers aligned with Supplier Code **59%**

The first step in our supply chain is to work with our suppliers to ensure that they are aligned with our Supplier Code. This includes ensuring that they are compliant with our Supplier Code, which covers areas such as environmental impact, labour practices, and human rights. We are currently working with our suppliers to ensure that they are compliant with our Supplier Code, and we will continue to work with them to ensure that they are compliant with our Supplier Code.

Our first step in our supply chain is to work with our suppliers to ensure that they are aligned with our Supplier Code. This includes ensuring that they are compliant with our Supplier Code, which covers areas such as environmental impact, labour practices, and human rights. We are currently working with our suppliers to ensure that they are compliant with our Supplier Code, and we will continue to work with them to ensure that they are compliant with our Supplier Code.

We have also been working with our suppliers to ensure that they are aligned with our Supplier Code. This includes ensuring that they are compliant with our Supplier Code, which covers areas such as environmental impact, labour practices, and human rights. We are currently working with our suppliers to ensure that they are compliant with our Supplier Code, and we will continue to work with them to ensure that they are compliant with our Supplier Code.

We are also working with our suppliers to ensure that they are aligned with our Supplier Code. This includes ensuring that they are compliant with our Supplier Code, which covers areas such as environmental impact, labour practices, and human rights. We are currently working with our suppliers to ensure that they are compliant with our Supplier Code, and we will continue to work with them to ensure that they are compliant with our Supplier Code.

FY21 was the first full year of implementing our Supply Chain Policy and engaging our suppliers under our Supplier Code. Our focus was to ensure that our suppliers are aligned with our Supplier Code, which covers areas such as environmental impact, labour practices, and human rights. We are currently working with our suppliers to ensure that they are compliant with our Supplier Code, and we will continue to work with them to ensure that they are compliant with our Supplier Code.

During the year, our customers have identified their key suppliers. These are the suppliers that are most important to our business, and we are currently working with them to ensure that they are aligned with our Supplier Code. This includes ensuring that they are compliant with our Supplier Code, which covers areas such as environmental impact, labour practices, and human rights. We are currently working with our suppliers to ensure that they are compliant with our Supplier Code, and we will continue to work with them to ensure that they are compliant with our Supplier Code.

Tackling Emissions and Waste

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

2022 Highlights

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

Total Scope 1 and 2 emissions

10,615

Tonnes CO₂e

Emissions KPI

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

Waste KPI

% of total waste to landfill

FY30 Emissions Target

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

FY30 Waste Target

Less than 15% waste to landfill

Ongoing Focus

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

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

We are hugely grateful to our business and the many colleagues that have worked over the year to make sustainable a natural part of their identity, including applying an ESG lighting fitment policy, reducing any company cars and reducing their flights.

We have worked with EcoAction Africa (London) by Axiata to review our Scope 1 & 2 emissions and set a FY23 baseline for our SBTi aligned target to reduce Scope 1 & 2 by 50% by FY30.

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 buildings with Scope 2 representing 74% of total spending on energy. We intend to achieve our target by moving to energy efficient initiatives and installing renewable power generation, as well as the purchase of renewable electricity.

	FY22	FY21	FY20
Greenhouse Gas Emissions			
Scope 1 emissions	3,256	2,854	173
Scope 2 emissions	7,359	2,711	1,868
Group emissions	10,615	9,928	4,771

Tonnes CO₂e per £1m revenue

10.5

	2022	2021	2020
	10.5	12.5	8.0

Purchased electricity kWh

14,033,971

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

Gross emissions

10,615

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

[illegible]

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 HPIs 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

Following our initial period of reforming, alongside our DVK metrics and KPIs, we have set targets around the following KPIs:

Focus Area	KPI	Target	Target date	FY22	Our long-term vision
Employee Engagement	Engagement Index	Maintain Index	FY30	79%	High DVK League and high engagement
Health & Safety	LT Incidents (not including potential OSHA fines)	5th reduction in calendar year	FY30	10.6	Not one fatality or lost work
Diversity, Equity and Inclusion	% of women on the Senior Management Team	Women represent 40% of Senior Management Team	FY30	27%	A diverse and gender balanced workforce
Supply Chain	Unidentified key vendors aligned with the standards of the Supplier Code of Conduct	80% of key vendors aligned with the Supplier Code	FY30	44%	A key supplier and compliance with the Supplier Code
Environment	Greenhouse gas emissions (Scope 1 and 2) in tCO ₂ e	50% reduction	FY30	Baseline year: 10,615 tCO ₂ e	Climate net zero by 2041 and net zero across our value chain by 2050 (at 30% abatement)
Waste	Recycling waste to landfill	Recycling 100% waste to landfill	FY30	63%	To be a zero waste to landfill business

Our DVK metrics are linked to our engagement strategy, which is a key pillar of our ESG strategy. We report on all DVK metrics in our annual report, and we will continue to report on them in our future reports.

Responsible business

We are committed to doing no harm and to undertaking a due diligence and human rights and environmental risk assessment, which is a key pillar of our ESG strategy.

In line with our commitment to doing no harm, we have implemented a policy on doing no harm, and the Senior Executive Leadership Team have the highest standards of integrity, ethics and anti-bribe policies.

Charitable donations

The purpose of our charitable donations is to support the community and the environment, and to support the development of the community. During the year, we made charitable donations of £123,733 (2021: £73,274) to support a number of charitable organisations, including the following:

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, with a large number of geographically dispersed businesses in three management structures. Our approach to climate-related reporting has focused initially on developing a strong understanding of our own emissions (Scope 1 and 2) in order to set credible and dispositive reduction targets, published on page 63 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 expert set including Ecolab 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 FY23.

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

- Governance (page 64)
- Strategy (65)
- Risk management (65 and 66)

Our strategy and risk management is in further work, underway to understand the impact of climate-related risk and opportunity on our business. We are planning to undertake a materiality study in early FY23. Our understanding of these risks will be further informed by scenario analysis during FY23 in order to align with the targets and disclosures above. We have already begun to disclose Scope 1 and 2 emissions and targets for FY22 and will continue to enhance our disclosures. We are not currently fully compliant with materiality and target disclosure requirements as we have not yet completed our Scope 3 emissions and targets. However, we have engaged Ecolab to review and assist with our methodology for calculating our Scope 1 and 2 emissions and calculate our Scope 3 footprint and support us in submitting near-term targets to the TCFD in FY23 that consider a short-term target of reducing net zero carbon over 2050.

The further work in this area, and which is required to be consistent with the recommendations TCFD disclosures will be included in our FY23 and the findings will be included in our FY23 Annual Report.

GOVERNANCE

Discusses the governance of climate risk and climate-related risk and opportunity.

Board Oversight

The Board is responsible for the oversight of climate change and related risk. The Board is responsible for the oversight of climate change and related risk, including the oversight of the Group's climate strategy, and the oversight of the Group's climate risk management and the oversight of the Group's climate risk reporting and disclosure during the year, including:

- Reports on climate change and related risk, including the risk of climate change, that allow the Board to review the Group's climate change and related risk, together with its mitigation actions
- Quarterly updates
- Turning on KPIs related to climate change and related risk
- Annual disclosures

The Board is responsible for overseeing the integration of climate-related risk into the Group's overall risk management framework. The Board is responsible for overseeing the Board engages external experts to support. An example of this is the engagement of Ecolab in FY22 and advice on climate change and related risk for Scope 1 and 2 emissions and related risk. The Board is responsible for overseeing the Group's climate risk management and the oversight of the Group's climate risk reporting and disclosure during the year, including:

Management's role

Management is responsible for the oversight of climate change and related risk and the oversight of the Group's climate risk management framework. The Board is responsible for overseeing the Board engages external experts to support. An example of this is the engagement of Ecolab in FY22 and advice on climate change and related risk for Scope 1 and 2 emissions and related risk. The Board is responsible for overseeing the Group's climate risk management and the oversight of the Group's climate risk reporting and disclosure during the year, including:

Our climate governance is aligned with the governance of climate-related risk and opportunity.

As expected, there is increased physical activity due to the fine weather, with a statistically significant increase in walking for recreation and other forms of physical activity. There is also an increase in walking to work, but this is not statistically significant. There is no change in walking to school, which is not surprising, as children are not likely to walk to school in the winter, as well as snow, which is a barrier.

internal control and
risk management
pages 80-88

When a firm's location confers an advantage that is not shared by its competitors, it is termed a *location advantage*. Extreme weather events, such as the recent oil spill in northern California, can indeed confer a location advantage on a firm, but the benefits are generally short-lived. For example, a firm that is able to produce a product in a region that is not subject to hurricanes may have an advantage in selling its product in hurricane-prone regions. However, this advantage may be short-lived and may be eroded by others.

The results from the above regression analysis indicate that the effect of the independent variables on the dependent variable is significant. The regression model is significant at the 5% level of significance. The regression model is significant at the 5% level of significance. The regression model is significant at the 5% level of significance.

In the short and long term we would also not want to increase risk, in particular with the transition to a carbon economy. This is subject to the different findings of the expert group that we will report on in the Green Paper, and also to the preferences and demands for a certain level of uncertainty, which are different for various groups and interest groups. In contrast to what is often claimed, the dependence on the price of energy is not just about the energy itself, but also about the other inputs in the production process. For this reason, the impact of energy on the total value added is not as great as is often claimed, and this is particularly true for the services sector. The impact of energy on the total value added is also not as great as is often claimed, and this is particularly true for the services sector. The impact of energy on the total value added is also not as great as is often claimed, and this is particularly true for the services sector.

We do not expect any material impact from the risk reduction in our foreign currency-denominated receivables to materialize as we do not expect any of the countries that would be deemed high risk to be affected by a significant risk to a credit change. We do anticipate that our market movements will lead to a level that our operating and trading capital enough to evolve with the market on a periodic basis. In addition, our credit risk is mitigated by our diversified credit portfolio. We do expect to identify and mitigate related credit risks by using the appropriate tools to improve our operations efficiency, deliver value to our customers and, and also, to gain a better view of the market conditions and supply chain to produce the most efficient and profitable, twice a year, analysis.

On the one hand, and as we considered, the two risks in terms of a greater impact and identified by the ratings and the impacts as an emerging risk. However, we distinguish between more and less related risks and opportunities. As a result of further analysis. During EN2020 we have examined in more detail the more and less related risks and opportunities. In particular, we have identified risks and opportunities in our business areas, and identified a number of them. This analysis offers us a better understanding of the demand in the short and medium term, that are most likely to perform the impact of those risks and opportunities in the short and medium term. This will allow us to inform the associated management, short and medium-term strategy.

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

Our decentralised model means that local businesses are responsible for identifying, assessing and managing risks to their businesses. The businesses use a framework to make risk-based decisions based on both likelihood and impact to the business. As part of the board-level DfE governance, relevant risks are reviewed by the DfE Strategic Committee and Senior Leadership.

The Board holds ultimate responsibility for risk management and oversight and for ensuring appropriate systems of control are in place, as well as horizon scanning for emerging and potential risks. They are informed of the outcomes of risk reviews, including reviewing and approving the top risks. The Audit Committee oversees the effectiveness of the internal control environment for the Group and that the Group risk management governance and internal control are operating effectively.

METRICS AND TARGETS

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities

We recognise that the emissions produced as a result of our operations and value chain contribute to climate change and global warming. We also recognise the opportunities to undertake significant efforts to tackle climate change as well as our exposure to climate transition risks by making positive efforts to reduce our emissions.

We measure and manage our emissions in three categories: Scope 1 and 2 emissions and our own indirect Scope 3 emissions. These are reported quarterly by our business units and aggregated for reporting to stakeholders and progress. These metrics and our performance against them are available to find on pages 36-47.

During the year we have worked with ERM to review our Scope 1 and 2 reporting metrics and quality of the methodology and are currently working with them to improve our reporting of Scope 2 emissions.

We have announced a 50% reduction target for Scope 1 and 2 by FY21 against an FY20 base line. Our target aligns with the analysis of our value chain emissions and Scope 3 emissions currently being undertaken ahead of setting a net-zero target for the SBTi in line with the 1.5 degree pathway. Our targets in Scope 1 and 2 reduce our contribution to the increase in physical climate risk, but do not yet focus on improving the energy efficiency of our facilities. Alongside the calculation of our Scope 3 indirect emissions targets, we reduce our exposure to some transition risks.

Our Scope 3 calculation will also need us to better understand the value chain of our business as it relates to both physical and transitional climate-related risks.

Internal control and risk management pages 80-88

Environmental metrics page 57

Governance pages 80-87

Audit 2 years the Report 100-107

Our policies and procedures

Anti-bribery & Corruption	The Group has a policy on anti-bribery and corruption that complies with the requirements of the Bribery Act 2010. This policy, approved by the board, sets out the expected and effective compliance in our businesses around the world. We promote the relationship with our businesses through our Learning Management System, including training management and employees in customer and supplier management roles.
Code of Conduct	Our Code of Conduct sets out the expected standards of conduct and behaviour for all employees across Diageo as they relate to our people, governance and the law, and a media and stakeholder engagement. Much of the Code of Conduct has been derived from other Group policies, including Modern Slavery, Gender Pay, Diversity, Equity and Inclusion, and Health and Safety.
Diversity, Equity and Inclusion	Our Diversity, Equity, and Inclusion (DEI) Policy applies to all our employees in every aspect of how we work, and we believe our business objectives can only be met by creating an inclusive, diverse and equitable workplace. We believe that an effective DEI strategy will add value to our business, contribute to employee well-being and satisfaction, and attract, recruit and retain a workforce of exceptional talent.
Equal Opportunities	We are an equal opportunities employer with zero tolerance for any form of discrimination due to ethnicity, age, sex, religion, sexual orientation, gender identity, pregnancy, maternity, citizenship, national origin, marital status, or other protected characteristics. We comply with all applicable DEI and inclusion laws, regulations and standards and apply responsible standards where legislation is inadequate. We encourage all employees to report and call out discrimination or discriminatory behaviour through their line manager or through our whistleblowing hotline.
Environmental Policy	Our Environment Policy applies to all our employees and states that they comply with the standards and requirements set out. There are no exceptions to this policy. We respect applicable environmental laws, standards and the risks and opportunities created by the environment and climate change and any with which might impact them. 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 employees, contractors and partners through a proactive culture, clear standards, and a proactive approach to identifying and eliminating Group performance and potential areas for improvement. To ensure that suitable standards are maintained and the Board-level Health & Safety Committee and performance annually. The Group CEO has ultimate responsibility for Health & Safety across the Group, including ensuring provision of a safe working environment. Operating businesses are responsible for developing procedures and frameworks to suit their particular risk level.
Human Rights and Labour Conditions	The Group's activities are principally carried out in countries with strong human rights legislation, which the Group complies with in the full and strictest of terms. Our businesses carry out due diligence on their supply chain and our Supplier Code of Conduct requires compliance with our Supplier Code, which has standards and requirements related to human rights and labour conditions. Our own employees are provided with a safe, secure and healthy environment in which to work and have access to employee assistance programmes.
Modern Slavery Statement	The Group has a zero-tolerance approach to slavery in all its forms, including human trafficking, forced labour and child labour. Each business undertakes a risk-based assessment of modern slavery within the business, and is committed to ensuring Group businesses monitor and carry out due diligence on all our Board members, directors and the staff we employ, in accordance with the relevant legislation. The Board has been assured that slavery is not taking place in the Group. Our Modern Slavery Statement is available on the Diageo website.
Whistleblowing Policy	We have a Group-wide Whistleblowing Policy that applies to all our employees, contractors and is monitored by the Audit Committee. The Policy is available to all employees and contractors. Employees are encouraged to raise concerns about the integrity of our business, which is independently managed by an external provider, and to use our 24-hour whistleblowing helpline. Reports are reviewed by the Group Compliance and Ethics team, who liaise with the relevant internal and external stakeholders as required.

KEY PERFORMANCE INDICATORS

MEASURING OUR PROGRESS

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

FINANCIAL KPIs

Organic revenue growth

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

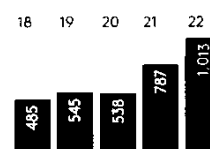
6%
Five-year average



Reported revenue growth

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

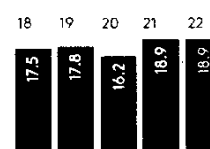
18%
Five-year compound



Adjusted operating margin

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

17.9%
Five-year average



Adjusted EPS

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

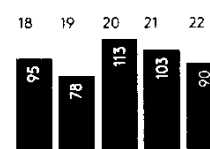
17%
Five-year compound



Free cash flow conversion

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

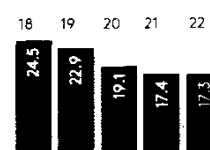
96%
Five-year average



ROATCE

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

20.2%
Five-year average



NON-FINANCIAL KPIs

OUR COLLEAGUES

Engagement index

An externally benchmarked score from our annual engagement survey

TARGET

maintain **70%+**

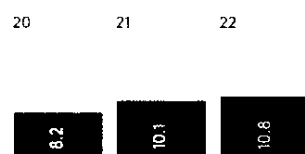


Lost time incident (LTI) rate

Number of LTIs per 1,000 employees

TARGET

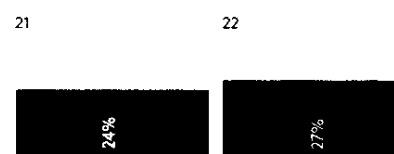
5% year-on-year reduction



% women on the Senior Management Team (SMT)

FY30 TARGET

40%+



OUR ENVIRONMENT

% key suppliers aligned with Supplier Code¹

FY30 TARGET

80%

of key suppliers aligned with Supplier Code by FY30

2022

59%

% of total waste to landfill

FY30 TARGET

<15%

waste to landfill

2022

60%

% reduction of Scope 1 & 2 emissions against FY22 baseline

FY30 TARGET

50%

reduction in Scope 1 & 2 emissions

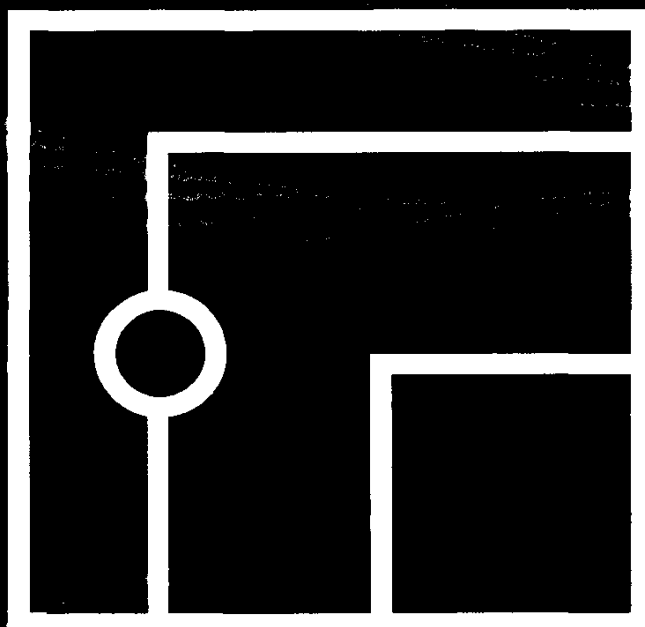
2022 (baseline year)

10,615 tonnes CO₂e

¹ Key suppliers are required to cover in aggregate at least 50% of our supplier spend. In the first year of reporting against this metric, 576 key suppliers were identified across the Group. Engagement on the Supplier Code is planned to FY23, where those suppliers not aligned with the standards of the Supplier Code

SECTOR REVIEW

CONTROLS SECTOR



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

Windy City Wire (WCW): 50%

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

Wire & Cable (UK): 9%

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

Interconnect: 22%

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

Specialty Fasteners: 10%

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

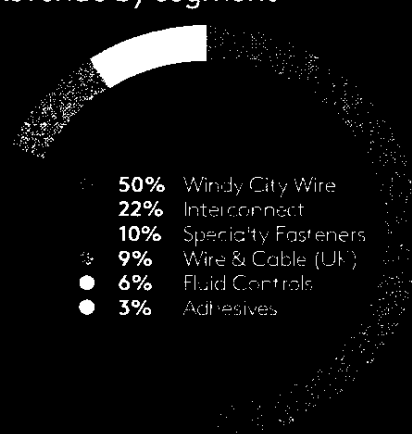
Fluid Controls: 6%

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

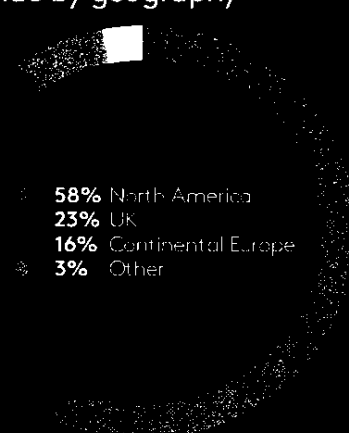
Adhesives: 3%

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

Revenue by segment¹



Revenue by geography¹

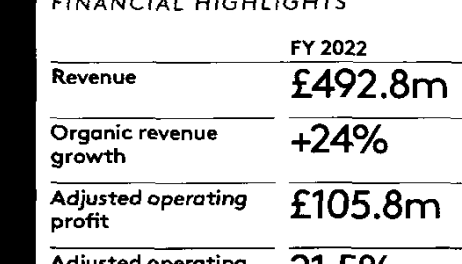


Reported revenue (£m) (compound growth over five years)

+30% p.a.

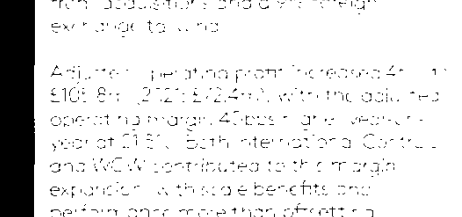
22 492.8

¹ The revenue figures are adjusted for acquisitions and disposals completed during the year.



- 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

attractive end state
broadening US co



International Controls (50% of project revenue), achieved a successful year as a result of major greened-up initiatives and market and public involvement and grants particularly in Europe. This translated

[illegible]

FIGURE 1 | The schematic diagram of the study design.

	FY 2021	Change in the year
2.8m	£343.3m	+44%
%	+16%	
5.8m	£72.4m	+46%
%	21.1%	+40bps

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

Wire & Cable

extending
ated
450
eared of
tribution
gr

Interconnect is a new, innovative, and highly competitive solution to the existing problem of interconnecting the various components of a system. It is a new, innovative, and highly competitive solution to the existing problem of interconnecting the various components of a system. It is a new, innovative, and highly competitive solution to the existing problem of interconnecting the various components of a system.

Specialty Fasteners Corporation is a leading manufacturer of innovative, high-strength fasteners for a wide range of applications. Our products are designed to provide superior performance and durability in demanding environments. We offer a comprehensive line of fasteners, including bolts, nuts, washers, and anchors, all manufactured to meet or exceed industry standards. Our commitment to quality and innovation has earned us a reputation as a trusted partner for businesses across various industries. Contact us today to learn more about our products and services.

[illegible]

Last year had now been integrated into our existing operation, the combined business is winning new contracts and capitalising on recovering aerospace demand. Geographic diversification has also been a theme in periods of low growth in Asia and an important contract with France for a major testing manufacturer. Newer end markets such as space are growing rapidly while growth in high performance road vehicles and Formula One rule changes have also contributed.

Fluid Controls had another good year delivering strong double digit growth and capitalising on the recovering food and beverage market.

Adhesives looks set to continue its extreme value with record sales growth in key automotive and aerospace where adhesives have many applications. The business has continued to benefit from the diversity of its customer footprint and is winning new projects with customers supplying into the EV and telecommunications markets. In both markets we have tested our capabilities both in acquiring the trade and at sets of Global Solutions (£3m) to add scale and new technology end markets.

Windy City Wire (£1.1m) in Seattle, Everette, WA has another excellent year and is on to strong track record. Organic growth was £2m+ with double digit sales growth against rising competitors, as well as the pass through of higher weather wear down prices. The impact of supplier moderation through the middle of the year as we started to see stronger supply growth. The business has benefited from its exposure to high growth end markets in need related to building automation, security, smart data centres and digital antenna systems. Over and above this, WCCW has taken market share as a result of the increasing customer proposition and superior product availability. Underpinned by a strong and stable supply chain.

Volume growth continued with the £1.1m invested pattern that transformed into a strong operating leverage and strong margins above the Group average. Over the last two years, WCCW has not only operated lean and tight but also outperformed its competitors in generating high return ROCE (£1.1m) with two year ahead of expectations.

Strategic progress

Delivering on our growth strategy

- Our Controls businesses are benefiting from initiatives to capture growth in structurally growing end segments - from data centres and digital antenna systems at VQW to electric vehicles and energy in internet and Controls which is also pushing into emerging markets such as space and unmanned aerial vehicles.
- Continued geographic diversification of international Controls, building scale outside the UK - our German energy business has delivered excellent growth. Fasteners is winning share in Asia and Europe and acquisitions in fasteners and internet are now delivering strong organic growth in the US.
- Fluid Control products remain an important component of our businesses' growth, pushing through supplier diversification and increasing MS to accelerate organic growth.
- Strategic acquisition of UPR Electronics in February for £2m to add scale in the world's largest defence and connect market, also giving our existing operation in Indianapolis the ability to leverage UPR's supply chain.
- Continued build out of our new adhesives business line with the acquisition of Global Solutions for £7m further diversifying end markets.

Building scale in our value-added businesses

- Acquired last year, we have fully integrated ArkW into our existing US Fasteners operation, merging our facilities at Long Beach and Huntington Beach. The US business is now a single, combined entity under one management team and implementing ERP systems.
- Continued progress with the plan to move our UK data businesses towards a single management structure and ERP. Ongoing investment in talent, including training to drive growth and supply chain and operations director to support the execution of our core competencies in customer investment in technology, including continuing in internet in the UK and a further build of ERP project.

Key trends and a strategic overview

- Controls as well as fasteners require full integration, hence, and broader our performance and our addressable markets for the long and medium term. And we are also the subject of future projects.

CASE STUDY

High growth end markets



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



Read more

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

SECTOR REVIEW

SEALS SECTOR



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

International Seals: 47%

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

North American Aftermarket: 23%

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

US Industrial OEM: 18%

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

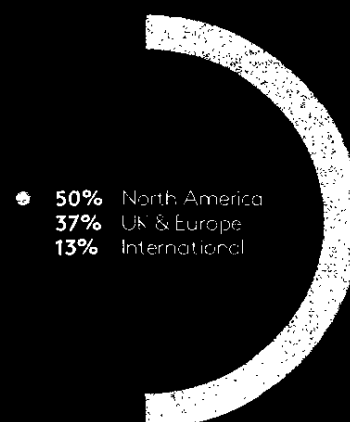
US Maintenance, Repair & Overhaul (MRO): 12%

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

Revenue by segment¹



Revenue by geography¹



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

+11% p.a.

22

331.4

¹ Excludes revenues adjusted for one-off, initial and atypical events completed during the year.

SECTOR REVIEW SEALS



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

Ted Messmer
Sector CEO, North American Seals



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

Alessandro Lala
Sector CEO, International Seals

FINANCIAL HIGHLIGHTS

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

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

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

Sector financial performance

Reported revenue increased £67.7m to £331.4m (2021: £263.7m), reflecting 14% organic growth, a 6% contribution from acquisitions and a 6% benefit from foreign exchange translation.

Adjusted operating profit outperformed revenue growth, increasing 35% to £62.6m (2021: £46.5m), with the adjusted operating margin 18.9% (higher year on year at 17.6% (2021: 17.6%)). This was primarily a result of a step up in the North American market, which benefited from the end of supply chain disruptions and improved efficiency at Louisville, as well as gains in MRO. The Sector margin was also benefited from positive operating leverage on higher volumes and the dilution of the higher margin aftermarket business, partially offset by the acquisition of R&G.

North American Seals – 53% of Sector revenue – delivered organic growth of 10%, reflecting very strong growth in our MRO and Aftermarket businesses.

North American Aftermarket had a highly successful year with Louisville commercial and Aftermarket performance and expanded new product lines. Profitability was supported by market share gains in the previously untapped Midwestern and Western states. This was

driven by a combination of new product initiatives, a new distribution network and marketing activities, which drove market share gains. Organic growth in the US was over 20%, with growth in the Western states being particularly strong. In the Aftermarket business, our main growth area with the global product footprint, we continued to diversify into new markets, including industrial and agricultural markets.

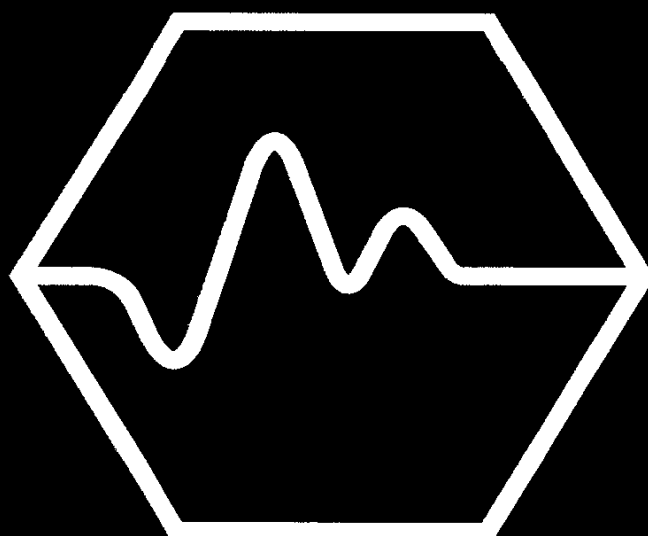
Organic growth was very strong for **MRO** driven by revenue diversification initiatives and positive Aftermarket demand and investment in expanding the business. Louisville and Detroit also showed particularly positive growth with new customer wins, product mix and structure. The new market diversification was positive with growth in the US industrial markets and a new customer base growing in the Aftermarket and industrial markets.

US Industrial OEM had a solid year of performance, supported by organic growth in the North American market and acquisition. The business now forms a key part of our industrial and commercial product and customer base. The business has a strong product portfolio and a strong customer base. The business has a strong product portfolio and a strong customer base. The business has a strong product portfolio and a strong customer base.

For more information on the Sector, please visit www.diploma.co.uk

SECTOR REVIEW

LIFE SCIENCES SECTOR



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

Canada: 43%

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

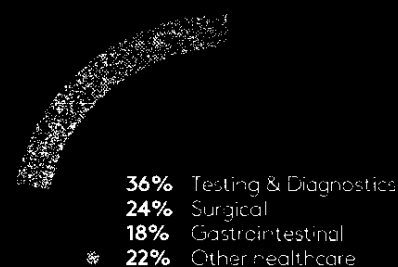
Australasia: 21%

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

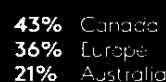
Europe: 36%

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

Revenue by segment¹



Revenue by geography¹



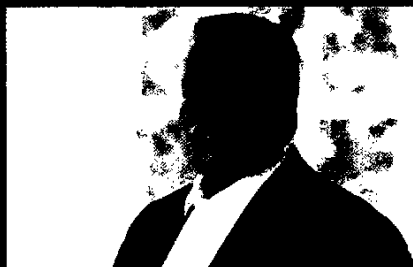
Reported revenue (£m) (compound growth over five years)

+8% p.a.

22

188.6

¹ Excludes revenues adjusted for long-term contracts 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
Revenue	£188.6m	£180.4m	+5%
Organic revenue growth	(4)%	+14%	
Adjusted operating profit	£41.0m	£43.2m	(5)%
Adjusted operating margin	21.7%	23.9%	(220)bps

- 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 £1.1m to £188.6m (2021: £180.4m) with organic revenues 4% lower year on year. Adjusted operating profit was up 5% to £41.0m, with the contribution from Accuscience and last year's Grandhigh acquisition offsetting more than offsetting the decline in adjusted operating profit in May and of £35.5m last year. Foreign exchange movements increased hospital revenues by 10%.

Excluding last year's Covid-related Covid-related ventilator sales, the Sector delivered 2% organic revenue growth. Growth was also somewhat moderated by Covid-related and hospital staffing shortages in the UK, Canada and Australia and a cold market.

Adjusted operating profit was £41.0m last year on £41.0m (2021: £43.2m). The adjusted operating margin fell 220bps to 21.7% against an initial operating margin of 23.9% (2021: 23.9%). The adjusted operating margin fell due to lower sales effects, impact of the impact of Covid-related and a return to the return of Covid-related.

Underlying momentum was very positive in **testing and diagnostics** in the UK, Canada, Australia, Ireland and Australia. Australia delivered high growth, although growth began to falter in FY 2022. In Canada, while COVID-19 had a moderate impact on the sector, our products have captured growth. Australia delivered high growth.

In the UK, the testing backlog and the impact of the Covid-related sales were offset by the impact of the Covid-related sales. In May, the impact of the Covid-related sales was offset by the impact of the Covid-related sales.

Our surgical business, which has a strong presence in the UK, Canada and Australia, together with hospital capacity constraints, led to a strong performance in the UK, Canada and Australia. In the UK, the impact of the Covid-related sales was offset by the impact of the Covid-related sales. In the UK, the impact of the Covid-related sales was offset by the impact of the Covid-related sales.

In critical care, the impact of the Covid-related sales was offset by the impact of the Covid-related sales. In the UK, the impact of the Covid-related sales was offset by the impact of the Covid-related sales. In the UK, the impact of the Covid-related sales was offset by the impact of the Covid-related sales.

ENGAGEMENT WITH STAKEHOLDERS AND SECTION 172 STATEMENT

Section 172 of the Companies Act 2006 requires the Directors to promote the success of the Company for the benefit of the members as a whole, having regard to the interests of stakeholders in their decision-making.

Our business strategy is shaped and informed by the views of our stakeholders and we have always believed that stakeholder engagement is critical to building a sustainable business.

In discharging their duties, our Directors will seek to balance the interests, views and expectations of the various stakeholders whilst recognising that not every matter will be equally relevant to each stakeholder nor every decision necessarily result in a conflict with the primary purpose and objective, or promote the long-term success of the Group.

Stakeholder engagement

The Board is committed to effective engagement with stakeholders and has established a culture that ensures this is an inherent part of our work. Our business objectives, strategy, vision and interests, the wide range of stakeholders and their interests, and expectations and demands, are embedded in our business strategy, and our business and community engagement.

Stakeholder interactions take place at all levels of the Group and are primarily for the purpose of maintaining and enhancing the value of our business and ensuring that decisions are made in the appropriate way. The Board will not attempt to engage directly with stakeholders in a way that would be inappropriate to the nature and relevant protection of our business, but ensure that some stakeholder engagement is maintained and that it is effective. Our governance and internal control framework for stakeholder engagement is approved by the relevant defined set of governance. This will be kept under review and updated where appropriate in the light of developments in stakeholder engagement, stakeholder expectations and the needs of our business.

and to the highest standards of conduct in line with overarching Group governance.

The Board receives and actively requires reports from the Executive team, who in turn have continuing dialogue with Sector and business management, to help it understand and assess the impact of our business, and the interests and views of our key stakeholders. It also reviews strategy, financial and operational performance, as well as information covering areas such as research and development, regulatory compliance. All Group and subsidiary Board decisions must demonstrate that relevant stakeholder perspectives and needs have been considered as part of the decision-making process. As a result of these activities, the Board has an overview of engagement with stakeholders, and other relevant factors, which enable the Director to comply with their legal duties under s172 of the Companies Act 2006 and therefore improve decision-making. (Please see pages 93 to 101 for details on how the Board operates and the way in which the Board and its Committees reach decisions, including the matters we discussed during the year).

How stakeholder interests have influenced decision-making

Decisions taken by the Board and its Committees consider the interests of our key stakeholders, the impacts of these decisions on the interests of our customers, suppliers and other stakeholders. The Board acknowledges that not every decision it makes will necessarily be in a positive outcome for all stakeholders and the Board frequently has to make difficult decisions based on conflicting priorities. By incorporating the Group's business and value proposition with its strategic priorities and taking account of the needs and interests of our Directors and other stakeholders, different perspectives.

Throughout this Strategic Report the Board has sought to demonstrate how the views of our stakeholders are embedded in how we do business, guided by our clear narrative. Details of the matters considered by the Board during the year can be found on pages 100 to 101.

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

Dividend

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

Acquisitions

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

OUR COLLEAGUES

Why we engage

As a global business, powerpcap has the ability to attract and retain qualified and experienced employees.

How we engage

- Group Colleague Engagement Survey
- Internal groups and engagement plans
- Regular business units
- Openment toment and performance management approach
- Internal communication through Europe Europe, UK Brown Wood internal
- Newsletters regular CEO address and internal memos
- Current event training and temporary staff training and development (D&E) governance and training via the Europe Europe, UK Learning and development system
- Workshops delivered in D&E topics, including Diversity, Safety & the environment
- Health & Safety and the Environment

How the Board engages

- As part of their role, the Board must understand the needs of our colleagues.
- They engage with them through:
 - Regular updates from the Group CEO
 - Group HR Director and Sector CEOs
- Events and feedback from the Group Colleague engagement Survey
- Business facilities unit

Outcomes/action taken

As a result of the engagement survey and other engagement activities, both the Group and Board are aware of areas of improvement related to mental health and wellbeing, Diversity, Safety & the environment and the Just Life Challenge and agreed that the following actions were taken:

- Colleague nomination nominations, including employees who go above and beyond
- Training on mental wellbeing for the Europe Europe, UK and working closely with the business to ensure the best
- Health & Safety awareness (D&E) training and participation in four D&E events
- One-to-one meetings were made to understand employee issues as well as support up EAP (employee assistance programme) and counselling

For more information on how we engage with our colleagues, please see chapter 3.1.2.3.

OUR BUSINESSES

Why we engage

Given the nature of our differentiated services, it is important that we maintain good levels of engagement with our customers to ensure we are engaged in the right way and aligned with our Group strategy. However, it is also important that we engage sharing and best practice.

How we engage

- Quarterly business reviews
- Regular business visits from Group
- Quarterly Senior Leadership Forum
- Meetings
- Senior Leadership programme

How the Board engages

- As part of their role, the Board must understand the needs of our businesses.
- They engage with them through:
 - CEO updates
 - Regular updates from Sector CEOs
 - Board visits
 - Review and action plans

OUR CUSTOMERS

Why we engage

It is important to ensure customer satisfaction and deliver a value proposition that goes above and beyond. It is important for us to remain engaged with our customers to receive feedback for continuous improvement and to build long-lasting relationships.

How we engage

- Providing value-added services
- Differentiated products and services
- Proactive customer relationships and are responsible for the needs
- Customer service and trade events
- Long-term relationships

How the Board engages

- As part of their role, the Board must understand the needs of our customers. They remain well informed on key matters through:
 - CEO reports
 - Updates from Sector CEOs
 - Risk management

OUR SUPPLY CHAIN

Why we engage

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

How we engage

- Strong, mutually beneficial partnerships
- Decentralised model and virtual business units maintain close relationships with suppliers
- Strategic growth and growth opportunities
- Collaboration to reduce innovation
- Regular engagement, including audits, on compliance
- Group Supplier Code and Supplier Code of Ethics
- Clear payment practices

How the Board engages

- Support other roles: the Board will consider the needs of our supply chain. They remain well informed on key matters through:
 - Updates from Group CEO and Section 22 but
 - 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 an open and constructive dialogue with our shareholders, providing investors with objective information about performance and strategy in order to enable them to put a fair value on the Company and ensure our continued access to capital.

How we engage

- Regular presentation by CEO and CFO
- One-on-one meeting with investors by CEO, CFO and Head of Investor Relations throughout the year, including via roadshows
- Annual General Meeting
- Briefing updates on key new news and developments
- Investor enquiries and information requests
- Engaging with the
- Relationship management

How the Board engages

- As part of their role, the Board will consider the needs of our investors. They engage with them through:
 - Attendance and engagement at the Annual General Meeting
 - CEO and CFO briefings
 - Engagement with the Investor and Connected Shareholders
 - Including consultation with stakeholders on remuneration and the new remuneration policy
 - Shareholder enquiries and information requests
 - Relationships and the Investor Relations
 - Annual financial and performance and future results and RNS
 - Review of financial results

ENVIRONMENT AND COMMUNITIES

Why we engage

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

How we engage

- Charitable donations and fund raising
- Initiatives by our Group and businesses
- Group environmental Policy
- Monitoring and greenhouse gas emissions reporting
- Integrated waste reporting
- Active input received into the DfR governance and workshop
- Training key stakeholders on net zero targets

How the Board engages

- As part of their role, the Board remain informed on key issues including the environmental issues and the climate change and the CEO reports
- Updates from Group CEO Committee
- Training on climate related issues and targets

Outcomes/action taken

- As a result of the aforementioned engagement activities the following actions were taken:
 - Adopting and implementing the developed and the Group following issues with environmental performance
 - Business adaptation to the energy efficiency
 - Transition to transition to renewable energy in partnership with the energy providers and investing in future clean technology

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

CASE STUDY

Relocation of Abacus dx and Big Green Surgical

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

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

Feefo Trusted Service Award
at Shoal Group

A1 award

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

Silver EcoVadis award at VSP
Technologies

96%

customer satisfaction at M Seals

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

Filcon Electronics awarded best
2021 European Distributor by a
major supplier

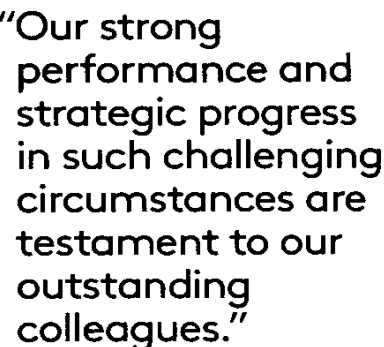
Overview

Strategic Report

Corporate Governance

Financial Statements

Other Information



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

believe that the salary that I earned is pretty decent and, not being with abundant opportunities, I will be promoted with a higher grade in the future. I am satisfied with the environment, work place, culture and think will stay with the company and to go forward for several years in the team.

A lot of people are finding a way to make their passion pay. They're turning their hobby into a business. Curious? You're not alone. We've asked 10 entrepreneurs how they've turned their passion into a business. Here are their answers:

have little experience or controlling a particular strategy and product through a framework. This has been used in my earlier work (SST) and not as a though, it is not clear as to how this can be applied to a particular strategy and product.

We worked through a series of 10 slides depicting a "roadmap" to customer service. The first slide was the most important, "Be Proactive." It was the one we spent most time working with. It had a red finger pointing to a circle that said "Be Proactive."

After more than a decade in a great shape, we have a strong finance team, the business is very profitable and our generation and third order sheet is strong. My uncle and his sons have been experts and in the future, I intend to keep going forward, planning, preparing and purchasing and improving on their own, continuing to develop my generation and the future.

to the early synthesis of long-chain polyunsaturated fatty acids (LCFA), and the peroxisomal localization of acyl-CoA oxidase, acyl-CoA dehydrogenase, and acyl-CoA:3-oxo-CoA transferase, and acyl-CoA: carnitine transferase, and 3-Me-Cr-CoA lyase.

Clearly, the more we know about the nature of the problem, the more confident we can be in the advice that we give. The more we know about the problem, the more confident we can be in the advice that we give. The more we know about the problem, the more confident we can be in the advice that we give.

Other researchers have noted that people with a college degree are more likely to be employed in the health care industry, and that people with a college degree are more likely to be employed in the health care industry.

Other Information

The Group's debt facilities are subject to interest at variable rates. During the year the Group entered into interest rate swap contracts with the effect of fixing the interest rate on \$100m (£86.6m) of debt. The effective fixed rate debt was 24.1% in comparison of total debt, but fell to 12.1% year end, and the Group entered into further interest rate swap contracts with the effect of fixing the interest rate on an additional \$100m of debt.

At 30 September 2022 the group's Net Debt fell 1.04x to 1.4x. We have strong liquidity with year end headroom of £204m (See table 3)

Employee pension obligations

The Group's defined pension schemes are provided by the UK and Ireland based providers through defined contribution schemes. At 30 September 2022 the aggregate cost in FY 2022 of £6.5m (£5.6m) is due.

The Group has funded a liability owed defined benefit pension scheme in the UK. The Group is currently funding this scheme with cash contributions of £0.6m. 2022 £0.6m with increases in 2023 and 2024 of £0.7m and £0.7m.

In Switzerland we have a defined contribution scheme which provides contributions based on employee salaries, which is funded by the employer and employee contributions. The scheme is managed by a local trustee, a corporate trust, employee contributions are deducted Swiss corporation which pays the balance between contributing companies in Switzerland and Swiss contribution to the trustee of 0.1% the benefit of the employee £0.6m. 2021 £0.6m.

Both the UK defined benefit scheme and the defined contribution scheme are regulated by the Financial Conduct Authority. At 30 September 2022 the aggregate amount of contributions paid plus benefit of 14.9% to a fund of 1.4% reflecting the annual increase in the value of the fund of 1.4% to 1.4% at 30 September 2022, which is the value of the fund of 1.4% at 30 September 2022. The next formal triennial funding valuation of the UK defined benefit scheme is due at 30 September 2022, with completion expected in the period of 14.9% 2023. Further funding will be required in 2023, 2024 and 2025, the total estimated funding requirement is £0.6m.

FX tailwind and interest headwind largely offsetting

With the increase in the value of the pound, the interest rate and currency headwinds have largely offset each other. In FY 2023, it is likely that FX change rates, especially Sterling, will provide a positive contribution to the Group's operating performance. With regard to the Group's debt, floating should also be able to take advantage of current levels. We would expect these effects to largely offset each other.

Organic revenue growth

15%

Reported revenue growth

29%

Adjusted operating margin

18.9%

Free cash flow conversion

90%

Net debt/EBITDA

1.4x

Table 3: Composition of net debt

Type	Currency	Amount	GBP equivalent	Interest rate exposure
Term loan	USD	\$191.0m	\$191.3m	Fixed at 2.7%
FFI	USD	\$8.0m	\$8.0m	Fixed at 2.7%
ATF	GBP	£129.2m	£129.2m	Floating
RPI	EUR	€60.0m	£70.6m	Floating
Total drawn debt (less cash and cash equivalents)			£370.6m	
Gross debt drawn at year end			£370.6m	
Less cash and cash equivalents			£41.0m	
Net debt at year end			£328.9m	

As at 30 September 2022

For further information see page 10

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 necessary to evaluate the exposure and ensure they remain within our overall risk appetite. This framework also provides the basis for the businesses to anticipate threats to delivering their customers and markets we are required to achieve have limited control over.

Our risk management framework continues to evolve to ensure that it supports the Group's ongoing growth and strategic objectives. A robust and adaptable

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

Our approach

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

appropriate business plans and shall be from the Group. This is an integral part of our decentralised business model which encourages risk-appropriate. The Board and our Group employees have a continual improvement focus, including how to better identify, evaluate and manage risk and enable growth. We have continued to improve our risk management and governance in 2022 by developing our 'top down' approach, horizon scanning for emerging and potential risks and enhancing embedded management and governance procedures. We have undertaken initiatives to develop risk appetite, thinking and culture within the Group, the new primary opportunities to drive innovation and mitigate risk as appropriate.

The August 2022 framework provides a clear understanding of the current approach to managing risk across the Group. An internal audit function has been introduced to provide independent assurance that the Group's risk management framework and internal controls are operating effectively.

Our risk management framework



Risk appetite

The Board retains a defined appetite to take delivery of the strategy and for sharing with and other stakeholders a dependent upon accepting a level of risk. Our risk appetite sets out the level of risk and opportunity in pursuit of our strategic objectives. The appetite level of risk is assessed in an annual work by the Board which defines its risk appetite against certain key indicators, including potential impact of risk, likelihood of risk and ability to reduce risk through mitigation. This ensures a consistent approach to risk appetite for executive and the strategic priorities of the Group.

Identifying and monitoring material risks

Each of our Companies have implemented the risk and opportunity management framework and support in the development of their regular business risk review, evaluating how risks and opportunities are controlled, whether mitigation is required and whether any further actions are required. Material risks are identified through in-depth analysis of business processes and procedures and a consideration of the strategy and operating environment of the Group.

The businesses use a risk rating 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 basis that it is a risk that there are mitigating actions in place that to provide a score and then reviewed to establish the risk score for mitigation. This identifies which risks require further mitigating controls and which require further treatment. Action for executive is then performed at Sector and Group levels to develop an overall position and picture of operational risk for the Group. This risk review is both robust and an ongoing measure that risks are identified and monitored and that management controls are implemented in the businesses' operations.

Our current board approach to emerging risk is the Head of Legal meets with the Executive team and key functions to review and update their material risks, as well as monitor scanning for new disruptors. These are then reviewed and approved prior to the updated material risks being reviewed and approved by the Board.

During the business, their operational risks identified are reviewed to ensure there are no new risks or risks or material risks affecting multiple businesses or Sectors. Any actions to improve evaluation or management of risks are shared across the business by the relevant Sector. During the year, updates from management to the Board covered all of our principal risks. With the assistance of the Audit Committee, the Board confirmed its opinion 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, internal control and internal audit to ensure accurate accounting and to identify and mitigate the principal risks of the Group. The governance process within the framework ensured that the controls were in place to identify risks and appropriate mitigating actions are appropriately reviewed by the Executive team and reported to the Board on a regular basis.

Emerging risk

The Board also considers potential risks, threats and opportunities that could impact the Group in the future. These emerging risks have no track record in previous experience, either in the potential impact, likelihood of occurrence or the impact that it could have on the business, influence the performance of the Group.

The risk management framework enables early identification of emerging risks so they can be tracked and evaluated through what the business does, with any potential future developments. This allows the Board to take action if the Group is added, added, prevented or the situation.

The emerging emerging risks have been identified and identified future risks will be monitored and monitored in a regular manner.

Emerging risk	Description
Technology evolution	The risk that the Group does not manage its response to evolving technological effect level.
Climate change	The risk that the Group fails to anticipate the impact of climate change, including the increased frequency and severity of natural disasters and impact on its end markets and products.
Digitalisation	The risk that the Group fails to implement digital services, leading to a decreased revenue 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 Strategy report are the principal risks and uncertainties affecting the Group. These have been determined by the Board, using the robust risk evaluation described in the principal page, to have the greatest potential impact on the Group's future viability.

The principal risks are either macro/external, strategic, operational and financial in nature, or risk of reputational impact.

The risks in this report do not represent the principal risks and uncertainties faced by the Group, as the cross-sector, cross-geographic risks. These risks are considered and evaluated in the above section, performance, but the have a direct performance impact on the products of the Group. However, the risks do not comprise all the risks that the Group may face and a full analysis of all risks is not intended as a primary objective.

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 relevant diversification strategies being successfully implemented.

Customer Concentration and Inventory Obsolescence are no longer considered to be principal risks, although will continue to be monitored and evaluated. Inflationary environment has been re-categorised to be a principal risk, previously being considered an emerging risk.

Supplier Concentration/Loss of Key Suppliers and Supply Chain disruption have been added and noted for supply chain, which will also include the risk of supply chain intermediation.

Loss of key personnel and key talent Turn & Overturn and a loss of the key talent has been added to risk of supply chain, which will also include the risk of supply chain intermediation.

Tax Compliance has been added to the risk of supply chain, which will also include the risk of supply chain intermediation. Tax Compliance has been added to the risk of supply chain, which will also include the risk of supply chain intermediation.

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.

	↑ Increase		↓ Decrease
	↓ Decrease		* Significant

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

Unsuccessful acquisition

Risk category

Strategic risk

Board risk appetite

Tolerant

Change in risk



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

Risk description and assessment

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

The following are the key risks of an acquisition process:

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

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

Mitigation

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

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

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

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

Geopolitical disruptions

Risk category

Macro/external risk

Board risk appetite

Averse

Change in Risk



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

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



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

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

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

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



Principal risk	Risk description and assessment	Mitigation
<h2>Health & Safety</h2> <p>Risk category Operational risk</p> <p>Board risk appetite Averse</p> <p>Change in risk </p> <p>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.</p>	<p>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.</p>	<p>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.</p> <p>Additionally, management continues to promote mental health and wellbeing, offering support to colleagues and access to an employee assistance programme.</p>
<h2>Technology & cyber</h2> <p>Risk category Operational risk</p> <p>Board risk appetite Cautious</p> <p>Change in risk </p> <p>The risk of cyber attacks remained high in 2022.</p> <p>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.</p>	<p>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.</p> <p>Any disruption or denial of service may delay or impact decision-making if reliable data is unavailable.</p> <p>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.</p>	<p>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.</p> <p>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.</p> <p>A formalised ERP approval and implementation process ensures businesses have the most suitable IT systems to effectively manage their business.</p> <p>Business continuity plans exist for each business with ongoing testing.</p>

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
 Decrease	 New risk

Principal risk

Foreign currency

Risk category

Financial risk

Board risk appetite

Cautious

Change in risk



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

Risk description and assessment

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

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

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

Transactional foreign exchange risk arises principally with respect to US dollars and Euros. The majority of the Group's Canadian and Australian businesses' purchases are denominated in US dollars and Euros. The Group's US businesses do not have any material foreign currency transactional risk.

Mitigation

The Group operates across a number of diverse geographies but does not hedge translational exposure of operating profit and net assets.

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

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

Details of average exchange rates used in the translation of overseas earnings and of year end exchange rates used in the translation of overseas balance sheets, for the principal currencies used by the Group, are shown in note 26 to the consolidated financial statements.





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 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 robust and realistic view has been chosen for this assessment having considered the speed and degree of change in our key assumptions influencing the Group, as well as the speed at which it is in the forefront of the group which is reflective of the Directors' ability to adapt to even the most uncertain of conditions over the period of change in the primary end markets in which the Group operates. The Directors believe that three years represents the most appropriate time period within to assess the Group's Viability. This is consistent with the Board's strategic review being undertaken in respect of each business and disclosed. As part of this, assumptions are made regarding potential growth markets and opportunities, future growth rates of the existing businesses, and the potential performance of existing customers.

The Directors confirm that the robust assessment undertaken, the principal risks facing the Group, as set out on pages 82 to 86, and the potential impacts thereof, would have on the Group's business in our future performance, as well as on its ability over the assessment period. The Board confirm that the diverse nature of the Sectors and geographic locations in which the Group operates, and its capability to mitigate the materiality of these uncertainties, is a key factor in the Group's

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

A robust financial model of the Group's business, underpinned by business plan and the metrics for the Group's key performance indicators (KPIs) are reviewed for the assessment period. The Group's KPIs have been subjected to sensitivity analysis that includes flexing a number of the main assumptions, namely future revenue growth, unit pricing and case trading impact, on the Group, arising from a downturn in the main end markets in which the business operates, operating margin, and an unfavorable working capital movement, driven by further supply chain disruption. The degree of severity applied in this assessment was based on management's experience and knowledge of the Sectors in which the Group operates.

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

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 24 months during the Covid-19 pandemic, its strong financial position and robust 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.

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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

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.

More information

Read more on pages 72 to 75, and page 89.

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 86 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 138.



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 Responsibility (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 core 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 29.

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 Gibbs 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



100% Non ethnic minority

Gender diversity



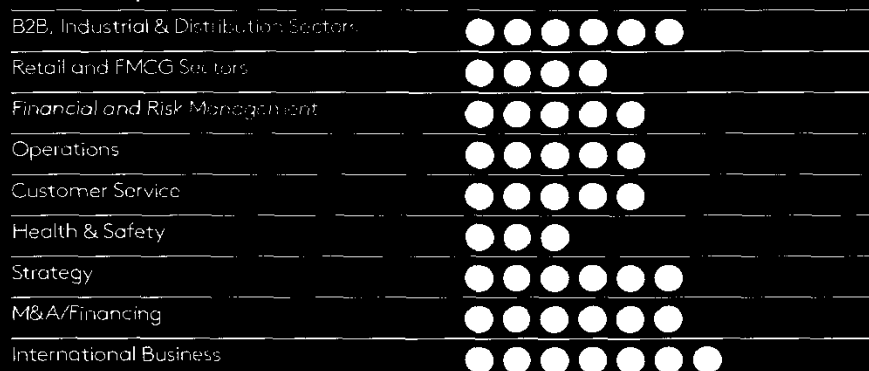
57% Male
43% Female

Length of tenure



57% 0-3 years
14% 3-6 years
29% 6-9 years

Skills and experience



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

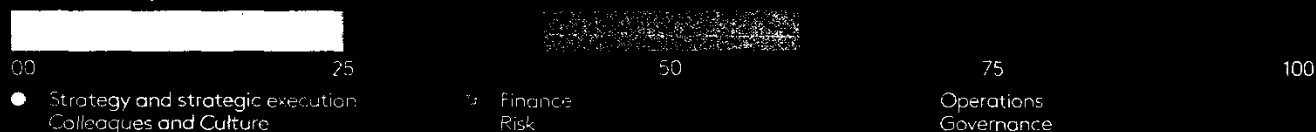
Member	Board	Audit Committee	Nomination Committee	Remuneration Committee
David Lowden	8/8	–	4/4	6/6
John Nicholas	3/3	–	1/1	1/1
Johnny Thomson	10/10	–	–	–
Barbara Gibbs	9/9	–	–	–
Anne Thorburn	10/10	5/5	5/5	6/6
Andy Smith	10/10	5/5	5/5	6/6
Geraldine Huse	10/10	5/5	5/5	6/6
Dean Finch ¹	9/10	5/5	4/5	6/6

¹ Dean Finch was unable to attend the Board and Nomination Committee meetings to appear in the report due to David Lowden as Chair, as they were called on short notice.

Changes to the Board

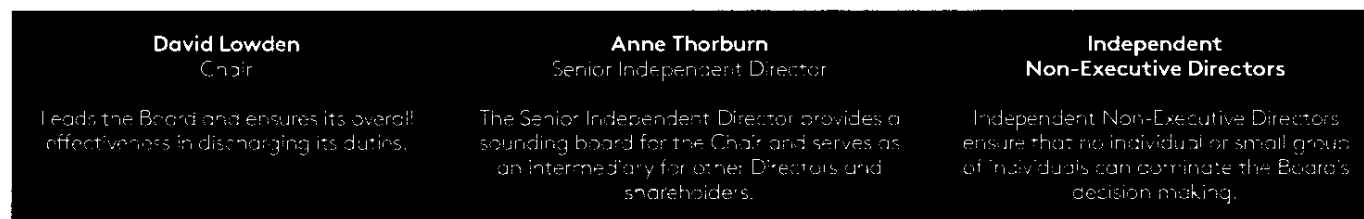
- John Nicholas stepped down from the Board on 19 January 2022.
- David Lowden was appointed as Chair of the Board and Nomination Committee on 19 January 2022.
- Barbara Gibbs stepped down from the Board on 30 September 2022.

Board activity and focus area



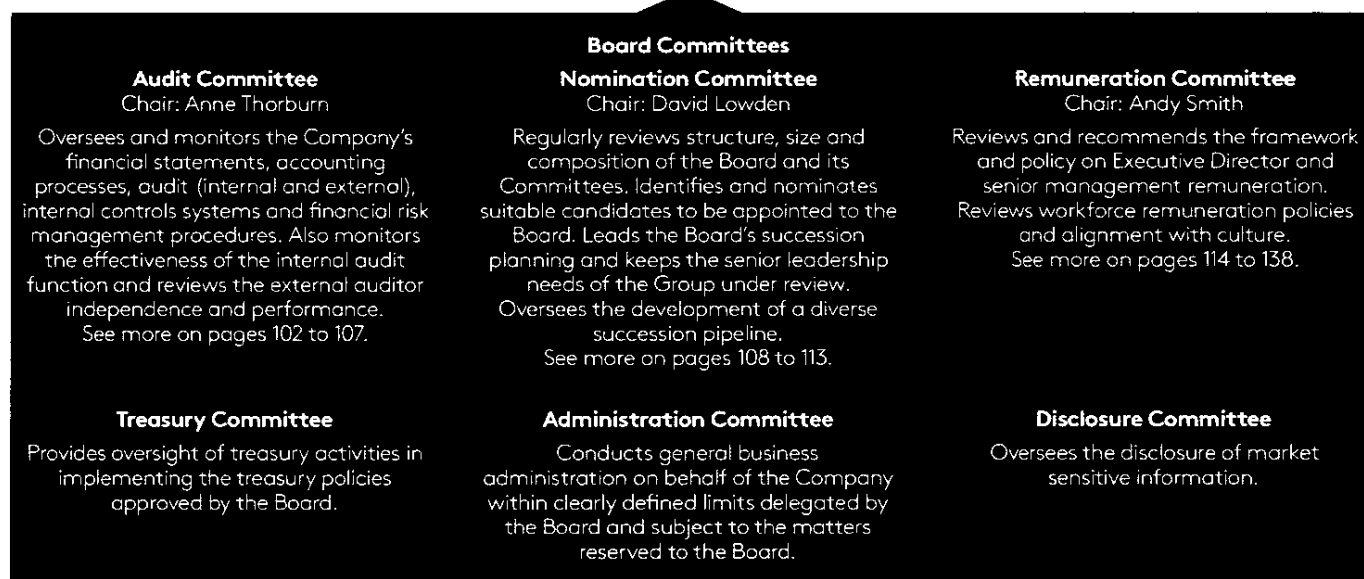
Our governance framework

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 duties.



Executive Directors

Chief Executive Officer and Chief Financial Officer

The Group 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 comprises the direct reports of the CEO and CFO.

Senior Leadership Team

The Senior Leadership Team oversee essential day-to-day business operations, identify and initiate new initiatives and implement policies and procedures. The team is made up of members of the Executive team, Managing Directors of the businesses in which we operate.

BOARD OF DIRECTORS





Dean Finch
Non-Executive Director

Joined
May 2021

David Lowden
Board Chair

Joined
October 2021

Anne Thorburn
Senior Independent
Director

Joined
September 2015

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BOARD OF DIRECTORS SKILLS AND EXPERIENCE



David Lowden
Board Chair & Nomination Chair

Joined
October 2021

Current external appointments:

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

Relevant skills and experience:

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

Past appointments:

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



Johnny Thomson
Chief Executive Officer

Joined
February 2019

Current external appointments:

- None

Relevant skills and experience:

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

Past appointments:

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



Anne Thorburn
Senior Independent Director & Audit Chair

Joined
September 2015

Current external appointments:

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

Relevant skills and experience:

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

Past appointments:

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



Chris Davies
Chief Financial Officer

Joined
November 2022

Relevant skills and experience

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

Past appointments

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

Current external appointments

- Non-Executive Director, Motability Operations Group PLC

Committee membership

- R** Remuneration
A Audit
N Nomination
C 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:

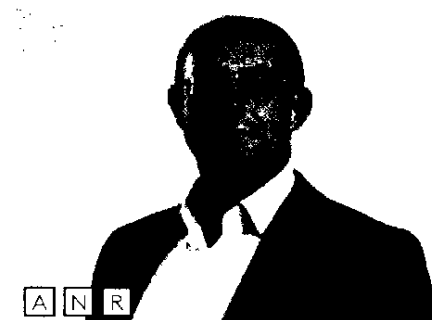
- President, Procter & Gamble, Canada

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 F13L Company Secretary and commercial solicitor, John is responsible for the Group's legal compliance and governance framework.

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

BOARD OF DIRECTORS DIVISION OF RESPONSIBILITIES

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

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

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

Matters reserved for the Board

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

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

ROLES IN THE BOARDROOM

Non-Executive Chair

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

Independent Non-Executive Directors

- ensure that no individual dominates the Board and that all directors contribute to decision making
- provide constructive challenge, support strategy, guidance, offer views and challenge and executive remuneration to the Board

Independent Non-Executive Directors must not be the subject of any conflict of interest that could compromise their impartial Board membership.

Senior Independent Non-Executive Director

- leads the Board and ensures that no individual dominates the Board and that all directors contribute to decision making
- provides the Chair with support in the discharge of his or her duties and is available to liaise with the Chair in relation to the Board's agenda, the Chair's role and other Executive Director's duties of the Chair
- acts as an alternative contact for shareholders, analysts and other interested parties when the Chair is unavailable

Group CEO & Group CFO

- leading implementation of the Group strategy within the Group
- Group CEO is responsible for delivering the strategy and for the overall management of the Group
- Group CEO has the Executive team, including all other Executive Directors, reporting to him or her and manages the overall operation and resources of the Group
- Executive Directors provide information and presentation to the Board and provide input to Board decisions regarding Group management matters and Executive Director matters

Matters delegated to the CEO and CFO include preparing the Board with information on the Group's strategy, annual budget and any amendments thereto, and governance framework.

Group Company Secretary

- supports the Chair and ensures the Directors have access to all relevant information and is responsible for ensuring that the Directors have access to all relevant information
- acts as the trusted intermediary with the Board and the Chair, ensuring that the Board and the Chair have access to all relevant information
- advises the Board on legal and corporate governance matters and ensures that the Board is complying with the applicable regulatory requirements

BOARD OF DIRECTORS MONITORING CULTURE

Purpose, culture and values

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

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

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

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

How the Board monitors culture

The Board

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

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

- Remuneration Committee receives updates from the Group HR Director that provide an overview of pay structures across the Group and their alignment with our purpose, values and strategy. This allows the Committee to ensure that the relevant policies and practices are consistent with our values
- Audit Committee has oversight of internal controls and continuous access to internal audit, both of which can give an indication of culture, particularly 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 learnings. We were delighted with the high participation rate and engagement index score; the full results of the survey are detailed on pages 36 to 37.

BOARD OF DIRECTORS BOARD ACTIVITIES

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

Strategy & strategic execution

25%

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

Finance

20%

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

Operations

10%

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

Colleagues & culture

15%

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

Risk

15%

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

Governance

15%

- Regular updates to governance and regulatory updates from the Group Company Secretary.
- Continued externally facilitated Board effectiveness review.
- Agreed and finalised outcome from the 2022 internal evaluation of the Board's performance.
- Approved the appointment of a new Executive Director.
- Reviewed signed off matters received for the Board and Terms of Reference of the Committees.
- Reviewed and approved the Company's financial reporting.

AUDIT COMMITTEE REPORT

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

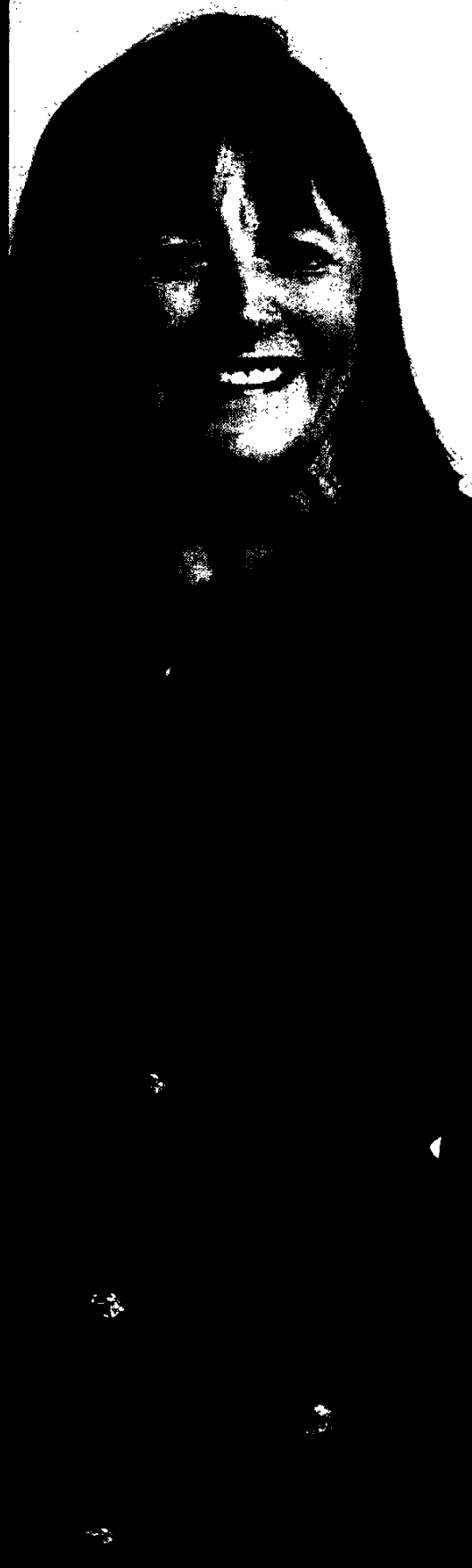
The role of the Committee

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

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

Key matters discussed

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



Dear Shareholder

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

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

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

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

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

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

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

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

Anne Thorburn
Chair of the Audit Committee
21 November 2022

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

AUDIT COMMITTEE CONTINUED

Audit Committee

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

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

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

Financial reporting and significant financial judgements and estimates

The Committee considered and assessed:

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

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

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

Accounting for acquisitions and disposals

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

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

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

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

Provisions for excess and slow-moving inventory

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

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

Impairment of goodwill

The Committee considered the carrying value of goodwill and the assumptions underlying the impairment review. The judgements in relation to goodwill impairment largely relate to the assumptions underlying the calculation 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 forecasts which have been approved and reviewed by the Board. All capital expenditure above predefined amounts must be supported by a paper prepared by management.

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

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

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

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

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

Internal audit

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

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

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

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

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

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

Whistleblowing

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

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

NOMINATION COMMITTEE REPORT

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

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

The role of the Committee

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

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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.

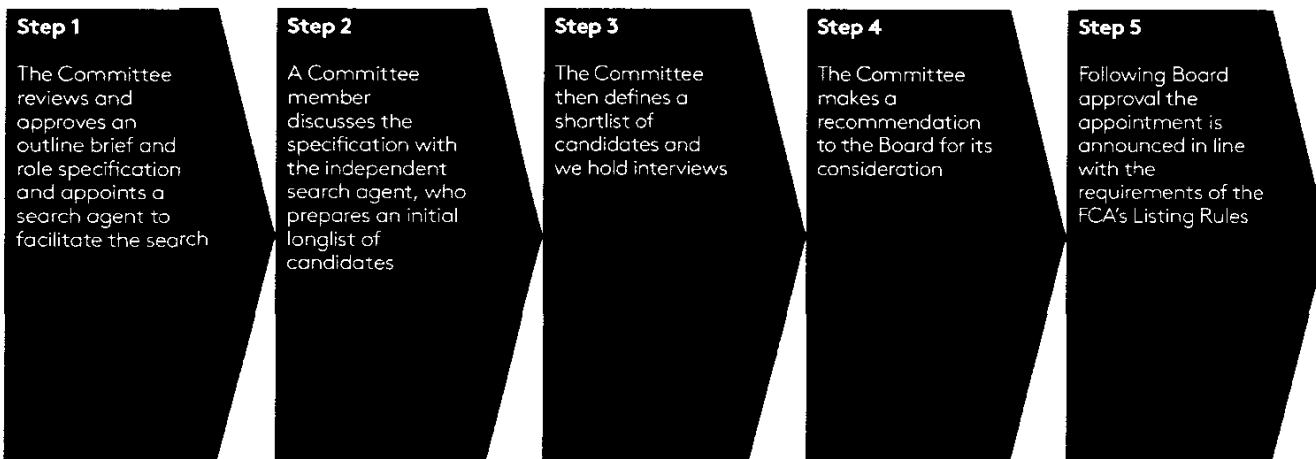
The Chair also has the responsibility of ensuring that Directors receive training on a continual basis in support of their ongoing development. This training is provided by way of technical updates, reports and briefings prepared for Board meetings. Directors have full access to our corporate advisors 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 recommendations, we follow the five-step outlined below. We discuss the rationale of the board's agent and any other pertinent matters with Diploma's HR and Talent Report & Accounts published following the search. In due course, a tailored induction programme is developed for the new Director.

During the year, we have adopted the following process to ensure that the Board is made up of the most qualified and experienced individuals. This process is outlined in the FCA's Listing Rules and is designed to ensure that the Board is made up of the most qualified and experienced individuals.





Induction of our new Chair

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

Calendar of activities

November 2021

Meeting all Board colleagues, both individually and collectively

Meeting Group heads of functions

January 2022

Handover with outgoing Chair

March 2022

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

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

April 2022

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

NOMINATION COMMITTEE CONTINUED

Onboarding processes

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

Succession planning

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

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

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

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

Length of tenure

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

■ Length of term

1. Director in third and final term

Board evaluation

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

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

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

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

Key areas for development

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

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

REMUNERATION COMMITTEE REPORT

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

The role of the Committee

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

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

Key matters discussed

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



Dear Shareholder

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

Context and approach to remuneration

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

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

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

2022 performance and pay

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

Excellent delivery against our strategic priorities of growth, scaling and Delivering Value Responsibly have resulted in strong performance (shown in table on page 119). Adjusted operating profit (+29%), reported revenue (+29%) and free cash (+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 Gibbes.

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 Gibbes, 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 Gibbes 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 annual 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 27 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 tight y 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.

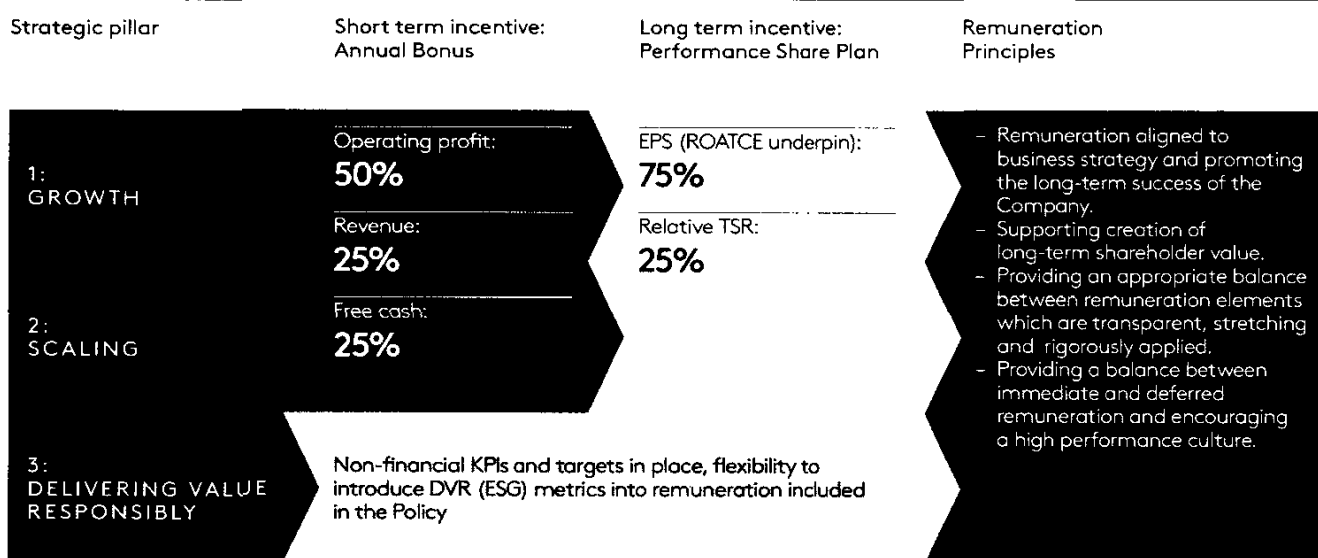
Andy Smith
Chair of the Remuneration Committee
21 November 2022

REMUNERATION AT A GLANCE: DIPLOMA'S APPROACH TO REMUNERATION

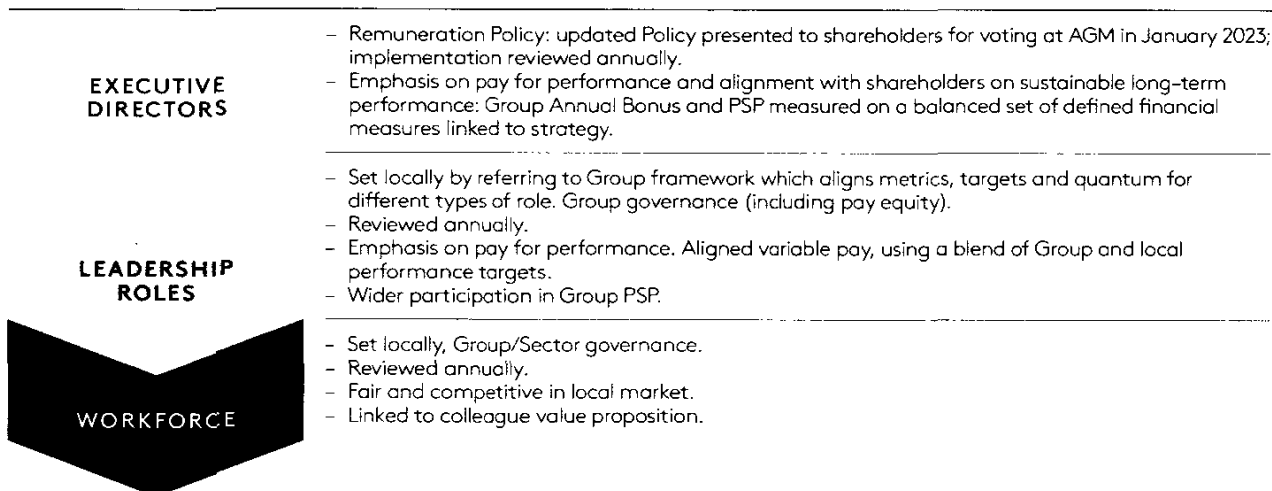
Set out below is an illustration of how remuneration aligns to strategy and how it cascades in our decentralised business model

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 core developed economies and extending product ranges.

M&A to accelerate organic growth; £137m invested in seven strategically important acquisitions.

Disciplined portfolio development; disposals of Gentek and a1-environ sciences.

Scaling

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

DVR

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

A year of more consistent and robust reporting.

Targets set for the first time.

Performance

Adjusted operating profit

+29%

Revenue

+15%

Free cash flow

+11%

Adjusted EPS

19%

(3 year CAGR)

ROATCE:

17.3%

Relative TSR: percentile rank

91%

(3 year performance)

Engagement index

79%

(2021: 79%)

Scope 1 & 2 emissions

10,615 tonnes CO₂ e

(baseline year)

Waste to landfill

60%

(first year of measurement)

Reward

Maximum bonus payable

Maximum vesting on PSP

Flexibility to introduce DVR metrics in remuneration included in Policy.

2022 Broader Reward Priorities

Goal

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

Retain talent in the competitive talent market

Incentivise brilliant leaders on long-term success

Action

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

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

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

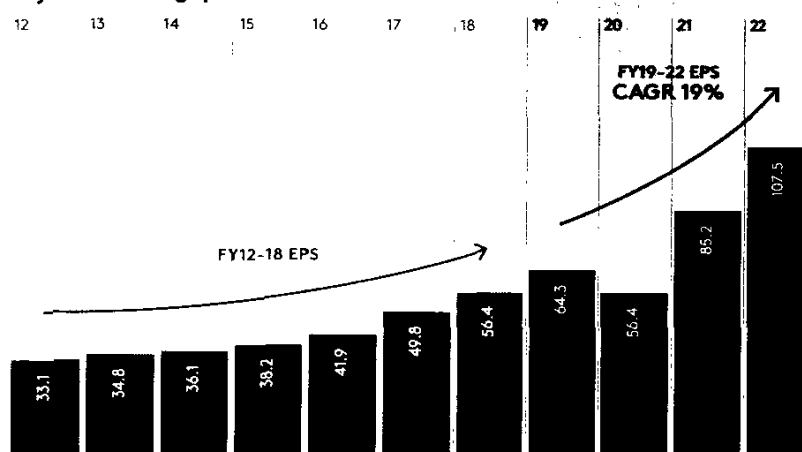
2022 Remuneration Policy Review – process

Changes to Remuneration Policy and its implementation

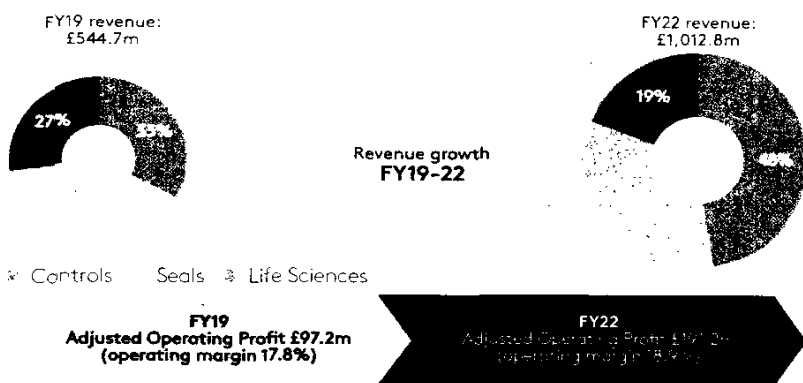
This section sets out the Directors' Remuneration Policy (the Policy) proposed for approval by shareholders at the Company's AGM on 18 January 2023. The Company's current Remuneration Policy (the Policy) was approved by shareholders at the 15 January 2020 AGM and the updated policy, subject to shareholder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

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

Adjusted earnings per share



The Group has doubled whilst improving operating margin



2. Wider stakeholder context considered during Policy review:

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

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

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

4. Shareholder consultation on proposed changes:

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

2022 Remuneration Policy proposals and rationale

Pension alignment with wider workforce

Pension contribution for CEO reduced to 4% of base pay from 10% of base pay from January 2023.
CEO 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

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:

- No change to annual bonus Policy maximum.

Increase to PSP maximum from 250% of salary to 300% of salary for CEO and from 200% to 250% for the CFO.

For 2022, the CEO's PSP award will be aligned to the new Policy maximum at 300% of base pay. The newly appointed CFO's PSP award will be 200% of base pay (prorated).

Shareholder alignment

Increased shareholding guideline (MSR) to align with new PSP policy maxima - 300% of salary for CEO and 250% of salary for CFO.

Extension of post employment shareholding requirement to now require 50% of MSR to be held for two years after termination date.

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

Chris Davies was appointed interim Treasurer 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 documents or terms that differ from the Policy where the terms of the document 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 or prior to approval for regulatory, tax or administrative purposes or to take account of a change in legislation.

Executive Directors

Component	Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
Base salary	To attract and retain people in the culture and experience needed to deliver and execute the Company's strategy.	Salaries are reviewed annually, with changes normally effective from 1 October.	There is no maximum limit set. Salaries will be market competitive to retain skilled executive talent and attract new talent as required. Salary increases will generally be no higher than those awarded to other employees, through the Company's remuneration discretion to award larger increases if it considers it appropriate.	Salary levels and increases are determined based on a number of factors including individual and business performance, level of experience, scope of responsibility, salary increases both for UK employees and for senior management more broadly, and the competitive levels of total remuneration against companies of a similar size and complexity.
Pensions	Designed to retain	Employees will not be able to opt out of the pension scheme as a condition of employment.	Maximum pension contribution 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 aligned with employees in the relevant department.	UK-based pension costs
Benefits	To provide a competitive package of benefits.	The Company will not provide benefits such as payment in lieu of notice and car or financial assistance, income protection or private medical insurance. The Committee may offer any additional benefits it considers appropriate with the interests of the Company and long-term shareholder. Any non-executive director-related expenses will be paid through the remuneration committee's discretion.	The maximum limit is prescribed but for limited mandatory, usually the equivalent of the relevant provision.	Key performance metrics

Component	Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
Annual Performance Bonus Plan	To incentivise and reward Executive Directors on the basis of achievement of the annual budget and other business objectives for the financial year.	<p>Annual bonus opportunity for additional reward based on annual performance against targets set and agreed by the Committee.</p> <p>Where there is no significant achievement of key strategic and financial performance objectives set for the financial year, no bonus will be paid at the Executive Director level. The bonus will only be paid if the Executive Director has achieved the bonus target and the bonus is paid in full.</p> <p>Maximum bonus opportunity is 100% of the Executive Director's base salary.</p>	<p>Maximum bonus opportunity is 100% of the Executive Director's base salary.</p> <p>Performance bonus is paid in full if the Executive Director has achieved the bonus target and the bonus is paid in full.</p>	<p>Performance metrics are set annually and are based on the current business objectives. The bonus will be linked to the achievement of these objectives.</p> <p>Performance metrics are set annually and are based on the current business objectives. The bonus will be linked to the achievement of these objectives.</p>
Performance Share Plan (PSP)	To incentivise Executive Directors to achieve superior financial and operational performance.	<p>Annual bonus opportunity for additional reward based on annual performance against targets set and agreed by the Committee.</p> <p>Where there is no significant achievement of key strategic and financial performance objectives set for the financial year, no bonus will be paid at the Executive Director level. The bonus will only be paid if the Executive Director has achieved the bonus target and the bonus is paid in full.</p> <p>Maximum bonus opportunity is 100% of the Executive Director's base salary.</p>	<p>Maximum bonus opportunity is 100% of the Executive Director's base salary.</p> <p>Performance bonus is paid in full if the Executive Director has achieved the bonus target and the bonus is paid in full.</p>	<p>Performance metrics are set annually and are based on the current business objectives. The bonus will be linked to the achievement of these objectives.</p> <p>Performance metrics are set annually and are based on the current business objectives. The bonus will be linked to the achievement of these objectives.</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>Each director is remunerated and reviewed each year.</p> <p>Although Non-Executive Directors currently receive no salary, the Company may pay directors at their request in the form of shares.</p> <p>Any reasonable business related expenses (including tax interest) determined to be a tax-adjacent benefit can be reimbursed.</p>	The Chair and Non-Executive Directors' remuneration is determined on reference to the time commitment and global performance of each role.	No performance related

Selection of performance measures and targets for Annual Bonus and PSP

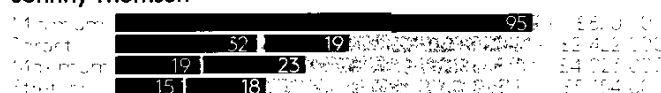
The Animal Welfare Board designed and developed the animal welfare and management standards, which are the minimum standards for animal welfare and management. The standards are designed to ensure that the animal welfare and management objectives for the animal welfare and management standards are met. The standards are designed to ensure that the animal welfare and management objectives for the animal welfare and management standards are met. The standards are designed to ensure that the animal welfare and management objectives for the animal welfare and management standards are met.

The FGF-10 ligand gene is used to deliver the C-terminal fragment of FGF-10, which is secreted into the extracellular space. Performance measures are selected to align with these objectives and targets. We also consider the impact of the nature of the FGF-10 ligand adjustment on the adjustment of performance measures, which is called performance sensitivity. Let Δ denote the adjustment of FGF-10 and the adjustment of the performance measures is denoted as ΔP . Then, the sensitivity of ΔP to Δ is

Illustration of application of Policy

For the purpose of the Local Refinement, consider a set $\mathcal{A} \subseteq \mathcal{A}^*$ of n points.

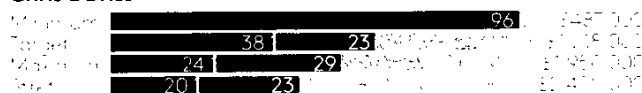
Johnny Thomson



● **Don't** send your child to school if he or she has a fever.

● **Don't** send your child to school if he or she has a cough or cold.

Chris Davies



New CFO Remuneration package

[illegible][illegible]

REMUNERATION POLICY
CONTINUED

The Executive Committee may, in its discretion, in which case he is at the Company's registered office together with his service contract for new appointees, for any provision for compensation in the event of early termination of a large contract equal to the value of any option 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 satisfaction to the Director of any damages or appropriate compensation that gate has, for example by giving new employment. The Board may consider that there provisions apply with regard to termination and that the inclusion of a reference in the past directors of the company.

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, Thompson	15 Jun 2019	3 years	1 year	1 year
Barbara Gilbert	15 Feb 2019	3 years	1 year	1 year

† *Values are means ± SD. *P < 0.05, **P < 0.01, ***P < 0.001.*

Payment for loss of office

Payment for loss of office
The Compensation and Pensions Committee has agreed that the company will make a payment of £150,000 to the former chairman of the company and a further £100,000 to the former chief executive officer, in consideration of their loss of office.

The use of the proposed algorithm for the above described problem is demonstrated in Figure 10. The algorithm is able to find the optimal solution for the problem in 10 iterations. The optimal solution is $x^* = 1.0$ and $y^* = 0.0$.

- [illegible]

Figure 10.10 illustrates the effect of the C_{60} cage on the rate of electron transfer. The rate of electron transfer is significantly slower in the presence of the C_{60} cage, which is consistent with the observed decrease in the rate of electron transfer in the presence of the cage.

The Court in *White* also asserted the right to a free and fair trial, but payment of arrears and payments are made in good faith and discharge of an existing legal obligation is not a bar to a plea for protection of such an obligation or a bar to a settlement or compromise of any claim arising in connection with the termination of a Director's office or employment.

Change of control

Change of control provisions provide for consideration equal to the value of salary, pension and other compensation payable in the notice period. In the event of a change in control, vesting of an award or shares under the Company's RSU depends on the extent to which performance conditions had been met at that time. Time forfeited may be disallowed 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 and award plan. In the Company's view, the right to participate in awards and bonuses, like the case of the Annual Performance Bonus, is a discretionary arrangement and even if awarded in satisfaction of the Company's financial results, significant impact is not added to the Company's consolidated profit and loss statement. Individual prizes in satisfaction of long term incentive arrangements are also discretionary and do not have a significant impact on the consolidated profit and loss statement.

The following arrangements also permit the use of different types of components and to have a set of elements that can be used in a variety of configurations to help in the design of a new machine.

Remuneration for new appointments

The Commission has determined that the proposed rule is not economically burdensome to the parties to the contract. The Commission has also determined that the proposed rule is not economically burdensome to the parties to the contract.

The data in the table suggest that the time to complete a task is longer when a task is done on a computer than when it is done on paper. Explain the difference.

- [illegible]

- any performance related or individual financial incentives in the Group's Total Reward, the use of which is in the discretion of 9.4.2 of the UK Listing Rules. Any such payment is subject to disclosure under details of the remuneration report, including the nature of existing duties and any performance related payments attributable to termination and any payments would not exceed the expected value being forfeited.
- In the case of an internal appointment, any substantial variation will only be made in relation to the previous award, as set out in the relevant award agreement or the terms of grant.
- For a newly Executive Director, applicable to the maximum deferral of long-term incentive deferral of annual performance bonus and the maximum period for PSP awards of 10 years, as determined by the Policy and the relevant plan rules.
- For a former Chair or Non-Executive Director, as set out in the relevant applicable Policy.

Committee discretion

The Committee operates the Annual Performance Bonus Plan and the Performance Incentive Plan, the plans in which it administers the relevant Plan rules and where appropriate the UK Listing Rules and the MCF Agreement.

The Committee will exercise its powers in accordance with the terms of the relevant Plan rules.

The Committee retains discretion over its remuneration approach, the appointment and administration of the Plan, the relevant plan rules and its features.

- selecting the Executive Director participants and determining the participation parameters for the Annual Bonus Plan and the Performance Incentive Plan, including the relevant Plan rules, the award year, determining the quantum of grants and the criteria for awarding grants, set out in the Policy Rules;
- assessing the circumstances of the TCF, and the impact of any change in the extent of vesting based on the actual results of performance;
- assessing the individual outcomes and any non-vesting of awards under the Annual Bonus Plan and the PSP and, if warranted, recommending a reduction for reflection of the underlying performance of the business and unexpected circumstances, and giving a valid and time prudently acting with reasons;
- exercising its powers or charter the award parameters, rules, discretion to waive or shorten the award parameters, rules, discretion to retrospective vary the parameters or targets, or exception circumstances, including making the award parameters, adjustments required in certain circumstances, e.g. in the event of a corporate restructuring event, variation of financial results, dividend and/or other awards to adjust the remuneration to reflect the Company;

Policy in respect of external board appointments for Executive Directors

The Committee recognises that external appointments for Executive Directors, particularly for both the Chair and the Executive Director At the discretion of the board, external Executive Director appointments may be made for Executive Directorship.

Employee and post-employment shareholding requirements

The Company has adopted employee shareholding requirements for Executive Directors to encourage substantial long-term share ownership. It is specified that, in the period of five years from the date of appointment, each Executive Director should build up and then retain a holding of shares with a value equivalent to 300% of basic salary in the case of the CEO, and 200% for other Executive Directors, by 30 September, the M3.

Vested PSP awards and deferred and variable payments which are issued as and subject to retention and build up the required shareholding must stay vested and retained.

As explained in the long-term incentive by subject on page 113, Executive Directors are required to hold and vest the shares under the PSP (net of tax) until the fifth anniversary of the grant in the Holding Period. The Holding Period continues to apply to just cessation of employment except where cessation is by redundancy or death, if there is a change of control of the Company, or where it is waived.

In addition, as explained in the shareholding requirements on page 114 and 115, in the MCF for the year ending the term of the date of the award, the MCF, the value of the shares held at the date of cessation of employment is required to add to shares granted under the PSP since the award of the 2010 Policy.

Chair and Non-Executive Directors

Recruitment and term

The process for the recruitment of executive directors is a rigorous one which is subject to extensive external and internal scrutiny and other relevant experience. Non-Executive Directors are appointed to the board on the basis of nomination and formal election. On the basis of the Appointment of the Non-Executive Directors, and in line with the terms of the relevant election and appointment, at the first AGM following their appointment and subsequent annual general meeting thereafter, for terms of one year or three years, in the interests of the Company, may be terminated at any point, serving three years or more.

Fees

The Chair, Executive Directors are paid a non-executive basic annual fee which is subject to pay the Board on the recommendation of the Chair and the Executive Directors. The Chair's fee is approved by the Committee, and on the basis of that, the Chair may also be appointed to the board Committee of the Board, including as General Independent Director, or in respect of any other material additional remuneration, then taking up fees are reviewed annually and take account of the needs of the Company, objectives of the Company and other relevant remuneration of the time, and the required time commitment.

For the Chair, the Chair's fee materials are issued in the time of the Chair's first AGM. Executive Directors and Chair may pay Executive Director's fee materials, including the material work and

The Executive Directors are not eligible to participate in any of the Company's share plans, incentive plans or pension schemes and there is no claw back of payments for negligent or negligent.

REMUNERATION POLICY CONTINUED

Provision 40 table

The following table summarises how the Remuneration Policy fulfils the requirements 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 Committee is committed to providing clear and transparent disclosures to shareholders, the workforce and other stakeholders with regards to executive remuneration arrangements.

Example: the structure of the Annual Performance Bonus Plan, 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 Company provides open and transparent disclosures of our Executive Directors' remuneration arrangements, including undertaking engagement with key shareholders when considering changes to Remuneration Policy.

Simplicity

Remuneration structures should avoid complexity and their rationale and operation should be easy to understand.

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

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

The structure for Executive Directors consists of fixed pay, bonus, benefits, pension and share plan pay, with bonus plan and a long-term incentive plan (the RPI).

Risk

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

Target-based reward plans have the potential to create excessive risk taking.

Malicious and inappropriate use of the plan to obtain the bonus could also create reputational risks.

Example: the RPI is based on the RPI Return, which is a fully diversified index.

Members of the Committee are provided with regular briefings on developments and changes in executive remuneration. The Committee also has a mechanism for the Executive Directors' remuneration to be reviewed at least annually against target and maximum remuneration levels set in the Remuneration Policy.

Predictability

The range of possible values of rewards to individual Directors and any other limits or preferences should be identified and explained at the time of approving the Policy.

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

Proportionality

The link between individual pay and the delivery of strategic and long-term performance of the Company should be clear. Outcomes should not reward short-termism.

Annual bonus payment and RPI awards require robust performance against short-term targets, but also align with the long-term strategy.

Example: RPI and budget must be achieved to trigger payment of Annual Performance Bonus 95% of budget in excess of full payment.

The Committee has a robust system for monitoring and reviewing performance against short-term targets and objectives, and setting RPI targets.

Alignment to culture

Incentive schemes should drive behaviour consistent with company purpose, values and strategy.

The variable incentive scheme and performance measures do not conflict with the Company's purpose, values and strategy.

Example: inclusion of the Employee's Well-being in our remuneration framework for short-term performance is aligned with our stated remuneration targets.

ANNUAL REPORT ON REMUNERATION

The following information in this Report only deals with the implementation of the Remuneration Policy to the directors of the Company for the period September 2021 to September 2022. Any other remuneration set out in this section of the Report has been disclosed unless stated otherwise.

Executive Directors (audited) Total remuneration in 2022 and 2021

	Jonny Thomson		Barbara Gibbes			
	2022 £000	2021 £000	2022 £000	2021 £000	2022 £000	2021 £000
Salary	711	690	365	346	1,076	1,036
Fixed fee director's fee	25	25	19	1	44	44
Retainer	71	86	15	4	86	130
Total fixed	807	801	399	351	1,206	1210
Annual bonus (once only)	889	853	456	428	1,345	1,281
Long-term incentive plans (dividend equivalent award)	75	88	17	-	92	88
Long-term incentive plans (performance related)	1,725	1,675	340	-	2,065	1,675
Long-term incentive plans (share appreciation award)	262	1,615	110	-	372	1,615
Long-term incentive plans (deferred remuneration)	2,062	3,378	467	-	2,529	3,378
Total variable	2,951	4,441	923	428	3,874	4,656
Single total figure	3,758	5,242	1,322	779	5,080	5,866

Barbara Gibbes was appointed as a director of the Company on 1 October 2021. Her remuneration for the period 1 October 2021 to 30 September 2022 is shown in the table above. Her remuneration for the period 1 October 2022 to 30 September 2023 is shown in the table above. Her remuneration for the period 1 October 2023 to 30 September 2024 is shown in the table above.

Departure of Barbara Gibbes and appointment of Chris Davies (audited)

As announced on 17 August 2022, Barbara Gibbes stepped down from her role as Group CFO and left the Company on 30 September 2022. Her remuneration for the period 1 October 2021 to 30 September 2022 was in line with the approved Remuneration Policy. Barbara will receive a payment of £10,000 from the Company as a benefit in kind salary, pension and benefits only paid in the last year of her service to the Company (October 2021 to 9 August 2022) and repeating her contractual notice. The maximum £10,000 will be paid in full if Barbara is not re-employed or if she is re-employed in a position that is not a senior position or a permanent position.

Barbara was awarded a long-term incentive award for the period 1 October 2020 to 30 September 2022 of £1,615, which was paid to her on 30 September 2022. Her long-term incentive award for the period 1 October 2022 to 30 September 2024 is £1,615. Her long-term incentive award for the period 1 October 2024 to 30 September 2026 is £1,615. Her long-term incentive award for the period 1 October 2026 to 30 September 2028 is £1,615. Her long-term incentive award for the period 1 October 2028 to 30 September 2030 is £1,615. Her long-term incentive award for the period 1 October 2030 to 30 September 2032 is £1,615. Her long-term incentive award for the period 1 October 2032 to 30 September 2034 is £1,615. Her long-term incentive award for the period 1 October 2034 to 30 September 2036 is £1,615. Her long-term incentive award for the period 1 October 2036 to 30 September 2038 is £1,615. Her long-term incentive award for the period 1 October 2038 to 30 September 2040 is £1,615. Her long-term incentive award for the period 1 October 2040 to 30 September 2042 is £1,615. Her long-term incentive award for the period 1 October 2042 to 30 September 2044 is £1,615. Her long-term incentive award for the period 1 October 2044 to 30 September 2046 is £1,615. Her long-term incentive award for the period 1 October 2046 to 30 September 2048 is £1,615. Her long-term incentive award for the period 1 October 2048 to 30 September 2050 is £1,615. Her long-term incentive award for the period 1 October 2050 to 30 September 2052 is £1,615. Her long-term incentive award for the period 1 October 2052 to 30 September 2054 is £1,615. Her long-term incentive award for the period 1 October 2054 to 30 September 2056 is £1,615. Her long-term incentive award for the period 1 October 2056 to 30 September 2058 is £1,615. Her long-term incentive award for the period 1 October 2058 to 30 September 2060 is £1,615. Her long-term incentive award for the period 1 October 2060 to 30 September 2062 is £1,615. Her long-term incentive award for the period 1 October 2062 to 30 September 2064 is £1,615. Her long-term incentive award for the period 1 October 2064 to 30 September 2066 is £1,615. Her long-term incentive award for the period 1 October 2066 to 30 September 2068 is £1,615. Her long-term incentive award for the period 1 October 2068 to 30 September 2070 is £1,615. Her long-term incentive award for the period 1 October 2070 to 30 September 2072 is £1,615. Her long-term incentive award for the period 1 October 2072 to 30 September 2074 is £1,615. Her long-term incentive award for the period 1 October 2074 to 30 September 2076 is £1,615. Her long-term incentive award for the period 1 October 2076 to 30 September 2078 is £1,615. Her long-term incentive award for the period 1 October 2078 to 30 September 2080 is £1,615. Her long-term incentive award for the period 1 October 2080 to 30 September 2082 is £1,615. Her long-term incentive award for the period 1 October 2082 to 30 September 2084 is £1,615. Her long-term incentive award for the period 1 October 2084 to 30 September 2086 is £1,615. Her long-term incentive award for the period 1 October 2086 to 30 September 2088 is £1,615. Her long-term incentive award for the period 1 October 2088 to 30 September 2090 is £1,615. Her long-term incentive award for the period 1 October 2090 to 30 September 2092 is £1,615. Her long-term incentive award for the period 1 October 2092 to 30 September 2094 is £1,615. Her long-term incentive award for the period 1 October 2094 to 30 September 2096 is £1,615. Her long-term incentive award for the period 1 October 2096 to 30 September 2098 is £1,615. Her long-term incentive award for the period 1 October 2098 to 30 September 2100 is £1,615.

Barbara will receive a contribution of up to £5,000 (excluding VAT) for outplacement including and with the CFO's outplacement costs as applicable.

Chris Davies was appointed as Group CFO and an Executive Director on 1 November 2022. Details of his remuneration are shown on page 124.

Executive Directors' base salary (unaudited)

On 16 November 2022, the Committee approved a 1% increase in base salary for the CFO. Explaining this increase in the Committee's remuneration decision on remuneration in the workforce on the Committee's letter on page 116.

	Salary from 1 October 2022 £000	Salary from 1 October 2021 £000	Increase in salary
Jonny Thomson	754	711	6.1%
Barbara Gibbes	-	346	-
Chris Davies (appointed 1 November 2022)	450	-	-

The Committee has also approved a 1% increase in base salary for the CFO. Explaining this increase in the Committee's remuneration decision on remuneration in the workforce on the Committee's letter on page 116.

ANNUAL REPORT ON REMUNERATION CONTINUED

Pension (audited)

The Executive Directors receive pension contributions from the Company. During 2022 and 2021, both Executive Directors took the salary sacrifice option. None of the Executive Directors have a right to a Company Defined Benefit pension plan. Johnny Thompson lowered his cash in lieu of pension from 10.5% of base salary to 10% of base salary from 1 October 2021 and from 1 January 2023 his pension contribution will be required further to 4% of base salary. In line with the majority of the UK workforce.

	2022		2021	
	Contribution rate % of base salary	Pension paid as cash £000	Contribution rate % of base salary	Pension paid as cash £000
Johnny Thompson	10	71	10.5	86
Bart and Gibbons	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, 75% of budget, target, 100% of budget and maximum (if on or above budget). Based on the performance of the Group, the Executive Director will receive 100% of their maximum bonus for the year ended 30 September 2022. The following table summarises the performance assessment of the Company 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 ¹	Overall assessment against targets
Adjusted continuing profit (calculated on a constant currency basis)	Minimum: £154.7m On target: £162.4m Maximum: £170.1m	Adjusted continuing profit for FY22 was £174.9m or 116% of target. The maximum threshold was met and the maximum award is payable.
Revenue from water and wastewater treatment	Minimum: £509.6m On target: £544.4m Maximum: £589.2m	Revenue for FY22 was £515.9m or 95% of target. The maximum threshold was not met and the maximum award is not payable.
Free cash flow (operating)	Minimum: £99.0m On target: £104.0m Maximum: £109.0m	Free cash flow for the year was £103.4m. The maximum threshold was not met and the maximum award is not payable.

¹ Financial measures are based on the 2022 budgeted figures.

Bonus awarded to each of the Executive Directors for year ended 30 September 2022

	Base salary		2022 actual bonus as a percentage of 2021 base salary			2022 bonus		
	£000	Minimum	On-target	Maximum	Financial objectives	Total bonus	£000	
Johnny Thompson	711	5%	63%	121%	125%	125%	889	
Bart and Gibbons	365	5%	63%	125%	125%	125%	456	

In line with the new Remuneration Policy, minimum shareholding requirement (MSR) for the CEO will increase to 111% of base salary and will increase to 250% of base salary for other Executive Directors in line with the Company's shareholding Policy. Johnny Thompson has met his minimum shareholding requirement of 300% and therefore no bonus for the year. The MSR for Bart and Gibbons was 125% of base salary. As Bart and Gibbons have stepped down to retiree status as CFO and left the Company on 30 September 2022, the shareholding requirement for the year will be paid as cash. Post-term minimum shareholding will not be in the Company's existing Remuneration Policy, so cash will be paid. Based on the requirement at 67% of the MSR, the cash award will be retained for 12 months post-term only.

Bonus awards for year ended 30 September 2023

In the financial year ending 30 September 2023 the Annual Performance Bonus Fund will be awarded the following amounts: £0m will be cashed in and the remaining £10m will be placed in revenue. £10m remains in the year end cash pot and the remaining £5m will be placed in free cash flow. The fund's performance targets set by the Annual Performance Bonus Fund targets will be the same as the next year. Annual Performance Bonus will be awarded to the remaining staff who are

Long-term incentive awards (audited)

The Company's long-term incentive plan is the terms and conditions for the PSP.

Performance conditions

Set out below are summary of the performance conditions that apply to the PSP awards which vest in 2020 (PSP 2019 – 2020), PSP 2020 and 2024 (PSP 2021).

Vesting of the awards is based on the growth in adjusted EBITDA and either on relative TSR performance. In order for any payment to be made under the PSP Agreement, awards the Committee must first be satisfied that a satisfactory level of ROCE performance has been achieved. The ROCE target is based on the average of the ROCE for the three years of the performance condition period which is fixed in accordance with the consolidated financial statements.

For the PSP 2020, as explained in the Chairman's letter on page 11, the performance condition will remain the same as the PSP 2019, with the exception of the weighting between EBITDA and relative TSR performance and the EPS targets. The vesting of the award will be weighted 75% on growth in adjusted EBITDA and 25% on relative TSR performance. The EPS target will be EPS (100% growth per annum) (PSP 2020) and 125%.

EPS

The performance condition for the EPS award will be the average annual compound growth in the Company's audited EPS over the three consecutive financial years following the financial year immediately prior to the grant must exceed the audited absolute figures. The performance targets are set below:

Adjusted EPS growth (over three years)	% of awards vesting
14% (vs. PSP 2020 and PSP 2019)	100
13% (vs. PSP 2020)	100
12% (vs. PSP 2021)	100
11% (vs.)	25
Below 11% (vs.)	0

Where the Company's audited EPS performance is between the performance bands vesting of the award will be pro-rata. In order for the purposes of this condition, EPS will be defined in accordance with the consolidated financial statements and this definition remains consistent with the definition of audited EPS adopted in the financial statements in previous years.

TSR

The performance condition for the relative TSR award will be that the Company's TSR over a three year period is that of the Company in the FTSE 100 index excluding financial and non-financial interest free loans. The performance targets are set below:

	% of awards vesting
Top quartile	100
Median	25
Below median	0

Where the Company's TSR performance is between the performance bands vesting of the award will be pro-rata. The FTSE 100 index will be the FTSE 100 index excluding financial and non-financial interest free loans. The performance targets are set below:

ANNUAL REPORT ON REMUNERATION CONTINUED

Awards vesting in 2022 (audited)

The PSP award granted on 23 December 2019 (PSP 2019) to Johnnie Thomson on 10 March 2020 (PSP 2019) to Barbara Gibbs was subject to the performance conditions set out in the table above and independent valuers assessed over a three-year period ended 30 September 2022. The outcome of this award is presented in the table below.

Adjusted earnings per share

	Base EPS	EPS at 30 Sep 2022 ¹	CAGR in EPS	Maximum target	Maximum award	Vested award
PSP 2019 ²	64.3p	109.4	19.4%	14%	50%	50%

1. The pre-EPST adjusted EPS has been used for the purposes of the vesting conditions for the PSP 2019 award. It was prepared in the 100 June 2021 DEF on the basis of the EPS as reported in the 100 June 2021 DEF. The EPS as reported in the 100 June 2021 DEF was 109.4p.

The Committee has reviewed the ROACE outcome and concluded that 19.4% met 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.	12.8% p.a.	8.24% p.a.	50%	50%

Set out below are the shares which vested to Johnnie Thomson and Barbara Gibbs on 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
Johnnie Thomson PSP 2019	7,016	13,314	100%	85,481	1,225	252	1,477
Barbara Gibbs PSP 2019	1,764	13,314	100%	19,374	340	111	450

1. The share price at the date of grant is the closing price of the shares on the London Stock Exchange on 10 March 2020. The share price at 30 September 2022 is the closing price of the shares on the London Stock Exchange on 30 September 2022.

Dividend equivalent payments (audited)

Dividend equivalent payments of £4,880,000 (2021: £4,633,000) were paid to Johnnie Thomson and Barbara Gibbs in respect of dividend payments of £1,920,000 (2021: £1,760,000) payable to Barbara Gibbs in respect of the PSP 2019 award. The dividend equivalent payments for 2021 were paid as lump sum payments covering all payments made in the three year period and were ended.

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

Johnnie Thomson and Barbara Gibbs were awarded a PSP 2021 award in respect of the 100 June 2021 DEF. This award was based on a performance condition of 37.6p per share in the three year period ending 30 September 2024. The award was granted on the day it was granted and the award was vested on the day it was granted. The award was granted to Johnnie Thomson and Barbara Gibbs on 10 March 2020. The award was granted to Johnnie Thomson and Barbara Gibbs on 10 March 2020.

Under normal circumstances, the options will not be exercisable until the performance conditions are determined after the end of the three year measurement period which begins on the first day of the third year of the award and ends on the day the participating Director's rights in the award end. The level of the award is dependent on the performance condition being met at the end of the three year measurement period. The performance condition for the award is set out on page 101.

Outstanding share-based performance awards (audited)

Set out is a summary of the share-based awards outstanding as at 30 September 2022, including all share awards which have vested during the year based on performance and share awards which have been granted during the year. The awards set out were granted under a plan of value of 250% of base salary to Johnnie Thomson and share value of 100% of base salary to Barbara Gibbs. The awards were granted to Johnnie Thomson and Barbara Gibbs on 10 March 2020. The awards were granted to Johnnie Thomson and Barbara Gibbs on 10 March 2020.

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
Johnny Thomson									
RSP 2019	1.018p	1,725	30 Sep 2021	30 Sep 2022	85,481	–	85,481	–	–
RSP 2020	1.306p	1,125	30 Sep 2023	30 Sep 2023	74,804	–	–	–	74,804
RSP 2021	3.18p	1,125	30 Sep 2024	30 Sep 2024	–	57,007	–	–	57,007
Barbara Gibbs¹									
RSP 2019	1.018p	841	30 Sep 2021	30 Sep 2022	19,374	–	19,374	–	–
RSP 2020	1.306p	694	30 Sep 2023	30 Sep 2023	25,802	–	–	(8,601)	17,201
RSP 2021	3.18p	694	30 Sep 2024	30 Sep 2024	–	20,485	–	(13,656)	6,829

¹ Ms Gibbs was appointed as a Non-Executive Director on 1 October 2021. She was appointed to the Board on 1 October 2021 and was eligible to receive awards under the Plan from 1 October 2021.

Notes: 1. The Plan is subject to the terms and conditions of the Plan as set out in the Plan document.

The RSP awards vest on the date on which the performance conditions are determined and subject to the Award Agreement. Following the end of the performance period, Shares will be awarded pro-rata to the award holder, based on the Award Agreement and the Plan. The Award Agreement is available on the Company's website.

The RSP awards are granted in the form of a cost-free award. The award is subject to a period of 12 months from the date of the award. The award is subject to the terms and conditions of the Plan as set out in the Plan document. The award is subject to the terms and conditions of the Plan as set out in the Plan document.

Chair and Non-Executive Directors' remuneration (audited)

The audited remuneration for the year ended 30 September 2022 was as follows:

	Total fees	
	2022 £000	2021 £000
Chair of the Board	207	–
Non-Executive Directors	48	153
Andy Green	67	65
Anna Thompson	77	75
Barbara Gibbs	55	63
David Rogers	55	60

The Chair of the Board's remuneration for the year ended 30 September 2022 was as follows: The Chair of the Board's remuneration for the year ended 30 September 2022 was as follows:

The Chair of the Board's remuneration for the year ended 30 September 2022 was as follows: The Chair of the Board's remuneration for the year ended 30 September 2022 was as follows:

The Non-Executive Directors' remuneration for the year ended 30 September 2022 was as follows: The Non-Executive Directors' remuneration for the year ended 30 September 2022 was as follows: The Non-Executive Directors' remuneration for the year ended 30 September 2022 was as follows:

ANNUAL REPORT ON REMUNERATION CONTINUED

Executive Directors' interests (audited)

In options over shares

In respect of incentive options granted under the PSF, the remuneration received by an Executive Director is calculated on the basis that the options first vest. The remuneration of the Executive Directors is the difference between the amount that Executive Directors are required to pay to exercise the options to acquire the shares and the total value of the shares on the vesting date.

If the Executive Directors choose not to exercise the incentive options on the vesting date, they may exercise the options at any time up to the day preceding the tenth anniversary of the date of grant, any subsequent increase or decrease in the amount required will be due to movements in the underlying share price between the initial vesting date and the date of exercise of the option. This increase or decrease in value results from investment decisions by the Executive Director and, as such, is not regarded as remuneration.

The incentive options outstanding at 30 September 2022 and the movements during the year are as follows:

	Year of vesting	Options as at 1 Oct 2021	Exercised in year	Vested during the year ¹	Options unexercised as at 30 Sep 2022	Exercise price ⁴	Earliest normal exercise date	Expiry date
Johnny Thomson	2021	122,800	122,800	-	-	£1	Nov 2021	Feb 2029
	2022	-	-	85,481	85,481	£1	Nov 2022	Nov 2029
Barnard Gibbs	2022	-	-	19,374	19,374	£1	Nov 2022	Mar 2030

¹ The number of options that have been exercised is limited to the number of shares that the Executive Director is entitled to receive under the PSF. The number of options that have been exercised is limited to the number of shares that the Executive Director is entitled to receive under the PSF. The number of options that have been exercised is limited to the number of shares that the Executive Director is entitled to receive under the PSF.

² The number of options that have been exercised is limited to the number of shares that the Executive Director is entitled to receive under the PSF.

Directors' interests in ordinary shares

	As at 30 Sep 2022			As at 30 Sep 2021		
	Ordinary shares	Options vested but unexercised	Options with performance measures	Ordinary shares	Options vested but unexercised	Options with performance measures
Johnny Thomson	102,330	85,481	131,811	7,124	131,811	160,165
Barnard Gibbs	5,082	19,374	24,030	1,410	-	21,174

In the new financial period on page 123, the Committee has increased the MSR of 800% for Johnny Thomson and the 150% for Barnard Gibbs. As of 30 September 2022, Johnny Thomson's shareholding was 102,330 shares and the 150% MSR was 153,495 shares.

MSR has originally set to Barnard Gibbs and performance target of 50% of MSR which is achieved upon the exercise of the options as at 30 Sep 2022. The MSR has been increased to 150% of MSR, meaning that Barnard should now hold 150% of shares and performance target of 50% of MSR. The MSR has been increased to 150% of MSR, meaning that Barnard should now hold 150% of shares and performance target of 50% of MSR. The MSR has been increased to 150% of MSR, meaning that Barnard should now hold 150% of shares and performance target of 50% of MSR.

As at 30 September 2022, there have been no changes to these interests in ordinary shares of the Company.

Chair and Non-Executive Directors' interests in ordinary shares (audited)

The Chair, Executive Directors and Non-Executive Directors of the Company at the start of the financial year are as follows:

	Interest in ordinary shares	
	As at 30 Sep 2022	As at 30 Sep 2021
David Hunter	2,500	-
John Thompson	9,045	1,145
Andy Jones	7,545	7,545
David Thompson	5,045	7,545
Barnard Gibbs	2,045	1,145
John Jones	640	-

As at 30 September 2022, there have been no changes to these interests in ordinary shares of the Company.

Remuneration in context

Chief Executive pay ratio (unaudited)

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

The ratios compare the single total reward of remuneration of the CEO with the equivalent figures for the lower quartile (P25), median (P50) and upper quartile (P75) UK employees. Option A has been used as it is the most statistically accurate method, considered best practice by the Government and investors, and is directly comparable to the CEO's remuneration.

The employee data was measured on 30 September 2022, using the most up to date bonus estimates. The bonus period was the same as the single funding year methodology, i.e. the 12 months that bonus estimates were used on, to employees who work part time, and converted to full time equivalent and those who worked part of the year were pro-rataed.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2021	Option A	15.4	12.9	9.7
2022	Option A	128.1	120.3	126.1
2020	Option A	44.1	35.1	24.1

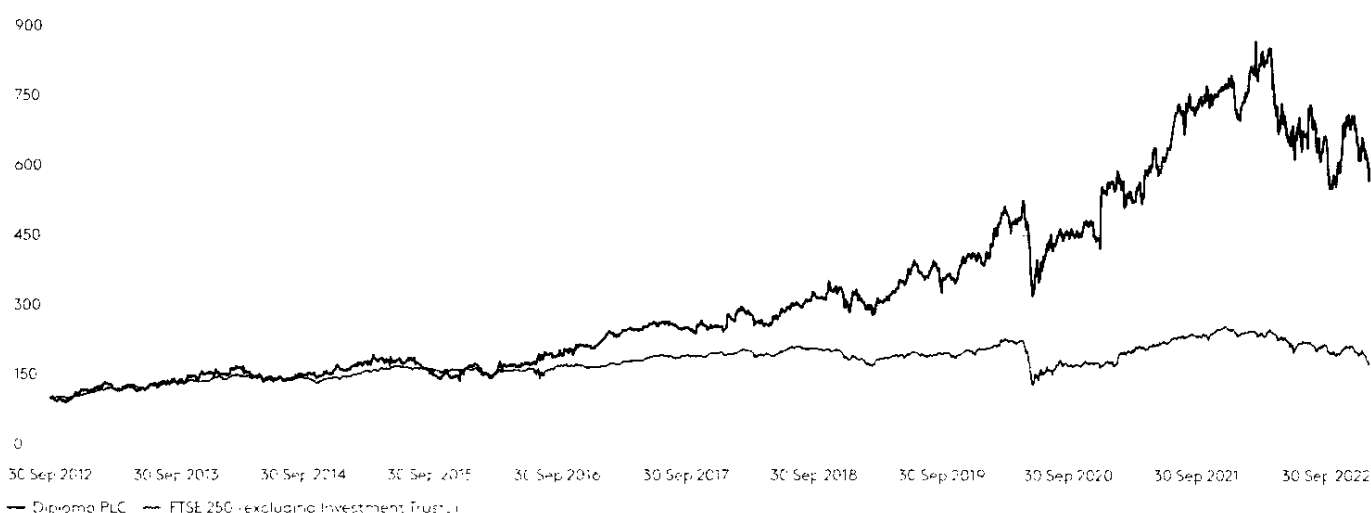
	Base salary	Ratio of base pay to CEO base pay	Total pay and benefits
CEO	£779,000	1.0	£3,759,000
25th percentile	£200,677	0.26	£24,090
Median	£270,040	0.35	£19,174
75th percentile	£350,000	0.45	£47,016

The median pay of other employees referred to the Five Year Principles for workplace remuneration. A significant proportion of the CEO's remuneration is delivered through variable pay, which is awarded on the basis of performance and on the basis of measures over the longer term. This means that the ratio will be higher in years the pay is determined and may fluctuate from year to year. The CEO's pay in 2022 had reduced from £903 to £591. The annual bonus for the CEO's wife figure is due to her working on a part-time basis. The median pay for UK employees has remained at £29,174 (2021: £29,136), with the addition of ca. 400 new employees this year, 100 of which were excluded employees who joined the organisation 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 10% performance of Diploma PLC for the ten year period ended 30 September 2022, against the FTSE 250 index, excluding Investment Trusts, at the 10% point on a linear scale of the Index. The FTSE 250 index (excluding Investment Trusts) was included because this was a significant portion of our investment.

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



TOP is defined as the return on investment of a £100 holding in Diploma PLC over the period of 10 years, calculated as the change in the total value of the holding and dividends over the 10 year period, divided by the initial value of the holding.

ANNUAL REPORT ON REMUNERATION CONTINUED

Chief Executive Officer remuneration compared with annual growth in TSR (unaudited)

Year	Name	CEO single figure of total remuneration (£000)	Annual bonus against maximum opportunity	Actual share award vesting against maximum opportunity	Annual growth in TSR
2022	Johnny Thomson	3,758	100%	100%	-17%
2021	Johnny Thomson	5,242	100%	100%	+22%
2020	Johnny Thomson	999	25%	-	+34%
2019	Johnny Thomson	1,079	1%	-	+20%
2018	John Nicholas	52	-	-	+20%
2018	John Nicholas	12	-	-	+36%
2018	Michael Williams	208	-	-	+35%
2018	Bruce Thompson	7,842	100%	99%	+35%
2017	Bruce Thompson	7,258	100%	89%	+24%
2016	Bruce Thompson	7,634	9%	45%	+36%
2015	Bruce Thompson	1,139	6%	15%	+1%
2014	Bruce Thompson	1,646	60%	67%	+8%
2013	Bruce Thompson	7,408	7%	100%	+42%

TSR is calculated as the annual percentage change in the FTSE 100 index, excluding the share price of the Group, and is measured against the annual growth in the Group's TSR. The annual growth in the Group's TSR is calculated as the annual percentage change in the Group's TSR, excluding the share price of the Group, and is measured against the annual growth in the Group's TSR.

Relative importance of Executive Director remuneration (unaudited)

	2022 £m	2021 £m	Change £m
Total employee remuneration	177.5	176.9	47.6
Total dividends paid	56.2	50.9	5.3

Percentage change in remuneration of Directors and employees (unaudited)

Set out below is the change in the remuneration of the Executive Directors, including salary, bonus, pension and share awards, and the Group's performance, measured against the FTSE 100 index, excluding the share price of the Group, and is measured against the annual growth in the Group's TSR. The annual growth in the Group's TSR is calculated as the annual percentage change in the Group's TSR, excluding the share price of the Group, and is measured against the annual growth in the Group's TSR.

	Base salary/fee change (%)			Pension change (%)			Taxable benefits change (%)			Bonus change (%)		
	2022 vs 2021	2021 vs 2020	2020 vs 2019	2022 vs 2021	2021 vs 2020	2020 vs 2019	2022 vs 2021	2021 vs 2020	2020 vs 2019	2022 vs 2021	2021 vs 2020	2020 vs 2019
Executive Directors												
Johnny Thomson	+3	No change	+1	-18	+17	+3	+2	+4	No change	+3	+500	94
Baird and Gibbs	+7	No change	+1	+7	No change	+10	+2	+7	+10	+7	+500	+10
Non-Executive Directors												
David Fowler	n/a	No change	+1									
John Nicholas	-69	No change	+1									
Andy Smith	+3	No change	No change									
Anne Thompson	+6	+17	+1									
Baird and Gibbs	+3	No change	+1									
David Fowler	+185	+100	+100									
Employees of the Parent Company												
	n/a	+10	+10	n/a	+10	+10	n/a	+10	+10	n/a	+10	+10
Senior management team	+7.5	+1	+1	+7.5	+1	+1	No change	No change	No change	+22	+177	+100

1. The remuneration of the Executive Directors is measured against the FTSE 100 index, excluding the share price of the Group, and is measured against the annual growth in the Group's TSR.

2. The remuneration of the Non-Executive Directors is measured against the FTSE 100 index, excluding the share price of the Group, and is measured against the annual growth in the Group's TSR.

3. The remuneration of the Senior management team is measured against the FTSE 100 index, excluding the share price of the Group, and is measured against the annual growth in the Group's TSR.

4. The remuneration of the employees of the Parent Company is measured against the FTSE 100 index, excluding the share price of the Group, and is measured against the annual growth in the Group's TSR.

5. The remuneration of the employees of the Parent Company is measured against the FTSE 100 index, excluding the share price of the Group, and is measured against the annual growth in the Group's TSR.

6. The remuneration of the employees of the Parent Company is measured against the FTSE 100 index, excluding the share price of the Group, and is measured against the annual growth in the Group's TSR.

7. The remuneration of the employees of the Parent Company is measured against the FTSE 100 index, excluding the share price of the Group, and is measured against the annual growth in the Group's TSR.

8. The remuneration of the employees of the Parent Company is measured against the FTSE 100 index, excluding the share price of the Group, and is measured against the annual growth in the Group's TSR.

9. The remuneration of the employees of the Parent Company is measured against the FTSE 100 index, excluding the share price of the Group, and is measured against the annual growth in the Group's TSR.

10. The remuneration of the employees of the Parent Company is measured against the FTSE 100 index, excluding the share price of the Group, and is measured against the annual growth in the Group's TSR.

ANNUAL REPORT ON REMUNERATION CONTINUED

Services from external advisors (unaudited)

The Committee has continued to receive its remuneration advice from WTW and legal remuneration advice from 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 have any relationship with any Director and the Committee is satisfied that the services of advisors are independent, which it validates by checking that the advisors are not providing other services to the Company. Fees during 2022 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 (£)
Wells Towers Watson	Committee	Remuneration advice	None	129,872
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 19 January 2022 with the following votes being cast:

	Policy		2021 Report	
Voted for	6,106,841	79.98%	6,003,461	93.26%
Voted against	15,695,003	20.02%	4,304,596	6.74%
Abstained	21,481,358		1,956,331	

At the AGM in January 2022, the 2021 RFR was approved with 93.26% of votes in favour and the policy was adopted. There was no immediate need for shareholder follow up. Extensive consultation was conducted during 2021 on the new policy and the 2021 RFR. During consultation there was an opportunity to check with shareholders if they had any comments during 2021 and no concerns raised.

The Board of Directors, formed by the Board of Directors are required to check and regularly monitor the company's financial records and the Annual Report & Accounts. The Directors are also required to ensure that the company's financial records are kept up to date and that the company's financial records are kept up to date.

Shareholders

Incorporation and principal activity

Wolcott is a subsidiary of Wolcott Holdings, Inc. ("Wolcott Holdings") and is a wholly owned subsidiary of Wolcott Holdings. Wolcott Holdings is a public company, listed on the New York Stock Exchange under the ticker symbol "WOL".

The principal aim of the Broad Approach was to establish a broad technical consensus and develop a common vision and overview of the broad scope of the Broad Approach for the 10 years leading to the 2000s. It also established a strategic framework and underpinned a common Broad Approach to the work there and proposed and integrated a common strategic and structural future development to be set out in the Strategic Report in pages 2 to 49 which is presented in the next sections. The following is a summary of the Broad

Annual General Meeting

The Annual General Meeting (AGM) will be held at 6.00pm on Wednesday 18 January 2017 in the Chamberhouse, Chamberhouse Square, Ipswich. AGM details for the AGM, which also celebrated the launch of the presenters' new book, can be found at www.ipswich.gov.uk.

Substantial shareholdings

[illegible]

	Percentage of ordinary shares (September 2022)	Percentage of ordinary share capital (November 2022)
Mothers & Children's Clothing Co., Ltd.	9.57	No change
Shanghai Biontech Biotech Co., Ltd.	7.71	7.00
Shanghai Jiaji Group	4.95	No change
Freehold Land Group Ltd.	1.47	No change
Minsheng Investment Partners Limited	1.34	No change
Shanghai Fuyuan	1.31	Below 1

Thereafter, Courts have been divided as to whether ERAs and their progeny are subject to the same treatment as the laws that Congress has enacted. The Tenth Circuit, for example, has

Share capital

[illegible]

Shareholders

Shareholders are entitled to attend or be heard at general meetings of the Company and to appoint the maximum of 10 or 100 proxy representatives (whichever is applicable) to act on their behalf and to vote and have the vote, although proxy holders are not entitled to attend and may share their vote only on a show of hands basis for every vote at which there are 10 or 100 shareholders (whichever is applicable) and voting instructions must be received at least 48 hours before a general meeting.

The comparison of the two different agreements between the two years that may result in identifying a true agreement or a false agreement is not straightforward. No clear conclusion can be drawn from the comparison of the two data sets of the results of the two studies.

Contracts of significance and change of control

There are a number of agreements that have entered into force recently which change the control of the German, principally work-force agreements, the Co-ordination of Laws Act will come into effect April 1, 1976 and the Basic Law.

Restrictions on transfer of shares

The Directors are not obliged to register a transfer of a share unless that share is fully paid up, and that the transfer does not prevent the transferee from becoming a shareholder in the Company, and from exercising all the rights and privileges of a shareholder in the Company, and from voting at the meetings of the Company, and from receiving dividends and other payments to which he is entitled as a shareholder. The Directors may also refuse to register a transfer of a share if the transferee is not a resident of the United Kingdom, or if the share is not fully paid up, or if the transfer is not in accordance with the provisions of the Companies Act 1985, or if the transfer is not in accordance with the provisions of the Companies Act 1985, or if the transfer is not in accordance with the provisions of the Companies Act 1985.

have been part of the Company's Performance Group ("PG") and have yet to meet shareholder requirements to have their PIF shares held in trust for the period of the performance period. Meeting their shareholder requirement prior to the end of two years during which period they are not considered qualified directors of the Directors who participated in the Annual Meeting would be sufficient and have yet to meet shareholder requirements to have PIF shares held in trust for the period of the performance period. The Company has not announced the PIF shares of the directors who are not in the PG and are not on their schedule of required directors yet.

Share allotment

A general statement was made by the Government that the Government's policy of "decentralization" for the intervention of the private sector in the economy was given in the 1994-1995 National Development Plan, approved at the AGM of the Company in 1994 and 1995.

Authority to make market purchases of own shares

Authority to make market purchases of own shares. Pursuant to a resolution of the Board of Directors, authority to make market purchases of up to 1,000,000 shares of common capital stock was given to the President and the Vice President of the ASGM of the Company, and this authority will, in the year to 30 September 2022, be exercised by the above named officers.

Liability insurance and indemnities

[illegible]

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 this Company in respect of Listing Rule 9.8.4C:

	Listing Rule
The Trustees of the Disrupt Fund employed benefit	9.8.4(2)(B) and
Trust waived dividends on shares	9.8.4(3)(B)

Non-financial information

The Company has chosen, in accordance with section 474(1) of the Companies Act 2006, to include certain matters in its Strategic Report on page 2 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 or referred into this report can be viewed in the section on Delivering Value Responsibly on pages 34 to 57 and includes:

- Our core values
- Environmental matters
- Health & Safety
- Greenhouse gas emissions
- Human rights
- Business ethics, corruption and bribery
- Modern slavery
- Community

Other relevant information can also be found within the:

- Business model on pages 14 to 16
- Risk profile on pages 17 to 18 and managed in our Integrated Report on pages 80 to 85
- Non-financial disclosures in our annual report on pages 34 to 57
- Employee engagement on pages 36 to 37
- Stakeholder engagement on pages 42 to 43

Financial

Results and dividends

The profit for the financial year attributable to ordinary shareholders of the Company was £14.4m (2021: £10.1m) and the Directors' remuneration for the year was £1.38m (2021: £1.70m). The dividend for the financial year was 1p per share (2021: 10p). The Company was not a dividend payer for the year (2021: 10p per share). The dividend was 1p per share for the year (2021: 40p).

The results are shown more fully in the consolidated financial statements on pages 142 to 173 and can also be found in the Financial Review on pages 77 to 79.

Independent Auditors

Each of the persons within the Directors' team has approved this Annual Report & Accounts and has taken steps to ensure that the information is fair, balanced and not misleading. The Company's auditor, PricewaterhouseCoopers LLP, has audited the financial statements and the Directors' remuneration report and has issued a clean audit opinion. The auditor has also issued a statement of assurance that the financial statements are true and fair and that the Directors' remuneration report is fair and balanced. The auditor has also issued a statement of assurance that the financial statements are true and fair and that the Directors' remuneration report is fair and balanced. The auditor has also issued a statement of assurance that the financial statements are true and fair and that the Directors' remuneration report is fair and balanced.

PricewaterhouseCoopers LLP ("PwC") has expressed its willingness to continue in office as independent auditor and a resolution to reappoint PwC will be proposed at the AGM to be held on 18 January 2023.

Directors' assessment of going concern

The Directors continue to assess the going concern basis in preparing the Annual Report & Accounts. Their assessment in reaching this conclusion is set out in the notes to the consolidated financial statements on page 170.

Statement of Directors' responsibilities for preparing the financial statements

The Directors are responsible for preparing the Annual Report & Accounts and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 Reduced Disclosure Framework) and applicable law. Additionally, the Financial Conduct Authority's Disclosure Guidance and Transparency Rules require the Directors to prepare the Group financial statements in accordance with United Kingdom 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 profit or loss of the Group in that period. In preparing the financial statements, the Directors are required to:

- make a fair assessment of the going concern of the company;
- state whether applicable international accounting standards are consistent with the requirements of the Companies Act 2006 and, if not, disclose the nature and effect of the differences; and
- make a statement as to whether the Group financial statements and Parent Company financial statements comply with the United Kingdom Accounting Standards, comprising FRS 101 Reduced Disclosure Framework, in preparing the financial statements; and
- make a statement as to whether the Directors are satisfied that the financial statements are true and fair and that the Directors' remuneration report is fair and balanced.

The Directors are required to take steps to safeguard the interests of the Group and Parent Company and to ensure that the financial statements are true and fair and that the Directors' remuneration report is fair and balanced.

The Directors are also responsible for keeping adequate accounting records that show and explain the transactions and events that are reflected in the financial statements and that enable them to ensure that the financial statements are true and fair and that the Directors' remuneration report is fair and balanced. The Directors are also responsible for ensuring that the financial statements are true and fair and that the Directors' remuneration report is fair and balanced.

The Directors are responsible for the maintenance and integrity of the Parent Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

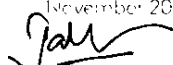
The Directors consider that the Annual Report & Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and Parent Company's position and performance, business model and strategy. Each of the Directors, whose names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

- the Group financial statements, which have been prepared in accordance with international accounting standards in conformity with the relevant financial reporting framework, the Parent Company financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 101, give a true and fair view of the assets, liabilities and financial position of the Parent Company, and
- the Strategic Report includes a fair review of the development and performance of the Business and the position of the Group and Parent Company, together with a description of the principal risks and uncertainties that it faces.

In the case of each Director in office at the date the Directors' report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group's and Parent Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's and Parent Company's auditors are aware of that information.

This Directors' Report was approved by the Board of Directors on 27 November 2022 and is signed on its behalf by:



JD Thomson
Chief Executive Officer

Registered office:
10-11 Chancery House Square
London
EC1M 6LE

Registered Number:
3899848

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2022

	Note	2022 £m	2021 £m
Revenue	1, 3	1,012.8	787.4
Cost of sales		(638.3)	496.0
Gross profit		374.5	288.4
Distribution costs		(25.9)	23.9
Administration costs		(204.3)	160.2
Operating profit	2	144.3	104.3
Financial expense, net	4	(14.8)	1.7
Profit before tax		129.5	96.5
Tax expense	5	(34.1)	26.9
Profit for the year		95.4	69.7
Attributable to:			
Shareholders of the Company		94.7	69.8
Minority interests	10	0.7	0
		95.4	69.7
Earnings per share			
Basic earnings	6	76.1p	55.1p
Diluted earnings	6	75.9p	55.0p

ALTERNATIVE PERFORMANCE MEASURES¹

	Note	2022 £m	2021 £m
Operating profit		144.3	104.3
Add: Acquisition-related and other charges included in distribution costs	2	46.9	44.4
Adjusted operating profit	11	191.2	148.7
Adjust: Net interest and amortisation charges	4	(11.6)	6.9
Adjusted profit before tax		179.6	155.6
Adjusted earnings per share	6	107.5p	80.4p

¹ These alternative performance measures are not intended to replace the consolidated financial statements and are not subject to audit.

The notes on pages 141 to 150 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2022

	Note	2022 £m	2021 £m
Profit for the year		95.4	69.7
Items that will not be reclassified to the Consolidated Income Statement			
Actuarial gain on the defined pension scheme on scheme	24	10.6	1.4
Deferred tax on items that will not be reclassified	23	(2.8)	0.9
		7.8	2.3
Items that may be reclassified to the Consolidated Income Statement			
Exchange differences on translation of foreign operations		76.8	(16.7)
Gains on fair value movements on hedges	8	4.5	0.4
Net changes to fair value of cash flow hedges transferred to the Consolidated Income Statement	19	(0.4)	
Deferred tax on items that may be reclassified	23	(1.1)	0.1
		79.8	(16.2)
Total Other Comprehensive Income		87.6	(13.9)
Total Comprehensive Income for the year		183.0	55.8
Attributable to:			
Ordinary shareholders of the Company		182.2	55.8
Minority interests		0.8	0.0
		183.0	55.8

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2022

	Note	Share capital £m	Share premium £m	Translation reserve £m	Hedging reserve £m	Retained earnings £m	Shareholders' equity £m	Minority interests £m	Total equity £m
At 1 October 2020		6.3	168.0	28.3	(10.3)	304.1	527.0	2.7	530.7
Total Comprehensive Income				14.2	0.5	6.1	60.8	0.1	60.5
Share-based payments	4					1.8	1.8		1.8
Tax on share-based payments	5					1.1	1.0		1.0
Transfer of share-based payments						(0.5)	(0.5)		(0.5)
Acquisition of subsidiary	10						—		0.9
Minority interests acquired on acquisition						(0.9)	(0.9)		(0.9)
Minority interests disposed							—	0.7	0.7
Dividends	25					(52.9)	(52.9)	(1.3)	(53.2)
At 30 September 2021		6.3	168.0	42.5	(9.8)	328.1	536.3	2.2	541.0
Total Comprehensive Income				14.7	3.0	122.5	182.2	0.8	183.0
Share-based payments	4					2.8	2.8		2.8
Tax on share-based payments	5					0.4	0.4		0.4
Transfer of share-based payments						(2.8)	(2.8)		(2.8)
Acquisition of subsidiary	26						—	0.3	2.5
Dividends paid	25						—		(1.3)
Minority interests acquired on acquisition						(1.9)	(1.9)		(1.9)
Minority interests disposed on acquisition						1.2	1.2		1.2
Minority interests disposed	26						—	0.1	(0.3)
Dividends	25					(56.2)	(56.2)	0.1	(56.4)
At 30 September 2022		6.3	188.6	88.8	3.2	375.1	662.0	6.2	668.2

The notes on pages 101 to 137 form an integral part of this consolidated financial statement.

183.0 is the total comprehensive income.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2022

	Note	2022 £m	2021 £m
Non-current assets			
Goodwill	9	372.3	260.7
Acquisition intangible assets	10	455.0	344.9
Other intangible assets	10	4.1	5.4
Property, plant and equipment	11	49.6	35.4
Leases - right-of-use assets	12	62.4	44.9
Retirement benefit assets	24	6.4	
Deferred tax assets	13	0.2	0.4
		950.0	689.7
Current assets			
Inventories	14	217.4	139.6
Trade and other receivables	15	169.9	117.8
Assets held for sale	15	–	11.3
Cash and cash equivalents	17	41.7	24.8
		429.0	293.5
Current liabilities			
Borrowings	18	(30.5)	(18.0)
Trade and other payables	16	(189.5)	(217.0)
Current tax liabilities	6	(11.8)	(10.0)
Other liabilities	19	(19.0)	(17.7)
Lease liabilities	12	(12.7)	(19.7)
		(263.5)	(176.4)
Net current assets		165.5	117.1
Total assets less current liabilities		1,115.5	807.0
Non-current liabilities			
Retirement benefit liabilities	24	–	(4.9)
Borrowings - lease liabilities	23	(340.1)	(168.2)
Deferred tax liabilities	17	(56.4)	(38.6)
Other liabilities	19	(12.4)	(12.0)
Deferred tax liabilities	13	(38.4)	(22.3)
		(347.0)	(243.0)
Net assets		668.2	541.0
Equity			
Share capital		6.3	6.3
Share premium		188.6	188.6
Transitional reserve		88.8	12
Reigning reserve		3.2	0.2
Retained earnings		375.1	329.7
Total shareholders' equity		662.0	536.8
Minority interests	20	6.2	4.2
Total equity		668.2	541.0

This consolidated financial statement on pages 42 to 45 was approved by the Board of Directors on 21 November 2022 and signed on its behalf by:


JD Thomson
 Chief Executive Officer


C Davies
 Chief Financial Officer

The notes on page 46 to 61 form part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2022

	Note	2022 £m	2021 £m
Operating profit		144.3	104.3
Acquisition related and other intangible		46.9	44.4
Investor assistance and other		18.1	4.6
Increase in working capital		(28.7)	12.6
Cash flow from operating activities	22	180.6	145.9
Interest paid, net of interest income		(15.0)	5.6
Tax paid		(40.6)	14.2
Net cash from operating activities		125.0	165.7
Cash flow from investing activities			
Acquisition of businesses, net of cash acquired	20	(173.0)	491.4
Deferred consideration paid	9	(7.1)	4.6
Proceeds from sale of business, net of cash disposed		13.7	11.0
Purchase of property, plant and equipment	21	(14.3)	4.9
Purchase of other intangible assets		(1.1)	1.3
Proceeds from sale of property, plant and equipment		9.9	4.8
Net cash used in investing activities		(171.9)	448.4
Cash flow from financing activities			
Proceeds from issue of shares and related fees		–	0.6
Dividend paid to shareholders	–	(56.2)	50.9
Dividend paid to minority interests	10	(0.2)	0.3
Proceeds from minority interests	23	–	0.3
Amortisation of minority interests	24	(0.3)	–
Purchase of financial assets by Employee Benefit Trust		–	–
Net financial assets purchased on exercise of share options		(2.8)	0.6
Proceeds from borrowings	25	154.8	15.3
Repayment of borrowings	26	(20.0)	11.4
Repayment of lease payments		(10.9)	16.5
Net cash from financing activities		64.4	139.7
Net increase/(decrease) in cash and cash equivalents		17.5	142.6
Cash and cash equivalents at beginning of year		24.8	216.5
Effect of exchange rate on cash and cash equivalents		(0.6)	10.6
Cash and cash equivalents at end of year		41.7	349.7

ALTERNATIVE PERFORMANCE MEASURES¹

	Note	2022 £m	2021 £m
Free cash flow	27	120.4	106.8
Adjusted earnings	28	133.9	116.1
Free cash flow conversion %	29	90%	92%

¹ The figures in parentheses are presented in the notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

Drax is a PLC, a public company, privately owned, 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 Chancery Square, London EC1M 6EE. 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 sterling, with all values rounded to the nearest '00,000' 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. Diroma PLC transitioned to UK-adopted international Accounting Standards for its consolidated financial statements for 1 October 2021. This change constitutes a change in accounting framework; however, there was no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework.

The consolidated financial statements of the Group have been prepared in accordance with UK adopted international Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. The financial statements of the Parent Company, Diploma Plc, have been prepared in accordance with FRS 101 Reduced Disclosure Framework and are set out in a separate section of the Annual Report & Accounts on pages 176 to 178. A full list of subsidiary and other related undertakings is set out on pages 180 to 189.

2. Business Sector analysis

The Chief Operating Officer, Mr. Mike COOM, for the purposes of Rule 6 of the SEC, The following performance of the company's business is reported to the COOM, in many ways, as the information is used, obtained and used in the company's business.

For management reporting purposes, the Group is organized into three main reporting units: the sectors for Science, Seeds and Control. These Sectors and the Groups operating within them are defined in IFRS 8, and are the basis for the primary reporting to the auditors below. The GDDM reviews private financial information at the reporting level. Even though the primary reporting to the auditors is based on the Strategic Report on a basis of full disclosure, revenue reported under the administrative structure (therefore, under Sector revenue) is not broken down by product and facilities included under the administrative structure. As a result, the revenue reported on a basis of full disclosure is not broken down by product and facilities included under the administrative structure.

Section assets (i.e., life, annuity, and other regular or scheduled payments representing life, death, disability, or other assets and corporate assets that cannot be sold or otherwise sold to a business section). Section 101(c)(2)(B) also includes, for example, retirement benefits (i.e., the retirement benefit payments, deferred compensation, and other assets or interests in assets that are not sold or otherwise sold to a business section). These items are shown separately on the balance sheet and are not included in the assets of the business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

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3. Geographic segment analysis by origin

	Revenue		Adjusted operating profit		Non-current assets		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	140.5	21.0	10.8	193.6	100.5	202.2	83.4	3.4	0.5
Rest of Europe	166.7	100.5	29.3	21.9	169.1	116.7	179.8	140.3	1.7	0.8
North America	561.0	411.8	129.5	94.0	519.2	443.0	614.2	496.1	8.9	4.1
Rest of world	75.4	60.0	11.4	6.0	57.1	41.8	62.3	51.5	1.3	0.8
	1,012.8	712.8	191.2	148.7	939.0	682.0	1,058.5	771.3	15.3	6.2

Notes: (1) Revenue is derived from the sales of the Company's products and services to its customers.

4. Group employee costs

Average number of employees

	2022	2021
Life Sciences	423	412
Tools	1,174	1,055
Services	981	871
Group total	36	27
Number of employees – average	2,614	2,365
Number of employees – year end	2,909	2,408

Group employee costs, including key management

	2022 £m	2021 £m
Wages and salaries	154.8	140.1
Employment costs	13.3	11.0
Other personnel costs	6.6	5.5
Share-based payment	2.8	1.6
	177.5	158.2

Key management short-term remuneration, including Directors

	2022 £m	2021 £m
Salaries and short-term incentive payments	5.0	5.2
Long-term incentive payments	0.4	0.1
Retirement costs	0.2	0.1
Share-based payment	2.4	1.5
	8.0	6.9

The Group's key management personnel are defined in AS24 'Related Parties' comprising the Directors, the Chief Executive Officer and the members of the Executive Board.

The Executive Director's remuneration and their interests are shown at the Company and within the scope of the AS24 'Related Parties' section of the Financial Statements. The remuneration for the Executive Director for the year ended 30 September 2022 is £1.6m, including the bonus of £0.5m, which is included in the AS24 'Related Parties' section.

Directors' short-term remuneration

	2022 £m	2021 £m
Non-Executive Directors	0.5	0.4
Executive Directors	2.6	2.1
	3.1	2.5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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At 30 September 2022, the Group had outstanding tax liabilities of £11.8m (2021: £9.0m), of which £1.9m (2021: £2.0m) related to UK tax liabilities and £9.9m (2021: £7.0m) related to overseas tax liabilities. These amounts are expected to be paid within the next financial year.

During 2021, the OECD published a framework for the introduction of a global minimum effective tax rate of 15% applicable to large multinational groups. On 20 July 2022, HM Treasury released draft legislation to implement these Pillar 2 rules with 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	15.6
Final dividend of the prior year paid in February	30.1	30.0	37.5	37.3
	45.1	42.5	56.2	52.9

The Directors have declared a final dividend in respect of the current year of 35.8p per share (2021: 30.1p), which will be paid on 3 February 2023 subject to approval by shareholders at the Annual General Meeting (AGM) on 18 January 2023. The total dividend for the current year, subject to approval of the final dividend, will be 53.8p per share (2021: 42.6p).

The Diploma PLC Employee Benefit Trust holds 71,197 (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 as the profit or the loss after tax, divided by the weighted average number of ordinary shares in issue during the year. £124,523,062 (2021: £124,468,210) was the profit for the year attributable to shareholders of £194,701,211 (2021: £149,811). Basic earnings per share is 76.1p (2021: 63.1p). Diluted earnings per share is 75.9p (2021: 63.0p) based on the weighted number of ordinary shares, which includes the potentially dilutive shares, of 124,885,107 (2021: 124,794,473).

Further description of the Company's share-based payment arrangements is set out in the Financial Instruments Financial Statement Note 17.8.

Adjusted earnings per share

Adjusted EPS, which is defined in note 21, is £106.1p (2021: 86.0p).

	2022 pence per share	2021 pence per share	2022 £m	2021 £m
Profit before tax			129.5	98.5
Tax expense			(34.1)	(29.9)
Minority interests			(0.7)	1.7
Earnings for the year attributable to shareholders of the Company	76.1	63.1	94.7	69.8
Acquisition-related intangible assets and goodwill amortisation charges				
Net of tax	31.4	29.3	39.2	36.7
Adjusted earnings	107.5	92.7	133.9	106.7

9. Goodwill

	Life Sciences £m	Seas £m	Controls £m	Total £m
At 30 September 2020	117.0	40.5	36.5	159.0
Acquisitions	14.1	6.6	56.7	117.6
Disposals	—	—	—	(3.8)
Reclassification to net assets	—	4.7	—	(4.7)
Exchange adjustments	0.3	2.6	3.4	(7.4)
At 30 September 2021	131.4	53.8	96.6	260.7
Acquisitions	4.1	66.8	6.2	81.0
Exchange adjustments	4.4	6.4	6.4	30.6
At 30 September 2022	140.0	127.0	109.2	372.3

The Group tests goodwill for impairment at each reporting date. Further details of impairment testing of goodwill is disclosed in Note 17.8 and Group's three main generating units (CGUs) which are the three operating entities Life Sciences, Seas and Controls. This represents the lowest level within the Group at which goodwill is held. In assessing impairment, the Group compares the carrying amount of goodwill, plus the carrying amount of other intangible assets and property, plant and equipment, with the cash-generating unit's recoverable amount. The impairment test involves a number of assumptions to be applied to the cash-generating unit's recoverable amount. The carrying amount of goodwill is reduced by the amount of the impairment charge, which is allocated to each business and the Group's profit or loss.

The key assumptions used to derive the cash flow forecasts relate to: operating margins; revenue growth rate; working capital movements and the discount rate, which are related and calculated on an ongoing basis, and may therefore be further refined in FY 2023. The operating margins are assumed to remain sustainable, which is supported by a stable and expected revenue growth rates generally approximating the average rates for the markets in which the business operates, unless there are significant drivers relevant to a business's financial performance and capital movements are projected to remain sustainable at a percentage of average. The cash flow forecasts use the budgeted figures for 2022 and then the three-year strategic plan for the three years thereafter. From year four onwards, a long-term growth rate of 2% is adopted.

The cash flow forecasts are discounted to determine the present value of the market value of the business on the basis of a discount rate of 12.9% (2021: 12.4%) (See Note 14 for 2021-23 and 2020-22 rates of 13.5% and 12.7% respectively). The discount rate is based on the weighted average cost of capital and distribution of risk across the company's general and specific business markets and a general risk factor of 1.0, which is subject to audit.

None of the other assumptions adopted in the preparation of the value of goodwill in the Table was identified.

The Directors have also carried out sensitivity analysis on the key assumptions identified above. It is determined that it is not possible to make changes to any of these assumptions which would result in an impairment of goodwill. The analysis also shows that a reasonably possible adverse change would not give rise to an impairment of goodwill in any of the three Tables.

10. Acquisition and other intangible assets

	Customer relationships £m	Supplier relationships £m	Trade names, brands and databases £m	Total acquisition intangible assets £m	Other intangible assets £m
Cost					
At 1 October 2021	51.8	24.8	1.4	183.2	7.6
Additions	–	–	–	–	1.4
Disposals	24.4	–	21.4	306.8	0.2
Impairment	5	–	–	(3.6)	(0.9)
Revaluation to net fair value	6.9	–	–	(6.9)	(0.4)
Exchange adjustments	14.2	–	–	(16.8)	(0.3)
At 30 September 2021	52.4	24.8	1.4	462.7	7.6
Additions	–	–	–	–	1.0
Disposals	46.1	–	–	99.9	0.8
Impairment	–	–	–	–	(1.1)
Exchange adjustments	14.2	–	–	69.9	1.0
At 30 September 2022	547.9	30.9	53.7	632.5	9.3
Amortisation					
At 1 October 2021	2.4	10.1	1.4	96.0	4.6
Additions	12.6	–	2	18.7	–
Charge for the year	2.1	–	–	14.4	0.7
Disposals	–	–	–	(3.6)	(0.7)
Revaluation to net fair value	1.4	–	–	(5.4)	(0.1)
Exchange adjustments	2.0	1.7	–	(2.3)	(0.3)
At 30 September 2021	40.5	11.8	1.4	117.8	4.2
Additions	7.6	–	1.4	4.0	–
Charge for the year	32.7	–	2.4	38.4	0.8
Disposals	–	–	–	–	(0.4)
Exchange adjustments	14.1	–	1.4	17.3	0.6
At 30 September 2022	140.1	24.6	12.8	177.5	5.2
Net book value					
At 30 September 2022	407.8	6.3	40.9	455.0	4.1
At 1 October 2021	50.4	14.7	–	167.2	3.0

Acquisition of intangible assets is made to the formula given in the business combination valuation model, which is based on the expected cash flows of the acquired business.

	Economic life
Customer relationships	5-6 years
Supplier relationships	5-10 years
Trade names, brands and databases	5-10 years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

CONTINUED

Customised relationships with mobile phone users. *Wipro City Wire* (£195.0m) - 14 years useful life remaining. *Exhibit4* (£m) - 16 years useful life remaining and *100R* (£30.5m) - 7 years useful life remaining. Trade names and brand names are treated as *Wipro City Wire* (£172.4m) - 10 years useful life remaining.

Other intangible assets comprise computer software that is separately identifiable from IT equipment and included software licences.

11. Property, plant and equipment

	Freehold properties £m	Leasehold properties £m	Plant and equipment £m	Hospital field equipment £m	Total £m
Cost					
At 1 October 2020	13.8	5.4	21.3	1.8	63.3
Acquisitions	—	0.5	0.4	2.0	4.9
Disposals of businesses	—	0.3	10.1	0.4	21.8
Disposals	(1.9)	(0.2)	—	(0.4)	(7.6)
Revaluation to fair value	(5.0)	—	0.6	—	(10.6)
Exchange adjustments	(0.6)	(0.2)	—	—	(2.4)
At 30 September 2021	1.9	7.8	48.4	2.8	69.4
Acquisitions	—	2.1	8.3	6.8	14.3
Disposals of businesses (note 2)	1.5	0.3	0.1	—	6.7
Disposals	—	0.4	3.0	0.4	(5.0)
Exchange adjustments	(0.2)	—	—	—	(2.3)
At 30 September 2022	3.6	13.2	61.2	19.7	97.7
Depreciation					
At 1 October 2020	5.3	2.1	10.9	0.3	35.4
Depreciation charge	0.4	0.1	0.1	0.6	9.2
Disposals	(0.3)	—	0.4	0.1	(5.5)
Revaluation to fair value	(0.1)	—	0.1	—	(4.5)
Exchange adjustments	(0.1)	—	—	0.1	(0.6)
At 30 September 2021	0.9	4.1	11.3	1.8	34.0
Disposals of businesses	0.1	0.1	—	0.1	10.4
Disposals	—	0.3	—	—	(3.7)
Exchange adjustments	0.1	—	0.3	0.6	7.4
At 30 September 2022	1.1	5.2	32.7	9.1	48.1
Net book value					
At 30 September 2021	2.5	8.0	28.5	10.6	49.6
At 30 September 2022	2.5	8.0	28.5	10.6	49.6

Land and buildings comprise properties above which are depreciated over 22 to 39 years. The Group's policy is to depreciate land and buildings over 25 to 39 years.

Freehold properties include 157 acres of land at Stamford, the Stamford Land, that forms part of the Stamford Urban Extension, and the Stamford Urban Extension. The Stamford Land is subject to a long-term lease agreement with the Stamford Urban Extension. The Stamford Urban Extension is a long-term lease agreement with the Stamford Urban Extension. The Stamford Urban Extension is a long-term lease agreement with the Stamford Urban Extension. The Stamford Urban Extension is a long-term lease agreement with the Stamford Urban Extension.

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12. Leases – right-of-use assets and lease liabilities

Right-of-use assets

	Land & buildings £m	Plant & machinery £m	Motor vehicles £m	IT & office equipment £m	Total £m
Cost					
At 1 October 2020	34.3	1.5	3.3	0.8	38.9
Additions	14.9	0.1	1.5	0.3	26.9
Disposals	(2.2)	–	(1.4)	–	(2.6)
Reclassifications to held for sale	(10.7)	–	(0.9)	–	(0.9)
Exchange adjustments	(10.6)	–	(0.1)	–	(0.7)
At 30 September 2021	55.7	0.6	4.2	1.1	61.6
Additions	15.8	0.2	4.9	0.6	25.4
Disposals	(0.9)	–	(0.9)	–	(2.0)
Exchange adjustments	(6.7)	–	(0.1)	(0.1)	6.9
At 30 September 2022	81.1	0.8	8.3	1.7	91.9
Depreciation					
At 1 October 2020	5.6	0.1	1.0	0.1	7.3
Charged in the year	4.0	0.1	4	0.2	10.8
Disposals	(0.3)	–	(0.2)	–	(0.8)
Reclassifications to held for sale	(0.4)	–	(0.1)	–	(0.5)
Exchange adjustments	(0.1)	–	–	–	(0.1)
At 30 September 2021	13.7	0.2	2.7	0.3	16.7
Charged in the year	10.7	0.1	1.5	0.4	12.7
Disposals	(0.6)	–	(0.8)	–	(1.3)
Exchange adjustments	(1.4)	–	–	–	1.4
At 30 September 2022	25.3	0.3	3.0	0.9	29.5
Net book value					
At 30 September 2022	55.8	0.5	5.3	0.8	62.4
At 30 September 2021	49.7	0.4	1.9	0.6	52.9

Right-of-use assets represent those buildings or plant and machinery that are required to be depreciated.

During the year, depreciation on land and buildings in the land and buildings part of the Group's operating assets has increased by 10 years, and depreciation on motor vehicles and plant and machinery has been recognised with a similar frequency.

Lease liabilities

The following table shows the movement in the year:

	2022 £m	2021 £m
At 1 October	48.3	43
Additions	26.6	24.9
Disposals	(0.9)	(0.9)
Lease modifications	(13.5)	(13.2)
Interest on lease liabilities	2.6	1.8
Reclassifications to held for sale	–	(0.3)
Exchange movements	6.0	1.4
At 30 September	69.1	49.3
Analysed as:	£m	£m
Repayable in the next year	12.7	6
Repayable after one year	56.4	39.3

Leases of land and buildings in the Group's assets are classified as long-term property in the P&O to be depreciated at £2.0m, 2021: £0.4m. The related depreciation is £0.1m, 2022: £0.1m, and is included with depreciation on the plant and machinery part of the Group's operating assets. The depreciation of land and buildings has been recognised with a similar frequency to depreciation on plant and machinery.

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FOR THE YEAR ENDED 30 SEPTEMBER 2022

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13. Deferred tax

The movement in deferred tax is as follows:

	2022 £m	2021 £m
At 1 October	(21.9)	15.1
Credit for the year ended	6.6	7.7
Acquisitions, disposals and other reclassifications	(17.6)	10.4
Accounted for in Other Comprehensive Income or directly in Equity	(3.9)	0.0
Exchange adjustments	(1.4)	0.0
At 30 September	(38.2)	33.2

Deferred tax assets and liabilities are recognised where there is a legally enforceable right of offset and there is an intent to settle the liabilities and offset assets.

	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)
Retirement benefit provisions	—	0.7	(1.0)	—	(1.0)	0.2
Inventories	3.1	2.9	(0.1)	0.2	3.0	2.6
Share-based payments	1.4	—	—	—	1.4	—
Provisions	—	—	—	—	—	—
Leases	1.2	0.8	—	—	1.2	0.8
Other tax provisions	5.1	0.1	(0.2)	(0.2)	4.9	0.4
	10.9	4.2	(49.1)	(32.6)	(38.2)	(28.4)
Deferred tax credits	(10.7)	(10.0)	10.7	10.0	—	—
	0.2	0.4	(38.4)	(22.6)	(38.2)	(28.4)

For deferred tax liabilities provided for where the group has a legal right to set off the group's other tax liabilities of the same nature, the deferred tax liability is measured at the net amount payable or receivable. Where the group's other tax liabilities include tax at a rate that differs from the rate at which the deferred tax liability is measured, the deferred tax liability is measured at the rate at which the deferred tax liability is measured.

14. Inventories

	2022 £m	2021 £m
Finished goods	217.4	135.6

Inventories are stated at the lower of cost and net realisable value. In 2022, the group's inventory was £4.0m, which was based on a charge against the inventory of £4.0m, which was based on the lower of cost and net realisable value.

15. Trade and other receivables and assets held for sale

	2022 £m	2021 £m
Trade receivables	158.9	122.0
Lease receivable	(7.2)	0.0
	151.7	122.0
Other receivables	9.8	0.0
Prepayments and other assets	8.4	0.0
	169.9	122.0

Assets held for sale

There were no assets held for sale at 30 September 2022 or 30 September 2021. Assets held for sale at 30 September 2021 were sold and the proceeds were used for the group's operations. The assets were sold at a profit of £0.0m, which was based on the lower of cost and net realisable value.

The maximum exposure to credit risk for trade receivables at 30 September is summarised as follows:

	2022 £m	2021 £m
Outstanding	41.3	25.7
US dollars	70.1	48.4
Canadian dollars	12.6	6.9
Other	18.0	11.4
Total	16.9	10.0
Total maximum exposure	158.9	102.0

The receivables are mostly new and well secured and viewed as low risk.

	2022 £m	2021 £m
Not due	124.9	97.9
Part due	26.8	15.5
Fully due	7.2	8.6
Total	158.9	122.0

The ageing of trade receivables is as follows: part due but not fully paid is as follows:

	2022 £m	2021 £m
Up to one month past due	20.7	11.4
Between one and two months past due	4.5	1.4
Between two and three months past due	1.6	1.1
Over four months past due	—	—
Total	26.8	13.9

The movement in the total expense for impairment of trade receivables is as follows:

	2022 £m	2021 £m
At 1 October	3.6	3.4
Charged against profit	3.4	1.7
Actual impairment	0.6	1.8
At 30 September	(0.4)	0.4
At 30 September	7.2	6.6

Impairments of trade receivables with respect to trade receivables are very limited, reflecting the low credit risk and the high quality of the Group's receivables. Management has confirmed that the total provisions do not reflect the historical loss experience and forward looking expected credit losses in the current financial instruments.

16. Trade and other payables

	2022 £m	2021 £m
Trade payables	96.4	74.5
Other payables	25.8	9.0
Other taxes and other accruals	11.0	0.8
Provisions and deferred income	56.3	30.0
Total	189.5	114.3

The maximum exposure to foreign currency risk for trade payables at 30 September is summarised as follows:

	2022 £m	2021 £m
Outstanding	24.1	17.9
US dollars	50.2	31.5
Canadian dollars	0.8	0.1
Other	14.1	14.7
Total	7.2	11.1
Total maximum exposure	96.4	64.3

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FOR THE YEAR ENDED 30 SEPTEMBER 2022

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17. Cash and cash equivalents

	UK £m	US\$ £m	C\$ £m	Euro £m	Other £m	2022 Total £m	UK £m	US\$ £m	C\$ £m	Euro £m	Other £m	2021 Total £m
Cash at bank	15.2	7.1	2.3	7.8	6.4	38.8	8.5	2.5	2.5	5.5	3.8	21.0
Short term deposits	–	0.1	1.8	–	1.0	2.9	–	0.0	–	–	1.5	1.5
	15.2	7.2	4.1	7.8	7.4	41.7	8.5	2.4	2.5	5.5	5.4	24.8

The short term deposits and cash at bank are both interest bearing at rate linked to the UK base rate, or a variable rate.

18. Financial instruments

The Group's overall management of financial risk 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, comprise cash and short term deposits, trade and other receivables and trade and other payables, borrowings and other liabilities. Trade and other receivables and trade and other payables arise directly from the Group's day to day activities.

The financial risks to which the Group is exposed are those of credit, liquidity, foreign currency, interest rate and capital management. An explanation of the nature of these risks, how the Group manages these risks and the financial instruments used to manage the risks follows.

a) Credit risk

Credit risk is the risk of financial loss to the Group due to failure of counterpart party to deliver on its contractual obligations. This arises in respect of the Group's trade and other receivables from customers and other counterparties, including a provision held with a bank and a financial institution.

The Group is exposed to customer ranging from government backed agencies and public sector organisations to small private owned businesses. In the UK, the main sales are to the Government, through the Royal Trading Corporation, which is a public body in the operating unit, which is a public and credit institution, and has been deemed appropriate for a public body.

The Group enters into these agreements that are not its estimate of potential losses, however, it is possible that the counterparty will not be able to deliver on its obligations, which could result in a loss to the Group. Where the counterparty is a public body, the Group has no control over the counterparty's ability to deliver on its obligations. Where the counterparty is a private company, the Group has no control over the counterparty's ability to deliver on its obligations.

Exposure to credit risk is managed with financial institutions, which are rated by the credit rating agencies and are subject to regular monitoring. Credit risk is managed by the Group's credit risk management team, which is responsible for the credit risk management of the Group. There has been no material change in the credit risk management of the Group.

The Group's maximum exposure to credit risk is as follows:

	Carrying amount	
	2022 £m	2021 £m
Trade receivables	151.7	108.4
Other receivables	9.8	3.6
Forward foreign exchange contracts	41.7	24.8
	203.2	136.8

There is no material difference between the book value of the financial assets and the fair value of the financial assets. The fair value of the financial assets is determined by the carrying amount of the financial assets, which is the carrying amount of the financial assets.

Impairment of financial assets

The Group and the FRC have agreed a common approach to the impairment of financial assets, which is based on the expected credit loss model. The expected credit loss model is based on the expected credit loss model, which is based on the expected credit loss model.

The expected credit loss model is based on the probability of the counterparty defaulting on its obligations. The expected credit loss model is based on the probability of the counterparty defaulting on its obligations. The expected credit loss model is based on the probability of the counterparty defaulting on its obligations.

The Group has not identified any current or potential credit risk in the current period, such as market credit risk, or any other credit risk. The Group has not identified any current or potential credit risk in the current period, such as market credit risk, or any other credit risk. The Group has not identified any current or potential credit risk in the current period, such as market credit risk, or any other credit risk.

Exposure to impairment and insolvency risk factor has a direct or indirect or potential effect on the customer or the customer being in default of a contract or the nature of enforcement or liquidation proceedings. A significant balance due reviewed and found to be doubtful or in default of payment.

b) Liquidity risk

Liquidity is the ability that the Group is not able to meet its financial obligations as they fall due. The Group routinely monitors its short and long-term cash flows to ensure that sufficient resources are available to meet the Group's requirements in the short, medium and long term. Additionally, compliance with bank covenants is monitored regularly and during 2022 no bank covenant tests were triggered with the applicable financial covenants are interest cover and leverage whereby EBITDA must be at least 1.4x net finance charges. As previously, the 3FA and the ratio of interest to EBITDA must not exceed 3x.

On 3 October 2020 the Group entered into a debt facility agreement ("SFA") which comprised a three year term loan facility for aggregate principal amount of £30.0m (£70.0m) and a committed multi-currency revolving facility ("RDF") for an aggregate principal amount of £30.0m which was increased to £60.0m during the previous financial year.

During the year the Group had amended the SFA to increase the total facility size. As at 30 September 2022 the SFA comprised a term facility for aggregate principal amount of £100.0m (£170.0m) and an aggregate principal amount of £30.4m, an amortising term loan facility for aggregate principal amount of £4.2m (£12.5m), a short term loan facility for aggregate principal amount of £59.0m (£66.7m) and a revolving credit facility for aggregate principal amount of £45.0m. The SFA is due to expire in December 2024 and there is no option to write it forward to 2026 or beyond.

The Group's debt facilities are subject to interest rate covenants. During the year the Group entered into interest rate swap contracts to hedge the effect of rising the interest rate to £77.0m (£89.6m) at cost. The effective hedged rate cost was 2.4% on the debt, subsequent to which the Group had entered into further interest rate swap contracts with the effect of fixing the interest rate on an additional £10.0m of debt.

As at 30 September 2022 the Group's Net Debt EBITDA ratio is 1.4x as illustrated in note 17.

The undeposited term facilities provided on 30 September are as follows:

	2022 £m	2021 £m
£100.0m (£170.0m) term loan	—	—
£45.0m revolving credit	204.0	89.6

The Group's undeposited financial facilities are as follows:

	2022 £m	2021 £m
Term facilities	96.4	4.5
Amortising facilities	25.8	4.1
Other facilities	35.0	2.9
Borrowings	370.6	211.5
	527.8	212.5

The maturity of the undeposited financial facilities are as follows:

	2022 £m	2021 £m
Less than one year	171.7	16.4
One to two years	48.7	2.9
Two to five years	307.4	193.2
	527.8	212.5

There is no material difference between the book value of these financial facilities and their fair value at each reporting date.

c) Currency risk

The Group's principal foreign exchange risk arises from its international trade and transaction risk from its exposure to the US dollar, the pound sterling and the euro. The Group's principal foreign exchange risk arises from its international trade and transaction risk from its exposure to the US dollar, the pound sterling and the euro.

The Group's principal foreign exchange risk arises from its international trade and transaction risk from its exposure to the US dollar, the pound sterling and the euro. The Group's principal foreign exchange risk arises from its international trade and transaction risk from its exposure to the US dollar, the pound sterling and the euro. The Group's principal foreign exchange risk arises from its international trade and transaction risk from its exposure to the US dollar, the pound sterling and the euro.

For example, the Group's principal foreign exchange risk arises from its international trade and transaction risk from its exposure to the US dollar, the pound sterling and the euro. The Group's principal foreign exchange risk arises from its international trade and transaction risk from its exposure to the US dollar, the pound sterling and the euro.

The Group's principal foreign exchange risk arises from its international trade and transaction risk from its exposure to the US dollar, the pound sterling and the euro. The Group's principal foreign exchange risk arises from its international trade and transaction risk from its exposure to the US dollar, the pound sterling and the euro.

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FOR THE YEAR ENDED 30 SEPTEMBER 2022

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Management considers that the most significant foreign exchange risk relates to the US dollar, Canadian dollar and Euro. The Group's sensitivity to this is strengthened by UK sterling exposure to these currencies, with other currencies held on a far less significant basis.

	2022 £m	2021 £m
Decrease in adjusted operating profit at average rates		
US dollar / UK sterling	10.3	7.1
Canadian dollar / UK sterling	2.6	2.4
Euro / UK sterling	1.7	1.6
Decrease in total equity at spot rates		
US dollar / UK sterling	12.6	7.1
Canadian dollar / UK sterling	12.9	10.7
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 notional value of interest rate swap contracts as at 30 September 2021 was £3.9m (asset) (2020 nil) and is included within Trade and other receivables in the balance sheet. The amount from cash flows from Other Comprehensive Income and to cash flows from Other Comprehensive Income 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 a £1m credit (2021 nil).

All cash flows will be in the UK and hence the interest rate risk is short-term based on floating rates. Interest rates based on the relevant UK base rate or equivalent rate. Cash flows are pre-agreed with commercial banks that extend the interest rate applied by the Bank for periods of six months and six months at rates that are generally fixed by reference to the relevant UK base rate or equivalent rate.

An increase of 1% in interest rates would have a net of £m (2021 £0.0m) impact on adjusted profit before tax, net of an increase in interest rate movements on the cash flow hedges and on cash flows from the fixed interest rate swap contracts entered into in the year.

e) Fair values

There are no material differences between the carrying amount and fair value of assets and liabilities and their fair value. The basis for determining the values are set out below.

Derivatives

Forwards contracts entered into are classified as cash assets or liabilities at the fair value (nil and nil) and valued at their end of year rates, adjusted for the time period until the contract is due, with a discount and losses taken to equity for contracts with maturity dates greater than 12 months from the year end.

For hedges of foreign currency transactions and other financial instruments, the hedges are entered into where the main terms of the hedging instrument match with the terms of the liability or asset being hedged, and the timing of the cash flows and impact on changes from what was originally estimated for the hedged item are in the right risk in the derivative counterparty.

Interest rate swaps are entered into to hedge the designated cash flows of the financial instrument and the swap is valued at the net present value of the cash flows arising from the swap, discounted at the relevant rates with gains and losses taken to equity.

The Group enters into interest rate swaps that have an upfront term on the hedged item, such as reference rate, payment dates, maturity and notional amount. The Group has established a hedge contract for the hedged item at the value of the swap, which is on the interest rate swap, is identical to the hedged item, and the hedge is entered into at the same time as the hedged item. The hedged item and the hedging instrument are the counterparty of each risk differently, making the fair value movements of the hedging instrument and hedged item.

Trade and other receivables/payables

As the receivables and payables are measured at cost, this is also their fair value and is not different from the value.

Borrowings

The fair value of the borrowings is equal to the book value.

Other liabilities

The carrying amount represents a discounted value of the expected cash flows, which is not materially different from the value and are designated as Level 3 assets in the fair value hierarchy.

f) Capital management risk

The Group's capital structure is made up of equity, borrowings, £3.9m (asset) and £0.0m (liability) short-term bank borrowing facilities. The Group's capital structure is subject to a number of factors, including the level of cash flows and the level of debt. The Group's capital structure is subject to a number of factors, including the level of cash flows and the level of debt.

	2022 £m	2021 £m
Future purchases of minority interests	7.4	5.2
Net cash consideration	24.0	18.5
	31.4	23.7
Financed by:		
Due within one year	19.0	11.5
Due after one year	12.4	12.2

	2022 £m	2021 £m
At 1 October	5.2	4.2
Minority interest put into ordinary share capital	1.9	0.9
Minority interest put into new ordinary shares exchange reserved	(1.2)	-
Exchange reserved	0.1	-
Fair value adjustments	1.4	0.1
At 30 September	7.4	5.2

Following the lead, the Group discussed the importance of understanding the law of the state where you are doing business, interacting and doing business.

At 30 September 2022, the cash price of the option is \$0.01, which is below the option strike price of \$0.02 and can only be exercised if the Directors, based on their current estimate of the future performance of the company, are able to raise sufficient capital to pay the exercise price of \$0.02 per share. The cash price of the option is \$0.01, which is below the option strike price of \$0.02 and can only be exercised if the Directors, based on their current estimate of the future performance of the company, are able to raise sufficient capital to pay the exercise price of \$0.02 per share. The cash price of the option is \$0.01, which is below the option strike price of \$0.02 and can only be exercised if the Directors, based on their current estimate of the future performance of the company, are able to raise sufficient capital to pay the exercise price of \$0.02 per share.

	1 Oct 2021 £m	Additions £m	Discount unwinding £m	Revaluation £m	Payments £m	Foreign Exchange £m	30 Sep 2022 £m
Software	1.0	-	-	-	0.1	-	-
WIP	1.1	-	-	-	0.1	-	-
R&D	5.5	-	-	0.1	1.0	-	-
IT	2.1	-	-	-	0.1	-	-
W	0.7	-	-	0.1	0.1	-	-
Biotechnology	0.4	-	-	-	0.1	-	0.3
Kingston	0.4	-	0.2	-	-	0.2	5.4
Talent	1.1	-	0.1	-	-	-	1.2
Acad	4.1	-	0.1	-	-	0.1	4.9
PRG	-	6.7	-	-	0.1	-	8.6
AMG Software	-	1.1	-	-	-	-	0.5
Hydroproducts	-	1.0	-	-	-	-	0.5
IT	-	2.1	-	-	-	-	2.3
Software Solutions	-	0.0	-	-	-	-	0.3
	18.5	12.3	0.4	(0.6)	(7.1)	0.5	24.0

CONTINUED

At 1 October 2020	3.1
Acquisition of business	0.9
Minority interest issued	0.7
Share of profit	(0.7)
Dividends paid	(0.2)
Exchange adjustments	0.2
At 30 September 2021	4.0
Acquisition of business	1.6
Minority interest acquired	(0.3)
Disposal of business	1.3
Share of profit	0.7
Dividends paid	(0.0)
Exchange adjustments	0.3
At 30 September 2022	6.2

The parents' consent to this study for the age acquisition of this child was obtained via a letter to the parents' school. The acquisition of the child's language began in November 1972, and it ended in July 1973, when the child's interest

Acquisition of R&G Fluid Power Group Limited

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1. The following information is available for the following two companies for the year ended 31/12/2016:

In May 2012, the Group completed the acquisition of 100% of the shareholding of New York City, a US listed company and United States entity. All income and assets of the Group are derived from the operations of the Group in the United States. The Group is a US public company and is listed on the New York Stock Exchange (NYSE) under the ticker symbol "NYC".

[illegible]

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— *Journal of the American Medical Association*, 1997

The fair value of the acquired net assets acquired excluding goodwill and capitalised intangible assets is £98.2 million. The fair value adjustments of £12.9 million have been recognised in the consolidated statement of financial position against goodwill of £12.9m.

The following table summarises the calculation of goodwill for the acquisitions completed in the period and fair value of assets acquired and liabilities assumed, with fair value being given a preliminary interpretation of the valuation. Given the time period between the acquisitions and closing of these accounts, the fair valuation of acquired assets and liabilities is based on comparable assets and liabilities outstanding at the date of the financial statements.

The goodwill acquired in the period was produced in part as a result of the anticipated future growth of the acquired businesses.

	R&G		Accuance		Others		Total	
	Book value £m	Fair value £m	Book value £m	Fair value £m	Book value £m	Fair value £m	Book value £m	Fair value £m
Acquisition intangibles	-	47.6	-	23.1	-	11.6	-	98.2
Deferred tax	12.7	12.5	-	4.3	-	0.7	(0.7)	(18.5)
Property, plant and equipment	6.4	6.9	0.7	0.7	-	0.1	6.7	6.7
Inventories	14.4	17.8	4	4.1	9.1	9.2	28.2	26.1
Trade and other receivables	4.4	14.3	5.5	5.3	2.5	2.7	22.7	22.3
Trade and other payables	19.4	19.0	19	18	14	15	(28.9)	(29.7)
Net assets acquired	14.6	49.1	3.0	31.0	10.4	25.0	28.0	105.1
Goodwill	-	12.9	-	18.6	-	9.1	-	80.6
Minority interests	-	2.5	-	-	-	-	-	(2.5)
Total								
Goodwill		90.4		111		11.6		178.3
Goodwill impairment		1.7		1.1		1.1		(6.1)
		88.7		109.9		10.5		172.2
Identifiable intangibles		4		2		2.5		11.0
Total investment		99.1²		49.9		34.2		183.2

¹ The goodwill is calculated as the difference between the fair value of the net assets acquired and the consideration transferred. The goodwill is calculated as the difference between the fair value of the net assets acquired and the consideration transferred. The goodwill is calculated as the difference between the fair value of the net assets acquired and the consideration transferred.

² The goodwill is calculated as the difference between the fair value of the net assets acquired and the consideration transferred. The goodwill is calculated as the difference between the fair value of the net assets acquired and the consideration transferred.

Acquisitions revenue and adjusted operating profit

The following table shows the revenue and adjusted operating profit for the period ended 31 March 2022, which includes the revenue and adjusted operating profit for the period ended 31 March 2022.

	Acquisition date	Revenue £m	Adj. £m	Pro forma revenue £m	Operating profit £m	Adj. £m	Pro forma operating profit £m
UK	1 Feb 2022	10.8	8.4	10.2	0	1.5	1.5
AKR	6 Apr 2022	14.3	14.3	14.3	4.9	4	4.9
Adventus	1 Mar 2022	10.6	10.6	10.6	1.3	1.1	1.3
Humbly Grove	10 May 2022	1.6	2.5	4.1	1.4	1.6	1.1
AMF	19 May 2022	0.5	0.9	1.4	1.1	1.1	1.3
UPT	19 Jun 2022	1.6	3.0	3.1	1.7	1	1.6
Subsidiaries	1 Sep 2022	0.1	1.1	2.2	1.2	1.8	1.8
		58.5	65.8	124.3	8.7	10.9	19.6

The revenue and adjusted operating profit for the period ended 31 March 2022, which includes the revenue and adjusted operating profit for the period ended 31 March 2022, is shown in the table above. The revenue and adjusted operating profit for the period ended 31 March 2022, which includes the revenue and adjusted operating profit for the period ended 31 March 2022, is shown in the table above.

Disposals

On 15 November 2021, the Group disposed of its 100% interest in Kentex Oy. Kentex Oy had a net asset value of £1.0m. A disposal gain of £1.0m was recognised in the consolidated statement of financial position, which is included in the consolidated statement of financial position.

On 13 May 2022, the Group disposed of its 100% interest in Kentex Oy. Kentex Oy had a net asset value of £1.0m. A disposal gain of £1.0m was recognised in the consolidated statement of financial position, which is included in the consolidated statement of financial position.

On 13 May 2022, the Group disposed of its 100% interest in Kentex Oy.

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22. Reconciliation of operating profit to cash flow from operating activities

	2022 £m	2022 £m	2021 £m	2021 £m
Operating profit		144.3		104.3
Acquisition related and other charges (note 2)		46.9		42.4
Adjusted operating profit		191.2		146.7
Depreciation or amortisation on tangible or other intangible assets and leases - right-of-use assets	23.9		20.7	
Share-based payment expense (note 4)	2.8		1.8	
Defined benefit pension scheme - current in excess of interest	(0.6)		5.8	
Profit on disposal of assets	(1.6)		(2.6)	
Acquisition and disposal expenses (note 2)	(6.5)		4.2	
Other non-cash movements	0.1		0.1	
Non-cash items and other		18.1		6.8
Operating cash flow before changes in working capital		209.3		153.5
Increase in inventories	(35.6)		19.5	
Increase in trade and other receivables	(10.6)		(14.3)	
Increase in trade and other payables	17.5		1.2	
Increase in working capital		(28.7)		6.4
Cash flow from operating activities		180.6		160.0

23. (Net debt)/cash funds

The movement is not just a 10.1% jump in 2010, but a 21.1% jump in 2011, over the

	1 Oct 2021 £m	Cash flow £m	Exchange movements £m	Other non-cash movements £m	30 Sep 2022 £m
Debt and finance costs	24.8	1.7	10.6		41.7
Bank charges	250.2	(131.3)	70.0	2.0	(370.6)
Net debt	(181.4)	(129.6)	(60.4)	2.0	(328.9)

	1 Oct 2020 €m	Cash flow €m	Exchange movements €m	Other non-cash movements €m	30 Sep 2021 €m
Financial assets held for sale	206.8	1,582.5	17.6	0.0	214.9
Financial liabilities	—	(222.0)	0.0	0.0	(222.0)
Cash funds/(net debt)	206.8	1,360.5	17.6	0.0	(6.1)

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United Kingdom, the first ordered introduction to agreement to Atrial fibrillation comprised a three year trial period in a subgroup of patients with AF, 1977-80, and a second trial period involving all AF for an additional five years until 1985, when it was repeated in 1986 and during the previous two years.

During the year, the Group has transferred the SFA to increase the total facility size. As at 30 September 2022, the SFA comprised a committed amount of \$1.39 billion, of which the total RFF for an aggregate principal amount of \$349.7 million (an amount in terms of an aggregate principal amount of \$349.7 million) is guaranteed for an aggregate principal amount of \$541 million (an amount in terms of an aggregate principal amount of \$541 million) and a further \$847.7 million (an amount in terms of an aggregate principal amount of \$445.7 million). The SFA is due to expire in December 2024 and there is no option to extend for another month or years.

The Group's debt to fair value and the interest at year-end 2019. During the year, the Group entered into structured swap contracts with the effect of reducing the reported debt to \$1.0 billion in 2019. The effective fixed rate was 2.4% at year-end 2019. The interest expense of the Group's debt is presented further in the table below. In trade with the effect of fixing the floating rate on an annual basis, the Group's

41. 50. 51. 52. 53. 54. 55. 56. 57. 58. 59. 60. 61. 62. 63. 64. 65. 66. 67. 68. 69. 70. 71. 72. 73. 74. 75. 76. 77. 78. 79. 80. 81. 82. 83. 84. 85. 86. 87. 88. 89. 90. 91. 92. 93. 94. 95. 96. 97. 98. 99. 100. 101. 102. 103. 104. 105. 106. 107. 108. 109. 110. 111. 112. 113. 114. 115. 116. 117. 118. 119. 120. 121. 122. 123. 124. 125. 126. 127. 128. 129. 130. 131. 132. 133. 134. 135. 136. 137. 138. 139. 140. 141. 142. 143. 144. 145. 146. 147. 148. 149. 150. 151. 152. 153. 154. 155. 156. 157. 158. 159. 160. 161. 162. 163. 164. 165. 166. 167. 168. 169. 170. 171. 172. 173. 174. 175. 176. 177. 178. 179. 180. 181. 182. 183. 184. 185. 186. 187. 188. 189. 190. 191. 192. 193. 194. 195. 196. 197. 198. 199. 200. 201. 202. 203. 204. 205. 206. 207. 208. 209. 210. 211. 212. 213. 214. 215. 216. 217. 218. 219. 220. 221. 222. 223. 224. 225. 226. 227. 228. 229. 230. 231. 232. 233. 234. 235. 236. 237. 238. 239. 240. 241. 242. 243. 244. 245. 246. 247. 248. 249. 250. 251. 252. 253. 254. 255. 256. 257. 258. 259. 260. 261. 262. 263. 264. 265. 266. 267. 268. 269. 270. 271. 272. 273. 274. 275. 276. 277. 278. 279. 280. 281. 282. 283. 284. 285. 286. 287. 288. 289. 290. 291. 292. 293. 294. 295. 296. 297. 298. 299. 300. 301. 302. 303. 304. 305. 306. 307. 308. 309. 310. 311. 312. 313. 314. 315. 316. 317. 318. 319. 320. 321. 322. 323. 324. 325. 326. 327. 328. 329. 330. 331. 332. 333. 334. 335. 336. 337. 338. 339. 340. 341. 342. 343. 344. 345. 346. 347. 348. 349. 350. 351. 352. 353. 354. 355. 356. 357. 358. 359. 360. 361. 362. 363. 364. 365. 366. 367. 368. 369. 370. 371. 372. 373. 374. 375. 376. 377. 378. 379. 380. 381. 382. 383. 384. 385. 386. 387. 388. 389. 390. 391. 392. 393. 394. 395. 396. 397. 398. 399. 400. 401. 402. 403. 404. 405. 406. 407. 408. 409. 410. 411. 412. 413. 414. 415. 416. 417. 418. 419. 420. 421. 422. 423. 424. 425. 426. 427. 428. 429. 430. 431. 432. 433. 434. 435. 436. 437. 438. 439. 440. 441. 442. 443. 444. 445. 446. 447. 448. 449. 450. 451. 452. 453. 454. 455. 456. 457. 458. 459. 460. 461. 462. 463. 464. 465. 466. 467. 468. 469. 470. 471. 472. 473. 474. 475. 476. 477. 478. 479. 480. 481. 482. 483. 484. 485. 486. 487. 488. 489. 490. 491. 492. 493. 494. 495. 496. 497. 498. 499. 500. 501. 502. 503. 504. 505. 506. 507. 508. 509. 510. 511. 512. 513. 514. 515. 516. 517. 518. 519. 520. 521. 522. 523. 524. 525. 526. 527. 528. 529. 530. 531. 532. 533. 534. 535. 536. 537. 538. 539. 540. 541. 542. 543. 544. 545. 546. 547. 548. 549. 550. 551. 552. 553. 554. 555. 556. 557. 558. 559. 560. 561. 562. 563. 564. 565. 566. 567. 568. 569. 570. 571. 572. 573. 574. 575. 576. 577. 578. 579. 580. 581. 582. 583. 584. 585. 586. 587. 588. 589. 590. 591. 592. 593. 594. 595. 596. 597. 598. 599. 600. 601. 602. 603. 604. 605. 606. 607. 608. 609. 610. 611. 612. 613. 614. 615. 616. 617. 618. 619. 620. 621. 622. 623. 624. 625. 626. 627. 628. 629. 630. 631. 632. 633. 634. 635. 636. 637. 638. 639. 640. 641. 642. 643. 644. 645. 646. 647. 648. 649. 650. 651. 652. 653. 654. 655. 656. 657. 658. 659. 660. 661. 662. 663. 664. 665. 666. 667. 668. 669. 670. 671. 672. 673. 674. 675. 676. 677. 678. 679. 680. 681. 682. 683. 684. 685. 686. 687. 688. 689. 690. 691. 692. 693. 694. 695. 696. 697. 698. 699. 700. 701. 702. 703. 704. 705. 706. 707. 708. 709. 710. 711. 712. 713. 714. 715. 716. 717. 718. 719. 720. 721. 722. 723. 724. 725. 726. 727. 728. 729. 730. 731. 732. 733. 734. 735. 736. 737. 738. 739. 740. 741. 742. 743. 744. 745. 746. 747. 748. 749. 750. 751. 752. 753. 754. 755. 756. 757. 758. 759. 760. 761. 762. 763. 764. 765. 766. 767. 768. 769. 770. 771. 772. 773. 774. 775. 776. 777. 778. 779. 780. 781. 782. 783. 784. 785. 786. 787. 788. 789. 790. 791. 792. 793. 794. 795. 796. 797. 798. 799. 800. 801. 802. 803. 804. 805. 806. 807. 808. 809. 810. 811. 812. 813. 814. 815. 816. 817. 818. 819. 820. 821. 822. 823. 824. 825. 826. 827. 828. 829. 830. 831. 832. 833. 834. 835. 836. 837. 838. 839. 840. 841. 842. 843. 844. 845. 846. 847. 848. 849. 850. 851. 852. 853. 854. 855. 856. 857. 858. 859. 860. 861. 862. 863. 864. 865. 866. 867. 868. 869. 870. 871. 872. 873. 874. 875. 876. 877.

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24. Retirement benefit asset and obligations

The group maintains two pension arrangements for its staff, accounted for under AS 19, Revised, (Eng) 1944 Benefits. The principal arrangement is the defined benefit pension scheme in the UK, as contained by Diploma Holdings PLC and also as the Diploma Holdings PLC UK Pension Scheme (the Scheme). This Scheme provides benefits based on final salary and length of service in retirement, leaving general assets and has been moved to funded status on 1st April 2009.

The second arrangement pension arrangement is operated by a subsidiary based in Switzerland and provides for benefits in retirement. Acting Service in respect for the employees of subsidiary works with Switzerland. The subsidiary in Switzerland is defined contribution based scheme which for the financial reporting is required under IAS 19 to be accounted for in accordance with AS 19, Revised.

The amount of pension asset/benefit included in the Consolidated Statement of Financial Position in respect of these two pension arrangements is:

| | 2022
£m | 2021
£m |
|---|--------------|------------|
| Diploma Holdings PLC UK Pension Scheme | (6.4) | 2.7 |
| Kuba Pension Scheme | – | 0.0 |
| Pension scheme net (asset) / deficit | (6.4) | 2.7 |

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 |
| Amount charged to the Consolidated Income Statement | (0.5) | 0.6 |

Defined contribution schemes operated by the Group's subsidiary are not included in these disclosures.

Diploma Holdings PLC UK Pension Scheme

The Scheme is subject to a statutory funding regime under the Pensions Act 2004 which requires the Trustee of the Scheme to carry out a valuation of assets every three years to determine whether the Statutory Funding Directive is met. As at 30 September 2021 the Company must agree with the Trustees of the Scheme the valuation and to be paid to address any shortfall against the Statutory Funding Directive. The next triennial valuation and valuation cap date is at 30 September 2022. As at 30 September 2021 the Scheme had a funding deficit of \$9.9m and held assets valued at \$10.0m at that date. The next triennial valuation of the Scheme will be carried out at 30 September 2022 and the results of this valuation will be reported in the 2023 Annual Report & Accounts. There were no Scheme amendments or significant settlements during the year.

On 28 September 2022, the Trustees completed a buy-in of the pension liability with the Fidelity Limited. The buy-in was paid to Fidelity Investment Limited on 28 September 2022 for the 95% of the Buy-In (the Buy-In) for which on 22 October 2022 the Fidelity Investment Limited of the plan assets. The buy-in of the Buy-In was paid to the Fidelity Investment Limited for the 95% of the Buy-In.

The Scheme is managed by a set of Trustees appointed in part by the Company and in part from elected independent members of the Scheme. The Trustees have responsibility for obtaining valuations of the fund, paying benefits and investments and investing the Scheme's assets. The Trustees delegate some of these functions to the investment and advisory advisers and board.

The Scheme exposes the Company to a number of risks through a number of risks:

- 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 real returns over the long term, volatility over the short term may cause additional funding to be required if a deficit emerges.
- Interest rate risk.** The Scheme's liabilities are increased using market value of high quality corporate bonds and government bonds. As the Scheme's assets include equities, the value of the assets and liabilities may increase or decrease over the time.
- Inflation risk.** A significant proportion of the benefits under the Scheme are linked to inflation. The Scheme's assets are expected to provide a real hedge against inflation over the long term, however, volatility over the short term may cause additional funding deficits emerging.
- Mortality risk.** In the event that the mortality assumptions used in the valuation and deficit calculations are wrong, the Trustees

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FOR THE YEAR ENDED 30 SEPTEMBER 2022

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a) Pension surplus / (deficit) included in the Consolidated Statement of Financial Position

| | 2022
£m | 2021
£m |
|---|------------|--------------|
| Market value of Scheme assets: | | |
| Equities | 20.7 | 31.9 |
| Gilt | 3.9 | 5.7 |
| Buy In policy | 7.3 | 10.5 |
| Cash | – | 5.2 |
| | 31.9 | 53.3 |
| Present value of Scheme liabilities | (25.5) | (41.0) |
| Pension scheme net asset / (deficit) | 6.4 | (2.7) |

1. Listed on prime stock and active market

2. The Buy In policy was valued on the same basis as the other pension assets and liabilities.

In addition to the Buy In policy, the pension scheme net asset included £3.5m of historic annuities on a 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) | (0.5) |
| Interest on assets | 0.8 | 0.5 |
| Charged to financial expenses – net (profit) | – | (0.5) |
| Amounts charged to the Consolidated Income Statement | – | (0.5) |

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 | 3.1 |
| Effect of changes in demographic assumptions on Scheme liabilities | 0.3 | (0.4) |
| Experience adjustments on Scheme liabilities | (0.7) | – |
| Actuarial gain credited in the Consolidated Statement of Comprehensive Income | 8.5 | 4.2 |

The cumulative amount of actuarial gain recognised in the Consolidated Statement of Comprehensive Income at 30 September 2022 is £8.5m (2021: £4.2m).

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

| | 2022
£m | 2021
£m |
|---|--------------|------------|
| Deficit as at 1 October | 2.7 | (2.7) |
| Amounts charged to the Consolidated Income Statement | – | (0.5) |
| Contributions paid by employer | (0.6) | 5.3 |
| Net effect of remeasurements of Scheme assets and liabilities | (8.5) | 4.2 |
| (Asset) / deficit as at 30 September | (6.4) | 2.7 |

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

| | 2022
£m | 2021
£m |
|--|-------------|-------------|
| At 1 October | 41.0 | 41.0 |
| Experience adjustments on Scheme liabilities | 0.7 | – |
| Interest cost on liabilities | 0.8 | 0.5 |
| Improvements in actuarial assumptions | (15.7) | 0.6 |
| Benefit transfers | (1.3) | – |
| At 30 September | 25.5 | 42.1 |

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

| | 2022
£m | 2021
£m |
|--------------------------------|-------------|-------------|
| At 1 January | 38.3 | 29.1 |
| Interest on assets | 0.8 | 0.6 |
| Return on scheme assets | (6.5) | 1.0 |
| Contributions made by employer | 0.6 | 5.4 |
| Benefits paid | (1.3) | 1.2 |
| At 30 September | 31.9 | 35.3 |

The actual return on the Scheme assets, including interest on assets, during the year was 1.6% (2021: 3.5%).

Assets

The Scheme's assets are held in passive unit funds managed by Legal & General Investment Management. At 30 September 2022, the main categories of assets were as follows:

| | 2022
% | 2021
% |
|---|-----------|-----------|
| North America equities | 28 | 23 |
| UK equities | 12 | 10 |
| Europe equities (non-UK) | 11 | 17 |
| Asia, Pacific and Emerging Markets equities | 12 | 11 |
| Bonds | 14 | 14 |
| Property assets | 23 | 23 |

Principal actuarial assumptions for the Scheme at balance sheet dates

| | 2022
% | 2021
% | 2020
% | 2019
% |
|--|-----------|-----------|-----------|-----------|
| Discount rate – UK RP | 3.6 | 4.1 | 4.2 | 3.4 |
| – US RP | 3.2 | 3.7 | 3.7 | 2.4 |
| Expected rate of return on investments – UK RP | 3.2 | 3.1 | 3.1 | 2.4 |
| – US RP | 5.3 | 5.1 | 5.1 | 3.9 |

The volatility in global yields in the period leading up to and after the Group's year end had a material but not a significant impact on the valuation of the Scheme's liabilities. This volatility also had an adverse impact on the valuation of the Scheme's liabilities at the year end and a UK pound sterling bank to sterling Euro line with historical trends. The Scheme had 14% of its assets in pound sterling and 40% in sterling 12-15 month deposits.

Demographic assumptions

| | |
|---|--|
| Mortality table used | SGPA |
| Retirement interest rate was published | GM 2021 |
| Assumed future rate of improvement in longevity | Year class table reduction with a long term average estimate of 1% |
| Assumed normal formers pension rate in lump sum or annuity | Members are assumed to take 100% of their normal pension, compared to current normal pension factors |
| The average future average duration of the defined benefit liability is | around 15 years |

Sensitivities

The sensitivity of the 2022 pension liabilities to changes in assumptions are as follows:

| Factor | Assumption | Impact on pension liabilities | |
|-----------------|------------------|-------------------------------|-----------------------|
| | | Estimated increase % | Estimated increase £m |
| Discount rate | Decrease by 0.5% | 1.7 | 0.5 |
| Longevity | Increase by 0.5% | 1.4 | 0.4 |
| Expected return | Decrease by 0.5% | 1.2 | 0.4 |

Risk mitigation strategies

When entering into investment contracts for the Scheme, the Trustees in conformity with the general principles of the Investment Policy of the Scheme, have adopted a buy-in approach to the Scheme's liabilities. The current strategy is to invest in growth assets in view of the pension liabilities. A buy-in approach is a strategy to mitigate the risk of the pension liabilities, but the Scheme had not purchased any assets to reduce its liabilities at 30/9/22.

In view of the increasing volatility in the market, the Trustees have purchased a buy-in approach to the Scheme's liabilities. The buy-in approach is a strategy to mitigate the risk of the pension liabilities, but the Scheme had not purchased any assets to reduce its liabilities at 30/9/22.

At 30 September 2022, the Scheme had

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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 £6.6m in cash to the Scheme annually, increasing at 2% per year. The current year contribution was £6.6m, and on-off contributions were made in the year 2021 (one off contribution of ca. £5.1m).

The Kubo Pension Scheme (the Kubo Scheme)

In accordance with Swiss law, Kubo's pension benefits are contributed on a basis with the level of benefits varying according to category of employment. Swiss law requires certain guarantees to be provided in such pension benefits. Kubo finances its Swiss pension benefits through the AAG/A-Rendenskasse, a multi-employer plan of non-associated companies which work closely together 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 | 12.4 |
| Actuarial liabilities of the Kubo Scheme | (13.5) | (14.6) |
| Pension scheme net deficit | — | (2.2) |

1. The assets in the Kubo Scheme include a sum of the employer's contributions to AAG/A-Rendenskasse.

b) Amounts charged to the Consolidated Income Statement

| | 2022
£m | 2021
£m |
|--|--------------|------------|
| Service cost | (0.5) | 0.7 |
| Amount charged to operating profit in the Consolidated Income Statement | (0.5) | 0.8 |

c) Analysis of movement in the pension deficit

| | 2022
£m | 2021
£m |
|---|------------|------------|
| At 1 October | 2.2 | 0.7 |
| Amounts charged to the Consolidated Income Statement | 0.5 | 0.8 |
| Contribution paid by the Group | (0.5) | 1.0 |
| Net effect of movements in the net Kubo Scheme assets and liabilities | (2.1) | 0.2 |
| Exchange gains/losses | (0.1) | 0.1 |
| At 30 September | — | 0.1 |

d) Amounts recognised in the Consolidated Statement of Comprehensive Income

The actuarial gain/(loss) in the Consolidated Statement of Comprehensive Income is £1.1m/(£1.6m) per

| | 2022
£m | 2021
£m |
|--|------------|--------------|
| Investment gains/(losses) on scheme assets in excess of interest | (1.3) | 0.6 |
| Effect of changes in financial assumptions on Scheme liabilities | 4.2 | — |
| Effect of changes in demographic assumptions on Scheme liabilities | — | 0.1 |
| Experience adjustments on Scheme liabilities | (0.4) | (0.1) |
| Actuarial net benefit of RPI-X | (0.4) | — |
| Actuarial gain credited in the Consolidated Statement of Comprehensive Income | 2.1 | (0.2) |

Principal actuarial assumptions for the Kubo Scheme at balance sheet dates

| | 2022 | 2021 |
|------------------------------------|---------|---------|
| Expected rate of return on assets | 0% | 0% |
| Expected rate of inflation (costs) | 1.0% | 0.5% |
| Discount rate | 2.3% | 0.7% |
| Expected mortality | 1.0% | 0.8% |
| Model used | BVG2020 | BVG2020 |

Sensitivities

The sensitivity in the 2022 financial statements to changes in principal assumptions is as follows:

| Factor | Assumption | Impact on pension liabilities | |
|--------------------|-------------------|-------------------------------|-----------------------|
| | | Estimated increase % | Estimated increase £m |
| Discount rate | Decreased by 0.1% | 2.1% | £0.1m |
| Expected inflation | Increased by 0.1% | 0.1% | £0.0m |

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

| | £m |
|--|-----|
| Best estimate of employee's contribution prior to 2022 | 1.4 |
| Best estimate of employees' contribution in 2022 | 1.4 |

The weighted average duration of the defined benefit obligation is approximately 18 years (2021: 18 years).

25. Auditors' remuneration

During the year the Group paid fees to the following services from the auditors:

| | 2022
£m | 2021
£m |
|--|------------|------------|
| Fees payable to the auditors for the audit of:
the Group's Annual Report & Accounts
the Company's subsidiaries | 1.1 | 1.1 |
| Audit fees | 0.4 | 0.3 |
| | 1.5 | 1.4 |

Non-audit fees of £19,200 (2021: £18,000) were paid to the Group's auditors for non-audit agreed upon procedures in both the most recent Announcement and the Unaudited and audited financial statements for access to a market wide technical accounting database.

26. Exchange rates

The exchange rates used to convert the foreign currency amounts of assets and liabilities are:

| | Average | | Closing | |
|-------------------------|---------|------|---------|------|
| | 2022 | 2021 | 2022 | 2021 |
| US dollar (USD) | 1.27 | 1.27 | 1.12 | 1.21 |
| Canadian dollar (C) | 1.63 | 1.73 | 1.53 | 1.77 |
| Euro (€) | 1.18 | 1.11 | 1.14 | 1.11 |
| Swiss franc (CHF) | 1.20 | 1.26 | 1.10 | 1.22 |
| Australian dollar (A\$) | 1.79 | 1.83 | 1.74 | 1.87 |

27. Alternative performance measures

The Group uses a number of alternative ("A") measures. Adjusted Accounting Profit (AAP) is a financial measure which is not defined within IFRS. The Directors believe it is useful for internal management reporting of key performance indicators ("KPIs") in order to assess the operational performance of the Group and to set targets against the Group's KPIs for a key constituent of the Group's planning process, as well as for setting targets against external measures which are determined. As such, these measures should be considered alongside the IFRS measures. The following are the A measures referred to in this Annual Report & Accounts.

27.1 Adjusted operating profit and adjusted operating margin

Adjusted operating profit is defined as operating profit less amortisation of intangible assets, impairment of goodwill, intangible assets and goodwill expenses, and other non-recurring items, and adjustments to defined for acquisition of the business of a material restructuring or rationalisation of the business and the impact of adjusting to the value of services. The Directors believe that adjusted operating profit is an important measure of the Group's operating performance. 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 | 787.4 |
| Operating profit | | 144.3 | 104.7 |
| Add: Acquisition related and other non-recurring expenses and other intangible assets | | 46.9 | 44.4 |
| Adjusted operating profit | 2.3 | 191.2 | 149.1 |
| Adjusted operating margin | 2.3 | 18.9% | 18.9% |

27.2 Adjusted profit before tax

Adjusted profit before tax is defined as adjusted operating profit, after non-financial expense, but before associated finance charges, and other tax. The Directors believe that adjusted profit before tax is an important measure of the operating performance of the Group.

| | | 2022
£m | 2021
£m |
|--|-----|--------------|------------|
| Adjusted operating profit | 2.3 | 191.2 | 149.1 |
| Tenant fees and other expenses and other non-recurring items | 2.3 | (11.6) | 6.5 |
| Adjusted profit before tax | | 179.6 | 155.6 |

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FOR THE YEAR ENDED 30 SEPTEMBER 2022
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27.3 Adjusted earnings per share

Adjusted earnings per share ('adjusted EPS') is calculated as the total of adjusted profit before tax, less minority tax costs, but including the tax impact on the items included in the calculation of adjusted profit, less profit (loss) attributable to minority interests, divided by the weighted average number of ordinary shares in issue during the year of 124,533,560 (2021: 124,468,210). The Directors believe that adjusted EPS provides an important measure of the earnings capability of the Group.

| | 2022
pence per share | 2021
pence per share | 2022
£m | 2021
£m |
|---|-------------------------|-------------------------|---------------|------------|
| Profit before tax | | | 129.5 | 96.6 |
| Tax expense | | | (34.1) | 126.9 |
| Minority interests | | | (0.7) | 0.1 |
| Earnings for the year attributable to shareholders of the Company | 76.1 | 56.7 | 94.7 | 59.8 |
| Acquisition related and other charges and acquisition related finance charges
net of tax | 31.4 | 34.1 | 39.2 | 36.3 |
| Adjusted earnings | 107.5 | 85.2 | 133.9 | 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 capital expenditure on tangible and intangible assets, and including proceeds received from property disposals, but before expenditure on business combinations, investments, including any pre-acquisition identifiable items such as pensions or tax settled loss acquisition, and proceeds from variations of products, borrowings received to fund acquisitions and dividends paid to both minority shareholders and the Company. Free cash flow is defined as net cash flow, or equivalently free cash flow, as a percentage of adjusted earnings.

The Directors believe that free cash flow is a very important measure of the cash flow of the Group, available for future investment or distribution to shareholders.

| | Note | 2022
£m | 2021
£m |
|---|------|----------------|------------|
| Net cash from operations (cash and cash equivalents) | | 17.5 | 142.1 |
| Add: | | | |
| Dividends paid to shareholders | 19 | 56.2 | 12.4 |
| Dividends paid to minority interests | 20 | 0.2 | 0.3 |
| Acquisition of minority interests | 21 | 0.3 | |
| Proceeds from minority interests | 22 | — | 0.7 |
| Acquisition of businesses and payments of premium to debt for takeover of joint
ventures | | 177.6 | 491.4 |
| Acquisition and disposal expenses paid | 23 | 6.5 | 4.2 |
| Proceeds from sale of businesses and other assets | 24 | (13.7) | 111.0 |
| Proceeds from issue of share capital (net of fees) | | — | 0.6 |
| Adjusted consideration paid | 25 | 7.1 | 1.6 |
| Proceeds from redemption of financial assets | 26 | (131.3) | 206.9 |
| Free cash flow | | 120.4 | 108.9 |
| Adjusted earnings | | 133.9 | 106.1 |
| Free cash flow conversion | | 90% | 103% |

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those set out hereafter. Ensure that the Group financial statements are prepared on an accrual basis. All intra-Group transactions, balances, income and expenses are eliminated in preparing the consolidated financial statements.

Non-controlling interests (defined as minority interests) in the net assets of consolidated subsidiaries are dealt separately from the Group's equity therein. Minority interests consist of the amount of the interests of the date of the consolidated business combination and the minority's share of changes in equity since the date of the combination.

1.2.a. New accounting standards adopted

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

1.3 Acquisitions

Acquisitions are accounted for using the acquisition method at the acquisition date, which is the date at which control is transferred to the Group. Goodwill at the acquisition date represents the cost of the business combination in excess of the acquired assets, which are expensed as incurred, as the amount of any non-controlling interest in the business in excess of the fair value of the portion of the equity and financial assets, liabilities and contingent liabilities acquired.

Minority interests in a subsidiary are measured at fair value or, alternatively, at the minority interest's proportionate share of the recognised amount in the consolidated financial statements. The Group's financial statements are made for each business combination separately.

1.4 Divestments

The results and cash flows of the business units disposed that have been divested are classified as discontinued businesses. There were no discontinued operations in the current year.

1.5 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, net of any discounts or rebates to customers, after deducting sales allowances and sales discounts received, exclusive of services rendered to customers as specified in the sales contract and 3% of Group revenue under PRG 5 from customer nonpayment assessed to identify the performance obligation. An assessment at the time of revenue recognition is made for each performance obligation. Revenue is recognised at a point in time for standard revenue contracts, 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 (service contracts), where the goods or services are provided to the customer, unless there are sales performance obligations to deliver other services in the time. The revenue on customer contracts is at the time of the contract and the Group's total revenue.

The manufacturing process is identified as the normal obligation based on the revenue transfer. Although, at the point of the goods provided, the transfer of control is not complete until the Group will estimate the selling price of the reference at the date that could be charged to the customer. The revenue is recognised appropriately. There are no contracts with the customer in the year.

Financial statements are prepared on the basis of the accounting policies provided. There are no significant changes in the accounting policies of the Group.

1.6 Employee benefits

The Group operates various employee benefit plans, both of the defined contribution and defined benefit types.

- Defined contribution pension plan: Contributions to the Group's defined contribution schemes are recognised as an employee benefit expense when they fall due.
- Defined benefit pension plan: The deficit asset recognised in the balance sheet in the Group's defined benefit pension plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of the sponsoring assets. The defined benefit obligation asset is calculated by independent actuaries using the projected unit cost method and by discounting the estimated future cash flows at interest rates on a long-term corporate bond. The pension expense for the Group's defined benefit plan is recognised as follows:
 - Within the Consolidated Income Statement:
 - Service cost of current members of the Group Scheme;
 - Gains and losses arising on settlements and curtailments;
 - Where the term that gave rise to the settlement or curtailment is recognised in preparing a gift;
 - Any interest cost on the net deficit of the plan is calculated by applying the discount rate to the net defined benefit liability at the start of the annual reporting period.
 - Within the Consolidated Statement of Comprehensive Income:
 - Other Comprehensive Income

- Grants and awards: Both vested and non-vested awards are where the Executive Directors or potential senior management 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 effort of market-based measures, such as Total Shareholder Return (TSR) targets, which will be used as part of the award performance and is expensed to the Consolidated Income Statement for a straight-line basis over the vesting period, with a corresponding credit to Equity. The cumulative expense recognised is adjusted to take account of shares forfeited by executives who leave during the performance vesting period and/or the loss of shares in market-related performance conditions where it becomes unlikely that shares will vest. For the market-based measure, the Directors have used a Monte Carlo model to determine fair value of the shares at the date of grant.

The Group operates an ability for the granting of shares to Executives. The cost of shares in the Company purchased by the EBT are shown as a 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 assets 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 occurring outside other than the entity's functional currency (foreign currencies) are initially recorded at the rates of exchange prevailing on the dates of the transactions. At each subsequent balance sheet date:

- Foreign currency monetary items are retranslated at the rates prevailing at the balance sheet date. Exchange differences arising on the settlement of transactions in non-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 at the exchange rate at the date the fair value was determined. Where a non-monetary non-monetary item 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 other than sterling, the Group's presentation currency is sterling. To convert financial position and transactions to the presentation currency, the following Assets and liabilities in translation are used: exchange rates prevailing at the balance sheet date.

Income and expense items are translated at the average exchange rates for the year, except where the use of such an average rate does not properly state the effect on the results of the transactions in which they are the major components.

All resulting exchange differences are recognised in other Comprehensive Income, through cumulative exchange differences, are recognised in the Consolidated Income Statement for the period in which the foreign operation is liquidated.

c. Net investment in a foreign operation

Exchange differences arising on the translation of items that form part of a reporting entity's net investment in a foreign operation are recognised in the Consolidated Income Statement in the period in which the consolidated financial statements are prepared. The consolidated financial statements of a reporting entity are prepared in the functional currency of the reporting entity. Other Comprehensive Income is also available component profit and surplus, and is recognised in the Consolidated Income Statement in the period in which it is recognised.

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 items of income and expense that are taxable for 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 profit or the Group's deferred tax liabilities or from the difference between the carrying amount of a liability and its tax base and for short-term timing differences where a provision has been made for a liability or inventory is not deductible for taxation purposes. However, deferred tax assets and liabilities are not recognised if the temporary differences arise from goodwill arising from the acquisition of other entities, other than in a business combination of other entities, and for other intangible assets that affect neither the taxable profit nor the carrying amount.

Deferred tax liabilities are recognised for taxable temporary differences arising in the future, in various cases. Except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future, deferred tax is recognised in the consolidated earnings if the reversal is likely to be in the foreseeable future, or if the reversal is likely to be in the foreseeable future.

Deferred tax is calculated at the tax rate that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax is recognised in the consolidated income statement if the benefit is expected to be realised, or if the tax expense is expected to be incurred directly in equity, in which case the deferred tax is recognised in equity. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. Tax assets and liabilities are offset when there is a legal enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax relates to the same taxable entity.

1.9 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the purchase price plus cost directly incurred in bringing the asset into use. Acquisition and maintenance expenditure is charged to the Consolidated Income Statement in the period in which it is incurred.

Freehold land is not depreciated. Depreciation on other items of property, plant and equipment begins when the asset is available for use and is charged to the Consolidated Income Statement on a straight-line basis to write off the cost less residual value of the asset over its estimated useful life as follows:

| | |
|-----------------------|--|
| Freehold property | - between 20 and 50 years |
| Leasehold property | - term of the lease |
| Plant and equipment | - plant and machinery between 3 and 7 years
- IT hardware between 3 and 5 years
- fixtures and fittings between 5 and 15 years |
| Leasing fee equipment | - 5 years |

The depreciation method used, residual values and estimated useful lives are reviewed and changed, if appropriate, at least at each financial year end. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned property, plant and equipment, over the term of the relevant lease. An asset carrying an amount written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimate recoverable amount. Gains and losses arising on disposals are determined by comparing proceeds with carrying amount and are recognised in the Consolidated Income Statement.

1.10 Intangible assets

All intangible assets excluding goodwill arising in a business combination are stated at their amortised cost at fair value at the balance sheet date less any provision for impairment. Amortisation of intangible assets is recognised as an administrative cost.

a) Research and development costs

Research expenditure is written off as incurred. Development costs are written off as incurred unless forecast revenues for a particular project exceed attributable forecast development costs in which case they are capitalised and amortised on a straight-line basis over the asset's estimated useful life. Costs are capitalised as intangible assets unless it is highly probable that they will be recovered and classified as property, plant and equipment.

b) Computer software costs

Where computer software is not integral to an item of property, plant and equipment, its costs are capitalised as other intangible assets. Amortisation is provided on a straight-line basis over its useful economic life of between three and seven years.

c) Acquired intangible assets – business combinations

Intangible assets that may be acquired as a result of a business combination include, but are not limited to, customer lists, supplier contracts, patented technology and software and patents that are separately measured at fair value on an acquisition basis and separately recognised in subsequent periods at the fair value together with the associated deferred tax liability. Amortisation is charged on a straight-line basis in the Consolidated Income Statement over the expected useful economic life.

fair value of customer and supplier relationships on larger combinations. Where values of acquired intangible assets in models databases are value adjusted, the amortised cost model for smaller combinations. Intangible assets are assessed as right of use or experience in an on transaction.

d) Goodwill – business combinations

Goodwill arising on the acquisition of a subsidiary represents the excess of the aggregate of the fair value of the consideration over the aggregate fair value of the identifiable intangible, tangible and current assets in net of the aggregate fair value of the liabilities acquired. Goodwill arising on the acquisition of subsidiaries acquired at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Transfers and costs are expensed and are not included in the profit or loss.

1.11 Impairment of tangible and intangible assets

An impairment is recognised to the extent that the carrying amount of an asset or CGU exceeds its recoverable amount.

The recoverable amount is the higher of (a) the cash and cash equivalents, net of costs to sell, and (b) the value in use. The value in use is the present value of the future cash flows expected to be derived from the asset or CGU, discounted using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset or CGU. Impairment losses are recognised immediately in the Consolidated Income Statement.

a) Impairment of goodwill

Goodwill is measured at the end of each period and is allocated to CGUs. A cash flow test is applied to the Group's three regions, which represent the major elements in the Group, which are the global, is monitored by the Group's Board of Directors for financial and management purposes. If a cash flow test is applied, each division is tested for impairment and goodwill is measured when there is an indication that the value may be impaired.

If a cash flow test is applied to the Group, and then the carrying amount of the cash flow test is higher than the carrying amount, the goodwill is written back to the full amount and losses can be reversed.

b) Impairment of other tangible and intangible assets

The tangible and intangible assets are reviewed for impairment annually and an impairment loss is recognised if the carrying value may not be recoverable. Impairment losses and any subsequent reversal are recognised in the Consolidated Income Statement.

1.12 Inventories

Inventories are stated at the lower of cost, generally calculated on a FIFO basis, and net realisable value. Net realisable value is the estimated selling price less estimated costs of completion and the estimated costs of disposal. Net realisable value is determined by reference to the current market price of the goods less estimated costs of completion and disposal.

Net realisable value is determined by reference to the selling price less estimated costs of completion and disposal. Net realisable value is determined by reference to the current market price of the goods less estimated costs of completion and disposal.

1.13 Financial instruments

Financial instruments are recognised when the Group or another party enters the instrument and is exposed to the credit risk of the instrument. Financial instruments are measured at the fair value.

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, do 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 FRS 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 consist of 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 recognised on demand and 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 not valued by reference to the estimated profitability of the relevant subsidiary at the time of exercise, using a multiple-based formula. The net present value of the estimated future payments under these put options is shown as a financial liability. The corresponding entry is recognised in equity or in deduction against retained earnings. At the end of each year, the estimate of the financial liability is reassessed and any change in value is recognised in the Consolidated Income Statement, as part of finance costs or expense. Where the liability is in a foreign currency, any change in the value of the liability resulting from changes in exchange rates is recognised in the Consolidated Income Statement.

e) Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments in the form of forwards and foreign exchange contracts to hedge its foreign currency exposure and interest rate flows 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 AIFB as allowed under FRS 9.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into, and subsequent changes in the fair value of foreign currency derivatives which are designated and effective as hedges of future cash flows are recognised in equity in the hedging reserve and in Other Comprehensive Income and are reclassified to profit or loss on maturity of the derivative. Changes in the fair value of foreign currency derivatives which are ineffective or do not meet the criteria for hedge accounting in accordance with AIFB are recognised as income or loss in 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 objectives and its strategy for documenting and assessing the transaction. The Group documents its assessment both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

For derivative contracts that have been designated as fair value hedges, changes in their fair value

f) Borrowings

borrowings are initially recognised at the fair value of the consideration received, less any subsequent measurement 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 at 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 FRS 9 are 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 commencement date. The right of use asset is initially measured at the present value of the lease payments and the lease liability is measured at the present value of the lease payments.

Lease liability is measured at the present value of lease payments. Leases are classified as fair value through Other Comprehensive Income if the lease is classified as fair value through Other Comprehensive Income. Leases are classified as fair value through Other Comprehensive Income if the lease is classified as fair value through Other Comprehensive Income.

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

Interest on the lease liability is recognised as an expense over the lease term on an effective interest basis.

Lease payments are recognised as an expense over the lease term, less any residual value. Lease payments are recognised as an expense over the lease term, less any residual value.

1.16 Other liabilities

Other liabilities are recognised at the fair value of the liability at the date of recognition. Other liabilities are recognised at the fair value of the liability at the date of recognition. Other liabilities are recognised at the fair value of the liability at the date of recognition.

1.17 Dividends

The dividend is recognised in profit or loss until approved at the AGM. Interim dividends are recognised in the period they are paid.

1.18 Share capital and reserves

Ordinary shares are classified as equity and are part of the Group's share capital. Ordinary shares are classified as equity and are part of the Group's share capital. Ordinary shares are classified as equity and are part of the Group's share capital.

Transfers to share capital are recognised in the period they are made. Transfers to share capital are recognised in the period they are made. Transfers to share capital are recognised in the period they are made.

Reserves are classified as equity and are part of the Group's share capital. Reserves are classified as equity and are part of the Group's share capital. Reserves are classified as equity and are part of the Group's share capital.

valued at fair value at the date of acquisition. Deferred consideration is fair valued based on the Directors' estimate of future performance of the acquired entity.

The significant assumption one is violating the R² and Adjusted R² in tangible assets, which were obtained in the model together with the sensitivity analysis and the R² and Adjusted R².

Where any Group company purchases the Company's equity, shares in the company that are held are either held, as treasury shares, in respect of which the IFRS trust the company does not include any directly attributable incremental costs in the calculation of the company's attributable contribution to the Company's equity, or held until they are sold or provided (resold or disposed of). Where such shares are subsequently sold or resold or provided or resold or provided, any directly attributable incremental costs and the related income tax effects are included in equity attributable to the Company's equity holders. These shares are used to satisfy share awards granted to Directors under the Group's share schemes or the limited purchase of the Company's shares on the open market (see paragraph 10 of the Company's annual report, "The Company's

1.19 Related parties

177 Related parties
The group is a family trust, with the majority of the shares owned by the family of the deceased. The group is controlled by the family of the deceased, and the group is a related party of the deceased.

1.20 Accounting standards, interpretations and amendments to published standards not yet effective

There are a number of factors that may have contributed to the findings of this study. First, the sample was relatively small and may not be representative of the entire population of companies in the UK. Second, the study was limited to a single time point and may not capture changes in CSR reporting over time. Third, the study did not control for other factors that may influence CSR reporting, such as company size, industry, and profitability. Finally, the study did not include a control group of companies that do not report on CSR, which may have influenced the results.

[illegible]

Reference to the "1992-1993" period is an argument to HRS 2.

The following table shows the distribution of the number of their standards and the number of their publications in the field of the environment, September 2007, by a selection of international organizations and agencies.

1.21 Significant accounting estimates and critical judgements

First, significant researching estimates and critical judgements. The proper order of the three critical thinking skills of judgements required knowledge of the facts and data and making judgements about them, one proceeds with respect to the other, in that the data gathered is used to make a judgement, the carrying out and the carrying out is the next step in the process.

1.21.1 Acquisition accounting (estimate)

2. *Acquisition accounting (estimate)*

[illegible]

| | R&G | AccuScience |
|---|-------|-------------|
| Disruptive rate = $\frac{R}{R+G}$, intangible = $\frac{G}{R+G}$ | 0.617 | 0.217 |
| Revenue growth rate = $\frac{R}{R+G}$, intangible = $\frac{G}{R+G}$ | 0.617 | 0.217 |
| Customer attraction rate = $\frac{R}{R+G}$, intangible = $\frac{G}{R+G}$ | 0.617 | 0.217 |
| Customer retention rate = $\frac{R}{R+G}$, intangible = $\frac{G}{R+G}$ | 0.617 | 0.217 |

Managers are also required to explain to shareholders and outside directors the objectives and the results of the potentially value creating impact and to report on it. For example:

1.21.2 Goodwill impairment (estimate)

The Group has material amounts of goodwill and intangible assets. Goodwill, customer and supplier relationships, registered in the Consolidated Statement of Financial Position, represent 10% of the Group Assets. Starting February 2010, the Group started an annual impairment review policy, mandatory for any intangible assets. The policy aims to determine the recoverable amount of each intangible asset, based on the present value of the estimated future cash flows to derive the value close to the market value, and, if any, loss. The review estimates made are assumptions used in a discounted cash flow method testing the year presents at March 31 to the Consolidated Financial Statements.

1.21.3 Inventory provisions (estimate)

[illegible]

The decision to make an impairment charge is based on a number of factors, including management's assessment of the current trading environment, expected profits and its financial obligations and other matters which are relevant at the time the company makes the above statements are approved.

1.21.4 Defined benefit pension (estimate)

Defined benefit pension (estimate)
 Defined benefit plans are accounted for as defined contribution plans under the Group Accounting Policies. Determining the value of the future defined benefit obligation requires estimates, in respect of the assumptions used to calculate present value. These include assumptions for future mortality, and inflation rate. Management moves these estimates in conjunction with independent actuary. For the year ended 30 September 2021, the Defined benefit pension obligation is an asset rather than a liability due to the increase in the discount rate. Details of the estimate and key services made in calculating the defined benefit at 30 September 2020 are set out in note 35 to the consolidated financial statements.

PARENT COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2022

| | Note | 2022
£m | 2021
£m |
|---|------|--------------|--------------|
| Fixed assets | | | |
| Investments | 5 | 297.2 | 297.2 |
| Debtors: amounts falling due within one year | | | |
| Amounts owed by Group undertakings | | 35.8 | |
| Creditors: amounts falling due within one year | | | |
| Amounts owed to Group undertakings | | - | (34.7) |
| Net assets | | 333.0 | 262.5 |
| Capital and reserves | | | |
| Called up share capital | 6 | 6.3 | 6.3 |
| Share premium | | 188.6 | 188.6 |
| Profit and loss account | | 138.1 | 67.6 |
| Total shareholders' equity | | 333.0 | 262.5 |

The financial statements were approved by the Board of Directors.

The financial statements of Diploma PLC and the notes on 176 to 178, which form part of these financial statements, company number 3859848, 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 | 3 | - | - | 69.6 | 69.6 |
| Dividends paid | 4 | - | - | (52.9) | (52.9) |
| Settlement of LTIF awards | 6 | - | - | 0.5 | 0.5 |
| At 30 September 2021 | | 6.3 | 188.6 | 67.6 | 262.5 |
| Total Comprehensive Income | 3 | - | - | 125.5 | 125.5 |
| Dividends paid | 4 | - | - | (56.2) | (56.2) |
| Settlement of LTIF awards | | - | - | 1.2 | 1.2 |
| At 30 September 2022 | | 6.3 | 188.6 | 138.1 | 333.0 |

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

a) Accounting policies

a.1) Basis of accounting

The Parent Company Financial Statements (the Financial Statements) have been prepared consistently in accordance with the Companies Act 2006 and FRS 101 (Reduced Disclosures Framework). The Directors confirm they have a reasonable expectation that the Company has adequate resources to continue in operation and continue for the foreseeable future and accordingly they continue to adopt the going concern basis in preparing the Financial Statements. The Financial Statements which are prepared on an accrual cost basis and presented in UK sterling and all values are rounded to the nearest 100,000 except when otherwise indicated.

Diploma PLC is a public company limited by shares incorporated in the United Kingdom and registered and domiciled in England and Wales and listed on the London Stock Exchange. The address of the registered office is 1041 Oldbury Road Square, London EC1M 6EE. The financial statements were authorised by the Directors in resolution on 27 November 2022.

The following disclosures have not been provided 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, FRS;
- disclosures in respect of the remuneration of key management personnel as required.

The Company has also taken the exemption under FRS 101 to apply the exemption in the Disclosure Accounting Standards 48 (pages 48 to 50) in FRS 2 (Share-based Payments) in respect of share-settlement based payments for the consolidated financial statements of the Company include the related disclosures within the Remuneration Committee Report.

a.2) Total Comprehensive Income

Total Comprehensive Income comprises dividend received from subsidiary undertakings, which is calculated as the dividend declared at the UK stock exchange plus 15% and that are payable in cash.

a.3) Dividend income

Dividend income is recognised when received and is presented as dividend income in the Company Financial Statements for the year in which the dividend is approved by the Company's shareholders. The dividend is recognised as income when it is received.

a.4) Diploma PLC Employment Benefit Trust and employee share schemes

Shares held by the Diploma PLC Employee Benefit Trust (the Trust) are listed at cost and are carried forward as a debit under "employee benefit" equity in accordance with A3.31 as applied by FRS 101. Shares that are held by the Trust are not eligible for any dividends and, until time of the awards have vested and options have been exercised by the participants.

a.5) Auditors' remuneration

Fees payable to the auditors for the audit of the Company financial statements of 2021/22 were £1,200,000, which were comprised of the following undertaking:

b) Directors' and employees' remuneration

No remuneration is paid directly by the Company to any director in the Executive Remuneration Committee's policy and subsidiary undertakings and the interests in the share capital of the Company are listed in the Remuneration Committee Report on pages 114 to 138 and page 4 to the Consolidated Financial Statements on page 148. The Company has no employee share schemes.

c) Company profit and loss account

As permitted by section 408 of the Companies Act 2006, no separate profit and loss account is presented for the Company. There were no gains or losses either in the current or preceding year being included in Other Comprehensive Income. The Company's profit for the year was £129.5m (2021: profit of £69.6m) before payment of UK F dividends.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

CONTINUED

d) Investments

| | 2022
£m | 2021
£m |
|--|--------------|--------------|
| Charges in Group undertakings held at cost | | |
| At 30 September | 297.2 | 297.2 |

A full list of subsidiary and other related undertakings is set out on pages 18 to 189. Investments in puts and calls are reviewed annually to decide if they are an indication 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 at 5p each | | | | |
| At 30 September | 124,616,170 | 124,616,170 | 6.3 | 6.3 |

During the year, 72,462 ordinary shares in the Company (2021: 21,914) were transferred from the Trust to corporate directors in connection with the exercise of awards which had vested under the 2017 Long Term Incentive Plan as set out in the Remuneration Committee Report.

At 30 September 2022, the Trust held 11,033 (2021: 90,640) ordinary shares in the Company, representing 0.01% of the called up share capital. The market value of the shares at 30 September 2022 was \$1.7m (2021: \$2.7m).

f) Dividends

Details of payment of dividends received and paid during the year by the Company are included in the notes to the consolidated financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DIPLOMA PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

For the members

Diploma's Consolidated financial statements and Parent Company financial statements (the "financial statements") give an true and fair view of the state of the Group's and of the Parent Company's affairs 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 Generally Accepted Accounting Practice (United Kingdom Accounting Standards (comprising FRS 101 Reduced Disclosure Framework)) and applicable law
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements included within the Annual Report (the "Annual Report"), which comprise the Consolidated and Parent Company Statements of Financial Position at 30 September 2022, the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Cash Flow Statement, and the Consolidated and Parent Company Statements of Changes in Equity for the year then ended and the notes to the financial statements, which include a description of the group's 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 as auditors under ISAs (UK) are further explained in the Auditors' responsibilities for the audit of the financial statements section in our report. We believe that the audit evidence we have obtained is sufficient and appropriate to give a true and fair view of the financial statements.

Independence

We have declared independence of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which include the FRC's Ethical Standard, and are applicable to listed public interest entities, and have agreed to follow the FRC's independence code in accordance with the ethical requirements.

To the best of our knowledge and belief, we are not prohibited from providing non-audit services prohibited by the FRC, and the prohibited services have not been provided.

Other than those disclosed in the DR, we have provided no non-audit services to the Parent Company or to its listed subsidiaries during the period under audit.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DIPLOMA PLC

CONTINUED

Our audit approach

Overview

Audit scope

The Group consists of three Sectors: Life Sciences, Social and Consumer, and we have conducted audit work across all of them. Through our fully scoped component audit, audit of the consolidation and additional audit procedures performed at a Group level, we have achieved coverage of 100% of Group profit before tax and 75% (2021: 77%) of Group revenue.

Key audit matters

- valuation of the intangible in the RNS and Audience productions (Group)
- Carrying value of investments in subsidiaries (Parent)

Materiality

- Overall Group materiality: £1.2m (2021: £4.8m), based on approximately 5% of profit before tax.
- Overall Parent Company materiality: £3.5m (2021: £3.0m), based on 1% of total assets.
- Performance materiality: £4.1m (2021: £3.6m) (Group) and £2.5m (2021: £2.2m) (Parent Company).

The scope of our audit

As part of performing our audit, we determined materiality and assessed the risk of material misstatement to the financial statements.

Key audit matters

Key audit matters are those matters that, in the audit, involved a judgement, were of most significance to the audit of the financial statements, or the current year financials, due to the most significant assessed risks of material misstatement (whether or not quantified and, if quantified, whether or not the audit was designed to address these risks) that had the greatest effect on the overall audit strategy, the allocation of resources, and the audit approach. The key audit matters of the management teams, 'key matters', and our comments, remain the same in the results of our audit. These matters were addressed in the context of our audit of the financial statements as a whole and not for the purpose of providing an opinion on individual balances or line items within the financial statements.

The audit of subsidiaries that are not identified by our audit

Carrying value of investments in subsidiaries (Parent Company) and valuation of the intangible in the RNS and Audience productions (Group) are new key audit matters for Group. For the purpose of our audit, we have taken the scope of our audit to the Windy City Wind, an indirect subsidiary of the Group, which were key audit matters of the year, are no longer included as part of the required support COV. Our audit of the year ended 31 March 2022, therefore, does not include an audit of the Windy City Wind intangibles.

Key audit matter

Valuation of the intangibles for the R&G and Accusciencce acquisitions (Group)

refer to page 155 Significant accounting estimates and critical judgements (Acquisition accounting) and note 27 Acquisitions and disposals of businesses within the Group consolidated financial statements.

The Group acquired R&G and Accusciencce businesses for a consideration of £45.2m.

Acquired intangible assets of £20.1m were identified or strengthened in respect of these acquisitions. These included a customer relationship (£7.7m) and brands (£3.2m).

We have identified a significant risk associated with the valuation of the intangibles due to the magnitude of the acquisitions and the significant level of estimation involved in determining the fair value of the acquired intangibles and their sensitivity to management level assumptions.

The valuation of the identifiable intangible assets requires management estimation as it is dependent on a number of key assumptions including forecast revenue and profit rates, discount rates and average life period customer retention rates. In order to determine assumptions there is an inherent level of estimation uncertainty and subjectivity.

How our audit addressed the key audit matter

Procedures undertaken to address the significant risk identified in respect of the valuation of the acquired intangibles included:

We validated the mathematical accuracy of management's model and assessed the robustness of the methodology used to determine the fair value, with support from our internal valuation experts.

We obtained an understanding of the assumptions used to determine these estimates and identified the following key assumptions:

- Discount rates: We engaged our valuation experts to corroborate the reasonableness of the discount rates as no comparable market data for exchange discount rates of other comparable companies in the industry.
- Forecast revenue growth rates and margins: We compared the assumptions in respect of forecast revenue growth rates and margins with our own trading experience and the actual trading performance of the businesses post acquisition. In addition, we compared the figures used in the valuations with the Board approved budgets for the three year period and with industry comparables.
- Customer retention rates: In respect of the customer relationship intangible assets, we corroborated the customer retention rate assumption and forecast cash flows. We compared the assumptions in respect of customer retention flows with historical customer data. We engaged our valuation experts to assist in the evaluation of the methodology used by management.

Based on procedures we performed, management's estimate of the fair value of the acquired intangibles are appropriate.

Carrying value of investments in subsidiaries (Parent Company)

At the balance sheet date, the Parent Company had investments in subsidiaries of £29.72m (2021: £29.12m). Externally, the Parent Company's investment in subsidiaries is an associate with the Parent Company having a 50% shareholding.

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 subsidiary investments, we do not consider the valuation of those investments to be at a high risk of misstatement and are satisfied to a significant level in making judgement on this matter. However, for further materiality in the context of the Parent Company financial statements as a whole, it remains one of the areas where the most audit effort is focused for the Parent Company.

We checked that the net assets on the balance sheets of the subsidiary investments were in excess of the carrying value of the Parent Company's investment in the subsidiary. In addition, our work determined through the audit that there is no other impairment indicators regarding the recoverability of the carrying amount of the investments at the balance sheet date. We had no work to perform in respect of this work.

pages 202 to 225 of our 2021/22 Annual Report (Parent Company version 2021/22 49/030) and we do not intend to publish these documents that include any warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our conclusion of the directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Reviewing management's going concern assessment to ensure it was based upon the latest board approved forecasts and that the latest Board assumptions were consistent with our understanding of the outlook for the Group as a whole and the wider market;
- Testing the management's assumptions in the model;
- Consulting to key stakeholders with other procedures performed over the course of the audit;
- Discussing our findings with management about the business to ensure consistency and going concern view in the above comments with the business;
- Comparison of the prior year forecasts against current year actual performance to assess management's ability to forecast accurately;
- Reviewing the latest signed financing agreement to re-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 and the Parent Company's ability to continue as a going concern within the period of at least twelve months from when the financial statements are authorised for issue.

In relation to the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because of the future events or conditions which are created, this does not amount to a guarantee as to the Group and the Parent Company's ability to continue as a going concern.

In view of the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing to report in relation to any matters that need to be reported on to the directors' statement on the financial statements and our report on the audit of the financial statements, on the basis of accounting.

We have nothing to report in relation to the directors' statement on the going concern basis of accounting in the financial statements.

Reporting on other information

The other information comprises all the information in the Annual Report other than the financial statements and our audit opinion on them. The directors are responsible for the other information, which includes reporting to you on the True and Fair statement, the United Kingdom Disclosure of Tax Information ("UKDTI") and the information on the financial statements and on the other information and on the financial statements and on the other information and on the financial statements and on the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information, form a view as to whether the other information is consistent with the financial statements, and, if we identify any material inconsistencies, to report on them. We also have a responsibility to report on the other information if we identify any material inconsistencies with the financial statements, and, if we identify any material inconsistencies, to report on them. We also have a responsibility to report on the other information if we identify any material inconsistencies with the financial statements, and, if we identify any material inconsistencies, to report on them.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been complied with.

Based on the work undertaken in the course of the audit, the Companies Act 2006 requires us to report to you whether or not we consider that the disclosures have been complied with.

Strategic Report and Directors' Report

Based on the work undertaken in the course of the audit, the information given in the financial statements and in the Strategic Report and Directors' Report is consistent with the financial statements and has been prepared in accordance with the applicable accounting framework.

Our opinion on the Strategic Report and Directors' Report is that the information given in the Strategic Report and Directors' Report is consistent with the financial statements and has been prepared in accordance with the applicable accounting framework.

Directors' Remuneration

Our opinion on the remuneration of the directors of the Company is that the remuneration has been disclosed in accordance with the applicable accounting framework.

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, principal risks and that part of the corporate governance statement relating to the Parent Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities in relation to the corporate governance statement and other information are detailed in the Reporting and 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 relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging principal risks;
 - The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and/or expansion of how those risks being managed or mitigated;
 - The directors' statement in the financial statements as to whether they considered it appropriate to adjust the going concern basis of accounting in preparing them, and their identification of any material uncertainties for the Group 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 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 falling due over the period of its assessment, and any related disclosures drawn attention to any relevant uncertainties and assumptions.

Our review of the directors' statement regarding the long-term viability of the Group was undertaken in accordance with the provisions of the Listing Rules, and in making this review and considering the effect of the provisions of the Listing Rules on the statement, we have agreed with the relevant provisions of the UK Corporate Governance Code and considered whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Parent Company and the information contained in the Annual 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:

- The directors' statement that they have, in the Annual Report, taken account of the long-term viability of the Group and Parent Company, and the effect of the provisions of the Listing Rules on the statement, and
- The directors' statement that they have, in the Annual Report, taken account of the relevant provisions of the Listing Rules on the statement, and
- The directors' statement that they have, in the Annual Report, taken account of the relevant provisions of the Listing Rules on the statement.

We have no material reportable exceptions to the viability of the Group when the directors' statement is prepared, and we have no material reportable exceptions to the viability of the Group when the directors' statement is prepared, and we have no material reportable exceptions to the viability of the Group when the directors' statement is prepared.

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 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 adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of director remuneration specified by law are not made; or
- the Parent Company financial statements and the part of the Remuneration Committee Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 1 March 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, including 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
27 November 2022

SUBSIDIARIES OF DIPLOMA PLC

[illegible]

SUBSIDIARIES OF DIPLOMA PLC

CONTINUED

| | Registered office address* | | Registered office address* |
|---|----------------------------|--|----------------------------|
| Controls | | Life Sciences | |
| Is-Rayfast Limited | A | Somagen Diagnostics Ltd | B |
| Is-Motorsport Ltd | C | AMT Electrosurgery Inc | PH |
| Amfast Limited | A | Vantage Endoscopy Inc | B |
| Clarendon Specialty Fasteners Limited | A | Big Green Surgical Company Pty Limited | R |
| Clarendon Specialty Fasteners (Asia) Limited | X | Diagnostic Solutions Pty Limited | B |
| Clarendon Specialty Fasteners Inc | B | Sphere Surgical Pty Limited | K |
| Clarendon Engineering Supplies Limited | A | Aspire Surgical Pty Limited | B |
| Clarendon Specialty Fasteners GmbH | X | Big Green Surgical NZ Limited | I |
| Cabled Interconnect Component Systems Limited | A | Techno-Pain Distribution Limited | W |
| Sommer GmbH | G | Abacus dx Pty Limited | R |
| Fiton Electronics GmbH | H | Abacus dx Limited | I |
| Action TAS | O | Simonsen and Weir AS | AO |
| Greenex SAS | O | Simonsen and Weir AB | AA |
| Greenex UK Limited | A | Kungshusen MedLinkh AB | AO |
| Greenex GmbH | I | Accu Science Ireland Limited | AE |
| Accu-SAS | O | MedLinkh Germany AG | AE |
| Claremont Limited | A | | |
| Brinlyvale Fluids Limited | A | | |
| Kremfast Limited | A | | |
| Bardault Limited | A | | |
| Hawco Limited | A | | |
| Arbysmart Limited | A | | |
| H4 Marine Ltd Limited | A | | |
| Hawco Marine Ltd Limited | A | | |
| Hawco Ltd | C | | |
| Microstream Limited | A | | |
| C-Print Europe Limited | A | | |
| Novelity Enterprise Limited | A | | |
| Identivity Enterprise & Consultants Limited | A | | |
| ESD UK Limited | A | | |
| RF Datas Limited | A | | |
| RF Global Limited | A | | |
| Clasp Limited | A | | |
| Brilliant Ltd Limited | A | | |
| Brainwave Visions America Limited | A | | |
| Milco Limited | A | | |
| Techno Limited | A | | |
| Bluebe Limited | A | | |
| Tacti-Australia LLC | Z | | |
| ATI America, Inc. (a) Holdings LLC | I | | |
| Whispering Willows Technology Products LLC | I | | |
| USP Eastern LLC | AO | | |
| Blue Beams Technology LLC | AO | | |

Intermediate holding companies

| | |
|---|---|
| Diopharm Holdings PCC | A |
| Diopharm Holdings Inc. | C |
| Price Limited | A |
| Diopharm Australia Holdings Limited | A |
| Diopharm Finance Holdings Limited | A |
| Diopharm Investment Limited | B |
| Hope Group Limited | B |
| W. Johnson & Co. Limited | A |
| Diopharm Line Limited | A |
| Diopharm Two Limited | A |
| New prospect Limited | A |
| Diopharm Holding Company Limited | C |
| Diopharm Corporation Healthcare Inc. | B |
| Diopharm Australia International Pty. Limited | B |
| Diopharm Australia Seeds Pty. Limited | B |
| Healthcare Holdings Limited | B |
| Teck Holdings Limited | B |
| R&G Food Service Holdings Limited | B |
| R&G Food Retail Group Limited | A |

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FINANCIAL CALENDAR AND SHAREHOLDER INFORMATION

Announcements (provisional dates)

| | |
|--------------------------------------|------------------|
| Q3 Trading Update released | 16 January 2023 |
| Annual General Meeting 2022 | 8 January 2023 |
| Half Year Results announced | 10 May 2023 |
| Q3 Trading Update released | 20 July 2023 |
| Preliminary Results announced | 20 November 2023 |
| Annual Report posted to shareholders | 8 December 2023 |
| Annual General Meeting 2023 | 11 January 2024 |

Dividends (provisional dates)

| | |
|-------------------|------------------|
| Interim announced | 16 May 2023 |
| Paid | 8 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 6T2
Telephone: 0203 7025000

its website for shareholders and investors
www.investorcentre.co.uk

Shareholders' enquiries

If you have any enquiry about the Company's business or about something affecting your shareholding, 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 Charterhouse Square
London EC1M 6EE
Telephone: 020 7549 5700

Registered in England and Wales, number 3890948

Website

Diploma's website is www.diploma.com

ADVISORS

Corporate Stockbrokers

Numis Securities
49 Gresham Street
London EC2V 7EP

Barclays Bank PLC

1 Churchill Place
London E14 5HP

Independent Auditor

PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RM

Solicitors

Simmons & Simmons LLP
CityPoint
One Ropemaker Street
London EC2Y 9SS

Bankers

Barclays Bank PLC

1 Churchill Place
London E14 5HP

HSBC Bank plc

1st Corporate Banking Centre
68 Queen Victoria Street
London EC4N 4TR

Overview

Strategic Report

Corporate Governance

Financial Statements

Other Information

FIVE YEAR RECORD

| Year ended 30 September | 2022
£m | 2021
£m | 2020
£m | 2019
£m | 2018
£m |
|--|----------------|---------------|----------------|---------------|---------------|
| Revenue | 1,012.8 | 977.4 | 938.4 | 844.7 | 489.1 |
| Adjusted operating profit | 191.2 | 149.7 | 87.3 | 97.2 | 84.9 |
| Net interest and similar charges | (11.6) | (6.5) | (2.7) | (0.7) | (0.1) |
| Adjusted profit before tax | 179.6 | 143.2 | 84.6 | 96.5 | 84.8 |
| Acquisition related and other charges | (46.9) | 44.4 | (1.3) | (13.7) | (11.7) |
| Fair value remeasurements | (3.2) | (1.9) | (0.4) | 0.1 | (0.4) |
| Profit before tax | 129.5 | 185.7 | 82.9 | 82.9 | 72.7 |
| Tax expense | (34.1) | (26.9) | (6.9) | (11.1) | (18.3) |
| Profit for the year | 95.4 | 158.8 | 76.0 | 71.8 | 54.4 |
| Capital structure | | | | | |
| Equity shareholders' funds | 662.0 | 536.3 | 529.0 | 321.3 | 291.2 |
| Minority interest | 6.2 | 4.7 | 3.7 | 3.3 | 3.9 |
| Add (deduct) cash and cash equivalents: | (41.7) | (24.8) | (206.8) | (27.0) | (36.3) |
| borrowings | 370.6 | 206.2 | | 41.1 | |
| retirement benefit (asset) / obligations | (6.4) | 4.9 | 8.3 | (7.8) | 10.5 |
| net acquisition related liabilities | 29.6 | 23.1 | (1.1) | (1.3) | 5.6 |
| deferred tax, net | 38.2 | (2.9) | (7.3) | 8.1 | 8.4 |
| Reported trading capital employed | 1,058.5 | 721.4 | 305.1 | (77.3) | (82.6) |
| Add (deduct) goodwill and intangible (related) intangible assets, net of deferred tax and currency movements | 99.6 | (22.6) | 94.4 | 84.1 | 74.6 |
| Adjusted trading capital employed | 1,158.1 | 698.8 | 400.0 | 6.4 | 37.4 |
| Net (decrease) increase in net (debt) funds | (113.8) | 338.1 | (24.1) | 61.4 | (31.1) |
| Add (deduct) cash: | 56.4 | (37.2) | (33.4) | (6.1) | (17.2) |
| on acquisition of businesses and intangible assets, net of deferred tax | 177.8 | 450.1 | (24.9) | (8.6) | (20.4) |
| proceeds from issue of capital and/or debt of 100% | — | (2.1) | (184.8) | | |
| Free cash flow | 120.4 | (18.3) | (21.9) | 56.5 | 67.3 |
| Per ordinary share (p) | | | | | |
| Basic earnings | 76.1 | 56.7 | 40.1 | 14.1 | 41.5 |
| Adjusted earnings | 107.5 | 85.1 | 51.4 | 14.3 | 51.4 |
| Free cash flow | 96.7 | (57.4) | (24.6) | 29.9 | 53.5 |
| Dividend | 53.8 | 40.5 | 31.7 | 19.1 | 18.9 |
| Long shareholder equity | 532 | 440 | 403 | 264 | 231 |
| Dividend cover | 2.0 | 1.6 | 1.3 | 1.2 | 2.2 |
| Ratios | % | % | % | % | % |
| Return on adjusted trading capital employed (ROATCE) | 17.3 | 14 | 19.0 | 11.9 | 14.5 |
| Working capital revenue | 15.6 | 15.8 | 15.0 | 8.5 | 18.1 |
| Adjusted operating margin | 18.9 | 15.5 | 9.3 | 11.6 | 17.5 |

1. All figures are stated on a pro rata basis, unless otherwise stated. All figures are stated on a pro rata basis, unless otherwise stated. All figures are stated on a pro rata basis, unless otherwise stated.

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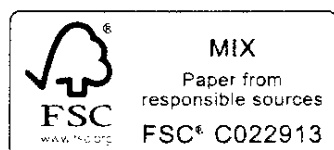
6. All figures are stated on a pro rata basis, unless otherwise stated. All figures are stated on a pro rata basis, unless otherwise stated. All figures are stated on a pro rata basis, unless otherwise stated.

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