

An aerial photograph of the Chicago skyline at sunset. The sky is a warm orange and yellow, reflecting on the water in the foreground. The city's skyscrapers are silhouetted against the bright sky. A purple gradient overlay covers the bottom half of the image, creating a modern, professional look.

DIPLOMA PLC

ANNUAL REPORT AND ACCOUNTS 2024

CONTENTS

Diploma is a decentralised, value-add distribution Group. Our businesses deliver practical and innovative solutions that keep key industries moving.

We are a distribution Group with a difference. Our businesses have the technical expertise, specialist knowledge and long-term relationships to provide value-add products and services that deliver better outcomes for our customers and make their lives easier.

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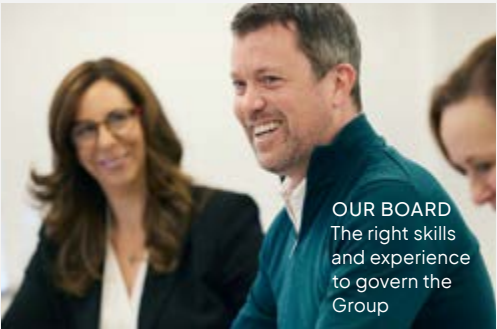
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YOU CAN FIND OUR LATEST INFORMATION ON OUR WEBSITE



WWW.DIPLOMAPLC.COM

- About us
- Our businesses
- Sustainability
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2024 HIGHLIGHTS

SUSTAINABLE QUALITY COMPOUNDING

WE ARE AMBITIOUS...

Diploma has a clear strategy focused on delivering sustainable organic growth

➤ READ MORE IN THE CEO REVIEW ON PAGE 08

...AND WE BALANCE THAT WITH DISCIPLINE...

Returns are our key measure of sustainable success. We maintain a prudent balance sheet and are focused on strong cash conversion

➤ READ MORE IN THE CFO REVIEW ON PAGE 12

...BUILDING ON OUR LONG TRACK RECORD

Diploma has a long history of strong earnings growth and shareholder returns

➤ READ MORE IN THE CHAIR'S STATEMENT ON PAGE 06

FINANCIAL HIGHLIGHTS

6%

Organic revenue growth
Model: 5%

14%

Revenue growth
Model: 10%

20.9%

Adjusted operating
profit margin
Model: 20%+

15%

Adjusted EPS growth
Model: Double digit

101%

Free cash flow conversion
Model: 90%

1.3x

Net debt/EBITDA
Model: <2.0x

19.1%

ROATCE
Model: High teens

5%

Dividend growth
Model: 5%

➤ READ MORE ON PAGE 26

NON-FINANCIAL HIGHLIGHTS

79%

Colleague engagement
survey index
FY23: 80%

30%

Women in senior
management team
FY23: 28%

90%

Suppliers aligned to
Diploma Supplier Code
FY23: 73%

5.7

Emissions intensity
(Scope 1 & 2 tCO₂e/£1m)
FY23: 7.6

➤ READ MORE ON PAGE 27

ABOUT US

OUR PURPOSE, CULTURE AND VALUES

An important shared purpose, a powerful decentralised culture and the values that guide us are core to our success.

OUR PURPOSE

Our purpose is to innovate, create and deliver value-add solutions for a better future.

As a decentralised and diversified Group, a strong purpose ensures that every colleague and every business is aligned. Our businesses work across a broad range of end markets to deliver better outcomes for our customers and make their lives easier by innovating and creating solutions to complex challenges in critical applications and industries.

✚ LEARN MORE ABOUT US ON OUR WEBSITE
WWW.DIPLOMAPLC.COM/ABOUT-US/PURPOSE-AND-VALUES/

OUR CULTURE

Our culture is a commercial and strategic advantage.

It is a reflection of our decentralised model. Every Diploma business has a strong local identity but a common Group culture grounded in commerciality and accountability that fosters the agility, continuous improvement and close customer relationships that are critical to our success.

OUR VALUES

Our Group values are a set of guiding principles that reflect the shared beliefs and behaviours of our businesses and set the tone for our culture.

Customer-centric

We are driven to add value and help our customers grow.

Grow together

We collaborate to create success and opportunity.

Do the right thing

We are ambitious about delivering value responsibly.

Down to earth

We are low on ego – our performance speaks for itself.

Accountable

We are all empowered to succeed.

ABOUT US CONTINUED

WHAT WE DO

Supplying a wide range of products and services across diverse industries, our distribution businesses understand their customers and deliver products and services that they value.

We develop our businesses and work with them to scale as they grow, so that they become better not just bigger businesses.

Our three Sectors – Controls, Seals and Life Sciences – provide an important management structure without adding bureaucracy or unnecessary cost.

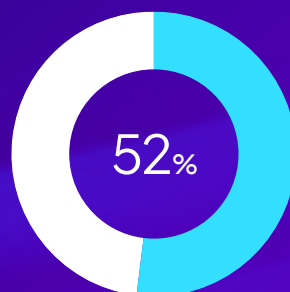
➤ [READ ABOUT OUR STRATEGY ON PAGE 22](#)

OUR SECTORS

CONTROLS

Our Controls businesses deliver wire and cabling, interconnect, specialty fasteners, specialty adhesives and industrial automation solutions for a range of technically demanding applications. Their solutions support aerospace and defence markets, key infrastructure, advances in medical devices and first-responder communications.

CONTROLS REVENUE FY24¹

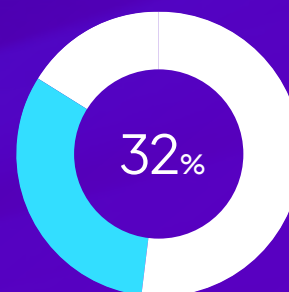


➤ [READ MORE ABOUT OUR CONTROLS SECTOR ON PAGES 28-33](#)

SEALS

Our Seals businesses supply sealing and fluid power products and solutions into aftermarket repairs, original equipment manufacturing, and maintenance, repair and overhaul projects. Whether machining parts for emergency repairs, working with customers to specify material compounds and design, or preventing fugitive emissions or fluid leaks, their solutions have mission-critical applications.

SEALS REVENUE FY24¹

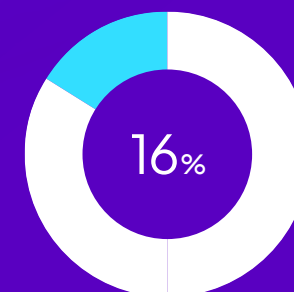


➤ [READ MORE ABOUT OUR SEALS SECTOR ON PAGE 34-39](#)

LIFE SCIENCES

Our Life Sciences businesses supply and service equipment; and provide consumables and instrumentation for surgery, diagnosis of disease, and critical care support. Our expert teams work side-by-side with surgeons, pathologists, laboratory scientists and other healthcare professionals to navigate a complex regulatory environment and deliver innovative, market-leading solutions.

LIFE SCIENCES REVENUE FY24



➤ [READ MORE ABOUT OUR LIFE SCIENCES SECTOR ON PAGE 40-45](#)

¹ On a pro forma basis as stated on pages 30 and 36.

ABOUT US CONTINUED

HOW WE DO IT

All of our businesses are different and they deliver success in different ways through our powerful decentralised culture. But, there are some common characteristics to all Diploma businesses: a strong value-add customer proposition delivered by brilliant people with strong leadership.

➤ READ ABOUT OUR BUSINESS MODEL ON PAGE 19

“

The combination of our value-add model and powerful decentralised culture is our secret-sauce. Preserving it is key.

”

JOHNNY THOMSON
GROUP CEO

VALUE-ADD SERVICE DISTRIBUTION MODEL

We're a service business as much as we are a distribution business. We supply critical products that all come with a value-add wrapper – whether that's technical expertise, responsive customer service, or product customisation – we create solutions that deliver better outcomes for our customers and make their lives easier. Our products and services are critical to our customers' value chains and the value we deliver far exceeds the cost of the product. This model drives loyalty and share of wallet, reputation and market share potential, and pricing power and strong margins.

⊕ LEARN MORE ABOUT VALUE-ADD
ON OUR WEBSITE
WWW.DIPLOMAPLC.COM/ABOUT-US/

BRILLIANT PEOPLE IN A POWERFUL DECENTRALISED CULTURE

We believe in local accountability. Our colleagues have the specialist knowledge, close customer relationships and market experience to deliver for their customers. And, our businesses are empowered to do it their way.

Decentralised doesn't mean isolated. As part of Diploma, our businesses can leverage the resources, opportunities and expertise of a large, international and diversified Group to benefit their customers, colleagues, suppliers and communities. Our strong leadership teams keep our shared culture and values alive across the Group.

➤ READ MORE ABOUT OUR PEOPLE
ON PAGE 14



ABOUT US CONTINUED

OUR IMPACT AND OUTCOMES

We have a long track-record of delivering strong shareholder value and meaningful stakeholder impact.



SHAREHOLDER VALUE

We have a differentiated business model and proven strategy that drive strong financial outcomes that compound over time.

► READ MORE IN THE CFO'S REVIEW ON PAGE 12

Our financial model balances ambition with discipline to deliver sustainable shareholder value.

STAKEHOLDER IMPACT

As part of Diploma, our businesses are able to have a greater impact on their stakeholders.

For colleagues, this includes engagement programmes, training, DEI initiatives and health & safety.

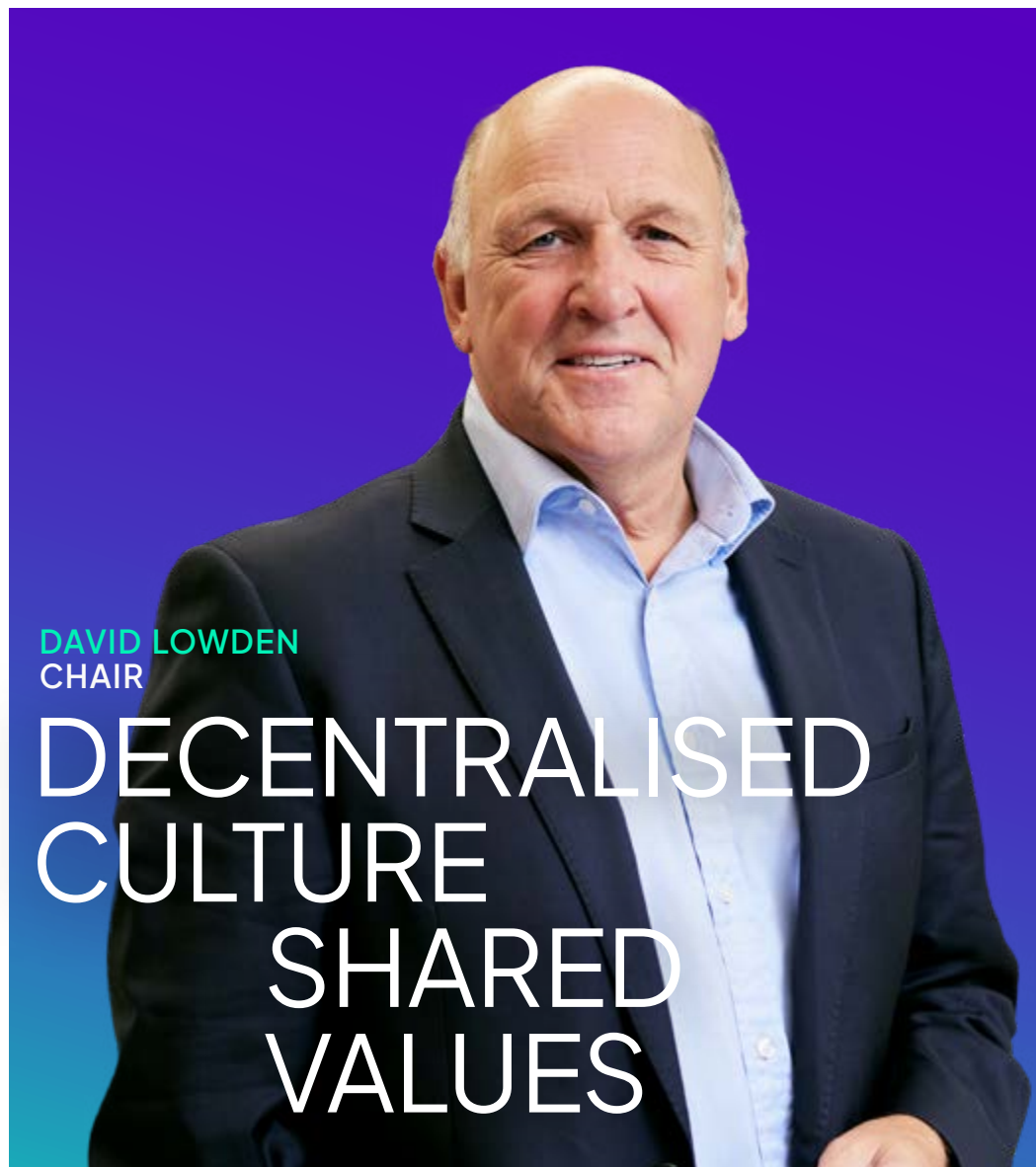
For the environment, we focus on waste reduction and invest in lowering emissions, and provide access to best practice and our sustainability framework, Delivering Value Responsibly. As a distributor, the greatest impact we can have is driving positive change through our supply chain.

Within our communities, we invest in local skills development through our Group-wide apprenticeship programmes and fundmatch locally-driven charitable initiatives.

► READ MORE ABOUT DELIVERING VALUE RESPONSIBLY ON PAGE 50

AMBITIOUS...	...WITH DISCIPLINE
ORGANIC REVENUE GROWTH IS OUR FIRST PRIORITY 5%	CAPITAL-LIGHT BUSINESS MODEL DRIVES STRONG CASH CONVERSION 90%
TOTAL REVENUE GROWTH ACCELERATED BY QUALITY ACQUISITIONS 10%	CAPITAL STEWARDSHIP FOCUSED ON STRONG ROATCE High teens
VALUE-ADD DRIVES STRONG OPERATING MARGINS 20%+	BALANCE SHEET DISCIPLINE MAINTAINS PRUDENT LEVERAGE <2.0x
COMPOUNDING EPS GROWTH Double-digit	RETURN TO SHAREHOLDERS WITH A PROGRESSIVE DIVIDEND 5%
SUSTAINABLE QUALITY COMPOUNDING	

CHAIR'S STATEMENT



This year has been a strong one for our Group, marked by both strategic and financial success.

Our decentralised business model, characterised by its entrepreneurial spirit, accountability, and exceptional leadership, has been instrumental in delivering such a strong financial performance, with increasing resilience, even in challenging market conditions.

Strong financial performance and strategic progress

Diploma has a long track record of excellent shareholder returns. Over the last 15 years, the Group has delivered average annual revenue and adjusted earnings per share growth of 15% and 16%, respectively, accelerating to 20% and 18% over the last 5 years. The Group has added to this track record in FY24, delivering another very strong financial performance. Organic revenue grew 6% and adjusted operating margins increased to 20.9%, whilst cash conversion exceeded 100% and ROATCE rose to 19.1% – up 100bps year on year, despite significant investment during the year.

Also contributing to the performance were the seven high-quality businesses acquired during the year, adding 10% to reported revenue. These businesses, acquired to accelerate future organic growth, have had a strong start under Diploma's ownership, particularly Peerless, which has achieved impressive growth since joining the Group in May. I am very pleased to warmly welcome all our new colleagues to Diploma.

Colleagues and culture

Our colleagues are the cornerstone of Diploma and are central to our identity. Our culture and values play a pivotal role in fostering employee engagement and development. Engaged employees are key to the Group's success. That's why we have introduced employee engagement as part of our executive remuneration package.

Diploma fosters a shared culture that transcends business differences. This means that leaders from diverse industries, from healthcare to robotics, can collaborate, understand each other's challenges, and learn from one another while retaining their unique identity and entrepreneurial spirit.

This Group culture is demonstrated in common business systems, including our values, our financial metrics and risk management systems.

➤ [READ ABOUT THE CHANGES TO OUR REMUNERATION POLICY ON PAGE 98](#)



This has been a strong year, building on Diploma's excellent track record.



CHAIR'S STATEMENT CONTINUED

We have five core values that guide our decision-making and actions. We remain steadfastly customer-centric, ensuring that our customers' needs remain at the forefront. We believe in doing the right thing, even when it's challenging, because integrity is non-negotiable. Accountability is paramount, holding us responsible for our actions and decisions. We firmly believe in growing together and becoming greater than the sum of our parts. And finally, we are down to earth, maintaining a culture of humility and approachability.

Our Group Colleague Engagement Survey continues to indicate excellent levels of engagement, at 79%. The results and learnings from this were discussed by the Board, and each of our businesses has now developed appropriate engagement plans to ensure we continue to create and maintain optimal working environments that support the wellbeing and success of our colleagues.

Board changes

Since becoming Chair of the Board in 2021, I have been fortunate to lead the appointment of four new Non-Executive Directors, each bringing considerable value to the table. With the refresh of the Board now complete, I am confident that we have a very strong Board, which is well placed to represent the interests of our shareholders and wider stakeholders in the years ahead.

Our latest appointments are Katie Bickerstaffe, who joined the Board on 1 October 2024 as Senior Independent Director, and Ian El-Mokadem who will take up the role of independent Non-Executive Director during the first half of the year. I also would like to thank the outgoing Non-Executive Directors, Andy Smith and Anne Thorburn, for their contributions through an incredible period of growth for the Group.



Our success is rooted in the entrepreneurial spirit, accountability, and exceptional leadership that define our decentralised business model.

**Dividends**

The Board has a progressive dividend policy that aims to increase dividend per share by 5% each year. The combination of very strong results and free cash generation, supported by a robust balance sheet, has led the Board to recommend a final dividend of 42.0p (2023: 40.0p) taking the total dividend to 59.3p (2023: 56.5p). Subject to shareholder approval at the Annual General Meeting, this dividend will be paid on 31 January 2025 to shareholders on the register at 17 January 2025 (ex-div 16 January 2025).

Conclusion

In conclusion, it has been another strong year for Diploma. We have not only delivered an excellent financial performance, but have also continued to evolve as an organisation that values its people, embraces change, and remains resilient in the face of a changing world. Our commitment to our colleagues, culture, and values, along with our adaptive governance structure and sustainability initiatives, positions us for a prosperous and sustainable future.

On behalf of the Board, I would like to take this opportunity to thank all of our colleagues for their invaluable contribution to our success over the last year as we look forward to embarking on another exciting year of growth.

David Lowden
Chair

GOVERNANCE OVERVIEW

AUDIT
COMMITTEE

▶ READ MORE ON PAGES 84-89

NOMINATION
COMMITTEE

▶ READ MORE ON PAGES 90-95

REMUNERATION
COMMITTEE

▶ READ MORE ON PAGES 96-119

CEO’S REVIEW



Our strategy is delivering. We have driven strong organic growth through end-market expansion, geographical penetration and product extension.

We have continued to accelerate this organic growth through complementary acquisitions at great returns on capital. And, we are scaling our businesses and the Group to support sustainable quality compounding for the long term.

We have delivered another strong year, and I would like to thank all my brilliant colleagues. These results reflect the strength of our value-add distribution model and diversified portfolio, but they are delivered by 3,600 accountable, customer-centric people, thriving in our decentralised culture.

In tougher markets, we delivered 6% organic revenue growth. We added a further seven high-quality acquisitions, contributing 10% to reported revenue growth. We have improved the Group operating margin by 120 basis points to 20.9%. We grew adjusted earnings per share by 15%.

Importantly, we have delivered this with discipline, improving ROATCE by 100 basis points to 19.1%, free cashflow conversion

remained very strong at 101%, fuelling future growth, and we disposed of three non-core businesses shortly after the year end.

Overall, it’s been another strong year for the Group.

Revenue diversification driving organic growth and increasing resilience
The Group’s strategy is to build high-quality, scalable businesses for sustainable organic growth.

We drive organic growth in three ways: expanding into structurally growing end markets; penetrating further into core developed geographies; and extending our product range to expand addressable markets. This strategy drives both sustainable organic growth and increased resilience.

Execution of this strategy across our businesses drove organic growth of 6% in FY24. Double-digit growth in Controls, driven by market tailwinds and share gains, and a strong performance in Life Sciences, led by share gains in Canada and Australia, provided balance to the Seals Sector, which delivered a resilient performance with modest growth despite facing challenging conditions across some of its end markets.

	Revenue £m		Growth	
	FY 24	FY 23	Reported	Organic
Controls	652.4	568.4	+15%	+10%
Seals	489.1	419.0	+17%	+1%
Life Sciences	221.9	212.9	+4%	+6%
Group	1,363.4	1,200.3	+14%	+6%

CEO'S REVIEW CONTINUED

Positioning behind structurally growing end markets

Throughout the year we have continued to drive expansion in structurally growing end markets, delivering both improved growth and increased resilience.

Most notably in FY24, our specialty fasteners businesses operating in aerospace, Clarendon, and our recent acquisition, Peerless, have delivered outstanding growth as they have navigated the complexities of these markets to win share and solve their customers' complex problems. Whilst we expect some normalisation of growth and margins in this market, the underlying growth drivers are expected to endure for a number of years.

Datacentres are becoming increasingly important to us with Windy City Wire delivering accelerated organic growth as their superior products and services are valued in these critical applications. As these centres evolve for the increased demands of supporting AI, a number of other Controls

and Seals businesses are developing solutions, for example, to support liquid cooling.

In clinical diagnostics, our Life Sciences businesses benefitted from growing public and private investment in testing across a wide range of applications from allergy and autoimmune testing, to preconception and cancer screening.

Electrification provides a wide range of growth opportunities across our businesses and a number of them are developing related offers, from solar installation kits to smart building solutions. This is an example of our businesses collaborating to create unique propositions.

Industrial automation is expected to continue to benefit from the reshoring of manufacturing and ageing installed bases of CNC machines and robots that are fuelling growth.

Renewables has been an area of success for a number of our businesses and we expect this to continue to build.

Water management has fuelled growth in a number of our Seals businesses particularly in Australia where our dewatering products and services are critical to safely extracting the minerals required for batteries for energy storage.

Whilst the infrastructure segment has been subdued this year, long term investment in infrastructure in the US, the UK and Europe will be a tailwind, particularly to our Seals Sector.

Penetrating further into core developed economies

There is significant scope for geographic expansion across our existing developed markets.

With the acquisition of Peerless during the year, around half of the Group's revenue is now generated in the US. It has also extended our capabilities in specialty fasteners beyond our previous presence on the West Coast of the US, to national coverage, as well as increasing exposure to the aerospace market in Europe.

The FY23 acquisition of DICSA established a platform for the Group in Spain and extended our footprint across Europe. We are in the early stages of collaboration between DICSA and R&G in the UK, and Hercules Aftermarket in the US, supporting the gradual expansion across these geographies.

Following on from the integration of our Australian Life Sciences businesses last year to create a scaled business with country-wide reach, we have recently completed a similar project in Canada. This enhances geographical coverage across the Canadian healthcare market providing our supply partners with unparalleled access across both medtech and diagnostics customers from the West to the East.

Product range extension

Sourcing and developing new products are key to sustainable organic growth for all of our businesses, as we continually enhance our customer proposition for existing and new customers.

“

I'd like to thank my brilliant colleagues for making this a successful year.

”

In Life Sciences, it is critical that our expert teams remain at the forefront of product innovation to support their customers in delivering better healthcare outcomes. For example, the introduction of an AI-enabled endoscope to our Canadian portfolio is delivering materially higher success rates than a traditional scope in the identification of abnormalities. We are increasingly looking to leverage across our businesses, to bring successful products from one geography to another.

Acquisitions continue to play an important role in accelerating product extension. In our Seals Sector, we have extended our fluid power capabilities further through acquisitions into R&G, to grow our addressable markets. In Controls, Peerless specialises in airframe specialty fasteners, which complements Clarendon's specialism in aircraft cabins. Over the coming years we will seek opportunities to cross-sell Peerless and Clarendon products. In a similar fashion, the acquisition of DICSA has enabled product expansion in R&G and Hercules Aftermarket, and the acquisition of PAR, which bolted on to R&G, drove an expanded seals & gaskets portfolio into the UK.

Execution of our proven strategy drove strong organic revenue growth of 6% in the year

+6%

CEO'S REVIEW CONTINUED

Complementary acquisitions to accelerate growth

Diploma has a strong track record of accelerating organic growth through disciplined acquisitions with £1.3bn invested in over 40 businesses with Return on Adjusted Trading Capital Employed (ROATCE) of 17% in the last five years. In FY24, we acquired seven high-quality businesses for a total of £293m at an average EBIT multiple of 6x: Peerless, PAR and five bolt-ons.

In May, we completed the acquisition of US-based Peerless for £243m. This extended our established position in the aerospace specialty fasteners market and is highly complementary to Clarendon, our existing specialty fasteners business, both in product offering and geographic footprint. Peerless has delivered an exceptional performance in the period since acquisition as positive tailwinds and share gains in the aerospace market have driven organic growth and margin expansion ahead of our expectations. It is expected to exceed 20% ROATCE in its first year in the Group.

Also in May, we acquired PAR for £37m into R&G, adding scale to its seals & gasket division in the UK.

Importantly, we continue to execute smaller bolt-on acquisitions, completing five bolt-ons for £13m, with average EBIT multiples of 4x and expected to exceed 20% ROATCE in year one.

The acquisitions made this year demonstrate the compelling proposition Diploma offers to owners selling their businesses: preserving legacies, promoting autonomy and accountability, and supporting growth through investment and expertise.

Our acquisition pipeline remains strong with active opportunities in all three Sectors across fragmented markets in our core geographies. We have robust processes in place to maximise opportunities and we remain a buyer of choice for the kind of business we look for.

Portfolio discipline is a critical component of sustainable quality compounding, and if a business no longer fits our strategy, we look to recycle capital. Having made four disposals in recent years, we made a further three shortly after the year end for ca. £45m at a 7x multiple. In the Controls Sector, we sold Gremtek, located in France, which was part of our international interconnect solutions business. In Seals, we disposed of Kubo, an OEM-focused seals business in Switzerland, and Pennine, a UK pneumatics business, that was part of R&G.

► [READ MORE IN OUR SECTOR REVIEWS ON PAGES 28-45.](#)

Scaling the Businesses and the Group

To deliver sustainable quality compounding, we must develop our businesses to deliver great customer propositions at scale. This can be through investment in talent, technology, and facilities – building capability and capacity to sustain growth in our businesses. It also means developing our Group to sustain execution as we grow.

This is a people business. Our businesses support their customer's growth and help them achieve their ambitions. We think this works best in a decentralised culture where our colleagues are empowered to innovate and create tailored solutions. Investing in talent development is therefore critical: developing a cadre of great Managing Directors; building sales, supply chain and other functional leadership capabilities; and evolving teams and structures to scale our businesses. Ensuring we have diverse teams is important and whilst we have much more to do, I'm pleased that around half of our senior hires this year were women.

Ultimately, if our people are engaged, they will deliver the best results for our customers, so I'm delighted with another year of consistently high engagement. To reflect the importance of maintaining high engagement levels, this metric will be introduced into my remuneration and the incentive schemes of senior leaders in FY25.

We have developed 10 new facilities across our businesses in the last five years. In FY24, significant investment has been made in our UK wire and cable business, Shoal. Three previously standalone businesses have been combined, moving into a new state-of-the-art shared facility with integrated technology and systems.

We have invested in a number of our Seals businesses whilst market conditions have been slower to position us for stronger growth as conditions improve. This included investment in talent and technology as well as the culmination of facilities projects in the UK and Europe.

Our Life Sciences business in Canada has completed a significant scaling project, including a new facility in a more strategic location in the East, rationalising existing sites and forming two distinct East and West hubs. This will enhance collaboration across our diagnostics and medtech business, reduce shipment times, deliver operational improvements and efficiencies, and increase access to specialist talent.

As well as investing in facilities and technology, we have also invested in talent and have attracted experienced leaders to a number of our businesses this year. Our Leadership at Scale programme, now in its second year, continues to develop leaders from across our businesses.

Developing sales excellence is a Group-wide focus. Our businesses have grown well due to their agility, responsive customer service and technical capabilities. We want to add to that with more business development capability, a more strategic and structured approach to market development and great B2B sales processes. We're providing the network, workshops, best practices and investments to help make this happen.

Delivering Value Responsibly

Across our businesses we make positive impacts on society and our environment through the delivery of life-saving healthcare solutions, and supporting renewable energy generation, water treatment and activities supporting the circular economy. As part of Diploma, our businesses place appropriate focus on sustainability at a level they would

CEO'S REVIEW CONTINUED

be unlikely to do otherwise. As a result, they benefit from accelerated progress compared to their peers, which brings both commercial advantage and positive impact.

Our Delivering Value Responsibly (DVR) framework focuses on six metrics through which we can have a meaningful, positive impact on our businesses, our people and our environment. I am pleased with the progress we have made this year, but there is more to be done.

Highlighting a few examples from across the Group in the year:

We launched a Group-wide health and safety programme – Stand Up for Safety – to provide a consistent culture, approach and framework. It has been very well received and has driven a notable change in behaviours by our businesses.

During the year, our target to reach net zero by 2045 was validated by the Science Based Targets initiative (SBTi). In the year we reduced our emissions intensity (Scope 1&2) to 5.7, down from 7.6 in FY23.

Sustaining our success is dependent on our people. Maintaining high levels of colleague engagement is critical. It is a competitive advantage. We are once again delighted by excellent levels of engagement throughout the Group, at 79%.

Having a workforce rich in diverse perspectives will support stronger execution over time. I'm pleased with the progress we have made as we work towards gender balance across our Senior Management Team – now 30% female, up from 28% in FY23 and 20% in FY19 – but there is still work to do.

➤ [READ MORE ABOUT DVR ON PAGES 50-53.](#)

Outlook

Whilst we remain mindful of the challenging economic backdrop, the execution of our strategy gives us confidence in our ability to continue to deliver strong results.

- Our revenue is resilient: ongoing diversification means we are exposed to structurally growing end segments.
- Our margins are resilient: our focus on value-add solutions that are critical to customer needs supports pricing power.
- Our cash flow is resilient: our low capital-intensity model is highly cash-generative, underpinning a strong balance sheet.

We remain focused on executing our strategy of building high-quality, scalable businesses for organic growth. By continuing to effectively balance ambition and discipline we are confident in continuing to deliver sustainable quality compounding over the long term.

Johnny Thomson
Chief Executive Officer

WHY INVEST

Diploma delivers sustainable quality compounding, consistently balancing ambition with discipline. We have a long track record of profitable growth, delivering 16% compound annual EPS growth over the last 15 years.

AMBITION

- Organic growth is our number one priority: delivered 5% average annual organic growth over the long term.
- We complement this with disciplined acquisitions at high returns: 15% total revenue CAGR over the last 15 years.
- Significant 'white space' for all of our businesses to grow through geographic, end market, and product expansion.
- Our scalable, value-add customer propositions underpin operating margin of at least 20%.

DISCIPLINE

- Capital-light business model drives strong free cash conversion of 90% to fuel future growth.
- Effective capital stewardship ensures strong returns, with ROATCE well in excess of our cost of capital.
- Balance sheet discipline with net debt maintained below 2x EBITDA.
- Commitment to shareholder returns with a progressive dividend growing 5% annually.

CONSISTENCY

Our business model delivers resilience through the cycle:

- Our diversified portfolio drives revenue resilience.
- Our value-add propositions drive margin resilience.
- Our capital-light business model drives cash flow resilience.

This is underpinned by a powerful decentralised culture with accountable leaders operating with specialised expertise in local markets.

⊕ [LEARN MORE ON OUR WEBSITE:](#)
WWW.DIPLOMAPLC.COM/INVESTORS/WHY-INVEST/

CFO’S REVIEW



Sustainable quality compounding combines ambition with discipline. Our business model and strategy are designed to support the delivery of ambitious organic growth, at high margins and with great capital returns. As a result, we have a long track record of delivering compounding earnings growth.

Our financial model lays out how we will continue to deliver this in a set of medium-term financial outcomes. This has consistently delivered superior shareholder returns for more than 25 years. We have updated our financial model to reflect structurally higher operating margins of 20%+, up from 17%+.

Diversified portfolio drives strong, resilient growth

Organic growth is our first priority and each of our value-add businesses drives this through end-market expansion, geographic penetration and product extension. Our diverse portfolio of businesses means that this growth is both strong and resilient, with the Group delivering around 5% organic growth consistently over the long term. Delivering 6% organic growth in FY24 against the backdrop of tougher markets is therefore particularly pleasing. In fragmented markets, we can accelerate this organic growth through carefully selected, disciplined acquisitions. We do not set specific annual targets for acquisitions, but our financial model demonstrates that we can deliver double-digit revenue growth within our leverage policy outlined below. Reported revenue growth this year of 14% is in line with our 15-year track record of 15% growth.

AMBITION...

	FY24	Model
Organic growth is our first priority	6%	5%
Total revenue growth accelerated by quality acquisitions	14%	10%
Value-add drives strong adjusted operating margins	20.9%	20%+
Compounding adjusted EPS growth	15%	Double-digit

...WITH DISCIPLINE

	FY24	Model
Capital-light business model drives strong cash conversion	101%	90%
Capital stewardship focused on strong ROATCE	19.1%	High teens
Balance sheet discipline maintains prudent leverage	1.3x	<2.0x
Return to shareholders with a progressive dividend	5%	5%

CFO'S REVIEW CONTINUED

Structurally higher operating margin

Diploma has achieved structurally higher operating margins, this year reaching 20.9%. This improvement has been driven by two factors: operational leverage from the growth of our value-add businesses, and recent acquisitions with accretive margins. Our diversified portfolio delivers a range of operating margins, from the teens to the thirties. Typically, our lower margin businesses have lower asset intensity, whilst those requiring more inventory to support their customer propositions are compensated with higher margins.

Our financial model recognises that each business should deliver sustainable operating leverage. However, the mix between businesses means that, as a Group, we may not expand margin every year.

This combination of growth and margin drives double-digit earnings per share growth. In FY24 we delivered 15% growth, in line with our 15-year track record of 16% growth.

Consistently strong cash conversion

Our capital-light business model drives strong cash conversion, targeting a sustainable 90%. Capital expenditure is carefully managed, usually accounting for around 2% of revenue annually. This year, capital expenditure was ca. 1.5% of revenue, with significant scaling investments made in new facilities in all three Sectors – in Shoal (Controls Sector), Life Sciences North America, and R&G (Seals Sector). We are pleased to report 101% cash conversion this year, ahead of our model, achieved by disciplined working capital management, and optimising inventory across several businesses.

Strong and improving returns

We are obsessed with delivering excellent returns on capital. Our key returns metric, Return on Adjusted Trading Capital Employed (ROATCE), adds back accounting adjustments, such as acquisition related amortisation, to ensure that our performance is driven by genuine economic factors. ROATCE in the high teens, represents returns of around twice our current cost of capital. Returns in FY24 were particularly strong. We increased ROATCE by 100 basis point, to 19.1%, the highest level in the last five years. Achieving this requires consistent operational discipline and strategic initiatives, such as the processes introduced by our North American Seals businesses to drive a significant reduction in inventory levels whilst upholding customer service levels.

Maintaining strict discipline when making acquisitions is critical to sustainable, high

returns. We have simple but strict criteria for potential acquisitions, and decline opportunities that will not meet our 20% ROATCE expectations.

Our smaller bolt-on deals are expected to deliver 20% returns in the first year, and FY24 was no exception, with five new businesses acquired at an average EBIT multiple of 4x. From time to time, we will make larger acquisitions. We are particularly pleased with Peerless, which has delivered an excellent performance in its first five months, already expected to exceed 20% ROATCE on £243m of capital invested.

Balance sheet discipline

Our Board policy is to maintain the net debt to EBITDA ratio (leverage) below 2x, with covenants allowing up to 3.5x (plus an 'acquisition spike'). In the course of self-funding acquisitions, it is possible that we may temporarily exceed our 2x target for exceptional opportunities, with our strong free cash flow then driving leverage reduction at approximately 0.3x per annum.

Whilst deploying £293m on acquisitions in the year, plus additional scaling investments across the Group, we ended FY24 with a leverage ratio of 1.3x.

During the year, we took further steps to strengthen our balance sheet to provide the capacity and flexibility to support sustained profitable growth. Building on the revolving credit facility refinanced in FY23, we issued the Group's first US private placement notes in March, with a second issuance towards the end of FY24.

Over the past 18 months, we have secured £880m in facilities, termed in tranches out to 2036.

We are as disciplined about the effective recycling of capital as we are about its deployment. Over the past five years, we have completed seven disposals at average multiples of 6x, including three disposals following this year end.

Progressive dividend

Paying a progressive dividend is integral to our discipline and we have a 25-year track record of doing so. Last year, we reset our dividend policy, decoupling it from growth in earnings to grow at a more moderate 5%, allowing more capital for redeployment at high returns.

FY25 guidance

We have started FY25 well and our guidance for the year reflects our confidence in the resilience of our portfolio. At constant currency, organic growth is expected to be ca. 6% and operating margin ca. 21%. Acquisitions announced to date, net of disposals, will contribute ca. 2% to reported revenue.

Chris Davies
Chief Financial Officer

► **READ MORE ABOUT OUR FY24 FINANCIAL PERFORMANCE IN THE FINANCIAL REVIEW ON PAGES 46-49.**

ROATCE increased by 100 basis points to 19.1%. Achieving strong returns requires consistent discipline.

19.1%

TALENT REVIEW

BRILLIANT PEOPLE ENABLE OUR STRATEGY

It is our colleagues that make this business special. I am proud of the unique culture Diploma has and we will continue to create an environment where all our colleagues can thrive.



DONNA CATLEY
GROUP HR DIRECTOR

Capability and culture are critical enablers of our ongoing scaling journey. Our decentralised and lean organisation, coupled with our growth, places particular emphasis on the people agenda.

We work hard to preserve our decentralised structure and local ownership, prizing minimal organisation layers to avoid bureaucracy and ensure agility of execution.

In this context, we need brilliant leaders; a strong pipeline of future talent that reflects the communities within which we operate; and, importantly, an engaging culture that encourages colleagues to deliver brilliant service to their customers every single day.

Developing brilliant leaders

We need leaders who can grow businesses, thrive on accountability, inspire colleagues and create inclusive and high-performing cultures. This is what delivers sustainable growth.

Having the right leadership in our business is strategically critical and our track record of growth means we are proactive about developing leadership capability.

The role of a Managing Director is exceptionally important at Diploma. This is the role that owns the business, customer and colleague agenda for each of our businesses. We are focused on ensuring we have the right leadership in each of these key positions, driving greater diversity and injecting strong commercial experience. In FY25 we will implement Leadership for Growth, a programme to support the development of this cohort with specific focus on inclusive leadership and driving organic growth. This type of intervention helps us to build connection and collaboration across our businesses, enabling shared learning and best practice. We have strengthened remuneration at this level with a focus on short-term incentives to align reward closely with performance.

Beyond Managing Directors, our focus is on building the bench strength required to drive sustainable growth. Leadership at Scale, a programme targeted at high potential leaders from across our businesses, builds the skills required to scale a business as it grows.

Additionally, we continue to build functional depth across Sales, Finance, Operations and HR. These are critical as our businesses grow and scale.

Brilliant leadership, strong succession and strong functional expertise are critical enablers of growth in a lean, decentralised organisation and we will remain focused on this in years to come.

Investing in our people

It is our workforce of ca. 3,600 colleagues that deliver for customers every day. Investing in our people and ensuring they can thrive in a culture of opportunity and development is important to our success.

We know that the experience our colleagues have with their managers has a profound impact on them. To support our managers, we have developed a line management programme to equip them with the practical people skills that make a difference and will roll this out in FY25.

Developing the next generation of brilliant, skilled colleagues is important. In the UK we have expanded our apprenticeship programme to cover all key businesses, and we have something similar in other geographies. We know this works, indeed the Managing Director of M Seals – Thomas Petersen – started his career as an apprentice in the business. We are tremendously proud of this.

TALENT REVIEW CONTINUED

We have also invested in strengthening the remuneration of colleagues. Three UK businesses have become Real Living Wage employers – this strengthens their ability to attract and retain great talent. Beyond this, R&G, our largest UK employer, has signed up to the 5% Club, committing to 5% of their workforce being in 'earn and learn' positions.

Continuing to invest in our people, ensuring we have an inclusive culture across our businesses so that people can grow will be an evergreen priority for us.



SCAN THE QR CODE TO WATCH ONE OF OUR SENIOR LEADERS TALK ABOUT HER CAREER AT DIPLOMA.



“Our people and culture are integral to our success, preserving what makes us unique whilst scaling as we grow is a critical priority.”

Diversity, Equity and Inclusion

Our ambition is to be an organisation where everyone can thrive. We have set targets to reach gender balance (40%+) across our Senior Management Team (SMT), which is comprised of our top ca. 150 roles, by 2030. We take this seriously as an Executive Team and recently participated in an inclusive leadership workshop designed to support our own personal leadership journey.

Progress has been steady – 30% of the SMT are now women, compared with 20% in FY19, our efforts are intense to make change happen.

Relentless focus is applied to our senior hiring, and we have had notable success in this space with around half of vacancies filled by women during FY24, including several key business leadership positions. This means 38% of roles reporting directly into an Executive Team member are held by women.

We know that women can face challenges to career progression, to address this we have developed and launched Women in Leadership. Created from the feedback of over 100 women, the programme is supporting the ongoing development of female leaders across our global business.

We actively celebrate diversity across Diploma and in FY24 held our inaugural Diploma Pride and annual Diploma International Women's Day events. These opportunities showcase the amazing, diverse talent across Diploma and demonstrate intentional and inclusive leadership.

We are particularly proud of making positive strides in our corporate centre where 49% of colleagues are women and 38% of the team identify as belonging to an ethnic minority. Additionally, 11% of our workforce identify as an ethnic minority and 10% of our Top 150. Representing the communities within which we operate continues to be a focus for us.

Culture

The success of Diploma is founded upon our unique culture, which is core to how we run the Group. Our decentralised structure is important, it helps us retain our culture of local ownership and our lean organisation minimises bureaucracy. We prize agility, pace and accountability and work actively to preserve this.

We are a service business and, as we continue with our growth trajectory, preserving employee engagement is critical to value creation. We are proud of the 87% response rate in our recent colleague survey and our 79% engagement score. In FY25 we will introduce engagement into the remuneration of senior leaders across Diploma, underscoring the importance we place on colleagues and culture.

Our people and culture are integral to our success, preserving what makes us unique whilst scaling as we grow is a critical priority. We have strong momentum and there is more to do.

We listen to our colleagues and are pleased that 87% chose to share their views and experiences through our annual survey.

87%

TALENT REVIEW CONTINUED



Investing in our people, ensuring they can thrive in a culture of opportunity and development is important to our success.



DONNA CATLEY
GROUP HR DIRECTOR



Strategic Report

Corporate Governance

Financial Statements

Additional Information



MARKET REVIEW

IDEALLY PLACED IN GROWTH MARKETS



>20

End markets served

ca. 50%
of Group revenue from US

Diploma operates across broad industrial and healthcare markets. We have a diverse customer base, from original equipment manufacturers and repair shops, to surgeons and pathologists. The products and services we supply are typically low cost but essential components of mission-critical end applications.

Our customers span a wide range of end markets, from aerospace and motorsport to infrastructure and renewables. Each with differing market trends and drivers.

We supply to customers across broad geographies in developed markets. Each with differing economic and geopolitical dynamics.

The diversification of our portfolio brings resilience to Group revenue, enabling consistently strong performance even through a more challenging trading environment in FY24.

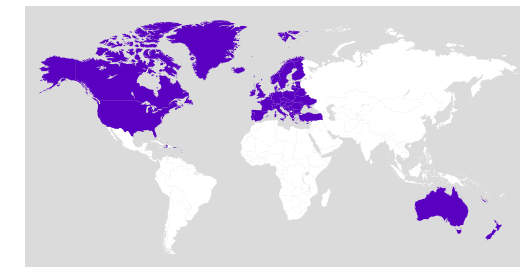
➤ [READ ABOUT OUR FINANCIAL PERFORMANCE ON PAGES 12-13](#)

➤ [READ ABOUT OUR STRATEGY ON PAGES 22-25](#)

BROAD EXPOSURE ACROSS ATTRACTIVE GEOGRAPHICAL MARKETS

Diploma is an international business with diverse exposure across the developed markets of North America, the UK, Europe, and Australasia. Over the last five years, Diploma has increased its exposure to North America, with around half of Group revenue now generated in the US, a key growth market for Diploma. There is high demand for value-added solutions in markets with strong projected growth supported by significant investment.

REVENUE BY DESTINATION



North America	56%
UK	16%
Europe	18%
Australasia/other	10%

➤ [READ ABOUT OUR GEOGRAPHICAL WHITE SPACE ON PAGE 24](#)

MARKET REVIEW CONTINUED

DIPLOMA'S STRATEGY TAKES OUR BUSINESS ACROSS MANY END MARKETS

The diversity of our end market exposure has increased significantly in recent years. Through the execution of our strategy we have grown organically into new segments, and acquired new businesses that expand our customer base across end markets.

We have increased our exposure to fast-growing end markets, which are expected to see average annual growth of

7-11%

OUR END MARKETS		
We have broad customer bases across a wide range of diverse end markets, including:		
Aerospace	●	●
Agriculture		●
Automation	●	
Automotive	●	●
Datacentres & digital infrastructure	●	
Defence	●	●
Electrification	●	●
Energy	●	●
Food & beverage		●
In vitro diagnostics		●
Industrial	●	●
Infrastructure	●	●
Marine	●	●
Medical & pharma	●	●
Mining		●
Motorsport	●	
Oil and gas	●	●
Rail	●	●
Renewables	●	●
Scientific		●
Space	●	
Water management		●

- SECTOR
- CONTROLS
 - SEALS
 - LIFE SCIENCES

Increasing our exposure to fast growth markets

By executing on our disciplined growth strategy, we seek opportunities – both organically and through selective acquisitions – that increase exposure to markets with positive structural investment trends. Our customers in these markets have complex needs that are met through our value-add proposition.

Continuation of this strategy will further increase our revenue resilience, as well as actively positioning us in the sustainable economy.

Over the last five years, the Group has significantly grown its presence in structurally growing end markets. These include renewables, datacentres, electrification, aerospace, industrial automation, in vitro diagnostics, and infrastructure.

These markets are expected to grow by an annual average of between 7% and 11%. As well as driving growth through exposure to market tailwinds, we also seek to gain share through strategic execution.

FAST-GROWTH END MARKETS	
2023 - 2030 CAGR FORECAST	
Renewables	11%
Datacentres	10%
Electrification	9%
Aerospace	8%
Industrial automation	8%
In vitro diagnostics	7%
Infrastructure	7%

Approximate growth rates based on company market data and research.

BUSINESS MODEL

DELIVERING SUCCESS

Diploma is a Group of value-add distribution businesses serving a wide range of industrial and life sciences end markets.

All of our businesses are different and they deliver success in different ways through our powerful decentralised culture. But, there are some common characteristics to all Diploma businesses: a strong value-add customer proposition delivered by brilliant people with strong leadership. We develop our businesses and work with them to scale as they grow, so that they become better not just bigger businesses.

We are a lean decentralised Group meaning we're not here to standardise our businesses, suppress their unique identities, disempower local leaders or add bureaucracy or unnecessary cost. We are here to drive ambitious growth and deliver it with discipline.

Through this model, we have a long history of delivering strong shareholder value and meaningful stakeholder impact.

To understand Diploma, it is important to recognise the role of the corporate centre, the Sectors and the characteristics that make our businesses special.

“Our business model gives investors access to growthy, entrepreneurial businesses, with a FTSE 100 control wrapper.”

”
CHRIS DAVIES
GROUP CFO



BUSINESS MODEL CONTINUED

CORPORATE CENTRE

The role of the Corporate Centre is to support effective execution of our strategy to deliver value for our shareholders and wider stakeholders. There are a number of ways in which we do this:



SKILLED LEADERSHIP AND PERFORMANCE MANAGEMENT

Getting the best out of our businesses requires skilled leaders who balance high-performance intensity with empowering our businesses to deliver success in their own way – always staying true to our powerful decentralised culture. Managing the mood of the organisation is critical. We have a lean central team comprising functional experts who support our businesses to grow and scale, whilst also delivering the compliance and control obligations of a FTSE 100 Group. We dislike bureaucracy and strive to focus on value-adding activities that don't place unnecessary burdens on our businesses.



HIGHLY EFFECTIVE CAPITAL ALLOCATION

We are a capital-light business, investing around 2% of revenue annually in scaling our businesses by upgrading facilities, enhancing the use of technology and investing in talent. We are selective in these scaling investments and require high returns from them. The main use of capital is to make selective acquisitions that will accelerate future organic growth. We have a clear set of criteria to determine businesses that may be a good fit for us, strategically and culturally:

- 1. a value-added customer proposition,
- 2. a clear growth trajectory,
- 3. strong leadership.

We are incredibly disciplined in our acquisition process and have high return thresholds. We have a strong track record that we intend to maintain.



STRATEGIC DIRECTION

We have a clear Group strategy that flows through our Sectors, to our businesses, and results in specific strategic plans being set to grow and scale each business. These plans are set collaboratively between the corporate centre, the Sector and each business, and each leader is accountable for their delivery. Having incentive structures that align with our strategy is vitally important.



CREATING A GROUP GREATER THAN THE SUM OF ITS PARTS

Decentralised doesn't mean isolated. Although our businesses are very diverse, there's great value in their collaboration and the effects of a group network. This takes many forms – the sharing of expertise, experience and best practice; exploring cross-sell opportunities; leveraging customer and supplier relationships; and benefiting from the reputation and firepower of being part of a large, successful Group.



OUTPUTS

Sustainable quality compounding: Through the effective execution of our strategy, our business model enables strong organic growth, consistently high returns and excellent cash generation, allowing us to reinvest in acquisitions which accelerate revenue growth, and pay progressive dividends to shareholders.

➤ Read about our financial model on page 5

BUSINESS MODEL CONTINUED

SECTORS

As Diploma has grown, we have introduced a Sector management structure to provide focused leadership and strategic oversight.

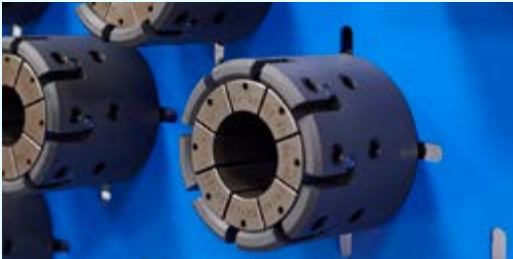
➤ [Read about our Sectors on pages 28–45](#)

BUSINESSES

Diploma has a diverse portfolio of businesses, which all share some key characteristics that identify them as Diploma businesses.



- OUR BUSINESSES SUPPORT CUSTOMERS :**
- With technically demanding applications
 - Requiring critical products and processes
 - Operating in highly regulated environments
 - With high cost of failure projects



- DESPITE THESE CRITICAL CONSTRAINTS, THE PRODUCTS THEIR CUSTOMERS REQUIRE ARE TYPICALLY:**
- Low component cost
 - Funded from operating expenditure



- WHAT THEIR CUSTOMERS NEED FROM A DISTRIBUTION PARTNER:**
- Expertise and technical support
 - Bespoke solutions
 - Supply chain management
 - Responsive customer service
 - Product range and availability
 - Quality assurance and certification



- WHY OUR BUSINESSES ARE BEST PLACED TO PROVIDE THIS:**
- Empowered leadership
 - End-to-end accountability
 - Agility and responsiveness
 - Engaged teams
 - Differentiated customer service
 - Local focus
 - Long-term partnerships



OUTPUTS

Loyalty = share of wallet | Reputation = market share potential | Pricing power = strong margins

OUR STRATEGY

OUR STRATEGY CONTINUES TO DELIVER

OUR STRATEGY IS TO BUILD HIGH-QUALITY, SCALABLE BUSINESSES FOR SUSTAINABLE ORGANIC GROWTH

Grow:

Organic growth is our priority. We drive organic growth in three 'buckets'. Complementary acquisitions accelerate organic growth at great returns.

➤ [READ MORE ON PAGES 23-24](#)

Scale:

Building effective scale is key. We develop our businesses and the Group to become better, not just bigger. This supports long-term delivery.

➤ [READ MORE ON PAGE 25](#)

DVR:

Our sustainability framework, Delivering Value Responsibly, ensures we grow and scale in a way that is socially and environmentally responsible.

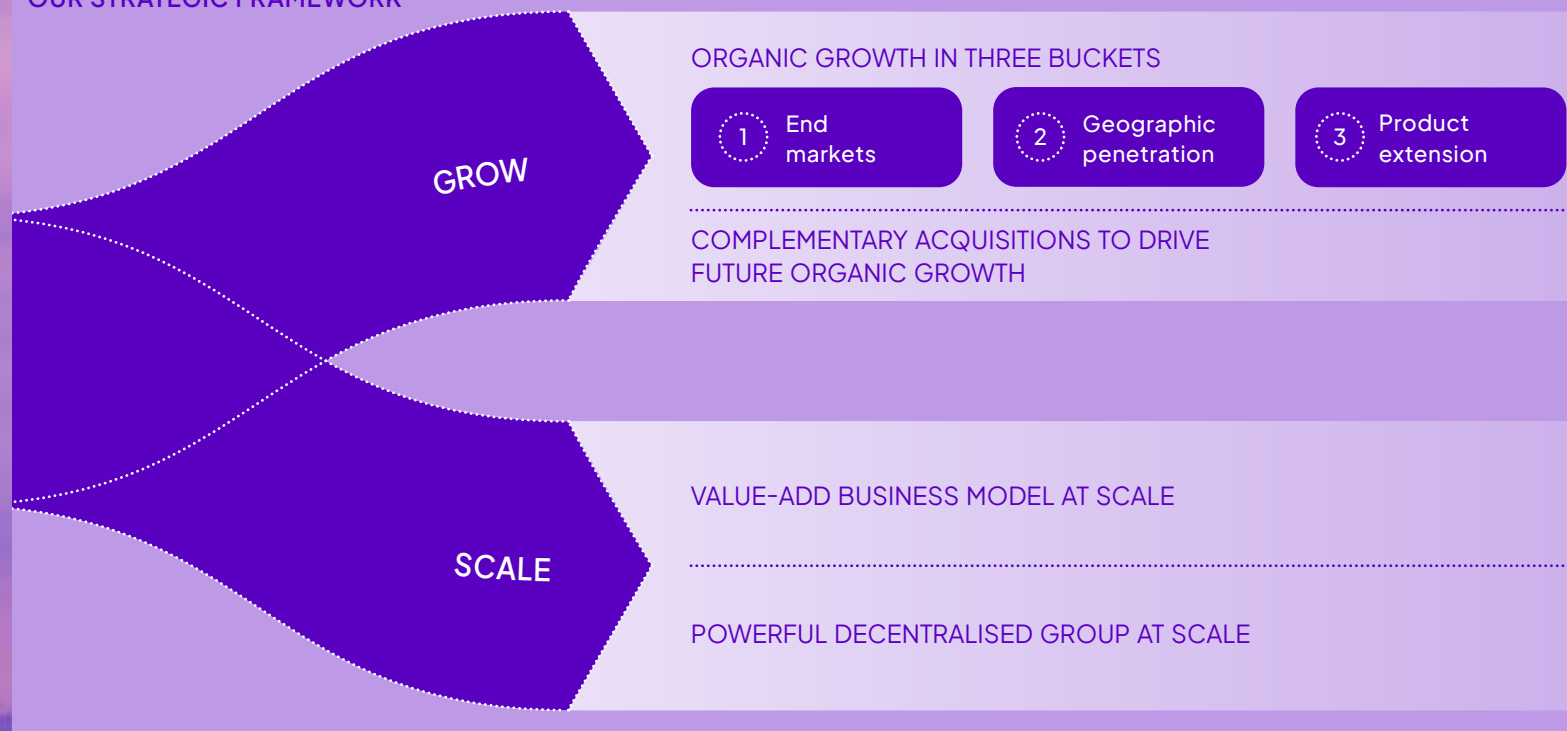
➤ [READ MORE ON PAGES 50-53](#)

We have a clear and ambitious strategy executed with discipline by brilliant people across our decentralised Group. This strategy continues to deliver growth at attractive margins.



JILL TENNANT
STRATEGY DIRECTOR

OUR STRATEGIC FRAMEWORK



OUR STRATEGY: GROW

GROW:

Our strategy is focused on sustainable organic growth. We drive growth through our portfolio of value-add distribution businesses and make complementary acquisitions to accelerate organic growth. We balance ambition with discipline, driving sustainable growth at strong returns.

ORGANIC GROWTH IN THREE BUCKETS

We drive organic growth in three buckets by: positioning behind structurally growing end markets; penetrating further into core developed geographies; and extending our product range to expand our addressable markets. This drives sustainable organic growth and increased resilience.



Sustainable organic growth is the foundation of quality compounding.



CHRIS DAVIES
GROUP CFO

1. End markets

We have an exciting opportunity to access structurally high-growth end markets, such as renewables, datacentres, electrification, aerospace, industrial automation, in vitro diagnostics, and infrastructure. We have increased our exposure in these markets, but still have a very small share.

2. Geographic penetration

We remain focused on our core, developed economies of North America, UK, Europe, and Australasia. We have minimal market share – or none at all – in most of our product verticals across our core geographies and so we do not need to look to higher-risk, developing markets for growth. There is lots to go for in our established geographies.

3. Product extension

We expand our addressable markets by extending our product offering. We do this through continuous product innovation; coordinated cross-selling across different Group businesses; or, selectively, through building out material new product lines that fit our value-add distribution model.

COMPLEMENTARY ACQUISITIONS DRIVE FUTURE ORGANIC GROWTH

We make complementary acquisitions to drive future organic growth, positioning behind fast-growing end markets, expanding our footprint in core geographies, or extending our product offering. Acquisitions also help us to build scale and resilience, bring in new talent and expertise, and drive great returns on capital.

The majority of our acquisitions are bolt-ons to existing businesses but, occasionally, we execute larger deals which provide a platform for accelerated growth.

The companies we acquire have the same core characteristics as our existing businesses: a compelling value-add proposition, strong organic growth potential, a brilliant leadership team, a good strategic fit, and attractive financial returns.

Occasionally, we divest businesses that no longer align with our strategy. We are long-term holders of businesses – but it is an important discipline in our effective deployment of capital.

➕ LEARN MORE ABOUT OUR APPROACH TO ACQUISITIONS ON OUR WEBSITE
WWW.DIPLOMAPLC.COM/ABOUT-US/ACQUISITIONS/

DISCIPLINED CAPITAL ALLOCATION



Diploma has made seven acquisitions and three disposals since the start of FY24 across Controls and Seals Sectors.

➕ LEARN MORE ON PAGES 28-39

We are long-term investors in our businesses. We acquire high-quality companies, preserving their legacy, culture and people, and supporting their onward growth journeys.



STEVE SARGEANT
GROUP CORPORATE
DEVELOPMENT DIRECTOR

OUR STRATEGY:
GROW CONTINUED

Exciting growth prospects: geographic and product white space

We have significant white space opportunity to expand our geographical reach and extend our product offering. In our core developed geographies, our penetration remains very small and there are opportunities to expand in all of these markets. As well as extending product ranges within existing product verticals, we occasionally add new verticals which pave the way for future expansion.

Geographical expansion and product extension are delivered both organically and through selective acquisitions.

“We are only just getting started. We have massive white space potential for growth.”

JOHNNY THOMSON
GROUP CEO

OUR GEOGRAPHIC AND PRODUCT OPPORTUNITIES

ADDRESSABLE MARKET	OUR SECTORS	OUR PRODUCT VERTICALS	OUR GEOGRAPHIC REACH							
			US	CANADA	UK & IRELAND	GERMANY	FRANCE	SPAIN	OTHER EU	ANZ
CURRENT ADDRESSABLE MARKET	CONTROLS	Wire & cable								
		Interconnect solutions								
		Specialty fasteners								
		Specialty adhesives								
		Industrial automation								
	SEALS	Seals								
		Gaskets								
		Hoses & fittings								
		Pumps & valves								
	LIFE SCIENCES	In-vitro diagnostics								
GROWING ADDRESSABLE MARKET	↓↓	NEW PRODUCT VERTICALS								

MARKET SHARE

● Significant ● Moderate ● Small ● White space

OUR STRATEGY: SCALE

SCALE:

Our differentiators are our value-add business model and decentralised culture. As we grow, we must also scale our businesses and our Group to preserve and enhance those differentiators and ensure sustainable delivery for the long term.

VALUE-ADD BUSINESS MODEL AT SCALE

Scaling is a journey that needs careful management in each business. Retaining the qualities which underpin their success whilst positioning each value-add business model to be successful at scale. In line with our decentralised culture, each of our businesses has its own scaling plan. Each plan includes the processes and core competencies that underpin it, and the capability – talent, technology, and facility – required to deliver it.

Whilst the specifics are unique to each business, there are core attributes and competencies which are common to all: value-add, route to market, operational excellence, supply chain management, commercial discipline, and sales excellence. Strengthening these competencies requires our businesses to be more strategic, structured and systematic. The discipline of continuous improvement is essential to develop the right capability for the future.

➤ [READ MORE ABOUT OUR BUSINESS MODEL ON PAGE 19-21](#)

POWERFUL DECENTRALISED GROUP AT SCALE

Our powerful decentralised model means our businesses are able to remain agile, close to their customers, with local accountability, decision-making and leadership. At the same time, they enjoy the benefits of being part of a large, multinational Group: networks, central expertise, collaboration, and best practice sharing. We follow a few core principles to preserve our decentralised culture:

We keep it focused

Portfolio discipline ensures a manageable platform for scale, whilst simple strategic and performance frameworks preserve local ownership but ensure alignment to the Group's objectives.

We have lean structures with dynamic leaders

By remaining lean, we ensure agility and execution and avoid unnecessary bureaucracy. This approach requires great management, and so we have development and engagement programmes to ensure this.

We stay in tune with the “mood”.

Being decentralised doesn't mean that our businesses are isolated. Regular individual and collective touch points and communications allow us to manage pace and engagement.

➤ [READ MORE ABOUT OUR DECENTRALISED CULTURE ON PAGE 15](#)

SCALING PLATFORMS FOR SUSTAINED GROWTH

As our businesses grow, they naturally become more complex. The teams, systems and process, and facilities that drove success on a small scale require conscious development to support

ambitious growth plans. Our strategy supports the individual scaling journey of each business to make them better, not just bigger businesses.



KEY PERFORMANCE INDICATORS

Continued strong performance against our strategic objectives (as set out on pages 22–25), our financial model (see page 5) and our sustainability framework, Delivering Value Responsibly (see pages 50–53).

FINANCIAL KPIS

+6 24	1,363 24	20.9 24	145.8 24	101 24	19.1 24
+8 23	1,200 23	19.7 23	126.5 23	100 23	18.1 23
+15 22	1,013 22	18.9 22	107.5 22	90 22	17.3 22
+12 21	787 21	18.9 21	85.2 21	103 21	17.4 21
-7 20	538 20	16.2 20	56.4 20	113 20	19.1 20
Organic revenue growth (%)	Reported revenue (£m)	Adjusted operating margin (%)	Adjusted EPS (p)	Free cash flow conversion (%)	ROATCE (%)
Our strategy is designed to drive organic revenue growth. This is our key metric. We have a diversified portfolio, giving resilience to revenues.	We accelerate organic growth with selective high-quality acquisitions across our three Sectors. This metric includes organic growth, inorganic growth and the impacts of foreign exchange translation.	Our differentiated value-add solutions and customer-focused approach drive customer loyalty and create pricing power, supporting sustainable and attractive margins.	EPS growth is a measure of how successful we have been in growing organically and through acquisition, including capital allocation and tax considerations.	A strong balance sheet and cash flow fuel our growth. Our low-capital intensity enables strong cash flow conversion.	Return on Adjusted Trading Capital Employed (ROATCE) measures how successful we are at generating returns on the investments we make. It holds us to account against initial investments made, ensuring our performance is driven by genuine economic factors.
In year performance: Growth in all three Sectors. Double-digit growth in Controls and a strong performance in Life Sciences provided balance to more modest growth in Seals.	In year performance: Strong organic growth plus 10% contribution from acquisitions, partially offset by foreign exchange headwind.	In year performance: 120 basis points increase year on year, reflecting operational leverage from the growth of our value-add businesses and recent acquisitions with accretive margins.	In year performance: Strong contributions from organic and inorganic growth more than offset a foreign exchange headwind and higher interest and tax charges	In year performance: Strong cash conversion was driven by a focus on inventory optimisation across a number of businesses, and supported by low capital requirements in the year, at ca. 1.5% of revenue.	In year performance: At 19.1%, returns are more than twice our cost of capital. This reflects strong discipline across the Group, including when making acquisitions.
Financial model: 5%	Financial model: 10% growth (at constant currency)	Financial model: 20%+	Financial model: Double-digit growth	Financial model: 90%	Financial model: High teens
Five-year performance: 7% five-year average	Five-year performance: 20% five-year compound	Five-year performance: 19% five-year average	Five-year performance: 18% five-year compound	Five-year performance: 101% five-year average	Five-year performance: 18% five-year average

KEY PERFORMANCE INDICATORS CONTINUED

NON-FINANCIAL KPIS

79 24	30 24	90 24	3.6 24	7,745 24	23 24
80 23	28 23	73 23	3.0 23	9,123 23	32 23
79 22	27 22	59 22	3.4 22	7,715 22	60 22
Colleague engagement (%)	Women in Senior Management Team (%)	Key suppliers aligned to supplier code (%)	Lost time incident frequency rate (LTIFR)	Total Scope 1&2 emissions (tonnes CO₂e)	Waste to landfill (%)
We value our colleagues and want them to be engaged and fulfilled in their roles. As a service-led business, this is a key commercial differentiator.	Diversity, equity and inclusion is a competitive advantage that can support our businesses' growth by bringing diverse perspectives and experience to our workforce and driving stronger outcomes.	We expect our key suppliers to adhere to ethical, professional, and legal standards and support our environmental and social commitments.	We prioritise the safety of our colleagues. Embedding a strong health and safety culture and practices will enhance performance and productivity and reduce costs.	We recognise the impact of our operations on emissions. Beyond the moral obligation, we understand that reducing emissions contributes to long-term value creation and supports the growth of our businesses.	Across our sites, reducing waste to landfill has a positive environmental impact and generates cost savings by creating efficiencies, such as reducing packaging and improving waste management processes.
Measuring and maintaining high colleague engagement supports the delivery of sustainable growth and value creation.		We ask them to work with us to reduce waste, emissions, and climate change impacts, and uphold human rights across the value chain.	Our LTIFR reflects the number of lost time incidents (LTIs) per million hours worked.		
In year performance: We achieved a consistently high Colleague Engagement Survey Index Score of 79%. Importantly, this was coupled with a high response rate of 87%.	In year performance: We made steady progress against our target and ran a number of initiatives to support the inclusion and retention of our female colleagues.	In year performance: 90% of key suppliers are aligned with our Supplier Code, surpassing our target and ensuring responsible practices in our value chain.	In year performance: Our LTIFR was 3.6. We continue to drive actions and culture on health and safety, which will remain an area of focus in FY25.	In year performance: We reduced our Scope 1&2 market-based emissions by 15% against the prior year, largely driven by renewable energy procurement in our businesses.	In year performance: We reduced our proportion of waste to landfill to 23% through improved data accuracy and waste management processes across our operations
FY30 target:	FY30 target:	FY30 target:	FY30 target:	FY30 target:	FY30 target:
maintain >70%	40%	85%	Zero _{harm}	>50% Reduction in market-based Scope 1&2 (FY22 baseline)	<15%

SECTOR REVIEW: CONTROLS

CONTROLS SECTOR

The Controls Sector businesses deliver a wide range of products for technically demanding applications across broad end markets, including aerospace, infrastructure, energy, medical and rail.

FINANCIAL HIGHLIGHTS

£652.4m

Revenue
FY23: £568.4m | +15% YoY

£169.9m

Adjusted operating profit
FY23: £136.6m | +24% YoY

£132.3m

Statutory operating profit
FY23: £112.9m | +17% YoY

+10%

Organic revenue growth
FY23: +11%

26.0%

Adjusted operating margin
FY23: 24.0% | +200bps

SECTOR REVIEW: CONTROLS CONTINUED

WHO WE ARE:

INTERNATIONAL CONTROLS¹

IS Group 18% of Sector revenue | HQ: UK

IS Group supplies electrical-mechanical interconnect solutions to customers in defence, energy, medical and industrial markets. Customers benefit from tailored solutions, responsive customer service and technical knowledge.

Clarendon 12% of Sector revenue | HQ: UK

Clarendon supplies a range of specialty fasteners to into aerospace, space, motorsport and defence markets. Customers benefit from technical expertise, quality assurance and certification, design, bespoke kitting and automatic inventory replenishment.

T.I.E. 4% of Sector revenue | HQ: US

T.I.E. provides components for the specialist repair, servicing and refurbishment of industrial automation equipment for customers in machine shops, metalworking and manufacturing industries. Customers benefit from minimised downtime, technical support and asset life extension.

WINDY CITY WIRE¹

Windy City Wire 40% of Sector revenue | HQ: US

Windy City Wire supplies low-voltage wire and cable management solutions into broad industrial and infrastructure markets and datacentres. Customers benefit from innovative solutions, expert technical support and significant cost and time savings – from concept to completion.

Peerless 18% of Sector revenue | HQ: US

Peerless supplies a specialised range of high performance fasteners to customers in the aerospace market. Customers benefit from breadth of inventory, technical expertise, quality assurance and certification, full lot traceability, bespoke kitting and automatic inventory replenishment.

Shoal 6% of Sector revenue | HQ: UK

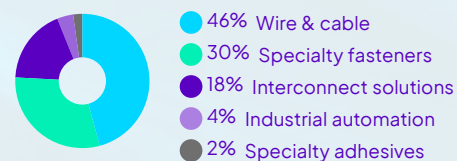
Shoal supplies specialist wire & cable solutions to data centres, rail, energy, marine and construction industries. Customers benefit from same-day despatch, technical support and custom-made product and inventory solutions.

Techsil 2% of Sector revenue | HQ: UK

Techsil supplies specialty adhesives, to customers in a broad range of industrial manufacturing markets. Customers benefit from innovative and bespoke solutions, inventory and supply chain management, kitting and deep technical support.

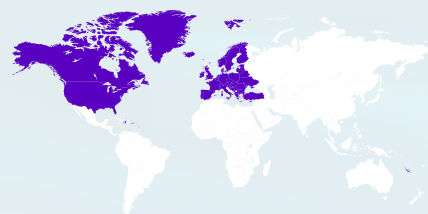
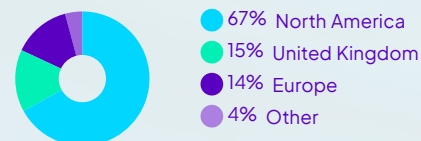
WHAT WE SELL:

REVENUE BY PRODUCT¹



WHERE WE SELL:

REVENUE BY GEOGRAPHY¹



WHO WE SELL TO:

OUR END MARKETS

Aerospace	Infrastructure
Automation	Marine
Automotive	Medical & pharma
Datacentres & digital	Motorsport
Defence	Oil & gas
Electrification	Rail
Energy	Renewables
Industrial	Space

OUR CUSTOMERS

Our Controls businesses supply a wide range of customers across complex supply chains in technically demanding applications often with high regulatory requirements. Customers include Original Equipment Manufacturers, large infrastructure project managers and businesses providing maintenance and repair services.

➤ **LEARN MORE ABOUT OUR CONTROLS SECTOR ON OUR WEBSITE: WWW.DIPLOMAPLC.COM/OUR-BUSINESSES/CONTROLS/**

¹ Revenue on a pro forma basis as stated on page 30.

SECTOR REVIEW: CONTROLS CONTINUED

International Controls has delivered a very strong performance with double-digit organic growth.



DAVID GOODE
CEO, INTERNATIONAL
CONTROLS

It has been another great year for Windy City Wire and we are well positioned for more growth in the year ahead.



RICH GALGANO
CEO, WINDY CITY WIRE

2024 HIGHLIGHTS

12%

Strong performance in International Controls with organic revenue growth of 12% driven by share gains in fast growing end markets.

7%

Windy City Wire (WCW) grew organic revenue 7%, with particularly strong performance from datacentres.

26%

Adjusted operating margin up 200 basis points to 26%, driven by positive leverage from volume growth, mix benefits and margin accretive acquisitions and disposals in the current and prior year.

Strategic acquisition of Peerless builds scale and expands our specialty fasteners presence in US and European aerospace and defence markets.

International Controls

(60%¹ of Controls Sector revenue) delivered 12% organic growth in the year. The Sector continues to benefit from market share gains and strong customer demand in civil aerospace and space markets as well as tailwinds in UK and European defence and energy markets as a result of sustained investment. In the year, International Controls further penetrated exciting end markets in medical, solar, renewables and eVTOL (electric Vertical Take-Off and Landing). Operating margin increased materially, driven by positive operating leverage on volume growth and accretion from the acquisition of Peerless.

Windy City Wire (WCW)

(40%¹ of Controls Sector revenue) has delivered another strong result, with an acceleration in growth in the second half, driven by increasing exposure to fast-growth markets, particularly datacentres behind AI growth and continued expansion into distributed antenna systems. Performance in its core buildings market has held up well and delivered good growth in the year. WCW's operating margin has continued to improve, benefitting from positive operating leverage and its growing presence in diversified end markets.

Revenue diversification driving organic growth

Our interconnect solutions business, IS Group, delivered high single-digit growth, principally driven by strong performance in the UK with growth within the motorsport, aerospace and defence markets. Revenues in Germany also grew well, driven by share gains in the energy market and ongoing investment into the transmission infrastructure. Also in Germany, we gained share and benefitted from momentum in the growing medical market, supported by the acquisition of a small bolt-on, which widens our product offering and strengthens internal capability into this high-growth end market.

Clarendon, one of our specialty fasteners businesses, delivered double-digit growth during the year. In the civil aerospace market, customer demand was high and Clarendon gained further share in both Europe and the US. Significant contract wins with key customers in the space market also contributed to the strong performance.

We welcomed another specialty fasteners business, Peerless, to the Group at the start of May. It has made a very strong start, benefitting from market share gains and high customer demand. Like Clarendon, Peerless is an agile business, able to provide rapid and bespoke solutions for customers in a complex civil aerospace supply chain.

We have won key civil aerospace and defence contracts covering seats, cabin and airframe across Clarendon and Peerless as well as Clarendon securing contract wins in

¹ Pro forma revenue is stated after total adjustments of £68.1m to reported revenue for acquisitions completed during the year and disposals relating to assets held for sale.

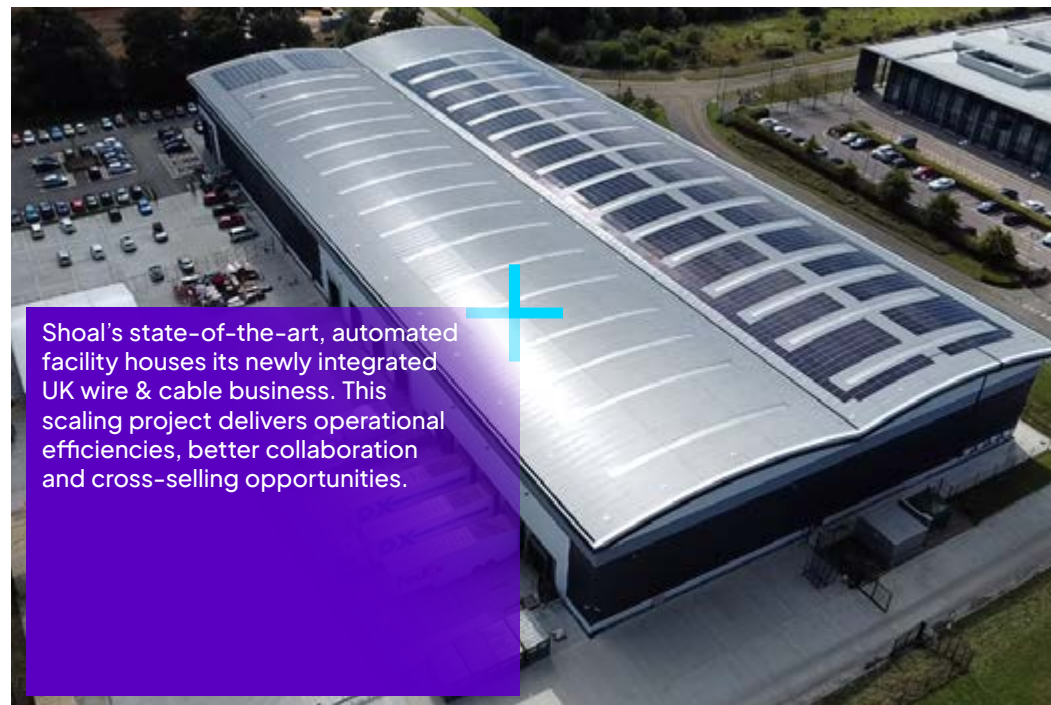
SECTOR REVIEW: CONTROLS CONTINUED

the space market. We continue to diversify into eVTOL and UAVs (Unmanned Aerial Vehicles) and see these as key markets of the future. Geographic diversification has been a theme in both aerospace and defence with important wins in Europe and the US.

T.I.E., our industrial automation business, saw momentum towards the end of the year, after a more challenging start to the year, principally due to disruption from strike action in the automotive markets and cautious capital spending across the customer base. Since acquiring T.I.E. in

FY23, we have invested in enhancing the commercial operation of the business, including expansion of the sales team to drive geographic expansion across the US.

In Shoal, our UK wire and cable business, the impact of softer demand in UK construction and wholesale end markets was partially mitigated by stronger export sales, a strong solar offering and exposure to major infrastructure projects. Shoal is increasing its exposure to the fast growing datacentre market in the UK. In the US, Windy City Wire is similarly accelerating growth through its expansion into datacentres.



Shoal's state-of-the-art, automated facility houses its newly integrated UK wire & cable business. This scaling project delivers operational efficiencies, better collaboration and cross-selling opportunities.

Targeted acquisitions to accelerate growth

In May, the Sector completed the acquisition of Peerless for £243m, expanding our presence in the specialty fasteners market in civil aerospace and defence from the interior of aircraft to the airframe. This exciting new addition to the Sector is highly complementary to our Clarendon business. Peerless drives product expansion and deepens geographic penetration in the key US and European markets.

Two smaller bolt-on acquisitions were completed in the year, both in Germany. CTS joined the ISG group of companies, broadening our medical product and capability offering, and the addition of Technisil expands Techsil's specialty adhesives offering in the German market.

Building scale

During the second half of the year, Shoal completed the integration of its three UK wire and cable businesses into one state-of-the-art automated facility, also introducing a shared ERP platform. This significant project is pivotal to Shoal's scaling journey and will deliver operational efficiencies and meaningful commercial benefits through enhanced cross-selling capabilities. A larger footprint increases capacity through which to drive future organic growth. This was a major change programme, and whilst it positions us well for the future, it did impact operational performance in the second half of the year.

Capital discipline

In continuing our disciplined approach to portfolio management, in October 2024, we disposed of Gremtek, which was part of our international interconnect solutions business, for ca. £5m. Gremtek is located in France and supplies different end markets to the rest of IS Group.

Outlook

The year has started well with continued momentum across the Sector.

Whilst we expect Peerless and Clarendon to continue delivering strong growth in the civil aerospace market, we expect performance to moderate somewhat from the high growth of FY24 as other businesses within the Sector deliver improved performance.

With increasing exposure to structurally growing end markets, and having invested in facilities, technology and talent in a number of businesses throughout FY24, we have positioned our businesses well to deliver another strong year of growth in FY25.

SECTOR REVIEW: CONTROLS CASE STUDY



PEERLESS
AEROSPACE
A GREAT
STRATEGIC FIT

SECTOR REVIEW: CONTROLS
CASE STUDY CONTINUED

PEERLESS AEROSPACE FASTENERS

Diploma welcomed Peerless to the Group in May 2024.

Peerless is a leading supplier of specialty fasteners to the aerospace and defence markets in the US and Europe.

Founded in 1952 and headquartered in Farmingdale, New York, Peerless has established itself as one of the largest independent value-add distributors of aerospace fasteners.

Led by longstanding CEO, Bill Way, and President, Don Russo, the business is renowned for its high-quality products, excellent customer service, and innovative solutions. Customers also benefit from product tracking and traceability, scheduled inventory management, bespoke and automated vendor-managed inventory solutions, and custom kitting.

HEADQUARTERS



Great strategic fit

Peerless has attractive, Diploma-style characteristics: a clear, value-add customer proposition, excellent growth potential, and a strong management team. The acquisition is firmly aligned with Diploma's strategy: extending our range of specialty products; growing our geographical footprint; and increasing our exposure to the fast growth aerospace market.

Peerless is complementary to Diploma's existing Clarendon business, extending the product offering from aircraft cabin to airframe fastening solutions. The acquisition strengthens and expands Diploma's positions in the US and Europe. In the US, it extends Diploma's footprint from the West Coast, where Clarendon has a strong presence, to the East Coast.

Peerless significantly enhances Diploma's capabilities and market presence in the attractive aerospace sector. The aerospace fasteners market, valued at close to £6bn, is highly fragmented and critical to aircraft manufacturing. Commercial aircraft require up to 400,000 individual fasteners in the airframe while for larger wide-body aircraft this rises to as many as one million. There is a significant production backlog in civil aerospace of over 10 years.

There are clear opportunities for Peerless and Clarendon to work together, leveraging their individual offerings, combined expertise, supplier and customer relationships.

Why Diploma is a good home for Peerless

Peerless has a strong culture, a history as a close family-run business, and it has a great reputation. The owners and managers of Peerless wanted to find the right home for their business – one that would preserve its legacy. Diploma's track record as an acquirer was key to the decision, particularly for Bill and Don, who have led the business for decades, and continue to do so in their current roles, with full accountability for its operations and performance. At the same time they, and their employees, also benefit from being part of a large, international Group with the resources, networks and expertise that brings. The Peerless team was particularly excited about the opportunities to collaborate with Clarendon – seeing the complementary customer relationships and market exposure as strong growth drivers.

A strong start

Peerless has a market-leading reputation, built over decades. This, combined with its deep customer and supplier relationships and extensive inventory of high quality specialty fasteners, positions it well for continued growth. Peerless has a long track record of strong revenue growth and high operating margins. In the first five months of ownership, the business exceeded Diploma's expectations as it leveraged its strong position and agility as a supplier in the complex aerospace supply chain.

“Peerless is an excellent acquisition for Diploma, aligned to our strategy of building high quality, scalable businesses for sustainable organic growth.”

DAVID GOODE
CEO, INTERNATIONAL CONTROLS

SECTOR REVIEW: SEALS

SEALS SECTOR

The Seals Sector businesses supply sealing and fluid power products and solutions into aftermarket repairs, Original Equipment Manufacturing (OEM) and Maintenance, Repair and Overhaul projects (MRO) across wide-ranging end markets.

FINANCIAL HIGHLIGHTS

£489.1m

Revenue
FY23: £419.0m | +17% YoY

£90.7m

Adjusted operating profit
FY23: £79.0m | +15% YoY

£62.2m

Statutory operating profit
FY23: £55.8m | +11% YoY

+1%

Organic revenue growth
FY23: +5%

18.5%

Adjusted operating margin
FY23: 18.9% | -40bps

SECTOR REVIEW: SEALS CONTINUED

WHO WE ARE:

INTERNATIONAL SEALS¹

R&G

23% of Sector revenue | HQ: UK

R&G delivers high-quality, reliable fluid power solutions tailored to the needs of its diverse customer base. R&G mainly supplying into aftermarket applications and their customers benefit from their extensive experience, expertise, product knowledge and inventory.

M Seals

6% of Sector revenue | HQ: Denmark

M Seals supplies high-quality custom sealing solutions for a wide range of industrial applications. Customers benefit from bespoke services including design and engineering support, and quality control and testing.

NORTH AMERICAN SEALS¹

Hercules Aftermarket

19% of Sector revenue | HQ: US

Hercules Aftermarket supplies an extensive range of sealing products and custom kits to customers repairing heavy machinery and hydraulic equipment across many industries. Customers benefit from next-day delivery, technical assistance, usage and installation instructions, kitting and custom seals, quality assurance and training.

Hercules OEM

13% of Sector revenue | HQ: US

Hercules OEM provides a wide range of products and technical solutions to OEMs. Customers benefit from bespoke services including design and engineering support, and quality control and testing.

DICSA

15% of Sector revenue | HQ: Spain

Specialising in high-quality stainless steel hydraulic fittings, DICSA supplies a range of fluid power solutions across many end markets. Customers benefit from product assembly and testing, deep technical expertise, breadth of inventory, and advanced international logistics.

Diploma Australia Seals (DAS)

10% of Sector revenue | HQ: Australia

DAS supplies premium mechanical engineering products, parts and servicing for equipment in markets including mining and water management. Customers benefit from reduced lifecycle costs through improved efficiency and reliability, and reduced energy consumption and downtime.

VSP

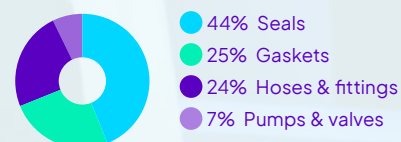
14% of Sector revenue | HQ: US

VSP is an engineering-focused company providing bespoke solutions for high-cost-of-failure applications in the transportation, chemical processing, energy, and marine industries. Customers benefit from technical expertise, custom engineering, ongoing support and significant cost savings.

¹ Revenue on a pro forma basis as stated on page 36

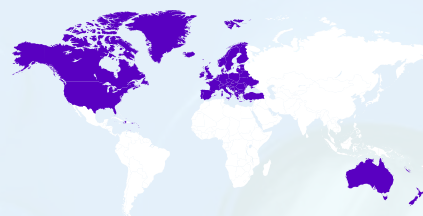
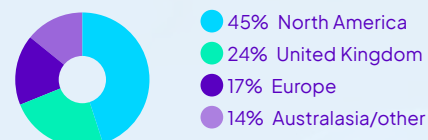
WHAT WE SELL:

REVENUE BY BUSINESS¹



WHERE WE SELL:

REVENUE BY GEOGRAPHY¹



WHO WE SELL TO:

OUR END MARKETS

Aerospace	Infrastructure
Agriculture	Marine
Automotive	Medical & pharma
Defence	Mining
Electrification	Oil & gas
Energy	Rail
Food & beverage	Renewables
Industrial	Water management

OUR CUSTOMERS

Our Seals businesses sell to a wide range of customers across the product lifecycle from Original Equipment Manufacturers (OEMs) to Aftermarket, and including Maintenance, Repair and Overhaul (MRO) projects.

➤ LEARN MORE ABOUT OUR SEALS
SECTOR ON OUR WEBSITE: WWW.DIPLOMAPLC.COM/OUR-BUSINESSES/SEALS/

SECTOR REVIEW: SEALS CONTINUED

We have invested in facilities, technology and talent to prepare ourselves for the opportunities ahead.



2024 HIGHLIGHTS

1%

Organic revenue growth of 1% demonstrating resilient performance against a challenging market backdrop.

£90.7m

Adjusted operating profit of £90.7m, up 15%, reflects the full-year contribution of DICSA, current year acquisitions and the impact of investments made in facilities, technology and talent to support future growth.

Margin decline of 40 basis points reflects ongoing investment in the segment to better position for future growth.

I am pleased with our resilient performance against a tougher market backdrop.



International Seals

(54%¹ of Seals Sector revenue) was resilient, delivering organic revenue growth of 1%. Strong growth in Australia mitigated the impact of the challenging market backdrop in Europe. The Sector continues to expand into markets that are structurally growing and that benefit from sustained investment. We made a number of quality acquisitions in the UK in the year, extending product range, expanding end markets and further penetrating the UK. Investment in facilities, technology and talent in the year positions the Sector well for FY25.

North American Seals

(46%¹ of Seals Sector revenue) delivered organic growth of 1%, despite contraction in the US manufacturing market. Solid growth in the core aftermarket repair segment mitigated the impact of reduced activity across OEM and some aftermarket reseller customers. Performance in the year was driven by new contract wins, product extension and expansion into end markets including energy, water, and hydraulics. Investment in talent and technology in the year will support future growth.

Revenue diversification driving organic growth

In challenging market environments, the quality of our Seals portfolio has shone through with a resilient revenue performance. In International Seals, Diploma Australia Seals delivered strong growth as its value-add customer proposition drove share gains in markets benefitting from sustained infrastructure investments as well as continuous strong demand for the mining of the minerals required for batteries for energy storage. Our UK fluid power business, R&G, was impacted by delays to infrastructure projects in the mining, rail, and naval sectors.

M Seals delivered a strong second half, securing new contract wins for projects in its Nordic markets. As expected DICSA, our Spanish fluid power business acquired in FY23, delivered modest growth reflecting destocking in the first half of the year and the ongoing challenging backdrop in Europe.

In North American Seals, VSP delivered very strong organic growth across all its core markets in the year. This performance was supported by new contract wins in the transportation market, product extension to broaden the range available to industrial customers, and cross-selling opportunities arising from prior year acquisitions.

¹ Pro forma revenue is stated after total adjustments of (£34.8m) to Reported revenue for acquisitions completed during the year and disposals relating to assets held for sale.

SECTOR REVIEW: SEALS CONTINUED

Targeted acquisitions to accelerate growth

During the year, four new UK businesses were welcomed into R&G, expanding end market exposure, extending our product range, and penetrating the UK market more widely.

PAR Group significantly expands our aftermarket seals & gaskets capabilities in the UK and further diversifies R&G's customer base and end market exposure.

The acquisition presents strong opportunities for organic growth, synergies and cross-selling. Fast Gaskets is a distributor of soft gaskets and rubber sheets, and is an approved supplier to the UK defence industry. PTFE Flex is a specialist solution provider into the food & beverage, pharmaceutical, and chemical end markets. Abbey Hose, a specialist hydraulic and industrial hose distributor, extends R&G's geographical reach within the UK and creates access to key infrastructure projects and customers.

Building scale

During a period of slower growth, we have taken the opportunity to invest in our Seals businesses to build a stronger platform from which to grow when the trading environment improves. Across the Sector, we have invested in talent to strengthen and develop areas including sales and supply chain management. In Hercules Aftermarket, we have also enhanced our digital platforms and customisation capabilities. We also undertook a restructuring project to better position the Sector for growth.

Significant investments in facilities in International Seals are important steps on M Seals' and R&G's scaling journeys. M Seals opened its new state-of-the-art facility in Denmark, creating a Nordic hub for the Sector, providing improved warehousing capabilities and a wide range of value-add services to support future growth. In the UK, R&G created a National Distribution Centre in Lincoln as the main stocking location for its Hydraulics businesses and also introduced a hose assembly Centre of Excellence in Liverpool. In Diploma Australia Seals, an integration project to combine three previously standalone businesses into one has been successful and provides a solid platform to further build on the strong performance of this business.

Capital discipline

Continuing our disciplined approach to portfolio management, in October 2024, we made two disposals in the Seals Sector: Kubo, a Swiss OEM-focused business, and Pennine Pneumatics, a UK business, which was part of R&G. Kubo, which was sold for ca. £28m, has a strong value-add proposition but requires increased vertical integration to support future growth. Pennine, with a less-scalable proposition, was sold for ca. £12m to its largest supplier.

Outlook

The Seals Sector remained resilient and continued to grow through difficult trading conditions in FY24. This is testament to the diversification of the portfolio and the strength of our value-add customer propositions.

Whilst customer activity remains cautious, we expect a stronger performance in FY25 in both our International and North American Seals businesses. We anticipate a resumption of investment across infrastructure and industrial end markets in the US, the UK and Europe following a recent period of uncertainty in many countries in which we operate.

Having invested in our businesses in our North America and International Seals businesses throughout FY24, they are well positioned to drive stronger growth as market conditions improve.



Our new M Seals facility, which opened in January this year, creates a Nordic hub for the Seals Sector.

SECTOR REVIEW: SEALS
CASE STUDY



DIPLOMA AUSTRALIA SEALS SOLVING COMPLEX CHALLENGES

SECTOR REVIEW: SEALS CASE STUDY CONTINUED

FINDING SOLUTIONS TO COMPLEX CHALLENGES

THE CHALLENGE

- Diploma Australia Seals' customer – a bulk sand supplier – faced suppressed production capability, high overhead costs and non-compliant processes

THE SOLUTION

- Customer approached DAS business, FITT Resources
- Drawing on technical product expertise, they designed a new solution and leveraged exclusive distribution rights to deliver it to the customer

THE OUTCOME

- Customer more than doubled output, reduced overheads and complied with council-enforced operating restrictions

HEADQUARTERS



Diploma Australia Seals (DAS) specialises in the supply of premium mechanical engineering products, parts and servicing for a range of industrial applications. They work closely with their customers to understand their challenges, build solutions that save their customers cost and improve reliability, efficiency and safety.

The challenge

DAS business, FITT Resources, was approached by a bulk sand supplier operating their own quarry on the Gold Coast. The customer was using a dredge to transport sand from their quarry pond to a processing plant located 1km away. The dredge they were using was inefficient, labour intensive to operate, and didn't comply with council-enforced noise and operating limits. Furthermore, it struggled to maintain production of 150,000 tonnes of sand per year.

The solution

FITT Resources was able to draw on its in-house expertise on product and application use to design the right dredge solution for the customer. Importantly, they were able to leverage their exclusive distribution agreement for Australia and New Zealand with a global dredge supplier.

The outcome

The package system FITT Resources designed and delivered for the customer comprised a dredge with a pump and GPS automation, which supports remote and autonomous dredge operation and allows for consistent and continuous flow of product to the process plant.

Importantly, the ability to operate the dredge remotely from a centralised control significantly reduces health and safety risk as operators are no longer required to enter high-risk zones.

The new system allowed the customer to more than double their annual production of sand to over 330,000 tonnes, and reduce their overheads as a result of the autonomous capability. Overall, the customer achieved a 50% per tonne reduction in operational costs.

“Finding solutions to our customers' challenges is what we're here to do.”

ALESSANDRO LALA
CEO, INTERNATIONAL SEALS



SECTOR REVIEW: LIFE SCIENCES

LIFE SCIENCES SECTOR

The Life Sciences Sector sources and supplies technology-driven, value-add solutions across the in vitro diagnostics, scientific and medtech segments of the global healthcare market.

FINANCIAL HIGHLIGHTS

£221.9m

Revenue
FY23: £212.9m | +4% YoY

£46.8m

Adjusted operating profit
FY23: £43.2m | +8% YoY

£35.3m

Statutory operating profit
FY23: £36.4m | -3% YoY

+6%

Organic revenue growth
FY23: +8%

21.1%

Adjusted operating margin
FY23: 20.3% | +80bps

SECTOR REVIEW: LIFE SCIENCES CONTINUED

WHO WE ARE:

LIFE SCIENCES

Our Life Sciences businesses typically operate in fragmented markets providing an effective route into markets which would otherwise be unviable for manufacturers to service. For customers, we serve as a trusted long-term partner providing access to a broad portfolio and pipeline of cutting-edge healthcare solutions, ultimately delivering improved patient care. Customers benefit from technical product knowledge, clinical expertise, consultative support, training and technical support, regulatory assistance, and equipment maintenance.

Life Sciences North America 44% of Sector revenue | HQ: Canada

Life Sciences North America delivers advanced diagnostic technologies, allowing for early disease detection and monitoring, and innovative surgical instruments and medical devices, specialising in endoscopes.

Life Sciences Australasia 20% of Sector revenue | HQ: Australia

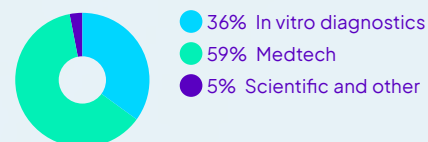
Life Sciences Australasia delivers diagnostic technologies, surgical instruments, consumables and patient positioning devices.

Life Sciences Europe 36% of Sector revenue | HQ: Denmark

Life Sciences Europe supplies diagnostic and scientific technologies, surgical instruments, medical devices, endoscopes, patient monitoring equipment, specialist hospital supplies and clinical nutrition.

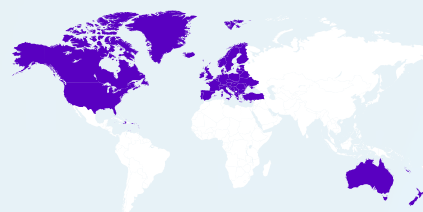
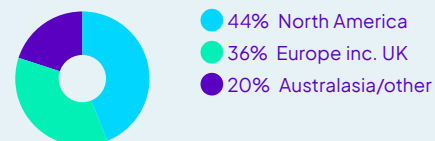
WHAT WE SELL:

REVENUE BY BUSINESS



WHERE WE SELL:

REVENUE BY GEOGRAPHY



WHO WE SELL TO:

OUR END MARKETS

Food & beverage
In vitro diagnostics
Medical & pharma
Medtech
Scientific

OUR CUSTOMERS

Our Life Sciences businesses supply public and private hospitals, clinics and diagnostics laboratories. They also support research for pharmaceutical, biotech, and clinical research organisations and supply into food & beverage industry, and manufacturing laboratories.

➤ LEARN MORE ABOUT OUR LIFE SCIENCES SECTOR ON OUR WEBSITE WWW.DIPLOMAPLC.COM/OUR-BUSINESSES/LIFE-SCIENCES/

SECTOR REVIEW: LIFE SCIENCES CONTINUED

We've made great progress and the Sector is well positioned to build on the good momentum of the last two years.



2024 HIGHLIGHTS

+6%

Organic revenue growth of +6% reflecting outperformance in stabilised markets.

Strong performance and market share gains in Australia and Canada.

+8%

Adjusted operating profit was up +8%¹, reflecting good organic growth and scale benefits. Operating margins increased 80 basis points year on year despite scaling investments, driven by improved margins in Europe and operational leverage in Australia.

Significant investments in scaling to support future growth in Canada.

¹ Statutory operating profit reduced by 3%, principally due to higher acquisition related charges that arose on the settlement of deferred consideration in FY24 as per note 2 of the consolidated financial statements.

Revenue diversification driving organic growth

Life Sciences North America delivered impressive double-digit revenue growth at the same time as implementing a significant scaling project. This strong performance was driven by the continued adoption and implementation of new technologies by hospitals within the urology, gynaecology and endoscopy specialties creating opportunities to broaden our product range and grow market share in the medtech space. In in vitro diagnostics (IVD), we are supporting further adoption of automated solutions, reflecting the increased investment and growth in IVD testing in the Canadian market.

Leveraging the benefits of our integrated business in Life Sciences Australasia, following scaling investment in the prior year, we have delivered double-digit growth. Our new integrated platform has supported growth in IVD. We have extended our proposition in allergy and autoimmunity testing to existing customers, and benefitted from growing demand for genetic preconception screening, which is being supported by increased government funding.

In Life Sciences Europe, we have restructured and rationalised our portfolio as we seek to build a more scalable and sustainable model in this geography. This project has resulted in a slight reduction in revenue year on year despite continued growth in IVD and critical care portfolios in the UK and Ireland, and tender wins in the Nordics. We have already seen improved margins as a result of the action taken to optimise the portfolio.

Targeted acquisitions to accelerate growth

The latest acquisition, GM Medical, which was brought into the Sector in FY23, performed very well during the year and was successfully integrated into our Nordics platform, extending its product portfolio.

We have a strong pipeline of acquisition opportunities in Life Sciences across our geographies, with a number of bolt-ons currently being evaluated.

SECTOR REVIEW: LIFE SCIENCES CONTINUED



Our new Mississauga facility successfully brought our three Canadian Life Sciences businesses under one roof, creating East and West hubs.

Building scale

Following a successful scaling project in Australia in FY23, a project of similar significance was undertaken in Canada during the year, rationalising existing sites in the East of the country and forming two distinct East and West hubs. This large-scale project provides the right platforms to further enhance the already high levels of customer support our local teams provide, ultimately improving patient care outcomes. The new facility in Mississauga, Ontario, provides a more scaled and strategically located platform, with increased capacity to support sustainable growth through an enhanced customer proposition.

As our Life Sciences businesses continue on their scaling journeys, we increasingly leverage the benefits of expertise, as well as customer and supplier relationships, to enhance our customer proposition across our geographies.

Outlook

The Sector is well positioned to build on the good momentum of the last two years, with favourable market dynamics and the benefits from our continuing scaling investments and portfolio rationalisation. We expect another strong year in FY25.

OUR BUSINESSES

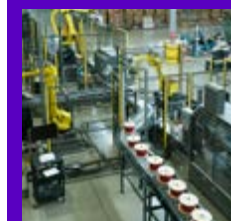
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OUR STORIES

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SECTOR REVIEW: LIFE SCIENCES CASE STUDY



LIFE SCIENCES
AUSTRALASIA
LIFE SAVING
TECHNOLOGIES

SECTOR REVIEW: LIFE SCIENCES
CASE STUDY CONTINUED

IMPROVING OUTCOMES FOR LUNG
CANCER PATIENTS IN AUSTRALASIA

THE CHALLENGE

- Lung carcinoma is the most common cause of death worldwide
- The most common form of lung cancer is often late-diagnosed
- The existing diagnostic test required an invasive tumour sampling procedure and took up to 18 days from sampling to initiation of treatment

THE SOLUTION

- Life Sciences Australasia business, Abacus dx, brought new technology to market

THE OUTCOME

- Fully automated, less invasive test that delivers results within 2.5 hours
- Reduced time from sample to treatment to 1–2 days

HEADQUARTERS



Our Life Sciences businesses work alongside healthcare practitioners to navigate a complex regulatory environment and deliver innovative, market-leading solutions that improve patient outcomes.

The challenge

Lung carcinoma remains the most common cause of cancer death worldwide. Nearly 85% of lung cancers are non-small cell lung cancer. This is often diagnosed at an advanced and metastatic stage. As a result, the prognosis of patients with this type of lung cancer remains poor, with average five-year survival rates at ca. 16%.

Existing market-standard diagnostic methods meant that it could take over 18 days between tumour sampling and initiation of treatment.

The solution

Our Life Sciences Australasia business, Abacus dx, has worked closely with an existing supplier to bring a new diagnostic technology to the Australasian market, which significantly reduces the time from biopsy to diagnosis, improving patient survival rates.

The outcome

The fully automated test brought to market by Abacus dx delivers results within 2.5 hours, reducing the time between sample to treatment to one or two days. Requires under two minutes of ‘hands-on’ time, and it is significantly less invasive than existing testing methods.

The test also avoids the challenge of obtaining samples of sufficient size and quality, encountered with traditional testing, by requiring a significantly smaller sample.

The value we deliver

Abacus dx has demonstrated its value to patients across Australia and New Zealand, its customers, and its supplier in bringing this product to market.

Laboratories and hospitals have assurance of a steady and reliable supply of reagents for this urgent and much needed test, and have access to ongoing support in the repair and maintenance of the testing platform.

In addition to providing suppliers with an efficient route to market, Abacus dx promotes the product nationally, publishing articles about the testing platform and engaging key opinion leaders and medical experts to raise awareness of faster testing at scientific and oncology conferences. All of these actions result in better outcomes for cancer patients.

“The innovative solutions we bring to market can really be life changing – and sometimes life saving – for patients.”

PETER SOELBERG
CEO, LIFE SCIENCES

FINANCIAL REVIEW

The Group reports under UK-adopted International Accounting Standards (UK-adopted IAS) and references alternative performance measures where the Board believes that they help to effectively monitor the performance of the Group and support readers of the Financial Statements in drawing comparisons with past performance. Certain alternative performance measures are also relevant in calculating a meaningful element of Executive Directors' variable remuneration and our debt covenants. Alternative performance measures are not considered to be a substitute for, or superior to, UK-adopted IAS measures. These are detailed in note 29 to the consolidated financial statements.

Strong growth at high margins

	Year ended 30 September 2024			Year ended 30 September 2023		
	Adjusted £m	Adjustments £m	Total £m	Adjusted £m	Adjustments £m	Total £m
Revenue	1,363.4	-	1,363.4	1,200.3	-	1,200.3
Operating expenses	(1,078.4)	(77.6)	(1,156.0)	(963.3)	(53.7)	(1,017.0)
Operating profit	285.0	(77.6)	207.4	237.0	(53.7)	183.3
Financial expense, net	(27.0)	(3.8)	(30.8)	(20.4)	(7.3)	(27.7)
Profit before tax	258.0	(81.4)	176.6	216.6	(61.0)	155.6
Tax expense	(61.9)	15.3	(46.6)	(52.0)	14.7	(37.3)
Profit for the year	196.1	(66.1)	130.0	164.6	(46.3)	118.3
Earnings per share						
Adjusted/Basic	145.8p		96.5p	126.5p		90.8p

Reported revenue increased by 14% to £1,363.4m (2023: £1,200.3m), driven by organic growth of 6% and a 10% contribution from acquisitions, partly offset by adverse movements in foreign exchange translation.

Adjusted operating profit increased by 20% to £285.0m (2023: £237.0m) as the operational leverage from the increased revenue, disciplined cost management and accretive acquisitions drove a year-on-year improvement of 120 basis points in the adjusted operating margin to 20.9% (2023: 19.7%). Statutory operating profit increased 13% to £207.4m (2023: £183.3m), with prior year benefitting from an exceptional £12.2m profit on disposal of Hawco.

Adjusted net finance expense increased to £27.0m (2023: £20.4m), principally due to higher average gross debt as all acquisitions in the year were debt funded. The blended cost of all bank debt marginally decreased to 5.3% largely due to the issuance of £319.8m of private placement notes (2023: 5.6%).

Adjusted profit before tax increased 19% to £258.0m (2023: £216.6m).

Statutory profit before tax was £176.6m (2023: £155.6m) and is stated after charging acquisition and other related charges. The adjustments to operating expenses made in relation to acquisition related and other charges total £77.6m (2023: £53.7m) comprised of £59.4m (2023: £52.9m) of amortisation of acquisition intangible assets;

£4.4m (2023: £5.9m) of fair value adjustments to inventory acquired through acquisitions recognised in cost of inventories sold; £10.2m of acquisition related expenses (2023: £6.3m) and £3.6m of restructuring costs (2023: £nil). There were no disposals during the year, whilst the prior year included a £12.2m net gain on disposals.

Acquisition related finance charges include fair value movement and the unwind of discount on acquisition liabilities of £3.2m charge (2023: £0.4m charge); £0.9m charge (2023: £5.9m charge) for the amortisation and write-off of capitalised borrowing fees on acquisition related borrowings; fair value remeasurements of put options for future minority interest purchases of £0.1m income (2023: £1.8m charge); and net income from interest and settlement of acquisition and disposal related items of £0.2m (2023: £0.8m net income).

The Group's adjusted effective rate of tax on adjusted profit before tax was 24% (2023: 24%). The Group's tax strategy was approved by the Board and is published on our website.

Adjusted earnings per share increased by 15% to 145.8p (2023: 126.5p). Basic earnings per share increased by 6% to 96.5p (2023: 90.8p) reflecting the profit on disposal in the prior year.

FINANCIAL REVIEW CONTINUED

Recommended dividend

The Board has a progressive dividend policy that aims to increase the dividend each year by 5%. In determining the dividend, the Board considers a number of factors which include the free cash flow generated by the Group, the future cash commitments and investment needed to sustain the Group's long-term growth strategy.

For FY24, the Board has recommended a final dividend of 42.0p per share, making the proposed full year dividend 59.3p (2023: 56.5p).

Strong cash flow

Free cash flow increased by 21% to £197.9m (2023: £163.8m). Statutory cash flow from operating activities increased by 9% to £279.7m (2023: £257.3m). Free cash flow conversion for the year was 101% (2023: 100%), ahead of the 90% in our financial model, demonstrating the highly cash-generative qualities of our businesses and the results of targeted inventory reductions.

	Year ended 30 Sep 2024 £m	Year ended 30 Sep 2023 £m
Funds flow		
Adjusted operating profit	285.0	237.0
Depreciation and other non-cash items	33.4	30.5
Working capital movement	(8.5)	(4.2)
Interest paid, net (excluding borrowing fees)	(17.4)	(17.9)
Tax paid	(58.4)	(41.4)
Capital expenditure, net of disposal proceeds	(14.0)	(21.6)
Lease repayments	(19.9)	(16.7)
Notional purchase of own shares on exercise of options	(2.3)	(1.9)
Free cash flow	197.9	163.8
Acquisition and disposals ¹	(311.0)	(255.3)
Proceeds from issue of share capital (net of fees)	-	231.9
Dividends paid to shareholders and minority interests	(77.2)	(70.8)
Foreign exchange and other non-cash movements	25.4	4.6
Net funds flow	(164.9)	74.2
Net debt	(419.6)	(254.7)

¹ Net of cash acquired/disposed and including acquisition expenses, deferred consideration, and payments of pre-acquisition debt-like items.

Depreciation and other non-cash items includes £32.2m (2023: £28.6m) of depreciation and amortisation of tangible, intangible and right of use assets and net £1.2m (2023: £1.9m) of other non-cash items, primarily share-based payments expense.

Working capital increased by £8.5m in support of business growth.

Interest payments reduced by £0.5m to £17.4m (2023: £17.9m) driven largely by the change in interest payment profile on the private placement notes during the year. Tax payments increased by £17.0m to £58.4m (2023: £41.4m) with the cash tax rate increasing to 23% (2023: 19%), mainly due to timing of payments in the US and the increase in the UK corporation tax rate. Our effective cash tax rate remains lower than our Group effective tax rate, mainly due to tax deductible acquisition goodwill in the US.

Net capital expenditure was lower this year at £14.0m, primarily consisting of £19.7m investment in new field and demo equipment and a premise move in Life Sciences as well as ongoing investments in plant and equipment across the Group, partly offset by £5.7m of disposals which were largely property related.

The Group funded the Company's Employee Benefit Trust with £2.3m (2023: £1.9m) in connection with the Company's long term incentive plan.

Acquisitions accelerate growth

Net cash flow from acquisitions of £311.0m (2023: £255.3m) included £270.5m of cash paid for the acquisitions of Peerless, PAR Group and five smaller bolt-ons; £11.3m of acquisition related deferred consideration paid and £30.2m of acquisition related costs, partly offset by £1.0m received in relation to the disposal of Hawco in the prior year.

The Group's liabilities to shareholders of acquired businesses at 30 September 2024 was £25.4m (2023: £22.6m) and comprised both put options to purchase outstanding minority shareholdings and deferred consideration payable to vendors of businesses acquired during the current and prior years.

FINANCIAL REVIEW CONTINUED

- The liability to acquire minority shareholdings outstanding relates to a 10% interest held in M Seals; 5% interest in Techsil; a 2% interest in R&G; and a 5% interest in Pennine Pneumatic Services (disposed of subsequent to the period end, as noted below). These options are valued at £9.0m (2023: £9.2m), based on the latest estimate of EBIT when these options crystallise.
- The liability for deferred consideration payable at 30 September 2024 was £16.4m (2023: £13.4m). This liability represents the best estimate of any outstanding payments based on the expected performance of the relevant businesses during the measurement period. The increase in the year is primarily due to the addition of Peerless and PAR Group deferred consideration and revaluation increases, somewhat offset by payments made in the year.

Goodwill at 30 September 2024 was £541.1m (2023: £439.1m). Goodwill is assessed each year to determine whether there has been any impairment in the carrying value. It was confirmed that there was significant headroom on the valuation of this goodwill, compared with the carrying value of the related Cash Generating Units at the year end.

As at 30 September 2024, the Group classified the assets and liabilities of Kubo Tech AG and its subsidiary Kubo Tech GmbH (Kubo); Pneumatic Services Limited and its subsidiary Pennine Pneumatic Services Limited (Pennine); and Gremtek SAS

(Gremtek) as held for sale under IFRS5. All three disposals were completed on 31 October 2024, with total consideration (on a cash-free and debt-free basis) of ca. CHF31.3m (ca. £28.1m) for Kubo, ca. £12.0m for Pennine and ca. €5.5m (ca. £4.6m) for Gremtek. No gain or loss was recognised in the Consolidated Income Statement on classification of the above assets and liabilities held for sale.

Dividends of £77.2m (2023: £70.8m) were paid to ordinary and minority interest shareholders.

Attractive returns

Return on adjusted trading capital employed (ROATCE) is a key metric used to measure our success in creating value for shareholders. It is a metric that drives ongoing capital and operating discipline, adding back amortised intangibles and other factors such as any impaired goodwill such that any improvement must be driven by true economic factors. As at 30 September 2024, the Group's ROATCE increased by 100 basis points to 19.1% (2023: 18.1%). This increase was driven by strong operating profit growth from the existing businesses and accretive acquisitions completed during the year which is expected to generate year one returns in excess of 20%.

Improved funding

At 30 September 2024, the Group's net debt stood at £419.6m (2023: £254.7m). During the year, the Group issued US private placement notes for an aggregate principal amount of £207.9m (€250.0m) with maturities of 7 years (€75m), 10 years (€100m) and 12 years (€75m) and for an aggregate principal amount of £111.9m (\$150.0m) with maturities of 8 years (\$100m) and 11 years (\$50m).

The Group has a multi-currency revolving credit facility agreement (RCF) with an aggregate principal amount of £555.0m. In July 2024, the Group exercised the first of two 12-month extension options for the RCF, which was accepted by banks committing £515.0m of the aggregate total. The RCF is

now contractually due to expire across July 2028 (£40.0m) and July 2029 (£515.0m). A 24-month extension option in respect of £40.0m and a second 12-month extension option in respect of £515.0m can be exercised in July 2025. At 30 September 2024, the Group had utilised £165.1m of the RCF (2023: £320.9m), with £389.9m of the revolving facility remaining undrawn.

At 30 September 2024, net debt of £419.6m (2023: £254.7m) represented leverage of 1.3x (2023: 0.9x) against a banking covenant of 3.5x. The Group maintains strong liquidity, with year-end headroom (comprised of undrawn committed facilities and cash funds) of £450m (2023: £297m). The table below outlines the composition of the Group's net debt at 30 September 2024:

Type	Currency	Amount	GBP equivalent	Interest rate exposure
PP 7 year maturity	EUR	€75.0m	£62.4m	Fixed 4.18%
PP 10 year maturity	EUR	€100.0m	£83.1m	Fixed 4.27%
PP 12 year maturity	EUR	€75.0m	£62.4m	Fixed 4.38%
PP 8 year maturity	USD	\$100.0m	£74.6m	Fixed 5.39%
PP 11 year maturity	USD	\$50.0m	£37.3m	Fixed 5.52%
RCF	USD	\$83.0m	£61.9m	Floating
RCF	EUR	€64.0m	£53.2m	Floating
RCF	GBP	£50.0m	£50.0m	Floating
Capitalised debt fees			£(5.1)m	
Gross debt drawn at 30 September 2024			£479.8m	
Cash & equivalents and cash held in assets held for sale at year end			£(60.2)m	
Net debt at 30 September 2024			£419.6m	

FINANCIAL REVIEW CONTINUED

Pensions

The Group maintains a legacy closed defined benefit pension scheme (the Scheme) in the UK. In the year, the Group funded this scheme with cash contributions of £0.5m (2023: £0.6m).

On 26 March 2024, the Trustees completed a Buy-In of the remaining pensioner liabilities in the Scheme with Just Retirement Limited. The Scheme paid £25.1m to Just Retirement Limited to fund 100% of the Buy-In premium. At 30 September 2024, the UK defined benefit scheme was in a surplus position of £1.5m (2023: £6.8m). As at 30 September 2024, 94% of the scheme assets are concentrated in the Buy-In policy and we expect to make no further funding payments.

The Group is aware of a UK High Court legal ruling in June 2023 between Virgin Media Limited and NTL Pension Trustees II Limited, which decided that certain historic rule amendments were invalid if they were not accompanied by actuarial certifications. The ruling was subject to an appeal with a judgment delivered on 25 July 2024. The Court of Appeal unanimously upheld the decision of the High Court and concluded that the pre-April 2013 conditions applied to amendments to both future and past service. Whilst this ruling was in respect of another scheme, this judgment will need to

be reviewed for its relevance to the Scheme. As the Court of Appeal has only just delivered its verdict, the Scheme pension advisors have not yet completed any analysis and therefore no adjustments have been made to the Consolidated Financial Statements as at 30 September 2024.

In Switzerland, local law requires our Kubo business to provide a contribution-based pension for all employees, which is funded by employer and employee contributions. The cash contribution to the scheme was £0.5m (FY23: £0.5m). The pension deficit in the Swiss scheme was £1.0m (FY23: £0.3m) and formed part of the liabilities held for sale as at 30 September 2024.

Exchange rates

A significant proportion of the Group’s revenue (ca. 80%) is derived from businesses located outside the UK, principally in the US, Canada, Australia and continental Europe. Compared with FY23, the average Sterling exchange rate is stronger against most of the major currencies in which the Group operates and the impact from translating the results of the Group’s overseas businesses into UK sterling has led to a decrease in Group revenues of £34.4m and a decrease in the Group’s adjusted operating profit of £8.5m. The impact to net debt is a reduction of £26.0m when compared with prior year closing rates.

Going concern

The Group’s business activities, together with the factors likely to affect its future development, performance and position are set out in this announcement and further detailed in the Annual Report and Accounts, which also includes an assessment of the Group’s longer term viability.

The Directors have undertaken a comprehensive review of going concern, taking into account the updated financing of the Group against a number of economic scenarios, to consider whether there is a risk that the Group could breach either its facility headroom or financial covenants.

The Group has modelled a base case and a severe but plausible downside case in its assessment of going concern. The base case is driven off the Group’s detailed budget which is built up on a business by business case and considers both the micro and macroeconomic factors which could impact performance in the industries and geographies in which that business operates. The severe but plausible downside case models steep declines in revenues and operating margins resulting in materially adverse cash flows. These sensitivities factor in a continued unfavourable impact from a prolonged downturn in the economy. Both scenarios indicate that the Group has significant liquidity and covenant headroom on its borrowing facilities to continue in operational existence for the foreseeable future.

Accordingly, the Directors continue to have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and continue to adopt the going concern basis in preparing the Annual Report and Accounts.

DELIVERING VALUE RESPONSIBLY

GROWTH WITH POSITIVE IMPACT

We have a focused strategy that supports our businesses in delivering their value-add missions. It simultaneously delivers environmental and societal value, and commercial benefit to Diploma.

Our businesses are positioned for a transitioning economy and our sustainability framework, Delivering Value Responsibly, is embedded across our businesses.

Our commitment

We are committed to executing our strategy whilst being environmentally, socially and ethically responsible. We support our businesses in making Diploma an even safer, better and fairer place to work. We collaborate with our colleagues, suppliers and customers to deliver our sustainability targets, including our SBTi-approved net zero targets.

Our framework

Our DVR framework is integrated across our businesses, focusing on three key areas: our people, the environment, and responsible business practices. By concentrating the efforts of our large, diverse, and decentralised Group on these core areas, we can drive meaningful progress against our sustainability targets.

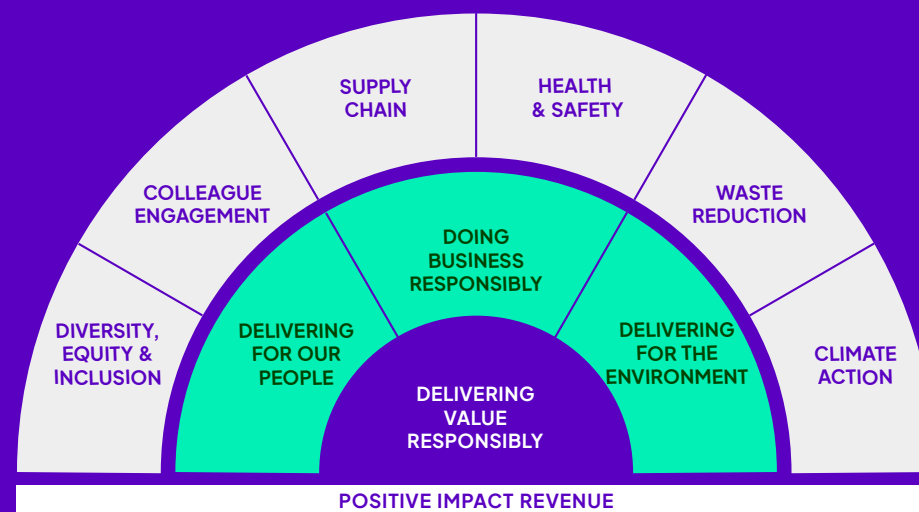


PHIL PRATT
GROUP SUSTAINABILITY
DIRECTOR

OUR DVR STRATEGY

We are determined to make a difference. Through our DVR framework, we have objectives that are linked to our business

model and embedded in the business strategy and commercial and operational activities.



“



Projects, like our new M Seals facility, have added over 500kW to our solar coverage this year.

”



DELIVERING VALUE RESPONSIBLY CONTINUED

DELIVERING FOR OUR PEOPLE

FOCUS AREA	TARGET 2030	PROGRESS IN 2024	STATUS	PERFORMANCE
Colleague engagement	70%+ Maintain an engagement index of 70%+	79%	 On track	We continue to maintain high engagement scores, with a response rate of 87% and an engagement index score of 79%. Every business has an engagement plan in place to ensure we maintain strong engagement scores in the long term.
Diversity, equity and inclusion	40%+ Women to represent 40%+ of Senior Management Team (SMT)	30%	 On track	We are pleased with the momentum we have made this year, with 30% of our SMT roles now filled by women. We recognise there is still more to do, and it will remain an area of focus for us.

Colleague Engagement

Our colleagues have great technical expertise and in-depth knowledge. Engagement ensures we retain that valuable talent and experience and nurture the unique culture that binds the Group.

We held our fourth Group Colleague Engagement Survey this year, achieving a response rate of 87% and index score of 79% (FY23: 80%). Every business has an engagement plan to address the themes of their survey results. This is prioritised at every level of the business, and we have introduced engagement targets into our remuneration package for our Executive Team and Managing Directors for FY25.

Colleague turnover of 20% (FY23: 17.7%) was driven by facility moves in Life Sciences and Controls.

Diversity, Equity and Inclusion

We continue to support diversity, equity and inclusion through educational events and initiatives, such as our Women in Leadership programme, inaugural Diploma Pride event and annual celebration of International Women's Day.

This was supplemented with more formal training for our Executive Team, which attended an inclusive leadership workshop. We also introduced an inclusive hiring toolkit for our businesses. Ethnic diversity increased to ca. 10% (FY23: 8%) for the Senior Management Team.

 [LEARN MORE ABOUT DELIVERING FOR OUR PEOPLE WWW.DIPLOMAPLC.COM/SUSTAINABILITY/PEOPLE/](https://www.diplomaplc.com/sustainability/people/)



COLLEAGUE ENGAGEMENT

We are pleased to have maintained our strong engagement index score of 79% and high response rate of 87%. Areas of particular engagement include: customer service, clarity on objectives, and finding work meaningful.

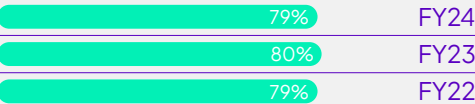
Areas of improvement, albeit with relatively high engagement, include: regular feedback, development and training, and recognition and praise. All of our businesses have plans in place to address the results of their survey scores.



COLLEAGUE ENGAGEMENT

79%

Colleague Engagement Survey Index



DIVERSITY, EQUITY & INCLUSION

We increased gender diversity of the SMT to 30% women vs 28% in the prior year. We are making steady progress and 45% of SMT vacancies during the year were filled by women.

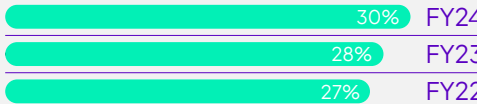
We are pleased to have made particular progress in the gender diversity of roles reporting directly into the Executive Team (excluding admin and support staff), which is now 38% women. Gender diversity across the full workforce is consistent with the prior year at 31%.



GENDER DIVERSITY AT SMT

30%

Women in SMT roles



DELIVERING VALUE RESPONSIBLY CONTINUED

DOING BUSINESS RESPONSIBLY



FOCUS AREA	TARGET 2030	PROGRESS IN 2024	STATUS	PERFORMANCE
Supply chain management	85% of key suppliers aligned to our Supplier Code of Conduct	90%	<div><div></div></div> Passed target	In FY24, we surpassed our target of 85%.
Health and safety	Zero Harm no lost time incidents (LTIs)	3.6 ^{LTIFR}	<div><div></div></div> Area of focus	In FY24, performance saw total incidents increase from 18 to 23, with our LTI frequency rate (LTIFR) rising from 3.0 to 3.6

Health and safety

Our Group health and safety (H&S) programme, Stand Up for Safety, covers four key areas: governance, leadership, training, and audits. This year, we engaged external experts, Safety Management Limited, to deliver masterclasses, training, and comprehensive audits at our key sites.

Every business has an FY25 action plan to address the outcomes of their audits and risk assessments and we expect to see the impact of that during the year.

Our Group-wide H&S network offers peer-to-peer support, best practices, resources and learnings.

Supply chain management

We have surpassed our FY30 target and 90% of key suppliers (accounting for >50% of supplier spend in aggregate) have agreed to comply with our Supplier Code.

Charitable giving

Our fund matching programme ensures we give to the local causes that matter most to our businesses and colleagues. This year we donated ca. £134,000 (FY23: £54,000) to charity. No political donations were made.

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HEALTH AND SAFETY

In order to align with industry standards, we have updated our leading metric to a lost time incident frequency rate (LTIFR), defined as total Lost Time Incidents (LTIs) per 1,000,000 hours worked.

In FY24, our LTIFR was 3.6. Driving meaningful change takes time and we have developed a more hands-on approach to H&S for acquisitions, including inductions for leadership, post-acquisition audits, colleague training and action plans.

Despite an increase in total LTIs to 23 (vs 18 in FY23), our total injury days decreased, resulting in a severity rate of 9.9 (vs 13.8 in FY23). We have also seen a strong improvement in both the quality and volume of potential hazard reporting, which has increased by 82% vs the prior year.

It is encouraging that responses to this year's Colleague Engagement Survey indicated an improvement in H&S culture. 93% of colleagues agreed that H&S is taken seriously in their business vs 88% in the prior year.

Although we have made strong strategic progress during the year, we remain focused on reducing our LTIFR rate. We will continue to drive our Stand Up for Safety programme across our businesses and senior management during FY25. We will also continue our audit programme, with external H&S audits planned for all businesses, including acquisitions.

LTIFR (LOST TIME INCIDENTS PER 1M HOURS WORKED)



DELIVERING VALUE RESPONSIBLY CONTINUED

DELIVERING FOR THE ENVIRONMENT



FOCUS AREA	TARGET 2030	PROGRESS IN 2024	STATUS	PERFORMANCE
Climate action	50% reduction of Scope 1 & 2 emissions (vs. FY22)	15% reduction	On track	We achieved a 15% reduction in Scope 1 and 2 emissions during FY24 vs prior year. Against our FY22 baseline, performance was flat.
	30% reduction of Scope 3 (vs. FY22)	24% reduction	On track	We reduced our FY23 Scope 3 emissions, keeping us on track to meet our targets.
Waste reduction	<15% waste to landfill	23%	On track	We reduced waste to landfill to 23% (vs 32% in FY23) and achieved a 69% recycling rate.

Climate action

In January, our net zero targets were approved by the Science Based Targets initiative, covering Scope 1, 2 and 3.

During the year, our businesses continued to effectively execute on our operational (scope 1 and 2) emissions strategy: understand, reduce, generate, procure.

Scope 3 remains a complex challenge, especially in a decentralised environment. In calculating our FY23 footprint, we focused on educating and engaging our businesses with the most material emissions.

➕ LEARN MORE ABOUT DELIVERING FOR THE ENVIRONMENT WWW.DIPLOMAPLC.COM/SUSTAINABILITY/ENVIRONMENT/

Waste

Following a significant decrease in waste to landfill from 60% in FY22 to 32% in FY23, we have seen this taper off slightly, achieving 23% waste to landfill in FY24, as we tackle the more challenging materials and geographies (US and Australia). This is great progress against our target of <15% waste to landfill by FY30.

Total waste has increased primarily due to the impact of acquisitions¹. As a result, our waste intensity has also increased to 3.6 (FY23: 3.3). We expect these to decrease as new businesses are brought into the DVR framework.

1 Excluding Peerless, for which data was not yet available

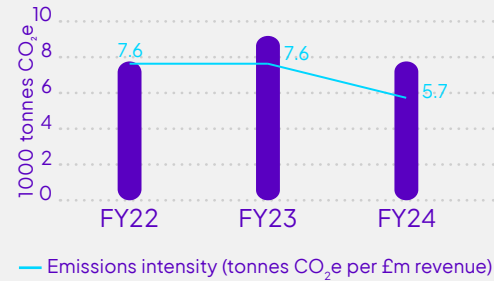
EMISSIONS

Our total operational emissions were down 15% vs prior year and largely flat against our FY22 baseline. This is primarily due to the procurement of renewable energy, which now represents 44% of the Group’s energy consumption vs 7% in FY23.

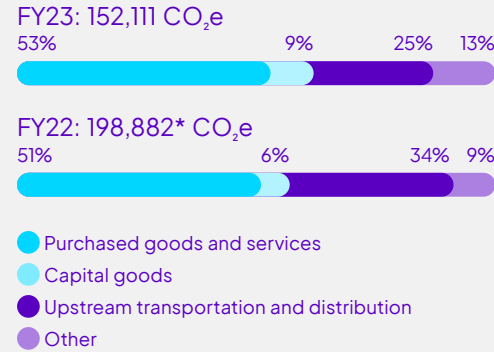
We also undertook four facility consolidation and upgrade projects during the year and expect to see the benefit of those during FY25. In line with our strategy to increase our on-site renewable energy generation capacity, and through a combination of new builds and retrofitting, we have added 577kW to our solar coverage. Our emissions intensity decreased significantly from 7.6 in FY23 to 5.7 this year.

Although we saw a reduction of 24% in Scope 3 emissions vs FY22 baseline, this was primarily due to better data and changes in emissions factors as we move away from cost-based calculations to primary data.

SCOPE 1 AND 2 GHG EMISSIONS



SCOPE 3 GHG EMISSIONS



*FY22 Scope 3 emissions were recalculated during the year using updated emissions factors

FY24 SCOPE 1 AND 2 EMISSIONS AND ENERGY USAGE

	Scope 1	Scope 2	Gross
FY24 market-based (tonnes CO ₂ e)	3,881	3,864	7,745
FY24 location-based (tonnes CO ₂ e)	3,881	5,663	9,545

UK energy consumption: 3,181,062 kWh (total: 17,755,337 kWh).

RISK MANAGEMENT AND INTERNAL CONTROL

Effective risk management is a key component of the discipline that underpins sustainable quality compounding.

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 exposures and ensure they remain within our overall risk appetite.

This framework also provides the basis for the businesses to anticipate threats to delivering for their customers and ensures we are resilient to risks we have limited control over.

Our governance processes continue to evolve in support of the Group’s strategic objectives.

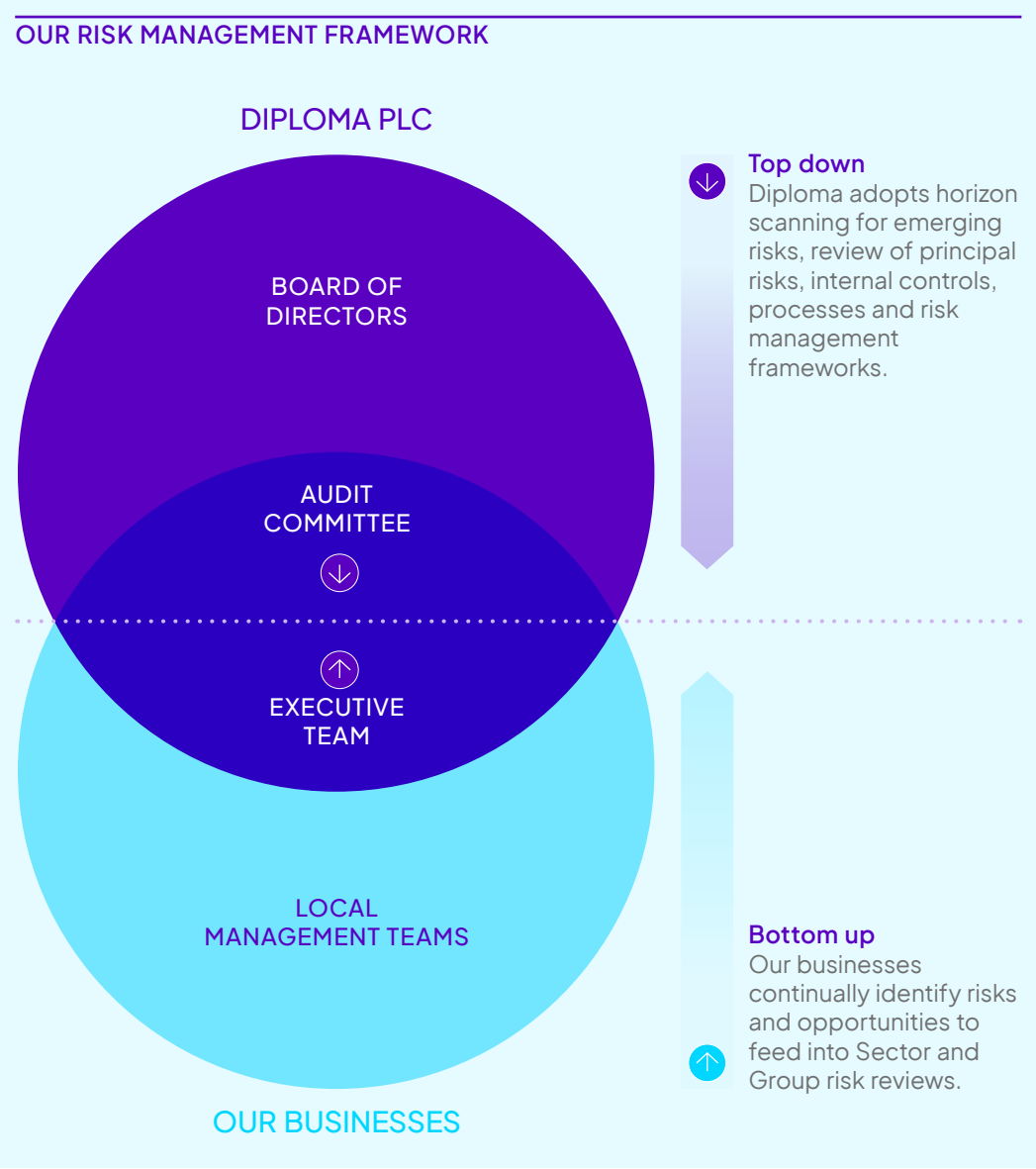
By improving our understanding and management of risk, we provide greater assurance to our shareholders, employees, customers, suppliers, and the communities in which we operate.

Our approach




Risk management and the oversight of appropriate systems of control are ultimately the responsibility of the Board, with responsibility for overseeing the effectiveness of the internal control environment delegated to the Audit Committee.

Group Internal Audit provides independent assurance that the Group’s risk management, governance and internal control processes are operating effectively. Each of our businesses is accountable for managing risks effectively.

We have continued to broaden our risk management and governance by developing horizon scanning for emerging and potential risks, and enhancing efficiency of management and governance procedures.



RISK MANAGEMENT AND INTERNAL CONTROL CONTINUED

<p>Risk appetite</p> <p>The Board recognises that continuing to deliver resilient returns for shareholders and other stakeholders is dependent upon accepting a level of risk.</p> <p>Our risk appetite sets out how we balance risk and opportunity in pursuit of our strategic objectives.</p> <p>The acceptable level of risk is assessed on an annual basis by the Board, which defines its risk appetite against certain key indicators, including potential impact of risk, likelihood of risk and ability to reduce risk through mitigation.</p> <p>This ensures alignment between acceptable risk exposure and the strategic priorities of the Group.</p> <p>We have three levels of risk appetite:</p> <div><div> Averse: take steps to avoid risk</div><div> Cautious: take steps to mitigate risk</div><div> Tolerant: accept risk</div></div> <p>Identifying and monitoring material risks</p> <p>Material risks are identified through a detailed analysis of business processes and procedures and a consideration of the strategy and operating environment of the Group.</p>	<p>Each of our businesses identifies risks and opportunities as part of their regular business reviews, evaluating how they are controlled, whether mitigations are appropriate and whether any further actions are required.</p> <p>The businesses use a quantitative framework to determine a score for each risk, which is based on both the likelihood and consequence of each risk occurring, and its impact on the business. Each risk is evaluated to provide a net score post-mitigation. This identifies which risks require internal mitigating controls, and which require further treatment.</p> <p>A similar exercise is then performed at Sector and Group level to develop an overall picture of operational risk for the Group. This process is both robust and challenging. It ensures that risks are identified and monitored and that management controls are embedded in the businesses' operations.</p> <p>During this process, the operational risks identified are reviewed to ensure there are no new principal risks or material risks affecting multiple businesses or Sectors.</p> <p>Any actions to improve evaluation or management of risks are shared across the businesses by the relevant Sector.</p>	<p>With the assistance of the Audit Committee, the Board obtained assurance that the Group's risk management and internal control framework was operating effectively and was therefore satisfied that risks were being managed in line with risk appetite.</p> <p>Risk management relies on internal control activities to ensure accurate accounting and to help mitigate the principal risks of the Group.</p> <p>The governance process within the framework ensures that the completeness of identified risks and adequacy of mitigating actions are appropriately reviewed by the Executive Team and are reported to the Board on a regular basis.</p> <p>Emerging risks and opportunities</p> <p>The Board also considers potential risks and opportunities that could impact our Group in the future.</p> <p>The risk management framework enables early identification of emerging risks and opportunities so that they can be tracked and evaluated thoroughly at the appropriate time with any potential exposure assessed. This allows the Board to determine if the Group is adequately prepared for the situation.</p> <p>The most critical emerging risks under active consideration across the Group – Electrification and Disruptive Technology – remain the same as last year, and continue to be monitored.</p>	<p>Electrification risk</p> <p>Electric power substituting hydraulic power</p> <p>The adoption of electric power over hydraulic power in various industrial applications may render certain seal applications redundant.</p> <p>Electrification of industrial machinery</p> <p>The widespread adoption of electrification in industrial machinery could alter existing maintenance regimes designed for internal combustion engines (ICE).</p> <p>Disruptive technology risk</p> <p>Step change in wireless infrastructure</p> <p>Advances in wireless infrastructure could diminish the demand for wired connections by our wire and cable businesses.</p> <p>Digitalisation of value-add</p> <p>The increasing use of AI and other technologies facilitating the digitalisation of value-added services may provide customers with access to specialised knowledge currently provided by our businesses.</p> <p>Mass availability of affordable 3D printing</p> <p>The widespread availability of 3D printing technology could empower customers to produce their own bespoke component parts, potentially impacting some of our vertical integration processes.</p>
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RISK MANAGEMENT AND INTERNAL CONTROL CONTINUED

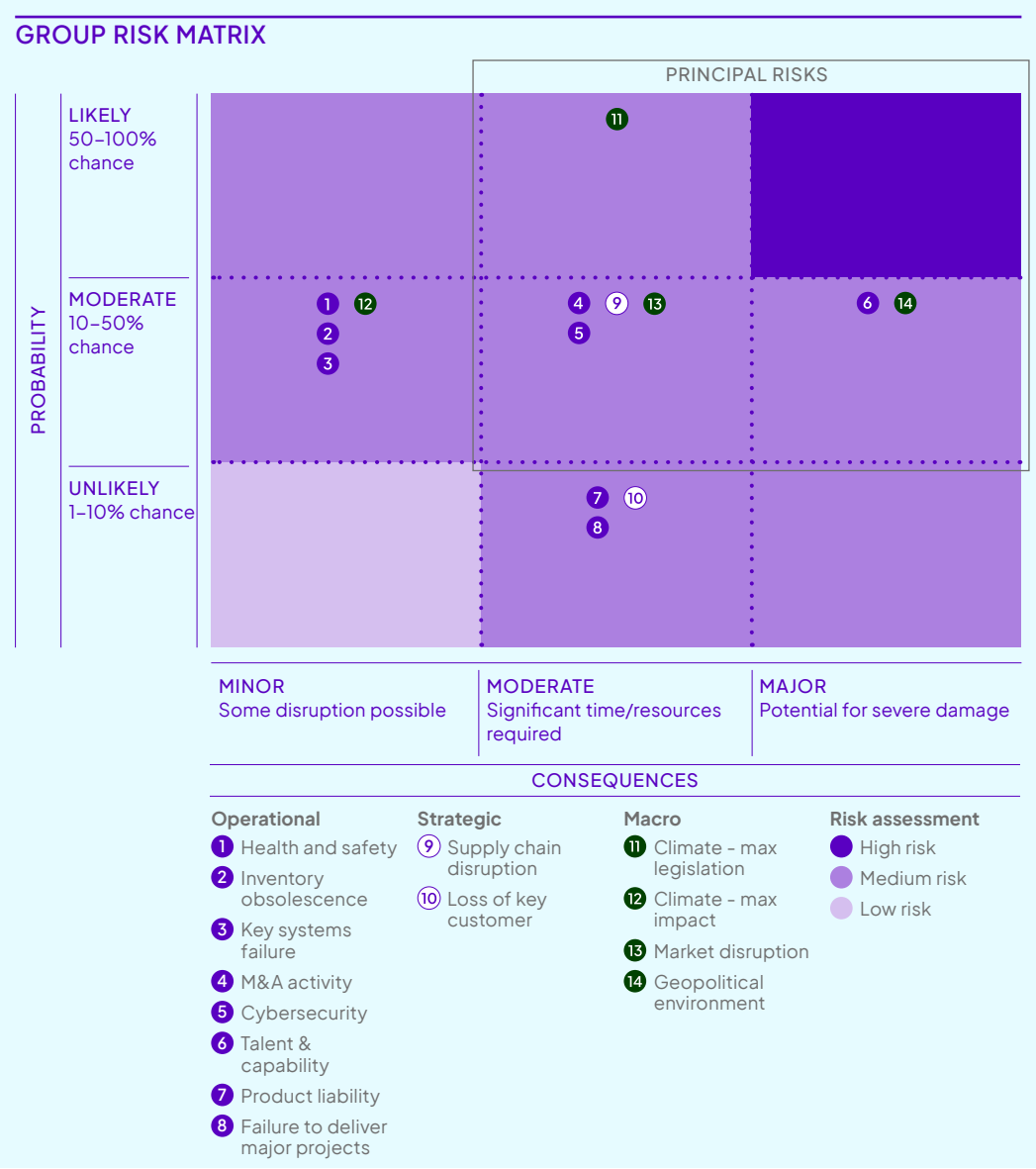
The Group’s decentralised operating model helps mitigate the potential impact of our principal risks.

The Group risk matrix represents the risks and uncertainties faced by the Group, and steps taken to mitigate them.

These risks, identified by the Board through a robust risk evaluation described on the previous page, are considered significant enough to have a material impact on the performance, position or future prospects of the Group.

The Group’s principal risks are highlighted in the upper right four quadrants of the matrix. These risks and their corresponding mitigating actions are summarised in the table opposite.

- There have been several changes to the Group’s principal risks during the year:
- Loss of key suppliers and supply chain disruption have been integrated into a single category. Given their closely related nature and shared characteristics, managing them together enables a more efficient approach, focusing on the interdependent challenges within the supply chain.
 - The risk of failing to deliver major projects has been introduced. The growing number and complexity of change initiatives across the Group have amplified the challenges of successfully executing business and technology transformation programmes.
 - Pandemic risk has been removed, as businesses now have more robust continuity and disaster recovery plans that address pandemics and similar disruptions. Additionally, new health and safety protocols have been integrated into operating procedures, eliminating the need to treat a pandemic as a separate risk.
 - Cybersecurity risk has been downgraded from major to moderate consequence. While the threat of cyber incidents remains, our decentralised structure, enhanced security measures and strengthened risk management have collectively reduced the likelihood of severe impact.



RISK MANAGEMENT AND INTERNAL CONTROL CONTINUED

PRINCIPAL RISK	DESCRIPTION AND ASSESSMENT
<div><div>4</div><div>M&A activity</div></div> <div>The acquisition pipeline remains healthy and we retain our disciplined approach to acquiring high-quality, value-enhancing businesses.</div>	<div>Overpaying for a target company, limited growth of the acquired business, or the potential loss of key customers or suppliers following integration.</div> <div>Cultural misfit as smaller businesses struggle to adapt to the requirements of a listed company.</div> <div>These issues may arise from inadequate due diligence, ineffective integration, or unrealistic assumptions made in the investment case.</div>
<div>RISK CATEGORY</div> <div>Operational</div>	
<div>BOARD RISK APPETITE</div> <div><div>!</div>Cautious</div>	
<div>CHANGE IN RISK</div> <div><div>—</div>No change</div>	<div>MITIGATION</div> <div>A process to build and maintain a pipeline of opportunities, including thorough screening to ensure alignment with our agreed strategy and cultural fit.</div> <div>Rigorous due diligence and contract negotiation processes involving comprehensive input from experts across our businesses, functions and, where appropriate, external advisors.</div> <div>Clear value-focused return criteria for investments, supported by expertise in valuation techniques and a commercially-driven approach to negotiation.</div> <div>A robust integration planning process linked with the due diligence process and strong governance for post-acquisition execution and review.</div>

PRINCIPAL RISK	DESCRIPTION AND ASSESSMENT
<div><div>5</div><div>Cybersecurity</div></div> <div>We will enforce a minimum set of cybersecurity controls that must be consistently implemented across all business units.</div>	<div>A successful attack on our systems, sites, data or a third party, means that confidential information is lost or business critical systems become unavailable that may lead to negative customer or supplier impacts, regulatory action, reputational damage and/or loss of business and revenue.</div>
<div>RISK CATEGORY</div> <div>Operational</div>	<div>MITIGATION</div> <div>Controls in place consist of both technical and organisational protection measures, such as firewalls, anti-malware software, staff training and awareness, procedures to update security patches, regular security testing and incident response processes.</div>
<div>BOARD RISK APPETITE</div> <div><div>!</div>Cautious</div>	<div>Regular assessments based on a cybersecurity framework and ongoing enhancement of security controls, which includes investment in employee education and awareness, as well as expanding security testing capabilities.</div>
<div>CHANGE IN RISK</div> <div><div>←</div>Reduced consequence</div>	

RISK MANAGEMENT AND INTERNAL CONTROL CONTINUED

PRINCIPAL RISK	DESCRIPTION AND ASSESSMENT
<div><div>6</div><div>Talent & capability</div></div> <div>We need the right talent and diversity across the Group, along with the resources and processes to ensure we retain them.</div>	<div>If we are not able to attract, develop and retain the necessary high-performing employees and capabilities, we may not be able to meet our ambitious strategic goals and maintain customer service levels and relationships.</div> <div>MITIGATION</div> <div>Implementing a structured talent review process for the development, retention and succession of key personnel.</div> <div>Offering balanced and competitive compensation packages with a combination of salary, annual bonus, and long-term cash or share incentive plans.</div> <div>Ensuring a challenging working environment where managers feel they have control over, and responsibility for their businesses.</div> <div>Employee engagement and retention initiatives, alongside a diversity, equity and inclusion policy to ensure a diverse and inclusive workplace to attract a wide range of talent.</div>
RISK CATEGORY	Operational
BOARD RISK APPETITE	<div><div>!</div>Cautious</div>
CHANGE IN RISK	<div><div>—</div>No change</div>

PRINCIPAL RISK	DESCRIPTION AND ASSESSMENT
<div><div>9</div><div>Supply chain disruption</div></div> <div>We prioritise securing backup supply options and supplier diversification wherever feasible, particularly to reduce reliance on single-source regions.</div>	<div>The risk of manufacturing lead times increasing as a result of supply chain shortages or supply chain partners not operating to the same ethical standards.</div> <div>The risk that a key supplier revokes a supply agreement and accesses the market through a competitor or directly.</div> <div>The risk of loss of a key supplier due to insolvency.</div> <div>MITIGATION</div> <div>Maintain strong relationships with suppliers and keep customers updated of any changes to retain key business. Regularly engage with key customers to gain insights into their product requirements and evolving market trends.</div> <div>Collaborate with supply chain partners to ensure they adhere to our standards for acceptable working conditions, financial stability, ethics and technical competence, in full adherence to our Supplier Code of Conduct.</div> <div>Value-add service to supply partners, enabling them to access markets in the most efficient and effective way.</div> <div>Regular monitoring of revenue by key supplier to assess supplier concentration.</div> <div>Continue to pursue diversification strategies and regularly seek alternative sourcing.</div> <div>We aim to continue securing long-term, multi-year exclusive contracts with suppliers with change of control clauses, where appropriate, to provide protection or compensation in the event of an acquisition. Some of these contracts have already been established.</div>
RISK CATEGORY	Strategic
BOARD RISK APPETITE	<div><div>!</div>Cautious</div>
CHANGE IN RISK	<div><div>—</div>No change</div>

RISK MANAGEMENT AND INTERNAL CONTROL CONTINUED

PRINCIPAL RISK	DESCRIPTION AND ASSESSMENT
<div><div>11</div><div>Climate – max legislation</div></div> <p>We actively engage with environmental legislation to identify and capitalise on commercial opportunities arising from regulatory changes.</p> <div>RISK CATEGORY</div> <div>Macro</div> <div>BOARD RISK APPETITE</div> <div><div>✓</div>Tolerant</div> <div>CHANGE IN RISK</div> <div><div>—</div>No change</div>	<p>The risk of increasing environmental legislation that adds cost or complexity to products and services and/or renders some products obsolete.</p> <div>MITIGATION</div> <p>Leverage our technical expertise to specify the appropriate compound materials and enjoy long-term, meaningful relationships with suppliers. We also expect suppliers to pivot and adapt to comply with evolving legislation.</p> <p>Increased oversight, due diligence and engagement with suppliers.</p> <p>Net zero targets have been set across our value chain including waste and greenhouse gas emissions.</p> <div><div>➔</div> READ MORE ON OUR NET ZERO TARGETS ON PAGE 53</div>

PRINCIPAL RISK	DESCRIPTION AND ASSESSMENT
<div><div>13</div><div>Market disruption</div></div> <p>We aim to operate in markets with stable GDP growth, prioritising long-term stability over short-term gains. We deliberately avoid targeting high-risk, high-return sectors to minimise volatility and ensure consistent, sustainable growth.</p> <div>RISK CATEGORY</div> <div>Macro</div> <div>BOARD RISK APPETITE</div> <div><div>!</div>Cautious</div> <div>CHANGE IN RISK</div> <div><div>—</div>No change</div>	<p>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.</p> <div>MITIGATION</div> <p>Identify key market drivers, trends and forecasts while maintaining close relationships with key customers, who can provide an early warning of slowing demand.</p> <p>Continually assess what is valuable to our customers and the optimal ways to deliver this at an appropriate return for the Group.</p> <p>The annual budget and strategy planning process considers longer term actions and initiatives to mitigate and counter any prolonged downturn.</p>

RISK MANAGEMENT AND INTERNAL CONTROL CONTINUED

PRINCIPAL RISK

14 Geopolitical environment

We aim to operate a geographically diverse business, with a strong preference for established economies that have stable political and legal systems.

RISK CATEGORY

Macro

BOARD RISK APPETITE

! Cautious

CHANGE IN RISK

— No change

DESCRIPTION AND ASSESSMENT

Future global destabilisation impacts our international business activities, increasing operating costs, additional trade sanctions, supply chain delays, and/or hinders passage of products between our sites with delays and higher costs.

MITIGATION

Continually monitor the existing markets in which the Group operates to identify potential uncertainties that could impact our service to customers at the regional, national, or global level.

Through strong supplier relationships, we identify potential supply vulnerabilities and ensure appropriate resilience measures are in place.

Geopolitical risks are also evaluated as part of the due diligence process when assessing potential acquisition targets.

We regularly monitor revenue by key supplier to evaluate supplier concentration and continue to invest in compliance intelligence and capabilities.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

Climate change is a pressing global challenge and we recognise our responsibility to address and mitigate its impacts. We are committed to collaborative efforts across our businesses to support the transition to a lower-carbon economy.

Our decentralised model enables us to effectively assess and manage climate-related risks and opportunities (CRROs) while staying connected to our local markets and stakeholders.

By implementing our sustainability framework, Delivering Value Responsibly (DVR), we set clear, strategic objectives that integrate into our businesses, driving both commercial success and environmental change.

Opposite is a summary of our climate-related financial disclosures, prepared in accordance with the four TCFD recommendations: Governance, Strategy, Risk Management, and Metrics and Targets.

These disclosures align with the TCFD's 11 supporting disclosures, as required by Listing Rule 6.6.6(R)(8) and align with the TCFD framework outlined in the June 2017 report, 'Recommendations of the Task Force on Climate-related Financial Disclosures'.

TCFD GUIDANCE – 11 DISCLOSURE RECOMMENDATIONS			
Recommendations	Description	Consistency	Pages
Governance	a) Board oversight of CRROs.	●	62
	b) Management's role in assessing and managing CRROs.	●	62–63
Strategy	a) CRROs identified over short, medium, and long terms.	●	64
	b) Impact of these CRROs on business, strategy, and financial planning.	●	64
	c) Strategy resilience under various climate scenarios	●	64
Risk management	a) Processes for identifying and assessing climate-related risks.	●	63
	b) How we manage these risks.	●	63
	c) Integration of these processes into overall risk management.	●	63
Metrics and targets	a) Metrics used to assess CRROs.	●	67
	b) Disclosure of Scope 1, 2, and 3 GHG emissions and associated risks.	●	53, 67
	c) Targets for managing CRROs, and performance against them.	●	26, 53, 67

● Full ● Partial

TASKFORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) CONTINUED

GOVERNANCE

Our DVR strategy is supported by a strong governance framework, with the Board holding ultimate oversight and accountability for CRROs.

Board oversight of CRROs

The Board plays a central role in overseeing CRROs, embedding climate factors into strategic decisions, risk management, budgets, and business planning. Responsibilities include setting performance objectives, monitoring outcomes, and managing key investments and acquisitions with a climate focus.

The Board stays informed on climate issues through:

- Monthly performance reports (financial and non-financial).
- Regular updates from the CEO on DVR and climate strategy.
- Annual briefings from the Group Sustainability Director.
- Annual deep-dives into macroeconomic and climate risks trends.
- Quarterly reviews of climate risk management

The Board leverages ESG expertise and external insights, having engaged consultants to enhance emissions reporting, including Scope 3 data. They also receive updates on our net zero progress, covering renewable energy advancements and the shift to non-ICE (internal combustion engine) vehicles.

Management’s role in assessing and managing CRROs

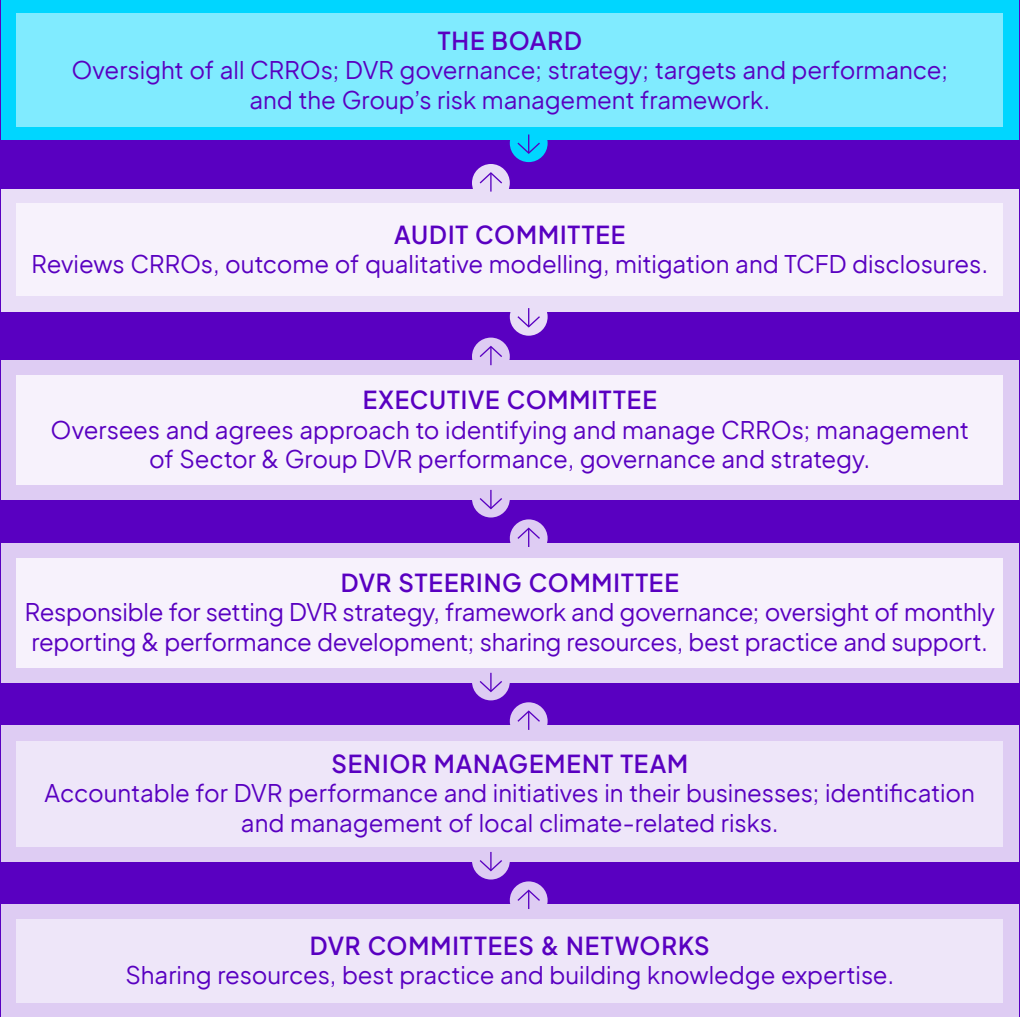
Executive Directors on the Group DVR Steering Committee lead the implementation of our DVR strategy and on our commitment to reach net zero by 2045. They oversee the integration of CRROs into operations and their alignment with strategic objectives.

Management collaborates with the Board to refine mitigation strategies, effectively managing climate risks while seizing opportunities to drive business and environmental success.

READ MORE

- [RISK MANAGEMENT FRAMEWORK ON PAGE 54](#)
- [BOARD AND COMMITTEE ATTENDANCE ON PAGES 84, 90, 96](#)
- [BOARD ACTIVITY AND FOCUS AREAS CAN BE FOUND ON PAGE 76](#)
- [THE BOARD’S SKILLS AND EXPERIENCE ON PAGES 79-80](#)

GOVERNANCE STRUCTURE



TASKFORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) CONTINUED

RISK MANAGEMENT

In line with our decentralised model, each business unit addresses relevant risks, including environmental risks, in a way that fits their unique circumstances. With in-depth knowledge of their customers, industries, and products, our businesses are empowered to make local decisions and manage risks effectively.

Processes for identifying and assessing climate-related risks

We work with our businesses and Sector leadership to identify and evaluate all risks, including CRROs, drawing on expertise from relevant teams and Group functions.

Business units identify and monitor material risks and CRROs, assessing controls, evaluating mitigations, and determining necessary actions.

Environmental impacts, climate risks, and regulatory compliance for acquisition targets are also evaluated, with Sector and Group-level reviews conducted with Board oversight. This ensures alignment with our sustainability and strategic goals.

How we manage these Risks

We empower business units to manage CRROs and other risks locally using tailored mitigation strategies.

Businesses use a quantitative framework that assigns scores based on likelihood, impact, and net effect post-mitigation. This prioritisation identifies which risks need further treatment or control measures.

Integration of these processes into overall risk management

At the Sector and Group-level, risks are consolidated to provide a comprehensive risk profile and a similar exercise is performed.

The Group's risk profile is reviewed with Board oversight to ensure alignment with strategic objectives.

Scenario Analysis

In FY24, we revisited our qualitative scenario analysis to reassess the principal CRROs.

The process was conducted internally, involving operational, business, and functional leaders across the Group.

We use a probability-impact matrix to assess the likelihood of CRROs materialising over different timeframes and evaluate their potential impact and material significance to the Group.

This assessment was conducted on a net basis, factoring in any mitigating measures or actions in place.

➤ [READ MORE ABOUT OUR APPROACH TO IDENTIFYING AND MANAGING RISKS ON PAGES 55-60](#)

SCENARIO ANALYSIS PROBABILITY-IMPACT MATRIX

Short to medium-term risks

We consider risks material if they exceed 5% of the Group's adjusted profit before tax, consistent with our Financial Statement audit methodology, in the year reflected in the latest long-term strategic plan.

'Short-term' covers risks up to 2030, while 'medium-term' encompasses risks from 2030 to 2040.

Long-term risks

For long-term risks, spanning 2040 to 2050, we apply a materiality threshold twice that of short- to medium-term risks.

This accounts for the Group's expected growth, increased uncertainty over longer periods, and the time available to implement mitigation strategies.

TASKFORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) CONTINUED

STRATEGY

To effectively identify and assess CRROs, we analysed both physical and transitional climate scenarios.

This assessment considered regulatory impacts, environmental changes at key locations, and shifting market dynamics that could affect our customer base and supply chain.

Recognising the importance of understanding future climate risks, we used Representative Concentration Pathways (RCPs) from the Intergovernmental Panel on Climate Change. These scenarios illustrate potential climate outcomes based on different levels of greenhouse gas emissions, allowing us to evaluate the impact of global warming on our business and strategic resilience.

CRROs identified over short, medium, and long terms
We identified two primary categories of CRROs; physical risks and transitional risks.

Physical risks: these include damage from extreme weather events, such as flooding, wildfires, extreme heat, and hurricanes, which can significantly disrupt operations and our supply chain.

For example, our Hercules Aftermarket site has been identified as vulnerable to hurricane damage, prompting investment in targeted mitigation measures.

Transitional Risks:
These involve regulatory changes and evolving customer expectations as economies transition to low-carbon models.

Key concerns include the EU’s proposed ban on certain chemicals, such as PFAS, impacting our Seals businesses and increased carbon pricing affecting logistics costs.

Additionally, our downstream market faces increasing scrutiny of emissions, requiring proactive adjustments in product offerings.

Impact of these CRROs on business, strategy, and financial planning
Our financial analysis indicates that the overall impact of these risks on our performance and viability is relatively low.

Mitigating factors include our broad geographical footprint, a diversified customer and supplier base, and strong risk management strategies. However, we remain vigilant, recognising the potential for regulatory and market shifts to influence future operating costs and market competitiveness.

Strategy resilience under various climate scenarios
Our decentralised model strengthens our ability to adapt quickly to market and regulatory changes.

Local teams leverage their in-depth knowledge of customers, suppliers, and market conditions to implement effective risk management and resilience strategies

Key initiatives include supplier engagement, targeted decarbonisation efforts, organic growth in low-carbon markets, and value-add services to absorb potential cost impacts from decarbonisation.

Scenario: fossil-fuelled growth
This scenario envisions limited global decarbonisation, leading to a 4°C temperature increase by 2100, consistent with RCP 8.5. The result is more severe and frequent weather events.

Impact Assessment:
We conducted a risk assessment of 10 critical sites, representing ca. 50% of our revenue, focusing on vulnerabilities such as flooding, wildfires, and hurricanes.

We have implemented comprehensive disaster recovery plans, including insurance and physical safeguards, to mitigate these risks.

Despite the increased frequency of extreme weather events, our diverse geographical presence and proactive risk management strategies help minimise financial disruption.

Scenario: steady path to sustainability
This scenario assumes coordinated global efforts to limit temperature rise to 2°C, in line with RCP 2.6, and achieving net zero by 2050.

Impact Assessment:
We evaluated regulatory and market impacts on our operations, including potential cost increases from stricter environmental standards.

Our analysis highlights the need for ongoing investment in low-carbon technologies and supply chain decarbonisation.

Opportunities from this transition include expanding our product offerings in renewable energy markets and circular economy initiatives.

TASKFORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) CONTINUED

SCENARIO Steady path to sustainability	<p>As a global company, we face evolving environmental regulations across key markets. A significant risk is the EU's proposed ban on PFAS, impacting our Seals businesses, where around 6% of our revenue comes from PFAS-containing products. Additionally, there is increasing pressure to decarbonise our products to align with customer sustainability demands.</p>
TRANSITIONAL RISK: Product decarbonisation due to stricter climate policies and market shifts	KEY RISKS <p>Fragmented regulations could increase costs and reduce product competitiveness in regions with strict environmental standards.</p>
CATEGORY: Policy & Legal/Market	<p>The EU's PFAS ban may lead to higher raw material costs and limited market access, impacting revenue.</p>
TIMEFRAME: Medium term	<p>Inability to decarbonise products may restrict access to markets prioritising low-carbon solutions, reducing competitiveness.</p>
FINANCIAL IMPACT: Low	MITIGATION <p>Knowledge sharing: we share best practices across the Group to navigate regulatory changes, using insights from businesses experienced with stricter rules.</p> <p>Supplier collaboration: our decentralised model enables strong supplier relationships, ensuring quick adaptation to new regulations. Our North American Seals business, for instance, has already developed PFAS-free products.</p> <p>Proactive measures: we prioritise high-risk material identification, supplier engagement for accurate emissions data, and training to meet regulatory expectations, ensuring we stay ahead of compliance and remain competitive.</p>

SCENARIO Steady path to sustainability	<p>The global shift toward decarbonisation could increase operating costs, particularly for inventory procurement and logistics. This is driven by tightening environmental laws, such as carbon taxes, fuel levies, and emissions trading schemes. Logistics expenses, accounting for around 26% of our Scope 3 emissions, are especially vulnerable to these changes.</p>
TRANSITIONAL RISK: Decarbonisation costs	KEY RISKS <p>New regulations, like the EU's Carbon Border Adjustment Mechanism (CBAM), could increase product and raw material costs.</p>
CATEGORY: Policy & Legal	<p>Carbon taxes and investments in low-carbon technology could raise logistics and operational expenses.</p>
TIMEFRAME: Short, Medium, Long term	<p>Government emissions mandates may add further cost pressures, affecting profitability.</p>
FINANCIAL IMPACT: Low	MITIGATION <p>Cost management: We mitigate rising costs by passing them to customers where feasible and improving operational efficiency.</p> <p>Sustainable investments: Collaborate with logistics partners to adopt low-carbon freight options and cost-effective sustainable practices.</p> <p>Regulatory engagement: Actively engage with policymakers to stay ahead of new regulations and adapt quickly to minimise financial impact.</p>

TASKFORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) CONTINUED

SCENARIO	Extending product lifespans through repair, maintenance, and refurbishment is a core part of our commitment to the circular economy. By embedding circularity into our business model, we actively reduce waste, conserve resources, and offer products that support the long-term sustainability of our customers' operations.
Steady path to sustainability	
OPPORTUNITY:	Our focus on resource efficiency provides a distinct competitive advantage, as customers increasingly seek solutions that align with their sustainability objectives. The global transition to a low-carbon economy, occurring at different paces across regions, also presents substantial growth opportunities.
Product and market opportunities	
CATEGORY:	For example, Diploma Australia Seals removes, repairs, and reinstalls pump equipment for a national water company. Similarly, T.I.E. has an innovative refurbishment process that ensures arm and controller systems meet OEM standards for durability and repeatability. We are well-positioned to capitalise on emerging demands by continuing to innovate and offer solutions tailored to evolving environmental standards.
Policy & Legal/Market	
TIMEFRAME:	POTENTIAL BENEFIT
Short, Medium, Long term	Open up new revenue streams by capturing customers in the renewable energy and infrastructure sectors.
	Strengthen our market position through proactive identification of future industry needs and aligning our offerings accordingly.
	Establish ourselves as a leader in sustainable products and services, driving business growth while meeting global decarbonisation goals.

SCENARIO	Our sustainable supply chain initiatives focus on reducing emissions and transportation costs while improving overall efficiency. Through measures like route optimisation, reverse logistics, and shipment consolidation, we not only decrease fuel consumption but also minimise the environmental impact of our operations.
Steady path to sustainability	
OPPORTUNITY:	By integrating efficient supply chain practices, we are able to attract new business, improve cost management, and support our overarching emissions reduction targets.
Enhanced logistics efficiency	
CATEGORY:	We promote sustainable practices throughout our supply chain and actively collaborate with suppliers and third-party logistics providers to achieve shared environmental goals. Our focus on greener delivery solutions reinforces our commitment to being an industry leader in sustainability.
Policy & Legal	
TIMEFRAME:	POTENTIAL BENEFIT
Medium	Achieve significant cost savings and enhance our environmental reputation.
	Attract customers seeking low-carbon transportation and logistics options.
	Foster partnerships with suppliers and couriers to further reduce emissions and improve logistics, contributing to our long-term sustainability targets.

TASKFORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) CONTINUED

STRATEGY CONTINUED

Resilience of the Organisation’s Strategy
Our strategy is designed to stay resilient to Climate-Related Risks and Opportunities (CRROs) through several key measures:

Decentralised Model: Empowers our businesses to leverage deep product knowledge and strong local relationships, enabling swift adaptation to regulatory, market, and technological shifts.

Risk Diversification: Low reliance on individual customers and suppliers ensures broad risk coverage.

Cost Absorption: Value-added services and disciplined pricing protect margins from decarbonisation costs.

Organic Growth: Focus on emerging opportunities in the low-carbon economy to reduce exposure to high-carbon markets.

DVR Alignment: Comprehensive integration of our decarbonisation, value creation, and resilience (DVR) framework ensures all business units are aligned with our net zero goals.

Flexible Model: Our low capital intensity provides the agility needed for a smooth transition with minimal risk to asset values.

In July 2024, we strengthened our commitment to sustainability by updating our Supplier Code of Conduct and Environmental Policy. The new policies emphasise reducing greenhouse gas emissions, waste, and landfill use, while setting science-based targets. We've introduced initiatives like green logistics and enhanced supplier engagement to ensure transparency and further progress toward our long-term climate goals.

METRICS AND TARGETS

Metrics used to assess CRROs
To effectively manage CRROs, we monitor and measure several key metrics. Central to our strategy is the reduction of absolute GHG emissions, which is crucial in achieving our net-zero target by 2045. Additionally, we track waste management, recognising its significance for operational efficiency and supporting a circular economy, even though it is not a major emissions source. Supplier engagement is also critical, as aligning our suppliers with our Scope 3 emissions targets is essential to our overall net-zero strategy and this is embedded in our Supplier Code.

Disclosure of Scope 1, 2, and 3 GHG emissions and associated risks
We are committed to significantly reducing our environmental impact and aligning with global climate goals. As part of our net-zero ambition for 2045, we have clear and ambitious short-term targets. By FY2030, we aim to cut our absolute Scope 1 and 2 GHG emissions by 50% and reduce our absolute Scope 3 emissions by 30%, using FY2022 as our baseline. These targets are aligned with the 1.5°C pathway, consistent with the latest climate science and the Paris Agreement.

Our long-term strategy aims to achieve a 90% reduction in emissions across all Scope, 1,2 & 3 from our FY2022 baseline. The Science Based Targets initiative (SBTi) approved these targets in December 2023, validating our transparent and robust path toward carbon neutrality.

➤ [SEE PAGE 53 FOR KEY CLIMATE RELATED METRICS](#)

Targets for managing CRROs, and performance against them
Our commitment to meeting and exceeding climate action requirements is evident in our structured approach. We have established science-based, near-term targets to ensure that our emissions reductions are impactful and aligned with global standards. The short-term goal of reducing Scope 1 and 2 emissions by 50% and Scope 3 emissions by 30% by FY2030 sets a clear path. For the long term, achieving a 90% reduction by 2045 underscores our dedication to a sustainable future.

ENGAGEMENT WITH STAKEHOLDERS
AND SECTION 172 STATEMENT

EMBEDDING STAKEHOLDER VIEWS,
GUIDED BY OUR PURPOSE

SECTION 172

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.

In discharging their duties, each Director 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 positive outcome for all. Decisions will be consistent with Diploma's purpose and ultimately promote the long-term success of the Group.

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

Stakeholder engagement

The Board is committed to effective engagement with all stakeholders and has established a culture that ensures this commitment is adopted within our businesses. Directors consider the views and interests of a wide set of stakeholders and are conscious that expectations around our performance and contribution to society – from local to global – are both diverse and continuously evolving.

Stakeholder interactions take place at all levels of the Group and an essential component of our strategy is that we recognise the value of autonomy and ensure that decisions are made at the appropriate level.

The Board will sometimes engage directly with stakeholders on certain issues where appropriate to do so, but the decentralised nature of our Group and resultant distribution of our stakeholders mean that some stakeholder engagement is more appropriate at an operational level.

Our governance framework delegates authority for local decision-making to the appropriate level within a defined set of parameters. This allows Sectors and businesses to take account of the needs of their own specific key stakeholders in their decision-making. Our strong management teams make decisions with a long-term view and to the highest standards of conduct in line with overarching Group governance.

The Board receives and debates regular 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 key risks, and legal and regulatory compliance. All Group and subsidiary board papers 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 Directors to comply with their legal duties under s172 of the Companies Act 2006 and therefore improve decision-making.

Please see pages 81 to 83 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.

Shoal Group, Life Sciences Canada and M Seals Denmark completed the build of their brand new, state-of-the-art facilities, contributing to our increased solar coverage.

Investing

We all play a role at keeping our colleagues safe at work. During May 2024, we rolled out a 'Stand up for Safety' campaign across our business as part of our Group-wide drive to keep health and safety culture at the forefront of minds.

Safety

ENGAGEMENT WITH STAKEHOLDERS
AND SECTION 172 STATEMENT CONTINUED

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 and the need to foster the Company’s business relationships with customers, suppliers and other stakeholders. The Board acknowledges that not every decision it makes will necessarily result in a positive outcome for all stakeholders and the Board frequently has to make difficult decisions based on competing priorities. By considering the Group’s purpose and values together with its strategic priorities and having a process in place for decision-making, Directors aim to balance those 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 purpose. Details of the matters considered by the Board during the year can be found on page 76.

“The Board is committed to effective engagement with all stakeholders and has established a culture that ensures this commitment is adopted within our businesses”

Set out overleaf 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. The Board has adopted a progressive dividend strategy, which considers our shareholders’ expectations, the Company’s liquidity position, and 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.

In addition to the initiatives and actions mentioned in this statement, the table below references other parts of the report which provide more detail on how the Board has regard to the s.172 factors:	
s.172 Factor	Information can be found on
(a) The likely consequences of any decisions in the long-term	Our business model: pages 19–21 Our strategy: pages 22–25 Risk management and internal control: pages 54–60
(b) Interests of employees	Talent review: pages 14–16 Engagement survey outcome: page 51 Remuneration Committee Report : pages 96–119
(c) Fostering the Company’s business relationships with suppliers, customers and others	Market review: pages 17–18 Our business model: pages 19–21 Non-Financial and Sustainability Information Statement: page 73
(d) Impact of operations on the community and environment	Delivering Value Responsibly: pages 50–53 TCFD statement: pages 61–67
(e) Maintaining a reputation for high standards of business conduct	Our business model: pages 19–21 Non-financial and sustainability information statement: page 73 Risk management and internal control: pages 54–60 Audit Committee Report: pages 84–89
(f) Acting fairly between members of the company	Delivering Value Responsibly: pages 50–53 Non-financial and sustainability information statement: page 73 Remuneration Committee Report: pages 96–119

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.

More information on acquisitions completed throughout the year can be found on pages 28–39.

ENGAGEMENT WITH STAKEHOLDERS AND SECTION 172 STATEMENT CONTINUED

HOW WE ENGAGE WITH OUR STAKEHOLDERS

OUR COLLEAGUES

WHY WE ENGAGE

Diploma's success depends on its ability to attract and retain qualified and experienced employees.

HOW WE ENGAGE

- Group Colleague Engagement Survey, listening groups and engagement plans
- Feedback from the Group Colleague Engagement Survey
- Regular business visits
- Consistent talent and performance management approach
- Internal communications through Purple Pages, our Group-wide internal newsletter, regular CEO videos and internal memos
- Employee Assistance Programme
- Leadership at Scale programme, more on page 14
- Regular updates from the Group CEO, Group HR Director, Group Corporate Development Director and Sector CEOs

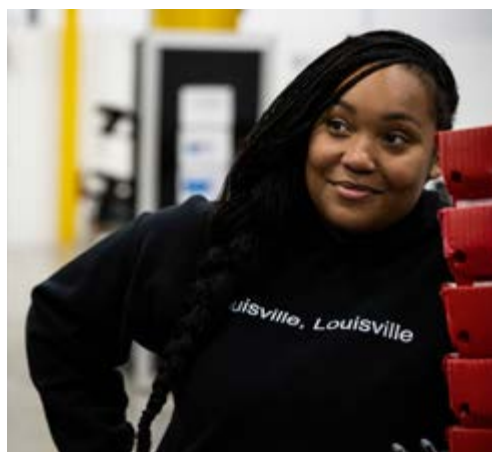
OUTCOMES/ACTION TAKEN

Following the engagement survey results, the Board is aware of areas of improvement and the following actions were taken:

- Colleague champion nominations
- Workshops delivered on DEI and Women's focus groups
- Mental health first aiders

Training & development initiatives:

- Apprenticeship Week celebration
- Stand up for Safety campaign



OUR BUSINESSES

WHY WE ENGAGE

It is imperative that we maintain good levels of engagement with our businesses to support engagement, ensure alignment with our Group strategy, evolve our culture and facilitate knowledge sharing and best practice.

HOW WE ENGAGE

- Quarterly business reviews
- Regular business visits from Group
- Quarterly SLT meetings
- In-person Sector conferences
- CEO updates
- Regular updates from Sector CEOs
- Business visits – this year our Board visited R&G Fluid Power Group (UK), Shoal Group (UK), IS-Group (UK), Clarendon Specialty Fasteners (UK) and Windy City Wire (USA)

OUTCOMES/ACTION TAKEN

- Onboarding programmes for all acquisitions, including Peerless Aerospace
- National Apprenticeship Week, hosted by Clarendon Specialty Fasteners gave UK apprentices the opportunity to meet their peers, learn more about Diploma and ask questions of the Group CEO, Johnny Thomson

OUR CUSTOMERS

WHY WE ENGAGE

We are focused on customer satisfaction and delivering an excellent value-add service. We remain engaged with our customer base, to receive feedback for continuous improvement and to build long-lasting relationships.

HOW WE ENGAGE

- Decentralised model: individual businesses have close customer relationships and are responsive to their needs
- Conferences and trade events
- Long-term relationships
- CEO reports
- Updates from Sector CEOs
- Risk management

OUTCOMES/ACTION TAKEN

- Product innovations across Life Sciences and other Sectors
- Workshops and customer education at our facilities
- Providing value-add services

ENGAGEMENT WITH STAKEHOLDERS AND SECTION 172 STATEMENT CONTINUED

HOW WE ENGAGE WITH OUR STAKEHOLDERS CONTINUED

OUR SUPPLY CHAIN

WHY WE ENGAGE

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

HOW WE ENGAGE

- Decentralised model: individual businesses maintain close relationships with suppliers
- Regular engagement, including audits as appropriate
- Supply Chain Policy
- Clear payment practices
- Updates from Group CEO and Sector CEOs
- Supply chain reporting
- Modern Slavery Statement
- Risk management

OUTCOMES/ACTION TAKEN

- Strong, mutually beneficial partnerships
- Increased number of key suppliers aligned to Group Supplier Code
- Ongoing collaboration to realise innovation
- Strategic alignment and growth opportunities

OUR INVESTORS

WHY WE ENGAGE

We are committed to maintaining an open and constructive dialogue with our shareholders, keeping them informed on performance and strategy so that they can fairly value the Company and ensure our continued access to capital.

HOW WE ENGAGE

- Results presentations by CEO and CFO
- One-on-one meetings undertaken by CEO, CFO and Head of Investor Relations throughout the year
- Comprehensive roadshow programme across the UK, Europe and North America
- Annual General Meeting
- Trading updates, regulatory news items and website updates
- ESG rating schemes
- CEO and CFO feedback on results
- Engagement with the Chair and Committee Chairs as appropriate; including consultation with shareholders on remuneration and the new remuneration policy
- Shareholder briefings and investor relations update by the Head of Investor Relations
- Approval of trading updates, half year and full year results and RNSs
- Reviews of analysts' research

OUTCOMES/ACTION TAKEN

- Consultations on remuneration

ENVIRONMENT AND COMMUNITIES

WHY WE ENGAGE

We value local engagement with our communities. We are committed to conducting business sustainably, targeting net zero and creating long-term value for stakeholders.

HOW WE ENGAGE

- The Group matches donations fundraised by the businesses
- Group Environmental Policy
- More frequent greenhouse gas emissions reporting
- Integrated waste reporting
- DVR governance and workshops
- Training key roles to achieve net zero targets
- Updates from biannual DVR Committees
- Training on climate-related issues and trends

OUTCOMES/ACTION TAKEN

- Continuing initiatives for business relocations to more energy efficient facilities where possible
- Continuing to transition to renewable energy by partnering with electric companies and investing in technological advancements
- Positioning the businesses to support the transition to a lower carbon economy

R&G took on the Yorkshire Three Peaks Challenge to raise over £4000 for local charity, Children Today Charitable Trust.



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 2027, which is a longer period than the 12-month outlook required in adopting the going concern basis of accounting.

A period of three years has been chosen for this assessment, having considered the speed and degree of change possible in key assumptions influencing the Group, as well as the speed of evolution of the footprint of the Group, which collectively limits the Directors' ability to predict beyond the period chosen reliably. Given the pace of change in the primary end segments in which the Group operates, the Directors believe that three years represents the most appropriate timescale over which to assess the Group's viability. This timescale is consistent with the Board's review of the Group's strategy at which the prospects of each business are discussed. As part of this, assumptions are made regarding entering into new markets and geographies; about future growth rates of the existing businesses; and about the acceptable performance of existing businesses.

The Directors confirm that this robust assessment also considers the principal risks and emerging risks facing the Group, as described on pages 55–60, and the potential impacts these risks would have on the Group's business model, future performance, solvency or liquidity over the assessment period. The Board considers that the diverse nature of the Sectors and geographies in which the Group operates acts significantly to mitigate the impact any of these risks might have on the Group.

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

A robust financial model of the Group is built on a business-by-business basis and the metrics for the Group's key performance indicators (KPIs) are reviewed for the assessment period.

The Group's KPIs have been subjected to sensitivity analysis that includes flexing a number of the main assumptions, namely future revenue growth, operating margins and cash flows as a consequence of adverse trading impacts arising from a downturn in the major end markets in which the businesses operate, supply chain disruption and climate related risks. The degree of severity applied in this sensitised scenario 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 downside 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 159. The Group also has a broad spread of customers and suppliers across different geographic areas and independent market sectors, often secured with longer-term agreements. The Group is further supported by a robust balance sheet and strong operational cash flows.

In addition, the Group has also carried out reverse stress tests against the base case financial projections to determine the conditions that would result in a breach of financial covenant. The conclusion of this was that the conditions required to create the reverse stress test scenarios on revenue, operating margin and cash flows were so severe that they were deemed implausible.

The Directors therefore 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 2027. The Directors' assessment has been made with reference to the resilience of the Group as evidenced by its robust performance since the Covid-19 pandemic, its strong financial position and cash generation, 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.

NON-FINANCIAL AND SUSTAINABILITY INFORMATION STATEMENT

This table signposts related non-financial information in this report.

Reporting requirement	Policies	Reference in 2024 Annual report
Anti-bribery and corruption	The Group has a policy on anti-bribery and corruption that complies with the requirements of the Bribery Act 2010. This policy is reviewed periodically to ensure continued and effective compliance in our business through our Learning Management System.	Further detail can be found on our website
Code of conduct	Our Code of Conduct sets out the expected standards of conduct and behaviour of all employees across Diploma as they relate to our people, governance and the law, and stakeholder engagement.	Further detail can be found on our website
Diversity, equity & inclusion (DEI)	Our DEI Policy applies to all our businesses and every aspect of how we work. We believe our business leaders play a key role in creating an inclusive, diverse and equitable workplace and that an effective DEI strategy will add value to our business, contribute to employee wellbeing and allow us to recruit and retain a wider pool of talent.	Further detail can be found in our talent review on pages 14–16 and DVR on pages 50–53
Equal opportunity	Our Group-wide diversity and inclusion commitment is for all candidates to be considered fairly, regardless of their gender, race, age, sexual orientation or any other protected characteristics. Development opportunities are equally applied to all employees regardless of disability. In the event of an existing employee becoming disabled, every effort will be made to ensure their employment with the Group continues and appropriate support is provided.	Further detail can be found on our website
Environment	Our updated policy reflects our commitment to environmental protection and sustainable operations, aiming for net zero emissions by 2045. It focuses on carbon reduction, circular economy practices, water and waste management, biodiversity protection, and sustainable logistics. Key priorities include compliance with environmental standards, ongoing improvement, and engaging stakeholders to minimise environmental impact.	Further detail can be found on our website
Climate-related Financial Disclosures	We summarise our climate-related financial disclosures consistent with all TCFD recommendations and recommended disclosures. By this we mean the four TCFD recommendations and the 11 recommended disclosures set out in Figure 4 of Section C of the report entitled 'Recommendations of the Task Force on Climate-related Financial Disclosures' published in June 2017 by the TCFD.	Further detail can be found in our TCFD statement on pages 61–67

Reporting requirement	Policies	Reference in 2024 Annual report
Health and safety	Our policy commits to ensuring the wellbeing of colleagues, visitors, and partners by fostering a proactive health and safety culture. It highlights the importance of establishing a proactive culture, with ongoing improvements in health and safety practices through audits and governance mechanisms.	Further detail can be found on our website and DVR on pages 50–53
Human rights & labour conditions	Our Human Rights Policy commits us to respecting internationally recognised human rights in line with the principles and guidance contained in the United Nations Guiding Principles on Business and Human Rights.	Further detail can be found on our website
Modern Slavery Statement	The Group has a zero-tolerance approach to slavery in all forms, including human trafficking, forced and child labour. The Board has been assured that slavery is not taking place within the Group.	Further detail can be found on our website
Whistleblowing	We have a Whistleblowing Policy that applies to all employees and businesses and is monitored by the Audit Committee. The Policy is made available to all businesses. Employees are encouraged to raise concerns via the confidential, independently-managed, multilingual hotline, which is available 24/7, 365 days a year. All reports are reviewed by the Group Company Secretary with the support of internal audit and external resources, if required.	Further detail can be found on our website
Supply chain	Our updated Supplier Code of Conduct outlines our commitment to ethical and legal standards across the supply chain. Suppliers must comply with laws on human rights, environmental impact, anti-bribery, and health and safety. We are committed to promoting fair competition, minimising environmental harm, and addressing modern slavery, ensuring sustainable and responsible business practices along our value chain.	Further detail can be found on our website and DVR on pages 50–53

+ FURTHER READING CAN BE FOUND ON OUR WEBSITE AT WWW.DIPLOMAPLC.COM/ABOUT-US/GOVERNANCE/POLICIES/

GOVERNANCE

Compliance with the UK Corporate Governance Code

It is the Board's view that for the financial year ended 30 September 2024, the Company has applied all of the principles and has complied with all of the provisions set out in the UK Corporate Governance Code 2018 (the Code).

PRINCIPLES OF THE UK CORPORATE GOVERNANCE CODE 2018

Board leadership and company purpose	➤ READ MORE ON PAGES 2 AND 78-80
Composition, succession and evaluation	➤ READ MORE ON PAGES 77-80 AND PAGES 90-95
Remuneration	➤ READ MORE ON PAGES 96-119
Division of responsibilities	➤ READ MORE ON PAGE 81
Audit, risk and internal control	➤ READ MORE ON PAGES 54-60 AND 84-89

CHAIR'S INTRODUCTION TO GOVERNANCE



Dear Shareholder,

It is with great pleasure that I present, on behalf of the Board, the Corporate Governance Report for the year ended 30 September 2024. This report summarises how Diploma's leadership and governance structures have supported Diploma over the year in seeking to achieve long-term sustainable success.

Our governance practices have evolved over decades to instil confidence in our investors and create long-term value while enabling our entrepreneurial businesses to thrive. Alongside our financial success, our governance practices champion long-term sustainable growth, enabling accountability, transparency and ensuring our entire Group operates effectively and responsibly.

Throughout the past year, we have continued to develop and embed our Delivering Value Responsibly (DVR) frameworks. Further information on our sustainability programmes can be found on pages 50–53. Insights from our DVR and governance developments have been used to inform steps taken by the Board, the Executive Team and our businesses to improve the efficiency of other systems and processes, with the goal of further empowering our colleagues, increasing agility and speed in execution and enhancing local accountability.

Effective leadership and colleague engagement depends on a healthy, empowered and positive business culture. Diploma has a strong purpose, values, and cohesive cultural fundamentals that govern our actions and provide guidance across our varied businesses. The Non-Executive Directors were pleased to experience this in person during our visits this year to Windy City Wire in the US and R&G, Shoal Group, IS-Group and Clarendon Specialty Fasteners in the UK.

Board succession

With the recently announced new appointments to the Board, I am confident that Diploma will continue to have the effective and resilient leadership required to fulfil our long-term growth ambitions. Janice Stipp joined us in January 2024 and was appointed Chair of the Audit Committee in July 2024, succeeding Anne Thorburn, who stepped down from the Board in September 2024 after nine years.

Additionally, Katie Bickerstaffe joined the Board as Senior Independent Director on 1 October 2024, also succeeding Anne. Jennifer Ward, who joined the Board last year, has assumed the role of Chair of the Remuneration Committee, following the departure of Andy Smith in July 2024 after nine years on the Board.

We announced in October 2024 that Ian El-Mokadem will be joining the Board in the first half of 2025. Ian brings with him a wealth of experience and expertise that will greatly contribute to the continued success of the Group. We look forward to welcoming him and working closely together in the coming year.

The Board recognises the value of diversity and inclusion, a key component of the Group's DVR programme. Having recently completed a refresh of the Board, enhancing diversity in skillset, gender and ethnicity, we are confident that the Board is well-positioned for the future. Further information can be found in our Nomination Committee Report on pages 90–95.

Board evaluation

This year, we undertook an externally facilitated evaluation of our Board and its committees. We engaged an independent firm, BoardClic, to ensure an objective perspective and actionable recommendations. 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 95.

One area of focus was the review of our Committee compositions, reflecting the increased size and complexity of the Group. The following changes will take effect from 1 January 2025. The Audit Committee will comprise Janice Stipp (Chair), Dean Finch, Katie Bickerstaffe and Ian El-Mokadem. The Remuneration Committee will comprise Jennifer Ward (Chair), Katie Bickerstaffe, Geraldine Huse and David Lowden. The Nomination Committee remains unchanged.

Looking ahead

The Board's priorities for FY25 remain consistent, with a continued focus on: the implementation of the Group's strategy; succession planning, managing risk and fostering an empowered and positive culture.

Our AGM will be held on 15 January 2025. 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. I welcome the opportunity to meet with our shareholders at the AGM, but would also remind all stakeholders that the Board and I are available throughout the year to answer questions or engage on topics of interest to you.

David Lowden
Chair

CHAIR’S INTRODUCTION TO GOVERNANCE CONTINUED

BOARD ACTIVITIES



- Strategy
- Finance
- Operations
- Colleagues & culture
- Risk
- Governance

Strategy

- Regularly reviewed the Group’s performance against the strategy.
- Presentations by the Group Corporate Development Director and Sector leadership on strategic priorities and execution against those priorities.
- Reviewed and discussed our sustainability 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

- Received updates on the Group’s financial performance.
- Approved the FY25 budget; monitored performance against the FY24 budget through regular presentations from the CFO.
- Assessed and approved dividend payments, balancing the views of various stakeholders.
- Investor relations: regular reports including share register movement and feedback from analysts and investors.
- Presentations from Tax and Treasury Functions.

Governance

- Regular corporate governance and regulatory updates from the Group Company Secretary.
- Carried out the annual Board effectiveness review, facilitated by an external evaluator.
- Agreed and tracked actions from the 2023 internal evaluation of the Board’s performance.
- Approved the appointments of new Non-Executive Directors.
- Reviewed schedule of matters reserved for the Board and Terms of Reference of its Committees.

Operations

- Regular updates from the Group CEO.
- Monitored and discussed the regulatory and political impacts on the Group’s operations.
- Approval of the annual Modern Slavery Statement.
- Sector presentations.
- Business visits.

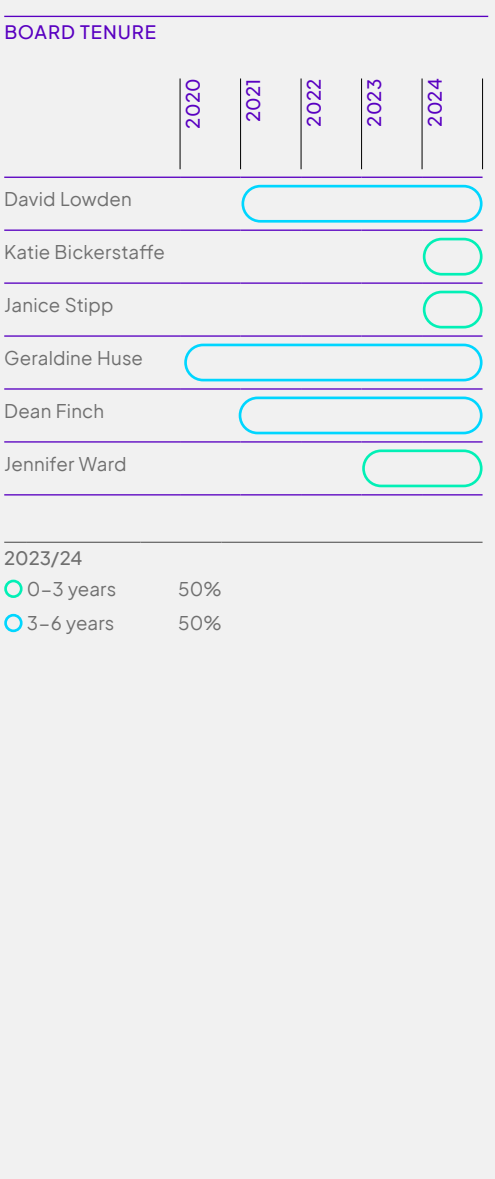
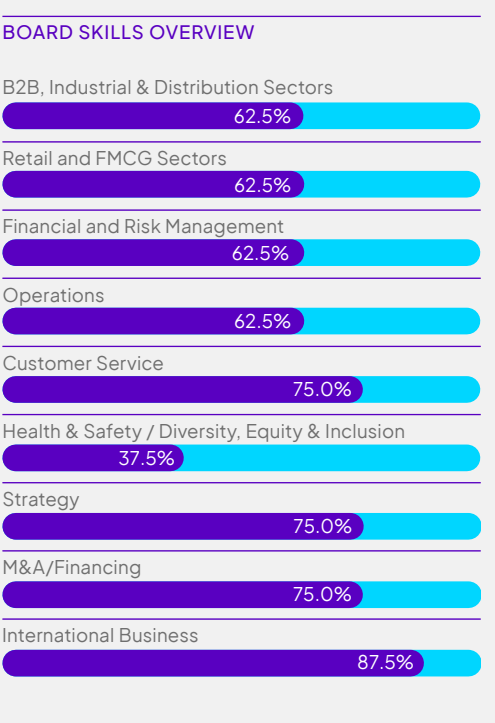
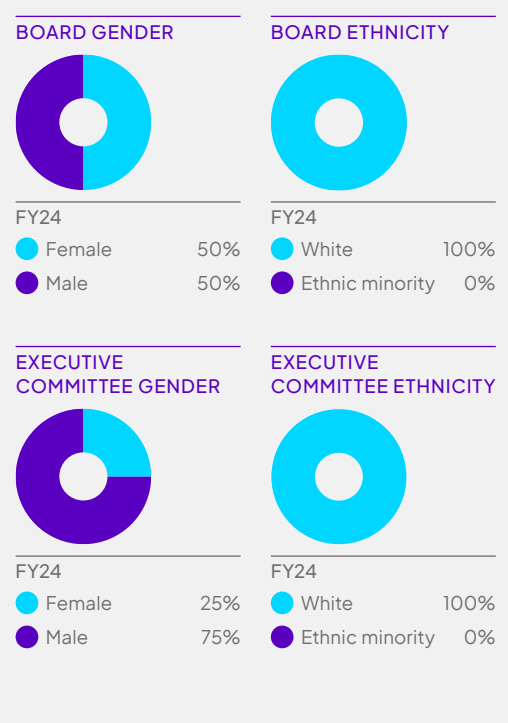
Risk

- 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.

Colleagues & culture

- Reviewed Group Colleague Engagement Survey results.
- Received reports on workforce wellbeing throughout the year.
- UK and US site visits.
- Talent and succession update.
- Whistleblowing reports.
- Sector presentations.

GOVERNANCE AT A GLANCE



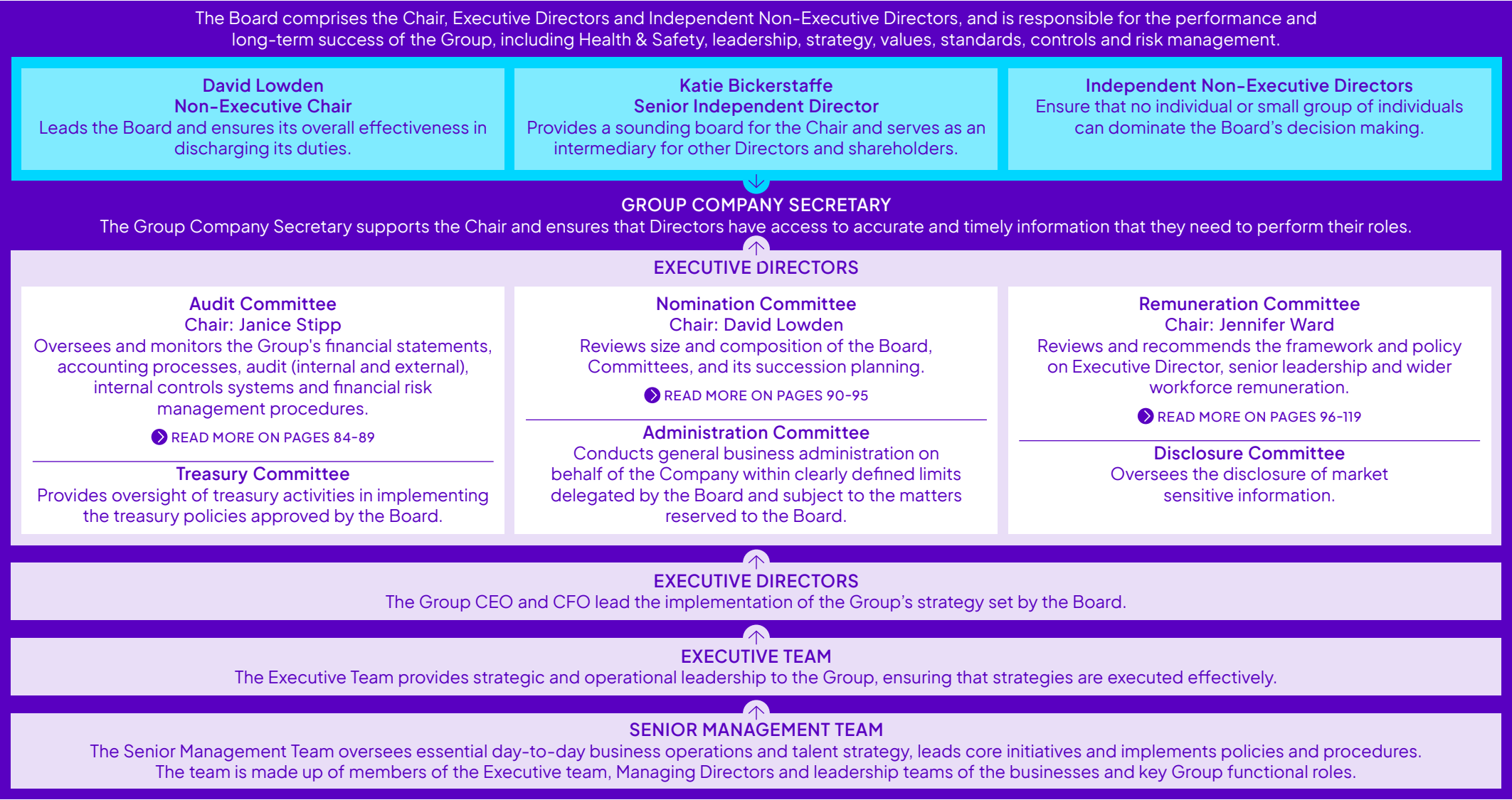
BOARD ATTENDANCE FY24 (AS AT 30 SEPTEMBER 2024)

Member	Board
DAVID LOWDEN	7/7
JOHNNY THOMSON	7/7
CHRIS DAVIES	7/7
ANNE THORBURN	7/7
ANDY SMITH ¹	3/4
GERALDINE HUSE	7/7
DEAN FINCH	7/7
JENNIFER WARD ²	6/7
JANICE STIPP ³	5/6

- 1 Andy Smith stepped down from the Board on 16 July 2024 and was unable to attend the May meeting due to an unavoidable conflict.
- 2 Jennifer Ward was unable to attend the August meeting as it was called on short notice.
- 3 Janice Stipp was appointed to the Board on 17 January 2024 and was unable to attend the August meeting as it was called on short notice.

GOVERNANCE AT A GLANCE CONTINUED

OUR GOVERNANCE FRAMEWORK



BOARD OF DIRECTORS

COMMITTEE MEMBERSHIP

- (R) Remuneration
 (A) Audit
 (N) Nomination
 ● Chair



DAVID LOWDEN
Board Chair & Nomination Chair

Joined: October 2021

Committee membership (N) (R)

Relevant skills and experience:

- Industrial and distribution sectors
- Financial and risk management
- Operations
- Strategy
- M&A and financing
- International business

Current external appointments:

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

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
Group Chief Executive Officer

Joined: February 2019

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

Current external appointments:

- None

Past appointments:

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



CHRIS DAVIES
Group Chief Financial Officer

Joined: November 2022

Relevant skills and experience:

- Retail and FMCG sectors
- Financial and risk management
- Operations and customer service
- Strategy
- M&A and financing
- International business

Current external appointments:

- Non-Executive Director, Motability Operations Group PLC

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



KATIE BICKERSTAFFE
Senior Independent Director

Joined: October 2024

Committee membership (A) (N) (R)

Relevant skills and experience:

- Retail, services and FMCG sectors
- Sales and marketing
- Operations and customer service
- Strategy
- M&A and financing
- Organisational development

Current external appointments:

- Non-Executive Director and Remuneration Committee Chair, Barratt Developments Plc
- Non-Executive Director, abrdn plc
- Senior Independent Director of the England and Wales Cricket Board
- Non-Executive Director at The Royal Marsden NHS Foundation Trust

Past appointments:

- Co-Chief Executive Officer, Marks & Spencer Group Plc
- Executive Chair, SSE Energy Services
- CEO Designate, SSE Plc
- CEO UK & Ireland, Dixons Carphone Plc



JANICE STIPP
Independent Non-Executive Director & Audit Chair

Joined: January 2024

Committee membership (A) (N) (R)

Relevant skills and experience:

- Industrial and services sectors
- Financial and risk management
- Strategy
- M&A and financing
- International business
- Organisational development

Current external appointments:

- Independent Board Member and Audit Committee Chair, ArcBest Corporation
- Non-Executive Director & Audit Committee Chair, Rotork Plc
- Board Member, Michigan State University Research Foundation

Past appointments:

- Independent Board Member, Sappi Ltd
- Independent Board Member, Commercial Vehicle Group Inc
- Independent Board Member, NN Inc
- Independent Board Member, PlyGem Holdings Inc

BOARD OF DIRECTORS CONTINUED

COMMITTEE MEMBERSHIP

(R) Remuneration
(A) Audit

(N) Nomination
(C) Chair



JENNIFER WARD
Independent Non-Executive
Director & Remuneration Chair

Joined: June 2023

Committee membership **(A)** **(N)** **(R)**

Relevant skills and experience:

- B2B industrial, services and retail sectors
- Customer service
- Sales and marketing
- International business
- Organisational development
- Diversity, Equity & Inclusion

Current external appointments:

- Executive Director and Chief Talent, Culture and Communications Executive, Halma Plc

Past appointments:

- Senior Director, Human Resources, PayPal Inc
- SVP Learning & Leadership Development, Bank of America



GERALDINE HUSE
Independent Non-Executive
Director

Joined: January 2020

Committee membership **(A)** **(N)** **(R)**

Relevant skills and experience:

- Retail and FMCG Sectors
- Customer service
- Sales and marketing
- International business
- Organisational development
- Diversity, Equity & Inclusion

Current external appointments:

- President, Procter & Gamble, Canada

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

Committee membership **(A)** **(N)** **(R)**

Relevant skills and experience:

- B2B industrial, services and retail sectors
- Financial and risk management
- Operations and customer service
- Strategy
- M&A and financing
- International business
- Health & Safety

Current external appointments:

- Group Chief Executive, Persimmon PLC

Past appointments:

- Chief Executive Officer, National Express Group plc
- Group Chief Executive, Tube Lines
- Group Finance Director & Group Chief Operating Officer, FirstGroup plc



IAN EL-MOKADEM
Independent Non-Executive
Director

To be appointed: First half of 2025

Ian has a wealth of experience in international, industrial and B2B services businesses and a track record in driving transformation and performance improvement.

Ian is currently Chief Executive of RWS Holdings plc and will stand down in 2025. He is also a Non-Executive Director at Serco Group plc, where he is Chair of the Risk Committee and a member of both the Audit Committee and Nomination Committee.

Ian previously held the roles of Chief Executive at Exova Group plc and was Chief Executive of maritime services provider V.Group for Advent International.



JOHN MORRISON
Group General Counsel &
Company Secretary

Joined: April 2020

An experienced FTSE company secretary and solicitor, John is responsible for the Group's global legal, risk, compliance and governance affairs. John provides support and advice to the Executive Directors, the Board and its Committees. He brings rigour to corporate governance and ensures that Board procedures are fit for purpose and adhered to.

DIVISION OF RESPONSIBILITIES

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

As part of this, the Board monitors progress made against strategic objectives, approving proposed actions, and ensuring that the appropriate internal controls are in place and operating effectively.

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

ROLES AND RESPONSIBILITIES

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
- Remuneration
- Delegation of authority
- Corporate governance and other matters

ROLES IN THE BOARDROOM

Non-Executive Chair

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

Independent Non-Executive Directors

- Ensure that no individual or small group of individuals can dominate the Board's decision-making.
- Provide constructive challenge, give strategic guidance, offer specialist advice and hold executive management to account.
- Independent Non-Executive Directors meeting the independence criteria set out in the Code comprise more than half of Board membership.

Senior Independent Non-Executive Director

- Leads the Board and ensures its overall effectiveness in discharging its duties.
- Provides the Chair with support in the delivery of objectives, where necessary works closely with the Nomination Committee, leads the process for the evaluation of the Chair and ensures orderly succession of the Chair's role.
- Acts as an alternative contact for shareholders, providing a means of raising concerns other than with the Chair or senior management.

Group CEO & Group CFO

- Lead the implementation of the Group's strategy set by the Board.
- Group CEO is responsible for delivering the strategy and for the overall management of the Group.
- Group CEO leads the Executive team and ensures its effectiveness in managing the overall operations and resources of the Group.
- Executive Directors provide information and presentations to the Board and participate in Board discussions regarding Group management, financial and operational matters.
- Matters delegated to the CEO and CFO include managing the Group's business in line with the Group's strategy, annual budget and implementation of the risk governance framework.

Group Company Secretary

- Supports the Chair and ensures the Directors have access to the accurate and timely information they need to perform their roles.
- Is the trusted interlocutor within the Board and its Committees, and between executive management and the Non-Executive Directors.
- Advises the Board on legal and corporate governance matters and supports the Board in applying the Code and complying with UK listing obligations and other statutory and regulatory requirements.

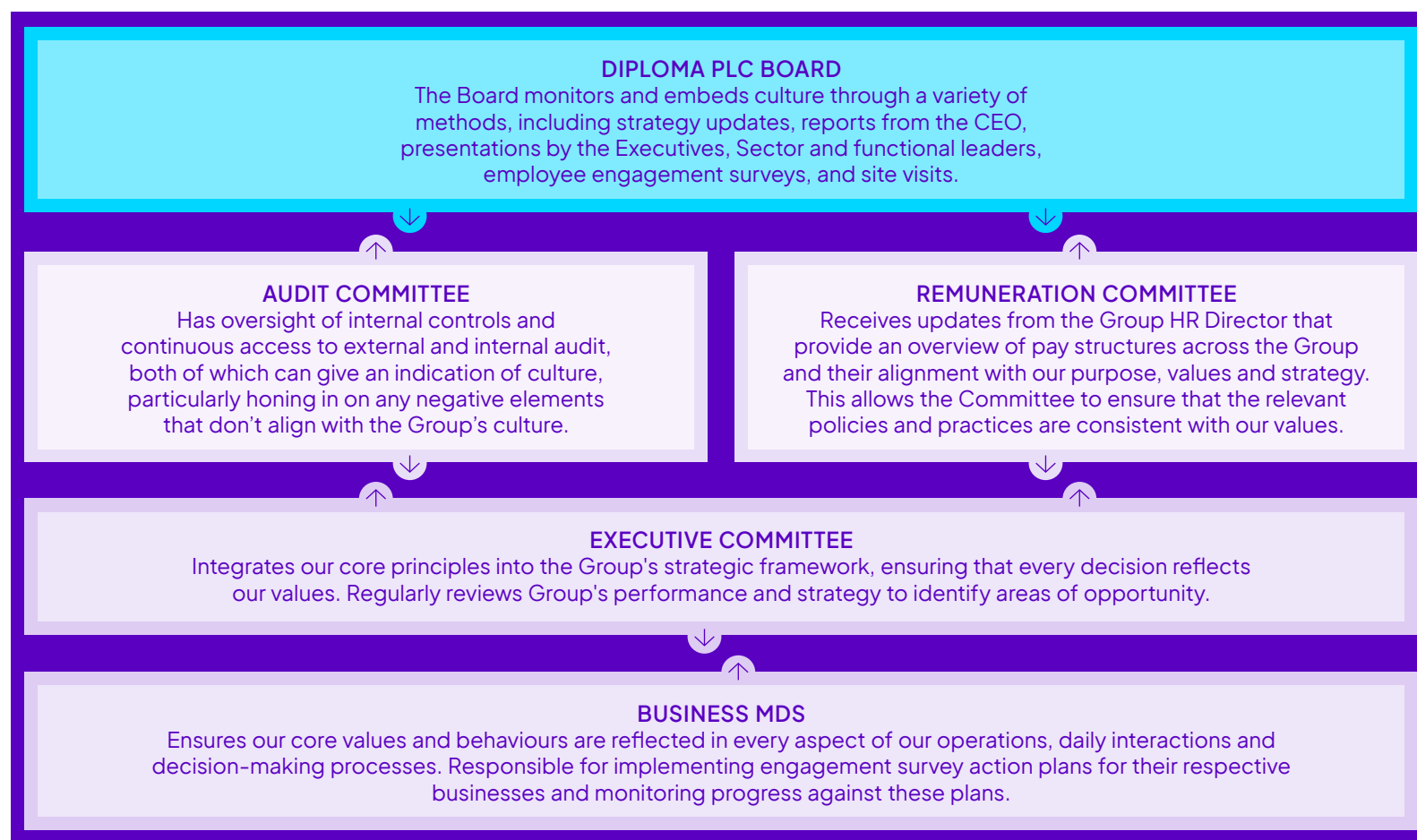
HOW DIPLOMA EMBEDS AND MONITORS GROUP VALUES AND BEHAVIOURS

Successfully scaling up our value-add distribution model requires constant evolution, and our culture has a critical role to play in supporting growth.

The Board is responsible for ensuring that the Group achieves its purpose, which is to innovate, create and deliver value-add solutions for a better future. 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. During the year, the Board has embedded and monitored culture in a number of ways. This includes business visits, presentations from Sector leadership, strategy review sessions, and updates on people and culture from the Group HR Director.

In reviewing the implementation of the Group's strategy, the Board ensures that the objectives of our purpose are met whilst also taking into account the risks and opportunities facing the Group. For example, when considering acquisition strategies, cultural fit is an important area of focus and discussion.

OUR FRAMEWORK FOR EMBEDDING AND MONITORING VALUES AND BEHAVIOURS



HOW DIPLOMA EMBEDS AND MONITORS GROUP VALUES AND BEHAVIOURS CONTINUED

Shared values and behaviours in a decentralised model

Our decentralised model means that culture is embedded in our businesses, each of which has its own unique attributes. We believe this is critical to the accountability and empowerment that underpins the Group's success.

Whilst remaining decentralised and maintaining their own unique identity, our businesses also benefit from shared values; shared best practices, intercompany networks and exceptional leadership teams.

Employee engagement

The Board 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 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:

- 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 of 87% and engagement index score of 79%; the full results of the survey are detailed on page 51.

BOARD SITE VISITS

One of the ways the Board experiences and evaluates the culture is through meeting with colleagues across our businesses.



Visit to R&G in Lincoln

During a site visit to R&G in the UK in March 2024, the Board engaged directly with employees and management to gather valuable insights that inform our strategic decisions. This provided a unique opportunity to understand the nuances of our workplace culture and employee engagement firsthand.



The Board gained a deeper appreciation of the challenges and successes experienced on the ground. The feedback obtained during this visit and other site visits throughout the year will play a role in shaping our policies and initiatives, ensuring our decision-making is aligned with the needs of our workforce.

AUDIT COMMITTEE REPORT



JANICE STIPP
CHAIR OF THE AUDIT COMMITTEE

Member	Meetings attended during FY24	Joined
JANICE STIPP ¹ (Chair)	●●●	January 2024
ANNE THORBURN ²	●●●●	September 2015
ANDY SMITH ³	●●○	February 2015
GERALDINE HUSE	●●●●	January 2020
DEAN FINCH	●●●●	May 2021
JENNIFER WARD	●●●●	June 2023

1 Janice Stipp was appointed to the Board on 17 January 2024 and was appointed as Chair of the Audit Committee on 16 July 2024.

2 Anne Thorburn stepped down as Chair of the Audit Committee on 16 July 2024 and stepped down from the Board on 30 September 2024.

3 Andy Smith was unable to attend the May meeting due to an unavoidable conflict. Andy stepped down from the Board on 16 July 2024.

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 risk management and internal control, the performance of internal and external audit functions, as well as the behaviour expected of the Group’s employees through the Whistleblowing Policy and the Group’s Code of Conduct. This is in line with the FRC’s Minimum Standard where relevant, as described in the Audit Committee Report. The Committee continues to focus on monitoring and overseeing management on continual improvements to governance, compliance and financial safeguards.

➕ **TERMS OF REFERENCE**
CAN BE FOUND ON OUR WEBSITE
AT WWW.DIPLOMAPLC.COM/ABOUT-US/GOVERNANCE/

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 and Accounts and received reports from the Group 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 revisions to the UK Corporate Governance Code and what this means for the Group’s risk internal control framework as well as future reporting under section 172 Companies Act 2006. Received regular updates from the external auditor on reporting developments.
- Approved the Going Concern and Viability Statements.
- Reviewed trading updates.

- Reviewed the Half Year and Year End announcements received reports from the external auditor on the key accounting issues and areas of significant judgement.
- Reviewed the effectiveness of the Group’s risk management and internal control and, where appropriate, made recommendations to the Board on areas for improvement.
- Invited the Group Head of Internal Audit 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 report from the CFO on the controls in place to mitigate fraud risks.
- Continued to monitor developments in audit reform and changing best practice.
- Approved the Committee work programme for 2025.

AUDIT COMMITTEE REPORT CONTINUED

Dear Shareholder

I am delighted to write to you as the new Chair of the Audit Committee for Diploma. I was appointed to the Board in January 2024 and became Chair of the Audit Committee in July 2024, and it is with great enthusiasm that I step into this role.

The role of the Audit Committee is vital to ensuring the integrity and transparency of our financial reporting and internal controls, and I am fully committed to upholding the highest standards in these areas.

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.

As part of the Group's year-end reporting process, the Committee has thoroughly reviewed and challenged management's approach, analysis, and recommendations, incorporating the perspectives of the external auditor to finalise the Annual Report and Accounts. Additionally, the Committee has continuously assessed and monitored the Group's principal and emerging risks on an ongoing basis.

Throughout the year, we have dedicated significant time and resources to preparing for much-anticipated governance reforms. This involved continued development and implementation of our redesigned internal control framework, aimed at enhancing the robustness of our internal controls, audit processes, and financial reporting standards, ensuring greater transparency and accountability within the Group. Although the Government has decided to withdraw the secondary legislation that would have formalised some of these governance changes, they continue to move forward with plans to establish the Audit, Reporting and Governance Authority (ARGA) as the successor to the Financial Reporting Council (FRC).

“Long-term value creation is sustained by fostering a culture of integrity and transparency.”

In anticipation of these changes, we have proactively continued our internal planning efforts, ensuring that we are well-positioned to meet the new compliance requirements when they come into effect. This will remain a recurring item on the Committee's agenda in the coming year, as we work to embed this into our operational framework.

As Audit Chair, I am committed to having regular conversations with the Group CFO, Group Head of Internal Audit, Group Financial Controller, Group Company Secretary & General Counsel and also the audit partner at PricewaterhouseCoopers LLP (PwC), our external auditor. PwC has now completed its seventh full annual cycle, with Richard Porter leading since FY23. 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 FY27 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, which 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.

Looking forward, I am enthusiastic about the opportunities we have to further strengthen our governance practices and enhance our oversight functions. To that end, I am committed to engaging closely with our external audit partner to ensure a thorough and effective audit process and with our Head of Internal Audit to support a robust internal audit program. By maintaining an ongoing dialogue and alignment on audit priorities, we aim to identify and address any risks promptly and effectively, ensuring that our internal controls are not only effective but also continuously improving.

I am excited about the journey ahead and committed to working closely with all stakeholders to ensure Diploma remains well-positioned for continued success. I look forward to meeting shareholders at the AGM on 15 January 2025 and will be happy to respond to any questions relating to the activities of the Audit Committee.

Janice Stipp
Chair of the Audit Committee
19 November 2024

AUDIT COMMITTEE REPORT CONTINUED

AUDIT COMMITTEE

The Committee is chaired by Janice Stipp and comprises five 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. Janice has recent and relevant financial experience, as required by the Code.

The Group General Counsel & Company Secretary acts as Secretary to the Committee. The Executive Directors and Board Chair also regularly 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 or management 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 2024 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 and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group’s position, 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 2024. 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 Peerless Aerospace and PAR Group. The acquisitions were material for the FY24 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 provisional accounting for these two acquisitions and the other five smaller acquisitions is appropriate.

Provisions for excess and slow-moving inventory

The Committee reviewed the CFO report 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; it 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 commercial and trading-related matters during the year.

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

Impairment of goodwill

The Committee considered the carrying value of goodwill and the assumptions underlying the impairment review. The judgements in relation to goodwill impairment largely relate to the assumptions underlying the calculations of the value in use of the cash-generating units (CGUs) being tested for impairment.

These judgements are primarily the calculation of the discount rates, which have decreased, largely due to the reduction of the risk free rate and cost of debt; the achievability of management’s forecasts in the short to medium-term against the backdrop of a challenging macroeconomic environment; 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.

AUDIT COMMITTEE REPORT CONTINUED

Other audit matters

The Committee also considered other 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 aware of the UK High Court legal ruling in June 2023 between Virgin Media Limited and NTL Pension Trustees II Limited that was subsequently upheld by the Court of Appeal on 25 July 2024 in which certain historic rule amendments were invalid if they were not accompanied by actuarial certifications. The Committee understands that this judgment will need to be reviewed for its relevance to the Diploma Holdings PLC UK Pension Scheme and due to the recency of this, the Pension Scheme advisers have not yet completed any analysis and no adjustments have been made to the consolidated financial statements as at 30 September 2024. 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 severe but plausible downside case. The base case reflects actual recent trading and the downside case reflects a more significant decline in trading, lower than forecast operating margins, and adverse cash flows, and is considered by management to be a severe but plausible downside scenario.

ENGAGEMENT OF THE EXTERNAL AUDITOR

The external auditor, led by audit partner Richard Porter, is engaged to express an opinion on the financial statements of the Group. 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 Group 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.

AUDIT COMMITTEE REPORT CONTINUED

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 on Going Concern and Viability. Further detail on the assessment of Viability and the Viability Statement are set out on page 72. Further details on Going Concern can be found on page 168.

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 FRC Revised Ethical Standard 2019.

The Group 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 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 an Interim Review of the Group’s half year consolidated financial statements (£80,900). Included within this is access to PwC’s Viewpoint technical subscription service.

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 27 to the consolidated financial statements.

The Committee assures itself of the auditor’s independence by receiving regular reports from the external auditor that 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 risk management and internal control on pages 54 to 60.

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 subsequent reforecasts, which have been approved and reviewed by the Board. All capital expenditure exceeding predefined amounts must be supported by a paper prepared by management.

All financial data is taken directly from each business’ trial balance, which is held in their local ERP system. This is 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’s internal audit function regularly audits the base data at each business to ensure it is properly reported through to the Group management reporting system.

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.

In conjunction with the upcoming requirements of the UK Corporate Governance Code 2024, the risk management and internal control framework was revitalised. This framework will provide a structured approach to ensure that significant financial and reporting, operational and cybersecurity, compliance and strategic risks are sufficiently mitigated by clearly defined key controls. The Committee is confident of management’s plan to implement this framework, which will also enable the Board to execute its duty in compliance with the requirements of the new UK Corporate Governance Code 2024.

AUDIT COMMITTEE REPORT CONTINUED

The Committee has reviewed the effectiveness of the Group’s risk management and internal control systems for the period from 1 October 2023 to the date of this report. Taking into account the matters set out on pages 57 to 60 relating to principal risks and uncertainties and the reports from the Group Head of Internal Audit, 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 Group CFO and Chair of the Audit Committee. The department comprises a Group Head of Internal Audit and three Group Internal Auditors.

The Committee received, considered and approved the 2024 Internal Audit plan which was developed using a risk-based approach considering the Group’s control environment and principal risks. The audit plan was developed based on the premise that all businesses are audited at least once every three years. In 2024, the Group Head of Internal Audit also commissioned a speciality Operational Technology review conducted by an external specialist.

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. The reports are also shared with the external auditors.

During the year, a new web-based audit system was implemented which allows documentation of audit testing, reporting and recording and live tracking of audit issues. The Group Head of Internal Audit monitors progress on the resolution of issues and regularly engages with Sector management to ensure engagement on resolution is maintained at all levels.

The Group Head of Internal Audit formally reports to the Committee on the results of the work carried out by the Internal Audit 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 Head of Internal Audit to review some of the department’s reports and discuss their findings.

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

At the end of the year, the CFO conducted an internal review of the effectiveness of the Internal Audit function. The feedback was positive overall with the function considered to have operated effectively.

The Committee also 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 to the size and nature of the Group.

Whistleblowing

The Committee also monitors the adequacy of the Group’s Whistleblowing Policy and protocols, which provide the framework to encourage and give employees confidence to speak up and report irregularities. The Policy, together with hotline posters, which are available to all businesses. 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 & General Counsel 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 and 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



DAVID LOWDEN
NOMINATION COMMITTEE CHAIR

Member	Meetings attended during FY24	Joined
DAVID LOWDEN (Chair)	●●	October 2021
GERALDINE HUSE	●●	January 2020
DEAN FINCH	●●	May 2021
JENNIFER WARD	●●	June 2023
JANICE STIPP	●	January 2024
ANDY SMITH ¹	●	February 2015
ANNE THORBURN ²	●●	September 2015

1 Andy Smith stepped down from the Board on 16 July 2024.
2 Anne Thorburn stepped down from the Board on 30 September 2024.

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

Succession planning for the Board and Audit Committee.

Recruitment of Janice Stipp, Katie Bickerstaffe and Ian El-Mokadem.

Consideration of a detailed skills, experience and diversity matrix that sought to identify recruitment priorities based on identified gaps, industry expectations and good practice.

Reviewing Board and Committee Diversity in detail as well as wider Group Diversity & Inclusion.

Consideration of the contributions and effectiveness of the Non-Executive Directors seeking re-election at the FY24 Annual General Meeting, prior to giving recommendations to the Board and shareholders for their re-elections.

Keeping the Group's leadership and succession requirements under active review.

NOMINATION COMMITTEE REPORT CONTINUED

Dear Shareholder

I am pleased to set out 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 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 with consideration of the experience and expertise of existing Directors, any required skill sets or competencies, and the strategic requirements of the Group. During FY24 and into FY25, the composition of the Board has continued to change reflecting the continued evolution of the Board, the Company and the Group.

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 key focus of the Committee during this past year has been on Board succession planning and composition, primarily the search for the Senior Independent Director and an additional director to bring additional skills and experience to the Board following the departures of directors.

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 Group. This allows us to identify where further focus is needed in the coming years and beyond.

We are mindful of the importance of improving diversity and inclusion, together with the targets set by the Hampton-Alexander Review and the Parker Review. The Board sees increasing diversity at the Board level as an essential element in attaining our strategic objectives and achieving sustainable and balanced development for the Group. At the end of the financial year, four out of eight Directors (50%) were women but we had no Board members from an ethnic minority background, and therefore did not meet the target ethnic minority representation.

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



Demand for talent amongst UK listed companies in this regard is high and it is therefore acknowledged that the search for suitable candidates to join the Board, having regard to the individual's skills, experience and knowledge and requirements of the Board, took longer than envisaged when I wrote to you last year. We are confident that, following the recent refresh of the Board's composition, the Board is well-positioned for the future.

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 51) about our Group-wide approach to diversity and inclusion, which emanates from the Board and impacts the approach of the Nomination Committee.

The guidance from the Financial Reporting Council (FRC) 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 a diverse range of 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 of 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
Nomination Committee
19 November 2024

NOMINATION COMMITTEE REPORT CONTINUED

NOMINATION COMMITTEE

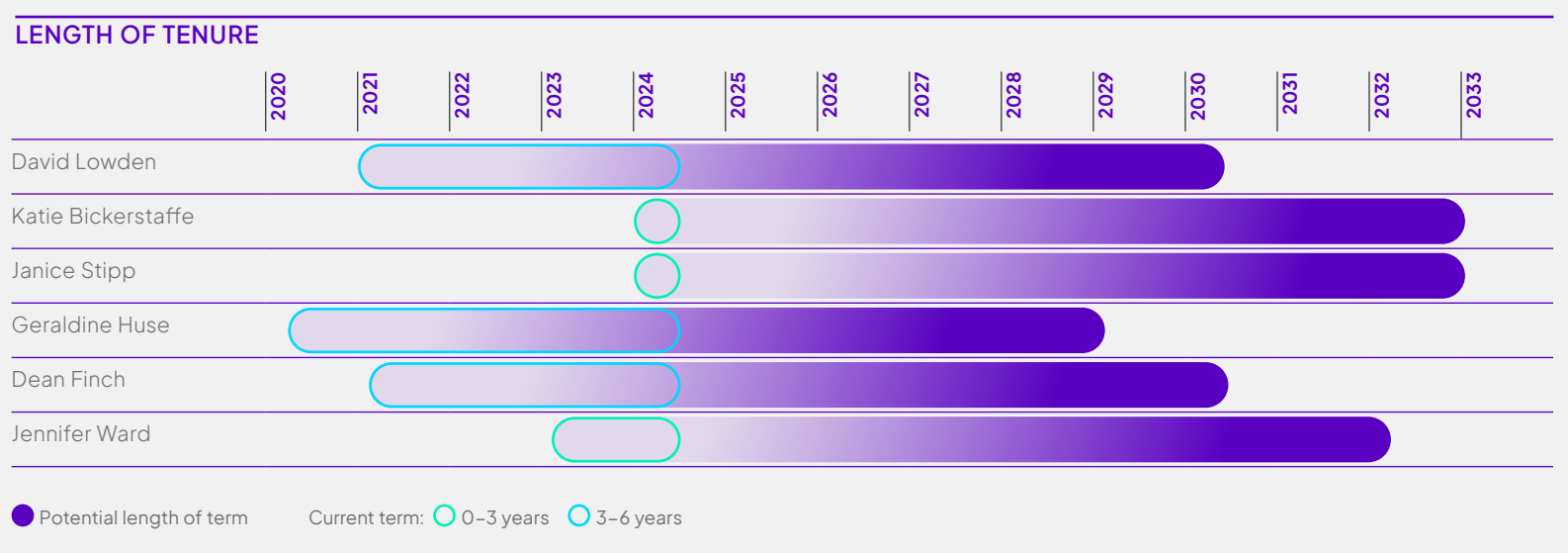
The Nomination Committee is chaired by David Lowden, Board Chair. The Committee comprises the Non-Executive Directors and meets as necessary to discharge its responsibilities.

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 roles and responsibilities are set out in its Terms of Reference, which were reviewed during the year and approved by the Board.

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Succession planning
The Committee formally reviews succession planning for the Board, Group General Counsel & Company Secretary, 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 2024, the Committee undertook a regular, thorough analysis of the Board’s competencies. The Committee also considered how the Board would need 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 Group CEO manages the development of succession plans for the Executive Team, and these are overseen by the Committee. The Group CEO and Group HR Director presented a succession planning and talent management update to the Board in January 2024.

The Committee is aware of the importance of identifying critical roles within the businesses to ensure Diploma retains and motivates key talent and has 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 of nine years, as determined by applicable UK standards.

NOMINATION COMMITTEE REPORT CONTINUED

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 when 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. Site visits by individual Directors (and the Board as a whole) are undertaken during the year as well, with this year focusing primarily International Seals.

These visits allow 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.

PROCESS FOR BOARD APPOINTMENTS

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

During the year we engaged Korn Ferry in connection with the recruitment of Janice Stipp and Katie Bickerstaffe. Russell Reynolds Associates were engaged in connection with the appointment of Ian El-Mokadem. Neither Korn Ferry or Russell Reynolds Associates have any other connection to the Group, other than providing executive search services.

IAN EL-MOKADEM
INDEPENDENT NON-EXECUTIVE DIRECTOR



ONBOARDING PROCESSES

The decentralised nature of the Group has always made induction processes complex. Ideally we seek to arrange face-to-face meetings with key executives and functional leadership, introductions to their direct reports, one-to-ones following the initial meetings, and site visits arranged to key businesses. Parts of the induction plan are conducted via video calls, particularly where key people are located outside of country of residence of the particular Director. 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.

BOARD SUCCESSION PLANNING



NOMINATION COMMITTEE REPORT CONTINUED

Diversity & Inclusion

Diversity is a key consideration when assessing the Board’s composition and that of its Committees, as well as the wider Group, to ensure the development of a diverse pipeline for succession. The Committee has worked hard to ensure the Board is sufficiently diverse to meet and support its future strategic developments.

The Board and this Committee consider a broad definition of diversity when setting policies and appointing Directors. This includes: ethnicity, religion, socio-economic background, gender, sexual orientation, age, disability, partnership status, culture, personality and professional experience.

The Board confirms that as at 30 September 2024 (being the reference date selected by the Board for the purposes of this disclosure) the Company had fully complied with the gender diversity targets of Listing Rule 6.6.6.R(9) and the FTSE Women Leaders Review.

The Committee notes the Parker Review and the ethnicity diversity targets of Listing Rule 6.6.6R(9) and acknowledged that further work is required for the Board and its Committees to become more ethnically diverse. In order to develop a truly diverse culture, the Board and its Committees recognises it needs to set the tone and become more proportionately representative of its workforce and the stakeholders it serves.

As at 30 September 2024 the Company did not meet the Listing Rule 6.6.6R(9) ethnicity target for Board members of at least one individual on its Board from a minority ethnic background. However, following the appointment of Ian El-Mokadem in 2025, the Company will satisfy this requirement.

In order to collect the data for the gender and ethnic diversity disclosures, the Board and its executive management team were each sent a series of questions to complete, including asking how they self-identify in each of the designated categories under the Listing Rules disclosure. This data was then collected with results recorded and retained for future records.

Board and Executive Management Gender Identity

	Number of Board Members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of management
Men	4	50%	3	6	75%
Women	4	50%	1	2	25%

Board and Executive Management Ethnic Identity

	Number of Board Members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
White British or other White (including minority-white groups)	8	100%	4	8	100%

NOMINATION COMMITTEE REPORT CONTINUED

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 2024, the evaluation of the Board as a whole and of its committees was externally facilitated by BoardClic. This was the Board's first collaboration with BoardClic, a leading provider of board evaluation services. BoardClic's approach is aligned with international best practice for board reviews, including the Corporate Governance Institute's Code of Practice, ensuring a robust and effective review process. Board members completed questionnaires regarding the operation and effectiveness of the Board and its Committees.

The below recommendations were made following last year's Board performance evaluation.

Recommendation	Progress made
Board and Committee structures	Committee structures and schedules were deemed appropriate for FY24 and changes to the Audit and Remuneration Committee compositions will be implemented in FY25 to reflect the increased size and complexity of the Group.
Enhanced risk management	Continued to develop our risk management processes and focus on climate-related and emerging risks.
Stakeholders	Improved understanding of key stakeholders, including customers, during Board business visits and with additional deep-dive sessions as appropriate.

Findings were collated by BoardClic to form the basis of interviews with each director, the Company Secretary and key executives who regularly interacted with the Board. The results of the 2024 evaluation process were considered and debated in detail by the Board. The conclusion was that the Board, its members and its committees continue to function well, but there was scope for improvement reflecting the increased size as well as the increasing complexity incumbent upon the Group. Directors operated in an atmosphere of open and constructive debate with a good breadth of skills, experience, and viewpoints. Following the evaluation, a number of recommendations were made which are outlined in the table opposite.

KEY AREAS FOR DEVELOPMENT	
The below recommendations were made following this year's externally facilitated Board performance evaluation. The Company expects to update shareholders on the progress made in relation to the matters identified below in its 2025 Annual Report and Accounts.	
RECOMMENDATION	ACTION
Board and Committee structures	Establish revised Committee structures from 1 January 2025 and enhance the onboarding process for new Directors.
Enhanced risk management	Continue to develop risk management processes with an increased focus on climate-related and emerging risks, in line with our overall strategy.
Role of the Board on strategy	Take the following actions to evolve strategy discussions: (i) Sector presentations to the Board to include strategy and market opportunities and (ii) ensure big issues such as disruptors, trends and opportunities are captured during the Board's strategy day.
Talent & Succession	To increase focus on talent and succession planning at the General Manager level.

REMUNERATION COMMITTEE REPORT



JENNIFER WARD
REMUNERATION COMMITTEE CHAIR

Member	Meetings attended during FY24	Joined
JENNIFER WARD ¹ (Chair)	●●●●●	June 2023
DAVID LOWDEN	●●●●●	May 2021
ANDY SMITH ²	●●○	February 2015
ANNE THORBURN ³	●●●●●	September 2015
GERALDINE HUSE ⁴	●●●●○	January 2020
DEAN FINCH	●●●●●	May 2021
JANICE STIPP ⁵	●●●●	January 2024

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 workforce remuneration policies.

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KEY MATTERS DISCUSSED

Approved Remuneration Committee work programme for 2024.

Reviewed the AGM 2024 votes on the 2023 Remuneration Committee Report.

Reviewed and proposed the new Directors' Remuneration Policy.

Approved annual performance bonus targets and the subsequent bonus awards for 2024.

Approved new Performance Share Plan (PSP) awards for Executive Directors and Group senior management.

Confirmed the vesting percentages for the PSP awards made in November 2021, which crystallised in 2024.

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 2024 Remuneration Committee Report.

1 Jennifer Ward was appointed as Chair of the Remuneration Committee on 16 July 2024.
2 Andy Smith stepped down from the Board and from the role of Chair of the Remuneration Committee on 16 July 2024.
3 Anne Thorburn stepped down from the Board on 30 September 2024.
4 Geraldine Huse was unable to make a meeting due to an unavoidable conflict.
5 Janice Stipp was appointed to the Board on 17 January 2024.

REMUNERATION COMMITTEE REPORT CONTINUED

Dear Shareholder

I was delighted to join the Diploma Board in June 2023 and accept the role of Chair of the Remuneration Committee with effect from July 2024. My heartfelt thanks to my predecessor, Andy Smith for his support in ensuring a seamless transition.

As the Chair of the Remuneration Committee, I am pleased to present our Directors' Remuneration Report (DRR) for the year ended 30 September 2024.

Performance, business growth and context

It is a pleasure to present my first DRR as Remuneration Committee Chair with such positive outcomes to report. Diploma has delivered exceptional performance under the Executive Directors' leadership. Since the appointment of Johnny Thomson as CEO, the Group has grown total revenue by 150% to £1,363m, with a strong average annual organic growth of 7%. It has accelerated adjusted earnings per share (EPS) by 127% to 145.8p, and effectively deployed £1.3bn of capital on 41 complementary acquisitions, at an average return on capital of 17%. This consistently strong performance has been achieved because of a focused growth and scaling strategy, with exceptional execution.

Diploma has grown in both scale and complexity in this period. We have further penetrated our core geographies; successfully diversified our portfolio to build revenue resilience through end markets and product expansion; and have grown the size of our workforce by 75%.

Ensuring that we are nurturing our growing workforce is an issue close to my heart and a responsibility of the Committee that I do not take lightly. Since joining the Board it has been encouraging to observe a clear focus on employee engagement and culture as part of our Delivering Value Responsibly (DVR) strategy.

The Group's strong performance has driven total shareholder returns (TSR) of 278% in the period since Johnny Thomson became CEO (February 2019), compared to a FTSE 100 average of 46%. Over the same period, market capitalisation has grown to £5.9bn, from £1.5bn, with Diploma's position in the FTSE rising from 197 to 61 over the same time period.

The Board recognises the pivotal role of exceptional leadership in delivering this strong performance at increased scale and complexity, within a decentralised Group. Our Group reward philosophy is to drive and reward high performance and we're focused on ensuring that the Executive Director Remuneration Policy and pay frameworks across the organisation are aligned to this.

Performance and pay outcomes for 2024

In the past year, Diploma has delivered another strong performance and the organisation is well positioned to deliver sustainable quality compounding into the future.

Bonus outcomes for FY24

The FY24 bonus was based on 50% adjusted operating profit, 25% revenue and 25% free cash flow, with operating profit and revenue agreed by the Committee to be assessed on a constant currency basis, consistent with previous years. On a constant currency basis, the Group's adjusted operating profit in 2024 was £293m exceeding the maximum target of £279m and revenue was £1,398m, exceeding the maximum target of £1,372m. Reported free cash flow was £198m, exceeding the maximum target of £176m. Against this backdrop of exceptional business performance in FY24, I am pleased to report that the formulaic outturn of the bonus plan for the year is 100% of maximum opportunity, having exceeded the stretching maximum target level for all bonus performance measures.

This results in full bonus payments for Johnny Thomson and Chris Davies, respectively, representing 125% of salary for both. For Chris, 50% of his bonus will be deferred into shares until he meets his minimum shareholding requirement (250%) in line with the Policy; Johnny's shareholding far exceeds the minimum shareholding requirement so his bonus is not required to be deferred by the Policy and will be paid entirely in cash.

2021 PSP Award Vesting

The 2021 Performance Share Plan (PSP) award came to the end of its three-year performance period on 30 September 2024. This award was calculated with 50% based on growth in adjusted EPS and 50% on TSR outcomes. Return on adjusted trading capital employed (ROATCE) performance underpins the plan.

Diploma's three-year CAGR for adjusted EPS performance was 19.6%, exceeding the maximum target of 12% CAGR and our three-year TSR growth performance was 50.9%, compared to the upper quartile of the FTSE 250 (excluding investment trusts) peer group of 26.3%, placing Diploma at the 87th percentile when compared to the comparator group. Finally, our ROATCE was 19.1%, which is in line with the Group's financial model and Board's expectation. As a result of this superior performance over the period, the PSP has vested at maximum for all PSP participants including the Executive Directors.

The Committee considered both the FY24 bonus and 2021 PSP outturns within the wider business and economic context, and agreed unanimously that they are a fair reflection of the business's performance and fair reward for participants of these plans. Therefore no Committee discretion will be exercised to alter the formulaic outcomes.

REMUNERATION COMMITTEE REPORT CONTINUED

Remuneration policy review

This year the Committee conducted a comprehensive review of the existing Policy to ensure that it remains fit for purpose. It is imperative the Company can retain and attract the talent that has delivered the shareholder value creation to date and in the future. The Remuneration Committee and the Board believe it remains critical that remuneration keeps pace with the growth and scaling of the Group. Against this backdrop of exceptional growth, the Board decided to expedite this Remuneration Policy review by one year.

Over the summer, we conducted extensive consultation with our shareholders representing 53% of our register as well as all three proxy agencies. Feedback from these sessions was very helpful to the Committee in shaping the final proposals outlined below. We were pleased to hear from our shareholders that they were supportive of the changes outlined and understood the rationale and requirements of the Company in ensuring remuneration remains aligned to the market and retentive to our high-performing executives as the business continues to grow and deliver market-leading shareholder returns.

We are proposing to update the Policy for our Executive Directors to reflect that:

- The Group has delivered exceptional performance over the last five years, with ca. 127% adjusted EPS growth, taking the Group from FTSE 197 to FTSE 61 with a strong trajectory to continue this track record
- Competitive and attractive remuneration is key to retaining a high-performing CEO and CFO who have been instrumental in delivering performance to date
- The Group's strategy remains ambitious to deliver sustainable quality compounding for the long term
- In addition to moving up the FTSE, the Group has grown in scale and complexity and requires exceptional leadership to continue to execute its growth strategy

The proposed Policy and implementation changes would:

- Increase bonus policy maximum and base salaries to keep pace with growth and market
- Introduce a non-financial metric to the bonus to ensure a critical focus on colleague engagement as we grow and scale
- Ensure continued Committee review of performance targets to ensure they remain appropriately stretching as the business continues to grow and scale

Specifically on bonus we are proposing to increase the opportunity under the bonus plan for Executive Directors which, at 125% of salary, currently sits below the lower quartile of the FTSE 51-100. The Committee is proposing increasing this value to a maximum of 200% for CEO, and to 180% for CFO, implemented immediately – aligning both roles with the median of the FTSE 51-100 peer set (with Diploma currently positioned at FTSE 61).

We will also introduce a single non-financial measure in our bonus to reflect a key aspect of our DVR strategy. The measure, weighted at 5%, will be employee engagement to recognise the importance of a highly motivated workforce within a decentralised and fast-growing service business. The maturity of our Diploma employee survey will enable reliable, rigorous reporting.

To ensure base salaries keep pace with the growth of the Group, are competitive and recognise the additional complexity within leadership roles, the Board has also awarded a CEO salary increase of 12% reflecting Johnny's position in relation to the relevant FTSE 51-100 market benchmark and his continued performance in role. The CFO will receive a salary increase of 4%, in line with the increase rate provided to the wider Diploma workforce.

The sum of these changes would place our CEO's total compensation just below median of the FTSE 100 on a target basis – in line with Diploma's positioning at FTSE 61.

Executive remuneration for 2025 – implementation

Subject to shareholder approval of the proposed policy, the following remuneration will be implemented in 2025 for Executive Directors.

Fixed pay

In line with the proposed salary increases as explained above, Johnny Thomson's 2025 base salary will be £918,400 and Chris Davies' will be £530,400 per annum. There will be no change to the cash allowance in lieu of pension contribution for Executive Directors, which remains at 4% of base salary, aligned to the wider workforce average contribution level.

REMUNERATION COMMITTEE REPORT CONTINUED

Annual Bonus

The 2025 annual bonus will see the implementation of a new performance measure focused on the DVR strategy. Namely, the 2025 bonus will comprise 50% adjusted operating profit, 20% revenue, 25% free cash flow and 5% employee engagement. Targets will be based on the Board approved budget and the Committee will ensure there is sufficient rigour and stretch in target setting to support the high-performance track record and culture. The maximum opportunity will be 200% of base salary for Johnny Thomson and 180% of base salary for Chris Davies, in line with the new policy proposals.

PSP

The 2024 PSP award will operate consistently with the previous year. Performance measures remain unchanged for the 2024 PSP grant; 75% of the total award will be based on adjusted EPS growth and 25% will be based on TSR relative to the FTSE 100 (excluding investment trusts), with an underpin on ROATCE. The award levels will also remain the same, these are 300% of base salary for Johnny Thomson and 250% of base salary for Chris Davies.

A focus on wider workforce pay and conditions

The success of Diploma and its superior value creation is founded upon our unique culture, and our colleagues are core to this. The Committee is assured that we have an engaged and healthy workforce, and that colleagues are fairly and well-rewarded. Retaining top talent in the highly competitive and increasingly global talent market within which we operate is critical.

We are pleased to report that our employee engagement continues to be high at 79%. However, we know that this can be a challenge as a decentralised business and are conscious of maintaining an acute focus on this as we continue to scale, hence including this as a performance metric in this coming year's executive bonus plan.

Given our decentralised model, we take the approach of empowering our business leaders to make remuneration decisions locally to appropriately account for different market conditions. As a Committee, we are sure to maintain oversight so we can make executive remuneration decisions that are cognisant of the wider workforce's pay and conditions.

Some key ways that we have sought to further support, incentivise and reward our colleagues during the year:

- We became an accredited Real Living Wage employer across our UK businesses (with the exception of R&G, where we are currently working towards accreditation)
- We have increased remuneration through base salary and annual bonus for senior management to align with the Group's increased scale and complexity
- We have built an ambitious capability agenda, with focus on roles with increased complexity, to upgrade capability and intensify personal development. This is complemented by competitive and motivating reward.

Non-executive directors

Non-Executive Director fees were reviewed in the year in the context of increased responsibilities, time and skill requirements, as well as market data, now that Diploma is firmly established as a FTSE 100 business. Non-Executive Director fees continue to lag our new size and scale in market comparison and increases are proposed to address this. The increases are laid out on page 115. The Committee agreed these increases were important to recognise the increase in expectation of the Board and to ensure we can retain and appoint directors with the requisite skills to provide critical governance

and oversight of the business in the face of an increasingly complex landscape, driven by supply chain, labour, geopolitical and technological disruptions.

Conclusion

In closing, I would like to thank shareholders for their meaningful engagement and support over the year as we consulted on the new Remuneration Policy proposals.

I would also like to thank my fellow Board members for welcoming me onto the Board and helping me transition into the role of Remuneration Committee Chair. I am energised by the culture, high performance and growth trajectory of the business and confident in the Policy we have proposed to shareholders to support this. We very much look forward to receiving your support at the AGM on the 15 January 2025.

Jennifer Ward
Chair of the Remuneration Committee
19 November 2024

REMUNERATION AT A GLANCE

REMUNERATION AT A GLANCE

Our remuneration approach aligns to our business model, focusing on delivering exceptional growth and sustainable returns. Diploma continues to deliver market leading returns for shareholders.

ELEMENTS OF PAY

<p>Fixed salary Basic salary, pensions and benefits</p> <p>Fixed remuneration that reflects the Executive's responsibilities and can attract and retain the talent that has delivered shareholder value creation</p>	+	<p>Short-term incentive Annual bonus</p> <p>Incentives that focus Executives to achieve stretching and rigorous annual targets that support the high-performance track record and culture and medium term strategy</p>	+	<p>Long-term incentive Executive Share Plan</p> <p>Incentives that focus Executives to deliver market leading shareholder returns and sustainable performance over a three year period</p>	=	<p>Total pay</p>
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Our performance metrics

<p>Short-term incentive</p> <table><tr><td>Adjusted operating profit</td><td>Ensures growth is sustainable</td></tr><tr><td>Revenue</td><td>Re-inforces the Group's strategy to prioritise Growth through a mixture of acquisitions and organic growth</td></tr><tr><td>Free cash flow</td><td>Ensures a focus on both operational efficiency and sustainable growth whilst allowing flexibility for future investments</td></tr></table> <p>Maximum award: Group Chief Executive and Chief Financial Officer 2024: 125% of salary</p>	Adjusted operating profit	Ensures growth is sustainable	Revenue	Re-inforces the Group's strategy to prioritise Growth through a mixture of acquisitions and organic growth	Free cash flow	Ensures a focus on both operational efficiency and sustainable growth whilst allowing flexibility for future investments	<p>Long-term incentive</p> <table><tr><td>Adjusted EPS (ROATCE underpin)</td><td>EPS growth ensures a focus on shareholder value creation. Using a ROATCE underpin reinforces a focus on financial discipline</td></tr><tr><td>Relative TSR</td><td>Relative TSR provides a focus on delivering market-leading returns for our shareholders</td></tr></table> <p>Maximum award: Group Chief Executive 2024: 300% of salary Chief Financial Officer 2024: 250% of salary</p>	Adjusted EPS (ROATCE underpin)	EPS growth ensures a focus on shareholder value creation. Using a ROATCE underpin reinforces a focus on financial discipline	Relative TSR	Relative TSR provides a focus on delivering market-leading returns for our shareholders
Adjusted operating profit	Ensures growth is sustainable										
Revenue	Re-inforces the Group's strategy to prioritise Growth through a mixture of acquisitions and organic growth										
Free cash flow	Ensures a focus on both operational efficiency and sustainable growth whilst allowing flexibility for future investments										
Adjusted EPS (ROATCE underpin)	EPS growth ensures a focus on shareholder value creation. Using a ROATCE underpin reinforces a focus on financial discipline										
Relative TSR	Relative TSR provides a focus on delivering market-leading returns for our shareholders										

REMUNERATION AT A GLANCE CONTINUED

ACTUAL PERFORMANCE COMPARED TO TARGETS

Short-term incentive
Annual bonus

Metric	Weighting	Threshold ¹	Maximum	Outcome achieved (% of maximum)
Adjusted operating profit	50%	£252.5m	£279.1m	100%
Revenue	25%	£1,292.2m	£1,372.2m	100%
Free cash flow	25%	£158.8m	£175.6m	100%
Overall annual bonus outcome (% of max)				100%

Long-term incentive
Executive Share Plan

Metric	Weighting	Threshold	Maximum	Outcome achieved (% of maximum)
EPS (ROATCE underpin)	50%	5%	12%	100%
Relative TSR	50%	Median	Upper Quartile	100%
Overall annual bonus outcome (% of max)				100%

¹ Figures are stated at the exchange rates used to set the FY24 targets.

EXECUTIVE DIRECTORS' EARNINGS IN 2024

The following chart sets out the aggregate emoluments earned by the executive Directors in the year ended 30 September 2024.

Element		Johnny Thomson	Chris Davies
Fixed salary	Salary	£820,000	£510,000
	Taxable benefits	£30,020	£20,177
	Pension	4% contribution	4% contribution
Short-term incentive	Annual bonus	£1,025,000	£637,500
Long-term incentive	Incentive plans and share-based remuneration	£2,550,892	£344,283

REMUNERATION POLICY

This section sets out the Directors’ Remuneration Policy proposed for approval by shareholders at the Company’s AGM on 15 January 2025. The Company’s current Remuneration Policy was approved by shareholders at the AGM on 17 January 2024 and the updated policy, subject to shareholder approval is intended to remain in effect for three years from the AGM in 2025.

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

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

Executive Directors

Component	Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics	Change from 2023
Base salary	To attract and retain people of the calibre and experience needed to develop and execute the Company's strategy.	Salaries are reviewed annually, with changes normally effective from 1 October.	There is no maximum limit set. Salaries will be market competitive to retain skilled executive talent and attract new talent as required.	Salary levels and increases are determined based on a number of factors, including individual and business performance, level of experience, scope of responsibility, salary increases both for UK employees and for senior management more generally and the competitiveness of total remuneration against companies of a similar size and complexity.	No change
Pensions	Designed to be fair.	Pension contributions can either be paid directly into a pension savings scheme or taken as a separate cash allowance.	<p>Maximum pension contributions will be no higher than the rate offered to the majority of our UK workforce for UK-based Executive Directors.</p> <p>Maximum pension contributions for non-UK-based Executive Directors will be aligned with employees in the relevant local market.</p>	No performance metric.	No change

REMUNERATION POLICY CONTINUED

Component	Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics	Change from 2023
Benefits	To provide a competitive package of benefits.	Includes various cash/non-cash benefits such as: payment in lieu of a company car, life assurance, income protection, annual leave, medical insurance. The Committee may offer any additional benefits it considers appropriate in line with the interests of the Company and local market practice. Any renewable business related expenses (including tax thereon) can be reimbursed if determined to be a taxable benefit.	No maximum limit is prescribed, but the Committee monitors annually the overall cost of the benefit provision.	No performance metric.	No change
Annual Performance Bonus Plan	To incentivise and reward Executive Directors on the achievement of the annual budget and other business priorities for the financial year.	<p>Provides an opportunity for additional reward based on annual performance against targets set and assessed by the Committee.</p> <p>Where shareholding guidelines have not been met, half of any annual bonus awarded (net of tax) will be used to purchase shares on behalf of the Executive. The shares, which are beneficially owned by the Executive, are eligible for dividends and will only be released once the Executive reaches the minimum shareholding requirement. The remaining bonus shall be paid in cash following the relevant year end.</p> <p>Malus and clawback provisions apply to bonus awards.</p> <p>The Committee may amend the formulaic outcome should it not be a fair reflection of the Company's underlying performance or in exceptional circumstances.</p>	<p>Maximum of 200% of base salary for the Executive Directors.</p> <p>Performance below threshold results in zero payment. Achievement of threshold performance results in payment of 5% of base salary. On-target bonus is 50% of maximum bonus.</p>	<p>Performance metrics are selected annually based on the current business objectives. The majority of the bonus will be linked to financial performance.</p> <p>Non-financial, personal or strategic objectives, if used, will account for no more than 20% of the bonus.</p>	<p>Change from maximum of 125% of base salary</p> <p>Change to provide flexibility and clarity around the inclusion of non-financial metrics in the policy</p>

REMUNERATION POLICY CONTINUED

Component	Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics	Change from 2023
Performance Share Plan (PSP)	Incentivise Executive Directors to achieve superior returns and long-term value growth.	<p>Performance assessed over rolling three-year performance periods.</p> <p>Awards are discretionary and do not vest until the date on which the performance is measured. If employment ceases during a three-year performance period, awards will normally lapse except in the case of a 'good leaver'.</p> <p>Executive Directors are required to retain shares vesting under the PSP (net of tax) until the fifth anniversary of grant.</p> <p>Awards may include dividend equivalents which are cash bonuses or shares in lieu of dividends foregone on vested shares, from the time of award up to the time of vesting.</p> <p>Malus and clawback provisions apply.</p> <p>The Committee may amend the formulaic outcome should it not be a fair reflection of the Company's underlying performance or in exceptional circumstances.</p>	<p>The maximum opportunity as a percentage of salary is 300% for the CEO and 250% for other Executive Directors.</p> <p>No more than 25% of the award will be payable at threshold performance.</p>	<p>Awards will be granted subject to a combination of financial and strategic measures closely aligned to the Company's strategy and measured over a period of no less than three years.</p> <p>Strategic non-financial objectives, if used, will account for no more than 20% of the PSP.</p>	No change

REMUNERATION POLICY CONTINUED

Chair and Non-Executive Directors

Component	Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics	Change from 2023
Chair and Non-Executive Directors' fees	To attract and retain a Chair and Independent Non-Executive Directors of the required calibre and experience.	<p>Paid either monthly or quarterly in arrears and reviewed each year.</p> <p>Although Non-Executive Directors currently receive their fees in cash, the Company may pay part or all of their fees in the form of shares.</p> <p>Any reasonable business-related expenses (including tax thereon if determined to be a taxable benefit can be reimbursed).</p>	The Chair's and Non-Executive Directors' fees are determined by reference to the time commitment and relevant benchmark market data.	No performance metric.	No change

Setting the policy

The Remuneration Committee is responsible for setting the overall remuneration policy and is conscious to consider all stakeholders and perspectives in doing so. The Committee seeks independent advice and takes care to mitigate any conflicts of interest by ensuring that no Director makes decisions relating to their own remuneration and by working with the Audit Committee to ensure there is an appropriate balance between incentives to drive performance in line with strategic goals and risk management. The Committee considers market data and developments regularly to inform policy and its implementation each year.

The sections below outline how performance measures are selected and how we have considered both shareholder views through meaningful shareholder consultation and the workforce perspective.

Selection of performance measures and targets for Annual Bonus and PSP

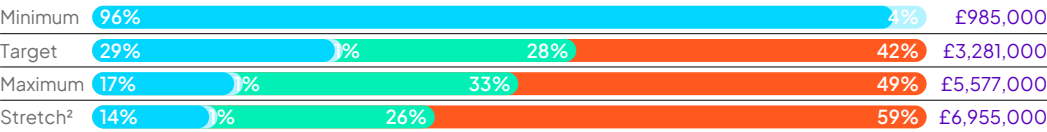
The Annual Bonus Plan is designed to drive the annual financial and strategic objectives of the business. Performance measures selected are aligned to the Company's strategic plan and key objectives. Targets are set by reference to internal budget. Details of the measures selected for FY25 and the rationale behind the selection can be found in the Annual Report on Remuneration.

The PSP is designed to drive the delivery of the Company's longer-term objectives and support the delivery of value for shareholders. Performance measures are selected to align with these objectives and targets are set by reference to internal long-term business plans. Any major adjustment in the calculation of performance measures will be disclosed to shareholders on vesting. Details of the measures selected for FY25 and the rationale behind the selection can be found in the Annual Report on Remuneration.

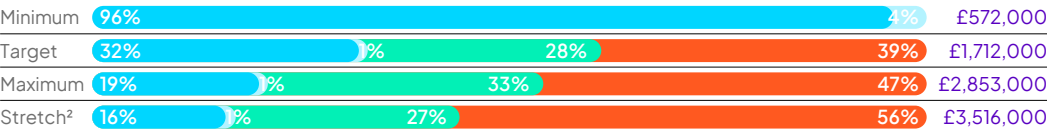
Illustration of application of Policy

Pay-for-performance: Executive Directors' potential value of 2025 remuneration packages.

JOHNNY THOMSON



CHRIS DAVIES



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

1 Base salary is as at 1 October 2024; benefits are as set out on page 111.
2 Stretch is calculated on the same basis as the Maximum bar; however, it includes a share price uplift of 50% over three years for the PSP.

REMUNERATION POLICY CONTINUED

On-target remuneration assumes an Annual Performance Bonus Plan of 50% of the maximum for the Executive Directors. It has been assumed that a face value limit of 300% of base salary (CFO: 250%) applies to each PSP award. On-target vesting of PSP awards assumes an adjusted EPS growth of 7.67% p.a. and TSR performance which is equivalent to 50% of the maximum vesting under the PSP. Maximum remuneration assumes maximum annual performance bonus and maximum vesting of PSP awards. No dividend equivalents are assumed. No share price growth is assumed other than in the Stretch bar.

Consideration of shareholder views

The Committee will consult with its major shareholders in advance of any significant changes to the approved Policy or exercise of discretion, as appropriate, to explain their approach and rationale fully and to understand shareholders' views. Additionally, the Committee considers shareholder feedback received in relation to each AGM alongside any views expressed during the year. The Committee also reviews the executive remuneration framework in the context of published investor guidelines or appropriate regulation including the UK Corporate Governance Code.

A thorough consultation was conducted for this policy review as explained on page 98.

Employee Consultation

The Group seeks to promote positive relations with colleagues. The Committee is mindful of the pay increases, incentive outcomes and share award participation in relevant markets across the rest of the Group when considering the remuneration of the Executive Directors.

The Board as a whole takes responsibility for gathering the views of Diploma's workforce, and does so through multiple channels of engagement. While the Committee does not consult employees directly when setting the Executive Directors' remuneration policy, the senior management team engages with employees, either on a business-wide basis 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.

Differences in remuneration policy for other employees

The Company reviews compensation arrangements including base salaries for the wider employee population annually. Similar to the Executive Directors, salary increases for the wider population are determined based on a number of factors, including individual and business performance, level of experience, scope of responsibility, external competitive benchmarking, and general salary increases across the Group. In line with the Group's decentralised model, compensation is agreed locally, with governance and guidance provided by the Group.

The Company also seeks to provide an appropriate range of competitive benefits (including pension) to employees in line with their local markets. Senior managers have incentive plans aligned with the Executive Directors and there is a framework on remuneration which ensures alignment at different levels. Bonus plans for the workforce are agreed locally with oversight from the Sector management teams.

Service contracts

The Executive Directors' service contracts, including arrangements for early termination, are carefully considered by the Committee and are designed to recruit, retain and motivate Directors of the calibre required to manage the Company and successfully deliver its strategic objectives. The Committee considers that a rolling contract with a notice period of one year is appropriate for existing and newly appointed Directors.

The Executive Directors' service contracts, copies of which are held at the Company's registered office, together with any service contract for new appointments, contain provisions for compensation in the event of early termination or change of control, equal to the value of salary, pension and contractual benefits for the Director's notice period. The Company may make a payment in lieu of notice in the event of early termination and the Company may make any such payment in instalments with the Director being obliged in appropriate circumstances to mitigate loss (for example by gaining new employment). The Committee considers that these provisions assist with recruitment and retention and that their inclusion is therefore in the best interests of shareholders.

Details of the service contracts of the Executive Directors who served during the year are set out below:

	Contract date	Unexpired term	Notice period	Compensation payable upon early termination
Johnny Thomson	15 Jan 2019	Rolling	1 year	1 year
Chris Davies	25 October 2022	Rolling	1 year	1 year

REMUNERATION POLICY CONTINUED

Payment for loss of office

The Committee has considered the Company’s policy on remuneration for Executive Directors leaving the Company and is committed to applying a consistent approach to ensure that the Company pays no more than is fair and reasonable in the circumstances.

The loss of office payment policy is in line with market practice and will depend on whether the departing Executive Director is, or is deemed to be treated as, a ‘good leaver’ or a ‘bad leaver’. In the case of a ‘good leaver’ the Policy includes:

- Notice period of 12 months’ base salary, pension and contractual benefits or payment in lieu of notice.
- Bonus payable for the period worked, subject to achievement of the relevant performance conditions. Different performance measures (to the other Executive Directors) may be set for a departing Director as appropriate, to reflect any change in responsibility.

- Vesting of award shares under the Company’s long-term incentive plan is not automatic and the Committee would retain discretion to allow partial vesting depending on the extent to which performance conditions had been met and the length of time the awards have been held. Time prorating may be disapplied if the Committee considers it appropriate, given the circumstances. Performance will normally be measured to the end of the normal performance period and, to the extent applicable, vest on the normal vesting date, save in exceptional circumstances when the Committee may determine that early vesting should still apply.
- The Committee will provide for the leaver to be reimbursed for a reasonable level of legal fees in connection with a settlement agreement and outplacement services, where appropriate.

When calculating termination payments, the Committee will take into account a variety of factors, including individual and Company performance, the obligation for the Executive Director in appropriate circumstances to mitigate loss (for example, by gaining new employment) and the Executive Director’s length of service.

The Committee reserves the right to make additional exit payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement or compromise of any claim arising in connection with the termination of a Director’s office or employment.

Change of control

Change of control provisions provide compensation equal to the value of salary, pension and contractual benefits for the notice period. In the event of a change in control, vesting of an award of shares under the Company’s PSP depends on the extent to which performance conditions had been met at that time. Time prorating may be disapplied if the Committee considers it appropriate, given the circumstances of the change of control.

Malus and clawback

Malus provisions apply to all awards made under the Company’s long-term incentive and annual bonus plans which give the Committee the right to cancel or reduce unvested share awards (or in the case of the Annual Performance Bonus Plan, cash payments) in the event of material misstatement of the Company’s financial results, significant reputational damage to the Company, miscalculation of a participant’s entitlement, individual gross misconduct or of corporate failure (resulting in a liquidation or the appointment of administrators).

The clawback arrangements permit the Committee to recover amounts paid to Executive Directors in specified circumstances and further safeguard shareholders’ interests.

REMUNERATION POLICY CONTINUED

Remuneration for new appointments

The Committee has determined that new Executive Directors will receive a compensation package in accordance with the terms of the Group's approved Policy in force at the time of appointment.

The Committee has agreed the following principles that will apply when arranging a remuneration package to recruit new Executive Directors:

- The remuneration structure will be kept simple where practicable.
- The emphasis on linking pay with performance shall continue, with variable pay representing a significant component of the Executive Directors' total remuneration package.
- Initial base salary will take into account the experience and calibre of the individual and their existing remuneration package. Where it is appropriate to offer a lower salary initially, a series of increases to the desired salary positioning may be given over subsequent years subject to individual performance.
- The structure of variable pay will be in accordance with Diploma's approved Policy detailed above with a maximum aggregate variable pay opportunity of 500% of salary for the CEO and 450% for other Executive Directors. Different performance measures may be set in the first year for the annual bonus, taking account of the responsibilities of the individual and the point in the financial year that the executive joined the Company.

- Benefits will generally be provided in accordance with the approved Policy, with relocation expenses/an expatriate allowance paid, if appropriate.
- In the case of an external recruitment, the Committee may also offer additional cash and/or share-based elements when it considers these to be in the best interests of Diploma and shareholders, to replace variable remuneration awards or arrangements that an individual has foregone in order to join the Group. This includes the use of awards made under section 9.3.2 of the UK Listing Rules. Any such payments would take account of the details of the remuneration foregone including the nature, vesting dates and any performance requirements attached to that remuneration and any payments would not exceed the expected value being forfeited.
- In the case of an internal appointment, any outstanding variable pay awarded in relation to the previous role will be allowed to pay out according to the terms of grant.
- For all new Executive Director appointments, the mandated shareholding requirement, deferral of annual performance bonus and the Holding Period for PSP awards will apply in accordance with the Policy and the relevant Plan rules.
- Fees for a new Chair or Non-Executive Director will be set in line with the approved Policy.

Committee discretion

The Committee operates the Annual Performance Bonus Plan and the Performance Share Plan (the Plans) in accordance with the relevant Plan rules and, where appropriate, the Listing Rules and HMRC legislation.

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

The Committee retains discretion over a number of areas relating to the operation and administration of the Plans. These include, but are not limited to:

- selecting the Executive Director participants and wider employee participation parameters for the annual bonus and PSP awards;
- timing of awards and grants as well as setting of performance criteria each year;
- determining the quantum of grants and/or payments (within the limits set out in the Policy Table);
- adjusting the constituents of the TSR comparator group;
- determining the extent of vesting based on the assessment of performance;

- overriding formulaic outcomes and amending payouts under the Annual Bonus Plan and for PSP should it determine that either it is not a fair reflection of the underlying performance of the business or in exceptional circumstances;
- applying or disapplying time prorating;
- dealing with leavers;
- discretion to waive or shorten the holding period for shares acquired under the PSP;
- discretion to retrospectively amend performance targets in exceptional circumstances, including making the appropriate adjustments required in certain circumstances (e.g. rights issues, corporate restructuring events, variation of capital and special dividends); and
- in respect of share awards, to adjust the number of shares subject to an award in the event of a variation in the share capital of the Company.

Policy in respect of external board appointments for Executive Directors

The Committee recognises that external Non-Executive Directorships may be beneficial for both the Company and Executive Director. At the discretion of the Board, Executive Directors are permitted to retain fees received in respect of any such Non-Executive Directorship.

REMUNERATION POLICY CONTINUED

Employee and post-employment shareholding requirements

The Committee has adopted shareholding requirements for Executive Directors, to encourage substantial long-term share ownership. These specify that, over a 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 base salary in the case of the CEO, and for other Executive Directors, to 250% of base salary (the MSR).

Vested PSP awards and deferred annual bonus payments which are issued as shares must be retained until the required shareholding (net of tax) level is reached.

As explained in the long-term incentive award section on page 104, Executive Directors are required to hold shares vesting under the PSP (net of tax) until the fifth anniversary of the grant (the Holding Period). The Holding Period continues to apply to post-cessation of employment except where cessation is by reason of death, if there is a change of control, or the Committee exercises its discretion.

In addition, a post-cessation shareholding requirement will apply being 50% of the MSR for two years after the termination date (or if less than the MSR, the value of shares held at the cessation date). Post-cessation holding continues to apply to shares granted under the PSP since the approval of the 2020 Policy.

Chair and Non-Executive Directors Recruitment and term

The Board aims to recruit Non-Executive Directors of a high calibre, with broad and diverse commercial, international, sectoral or other relevant experience. Non-Executive Directors are appointed by the Board on the recommendation of the Nomination Committee. Appointments of the Non-Executive Directors are for an initial term of three years, subject to election by shareholders at the first AGM following their appointment and subject to annual re-election thereafter. The terms of engagement are set out in letters of appointment which can be terminated by either party serving three months' notice.

Fees

The Non-Executive Directors are paid a competitive basic annual fee which is approved by the Board on the recommendation of the Chair and the Executive Directors. The Chair's fee is approved by the Committee, excluding the Chair. Additional fees may also be payable for chairing a Committee of the Board, for acting as Senior Independent Director, or in respect of any other material additional responsibilities taken up. Fees are reviewed each year and take account of the fees paid in other companies of a similar size and complexity, the responsibilities of the role and the required time commitment.

If there is a temporary yet material increase in the time commitments for Non-Executive Directors, the Board may pay extra fees on a pro rata basis to recognise the additional workload.

The Non-Executive Directors are not eligible to participate in any of the Company's share plans, incentive plans or pension schemes and there is no provision for payment in the event of early termination.

REMUNERATION POLICY CONTINUED

Provision 40 table

The following table summarises how the Remuneration Policy fulfils the factors set out in Provision 40 of the 2018 UK Corporate Governance Code.

Clarity Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce. Example: the structure of the Annual Performance Bonus Plan is completely based on financial metrics which align with published accounts.	The Committee is committed to providing open and transparent disclosures to shareholders, the workforce and other stakeholders with regard to executive remuneration arrangements. The Committee determines the Remuneration Policy and agrees the remuneration of each Executive Director as well as the remuneration framework for other senior managers. The Company provides open and transparent disclosures of our Executive Directors' remuneration arrangements including undertaking engagement with key shareholders when considering changes to Remuneration Policy.	Predictability The range of possible values of rewards to individual Directors and any other limits or discretions should be identified and explained at the time of approving the Policy. Example: variable pay maximums are set out in the Policy.	The potential value and composition of the Executive Directors' remuneration packages at below threshold, target and maximum scenarios are provided in the relevant policy.
Simplicity Remuneration structures should avoid complexity and their rationale and operation should be easy to understand. Example: variable pay for Executive Directors is a simple Annual Bonus Plan and a Performance Share Plan.	Our remuneration arrangements for Executive Directors, as well as those throughout the organisation, are simple in nature and well understood by participants. The structure for Executive Directors consists of fixed pay (salary, benefits, pension) and variable pay (annual bonus plan and a long-term incentive plan, the PSP).	Proportionality The link between individual awards, the delivery of strategy and the long-term performance of the Company should be clear. Outcomes should not reward poor performance. Example: 95% of budget must be achieved to trigger payment of Annual Performance Bonus; 95% of budget only results in 5% payment.	Annual bonus payments and PSP awards require robust performance against challenging conditions that are aligned to the Company's strategy. The Committee has discretion to override formulaic results to ensure that they are appropriate and reflective of overall performance.
Risk Remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated. Example: the ROATCE underpin in the PSP reduces risk of low quality earnings.	Targets are reviewed to ensure they do not encourage excessive risk taking. Malus and clawback provisions also apply to both the annual bonus and long-term incentive plans. Members of the Committee are provided with regular briefings on developments and trends in executive remuneration.	Alignment to culture Incentive schemes should drive behaviours consistent with company purpose, values and strategy. Example: one of the Diploma values is continuous improvement; continuous improvement is required each year to reach remuneration targets.	The variable incentive schemes and performance measures are designed to be consistent with the Group's purpose, values and strategy.

ANNUAL REPORT ON REMUNERATION

The following section of this Report provides details of the implementation of the Remuneration Policy for the Executive Directors for the year ended 30 September 2024. All of the information set out in this section of the Report has been audited, unless indicated otherwise.

Executive Directors (audited)

Total remuneration in 2024 and 2023

	Johnny Thomson		Chris Davies	
	2024 £000	2023 £000	2024 £000	2023 £000
Salary	820	754	510	413
Taxable benefits ¹	30	26	20	18
Pension	33	41	20	17
Total fixed	883	821	550	448
Annual performance bonus	1,025	943	638	516
Long-term incentive plans – dividend equivalent (cash) ²	90	107	12	–
Long-term incentive plans – performance element	1,777	1,725	220	–
Long-term incentive plans – share appreciation element ³	684	534	112	–
Long-term share-based remuneration	2,551	2,366	344	–
Other ⁴	–	–	–	395
Total variable	3,576	3,309	982	911
Single total figure	4,459	4,130	1,532	1,359

1 Taxable benefits comprises cash allowance in lieu of a car, private medical, life assurance and income protection.

2 Dividend equivalents are included in long-term share-based remuneration and total variable pay.

3 As the share price date is currently unknown, the value shown is estimated using the average share price over the three months to 30 September 2024 of 4,317p. For the award vesting for the year ended 30 September 2023, these figures have been updated from last year's report to reflect the actual share price of the vesting date, as has been done for the prior year comparatives.

4 In line with the Remuneration Policy, during 2023 Chris Davies received £186,000 in cash and £208,700 of restricted shares (7,518 shares at a share price of 2,776p) that are subject to a holding period of two years. These mirror the cash and share-based variable remuneration arrangements that are foregone in order to join the Group.

Executive Directors' base salary (unaudited)

On 12 November 2024, the Committee approved a 12% increase in base salary for the CEO and a 4% increase in base salary for the CFO. Explanations of how the Committee has considered remuneration in the workforce are in the Chair's letter on pages 96 to 99.

	Salary backdated to 1 October 2024 £000	Salary from 1 October 2023 £000	Increase in salary
Johnny Thomson	918	820	12.0%
Chris Davies	530	510	4.0%

Pension (audited)

The Executive Directors receive a cash allowance in lieu of pension contributions from the Company. During 2023 and 2024, both Executive Directors took this as a cash allowance. None of the Executive Directors have a right to a Company Defined Benefit pension plan.

	2024		2023	
	Contribution rate % of base salary	Pension allowance paid as cash £000	Contribution rate % of base salary	Pension allowance paid as cash £000
Johnny Thomson	4	33	10/4	41
Chris Davies	4	20	4	17

ANNUAL REPORT ON REMUNERATION CONTINUED

Annual performance bonus (audited)

Bonus payout for year ended 30 September 2024

The Board approves a stretching budget each year. Based on the performance of the Group, the Executive Directors will receive 100% of their maximum bonus for the year ended 30 September 2024. The following table summarises the performance assessment by the Committee in respect of 2024 with regard to the Group financial objectives and the bonus awarded to each of the Executive Directors:

Performance measure	Targets for 2024	Overall assessment against targets ¹
Adjusted operating profit (calculated on a constant currency basis)	Minimum: £252.5m On-target: £265.8m Maximum: £279.1m	Adjusted operating profit for FY24 was £293m at exchange rates consistent with the FY24 targets. The maximum threshold was met and the maximum award is payable.
50% of bonus opportunity		
Revenue (calculated on a constant currency basis)	Minimum: £1,292.2m On-target: £1,332.2m Maximum: £1,372.2m	Revenue for FY24 was £1,398m at exchange rates consistent with the FY24 targets. The maximum threshold was met and the maximum award is payable.
25% of bonus opportunity		
Free cash flow (reported)	Minimum: £158.8m On-target: £167.2m Maximum: £175.6m	Free cash flow for the year was £198m. The maximum threshold was met and the maximum award is payable.
25% of bonus opportunity		

1 All figures for FY24 are stated at the exchange rates that were used to set the FY24 targets.

Bonus awarded to each of the Executive Directors for year ended 30 September 2024

	Base salary	2024 actual bonus – as a percentage of 2024 base salary					2024 bonus
	£000	Minimum	On-target	Maximum	Financial objectives	Total bonus	£000
Johnny Thomson	820	5%	63%	125%	125%	125%	1,025
Chris Davies	510	5%	63%	125%	125%	125%	638

In line with the Remuneration Policy, minimum shareholding requirement for the CEO is 300% of base salary and 250% of base salary for other Executive Directors. In line with the Company’s Shareholding Policy, Johnny Thomson has met his minimum shareholding requirement (300%) and therefore his bonus for the year will be paid as cash. 50% of the 2024 bonus for Chris Davies will be paid as cash and 50% net of tax will be deferred into shares until he reaches his minimum shareholding requirement (250%) set out in the Policy.

Bonus awards for year ended 30 September 2025

In the financial year beginning 1 October 2024, the Annual Performance Bonus Plan will be based on the following metrics: 50% will be based on adjusted operating profit, 20% will be based on revenue (both metrics measured on a constant currency basis), 25% will be based on free cash flow and the remaining 5% will be based on colleague engagement scores. The bonus maximum will increase to 200% for Johnny Thomson and 180% for Chris Davies. The financial performance targets set for the Annual Performance Bonus Plan for this year will be disclosed in next year’s Annual Report and Accounts, due to their commercial sensitivity.

Long-term incentive awards (audited)

The Company’s long-term incentive plan is the Performance Share Plan (PSP).

Performance conditions

Set out below is a summary of the performance conditions that apply to the PSP awards which vest in 2024 (PSP 2021), 2025 (PSP 2022), 2026 (PSP 2023) and 2027 (PSP 2024).

Vesting of the PSP 2021 award is based 50% on growth in adjusted EPS and 50% on relative TSR performance. Vesting of the PSP 2022, PSP 2023 and PSP 2024 awards are based on 75% growth in adjusted EPS and 25% on relative TSR performance. In order for any payment to be earned under the EPS element of awards, the Committee must consider that a satisfactory level of ROATCE performance has been achieved. The ROATCE underpin will be measured as the ROATCE in the third year of the performance condition and as defined in note 29.6 of the consolidated financial statements.

EPS

The performance condition for PSP awards is that the average annual compound growth in the Company’s adjusted EPS, over the three consecutive financial years following the financial year immediately prior to the grant, must exceed the specified absolute figures. The performance targets are as follows:

Adjusted EPS growth (over three years)	% of awards vesting
13% p.a. (PSP 2022) (PSP 2023) (PSP 2024)	100
12% p.a. (PSP 2021)	100
5% p.a.	25
Below 5% p.a.	Nil

ANNUAL REPORT ON REMUNERATION CONTINUED

Where the Company's adjusted EPS performance is between these percentage bands, vesting of the award is on a straight-line basis. For the purposes of this condition, EPS is adjusted EPS as defined in note 29.3 to the consolidated financial statements, and this definition remains consistent with the definition of adjusted EPS approved by the Committee in previous years.

TSR

The performance condition compares the growth of the Company's TSR over a three-year period to that of the companies in a recognised broad equity market index of which the Company is a member. PSP awards 2021 used the FTSE 250 Index (excluding Investment Trusts), as will also be the case for PSP awards 2022. PSP awards 2023 and 2024 will use the FTSE 100 Index (excluding Investment Trusts) which follows the Company's promotion to the FTSE 100 Index in August 2023. The performance targets are as follows:

	% of awards vesting
Adjusted EPS growth (over three years)	
Upper quartile	100
Median	25
Below median	Nil

Where the Company's TSR performance is between these percentage bands, vesting of the award is calculated based on ranking.

Awards vesting in 2024 (audited)

The PSP award granted on 29 November 2021 (PSP 2021) to Johnny Thomson, was subject to the performance conditions as set out on page 104 and independently assessed over a three-year period ended 30 September 2024. The outcome of this award is presented in the table below:

Adjusted earnings per share

	Base EPS	EPS at 30 Sep 2024	CAGR in EPS	Maximum target	Maximum award	Vested award
PSP (2021)	85.2p	145.8p	19.6%	12%	50%	50%

The Committee has reviewed the ROATCE outturn and concluded that 19.1% is in line with expectations. It was therefore the view of the Committee that the formulaic vesting should proceed without any adjustments.

TSR growth against FTSE 250 (excluding Investment Trusts)

	TSR at 30 Sep 2024	Median	Upper quartile	Maximum award	Vested award
PSP (2021)	50.9% p.a.	-5.1% p.a.	26.3% p.a.	50%	50%

Set out below are the shares which vested to Johnny Thomson and Chris Davies at 30 September 2024 in respect of this award¹.

	Share price at date of grant pence	Average share price for the quarter ending 30 Sept 2024 pence	Proportion of award vesting	Shares vested number	Performance element ² £000	Share appreciation element ³ £000	Total £000
Johnny Thomson PSP (2021)	3,118	4,317	100%	57,007	1,777	684	2,461
Chris Davies PSP (2021)	2,862 ⁴	4,317	100%	7,694	220	112	332

- Details of the PSP (2021) shares which vested to Barbara Gibbes at 30 September 2024 are explained on page 115 as payment for past Directors.
- The performance element represents the face value of awards that vested, having met the performance conditions set out above.
- The share appreciation element represents the additional value generated through appreciation of the share price from the date the award was granted to the end of the three-year performance period on 30 September 2024. As the share price date is currently unknown, the value shown is estimated using the average share price over the three months to 30 September 2024 of 4,317p. As the award vests after the publication of the 2024 annual results, figures will be restated for the actual vesting value in next year's Annual Report.
- In line with the Remuneration Policy, Chris Davies was granted 7,694 shares in the prior year as part of the PSP (2021) award to replace share-based payment arrangements forgone in order to join the Group.

ANNUAL REPORT ON REMUNERATION CONTINUED

Dividend equivalent payments (audited)

Dividend equivalent payments of £89,900 (2023: £106,895) are payable to Johnny Thomson and £12,133 (2023: nil) are payable to Chris Davies in respect of the PSP (2021) award at the time of vesting. Dividend equivalent payments cover all payments made in the three-year vesting period.

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

Johnny Thomson and Chris Davies received a grant of the PSP 2023 award on 27 November 2023 respectively in the form of nil-cost options. This award was based on a share price of 3,342p, being the mid-market price of an ordinary share in the Company at close of business on the day immediately preceding the awards. The PSP 2023 award for Johnny Thomson was 300% of base salary and for Chris Davies was 250% of base salary.

Under normal circumstances, the options will not become exercisable until the performance conditions are determined after the end of the three-year measurement period which begins on the first day of the financial year in which the award is made and provided the participating Director remains in employment. The level of vesting is dependent on the achievement of specified performance criteria at the end of the three-year measurement period. The performance conditions for this award are set out on page 113.

Outstanding share-based performance awards (audited)

Set out is a summary of the share-based awards outstanding at 30 September 2024, including both 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 based on a face value of 300% (250% for PSP 2021) of base salary to Johnny Thomson and a face value of 250% of base salary (200% of base salary for PSP 2022, prorated based on his start date of 1 November 2022), to Chris Davies. No awards will vest unless the performance conditions set out on page 113 are satisfied.

Diploma plc 2020 (as amended) performance share plan (audited)

	Market price at date of award ¹	Face value of the award at date of grant £000	End of performance period	Shares over which awards held at 1 Oct 2023	Shares over which awards granted during the year	Vested during the period	Lapsed during the period	Shares over which awards held at 30 Sep 2024
Johnny Thomson								
PSP (2021)	3,118p	1,777	30 Sep 2024	57,007	–	57,007	–	–
PSP (2022)	2,848p	2,262	30 Sep 2025	79,424	–	–	–	79,424
PSP (2023)	3,342p	2,460	30 Sep 2026	–	73,608	–	–	73,608
Chris Davies								
PSP (2021) ²	2,862p	220	30 Sep 2024	7,694	–	7,694	–	–
PSP (2022)	2,862p	823	30 Sep 2025	28,773	–	–	–	28,773
PSP (2023)	3,342p	1,275	30 Sep 2026	–	38,150	–	–	38,150

¹ The market price is the mid-market share price at the close of business on the day before the grant date as disclosed above.

² In line with the Remuneration Policy, Chris Davies was granted 7,694 shares as part of the PSP (2021) award to replace share based payment arrangements foregone in order to join the Group.

The PSP awards vest on the date on which the performance conditions are determined and confirmed by the Committee, following the end of the performance period. Shares will be held for a minimum of five years from grant date in line with the Policy.

The PSP awards are granted in the form of nil-cost options (there is a notional exercise price of £1 per award). To the extent that the awards vest, the options are then exercisable until the tenth anniversary of the award date. Details of options exercised during the year and outstanding at 30 September 2024 are set out later in this report.

Payments for loss of office (audited)

No payments were made in the year.

ANNUAL REPORT ON REMUNERATION CONTINUED

Payments for past Directors (audited)

In line with the approved Remuneration Policy as disclosed in the 2022 Annual Report, during 2024, Barbara Gibbes received £294,808 (6,829 shares granted at a share price of 3,118p and at the average share price for the quarter ending 30 September 2024 of 4,317p) in connection with 100% vesting of her PSP (2021) award, which included a share appreciation benefit of £81,880. Dividend equivalent payments of £10,769 are payable to Barbara in respect of the PSP (2021) award. As at 30 September 2024, Barbara has no outstanding share-based awards.

Chair and non-executive directors’ remuneration (audited)

Individual remuneration for the year ended 30 September was as follows:

	Total fees	
	2024 £000	2023 £000
David Lowden	307	289
Andy Smith ¹	58	70
Anne Thorburn ²	83	80
Geraldine Huse	61	57
Dean Finch	61	57
Jennifer Ward ³	64	19
Janice Stipp ³	46	–

1 The fee for Andy Smith was prorated in 2024 following his resignation on 16 July 2024.
2 The fee for Anne Thorburn was prorated in 2024 having stepped down as Chair of the Audit Committee on 16 July 2024 and from the board on 30 September 2024.
3 Jennifer Ward was appointed on 1 June 2023 and was appointed as Chair of the Remuneration Committee on 16 July 2024.
4 Janice Stipp was appointed on 17 January 2024.

The Non-Executive Directors received a basic annual fee of £60,750 (2023: £57,250) during the year and additional fees are paid of £13,250 (2023: £12,500) for chairing a Committee of the Board or £11,500 (2023: £10,500) for acting as Senior Independent Director. No additional fee for chairing a Committee of the Board is payable to the Chair of the Company. The fees for Non-Executive Directors are reviewed every year by the Board, taking into account their responsibilities and required time commitment. From 1 October 2024, there has been a 12.8% increase to the Non-Executive Director annual fee to £68,550 and a 18.9% increase to the Chair’s annual fee to £364,875. The additional fee for chairing a Committee of the Board has increased by 13% to £15,000 per annum and the additional fee for acting as Senior Independent Director has increased by 30.4% to £15,000 per annum. There were no taxable employment benefits for Non-Executive Directors in 2024 and 2023.

Executive directors’ interests (audited)

In options over shares

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

If the Executive Directors choose not to exercise the nil cost 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 realised will be due to movements in the underlying share price between the initial vesting date and the date of exercise of the option. This increase or decrease in value reflects an investment decision by the Executive Director and, as such, is not recorded as remuneration.

The nil-cost options outstanding at 30 September 2024 and the movements in the number of shares during the year are as follows:

	Year of vesting	Options as at 1 Oct 2023	Exercised in year	Vested during the year	Options unexercised as at 30 Sep 2024	Exercise price ³	Earliest normal exercise date	Expiry date
Johnny Thomson ^{1,2}	2023	74,804	74,804	–	–	£1	Nov 2023	Nov 2030
	2024	–	–	57,007	57,007	£1	Nov 2024	Nov 2031
Chris Davies	2024	–	–	7,694	7,694	£1	Nov 2024	Nov 2031

1 Johnny Thomson exercised 74,804 options on 20 November 2023 at a market price of 3,020p per share and the total proceeds before tax was £2,259,081 less the exercise price of £1.
2 On 20 November 2023, the aggregate number of shares received by the participant was reduced by 35,158 shares as part of arrangements under which the company settled the PAYE liability that arose as a result of the exercise in full by the Executive Director of options held over shares.
3 All awards have a notional exercise price of £1 per award.

ANNUAL REPORT ON REMUNERATION CONTINUED

Directors' interests in ordinary shares

	As at 30 Sep 2024			As at 30 Sep 2023		
	Ordinary shares	Other unvested options	Options with performance measures	Ordinary shares	Other unvested options	Options with performance measures
Johnny Thomson	166,270	57,007	153,032	148,624	74,804	136,431
Chris Davies	8,798	7,694	66,923	4,974	–	36,467

The minimum shareholding requirement (MSR) is 300% for the CEO and 250% for the CFO. As of 30 September 2024, Johnny Thomson's shareholding was 1,033% of salary and therefore he has met his MSR. Chris Davies' shareholding was 109% of salary and 50% of his Annual Performance Bonus will be deferred into shares until he reaches his MSR as set out in the Policy.

The shareholding calculations are in line with the Company's Shareholding Policy and includes shares from vested PSP awards.

As of 19 November 2024, there have been no changes to these interests in ordinary shares of the Company.

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

The Non-Executive Directors' interests in ordinary shares of the Company at the start and end of the financial year were as follows:

	Interest in ordinary shares	
	As at 30 Sep 2024	As at 30 Sep 2023
David Lowden	2,896	2,896
Andy Smith	7,941	7,941
Anne Thorburn	5,441	5,441
Geraldine Huse	2,441	2,441
Dean Finch	1,036	1,036
Jennifer Ward	–	–
Janice Stipp ²	–	–

As of 19 November 2024 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 ratios as at 30 September 2024.

The ratios compare the single total figure 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 2024, using the most up-to-date bonus estimates. The approach used was the same as the single total figure methodology with the exception that bonus estimates were used and colleagues who work part time were converted to full time equivalent and those who worked part of the year were annualised.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2024	Option A	156:1	127:1	90:1
2023	Option A	155:1	126:1	89:1
2022	Option A	156:1	129:1	93:1
2021	Option A	228:1	180:1	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	£820,000	n/a	£4,458,712
25th percentile	£25,955	32:1	£28,669
Median	£31,668	26:1	£35,172
75th percentile	£42,000	20:1	£49,388

We are satisfied that the median pay ratio reported this year is consistent with our wider pay, reward and progression policies for employees. More detail on our approach to wider workforce pay and conditions is contained on page 106. The CEO is remunerated predominantly on performance-related elements (bonus and share awards), which have delivered strong returns.

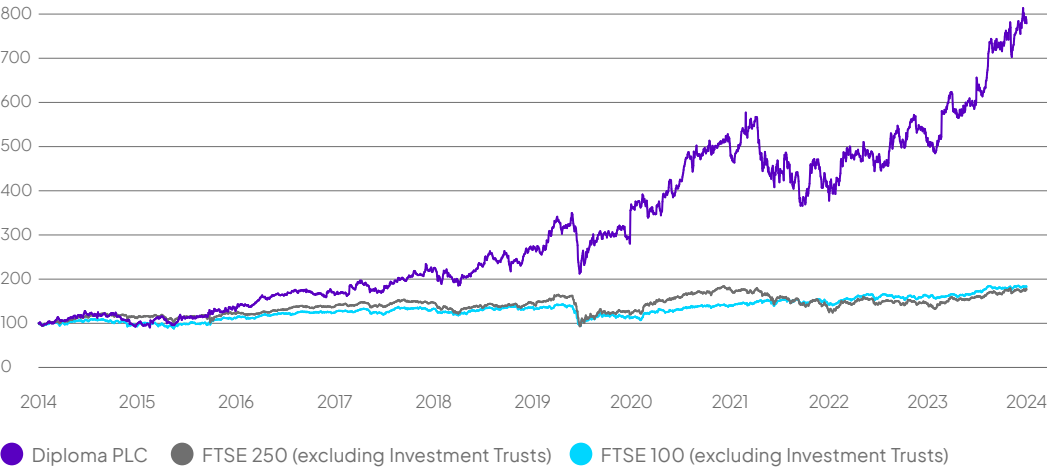
ANNUAL REPORT ON REMUNERATION CONTINUED

The median CEO pay ratio has remained at a similar level to prior year (2024: 127:1; 2023: 126:1). CEO pay has increased due to a base pay increase and higher share price appreciation whilst median total compensation for the UK workforce has also increased by 8% and median base pay has also increased by 7% on prior year. In addition, this year we became an accredited Real Living Wage employer across our UK businesses (with the exception of R&G, where we are currently working towards accreditation).

Aligning pay with performance (unaudited)

The graph below shows the TSR performance of Diploma PLC for the ten-year period ended 30 September 2024 against the FTSE 100 Index (excluding Investment Trusts). The FTSE 100 (excluding Investment Trusts) was chosen because this is a recognised broad equity market index of which the Company was a member of throughout 2024.

GROWTH IN THE VALUE OF A HYPOTHETICAL £100 HOLDING OVER TEN YEARS



TSR is defined as the return on investment obtained from holding a company’s shares over a period. It includes dividends paid, the change in the capital value of the shares and other payments to or by shareholders within the period.

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
2024	Johnny Thomson	4,459	100%	100%	+50%
2023	Johnny Thomson	4,130	100%	100%	+32%
2022	Johnny Thomson	4,164	100%	100%	-17%
2021	Johnny Thomson	5,687	100%	100%	+32%
2020	Johnny Thomson	999	25%	-	+34%
2019	Johnny Thomson ²	1,079	72%	-	+20%
2019	John Nicholas ¹	62	-	-	+20%
2018	John Nicholas ¹	14	-	-	+36%
2018	Richard Ingram ²	235	-	-	+36%
2018	Bruce Thompson ²	3,842	100%	99%	+36%
2017	Bruce Thompson	2,258	100%	89%	+24%
2016	Bruce Thompson	1,634	95%	45%	+36%
2015	Bruce Thompson	1,139	51%	25%	-1%
2014	Bruce Thompson	1,846	65%	61%	+8%

1 John Nicholas was not eligible for an annual bonus or share award for service as interim Executive Chair for the period 28 August 2018 to 25 February 2019.

2 These amounts were prorated for the period served as CEO, with the exception of the annual bonus payable to Johnny Thomson, who joined the Company on 25 February 2019.

Relative importance of Executive Director remuneration (unaudited)

	2024 £m	2023 £m	Change £m
Total employee remuneration	234.8	210.0	24.8
Total dividends paid	76.8	70.5	6.3

Percentage change in remuneration of Directors and employees (unaudited)

Set out below is the change over the prior financial year in base salary/fees, benefits and annual performance bonus of the Board and the Group’s senior managers. Senior managers is a defined group of ca. 150 colleagues. The Committee chose senior managers for pay comparisons with the Board as it provided the most closely aligned comparator group, considering the global and diverse nature of the Group’s business. The figures for the Board are all on a full year basis to show the intended movement.

ANNUAL REPORT ON REMUNERATION CONTINUED

	Base salary/fee change (%) ¹					Taxable benefits change (%)					Bonus change (%)				
	2024 vs 2023	2023 vs 2022	2022 vs 2021	2021 vs 2020	2020 vs 2019	2024 vs 2023	2023 vs 2022	2022 vs 2021	2021 vs 2020	2020 vs 2019	2024 vs 2023	2023 vs 2022	2022 vs 2021	2021 vs 2020	2020 vs 2019
Executive Directors															
Johnny Thomson ²	+9	+6	+3	No change	+3	+16	+2	+2	+4	No change	+9	+6	+3	+300	-64
Chris Davies ³	+24	n/a	n/a	n/a	n/a	+11	n/a	n/a	n/a	n/a	+24	n/a	n/a	n/a	n/a
Non-Executive Directors⁴															
David Lowden ⁵	+6	+40	n/a	No change	n/a										
Andy Smith ⁶	-16	+4	+3	No change	No change										
Anne Thorburn ⁷	+3	+4	+6	+11	+3										
Geraldine Huse	+6	+4	+3	No change	n/a										
Dean Finch	+6	+4	+185	n/a	n/a										
Jennifer Ward ⁸	+233	n/a	n/a	n/a	n/a										
Janice Stipp ⁹	n/a	n/a	n/a	n/a	n/a										
Employees of the Parent Company¹⁰	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

1 This does not take account of the voluntary pay reduction in 2020.

2 The reduction in pension was a voluntary reduction from 12.5% of base salary to 10.0% from 1 October 2021 and a further reduction to 4% from 1 January 2023.

3 Chris Davies was appointed on 1 November 2022 and his remuneration for 2023 was prorated. The like-for-like increase in base salary and bonus is +13%.

4 The Non-Executive Directors do not receive any pension, bonus or taxable benefits.

5 The fee for David Lowden was prorated following his appointment as Chair on 19 January 2022. The like-for-like increase is +5%.

6 Andy Smith stepped down from the Board on 16 July 2024.

7 The fee for Anne Thorburn was prorated in 2024 having stepped down as Chair of the Audit Committee on 16 July 2024 and from the board on 30 September 2024.

8 Jennifer Ward was appointed on 1 June 2023 and was appointed as Chair of the Remuneration Committee on 16 July 2024.

9 Janice Stipp was appointed on 17 January 2024.

10 There are no employees of the Parent Company.

ANNUAL REPORT ON REMUNERATION CONTINUED

Governance

Remuneration Committee

The Committee is chaired by Jennifer Ward and comprises the five Independent Non-Executive Directors; David Lowden, Dean Finch, Geraldine Huse and Janice Stipp; served on the Committee throughout the year. The Group CEO, the Group CFO and the Group HR Director attend meetings at the invitation of the Committee to provide advice to help it make informed decisions. The Group Company Secretary attends meetings as Secretary to the Committee.

The Remuneration Committee Report

The Annual Report on Remuneration and the Chair’s Statement will continue to be subject to an advisory vote by shareholders at the 2024 AGM.

Remuneration principles and structure

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

- is aligned to the business strategy and promotes the long-term success of the Company;
- supports the creation of sustainable long-term shareholder value;
- provides an appropriate balance between remuneration elements and includes performance-related elements which are transparent, stretching and rigorously applied;
- provides an appropriate balance between immediate and deferred remuneration; and
- encourages a high-performance culture by ensuring performance-related remuneration constitutes a substantial proportion of the remuneration package and by linking maximum payout opportunity to outstanding results.

These principles apply equally to those of senior management and align to those of the wider workforce.

Services from external advisors (unaudited)

The Committee appointed Willis Towers Watson (WTW) following a tender process in 2021 and has continued to receive its remuneration advice from WTW. 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. Details are shown in the table below:

Advisor	Appointed by	Services provided to the Committee	Other services provided to the Company	Fees (£)
Willis Towers Watson	Committee	Remuneration advice	None	214,410

Shareholder voting at previous annual general meeting (unaudited)

The Directors’ Remuneration Policy was last approved by shareholders at the AGM held on 18 January 2023 and the Remuneration Committee’s Annual Report (Report) for the year ended 30 September 2023 was approved by shareholders at the AGM held on 17 January 2024, with the following votes being cast:

2023 Report		
Votes for	103,761,729	94.22%
Votes against	6,365,795	5.78%
Withheld	4,882	-
Directors' Remuneration Policy		
Votes for	104,603,292	96.18%
Votes against	4,158,730	3.82%
Withheld	683,816	-

At the AGM in January 2024, the 2023 DRR was approved with 94.22% of votes in favour. Given the positive voting outcome there was no immediate need for shareholder follow up. Consultation was conducted during 2024 on the 2024 DRR. During consultation there was an opportunity to check with shareholders if they had any outstanding issues from 2023 and none were raised.

DIRECTORS’ REPORT

DIRECTORS’
REPORT

This section comprises information which the Directors are required by law and regulation to include within the Annual Report and Accounts. The Directors who held office during the year are set out on pages 79 and 80.

Overview of information required to be disclosed

The table opposite outlines the relevant disclosures required to be reported. For further details on each disclosure, please refer to the specified page references in the Annual Report and Accounts where you can read more about the Group's financial performance, governance practices, and other key information.

Disclosure	Reported in	Page reference
Our employees	Delivering Value Responsibly	Page 51
Environmental matters	Delivering Value Responsibly	Page 53
Health and safety	Delivering Value Responsibly	Page 52
Greenhouse gas emissions	Delivering Value Responsibly	Page 53
Climate-related disclosures	TCFD statement	Pages 61–67
Human Rights	Non-financial and sustainability information statement	Page 73
Charitable donations	Delivering Value Responsibly	Page 52
Business ethics, corruption and bribery	Non-financial and sustainability information statement	Page 73
Modern Slavery	Non-financial and sustainability information statement	Page 73
Community	s172 and stakeholder engagement	Page 71
Business Model	Business model	Page 19
Principal risks and how they are managed or mitigated	Risk management and internal control	Pages 57–60
Non-financial key performance indicators	Key performance indicators	Page 27
Employee engagement	Delivering Value Responsibly	Page 51
Stakeholder engagement	s172 and Stakeholder Engagement	Page 68–71

DIRECTORS’ REPORT CONTINUED

Shareholders

Incorporation and principal activity
Diploma PLC is domiciled in England and registered in England and Wales under Company Number 3899848. At the date of this report there were 134,176,207 ordinary shares of 5p each in issue, all of which are fully paid up and quoted on the London Stock Exchange.

The principal activity of the Group is the supply of specialised technical products and services. A description and review of the activities of the Group during the financial year including the Company’s business model and strategy, principal risks and uncertainties facing the Group and how these are managed and mitigated, together with an indication of future developments is set out in the Strategic Report on pages 1 to 73, which incorporates the requirements of the Companies Act 2006 (the Act).

Annual General Meeting

The Annual General Meeting (AGM) will be held at 09.00am on Wednesday, 15 January 2025 in The Charterhouse, Charterhouse Square, London EC1M 6AN. The Notice of the AGM, which is a separate document, will be sent to all shareholders and will be published on the Diploma PLC website.

Substantial shareholdings

At 30 September 2024, the Company had received formal notifications of the following holdings in its ordinary shares in accordance with the requirements of the Financial Conduct Authority’s Disclosure Guidance and Transparency Rules (DTRs):

There have been no changes in the interests notified to the Company pursuant to the DTRs up to the date of this report.

Share capital

The rights attaching to the Company’s ordinary shares, as well as the powers of the Company’s Directors, are set out in the Company’s Articles of Association (the Articles), a copy of which is available on the Company’s website. The Articles may be amended by special resolution of the Company’s shareholders.

Shareholders

Shareholders are entitled to attend and speak at general meetings of the Company and to appoint one or more proxies, or corporate representatives. On a show of hands each holder of ordinary shares shall have one vote, as shall proxies.

	Percentage of ordinary shares (September 2024)	Percentage of ordinary share capital (November 2024)
Capital Research Global Investors	12.86	No change
Norges Bank	3.02	No change
Mawer Investment Management Limited	4.99	No change
Royal London Group	4.95	No change
The Vanguard Group, Inc	3.42	No change
Mondrian Investment Partners Limited	3.14	No change
BlackRock Inc	Below 5%	No change

On a poll, every holder of ordinary shares present in person or by proxy shall have one vote for every share of which they are the holder.

Electronic and paper proxy appointments and voting instructions must be received not later than 48 hours before a general meeting.

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfers of securities and/or voting rights. No person holds securities in the Company carrying special rights with regard to control of the Company.

Contracts of significance and change of control

There are a number of agreements that take effect, alter or terminate upon a change of control of the Company, principally bank facility agreements, the Company’s Long-Term Incentive Plan and the Annual Performance Bonus Plan.

Restrictions on transfer of shares

The Directors may refuse to register a transfer of a certificated share that is not fully paid, provided that the refusal does not prevent dealings in shares in the Company from taking place on an open and proper basis, or where the Company has lien over that share.

The Directors may also refuse to register a transfer of a certificated share, unless the instrument of transfer is: (i) lodged, duly stamped (if necessary), at the registered office of the Company or any other place as the Board may decide accompanied by the certificate for the share(s), or (ii) in favour of not more than four persons. Transfers of uncertificated shares must be carried out using CREST and the Directors can refuse to register a transfer of an uncertified share in accordance with the regulations governing the operation of CREST.

DIRECTORS' REPORT CONTINUED

There are no other restrictions on the transfer of ordinary shares in the Company except certain restrictions which may from time to time be imposed by laws and regulations (for example insider trading laws); or where a shareholder with at least a 0.25% interest in the Company's certificated shares has been served with a disclosure notice and has failed to provide the Company with information concerning interests in those shares.

Share allotment

A general allotment power and a limited power to allot shares in specific circumstances for cash, otherwise than pro rata to existing shareholders, were given to the Directors by resolutions approved at the AGM of the Company held on 17 January 2024.

Authority to make market purchases of own shares

An authority to make market purchases of up to 10% of the issued share capital shares was given to the Directors by a special resolution at the AGM of the Company held on 17 January 2024. In the year to 30 September 2024, the Company has not acquired any of its own shares.

Liability insurance and indemnities

As at the date of this report, the Company has granted qualifying third-party indemnities to each of its Directors against any liability that attaches to them in defending proceedings brought against them, to the extent permitted by the Companies Act. In addition, Directors and officers of the Company and its subsidiaries have been, and continue to be, covered by Director and officer liability insurance.

Disclosures required under Listing Rule 6.6.1

To comply with Listing Rule 6.6.1 the following table provides the information to be disclosed by the Company in respect of Listing Rule

Listing Rule	
The Trustees of the Diploma PLC Employee Benefit Trust waived dividends on all shares.	6.6.1 (1)R and 6.6.1(2)R

Non-financial information

The Company has chosen, in accordance with section 414C(11) of the Companies Act 2006, to include certain matters in its Strategic Report on pages 1 to 73 that would otherwise be required to be disclosed in this Directors' Report.

Financial

Results and dividends

The profit for the financial year attributable to shareholders was £129.3m (2023: £117.7m). The Directors recommend a final dividend of 42.0p (2023: 40.0p) per ordinary share, to be paid, if approved, on 31 January 2025. This, together with the interim dividend of 17.3p (2023: 16.5p) per ordinary share, amounts to 59.3p for the year (2023: 56.5p).

The results are shown more fully in the audited consolidated financial statements on pages 132 to 178 and summarised in the Financial Review on pages 46 to 49.

Independent Auditors

Each of the persons who is a Director at the date of approval of this Annual Report and Accounts confirms that so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

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 15 January 2025.

Directors' assessment of going concern

The Directors continue to adopt the going concern basis in preparing the Annual Report and Accounts. Their assessment in reaching this conclusion is set out in the notes to the consolidated financial statements on page 168.

Statement of Directors' responsibilities for preparing the financial statements

The Directors are responsible for preparing the Annual Report and 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 UK-adopted 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).

DIRECTORS' REPORT CONTINUED

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 for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted International Accounting Standards have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Parent Company will continue in business.

The Directors are responsible for safeguarding the assets of the Group and Parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Parent Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

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

Directors' confirmations

The Directors consider that the Annual Report and 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 UK-adopted International Accounting Standards give a true and fair view of the assets, liabilities, financial position and profit of the Group;

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

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

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

The Strategic Report and the Directors' Report were approved by the Board of Directors on 19 November 2024 and are signed on its behalf by:

JD Thomson
Chief Executive Officer

C Davies
Chief Financial Officer

Registered office:
10-11 Charterhouse Square
London
EC1M 6EE
Registered Number:
3899848

INDEPENDENT AUDITORS’ REPORT TO THE MEMBERS OF DIPLOMA PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion:

- Diploma PLC’s Group financial statements and Parent Company financial statements (the “financial statements”) give a true and fair view of the state of the Group’s and of the Parent Company’s affairs as at 30 September 2024 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 as applied in accordance with the provisions of the Companies Act 2006;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 “Reduced Disclosure Framework”, and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts 2024 (the “Annual Report”), which comprise: the Consolidated and Parent Company Statements of Financial Position as at 30 September 2024; the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Changes in Equity and the Consolidated Cash Flow Statement for the year then ended; the Group and Parent Company Accounting Policies; and the notes to the financial statements.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”) and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors’ responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC’s Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC’s Ethical Standard were not provided.

Other than those disclosed in the Audit Committee Report and Note 27 to the Group Financial Statements, we have provided no non-audit services to the Parent Company or its controlled undertakings in the period under audit.

Our audit approach

Overview

Audit scope

- The Group is structured as three Sectors (Life Sciences, Seals and Controls) and we have conducted audit work across all of them. Through our full scope component audits, audit of the consolidation and additional audit procedures performed at a Group level we have achieved coverage of 80% (2023: 69%) of consolidated adjusted profit before tax and 73% (2023: 68%) of consolidated revenue.

Key audit matters

- Valuation of the acquired intangibles for the Peerless and PAR Group acquisitions (Group)
- Carrying value of investments in subsidiaries and recoverability of intercompany receivables (Parent Company)

Materiality

- Overall Group materiality: £12.3m (2023: £10.8m) based on approximately 5% of adjusted profit before tax.
- Overall Parent Company materiality: £9.9m (2023: £6.1m) based on approximately 1% of total assets.
- Performance materiality: £9.2m (2023: £8.1m) (Group) and £7.4m (2023: £4.6m) (Parent Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

INDEPENDENT AUDITORS’ REPORT TO THE MEMBERS OF DIPLOMA PLC CONTINUED

Key audit matters

Key audit matters are those matters that, in the auditors’ professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Valuation of the acquired intangibles for the Peerless and PAR Group acquisitions (Group)	
Refer to page 175 Significant accounting estimates and critical judgements (Acquisition accounting) and Note 22 (Acquisitions and disposals of businesses) within the Group financial statements.	The procedures we undertook to address the significant risk identified included:
The Group acquired Peerless and PAR Group for a combined consideration of £269.5m (net of cash acquired). Acquired intangible assets of £75.2m were identified and recognised in respect of these acquisitions. The valuation of the acquired intangibles for these two acquisitions has been determined to be a significant risk due to its material quantum and the level of estimation associated with determination of fair values.	<ul style="list-style-type: none">• Validation of the mathematical accuracy of management’s models and appropriateness of the methodologies used to determine the fair values, with support from our internal valuation experts.• Obtaining an understanding of the assumptions used to determine the value of acquired intangibles, and in particular considering the following key assumptions:<ul style="list-style-type: none">– Discount rates: We engaged our valuation experts to corroborate the reasonableness of the discount rates using comparable market data, for example discount rates of other companies in similar industries.

Key audit matter	How our audit addressed the key audit matter
We have identified a significant risk associated with the valuation of the intangibles due to the magnitude of the acquisitions, the significant level of estimation involved in determining the fair value of the acquired intangibles and their sensitivity to changes in key assumptions including discount rates, forecast revenue growth rates, and customer attrition rates. In considering such assumptions, there is an inherent level of estimation uncertainty and subjectivity.	<ul style="list-style-type: none">– Forecast revenue growth rates: We compared the assumptions in respect of forecast revenue growth rates to historical trading experience and the actual trading performance of the businesses subsequent to the acquisition. In addition, we compared the forecasts used in the valuations to the Board approved budgets, comparable companies and industry reports.– Customer attrition rates: We corroborated the attrition rate assumptions and forecast cash flows to underlying support. We compared the assumptions in respect of forecast cash flows to historical customer sales and we engaged our valuation experts to assist in the evaluation of the methodology used by management. <p>From the procedures performed we concluded that management’s estimate of the fair values of the acquired intangibles is materially appropriate.</p>

INDEPENDENT AUDITORS’ REPORT TO THE MEMBERS OF DIPLOMA PLC CONTINUED

Key audit matter	How our audit addressed the key audit matter
Carrying value of investments in subsidiaries and recoverability of intercompany receivables (Parent Company)	
Refer to the Parent Company Statement of Financial Position and Note D (“Investments”) within the Parent Company financial statements.	In assessing whether the carrying value of the Parent Company’s investment in subsidiaries was supportable, we verified that the net asset positions of the individual investments were in excess of the carrying value of the investment in those subsidiaries. We also evaluated whether other areas of our audit work identified any indicators of impairment concerning the recoverability of the carrying value of those investments as of the balance sheet date. We have no issues to report in respect of this work.
At the balance sheet date, the Parent Company had investments in subsidiaries of £700.5m (2023: £372.4m) and intercompany receivables of £289.1m (2023: £246.9m).	
The Parent Company’s accounting policy for investments and intercompany receivables is to hold them at cost less any accumulated impairment. Impairment of the intercompany receivables is calculated in accordance with IFRS 9 (Financial Instruments). Investments in subsidiaries are assessed for impairment in line with IAS 36 (Impairment of Assets). Given the inherent judgement in assessing both the carrying value of a subsidiary company and the expected credit loss of intercompany receivables, this was identified as a key audit matter.	With regards to the recoverability of intercompany receivables, we have obtained and audited management’s IFRS 9 assessment regarding the ability for the counterparty to settle the balances with liquid resources available at the balance sheet date taking into account other commitments.
	We have no issues to report in respect of this work.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Parent Company, the accounting processes and controls, and the industry in which they operate.

The Group is structured as three core Sectors (Life Sciences, Seals and Controls) with operations primarily geographically located in Australia, Canada, the USA, the UK and Continental Europe. Within the aforementioned Sectors are a number of businesses/ management reporting components which are consolidated by Group management.

The Group financial statements are a consolidation of multiple reporting components representing the operating businesses within these three core Sectors. Our audit scope was determined by considering the significance of each component’s contribution to adjusted profit before tax and contribution to individual financial statement line items, with specific consideration given to obtaining sufficient coverage over significant audit risks and other areas of higher risk.

We identified 21 financial reporting components across nine countries for which we determined that full scope audits would need to be performed. Through our full scope audits, the audit of the consolidation and other audit procedures performed at a Group level, we have achieved coverage of 80% of the Group’s adjusted profit before tax and 73% of the Group’s revenue, giving us the evidence we needed for our opinion on the Group financial statements as a whole. The reporting components, excluding those audited by the Group engagement team, were audited by twelve component teams.

Certain Parent Company account balances were included in scope for the audit of the Group financial statements. However, we determined that the Parent Company did not require a full scope audit of its complete financial information for the purposes of the audit of the Group financial statements.

Our audit procedures at the Group level included the audit of the consolidation, fair value adjustments and intangible asset valuations on acquisitions, goodwill and investment impairment assessments, UK pensions and certain tax procedures. The Group engagement team also performed the audit of the Parent Company and one UK component.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the process they have adopted to assess the extent of the potential impact of climate change risk on the financial statements and to support the disclosures made in relation to climate risk within the Strategic Report.

In addition to enquiries with management, we also read management’s experts report, which underpins the overall assessment of climate risk.

The Board has made commitments to achieve net zero carbon emissions across their value chain by 2045, with a 50% reduction in scope 1 & 2 emissions by 2030.

Management has assessed that there is no material impact on the financial reporting judgements and estimates arising from their considerations, consistent with previous assessments made by the Group.

INDEPENDENT AUDITORS’ REPORT TO THE MEMBERS OF DIPLOMA PLC CONTINUED

Using our knowledge of the business, we evaluated management’s risk assessment and related disclosures. In particular we have considered how climate risk would impact the assumptions made in the forecasts used in their goodwill impairment assessments and going concern analysis.

We also considered the consistency of disclosures in relation to climate change contained in the Strategic Report with the financial statements and our knowledge from our audit.

Our responsibility over other information is further described in the “Reporting on other information” section on our report. We have not been engaged to provide assurance over the accuracy of these disclosures.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – Group	Financial statements – Parent Company
Overall materiality	£12.3m (2023: £10.8m).	£9.9m (2023: £6.1m).
How we determined it	Based on approximately 5% of adjusted profit before tax	Based on approximately 1% of total assets

	Financial statements – Group	Financial statements – Parent Company
Rationale for benchmark applied	Based on the benchmarks used in the Annual Report, adjusted profit before tax is considered as the primary measure used by the shareholders in assessing the underlying performance of the Group. This benchmark excludes the impact of adjustments in respect of amortisation of acquired intangible assets, acquisition items, profit or loss on disposal of operations, and other costs.	This is a typical measure used by shareholders in assessing the performance of a holding Parent Company and a generally accepted auditing benchmark.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was £450,000 and £10.5m. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2023: 75%) of overall materiality, amounting to £9.2m (2023: £8.1m) for the Group financial statements and £7.4m (2023: £4.6m) for the Parent Company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £612,500 (Group audit) (2023: £537,500) and £495,000 (Parent Company audit) (2023: £305,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

INDEPENDENT AUDITORS’ REPORT TO THE MEMBERS OF DIPLOMA PLC CONTINUED

Conclusions relating to going concern

Our evaluation of the directors’ assessment of the Group’s and the Parent Company’s ability to continue to adopt the going concern basis of accounting included:

- Reviewing management’s going concern assessment to ensure it was based upon the latest Board approved forecasts and that the cashflow assumptions were consistent with our understanding of the outlook for the sectors and the wider market;
- Testing the mathematical accuracy of the model, including forecast compliance with covenants;
- Corroborating key model inputs to independent evidence obtained over the course of the audit;
- Discussing conclusions with management across the business, including sector heads, to ensure consistency and gain perspective on the developments within 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 agreements to validate covenants used in the modelling and the timing of debt maturities; and
- Reviewing management’s severe but plausible scenario to ensure these appropriately reflect the risk of potential performance below forecast levels, and that there remains sufficient headroom both against covenant compliance and liquidity.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group’s and the Parent Company’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group’s and the Parent Company’s ability to continue as a going concern.

In relation to the directors’ reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors’ statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors’ report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors’ report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors’ report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors’ report for the year ended 30 September 2024 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Parent Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors’ report.

Directors’ Remuneration

In our opinion, the part of the Annual Report on Remuneration to be audited has been properly prepared in accordance with the Companies Act 2006.

INDEPENDENT AUDITORS’ REPORT TO THE MEMBERS OF DIPLOMA PLC CONTINUED

Corporate governance statement

The Listing Rules require us to review the directors’ statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Parent Company’s compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement, included within the Corporate Governance section of the Annual Report 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 and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors’ statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group’s and Parent Company’s ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors’ explanation as to their assessment of the Group’s and Parent Company’s prospects, the period this assessment covers and why the period is appropriate; and
- The directors’ statement as to whether they have a reasonable expectation that the Parent Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors’ statement regarding the longer-term viability of the Group and Parent Company was substantially less in scope than an audit and only consisted of making inquiries and considering the directors’ process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Parent Company and their environment obtained in the course of the audit.

In addition, 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 consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group’s and Parent Company’s position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the directors’ statement relating to the Parent Company’s compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit
Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors’ responsibilities for preparing the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group’s and the Parent Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditors’ responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITORS’ REPORT TO THE MEMBERS OF DIPLOMA PLC CONTINUED

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to data protection laws (including GDPR) and health and safety, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as UK Listing Rules, the Companies Act 2006, indirect and direct tax legislation and pension rules. We evaluated management’s incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to fraudulent journal entries to manipulate the financial performance and management bias in significant accounting estimates, in order to achieve management incentive scheme targets and market consensus. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- enquiring of Group and local management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud, and review of internal audit reports;
- enquiring of entity staff in tax and compliance functions to identify any instances of non-compliance with laws and regulations;
- reviewing minutes of meetings of those charged with governance;
- challenging assumptions and judgements made by management in their accounting estimates (due to the risk of management bias), including the inventory provision and accounting for acquisitions;
- incorporating elements of unpredictability into our work;
- reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws; and
- auditing the risk of management override of controls, including through testing certain journal entries and other adjustments for appropriateness.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC’s website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors’ report.

Use of this report

This report, including the opinions, has been prepared for and only for the Parent Company’s members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

INDEPENDENT AUDITORS’ REPORT TO THE MEMBERS OF DIPLOMA PLC CONTINUED

OTHER REQUIRED REPORTING

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors’ remuneration specified by law are not made; or
- the Parent Company financial statements and the part of the Annual Report on Remuneration 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 seven years, covering the years ended 30 September 2018 to 30 September 2024.

OTHER MATTER

The Parent Company is required by the Financial Conduct Authority Disclosure Guidance and Transparency Rules to include these financial statements in an annual financial report prepared under the structured digital format required by DTR 4.1.15R – 4.1.18R and filed on the National Storage Mechanism of the Financial Conduct Authority. This auditors’ report provides no assurance over whether the structured digital format annual financial report has been prepared in accordance with those requirements.

Richard Porter (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

London
19 November 2024

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2024

	Note	Adjusted ¹ 2024 £m	Adjustments ¹ £m	Total 2024 £m	Adjusted ¹ 2023 £m	Adjustments ¹ £m	Total 2023 £m
Revenue	3,4	1,363.4	–	1,363.4	1,200.3	–	1,200.3
Operating expenses	2	(1,078.4)	(77.6)	(1,156.0)	(963.3)	(53.7)	(1,017.0)
Operating profit		285.0	(77.6)	207.4	237.0	(53.7)	183.3
Financial expense, net	6	(27.0)	(3.8)	(30.8)	(20.4)	(7.3)	(27.7)
Profit before tax		258.0	(81.4)	176.6	216.6	(61.0)	155.6
Tax expense	7	(61.9)	15.3	(46.6)	(52.0)	14.7	(37.3)
Profit for the year		196.1	(66.1)	130.0	164.6	(46.3)	118.3
Attributable to:							
Shareholders of the Company		195.4	(66.1)	129.3	164.0	(46.3)	117.7
Minority interests	21	0.7	–	0.7	0.6	–	0.6
		196.1	(66.1)	130.0	164.6	(46.3)	118.3
Earnings per share (p)							
Adjusted/Basic earnings	9	145.8p		96.5p	126.5p		90.8p
Adjusted/Diluted earnings	9	145.3p		96.1p	125.9p		90.4p

¹ Adjusted figures exclude certain items as set out and explained in the Financial Review and as detailed in notes 2, 3, 4, 6 and 7. All amounts relate to continuing operations.

The notes on pages 137 to 175 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2024

	Note	2024 £m	2023 £m
Profit for the year		130.0	118.3
Items that will not be reclassified to the Consolidated Income Statement			
Actuarial loss on the defined benefit pension schemes	26	(7.0)	(0.9)
Deferred tax on items that will not be reclassified	7,14	1.8	0.2
		(5.2)	(0.7)
Items that may be reclassified to the Consolidated Income Statement			
Exchange differences on translation of foreign operations		(65.7)	(46.3)
Exchange differences on translation of net investment hedge	19	7.2	–
Net changes to fair value of cash flow hedges transferred to the Consolidated Income Statement	19	(1.3)	1.8
Losses on fair value of cash flow hedges	19	(2.3)	(3.8)
Deferred tax on items that may be reclassified	7,14	0.7	0.5
		(61.4)	(47.8)
Total Other Comprehensive Income		(66.6)	(48.5)
Total Comprehensive Income for the year		63.4	69.8
Attributable to:			
Shareholders of the Company		62.7	69.3
Minority interests		0.7	0.5
		63.4	69.8

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2024

	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 2022		6.3	188.6	88.8	3.2	375.1	662.0	6.2	668.2
Total Comprehensive Income		–	–	(46.3)	(1.5)	117.1	69.3	0.5	69.8
Issue of share capital		0.5	231.6	–	–	–	232.1	–	232.1
Share-based payments	5	–	–	–	–	4.1	4.1	–	4.1
Tax on items recognised directly in equity	7	–	–	–	–	0.5	0.5	–	0.5
Notional purchase of own shares		–	–	–	–	(1.9)	(1.9)	–	(1.9)
Dividends	8,21	–	–	–	–	(70.5)	(70.5)	(0.3)	(70.8)
At 30 September 2023		6.8	420.2	42.5	1.7	424.4	895.6	6.4	902.0
Total Comprehensive Income		–	–	(58.5)	(2.9)	124.1	62.7	0.7	63.4
Share-based payments	5	–	–	–	–	7.1	7.1	–	7.1
Tax on items recognised directly in equity	7	–	–	–	–	1.7	1.7	–	1.7
Notional purchase of own shares		–	–	–	–	(2.3)	(2.3)	–	(2.3)
Dividends	8,21	–	–	–	–	(76.8)	(76.8)	(0.4)	(77.2)
At 30 September 2024		6.8	420.2	(16.0)	(1.2)	478.2	888.0	6.7	894.7

The notes on pages 137 to 175 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2024

	Note	2024 £m	2023 £m
Non-current assets			
Goodwill	10	541.1	439.1
Acquisition intangible assets	11	507.8	520.1
Other intangible assets	11	2.6	4.2
Property, plant and equipment	12	63.4	59.2
Leases – right-of-use assets	13	65.9	71.5
Retirement benefit assets	26	1.5	6.8
Deferred tax assets	14	0.9	0.2
		1,183.2	1,101.1
Current assets			
Inventories	15	280.1	232.7
Trade and other receivables	16	206.9	193.1
Assets held for sale	23	46.4	–
Cash and cash equivalents	18	55.5	62.4
		588.9	488.2
Current liabilities			
Borrowings	25	–	(0.3)
Trade and other payables	17	(204.4)	(191.9)
Liabilities held for sale	23	(22.0)	–
Current tax liabilities	7	(22.9)	(16.6)
Other liabilities	20	(8.8)	(12.7)
Lease liabilities	13	(13.1)	(15.0)
		(271.2)	(236.5)
Net current assets		317.7	251.7
Total assets less current liabilities		1,500.9	1,352.8

	Note	2024 £m	2023 £m
Non-current liabilities			
Borrowings	25	(479.8)	(316.8)
Trade and other payables	17	(1.1)	–
Lease liabilities	13	(59.2)	(65.2)
Other liabilities	20	(16.6)	(9.9)
Retirement benefit obligations	26	–	(0.3)
Deferred tax liabilities	14	(49.5)	(58.6)
		(606.2)	(450.8)
Net assets		894.7	902.0
Equity			
Share capital		6.8	6.8
Share premium		420.2	420.2
Translation reserve		(16.0)	42.5
Hedging reserve		(1.2)	1.7
Retained earnings		478.2	424.4
Total shareholders' equity		888.0	895.6
Minority interests	21	6.7	6.4
Total equity		894.7	902.0

The consolidated financial statements on pages 132 to 175 were approved by the Board of Directors on 19 November 2024 and signed on its behalf by:

JD Thomson
Chief Executive Officer

C Davies
Chief Financial Officer

The notes on pages 137 to 175 form part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2024

	Note	2024 £m	2023 £m
Operating profit		207.4	183.3
Acquisition related and other charges		77.6	53.7
Non-cash items and other		3.2	24.5
Increase in working capital		(8.5)	(4.2)
Cash flow from operating activities	24	279.7	257.3
Interest paid, net (including borrowing fees)		(23.2)	(26.7)
Tax paid		(58.4)	(41.4)
Net cash inflow from operating activities		198.1	189.2
Cash flow from investing activities			
Acquisition of businesses (net of cash acquired)		(270.5)	(258.5)
Acquisition related deferred (payments)/receipts, net		(10.3)	(12.3)
Proceeds from sale of business (net of cash disposed)		–	21.5
Purchase of property, plant and equipment	12	(18.9)	(21.6)
Purchase of other intangible assets	11	(0.8)	(1.5)
Proceeds from sale of property, plant and equipment		5.7	1.5
Net cash used in investing activities		(294.8)	(270.9)

	Note	2024 £m	2023 £m
Cash flow from financing activities			
Proceeds from issue of share capital		–	236.1
Share issue costs		–	(4.2)
Dividends paid to shareholders	8	(76.8)	(70.5)
Dividends paid to minority interests	21	(0.4)	(0.3)
Notional purchase of own shares on exercise of share options		(2.3)	(1.9)
Proceeds from borrowings		694.9	579.5
Repayment of borrowings		(509.1)	(617.3)
Principal elements of lease payments		(16.0)	(13.9)
Net cash inflow from financing activities		90.3	107.5
Net (decrease)/increase in cash and cash equivalents		(6.4)	25.8
Cash and cash equivalents at beginning of year		62.4	41.7
Effect of exchange rates on cash and cash equivalents		4.2	(5.1)
Cash and cash equivalents held in disposal groups	23	(4.7)	–
Cash and cash equivalents at end of year	18	55.5	62.4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2024

1. GENERAL INFORMATION

Diploma PLC is a public company limited by shares incorporated in the United Kingdom, registered and domiciled in England and Wales and listed on the London Stock Exchange. The address of the registered office is 10–11 Charterhouse Square, London EC1M 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 19 November 2024. These statements are presented in UK sterling, with all values rounded to the nearest 100,000, except where otherwise indicated.

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 and Accounts on pages 176 to 178. A full list of subsidiary and other related undertakings is set out on pages 180 to 182.

2. ANALYSIS OF OPERATING EXPENSES

	Adjusted 2024 £m	Adjustments £m	Total 2024 £m	Adjusted 2023 £m	Adjustments £m	Total 2023 £m
Cost of inventories sold	730.1	4.4	734.5	652.1	5.9	658.0
Employee costs (note 5)	230.9	3.9	234.8	206.2	3.8	210.0
Depreciation of property, plant and equipment (note 12)	14.6	–	14.6	12.8	–	12.8
Depreciation of right-of-use assets (note 13)	16.3	–	16.3	14.8	–	14.8
Amortisation (note 11)	1.3	59.4	60.7	1.0	52.9	53.9
Net impairment movements on trade receivables (note 16)	(0.6)	–	(0.6)	2.5	–	2.5
Other operating expenses/(income)	85.8	9.9	95.7	73.9	(8.9)	65.0
Operating expenses	1,078.4	77.6	1,156.0	963.3	53.7	1,017.0

The adjustments to operating expenses are made in relation to acquisition related and other charges, as defined in note 29.2, totalling £77.6m (2023: £53.7m) and comprises of £59.4m (2023: £52.9m) of amortisation of acquisition intangible assets, £4.4m (2023: £5.9m) of fair value adjustments to inventory acquired through acquisitions recognised in cost of inventories sold, £10.2m of acquisition related expenses (2023: £6.3m), £3.6m of restructuring costs (2023: £nil) and no disposal of businesses during the year (2023: £12.2m net gain).

3. BUSINESS SECTOR ANALYSIS

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

For management reporting purposes, the Group is organised into three main reportable business Sectors: Controls, Seals and Life Sciences. These Sectors are the Group’s operating segments as defined by IFRS 8 and form the basis of the primary reporting format disclosures below. The CODM reviews discrete financial information at this operating segment level. The principal activities of each of these Sectors are described in the Strategic Report on pages 28 to 45. Sector revenue represents revenue from external customers; there is no material inter-Sector revenue. Sector results, assets and liabilities include items directly attributable to a Sector, as well as those that can be allocated on a reasonable basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2024 CONTINUED

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

	Controls		Seals		Life Sciences		Corporate		Group	
	2024 £m	2023 £m	2024 £m	2023 £m	2024 £m	2023 £m	2024 £m	2023 £m	2024 £m	2023 £m
Revenue – existing ¹	595.3	568.4	478.6	419.0	221.9	212.9	–	–	1,295.8	1,200.3
Revenue – acquisitions ¹	57.1	–	10.5	–	–	–	–	–	67.6	–
Revenue	652.4	568.4	489.1	419.0	221.9	212.9	–	–	1,363.4	1,200.3
Cost of inventories sold – existing ¹	(347.7)	(332.4)	(234.0)	(205.7)	(122.6)	(119.9)	–	–	(704.3)	(658.0)
Cost of inventories sold – acquisitions ¹	(25.6)	–	(4.6)	–	–	–	–	–	(30.2)	–
Cost of inventories sold	(373.3)	(332.4)	(238.6)	(205.7)	(122.6)	(119.9)	–	–	(734.5)	(658.0)
Adjusted operating profit – existing ¹	144.0	136.6	87.1	79.0	46.8	43.2	(22.4)	(21.8)	255.5	237.0
Adjusted operating profit – acquisitions ¹	25.9	–	3.6	–	–	–	–	–	29.5	–
Adjusted operating profit	169.9	136.6	90.7	79.0	46.8	43.2	(22.4)	(21.8)	285.0	237.0
Acquisition related and other charges	(37.6)	(23.7)	(28.5)	(23.2)	(11.5)	(6.8)	–	–	(77.6)	(53.7)
Operating profit	132.3	112.9	62.2	55.8	35.3	36.4	(22.4)	(21.8)	207.4	183.3
Operating assets	301.6	214.9	262.9	264.1	94.2	75.2	–	–	658.7	554.2
Goodwill	265.3	167.3	179.1	169.4	96.7	102.4	–	–	541.1	439.1
Acquisition intangible assets	268.4	258.2	183.4	195.4	56.0	66.5	–	–	507.8	520.1
	835.3	640.4	625.4	628.9	246.9	244.1	–	–	1,707.6	1,513.4
Unallocated assets:										
– Deferred tax assets							0.9	0.2	0.9	0.2
– Cash and cash equivalents							55.5	62.4	55.5	62.4
– Acquisition related assets							1.8	3.0	1.8	3.0
– Retirement benefit assets							1.5	6.8	1.5	6.8
– Corporate assets							4.8	3.5	4.8	3.5
Total assets	835.3	640.4	625.4	628.9	246.9	244.1	64.5	75.9	1,772.1	1,589.3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2024 CONTINUED

	Controls		Seals		Life Sciences		Corporate		Group	
	2024 £m	2023 £m	2024 £m	2023 £m	2024 £m	2023 £m	2024 £m	2023 £m	2024 £m	2023 £m
Operating liabilities	(120.7)	(96.1)	(119.2)	(119.6)	(52.1)	(43.3)	-	-	(292.0)	(259.0)
Unallocated liabilities:										
– Deferred tax liabilities							(49.5)	(58.6)	(49.5)	(58.6)
– Retirement benefit obligations							-	(0.3)	-	(0.3)
– Acquisition related liabilities							(25.4)	(22.6)	(25.4)	(22.6)
– Corporate liabilities							(30.7)	(29.7)	(30.7)	(29.7)
– Borrowings							(479.8)	(317.1)	(479.8)	(317.1)
Total liabilities	(120.7)	(96.1)	(119.2)	(119.6)	(52.1)	(43.3)	(585.4)	(428.3)	(877.4)	(687.3)
Net assets/(liabilities)	714.6	544.3	506.2	509.3	194.8	200.8	(520.9)	(352.4)	894.7	902.0

1 Prior year's segmental acquisition amounts have been incorporated into the existing segmental amounts for better comparability.

Other Sector information

	Controls		Seals		Life Sciences		Corporate		Group	
	2024 £m	2023 £m	2024 £m	2023 £m	2024 £m	2023 £m	2024 £m	2023 £m	2024 £m	2023 £m
Capital expenditure	5.7	5.9	4.7	9.0	9.2	7.9	0.1	0.3	19.7	23.1
Depreciation and amortisation	5.0	4.6	6.1	5.0	4.5	4.0	0.3	0.2	15.9	13.8
Revenue recognition										
– immediately on sale	642.2	563.0	465.3	399.6	207.3	198.9	-	-	1,314.8	1,161.5
– over a period of time	10.2	5.4	23.8	19.4	14.6	14.0	-	-	48.6	38.8
	652.4	568.4	489.1	419.0	221.9	212.9	-	-	1,363.4	1,200.3

Accrued income ("contract assets") at 30 September 2024 of £0.8m (2023: £1.0m) and deferred revenue ("contract liabilities") of £2.8m at 30 September 2024 (2023: £3.1m) are included in trade and other receivables (note 16) and trade and other payables (note 17), respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2024 CONTINUED

4. GEOGRAPHIC SEGMENT ANALYSIS BY ORIGIN

	Revenue		Adjusted operating profit		Non-current assets ¹		Trading capital employed		Capital expenditure	
	2024 £m	2023 £m	2024 £m	2023 £m	2024 £m	2023 £m	2024 £m	2023 £m	2024 £m	2023 £m
United Kingdom ²	273.0	267.1	23.3	28.8	242.4	207.3	229.3	195.0	4.9	9.3
Rest of Europe	267.8	210.3	53.9	34.5	264.9	308.1	321.4	354.1	2.3	1.6
USA	626.1	537.6	165.5	132.2	566.9	470.0	698.2	567.9	3.6	4.3
Rest of world	196.5	185.3	42.3	41.5	106.6	106.3	136.1	111.2	8.9	7.9
	1,363.4	1,200.3	285.0	237.0	1,180.8	1,091.7	1,385.0	1,228.2	19.7	23.1

1 Non-current assets excludes deferred tax assets, derivative assets and retirement benefit assets.

2 United Kingdom includes the UK related corporate segment.

5. GROUP EMPLOYEE COSTS

Average number of employees

	2024	2023
Controls	1,110	1,026
Seals	1,824	1,496
Life Sciences	463	450
Corporate	42	38
Number of employees – average	3,439	3,010
Number of employees – year end	3,597	3,319

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2024 CONTINUED

Group employee costs, including key management

	2024 £m	2023 £m
Wages and salaries	200.8	183.2
Social security costs	18.5	15.1
Other pension costs	8.4	7.6
Share-based payments	7.1	4.1
	234.8	210.0

Key management short-term remuneration, including Directors

	2024 £m	2023 £m
Salaries and short-term employee benefits	7.2	5.4
Pension costs	0.2	0.2
Share-based payments	5.2	3.0
	12.6	8.6

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

The Executive Directors' remuneration and their interests in shares of the Company are given on pages 96 to 119 in the Remuneration Committee Report. The charge for share-based payments of £5.2m (2023: £3.0m) relates to the Group's PSP, described in the Remuneration Committee Report.

Directors' short-term remuneration

	2024 £m	2023 £m
Non-Executive Directors	0.7	0.6
Executive Directors	3.1	2.7
	3.8	3.3

6. FINANCIAL EXPENSE, NET

	2024 £m	2023 £m
Interest expense/(income) and similar charges		
– bank facility and commitment fees	1.7	1.6
– interest income on short-term deposits	(0.6)	(0.4)
– interest expense on borrowings	22.2	16.6
– notional interest income on the defined benefit pension scheme (note 26)	(0.3)	(0.4)
– amortisation of capitalised borrowing fees	0.1	0.2
– interest on lease liabilities (note 13)	3.9	2.8
Net interest expense and similar charges	27.0	20.4
– acquisition related finance charges, net	3.8	7.3
Financial expense, net	30.8	27.7

Acquisition related finance charges as adjusted in the Consolidated Income Statement includes fair value movement and unwind of discount on acquisition liabilities of £3.2m charge (2023: £0.4m charge), £0.9m charge (2023: £5.9m charge) for the amortisation and write-off of capitalised borrowing fees on acquisition related borrowings, fair value remeasurements of put options for future minority interest purchases of £0.1m income (2023: £1.8m charge), and net income from interest and settlement of acquisition and disposal related items of £0.2m (2023: £0.8m net income). Acquisition related finance charges are adjusted due to their consistent nature with acquisition related and other charges, as defined in note 29.2.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2024 CONTINUED

7. TAX EXPENSE

	2024 £m	2023 £m
Current tax		
The tax charge is based on the profit for the year and comprises:		
UK corporation tax	15.2	10.4
Overseas tax	40.1	31.2
	55.3	41.6
Adjustments in respect of prior year:		
UK corporation tax	(0.2)	1.2
Overseas tax	0.4	0.1
Total current tax	55.5	42.9
Deferred tax		
The net deferred tax credit based on the origination and reversal of timing differences comprises:		
United Kingdom	(1.2)	(2.7)
Overseas	(7.7)	(2.9)
Total deferred tax	(8.9)	(5.6)
Total tax on profit for the year	46.6	37.3

In addition to the above credit for deferred tax included in the Consolidated Income Statement, a deferred tax credit relating to the retirement benefit scheme and cash flow hedges of £2.5m was recognised in the Consolidated Statement of Comprehensive Income (2023: £0.7m credit). A further £1.7m was credited (2023: £0.5m credit) to the Consolidated Statement of Changes in Equity.

Factors affecting the tax charge for the year

The difference between the total tax charge calculated by applying the effective rate of UK corporation tax of 25.0% to the profit before tax of £176.6m and the amount set out above is as follows:

	2024 £m	2023 £m
Profit before tax	176.6	155.6
Tax on profit at UK effective corporation tax rate of 25.0% (2023: 22.0%)	44.2	34.2
Effects of:		
overseas tax rates	0.4	3.8
adjustments in respect of UK and Overseas corporation tax in prior years	0.2	1.3
other permanent differences	1.8	(2.0)
Total tax on profit for the year	46.6	37.3
Tax effect on adjusting items	15.3	14.7
Adjusted tax expense	61.9	52.0

The tax adjustment in the Consolidated Income Statement of £15.3m (2023: £14.7m) reflects the tax effect of the acquisition related and other charges, and acquisition related finance charges.

The Group earns its profits in the UK and overseas. The Group prepares its consolidated financial statements for the year to 30 September and the statutory tax rate for UK corporation tax in respect of the year ended 30 September 2024 was 25.0% (2023: 22.0%) and this rate has been used for tax on profit in the above reconciliation.

The Group's effective tax rate on adjusted profit remains consistent with the prior year at 24% (2023: 24%). This is reflective of the geographic mix of profits and the statutory tax rates in the jurisdictions in which we operate. The UK deferred tax assets and liabilities at 30 September 2024 have been calculated by reference to the UK corporation tax rate of 25.0% (2023: 25.0%).

At 30 September 2024, the Group had outstanding tax liabilities of £22.9m (2023: £16.6m). These amounts are expected to be paid within the next financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2024 CONTINUED

During 2021, the OECD published a framework for the introduction of a global minimum effective tax rate of 15%, applicable to large multinational groups. The legislation implementing these 'Pillar Two' rules in the UK was substantively enacted on 20 June 2023 and will apply to the Group from the financial year ending 30 September 2025 onwards. We have applied the temporary exception under IAS 12 from the requirement to recognise and disclose deferred taxes arising from the implementation of the Pillar Two rules.

The OECD has issued guidance on safe harbours and penalty relief. This includes a Transitional Country-by-Country Safe Harbour ('TCSH'), which allows multinationals to avoid detailed calculations for a jurisdiction if they meet certain criteria. Based on these rules, the most recently filed country-by-country report and the effective tax rates in most jurisdictions in which the Group operates being above 15% we do not expect the Pillar Two legislation to have a material effect on the financial statements of the Group.

8. DIVIDENDS

	2024 pence per share	2023 pence per share	2024 £m	2023 £m
Interim dividend, paid in June	17.3	16.5	23.2	22.1
Final dividend of the prior year, paid in February	40.0	38.8	53.6	48.4
	57.3	55.3	76.8	70.5

The Directors have proposed a final dividend in respect of the current year of 42.0p per share (2023: 40.0p), which will be paid on 31 January 2025 subject to approval by shareholders at the Annual General Meeting (AGM) on 15 January 2025. The total dividend for the current year, subject to approval of the final dividend, will be 59.3p per share (2023: 56.5p).

The Diploma PLC Employee Benefit Trust holds 60,708 (2023: 67,431) shares, which are ineligible for dividends.

9. EARNINGS PER SHARE

Basic and diluted earnings per share

Basic earnings per ordinary 5p share is calculated on the basis of the weighted average number of ordinary shares in issue during the year of 134,020,566 (2023: 129,675,581) and the profit for the year attributable to shareholders of £129.3m (2023: £117.7m). Basic earnings per share is 96.5p (2023: 90.8p). Diluted earnings per share is 96.1p (2023: 90.4p) and is based on the average number of ordinary shares (which includes any potentially dilutive shares) of 134,494,807 (2023: 130,260,868).

Further description of the Company's share capital is set out in note (F) to the Parent Company Financial Statements on page 178.

Adjusted earnings per share

Adjusted EPS, which is defined in note 29.3, is 145.8p (2023: 126.5p).

	2024 pence per share Basic	2024 pence per share Diluted	2023 pence per share Basic	2023 pence per share Diluted	2024 £m	2023 £m
Profit before tax					176.6	155.6
Tax expense					(46.6)	(37.3)
Minority interests					(0.7)	(0.6)
Earnings for the year attributable to shareholders of the Company	96.5	96.1	90.8	90.4	129.3	117.7
Acquisition related and other charges and acquisition related finance charges, net of tax	49.3	49.2	35.7	35.5	66.1	46.3
Adjusted earnings	145.8	145.3	126.5	125.9	195.4	164.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2024 CONTINUED

10. GOODWILL

	Controls £m	Seals £m	Life Sciences £m	Total £m
At 1 October 2022	140.9	125.2	106.2	372.3
Acquisitions	39.5	48.1	1.3	88.9
Disposals	(4.3)	–	–	(4.3)
Exchange adjustments	(8.8)	(3.9)	(5.1)	(17.8)
At 30 September 2023	167.3	169.4	102.4	439.1
Acquisitions	118.1	27.0	–	145.1
Transfers to Held for Sale Assets	(0.6)	(11.8)	–	(12.4)
Exchange adjustments	(19.5)	(5.5)	(5.7)	(30.7)
At 30 September 2024	265.3	179.1	96.7	541.1

The Group tests goodwill for impairment at least once a year. For the purposes of impairment testing, goodwill is allocated to each of the Group's three cash-generating units (CGUs), which are the three operating Sectors: Controls, Seals, and Life Sciences. This represents the lowest level within the Group at which goodwill is monitored by management and reflects the Group's strategy of acquiring businesses to drive synergies across a Sector, rather than within an individual business. The impairment test requires a 'value in use' valuation to be prepared for each Sector using discounted cash flow forecasts. The cash flow forecasts are based on a combination of annual budgets prepared by each business and the Group's strategic plan.

The key assumptions used to prepare the cash flow forecasts relate to operating margins, revenue growth rates, the discount rates and climate related risks. The operating margins are assumed to remain sustainable, which is supported by historical experience. Revenue growth rates generally approximate to the average rates for the markets in which the business operates, unless there are particular factors relevant to a business. The cash flow forecasts use the budgeted figures for FY25, and then the three-year strategy cash flows for the next two years. From year four onwards a long-term growth rate of 2% is utilised.

The cash flow forecasts are discounted to determine a current valuation using market derived pre-tax discount rates; Controls 9.7% (2023: 10.1%), Seals 10.1% (2023: 10.2%) and Life Sciences 9.4% (2023: 10.1%). The equivalent post-tax discount rates for FY24 are: Controls 9.6% (2023: 10.0%), Seals 10.0% (2023: 10.1%) and Life Sciences 9.3% (2023: 10.0%).

These rates are based on the characteristics of lower risk, non-technically driven, distribution businesses operating generally in well-developed markets and with robust capital structures.

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

The Directors have also carried out sensitivity analyses on the key assumptions noted above to determine whether a 'reasonably possible adverse change' in any of these assumptions, including the net financial impact of climate-related risks and opportunities, would result in an impairment of goodwill. The analysis indicates that a 'reasonably possible adverse change' would not give rise to an impairment charge to goodwill in any of the three CGUs.

11. ACQUISITION AND OTHER INTANGIBLE ASSETS

	Customer relationships and order backlog £m	Supplier relationships £m	Trade names, brands and databases £m	Technology £m	Total acquisition intangible assets £m	Other intangible assets £m
Cost						
At 1 October 2022	547.9	30.9	53.7	–	632.5	9.3
Additions	–	–	–	–	–	1.5
Acquisitions	137.3	–	6.2	0.8	144.3	–
Disposals	(1.1)	–	–	–	(1.1)	(0.1)
Transfers	–	–	–	–	–	(0.3)
Exchange adjustments	(30.2)	(1.6)	(4.4)	(0.1)	(36.3)	(0.2)
At 30 September 2023	653.9	29.3	55.5	0.7	739.4	10.2
Additions	–	–	–	–	–	0.8
Acquisitions	83.7	–	–	–	83.7	–
Disposals	–	–	–	–	–	(0.4)
Transfers to Held for Sale Assets	(17.5)	(1.4)	–	–	(18.9)	(1.5)
Exchange adjustments	(41.4)	(1.5)	(4.3)	–	(47.2)	(0.6)
At 30 September 2024	678.7	26.4	51.2	0.7	757.0	8.5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2024 CONTINUED

	Customer relationships and order backlog £m	Supplier relationships £m	Trade names, brands and databases £m	Technology £m	Total acquisition intangible assets £m	Other intangible assets £m
Amortisation						
At 1 October 2022	140.1	24.6	12.8	–	177.5	5.2
Acquisitions	4.1	–	0.2	–	4.3	–
Charge for the year	41.4	1.7	5.5	–	48.6	1.0
Disposals	(1.1)	–	–	–	(1.1)	–
Exchange adjustments	(7.8)	(1.2)	(1.0)	–	(10.0)	(0.2)
At 30 September 2023	176.7	25.1	17.5	–	219.3	6.0
Acquisitions	4.0	–	–	–	4.0	–
Charge for the year	47.7	1.7	5.9	0.1	55.4	1.3
Disposals	–	–	–	–	–	(0.3)
Transfers to Held for Sale Assets	(13.8)	(1.4)	–	–	(15.2)	(0.8)
Exchange adjustments	(11.3)	(1.3)	(1.7)	–	(14.3)	(0.3)
At 30 September 2024	203.3	24.1	21.7	0.1	249.2	5.9
Net book value						
At 30 September 2024	475.4	2.3	29.5	0.6	507.8	2.6
At 30 September 2023	477.2	4.2	38.0	0.7	520.1	4.2

Acquisition intangible assets relate to items acquired through business combinations which are fair-valued and amortised over their useful economic lives.

	Economic life
Customer relationships	5–16 years
Supplier relationships	8–10 years
Trade names, brands and databases	5–11 years
Technology	5 years
Order backlog	3 years

Customer relationships principally relate to: Windy City Wire (£136.0m – 12 years useful life remaining), DICSA (£83.5m – 15 years useful life remaining), Peerless (£50.2m – 11 years remaining) and R&G (£31.2m – 8 years useful life remaining). Trade names and brands principally relate to Windy City Wire (£22.5m – 8 years useful life remaining) and DICSA (£5.2m – 9 years useful life remaining). Technology relates to DICSA (4 years useful life remaining). Order backlog relates to Peerless (£5.2m – 3 years useful life remaining).

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

Other intangible assets includes £0.2m (2023: £nil) of assets under construction.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2024 CONTINUED

12. PROPERTY, PLANT AND EQUIPMENT

	Freehold properties £m	Leasehold improvements £m	Plant and equipment £m	Hospital field equipment £m	Total £m
Cost					
At 1 October 2022	3.6	13.2	61.2	19.7	97.7
Additions	0.3	4.3	9.5	7.5	21.6
Acquisitions of businesses	–	1.8	4.3	0.1	6.2
Disposals	(0.6)	(0.9)	(2.5)	(1.1)	(5.1)
Exchange adjustments	(0.2)	(0.8)	(5.2)	(1.3)	(7.5)
At 30 September 2023	3.1	17.6	67.3	24.9	112.9
Additions	0.2	1.7	9.7	7.3	18.9
Acquisitions of businesses (note 22)	4.1	4.9	0.3	–	9.3
Disposals	(0.8)	(1.5)	(3.2)	(1.1)	(6.6)
Transfers to Held for Sale Assets	–	(0.4)	(7.5)	–	(7.9)
Exchange adjustments	(0.2)	(1.6)	(5.6)	(2.1)	(9.5)
At 30 September 2024	6.4	20.7	61.0	29.0	117.1
Depreciation					
At 1 October 2022	1.1	5.2	32.7	9.1	48.1
Charge for the year	0.1	1.0	7.9	3.8	12.8
Disposals	(0.3)	(0.3)	(1.7)	(0.5)	(2.8)
Exchange adjustments	(0.1)	(0.3)	(3.3)	(0.7)	(4.4)
At 30 September 2023	0.8	5.6	35.6	11.7	53.7
Charge for the year	0.1	1.6	9.1	3.8	14.6
Disposals	(0.7)	(0.3)	(2.3)	(0.5)	(3.8)
Transfers to Held for Sale Assets	–	(0.1)	(4.8)	–	(4.9)
Exchange adjustments	–	(0.5)	(4.4)	(1.0)	(5.9)
At 30 September 2024	0.2	6.3	33.2	14.0	53.7
Net book value					
At 30 September 2024	6.2	14.4	27.8	15.0	63.4
At 30 September 2023	2.3	12.0	31.7	13.2	59.2

Assets under construction is included in leasehold improvements of £0.1m (2023: £3.2m) and plant and equipment of £0.9m (2023: £nil).

Land included within freehold properties above which is not depreciated is £1.3m (2023: £1.0m). Capital commitments contracted, but not provided, were £0.1m (2023: £2.2m).

Freehold properties include ca. 150 acres of land at Stamford that comprises mostly farm land and former quarry land. In the Directors' opinion, the current fair value of its land at 30 September 2024 is £1.0m (2023: £1.0m) with a book value of £nil (2023: £nil).

13. 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 2022	81.1	0.8	8.3	1.7	91.9
Additions	24.8	0.1	2.7	0.5	28.1
Disposals	(1.3)	(0.1)	(1.0)	(0.1)	(2.5)
Exchange adjustments	(3.7)	–	(0.1)	(0.1)	(3.9)
At 30 September 2023	100.9	0.8	9.9	2.0	113.6
Additions	16.9	0.2	3.2	0.1	20.4
Disposals	(5.3)	(0.1)	(1.6)	–	(7.0)
Transfers to Held for Sale Assets	(8.4)	–	(0.7)	–	(9.1)
Exchange adjustments	(8.3)	–	(2.0)	(0.9)	(11.2)
At 30 September 2024	95.8	0.9	8.8	1.2	106.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2024 CONTINUED

	Land & buildings £m	Plant & machinery £m	Motor vehicles £m	IT & office equipment £m	Total £m
Depreciation					
At 1 October 2022	25.3	0.3	3.0	0.9	29.5
Charge for the year	12.3	0.1	2.0	0.4	14.8
Disposals	(0.7)	(0.1)	(0.5)	–	(1.3)
Exchange adjustments	(0.9)	–	–	–	(0.9)
At 30 September 2023	36.0	0.3	4.5	1.3	42.1
Charge for the year	13.7	0.2	2.2	0.2	16.3
Disposals	(4.3)	(0.1)	(1.4)	–	(5.8)
Transfers to Held for Sale Assets	(2.7)	–	(0.4)	–	(3.1)
Exchange adjustments	(6.5)	–	(1.4)	(0.8)	(8.7)
At 30 September 2024	36.2	0.4	3.5	0.7	40.8
Net book value					
At 30 September 2024	59.6	0.5	5.3	0.5	65.9
At 30 September 2023	64.9	0.5	5.4	0.7	71.5

Right-of-use assets represent those assets held under leases which IFRS 16 requires to be capitalised.

Lease liabilities

The movement on lease liabilities are set out below:

	2024 £m	2023 £m
At 1 October	80.2	69.1
Additions	21.2	29.7
Disposals	(1.3)	(0.8)
Lease repayments	(19.9)	(16.7)
Interest on lease liabilities	3.9	2.8
Transfers to Held for Sale Assets	(8.7)	–
Exchange movements	(3.1)	(3.9)
At 30 September	72.3	80.2
Analysed as:	£m	£m
Repayable within one year	13.1	15.0
Repayable after one year	59.2	65.2

Leases of low-value assets and short-term leases are accounted for applying paragraph 6 of IFRS 16. Lease costs of £1.6m (2023: £1.7m) in respect of low-value assets, short-term leases, and variable lease payments not included in the measurement of lease liabilities have been recognised within other operating expenses. The total cash outflow in respect of leases was £21.5m (2023: £18.4m).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2024 CONTINUED

14. DEFERRED TAX

The movement on the net deferred tax liability is as follows:

	2024 £m	2023 £m
At 1 October	(58.4)	(38.2)
Credited to the income statement (note 7)	8.9	5.6
Acquisitions and disposals (note 22)	(5.3)	(26.9)
Accounted for in Other Comprehensive Income or directly in Equity	2.5	0.7
Transfers to Held for Sale Assets	1.2	–
Exchange adjustments	2.5	0.4
At 30 September	(48.6)	(58.4)

Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances on a net basis.

	Assets		Liabilities		Net	
	2024 £m	2023 £m	2024 £m	2023 £m	2024 £m	2023 £m
Property, plant and equipment	–	–	(7.4)	(7.4)	(7.4)	(7.4)
Goodwill and intangible assets	–	–	(60.8)	(63.4)	(60.8)	(63.4)
Retirement benefit assets/obligations	0.1	0.1	(0.4)	(1.4)	(0.3)	(1.3)
Inventories	5.8	3.4	(0.3)	(0.1)	5.5	3.3
Share-based payments	3.8	2.0	–	–	3.8	2.0
Leases	1.7	1.6	–	–	1.7	1.6
Other temporary differences	9.3	7.1	(0.4)	(0.3)	8.9	6.8
	20.7	14.2	(69.3)	(72.6)	(48.6)	(58.4)
Deferred tax offset	(19.8)	(14.0)	19.8	14.0	–	–
	0.9	0.2	(49.5)	(58.6)	(48.6)	(58.4)

No deferred tax has been provided on unremitted earnings of overseas Group companies as the Group controls the dividend policies of its subsidiaries. Unremitted earnings may be liable to overseas withholding tax (after allowing for double taxation relief) if they were to be distributed as dividends. The aggregate amount for which deferred tax has not been recognised in respect of unremitted earnings from overseas businesses of £227.9m (2023: £208.7m) was £11.5m (2023: £10.5m).

15. INVENTORIES

	2024 £m	2023 £m
Finished goods at 30 September	280.1	232.7

Inventories are stated net of impairment provisions of £29.9m (2023: £26.7m). During the year £9.9m (2023: £4.3m) was recognised as a charge against cost of inventories sold, comprising the write-down of inventories to net realisable value.

16. TRADE AND OTHER RECEIVABLES

	2024 £m	2023 £m
Trade receivables	204.5	185.3
Less: loss allowance	(11.1)	(10.1)
	193.4	175.2
Other receivables	4.7	9.3
Prepayments and accrued income	8.8	8.6
At 30 September	206.9	193.1

The maximum exposure to credit risk for trade receivables at 30 September, by currency, was:

	2024 £m	2023 £m
UK sterling	40.8	43.7
US dollars	94.2	73.9
Canadian dollars	22.3	13.1
Euros	30.5	36.9
Other	16.7	17.7
	204.5	185.3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2024 CONTINUED

Trade receivables at 30 September, before loss allowance, are analysed as follows:

	2024 £m	2023 £m
Not past due	149.2	143.5
Past due	44.2	31.7
Receivables impaired	11.1	10.1
	204.5	185.3

The ageing of trade receivables classified as past due, with no loss allowance, as at 30 September is as follows:

	2024 £m	2023 £m
Up to one month past due	31.3	25.6
Between one and two months past due	8.2	4.0
Between two and four months past due	3.1	2.1
Over four months past due	1.6	–
	44.2	31.7

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

	2024 £m	2023 £m
At 1 October	10.1	7.2
(Credited)/charged against profit, net	(0.6)	2.5
Set up on acquisition	2.1	0.9
Utilised by write-off	(0.5)	(0.5)
At 30 September	11.1	10.1

Concentrations of credit risk with respect to trade receivables are very limited, reflecting the Group's customer base being large and diverse. The Group has a history of low levels of losses in respect of trade receivables. Management is satisfied that the loss allowance takes into account the historical loss experience and forward-looking expected credit losses in line with IFRS 9 (Financial Instruments).

As at 30 September 2024, the Group had £9.9m (2023: £9.8m) of trade receivables that were covered by credit insurance in relation to DICSA.

17. TRADE AND OTHER PAYABLES

	2024 £m	2023 £m
Trade payables	108.6	94.4
Other payables	17.6	31.8
Other taxes and social security	12.3	11.8
Accruals and deferred income	67.0	53.9
At 30 September	205.5	191.9
Analysed as:		
Payable within one year	204.4	191.9
Payable after one year	1.1	–

The maximum exposure to foreign currency risk for trade payables at 30 September, by currency, was:

	2024 £m	2023 £m
UK sterling	23.0	24.7
US dollars	54.0	36.9
Canadian dollars	1.4	1.7
Euros	25.4	22.9
Other	4.8	8.2
	108.6	94.4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2024 CONTINUED

18. CASH AND CASH EQUIVALENTS

	UK £m	US\$ £m	C\$ £m	Euro £m	Other £m	2024 Total £m	UK £m	US\$ £m	C\$ £m	Euro £m	Other £m	2023 Total £m
Cash at bank	16.1	12.9	4.2	8.4	7.5	49.1	10.6	12.6	3.2	14.9	10.4	51.7
Short-term deposits	2.5	0.6	0.1	2.5	0.7	6.4	1.0	0.5	0.1	8.6	0.5	10.7
At 30 September	18.6	13.5	4.3	10.9	8.2	55.5	11.6	13.1	3.3	23.5	10.9	62.4

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

19. FINANCIAL INSTRUMENTS

The Group’s overall management of financial risks is carried out by a central treasury team under policies and procedures which are reviewed and approved by the Board. The treasury team identifies, evaluates and, where appropriate, hedges financial risks in close co-operation with the Group’s operating businesses. The treasury team does not undertake speculative foreign exchange dealings for which there is no underlying exposure.

The Group’s principal financial instruments, other than a number of forward foreign currency contracts, comprise cash and short-term deposits, trade and other receivables and trade and other payables, borrowings and other liabilities. Trade and other receivables and trade and other payables arise directly from the Group’s day-to-day operations.

The financial risks to which the Group is exposed are those of credit, liquidity, foreign currency, interest rate and capital management. An explanation of each of these risks, how the Group manages these risks and an analysis of sensitivities is set out below.

a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations; this arises principally from the Group’s trade and other receivables from customers and from cash balances (including deposits) held with financial institutions.

The Group is exposed to customers ranging from government-backed agencies and large public and private wholesalers, to small privately-owned businesses and the underlying local economic risks vary throughout the world. Trade receivable exposures are managed locally in the operating units where they arise and credit limits are set as deemed appropriate for each customer.

The Group establishes a loss allowance that represents its estimate of potential losses in respect of specific trade and other receivables where it is deemed that a receivable may not be recoverable (see below) and considers factors which may impact risk of default. Where appropriate, we have grouped these receivables with the same overall risk characteristics. When the receivable is deemed irrecoverable, the provision is written off against the underlying receivable. During the year, the Group had no significant unrecoverable trade receivables.

Exposure to counterparty credit risk with financial institutions is controlled by the Group treasury team which establishes and monitors counterparty limits. Centrally managed funds are invested entirely with counterparties whose credit rating is ‘A’ or better. There are no significant concentrations of credit risk. There has been no historical or expected credit loss on cash and cash equivalents.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2024 CONTINUED

The Group’s maximum exposure to credit risk was as follows:

	Carrying amount	
	2024 £m	2023 £m
Trade receivables (note 16)	193.4	175.2
Other receivables (note 16)	4.7	9.3
Cash and cash equivalents (note 18)	55.5	62.4
At 30 September	253.6	246.9

There is no material difference between the book value of the financial assets and their fair value at each reporting date. An analysis of the ageing and currency of trade receivables and the associated loss allowance is set out in note 16. An analysis of cash and cash equivalents is set out in note 18.

Impairment of financial assets

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and accrued income.

The expected loss rates are based on the payment profiles of revenues over a period of 60 months ended 30 September 2024 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information including macroeconomic factors by obtaining and reviewing relevant market data affecting the ability of the customers to settle the receivables.

The Group has identified the current health of the economy (such as market interest rates and growth rates), of the countries in which it sells its goods to be the most relevant factors and accordingly adjusts the historical loss rates based on expected changes in these factors. An increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. Where objective evidence exists that a trade receivable balance may be impaired, provision is made for the difference between its carrying amount and the present value of the estimated cash that will be recovered.

Evidence of impairment may include factors such as a change in credit risk profile of the customer, the customer being in default on a contract, or the customer entering insolvent administration proceedings. All significant balances are reviewed individually on a monthly basis for evidence of impairment.

b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group continually monitors net cash and forecasts cash flows to ensure that sufficient resources are available to meet the Group’s requirements in the short, medium and long term.

The Group has a multi-currency revolving credit facility agreement (RCF) with an aggregate principal amount of £555.0m. In July 2024, the Group exercised the first of two 12-month extension options for the RCF, which was accepted by banks committing £515.0m of the aggregate total. The RCF is now contractually due to expire across July 2028 (£40.0m) and July 2029 (£515.0m). A 24-month extension option in respect of £40.0m and a second 12-month extension option in respect of £515.0m can be exercised in July 2025.

During the year, the Group issued US private placement notes for an aggregate principal amount of £207.9m (€250.0m) with maturities of 7 years (€75.0m), 10 years (€100.0m) and 12 years (€75.0m) and for an aggregate principal amount of £111.9m (\$150.0m) with maturities of 8 years (\$100.0m) and 11 years (\$50.0m).

Additionally, compliance with debt covenants is monitored regularly and during 2024 all debt covenant tests were complied with. The applicable financial covenants are interest cover and leverage, whereby EBITDA must be at least 4x net finance charges; and the ratio of net debt to EBITDA must not exceed 3.5x (as defined by the relevant debt agreement).

The Group’s debt facilities are subject to interest at a mix of fixed and variable rates. As at 30 September 2024 fixed rate debt was 66% of total debt.

The undrawn committed facilities available at 30 September are as follows:

	2024 £m	2023 £m
Expiring within one year	–	–
Expiring after one year (note 25)	389.9	234.1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2024 CONTINUED

The Group's financial liabilities at 30 September are as follows:

	2024 £m	2023 £m
Trade payables (note 17)	108.6	94.4
Other payables (note 17)	17.6	31.8
Lease liabilities (note 13)	72.3	80.2
Other liabilities (note 20)	25.4	22.6
Borrowings (note 25)	479.8	317.1
	703.7	546.1
The maturities of the contractual undiscounted financial liabilities are as follows:		
Less than one year	169.3	155.2
One to two years	37.9	20.5
Two to five years	256.9	350.9
More than five years	418.4	32.3
	882.5	558.9

c) Currency risk

The Group's principal currency risk comprises translational and transactional risk from its exposure to movements in US dollars, Canadian dollars, Australian dollars and Euros. The transactional exposure arises on trade receivables, trade payables and cash and cash equivalents and these balances are analysed by currency in notes 16, 17 and 18, respectively.

The Group holds forward foreign exchange contracts in certain of the Group's businesses to hedge forecast transactional exposure to movements in the US dollar, Canadian dollar, Australian dollar, Euro and UK Sterling. These forward foreign exchange contracts are classified as cash flow hedges and are stated at fair value. The notional value of forward exchange contracts used as hedges as at 30 September 2024 was £66.5m (2023: £68.6m). The net fair value of forward exchange contracts used as hedges at 30 September 2024 was £1.2m liability (2023: £0.1m asset).

For hedges of foreign currency transactions, the Group enters into hedge relationships where the critical terms of the hedging instrument match with the terms of the hedged item. Ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, or if there are changes in the credit risk of the derivative counterparty. The amount removed from Other Comprehensive Income as a result of the maturing of the hedged instrument and taken to the Consolidated Income Statement in cost of sales during the year was £0.5m debit (2023: £1.3m debit). The change in the fair value of cash flow hedges taken to Other Comprehensive Income during the year was £0.8m debit (2023: £0.1m credit).

For foreign currency translational exposures, the Group employs net investment hedge accounting where appropriate to mitigate these risks. The Group has designated US private placement notes denominated in USD and EUR, with carrying values of \$150m (2023: \$nil) and €250m (2023: €nil) respectively, as net investment hedges for foreign currency net assets. The hedge ratio was 1:1. Ineffectiveness may arise if the hedge ratio is not adjusted to reflect changes in the relationship between the hedged item and the hedging instrument. The change in the carrying value of borrowings as a result of exchange rate differences that was recognised in Other Comprehensive Income during the year was a gain of £7.2m (2023: £nil).

Management considers that the most significant foreign exchange risk relates to the US dollar, Canadian dollar and Euro. The Group's sensitivity to a 10% strengthening in UK sterling against each of these currencies (with all other variables held constant) is as follows:

	2024 £m	2023 £m
Decrease in adjusted operating profit (at average rates)		
US dollar: UK sterling	16.4	13.1
Canadian dollar: UK sterling	2.6	2.8
Euro: UK sterling	4.1	2.5
Decrease in total equity (at spot rates)		
US dollar: UK sterling	12.7	11.3
Canadian dollar: UK sterling	14.7	14.2
Euro: UK sterling	8.4	7.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2024 CONTINUED

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 used interest rate swaps to hedge a proportion of external borrowings until 31 March 2024. These interest rate swaps were designated as cash flow hedges and stated at fair value. The swaps matured before 30 September 2024 and the notional amount was therefore £nil (2023: £163.9m). Similarly, the net fair value of these swaps as at 30 September 2024 was £nil (2023: £2.3m asset). The interest rate swaps matured during the year and the amount removed from Other Comprehensive Income and taken to the Consolidated Income Statement during the year was £1.8m debit (2023: £2.5m debit). The change in fair value of cash flow hedges taken to Other Comprehensive Income during the year was £0.5m debit (2023: £1.7m credit).

The Group’s financial assets that are subject to interest rate fluctuations are cash deposits held in the UK and overseas. These are held on a short-term basis at floating rates or overnight rates and are based on the relevant UK base rate, or equivalent rate. Surplus funds are pooled and deposited with commercial banks that meet the credit criteria approved by the Board, for periods of between one and six months at rates that are generally fixed by reference to the relevant UK base rate, or equivalent rate.

The Group’s financial liabilities that are subject to interest rate fluctuations are overdrafts and the Group’s RCF that bear interest at market rates according to the currency of the borrowing.

Longer-term funding is provided by the Group’s US private placement notes, completed in March 2024 and August 2024 and bear interest at fixed rates as described in note 25.

A movement of 1% in interest rates would have a ca. £1.7m (2023: £2.4m) impact on adjusted profit before tax.

e) Fair values

There are no material differences between the book value of financial assets and liabilities and their fair value. The basis for determining fair values are as follows:

Derivatives

Forward exchange contracts are designated as level 2 assets in the fair value hierarchy under IFRS 7 and valued at year end forward rates, adjusted for the forward points to the contract’s value date with gains and losses taken to equity. No contract’s maturity date is greater than 24 months from the year end.

For hedges of foreign currency transactions, the Group enters into hedge relationships where the critical terms of the hedging instrument match with the terms of the hedged item, ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, or if there are changes in the credit risk of the derivative counterparty.

Interest rate swap contracts are designated as level 2 assets (in the ‘fair value hierarchy’) and valued at year end as the net present value of the cash flows using current forward market interest rates, with gains and losses taken to equity.

The Group enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, payment dates, maturities and notional amount. The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the interest rate swap is identical to the hedged risk component. The hedge ineffectiveness can arise from differences in timing or cash flows of the hedged item and hedging instrument, or the counterparties’ credit risk differently impacting the fair value movements of the hedging instrument and hedged item.

Trade and other receivables/payables

The book value of trade and other receivables/payables is deemed to reflect the fair value.

Borrowings

The fair value of borrowings under the RCF equates to the book value.

The fair value of the Group’s US private placement notes is estimated to be £337.5m. The fair value is estimated by discounting the future contracted cash flows using readily available market data and represents a level 2 measurement (in the ‘fair value hierarchy’).

Other liabilities

The carrying amount of the items included within note 20 represents a discounted value of the expected liability which is deemed to reflect the fair value and are designated as level 3 assets (in the ‘fair value hierarchy’).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2024 CONTINUED

f) Capital management risk

The Group's capital structure comprises the retained earnings reserve (£478.2m), cash funds (£60.2m) and medium and long-term borrowing facilities (£479.8m). The Group's objective when managing capital is to safeguard its ability to continue as a going concern and to maintain robust capital ratios to support the development of the business including executing acquisitions and providing strong returns to shareholders.

20. OTHER LIABILITIES

	2024 £m	2023 £m
Future purchases of minority interests	9.0	9.2
Deferred consideration	16.4	13.4
At 30 September	25.4	22.6
Analysed as:		
Due within one year	8.8	12.7
Due after one year	16.6	9.9

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

	2024 £m	2023 £m
At 1 October	9.2	7.4
Exchange movements	(0.1)	–
Fair value remeasurements	(0.1)	1.8
At 30 September	9.0	9.2

At 30 September 2024, the Group's minority interests retained put options to sell their minority interests of 10% in M Seals, 5% in Techsil, 2% in R&G Fluid Power Group and 5% in Pennine Pneumatic Services.

At 30 September 2024, the estimate of the financial liability to acquire these outstanding minority shareholdings was reassessed by the Directors, based on their current estimate of the future performance of these businesses and to reflect foreign exchange rates at 30 September 2024.

This led to a remeasurement of the options and the liability decreased by £0.2m (2023: £1.8m increase) reflecting a revised estimate of the future performance of these businesses and foreign exchange. In aggregate, £0.2m has been credited to the Consolidated Income Statement (2023: £1.8m debit).

Deferred consideration comprises the following:

	1 Oct 2023 £m	Additions £m	Discount unwind £m	Payments £m	Revaluation £m	Foreign Exchange £m	30 Sep 2024 £m
AHW	4.9	–	0.2	(3.5)	0.2	(0.4)	1.4
R&G	0.8	–	–	(1.0)	0.2	–	–
AMG Sealing	0.4	–	–	(0.2)	–	–	0.2
Hydraproducts	0.3	–	–	(0.3)	–	–	–
Eurobond	0.2	–	–	(0.2)	–	–	–
ITG	0.2	–	–	(0.2)	–	–	–
Fluid Power Services	0.8	–	0.1	(0.2)	(0.2)	–	0.5
Hedley	1.3	–	0.1	(0.6)	–	–	0.8
Valves Online	0.6	–	–	(0.7)	0.1	–	–
GP&S	1.4	–	–	(0.6)	–	(0.1)	0.7
GM Medical	0.4	–	–	(1.6)	1.2	–	–
Hex	1.8	–	0.1	(0.4)	(0.4)	(0.1)	1.0
Lantech	0.3	–	–	(0.2)	(0.1)	–	–
PTFE	–	1.2	–	(0.7)	–	–	0.5
Fast Gaskets	–	0.6	–	(0.3)	–	–	0.3
CTS	–	0.9	0.1	–	0.4	(0.1)	1.3
Abbey Hose	–	0.9	0.2	(0.2)	0.2	–	1.1
PAR	–	2.9	0.1	(1.6)	–	–	1.4
Peerless	–	5.6	0.5	–	1.6	(0.5)	7.2
	13.4	12.1	1.4	(12.5)	3.2	(1.2)	16.4

At 30 September 2024, the estimate of the financial liability in relation to outstanding deferred consideration was reassessed by the Directors, based on their current estimate of the most likely outcome in respect of performance-based conditions, foreign exchange rates and the latest relevant discount rates as at 30 September 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2024 CONTINUED

21. MINORITY INTERESTS

	£m
At 1 October 2022	6.2
Share of profit	0.6
Dividends paid	(0.3)
Exchange adjustments	(0.1)
At 30 September 2023	6.4
Share of profit	0.7
Dividends paid	(0.4)
At 30 September 2024	6.7

External shareholders, represented by management in each business, hold a 10% minority interest in M Seals, a 5% minority interest in Techsil, a 2% minority interest in R&G Fluid Power Group, and a 5% minority interest in Pennine Pneumatic Services.

22. ACQUISITIONS AND DISPOSALS OF BUSINESSES

Acquisition of Plastic and Rubber Group Holdings Limited

On 30 April 2024, the group completed the acquisition of 98% of the shares in Plastic and Rubber Group Holdings Limited (PAR Group), a supplier of specialist seals and gaskets. The total investment, net of cash acquired, was £36.7m.

The provisional fair value of PAR Group's net assets acquired excluding acquisition intangibles, related deferred tax and cash is £4.9m following net fair value adjustments of £1.1m. The principal fair value adjustments relate to a net increase in inventory of £0.3m, fair value uplift of property, plant and equipment of £1.0m and recognition of previously unrecognised liabilities of £0.2m.

Acquisition expenses of £0.7m have been recognised in respect of this transaction in the financial year.

From the date of acquisition to 30 September 2024, PAR Group contributed £5.3m to revenue and £2.2m to adjusted operating profit. Had it been acquired at the beginning of the financial year, it would have contributed on a pro forma basis £12.7m to revenue and £5.2m to adjusted operating profit. However, these amounts should not be viewed as indicative of the results that would have occurred if PAR Group had been completed at the beginning of the year.

Acquisition of Peerless Aerospace Fastener LLC

On 01 May 2024, the Group completed the acquisition of 100% of the shares in Peerless Aerospace Fastener LLC (Peerless), a value-add supplier of specialty fasteners to the Aerospace and Defence markets in the US and Europe. The total investment, net of cash acquired, was £243.3m. The provisional fair value of Peerless' net assets acquired excluding acquisition intangibles, related deferred tax and cash is £63.5m following net fair value adjustments of £4.2m. The goodwill represents the technical expertise of the acquired workforce and the opportunity to leverage any revenue synergies through cross-selling within other businesses. The principal fair value adjustments relate to a fair value uplift related to property, plant and equipment of £5.2m, net increase in inventory of £15.2m, increase in provisions held against trade receivables of £1.6m and a recognition of previously unrecognised liabilities of £14.6m. The fair value of acquired trade receivables is £17.7m, of which the gross contractual amount due is £19.7m, with a loss allowance of £2.0m recognised on acquisition.

Acquisition expenses of £3.1m have been recognised in respect of this transaction in the financial year. From the date of acquisition to 30 September 2024, Peerless contributed £54.1m to revenue and £25.0m to adjusted operating profit. Had it been acquired at the beginning of the financial year, it would have contributed on a pro forma basis £129.9m to revenue and £59.9m to adjusted operating profit. However, these amounts should not be viewed as indicative of the results that would have occurred if Peerless had been completed at the beginning of the year.

Other acquisitions

The Group completed five other acquisitions in the year. This comprised the trade and assets of Cable and Tubing Solutions Limited (CTS) (20 November 2023) and 100% of the share capital of Technisil GMBH (Technisil) (28 February 2024) and 98% of the share capital of Fast Gaskets and Parts Limited (Fast Gaskets) (04 October 2023), Abbey Hose Company Limited (Abbey Hose) (22 December 2023) and PTFEFLEX Ltd (PTFE) (10 May 2024). The combined initial consideration for these acquisitions was £9.7m, net of cash acquired of £1.3m. Deferred consideration with a fair value of £3.6m is payable based largely on the performance of the businesses in the period subsequent to their acquisitions.

Acquisition expenses of £0.3m have been recognised in respect of these transactions completed in the financial year.

The provisional fair value of the total net assets acquired excluding intangibles, related deferred tax and cash is £1.1m.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2024 CONTINUED

Fair Value of net assets acquired

The fair value of net assets acquired during the year, particularly the fair value of inventory, acquired intangible assets and goodwill for PAR Group and Peerless are provisional, subject to reviews up to the end of the measurement period of each acquisition.

The following table summarises the consideration paid for the acquisitions completed in the year and fair value of assets acquired and liabilities assumed.

	PAR Group		Peerless Aerospace		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 intangible assets ¹	–	12.9	–	62.3	–	8.5	–	83.7
Deferred tax	–	(3.6)	–	–	–	(1.7)	–	(5.3)
Property, plant and equipment	2.1	3.1	0.9	6.1	0.1	0.1	3.1	9.3
Inventories	1.3	1.6	50.4	65.6	1.2	1.2	52.9	68.4
Trade and other receivables	2.1	2.1	19.5	17.9	1.4	1.4	23.0	21.4
Trade and other payables	(1.7)	(1.9)	(11.5)	(26.1)	(1.3)	(1.6)	(14.5)	(29.6)
Net assets acquired	3.8	14.2	59.3	125.8	1.4	7.9	64.5	147.9
Goodwill	–	22.5	–	117.5	–	5.4	–	145.4
Minority interests	–	–	–	–	–	–	–	–
Cash paid		41.4		242.2		11.0		294.6
Cash acquired		(7.6)		(4.5)		(1.3)		(13.4)
								281.2
Deferred consideration		2.9		5.6		3.6		12.1
Total investment		36.7		243.3²		13.3		293.3

1 On the acquisitions completed in the current year, acquired intangibles relate entirely to customer relationships and order backlog (£83.7m).

2 The total investment in Peerless amounts to £243.3m (being cash paid (net of cash acquired) of £237.7m and deferred consideration of £5.6m). Of the initial cash paid, the vendor directed £10.5m to settle transaction fees and personnel expenses relating to the acquisition.

	£m
Total Investment	243.3
Acquisition and personnel expenses	(10.5)
Net Consideration	232.8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2024 CONTINUED

Acquisitions revenue and adjusted operating profit

From the date of acquisition to 30 September 2024, each acquired business¹ contributed the following to Group revenue and adjusted operating profit:

	Acquisition date	Revenue £m	Adjustments ² £m	Pro forma revenue £m	Adjusted operating Profit £m	Adjustments ² £m	Pro forma adjusted operating Profit £m
Fast Gaskets	04-Oct-23	0.8	–	0.8	0.2	–	0.2
CTS	20-Nov-23	3.0	0.6	3.6	0.9	0.2	1.1
Abbey Hose	22-Dec-23	3.6	1.2	4.8	0.9	0.3	1.2
PAR Group	30-Apr-24	5.3	7.4	12.7	2.2	3.0	5.2
Peerless	01-May-24	54.1	75.8	129.9	25.0	34.9	59.9
PTFE	10-May-24	0.8	1.1	1.9	0.3	0.5	0.8
		67.6	86.1	153.7	29.5	38.9	68.4

¹ Technisil has been excluded from the above table as it had immaterial revenue and adjusted operating profit in the year.

² Pro forma revenue and adjusted operating profit has been extrapolated (as prescribed under UK-adopted International Accounting Standards) from the actual results reported since acquisition to indicate what these businesses would have contributed if they had been acquired at the beginning of the financial year on 1 October 2023. These amounts should not be viewed as confirmation of the results of these businesses that would have occurred if these acquisitions had been completed at the beginning of the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2024 CONTINUED

23. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

As at 30 September 2024, the Group classified the assets and liabilities of Kubo Tech AG and its subsidiary Kubo Tech GmbH (Kubo), Pneumatic Services Limited and its subsidiary Pennine Pneumatic Services Limited (Pennine) and Gremtek SAS (Gremtek) as held for sale.

On 31 October 2024, the Group disposed of its entire interest in Kubo to a third party for a total consideration of ca. CHF31.3m (ca. £28.1m), Pennine to a third party for a total consideration of ca. £12.0m, and Gremtek to a third party for a total consideration of ca. €5.5m (ca. £4.6m), respectively. All disposals were on a cash-free and debt-free basis.

The major classes of assets and liabilities comprising the operations classified as held for sale are as follows:

	2024 £m
Assets held for sale	
Goodwill	12.4
Acquisition intangible assets	3.7
Other intangible assets	0.7
Property, plant and equipment	3.0
Leases – right-of-use assets	6.0
Inventories	7.0
Trade and other receivables	8.9
Cash and cash equivalents	4.7
Total assets held for sale	46.4
Liabilities held for sale	
Trade and other payables	(10.1)
Current tax liabilities	(1.0)
Lease liabilities	(8.7)
Retirement benefit obligations	(1.0)
Deferred tax liabilities	(1.2)
Total liabilities held for sale	(22.0)
Total net assets held for sale	24.4

No gain or loss was recognised in the Consolidated Income Statement on classification of the above assets and liabilities held for sale.

The Group expects to reclassify a cumulative foreign exchange difference from Other Comprehensive Income to the Consolidated Income Statement upon the disposal of the assets and liabilities classified as held for sale.

24. RECONCILIATION OF OPERATING PROFIT TO CASH FLOW FROM OPERATING ACTIVITIES

	2024 £m	2023 £m
Operating profit	207.4	183.3
Acquisition related and other charges (note 2)	77.6	53.7
Adjusted operating profit	285.0	237.0
Depreciation or amortisation of tangible, other intangible assets and leases – right-of-use assets (note 2)	32.2	28.6
Share-based payments expense (note 5)	7.1	4.1
Defined benefit pension scheme payment in excess of interest (note 26)	(0.5)	(0.6)
Profit on disposal of assets	(1.9)	(1.1)
Acquisition and disposal expenses paid	(30.2)	(6.0)
Other non-cash movements	(3.5)	(0.5)
Non-cash items and other	3.2	24.5
Operating cash flow before changes in working capital	288.2	261.5
(Increase)/decrease in inventories	(7.7)	10.8
Increase in trade and other receivables	(18.5)	(8.8)
Increase/(decrease) in trade and other payables	17.7	(6.2)
Increase in working capital	(8.5)	(4.2)
Cash flow from operating activities	279.7	257.3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2024 CONTINUED

25. NET DEBT

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

	2024 £m	2023 £m
Net (decrease)/increase in cash and cash equivalents	(6.4)	25.8
Cash reclassified to assets held for sale	4.7	-
(Increase)/decrease in borrowings	(183.9)	43.8
	(185.6)	69.6
Effect of exchange rates and other non-cash movements	20.7	4.6
(Increase)/decrease in net debt	(164.9)	74.2
Net debt at beginning of year	(254.7)	(328.9)
Net debt at end of year	(419.6)	(254.7)
Comprising:		
Cash and cash equivalents	55.5	62.4
Cash and cash equivalents held in disposal groups	4.7	-
Bank borrowings:		
– Revolving credit facility	(165.1)	(321.1)
– Overdraft facilities	-	(0.3)
– Private placement notes	(319.8)	-
– Capitalised borrowing fees	5.1	4.3
	(479.8)	(317.1)
Net debt at end of year	(419.6)	(254.7)
Analysed as:		
Repayable within one year	-	(0.3)
Repayable after one year	(479.8)	(316.8)

A summary of the maturities and rates of the private placement notes, with an aggregate principal amount of £319.8m are as follows:

Face value	Rate	Maturity
75m EUR	4.18%	2031
100m EUR	4.27%	2034
75m EUR	4.38%	2036
100m USD	5.39%	2032
50m USD	5.52%	2035

The Group has a multi-currency revolving credit facility agreement (RCF) with an aggregate principal amount of £555.0m. In July 2024, the Group exercised the first of two 12-month extension options for the RCF, which was accepted by banks committing £515.0m of the aggregate total. The RCF is now contractually due to expire across July 2028 (£40.0m) and July 2029 (£515.0m). A 24-month extension option in respect of £40.0m and a second 12-month extension option in respect of £515.0m can be exercised in July 2025.

Borrowings include capitalised borrowing fees of £5.1m (2023: £4.3m).

The RCF is subject to interest at variable rates while the private placement notes are at fixed rates. At 30 September 2024, fixed rate debt was 66% of total debt.

As at 30 September 2024 the Group's net debt is £419.6m (2023: £254.7m) and excludes lease liabilities of £72.3m (2023: £80.2m).

At 30 September 2024, the Group's Net Debt/EBITDA ratio is 1.3x, as illustrated in note 29.5.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2024 CONTINUED

26. RETIREMENT BENEFIT ASSETS AND OBLIGATIONS

The Group maintains two pension arrangements which are accounted for under IAS 19 (Revised) (Employee Benefits). The principal arrangement is the defined benefit pension scheme in the UK, maintained by Diploma Holdings PLC (DHPLC) and called the Diploma Holdings PLC UK Pension Scheme (the Scheme). This Scheme provides benefits based on final salary and length of service on retirement, leaving service or death and has been closed to further accrual since 5 April 2000.

The second and smaller pension arrangement is operated by Kubo, a business based in Switzerland and provides benefits on retirement, leaving service or death for the employees of Kubo in accordance with Swiss law. The Kubo pension scheme, which is included in liabilities held for sale, is a defined contribution-based scheme, which for technical reasons, is required under UK-adopted International Accounting Standards to be accounted for in accordance with IAS 19 (Revised).

The amount of pension asset/(deficit) included in the Consolidated Statement of Financial Position in respect of these two pension arrangements is:

	2024 £m	2023 £m
Diploma Holdings PLC UK Pension Scheme	1.5	6.8
Kubo Pension Scheme	(1.0)	(0.3)
Pension scheme net asset	0.5	6.5

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

	2024 £m	2023 £m
Diploma Holdings PLC UK Pension Scheme	0.3	0.4
Kubo Pension Scheme	(0.3)	(0.5)
Amounts credited/(charged) to the Consolidated Income Statement	–	(0.1)

Defined contribution schemes operated by the Group's businesses are not included in these disclosures.

Diploma Holdings PLC UK Pension Scheme

The Scheme provides benefits based on final salary and length of service on retirement, leaving service or death. Any defined contribution schemes operated by DHPLC are not included in these disclosures.

The Scheme is managed by a board of Trustees appointed in part by DHPLC and in part from elections by members of the Scheme. The Trustees have responsibility for obtaining valuations of the fund, administering benefit payments and investing the Scheme's assets. The Trustees delegate some of these functions to their professional advisors where appropriate.

On 28 September 2018, the Trustees completed a Buy-In of the pensioner liabilities in the Scheme with Just Retirement Limited. The Scheme paid £12.3m to Just Retirement Limited on 28 September 2018 to fund 95% of the Buy-In premium and £0.7m was paid on 22 October 2018 to fund the remaining 5% of the premium.

On 26 March 2024, the Trustees completed a Buy-In of the remaining pensioner liabilities in the Scheme with Just Retirement Limited. The Scheme paid £25.1m to Just Retirement Limited to fund 100% of the Buy-In premium.

In accordance with the schedule of contributions currently in force following the Buy-In, DHPLC does not expect to make any contributions in the year to 30 September 2025.

There were no plan amendments, curtailments or settlements during the period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2024 CONTINUED

a) Pension asset included in the Consolidated Statement of Financial Position

	2024 £m	2023 £m
Market value of Scheme assets:		
Gilts	–	24.5
Insured Assets ¹	25.6	7.0
Cash	1.7	0.1
	27.3	31.6
Present value of Scheme liabilities	(25.8)	(24.8)
Pension scheme net asset	1.5	6.8

1 The Insured Assets were valued on the same basis as the underlying pensioner liabilities.

b) Amounts credited to the Consolidated Income Statement

	2024 £m	2023 £m
Charged to operating profit	–	–
Interest cost on liabilities	(1.4)	(1.3)
Interest on assets	1.7	1.7
Credited to financial expense, net (note 6)	0.3	0.4
Amounts credited to the Consolidated Income Statement	0.3	0.4

c) Amounts recognised in the Consolidated Statement of Comprehensive Income

	2024 £m	2023 £m
Investment loss on Scheme assets in excess of interest	(5.3)	(1.1)
Effect of changes in financial assumptions on Scheme liabilities	(1.1)	1.2
Effect of changes in demographic assumptions on Scheme liabilities	0.3	–
Experience adjustments on Scheme liabilities	–	(0.7)
Actuarial loss charged in the Consolidated Statement of Comprehensive Income	(6.1)	(0.6)

The cumulative amount of actuarial losses recognised in the Consolidated Statement of Comprehensive Income, since the transition to UK-adopted International Accounting Standards, is £7.9m (2023: £1.8m).

d) Analysis of movement in the pension asset

	2024 £m	2023 £m
Asset as at 1 October	6.8	6.4
Amounts credited to the Consolidated Income Statement	0.3	0.4
Contributions paid by employer	0.5	0.6
Net effect of remeasurements of Scheme assets and liabilities	(6.1)	(0.6)
Asset as at 30 September	1.5	6.8

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

	2024 £m	2023 £m
At 1 October	24.8	25.5
Experience adjustments on Scheme liabilities	–	0.7
Interest cost on liabilities	1.4	1.3
Impact from changes in demographic assumptions	(0.3)	–
Impact from changes in actuarial assumptions	1.1	(1.2)
Benefits paid	(1.2)	(1.5)
At 30 September	25.8	24.8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2024 CONTINUED

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

	2024 £m	2023 £m
At 1 October	31.6	31.9
Interest on assets	1.7	1.7
Return on Scheme assets	(5.3)	(1.1)
Contributions paid by employer	0.5	0.6
Benefits paid	(1.2)	(1.5)
At 30 September	27.3	31.6

The actual return on the Scheme assets (including interest on assets) during the year was a loss of £3.6m (2023: £0.6m gain).

Assets

The Scheme's assets are held in passive unit funds managed by Legal & General Investment Management and at 30 September 2024, the major categories of assets were as follows:

	2024 %	2023 %
Cash	6	–
Gilts	–	78
Insured Assets	94	22

Principal actuarial assumptions for the Scheme at balance sheet dates

		2024 %	2023 %	2022 %	2021 %
Inflation rate	– RPI	3.2	3.4	3.6	3.4
	– CPI	2.8	3.0	3.2	3.0
Expected rate of pension increases	– CPI	2.7	3.0	3.2	3.0
Discount rate		5.1	5.6	5.3	2.0

Demographic assumptions

Mortality table used:	S3PA
Year the mortality table was published:	CMI 2021
Allowance for future improvements in longevity:	Year of birth projections, with a long-term improvement rate of 1.0%
Allowance made for members to take a cash lump sum on retirement:	Members are assumed to take 0% of their maximum cash sum (based on current commutation factors)
The weighted average duration of the defined benefit obligation is around 14 years (2023: 13 years)	

Sensitivities

The sensitivities of the 2024 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%	6.6	1.7
Inflation	Increase by 0.5%	2.7	0.7
Life expectancy	Increase by one year	3.1	0.8

Risk mitigation strategies

Individual annuity policies are held in respect of some historic pensioners. As noted above, the Scheme's liabilities are now secured with an insurer. Therefore the key risk that remains within the Scheme is the risk of insurer default (although this risk is expected to be very low).

The Scheme has no other asset-liability strategies in place.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2024 CONTINUED

The Group is aware of a UK High Court legal ruling in June 2023 between Virgin Media Limited and NTL Pension Trustees II Limited, which decided that certain historic rule amendments were invalid if they were not accompanied by actuarial certifications. The ruling was subject to an appeal with a judgment delivered on 25 July 2024. The Court of Appeal unanimously upheld the decision of the High Court and concluded that the pre-April 2013 conditions applied to amendments to both future and past service. Whilst this ruling was in respect of another scheme, this judgment will need to be reviewed for its relevance to the Scheme. As the Court of Appeal has only just delivered its verdict, the Scheme pension advisors have not yet completed any analysis and therefore no adjustments have been made to the Consolidated Financial Statements as at 30 September 2024.

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

DHPLC 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 2022, DHPLC had agreed to contribute £0.6m in cash to the Scheme annually increasing at 2% per year. The current year contribution was £0.5m and ceased from April 2024 onwards following the completion of the purchase of the Buy-In policy on 26 March 2024.

The Kubo Pension Scheme (the Kubo Scheme)

In accordance with Swiss law, Kubo's pension benefits are contribution based with the level of benefits varying according to category of employment. Swiss law requires certain guarantees to be provided on such pension benefits. Kubo finances its Swiss pension benefits through the ASGA Pensionskasse, a multi-employer plan of non-associated companies which pools risks between participating companies. Set out below is a summary of the key features of the Kubo Scheme which has been included in liabilities held for sale.

a) Pension deficit included in the Consolidated Statement of Financial Position

	2024 £m	2023 £m
Assets of the Kubo Scheme ¹	14.9	14.3
Actuarial liabilities of the Kubo Scheme	(15.9)	(14.6)
Pension scheme net deficit	(1.0)	(0.3)

¹ The assets of the Kubo Scheme are held as part of the employee funds managed by ASGA Pensionskasse.

b) Amounts charged to the Consolidated Income Statement

	2024 £m	2023 £m
Service cost	(0.3)	(0.5)
Amount charged to operating profit in the Consolidated Income Statement	(0.3)	(0.5)

c) Analysis of movement in the pension deficit

	2024 £m	2023 £m
At 1 October	(0.3)	–
Amounts charged to the Consolidated Income Statement	(0.3)	(0.5)
Contributions paid by employer	0.5	0.5
Net effect of remeasurements of Kubo Scheme assets and liabilities	(0.9)	(0.3)
At 30 September	(1.0)	(0.3)

d) Amounts recognised in the Consolidated Statement of Comprehensive Income

The actuarial loss charged to the Consolidated Statement of Comprehensive Income is £0.9m (2023: £0.3m).

	2024 £m	2023 £m
Investment gain on Scheme assets in excess of interest	0.8	0.3
Effect of changes in financial assumptions on Scheme liabilities	(1.9)	(0.9)
Experience adjustments on Scheme liabilities	0.2	(0.1)
Adjustment in respect of IFRIC 14	–	0.4
Actuarial loss charged in the Consolidated Statement of Comprehensive Income	(0.9)	(0.3)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2024 CONTINUED

Principal actuarial assumptions for the Kubo Scheme at balance sheet dates

	2024	2023
Expected rate of pension increase	0%	0%
Expected rate of salary increase	1.3%	1.3%
Discount rate	1.1%	2.0%
Interest credit rate	1.3%	1.5%
Mortality	BVG2020	BVG2020

Sensitivities

The sensitivities of the 2024 pension liabilities to changes in assumptions are as follows:

Factor	Assumption	Impact on pension liabilities	
		Estimated increase %	Estimated increase £m
Discount rate	Decrease by 0.25%	4.1	0.7
Life expectancy	Increase by one year	2.1	0.3

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

The Kubo Scheme will no longer have any effect on the Group's future cash flows following the disposal of Kubo on 31 October 2024.

The weighted average duration of the defined benefit obligation is approximately 16 years (2023: 15 years).

27. AUDITORS' REMUNERATION

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

	2024 £m	2023 £m
Fees payable to the auditors for the audit of:		
– the Company's Annual Report and Accounts	1.5	1.3
– the Company's subsidiaries	0.4	0.3
Audit fees	1.9	1.6

Non-audit fees of £80,900 (2023: £75,700) were paid to the Group's auditors for carrying out an interim review on the Half Year Announcement (which is unaudited), and subscription costs for access to a market-wide technical accounting database.

28. EXCHANGE RATES

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

	Average		Closing	
	2024	2023	2024	2023
US dollar (US\$)	1.27	1.23	1.34	1.22
Canadian dollar (C\$)	1.73	1.66	1.81	1.65
Euro (€)	1.17	1.15	1.20	1.15
Swiss franc (CHF)	1.12	1.13	1.13	1.12
Australian dollar (AUD)	1.92	1.85	1.93	1.89

29. ALTERNATIVE PERFORMANCE MEASURES

The Group reports under UK-adopted International Accounting Standards (UK-adopted IAS) and references alternative performance measures where the Board believes that they help to effectively monitor the performance of the Group and support readers of the Financial Statements in drawing comparisons with past performance. Certain alternative performance measures are also relevant in calculating a meaningful element of Executive Directors' variable remuneration and our debt covenants. Alternative performance measures are not considered to be a substitute for, or superior to, UK-adopted IAS measures. The definitions of the alternative performance measures and the comparisons to their closest UK-adopted IAS measures can be found on pages 183 to 184.

29.1 Revenue growth

As a multi-national group of businesses which trades in a large number of currencies, and acquires and sometimes disposes of companies, organic growth is a key performance measure and is referred to throughout our reporting. The Board believes that this allows users of the financial statements to gain a better understanding of the Group's performance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2024 CONTINUED

A reconciliation of the movement in reported revenue compared to the prior year and the calculation of organic growth is shown below:

	£m	%
September 2023 Reported revenue (basis for Acquisitions and Disposals / Exchange Rates impacts)	1,200.3	
Acquisitions and Disposals ¹	115.8	10
Basis for organic growth impact	1,316.1	
Organic growth ²	81.7	6
Exchange rates ³	(34.4)	(3)
September 2024 Reported revenue	1,363.4	

1 The impact of acquisitions is the revenue of the acquiree prior to the acquisition by Diploma for the comparable year at prior year exchange rates. The impact of disposals is the removal of the revenue of the disposed entity in the comparable post disposal period at prior year exchange rates.

2 Organic growth measures the change in revenue compared to the prior year, at prior year exchange rates. For acquisitions, this includes incremental revenues generated under Diploma's ownership compared to the revenue in the same period prior to acquisition, at prior year exchange rates.

3 Exchange rates movements are assessed by retranslating current year reported values at prior year exchange rates.

29.2 Adjusted operating profit and adjusted operating margin

Adjusted operating profit is the operating profit before adjusting items that would otherwise distort operating profit, being amortisation of acquisition intangible assets or goodwill, acquisition expenses, post-acquisition related remuneration costs and adjustments to deferred consideration, the costs of a significant restructuring or rationalisation and the profit or loss relating to the sale of businesses. These are treated as adjusting items (referred to as acquisition related and other charges) as they are considered to be significant in nature and/or quantum and where treatment as an adjusting item provides all our stakeholders with additional useful information to assess the year-on-year trading performance of the Group on a like-for-like basis. Adjusted operating margin is the Group's adjusted operating profit divided by the Group's reported revenue.

A reconciliation between operating profit as reported under UK-adopted IAS and adjusted operating profit is given below:

	Note	2024 £m	2023 £m
Revenue		1,363.4	1,200.3
Operating profit as reported under UK-adopted IAS		207.4	183.3
Add: Acquisition related and other charges		77.6	53.7
Adjusted operating profit	2,3	285.0	237.0
Adjusted operating margin		20.9%	19.7%

29.3 Adjusted earnings per share

Adjusted earnings per share (adjusted EPS) is calculated as the total of adjusted profit before tax, less income tax costs, but including the tax impact on the items included in the calculation of adjusted profit, less profit/(loss) attributable to minority interests, divided by the weighted average number of ordinary shares in issue during the year of 134,020,566 (2023: 129,675,581), as set out in note 9. The Directors believe that adjusted EPS provides an important measure of the earnings capacity of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2024 CONTINUED

29.4 Free cash flow and free cash flow conversion

Free cash flow is defined as net cash flow from operating activities, less net capital expenditure on tangible and intangible assets, and including proceeds received from property, plant and equipment disposals, but before expenditure on business combinations/investments (including any pre-acquisition debt like items such as pensions or tax settled post-acquisition) and proceeds from business disposals, borrowings received to fund acquisitions, net proceeds from issues of share capital and dividends paid to both minority shareholders and the Company's shareholders. 'Free cash flow conversion' reflects free cash flow as a percentage of adjusted earnings. The Directors believe that free cash flow gives an important measure of the cash flow of the Group, available for future investment or distribution to shareholders.

	Note	2024 £m	2023 £m
Net (decrease)/increase in cash and cash equivalents		(6.4)	25.8
Add: Dividends paid to shareholders and minority interests		77.2	70.8
Acquisition/disposal of businesses (including net expenses)		300.7	243.0
Acquisition related deferred payments/receipts, net		10.3	12.3
Proceeds from issue of share capital (net of fees)		–	(231.9)
Net (proceeds from)/repayments of borrowings (including borrowing fees)		(183.9)	43.8
Free cash flow		197.9	163.8
Adjusted earnings¹	9	195.4	164.0
Free cash flow conversion		101%	100%

¹ Adjusted earnings is shown on the face of the Consolidated Income Statement as profit for the year attributable to shareholders of the Company.

29.5 Leverage

Leverage is net debt, defined as cash and cash equivalents and borrowings translated at average exchange rates for the reporting period, divided by EBITDA as defined in the Group's external facilities covenants, which is the Group's adjusted operating profit adjusting for depreciation and amortisation of tangible and other intangible assets, the share of adjusted operating profit attributable to minority interests and the annualisation of EBITDA for acquisitions and disposals made during the financial year, excluding the impact of IFRS 16 (Leases). The Directors consider this metric to be an important measure of the Group's financial position, as well as a key covenant metric.

	Note	2024 £m	2023 £m
Cash and cash equivalents	18	55.5	62.4
Cash and cash equivalents held in disposal groups	23	4.7	–
Borrowings	25	(479.8)	(317.1)
Retranslation at average exchange rates		(3.5)	1.2
Net debt at average exchange rates		(423.1)	(253.5)
Adjusted operating profit	29.2	285.0	237.0
Depreciation and amortisation of tangible and other intangible assets	2	15.9	13.8
IFRS 16 impact		(3.6)	(1.7)
Minority interest share of adjusted operating profit		(0.9)	(0.8)
Pro forma adjustments ¹		39.1	21.0
EBITDA		335.5	269.3
Leverage		1.3x	0.9x

¹ Annualisation of adjusted EBITDA, including that of acquisitions and disposals in the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2024 CONTINUED

29.6 Trading capital employed and ROATCE

Trading capital employed is defined as net assets less cash and cash equivalents and retirement benefit assets, after adding back borrowings (other than lease liabilities), deferred tax, retirement benefit obligations and net acquisition liabilities in respect of future purchases of minority interests, deferred consideration payable on acquisitions, and acquisition receivables in respect of previously completed disposals. Adjusted trading capital employed is reported as being trading capital employed plus goodwill and acquisition related charges previously charged to the income statement (net of deferred tax on acquisition intangible assets) and retranslated at the average exchange rates for the reporting period. Return on adjusted trading capital employed (ROATCE) is defined as the pro forma adjusted operating profit, divided by adjusted trading capital employed, where pro forma adjusted operating profit is the annualised adjusted operating profit including that of acquisitions and disposals in the period. The Directors believe that ROATCE is an important measure of the profitability of the Group.

	Note	2024 £m	2023 £m
Net assets as reported under UK-adopted IAS		894.7	902.0
Add/(deduct):			
– Deferred tax liabilities, net	14	48.6	58.4
– Retirement benefit assets, net	26	(1.5)	(6.5)
– Acquisition related liabilities/assets, net		23.6	19.6
– Net debt	25	419.6	254.7
Trading capital employed		1,385.0	1,228.2
– Historic goodwill and acquisition related charges, net of deferred tax and currency movements		308.0	189.4
Adjusted trading capital employed		1,693.0	1,417.6
Adjusted operating profit	29.2	285.0	237.0
Pro forma adjustments	22	38.9	19.4
Pro forma adjusted operating profit		323.9	256.4
ROATCE		19.1%	18.1%

GROUP ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 SEPTEMBER 2024

1.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared on a consistent basis to prior year and also under the historical cost convention, except for derivative financial instruments which are held at fair value.

Going concern

The consolidated financial statements have been prepared on a going concern basis. The Group’s business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 1 to 73. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 46 to 49. In addition, pages 150 to 154 of the Annual Report and Accounts include the Group’s objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposures to credit risk and liquidity risk.

The Group continues to operate against a backdrop of geopolitical and macroeconomic uncertainties, and accordingly, the Directors have considered a comprehensive going concern review. The Group has considerable financial resources, together with a broad spread of customers and suppliers across different geographic areas and sectors, often secured with longer-term agreements. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully as described further on pages 54 to 60.

Liquidity and financing position

The Group’s liquidity and funding arrangements are described in notes 25 and 29.5 to the consolidated financial statements.

Financial modelling

The Group has modelled a base case and severe but plausible downside case in its assessment of going concern. The base case is driven off the Group’s detailed budget which is built up on a business by business case and considers both the micro and macroeconomic factors which could impact performance in the industries and geographies in which the business operates. The severe but plausible downside case models steep declines in revenues and operating margins resulting in materially adverse cash flows. These sensitivities factor in a continued unfavourable impact from a prolonged downturn in the economy.

The purpose of this exercise is to consider if there is a significant risk that the Group could breach either its facility headroom or financial covenants. Both scenarios indicate that the Group has significant liquidity and covenant headroom on its borrowing facilities to continue in operational existence for the foreseeable future.

Going concern basis

Accordingly and after making inquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

1.2 BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries and Employee Benefit Trust (EBT)). Control exists when the Company is exposed or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The assets, liabilities and results of subsidiaries acquired or disposed of during the year are included in the Consolidated Income Statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those detailed herein to ensure that the Group financial statements are prepared on a consistent 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 identified separately from the Group’s equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority’s share of changes in equity since the date of the combination.

1.2.a. New accounting standards adopted

Effective 1 October 2023, in respect of hedge accounting the Group adopted IFRS 9 Financial Instruments, which replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes requirements for the classification and measurement of financial instruments, impairment of financial assets and hedge accounting.

GROUP ACCOUNTING POLICIES FOR THE YEAR ENDED 30 SEPTEMBER 2024 CONTINUED

An assessment was performed and the adoption of IFRS 9 has not had a material impact on the financial results of the Group. The assessment included an analysis of the Group's hedge accounting policy and existing hedge accounting relationships, and it was determined that those relationships designated under IAS 39 are still effective under IFRS 9. The Group has adopted the simplified approach to recognise lifetime expected credit losses for trade receivables and contract assets as permitted by IFRS 9. The change in approach has not had a material impact on the trade receivables provision.

There have been no other 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 as at the acquisition date, which is the date on which control is transferred to the Group. Goodwill at the acquisition date represents the cost of the business combination (excluding acquisition related costs, which are expensed as incurred) plus the amount of any non-controlling interest in the acquiree in excess of the fair value of the identifiable tangible and intangible assets, liabilities and contingent liabilities acquired.

Minority interests may be initially measured at fair value or, alternatively, at the minority interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made for each business combination separately.

1.4 DIVESTMENTS

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

1.5 REVENUE RECOGNITION

Revenue is measured as the fair value of the consideration received or receivable for goods and services supplied to customers, after deducting sales allowances and value-added taxes; revenue for services supplied to customers, as opposed to goods, is ca. 4% of Group revenue. Under IFRS 15, each customer contract is assessed to identify the performance obligation. An assessment of the timing of revenue recognition is made for each performance obligation. Revenue is recognised at a point in time for all standard revenue transactions when 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) when the agreed output is produced by the customer, unless there are specific performance obligations to deliver other services over time. The revenue on such service contracts is not material in the context of the Group's total revenue.

The transaction price is allocated to each performance obligation based on the relative stand-alone selling prices of the goods or services provided. If a stand-alone selling price is not available, the Group will estimate the selling price with reference to the price that would be charged for the goods or services if they were sold separately. There are no contracts with variable consideration.

Provision is made for returns and in the few instances where rebates are provided, though neither are material. There are no capitalised contract costs recognised by the Group.

1.6 EMPLOYEE BENEFITS

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

- a) Defined contribution pension plans: Contributions to the Group's defined contribution schemes are recognised as an employee benefit expense when they fall due.
- b) Defined benefit pension plan: The deficit/asset recognised in the Consolidated Statement of Financial Position for 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 scheme 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 using interest rates on high-quality corporate bonds. The pension expense for the Group's defined benefit plan is recognised as follows:
 - i) Within the Consolidated Income Statement:
 - Service cost of current members of the Kubo Scheme.
 - Gains and losses arising on settlements and curtailments – where the item that gave rise to the settlement or curtailment is recognised in operating profit.
 - Any interest cost on the liabilities of the Scheme – calculated by applying the discount rate to the net defined benefit liability at the start of the annual reporting period.
 - ii) Within the Consolidated Statement of Comprehensive Income (Other Comprehensive Income):
 - Actuarial gains and losses arising on the assets and liabilities of the plan related to actual experience and any changes in assumptions at the end of the year.

GROUP ACCOUNTING POLICIES FOR THE YEAR ENDED 30 SEPTEMBER 2024 CONTINUED

c) Share-based payments: Equity-settled transactions (which are where the Executive Directors and certain senior employees receive a part of their remuneration in the form of shares in the Company, or rights over shares) are measured at fair value at the date of grant. The fair value determined at the grant date uses the Black-Scholes method and takes account of the effect of market-based measures, such as Total Shareholder Return (TSR) targets upon which vesting of part of the award is conditional and is expensed to the Consolidated Income Statement on 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 or vesting period and, in the case of non-market-related performance conditions, where it becomes unlikely that shares will vest. For the market-based measure, the Directors have used a Black-Scholes model to determine fair value of the shares at the date of grant.

The Group operates an EBT 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.

d) Long-term employee benefits: The Group provides long-term employee benefits in the form of deferred remuneration to certain employees. Deferred remuneration is recognised as an employee benefit expense in the period in which the employee renders the related service.

1.7 FOREIGN CURRENCIES

The individual financial statements of each Group entity are prepared in their functional currency, which is the currency of the primary economic environment in which that entity operates. For the purpose of the consolidated financial statements, the results and financial position of each entity are translated into UK sterling, which is the presentational currency of the Group.

- a) Reporting foreign currency transactions in functional currency: Transactions in currencies other than the entity's functional currency (foreign currencies) are initially recorded at the rates of exchange prevailing on the dates of the transactions. At each subsequent balance sheet date:
 - i) Foreign currency monetary items are retranslated at the rates prevailing at the balance sheet date. Exchange differences arising on the settlement or retranslation of monetary items are recognised in the Consolidated Income Statement.
 - ii) Non-monetary items measured at historical cost in a foreign currency are not retranslated.

- iii) Non-monetary items measured at fair value in a foreign currency are retranslated using the exchange rates at the date the fair value was determined. Where a gain or loss on non-monetary items is recognised directly in equity, any exchange component of that gain or loss is also recognised directly in equity and conversely, where a gain or loss on a non-monetary item is recognised in the Consolidated Income Statement, any exchange component of that gain or loss is also recognised in the Consolidated Income Statement.

- b) Translation from functional currency to presentational currency: When the functional currency of a Group entity is different from the Group's presentational currency, its results and financial position are translated into the presentational currency as follows:
 - i) Assets and liabilities are translated using exchange rates prevailing at the balance sheet date.
 - ii) Income and expense items are translated at average exchange rates for the year, except where the use of such an average rate does not approximate the exchange rate at the date of the transaction, in which case the transaction rate is used.
 - iii) All resulting exchange differences are recognised in Other Comprehensive Income; these cumulative exchange differences are recognised in the Consolidated Income Statement in the period in which the foreign operation is disposed of.
- c) Net investment in foreign operations: Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation are recognised in the Consolidated Income Statement in the separate financial statements of the reporting entity or the foreign operation as appropriate. In the consolidated financial statements such exchange differences are initially recognised in Other Comprehensive Income as a separate component of equity and subsequently recognised in the Consolidated Income Statement on disposal of the net investment.

1.8 TAXATION

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

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 (or deductible) in other years and also excludes items that are never taxable or deductible. The Group's liability for current tax, including UK corporation tax and overseas tax, is calculated using rates that have been enacted or substantively enacted at the balance sheet date.

GROUP ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 SEPTEMBER 2024 CONTINUED

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 Consolidated Statement of Financial Position 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 assets/liabilities on the Group’s defined benefit pension scheme, the difference between accelerated capital allowances and depreciation and for short-term timing differences where a provision held against receivables or inventory is not deductible for taxation purposes. However, deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit, nor the accounting profit.

Deferred tax liabilities are also recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. No deferred tax is recognised on the unremitted earnings of overseas subsidiaries, as the Group controls the dividend policies of its subsidiaries.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax is charged or credited to the Consolidated Income Statement, except when the item on which the tax or charge is credited or charged directly to equity, in which case the deferred tax is also dealt with in equity. The carrying amount of deferred tax assets is reviewed at each balance sheet date and 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 legally enforceable right to enforce current tax assets against current tax liabilities and when the deferred income tax relates to the same fiscal authority.

1.9 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the purchase price plus costs directly incurred in bringing the asset into use. All repairs 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 improvements	- 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
Hospital field 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. An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount. Gains and losses arising on disposals are determined by comparing sales proceeds with carrying amount and are recognised in the Consolidated Income Statement.

1.10 INTANGIBLE ASSETS

All intangible assets, excluding goodwill arising on a business combination, are stated at their amortised cost or fair value at initial recognition less any provision for impairment. Amortisation of intangible assets is recognised as an operating expense.

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 physical assets, such as tooling, exist when they are classified as property, plant and equipment.

b) Computer software costs

Where computer software is not integral to an item of property, plant or 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.

GROUP ACCOUNTING POLICIES FOR THE YEAR ENDED 30 SEPTEMBER 2024 CONTINUED

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 lists, databases, technology and software and patents that can be separately measured at fair value, on a reliable basis, are separately recognised on acquisition at the fair value, together with the associated deferred tax liability. Amortisation is charged on a straight-line basis to the Consolidated Income Statement over the expected useful economic lives.

Fair values of customer and supplier relationships on larger acquisitions are valued using a discounted cash flow model; databases are valued using a replacement cost model. For smaller acquisitions, intangible assets are assessed using historical experience of similar transactions.

d) Goodwill – business combinations

Goodwill arising on the acquisition of a subsidiary represents the excess of the aggregate of the fair value of the consideration over the aggregate fair value of the identifiable intangible, tangible and current assets and net of the aggregate fair value of the liabilities (including contingent liabilities of businesses acquired at the date of acquisition). Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Transaction costs are expensed and are not included in the cost of acquisition.

1.11 IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS

An impairment loss is recognised to the extent that the carrying amount of an asset or a CGU exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the higher of: (i) its fair value less costs to sell; and (ii) its value in use. Its value in use is the present value of the future cash flows expected to be derived from the asset or CGU, discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. Impairment losses are recognised immediately in the Consolidated Income Statement.

a) Impairment of goodwill

Goodwill acquired in a business combination is allocated to a CGU. CGUs for this purpose are the Group's three Sectors which represent the lowest level within the Group at which the goodwill is monitored by the Group's Board of Directors for internal and management purposes. CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the goodwill attributable to the CGU. Impairment losses cannot be subsequently reversed.

b) Impairment of other tangible and intangible assets

Other tangible and intangible assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Impairment losses and any subsequent reversals are recognised in the Consolidated Income Statement.

1.12 INVENTORIES

Inventories are stated at the lower of cost (generally calculated on a FIFO or weighted average cost basis depending on the nature of the inventory) and net realisable value, after making due allowance for any obsolete or slow moving inventory. Cost comprises direct materials, duty and freight-in costs.

Net realisable value represents the estimated selling price less all estimated costs of completion and the estimated costs necessary to make the sale.

1.13 FINANCIAL INSTRUMENTS

Financial assets and liabilities are recognised in the Group's Consolidated Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument.

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 IFRS 9.

b) Trade payables

Trade payables are non-interest bearing and are initially measured at their nominal value.

c) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, interest bearing deposits, bank overdrafts that have a legal right of offset 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 repayable on demand and can form an integral part of the Group's cash management.

GROUP ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 SEPTEMBER 2024 CONTINUED

Bank overdrafts (where used) are presented net of cash and cash equivalents on the Consolidated Statement of Financial Position, where there is a legal right of offset.

d) Put options held by minority interests

The purchase price of shares to be acquired under options held by minority shareholders in the Group’s subsidiaries are calculated by reference to the estimated profitability of the relevant subsidiary at the time of exercise, using a multiple based formula. The net present value of the estimated future payments under these put options is shown as a financial liability. The corresponding entry is recognised in equity as a deduction against retained earnings. At the end of each year, the estimate of the financial liability is reassessed and any change in value is recognised in the Consolidated Income Statement, as part of finance income 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 holds derivative financial instruments in the form of forward foreign exchange contracts to hedge its foreign currency exposure and interest rate swaps to hedge its exposure to market interest rates. These derivatives are designated as cash flow hedges.

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised in other comprehensive income and presented in the cash flow hedges reserve. The associated gain or loss is removed from equity and recognised in the Income Statement in the period in which the transaction to which it relates occurs.

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also 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.

The Group uses foreign currency denominated borrowings as a hedge against the translation exposure on the Group’s net investment in overseas companies. Where the hedge is fully effective at hedging, the variability in the net assets of such companies caused by changes in exchange rates and the changes in value of the borrowings are recognised in the Consolidated Statement of Comprehensive Income and accumulated in

the Translation reserve. The ineffective part of any change in value caused by changes in exchange rates is recognised in the Consolidated Income Statement.

No derivative contracts have been designated as fair value hedges.

f) Borrowings

Borrowings are initially recognised at the fair value of the consideration received. They are subsequently measured at amortised cost. Borrowings are classified as non-current when the repayment date is more than 12 months from the period end date or where they are drawn on a facility with more than 12 months to expiry.

Borrowings include overdraft facilities that do not have a legal right of offset.

1.14 LEASES

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, being the initial amount of the lease liability adjusted for any lease payments made at or before commencement date.

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

Right-of-use assets are depreciated on a straight-line basis over the lease term, or useful life if shorter.

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

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

1.15 OTHER LIABILITIES

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

GROUP ACCOUNTING POLICIES FOR THE YEAR ENDED 30 SEPTEMBER 2024 CONTINUED

1.16 DIVIDENDS

The annual final dividend is not provided for until approved at the AGM; interim dividends are charged in the period they are paid.

1.17 SHARE CAPITAL AND RESERVES

Ordinary shares are classified as equity and details of the Group's share capital is disclosed in note (F) of the Parent Company's financial statements. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. The Group also maintains the following reserves:

- a) Translation reserve – The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign businesses and net investment hedges.
- b) Hedging reserve – The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments that are determined to be an effective hedge.
- c) Retained earnings reserve – The retained earnings reserve comprises total cumulative recognised income and expense attributable to shareholders. Bonus issues of share capital and dividends to shareholders are also charged directly to this reserve. In addition, the cost of acquiring shares in the Company and the liability to provide those shares to employees, is accounted for in this reserve.

Where any Group company purchases the Company's equity share capital and holds that share either directly as treasury shares or indirectly within an ESOP trust, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is 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. The Trustee purchases the Company's shares on the open market using loans made by the Company or a subsidiary of the Company.

1.18 RELATED PARTIES

There are no related party transactions (other than with key management) that are required to be disclosed in accordance with IAS 24. Details of their remuneration are given in note 5 to the consolidated financial statements.

1.19 ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

Non-current assets held for sale and disposal groups are presented separately in the current section of the Consolidated Statement of Financial Position when the following

criteria are met: the Group is committed to selling the asset or disposal group, it is available for immediate sale in its current condition, an active plan of sale has commenced, and in the judgement of Group Management it is highly probable that the sale will be completed within 12 months. Immediately before the initial classification of the assets and disposal groups as held for sale, the carrying amounts of the assets (or all the assets and liabilities in the disposal groups) are measured in accordance with the applicable accounting policy. Assets held for sale and disposal groups are subsequently measured at the lower of their carrying amount and fair value less costs of disposal. Assets held for sale are no longer amortised or depreciated.

1.20 ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS NOT YET EFFECTIVE

The IASB has published a number of new IFRS standards, amendments and interpretations to existing standards which are not yet effective, but will be mandatory for the Group's accounting periods beginning on or after 1 October 2024.

IFRS 16 – Lease Liability in a Sale and Leaseback;

IAS 1 – Presentation of Financial Statements – in relation to non-current liabilities with covenants and deferral of effective date, and the Disclosure of Accounting Policies;

IAS 7 – Statement of Cash Flows and IFRS 7 – Financial Instruments: Disclosures – Supplier Finance Arrangements;

IAS 21 – Lack of Exchangeability, which will become effective in the consolidated Group financial statements for the financial year ending 30 September 2026;

IFRS 9 – Financial Instruments and IFRS 7 – Financial Instruments: Disclosures – Classification and measurement of financial instruments, which will become effective in the consolidated Group financial statements for the financial year ending 30 September 2027, subject to UK endorsement;

IFRS 18 – Presentation and Disclosure in Financial Statements which will become effective in the consolidated Group financial statements for the financial year ending 30 September 2028, subject to UK endorsement;

IFRS 19 – Subsidiaries without Public Accountability: Disclosures which will become effective in the consolidated Group financial statements for the financial year ending 30 September 2028, subject to UK endorsement.

GROUP ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 SEPTEMBER 2024 CONTINUED

The Group does not anticipate that the adoption of these standards and interpretations that are effective for the year ending September 2025 will have a material effect on its financial statements.

1.21 SIGNIFICANT ACCOUNTING ESTIMATES AND CRITICAL JUDGEMENTS

The preparation of the Group's consolidated financial statements requires management to make critical accounting judgements, assumptions or estimates with regard to assets or liabilities that could potentially have a material adjustment to the carrying amount of assets or liabilities in the next 12 months.

1.21.1 Acquisition accounting (estimate)

Acquisition accounting is a significant accounting estimate.

When the Group makes an acquisition it recognises the identifiable assets and liabilities, including intangible assets, at fair value with the difference between the fair value of net assets acquired and the fair value of consideration paid comprising goodwill. Acquisitions are accounted for using the acquisition method as described in the Group Accounting Policies. The key assumptions and estimates used to determine the valuation of intangible assets acquired are the forecast cash flows, the discount rate and customer/supplier attrition. Customer and supplier relationships are valued using an excess earnings cash flow model. Acquisitions often comprise an element of deferred consideration and may include a minority interest, which are subject to put options. These put options are 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 assumptions in valuing the PAR Group and Peerless intangible assets, which were acquired in the year, together with the sensitivity analysis, are set out below.

	PAR Group	Peerless
Discount rate + 1% (all intangibles)	ca. £(0.5)m	ca. £(1.8)m
Discount rate - 1% (all intangibles)	ca. £0.6m	ca. £1.9m
Revenue growth rate +1% (all intangibles)	ca. £1.3m	ca. £1.8m
Revenue growth rate -1% (all intangibles)	ca. £(1.2)m	ca. £(1.7)m
Customer attrition rate +1% (customer relationships)	ca. £(0.5)m	ca. £(2.1)m
Customer attrition rate -1% (customer relationships)	ca. £0.6m	ca. £2.2m

Management is also required to make judgements, assumptions and estimates relating to certain assets and liabilities that could potentially have a material impact over the longer term. These relate to:

1.21.2 Goodwill impairment (estimate)

The Group has material amounts of goodwill and intangible assets (principally customer and supplier relationships) recognised in the Consolidated Statement of Financial Position. As set out in note 1.11 of the Group Accounting Policies, goodwill is tested annually to determine if there is any indication of impairment. Assumptions are used to determine the recoverable amount of each CGU, principally based on the present value of estimated future cash flows to derive the 'value in use' to the Group of the capitalised goodwill. The key estimates made and assumptions used in performing impairment testing this year are set out in note 10 to the consolidated financial statements.

1.21.3 Inventory provisions (estimate)

Inventories are stated at the lower of cost and net realisable value as set out in note 1.12 of the Group Accounting Policies. In the course of normal trading activities, estimates are used to establish the net realisable value of inventory and impairment charges are made for obsolete or slow-moving inventories and against excess inventories.

The decision to make an impairment charge is based on a number of factors including management's assessment of the current trading environment, aged profiles and historical usage and other matters which are relevant at the time the consolidated financial statements are approved.

1.21.4 Defined benefit pension (estimate)

Defined benefit pensions are accounted for as set out in note 1.6 of the Group Accounting Policies. Determining the value of the future defined benefit obligation requires estimates in respect of the assumptions used to calculate present values. These include discount rate, future mortality and inflation rate. Management makes these estimates in consultation with an independent actuary. For the year ended 30 September 2024, all members of the UK defined benefit pension scheme are covered by one of the Scheme's Buy-In policies. Therefore, with the exception of liabilities in respect of GMP equalisation, the liabilities due are exactly matched by the policies held. The Kubo defined benefit pension scheme is a net liability. Detail of the estimates and key sensitivities made in calculating the defined benefit assets and obligations at 30 September 2024 are set out in note 26 to the consolidated financial statements.

PARENT COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2024

	Note	2024 £m	2023 £m
Fixed assets			
Investments	D	700.5	372.4
Debtors: amounts falling due within one year		2.2	-
Amounts owed by Group undertakings		289.1	246.9
Creditors: amounts falling due within one year		(5.4)	(1.6)
Creditors: amounts falling due after one year	E	(318.7)	-
Net assets		667.7	617.7
Capital and reserves			
Share capital	F	6.8	6.8
Share premium		420.2	420.2
Retained earnings ¹		240.7	190.7
Total shareholders' equity		667.7	617.7

¹ Includes profit after tax for the year of £126.8m (2023: £122.8m).

The financial statements of Diploma PLC and the notes on 176 to 178, which form part of these financial statements, company number 3899848, were approved by the Board of Directors on 19 November 2024 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 2024

	Note	Share capital £m	Share premium £m	Retained earnings £m	Total shareholders' equity £m
At 1 October 2022		6.3	188.6	138.1	333.0
Total Comprehensive Income	A	-	-	122.8	122.8
Shares Issued		0.5	231.6	-	232.1
Dividends paid	G	-	-	(70.5)	(70.5)
Settlement of LTIP awards		-	-	0.3	0.3
At 30 September 2023		6.8	420.2	190.7	617.7
Total Comprehensive Income	A	-	-	126.8	126.8
Dividends paid	G	-	-	(76.8)	(76.8)
At 30 September 2024		6.8	420.2	240.7	667.7

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2024

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 operational existence for the foreseeable future and accordingly, they continue to adopt the going concern basis in preparing the Financial Statements. The Financial Statements, which are prepared on a historical cost basis, are 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 10-11 Charterhouse Square, London EC1M 6EE. The financial statements were authorised by the Directors for publication on 19 November 2024.

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 IFRS; and
- disclosures in respect of the compensation of key management personnel as required.

The Company has also taken the exemption under FRS 101 available in respect of the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 (Share-based Payment) in respect of Group settled share-based payments as the consolidated financial statements of the Company include the equivalent disclosures within the Remuneration Committee Report.

a.2) Total Comprehensive Income

Total Comprehensive Income comprises dividends received from subsidiaries, exchange translation gains on private placement notes issued in EUR and USD, and interest payable or receivable on intercompany balances at the UK base rate, plus 1.81% and that are repayable on demand.

a.3) Dividend income

Dividend income is recognised when received. Final dividend distributions are recognised in the Company’s Financial Statements in the year in which the dividends are approved by the Company’s shareholders. Interim dividends are recognised when paid.

a.4) Investments

Investments are stated at cost less provision for impairment.

a.5) Diploma PLC Employment Benefit Trust and employee share schemes

Shares held by the Diploma PLC Employee Benefit Trust (the Trust) are stated at cost and accounted for as a deduction from shareholders’ equity in accordance with IAS 32, as applied by FRS 101. Shares that are held by the Trust are not eligible for dividends until such time as the awards have vested and options have been exercised by the participants.

a.6) Auditors’ remuneration

Fees payable to the auditors for the audit of the Company’s financial statements of £3,675 (2023: £3,500) were borne by a fellow Group undertaking.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2024 CONTINUED

B) DIRECTORS’ AND EMPLOYEES’ REMUNERATION

No remuneration is paid directly by the Company; information on the Directors’ remuneration (which is paid by a subsidiary company) and their interests in the share capital of the Company are set out in the Remuneration Committee Report on pages 96 to 119 and note 5 to the consolidated financial statements on page 141. The Company had no employees (2023: none).

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. The Company’s profit for the year was £126.8m (2023: profit of £122.8m), before settlement of LTIP awards.

D) INVESTMENTS

	2024 £m	2023 £m
Shares in Group undertakings held at cost		
At 30 September	700.5	372.4

On 31 March 2024, the Company increased its investment in Diploma Holdings PLC for consideration of £55,603,408.

On 31 March 2024, the Company increased its investment in Diploma Overseas Limited for consideration of £158,953,033 (\$200,000,000). On 28 August 2024, the Company further increased its investment in Diploma Overseas Limited for consideration of £113,507,378 (\$150,000,000).

A full list of subsidiary and other related undertakings is set out on pages 179 to 181. Investments in subsidiaries are reviewed annually for any indicators of impairment. No indicators have been noted (2023: none).

E) CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

During the year, the Company issued private placement notes for an aggregate principal amount of £207.9m (€250.0m) with maturities of 7 years (€75.0m), 10 years (€100.0m) and 12 years (€75.0m) and for an aggregate principal amount of £111.9m (\$150.0m) with maturities of 8 years (\$100.0m), and 11 years (\$50.0m).

Certain subsidiaries of the Company have provided financial guarantees in respect of the private placement notes issued.

Included in the long-term creditors amount is £1.1m of capitalised borrowing fees.

F) SHARE CAPITAL

	2024 Number	2023 Number	2024 £m	2023 £m
Issued, authorised and fully paid ordinary shares of 5p each				
At 30 September	134,091,975	134,034,491	6.8	6.8

During the year, 64,207 ordinary shares in the Company (2023: 66,974) were transferred from the Trust to participants on an after income tax basis in connection with the exercise of options in respect of awards which had vested under the 2020 Long-Term Incentive Plan, as set out in the Remuneration Committee Report.

A further 57,484 (2023: 63,372) shares were issued to the Trust during the year at 5p par value, recognised as an increase to share capital of £2,874 (2023: £3,169).

At 30 September 2024, the Trust held 60,708 (2023: 67,431) ordinary shares in the Company representing less than 0.1% of the called up share capital. The market value of shares at 30 September 2024 was £2.7m (2023: £2.0m).

G) DIVIDENDS

Details in respect of dividends proposed and paid during the year by the Company are included in note 8 to the consolidated financial statements.

GLOSSARY

AGM	Annual General Meeting
ARGA	The Audit, Reporting and Governance Authority
The Board	The Board of Directors of the Company
CAGR	Compound annual growth rate
CBAM	Carbon border adjustment mechanism
CGU	Cash-generating unit
CODM	Chief operating decision maker
The Code	The UK Corporate Governance Code 2018
The Company	Diploma PLC
Consolidated Financial Statements	The Financial Statements for the Group from the year ended 30 September 2024
Constant Currency	Compares current period's results with the prior period's results translated at the current period's exchange rates
CNC	computer numerical control
CRROs	Climate-related risks and opportunities
DAS	Diploma Australia Seals, a Seals Sector business
DEI	Diversity, equity and inclusion
DRR	Directors' remuneration report
DVR	Delivering value responsibly – our sustainability programme
DICSA	Distribuidora Internacional Carmen S.A.U.
Directors	The Directors of the Company
DTRs	The Financial Conduct Authority's Disclosure Guidance and Transparency Rules
EBITDA	Earnings before interest and tax plus depreciation and amortisation
EBT	Employee Benefit Trust
EPS	Earnings per share
ERP	Enterprise resource planning
ESG	Environmental, social and governance
EV	Electric vehicle
Executive Directors	The Executive Directors of the Company
FCA	Financial Conduct Authority

FRC	The Financial Reporting Council
FPS	Fluid Power Services Limited, a Diploma Seals Sector business
GHG	Greenhouse gas emissions
GIA	General investment accounts
GM Medical	GM Medical Group A/S, a Diploma Life Sciences Sector business
The Group	Diploma PLC and its subsidiaries
IFRS	International financial reporting standards
KPI	Key performance indicator
LTI	Lost time incident
LTIP	Long-term incentive plan
MD	Managing Director
MRO	Maintenance, repair and overhaul
MSR	Minimum shareholding requirement
Non-Executive Directors	The Non-Executive Directors of the Company
OEM	Original equipment manufacturer
PAR Group	Plastic and Rubber Group, a Diploma Seals Sector business
Peerless	Peerless Aerospace Fastener LLC, a Diploma Controls Sector business
PILON	Payment in lieu of notice
PPA	Purchase price allocation
PSP	Performance share plan
PwC	PricewaterhouseCoopers LLP
R&G	R&G Fluid Power Group, a Diploma Seals Sector business
RCF	Revolving credit facility
the Regulations	EU Audit Directive and Audit Regulation 2014
ROATCE	Return on adjusted trading capital employed
s172	Section 172 of the Companies Act 2006
SBTi	Science-Based Targets initiative
The Scheme	The Diploma Holdings PLC UK Pension Scheme
SMT	Senior management team

TCFD	Task force on climate-related financial disclosures
TDC	Total direct compensation
T.I.E.	Tennessee Industrial Electronics, a Diploma Controls Sector business
TSR	Total shareholder return
VSP	Virginia Sealing Products, a Seals Sector business
WTW	Willis Towers Watson

SUBSIDIARIES OF DIPLOMA PLC

	Registered office address*
Seals	
HB Sealing Products, Inc.	D
HKX, Inc.	E
RTD Seals Corp.	C
VSP Technologies, Inc.	C
HB Sealing Products Limited	Q
M Seals A/S ^(90% owned)	M
M Seals AB ^(90% owned)	N
M Seals UK (Technical Distribution) Limited ²	A
Diploma (Tianjin) Trading Co. Limited	V
FPE Seals Limited ²	A
M Seals UK (Engineered Seals Division) Limited ²	A
FPE Seals BV	J
Kubo Tech AG	K
Kubo Tech GmbH	L
PumpNSeal Australia Pty Limited	R
TotalSeal Group Australia Pty Limited	S
TotalSeal New Caledonia SAS	U
Fitt Management Pty Limited	AB
Fitt Resources Pty Limited	AB
Fitt Trading Pty Limited	AB
Merseyflex Limited ^{2 & (98% owned)}	A
R&G Investments Limited ^{2 & (98% owned)}	A
One Stop Fluid Power Limited ^{2 & (98% owned)}	A
Pearson Hose & Hydraulics Limited ^{2 & (98% owned)}	A
Northern Hose & Hydraulics Limited ^{1 & (98% owned)}	A
Exeter Hose & Hydraulics Limited ^{2 & (98% owned)}	A
North Devon Hose & Hydraulics Limited ^{2 & (98% owned)}	A
Pressurelines Hose & Hydraulics Limited ^{2 & (98% owned)}	A
Somerset Hose & Hydraulics Limited ^{2 & (98% owned)}	A
West Cornwall Hose & Hydraulics Limited ^{2 & (98% owned)}	A
Pearson Hydraulics Limited (previously Hose & Hydraulics Group Limited) ^{2 & (98% owned)}	A
Henry Gallacher Limited ^{2 & (98% owned)}	A

	Registered office address*
Fluidair Power Limited ^{2 & (98% owned)}	A
GHS Limited ^{2 & (98% owned)}	A
Global Hydraulic Services Limited ^{2 & (98% owned)}	A
Pennine Pneumatic Services Limited ^{2 & (93.1% owned)}	A
Compcon Limited ^{2 & (93.1% owned)}	A
Norman Walker (Machinery) Limited ^{2 & (93.1% owned)}	A
Rubberfast Limited ^{2 & (98% owned)}	A
Rubberlast Group Limited ^{2 & (98% owned)}	A
Hydraulic & Offshore Supplies Limited ^{2 & (98% owned)}	A
Lancashire Hose and Fittings Limited ^{2 & (98% owned)}	A
Hyphose Limited ^{2 & (98% owned)}	A
AMG Sealing Limited ^{2 & (98% owned)}	A
Hydraproducts Limited ^{2 & (98% owned)}	A
Century Hose & Couplings Limited ^{2 & (98% owned)}	A
Flexicon Industrial Supplies Limited ^{2 & (98% owned)}	A
Integraflex Limited ^{2 & (98% owned)}	A
Intrico Products ^{1 & (98% owned)}	A
Grimsby Hydraulic Services Limited ^{2 & (98% owned)}	A
Pneumatic Services Limited ^{2 & (93.1% owned)}	A
AMG (Brighouse) Limited ^{2 & (98% owned)}	A
Millennium Coupling Company Limited ^{2 & (98% owned)}	A
Hydraulic Megastore Limited (previously Fluid Power Products Limited) ^{1 & (98% owned)}	A
Industrial Hose & Pipe Fittings Limited ^{2 & (98% owned)}	A
Millennium Engineering (2012) Limited ^{2 & (98% owned)}	A
Anti-Corrosion Technology Pty Limited	AH
Distribuidora Internacional Carmen, S.A.U.	AI
DICSA America LLC	AJ
Distribuidora Internacional Carmen SRL	AK
Gaskets, Packings & Seals Enterprises, LLC	AL
Valves Online Limited ^{2 & (98% owned)}	A
Lantech Solutions Limited ^{2 & (98% owned)}	A
Fluid Power Services Limited ^{2 & (98% owned)}	A
Hedley DMB Limited ^{2 & (98% owned)}	A

	Registered office address*
Hedley Hydraulics (Holdings) Limited ^{2 & (98% owned)}	A
Hedley Hydraulics Limited ^{2 & (98% owned)}	A
Hedley Connectors Limited ^{1 & (98% owned)}	A
Hex Technology, LLC	AQ
Ecodydraulics Limited ^{1 & (98% owned)}	A
Abbey Hose Company Limited ^{2 & (98% owned)}	A
Aquarius Plastics Ltd ^{2 & (98% owned)}	A
Fast Gaskets and Parts Limited ^{2 & (98% owned)}	A
Mountford Rubber & Plastics Limited ^{2 & (98% owned)}	A
Plastic and Rubber Group Holdings Limited ^{2 & (98% owned)}	A
Plastic and Rubber Group Limited ^{2 & (98% owned)}	A
R&G Bidco No1 Limited ^{2 & (98% owned)}	A
PTFEFLEX Ltd ^{2 & (98% owned)}	A
R&G Fluid Power Group (Hydraulics Division) Limited (previously Pearson Hydraulics Limited) ^{2 & (98% owned)}	A

1 Dormant company.

2 These subsidiaries, which are incorporated in England, are exempt from the requirements of the UK Companies Act 2006 relating to the audit of individual accounts by virtue of section 479A of the Act, with Diploma PLC providing the relevant guarantee.

All subsidiaries are wholly owned, except where otherwise indicated.

All subsidiaries are owned through ordinary shares.

* Registered office address shown on page 181

SUBSIDIARIES OF DIPLOMA PLC CONTINUED

	Registered office address*
Controls	
IS-Rayfast Limited	A
IS-Motorsport, Inc.	C
Clarendon Specialty Fasteners Limited	A
Clarendon Specialty Fasteners (Asia) Limited	X
Clarendon Specialty Fasteners, Inc.	B
Clarendon Speciality Fasteners GmbH	Y
Cabletec Interconnect Component Systems Limited ¹	A
Sommer GmbH	G
Filcon Electronic GmbH	H
Gremtek SAS	O
Gremco UK Limited ¹	A
Gremtek GmbH ¹	I
Ascome SARL	O
Cablecraft Limited ¹	A
Krempfast Limited ²	A
IS Group (Europe) Limited ¹	A
FS Cables Limited ¹	A
FSC Global Limited ¹	A
Shoal Group Limited	A
Specialised Wiring Accessories Limited ²	A
M-Tec Limited ¹ & (95% owned)	A
Techsil Limited ² & (95% owned)	A
Glueline Limited ¹ & (95% owned)	A
Windy City Wire Cable & Technology Products, LLC	Z
LJR Electronics, LLC	AG
Tennessee Industrial Electronics, LLC	AM
The Parker Group, Inc.	AN
Peerless Aerospace Fastener LLC	AR
Peerless (Beijing) Aerospace Fastener Commercial and Trading Co. Ltd	AS
Technisil GmbH	G

	Registered office address*
Life Sciences	
Somagen Diagnostics Inc.	F
Acernis Medical Inc.	P
Big Green Surgical Company Pty Limited	R
Diagnostic Solutions Pty Limited	R
Sphere Surgical Pty Limited	R
Aspire Surgical Pty Limited	R
Big Green Surgical NZ Limited	T
Techno-Path (Distribution) Limited	W
Abacus dx Pty Limited	R
Abacus dx Limited	T
Simonsen and Weel A/S	AC
Simonsen and Weel AB	AA
Kungshusen Medicinska AB	AD
Accu-Science Ireland Limited	AF
Medilink Services (NI) Limited ²	AE
GM Medical A/S	AO
GM Grondorf Medical AB	AT
GM Medical AS	AU
GM Medical Oy	AV

	Registered office address*
Intermediate holding companies	
Diploma Holdings PLC	A
Diploma Holdings, Inc.	C
Diploma UK Holdings Limited ²	A
Diploma Asia Holdings Limited	A
Diploma Australia Holdings Limited ²	A
Diploma Canada Holdings Limited ²	A
Diploma Overseas Limited	A
Diploma Europe Holdings Limited	A
Williamson, Cliff Limited ²	A
Diploma One Limited ¹	A
Diploma Two Limited ¹	A
Newlandglebe Limited ²	A
Diploma Holding Germany GmbH	G
Diploma Canada Healthcare Inc.	F
Diploma Australia Healthcare Pty Limited	R
Diploma Australia Seals Pty Limited	R
Techsil Group Holdings Limited ² & (95% owned)	A
Techsil Holdings Limited ² & (95% owned)	A
R&G Fluid Power Holdings Limited ²	A
R&G Fluid Power Group Limited ² & (98% owned)	A
M Seals UK Limited ²	A
Diploma Iberia Holdings, SL	AP

¹ Dormant company.

² These subsidiaries, which are incorporated in England, are exempt from the requirements of the UK Companies Act 2006 relating to the audit of individual accounts by virtue of section 479A of the Act, with Diploma PLC providing the relevant guarantee.

All subsidiaries are wholly owned, except where otherwise indicated.

All subsidiaries are owned through ordinary shares.

* Registered office address shown on page 181

SUBSIDIARIES OF DIPLOMA PLC CONTINUED

Registered office address:

A	10–11 Charterhouse Square, London, EC1M 6EE, UK.	AA	Sotra Avagen 21, 436 34, Askim, Mölndal, Sweden.
B	2180, Temple Avenue, Long Beach, California, 90804, USA.	AB	27 Awaba Street, Lisarow NSW 2250, Australia.
C	919 North Market Street, Suite 950, Wilmington, DE 19801, USA.	AC	Vejlegårdsvej 59, 2665 Vallensbæk Strand, Denmark.
D	420 Park Place Blvd, STE 100, Clearwater, FL 33759, USA.	AD	Kikarvägen 14, 647 35 Mariefred, Sweden.
E	4505 Pacific Highway East, Suite C2, Fife, WA 98424–2638, USA.	AE	81 Sydenham Road, Belfast, Antrim, BT3 9DJ.
F	3400 First Canadian Centre, 350–7th Avenue SW, Calgary, Alberta T2P 3N9, Canada.	AF	Unit C3, M7 Business Park, Newhall, NAAS Kildare, Ireland.
G	Kraichgaustrasse 5, D-73765, Neuhausen, Germany.	AG	2072 Byers Rd, Miamisburg, OH, 45342–1167, USA.
H	Rotwandweg 5, D-82024, Taufkirchen/München, Germany.	AH	3/13 Selhurst St, BRISBANE QLD 4108, Australia.
I	20–24 Robert Bosch Strasse, 25451 Quickborn, Germany.	AI	Polígono Industrial Alcalde Caballero, calle Virgen del Buen Acuerdo, s/n, Zaragoza, 50014, Spain.
J	Industrieterrein Dombosch 1, Elftweg 38, 4941 VP Raamsdonksveer, the Netherlands.	AJ	2875 NE 191 STREET, STE 302, Aventura, Florida, 33180, USA.
K	Im Langhag 5, 8307 Illnau-Effretikon, Switzerland.	AK	1179, Via Emilia Ovest, Modena (MO), CAP 41123, Italy.
L	Gewerbeallee 12a, 4221 Steyregg, Austria.	AL	2323 Garfield Ave, Parkersburg, West Virginia, 26101, USA.
M	Bybjergvej 13, DK 3060, Espergaerde, Denmark.	AM	Corporate Trust Centre, 1209 Orange Street, Wilmington, New Castle, Delaware, 19801, USA.
N	Industrivägen 17, SE-302, 41 Halmstad, Sweden.	AN	44810 Vic Wertz Drive, Clinton Township, Michigan, 48036, USA.
O	58 rue du Fosse blanc, 92230 Gennevilliers, France.	AO	Blokken 11, 1., Birkerød, 3460, Denmark.
P	333 Bay St., Suite 2400, Toronto, Ontario M5H 2T6, Canada.	AP	112, Principe De Vergara, Madrid, 28002, Spain.
Q	226 Lockhart Road, Barrie, Ontario, L4N 9G8, Canada.	AQ	500 E 4th Street Ste 601, Austin, TX 78701, USA.
R	46 Albert Street, Preston, Victoria, 3072, Australia.	AR	141, Executive Blvd, Farmingdale, New York, 11735, USA.
S	72 Platinum Street, Crestmead, Queensland, 4132, Australia.	AS	Suite 1002, No. 1, No. 36 Xiaoyun Road, Choayang District, Beijing, China.
T	Office of Bendall & Cant Ltd, Southern Cross Building, 61 High Street, Auckland, New Zealand.	AT	c/o Aleria Redovisning KB, Industrigatan 83, 252 32 Helsingborg, Sweden.
U	22 Avenue des Géomètres Pionniers, ZAC PANDA – 98835, Dumbéa, New Caledonia.	AU	c/o Christian Nordhaug, Gronlivegen 29, Tromsø, 9007, Norway.
V	18 Fuyuandao Road, Wuqing Development Area, Tianjin, China.	AV	9, Makituvantie, 01510, Finland.
W	Fort Henry Business Park, Ballina, Co. Tipperary, Ireland.		
X	98/155 Soi Supapong 1 Yak 6, Srinakarin Road, Nongbon, Bangkok, Thailand.		
Y	Kriegackerstrasse 32, 72469 Messtetten, Germany.		
Z	386 Internationale Drive Suite H Bolingbrook, IL 60440, USA.		

ALTERNATIVE PERFORMANCE MEASURES

Measure	Closest UK-adopted IAS measure	Definition and reconciliation	Purpose
Organic growth	Reported revenue increase	Organic growth strips out the effects of the movement in exchange rates and of acquisitions and disposals.	Allows users of the accounts to gain understanding of how the Group has performed on a like-for-like basis, excluding the effects of exchange rates and of acquisitions and disposals.
Adjusted operating profit	Operating profit	Statutory operating profit excluding separately disclosed items and can be found on the face of the Group Income Statement in the Adjusted column.	Adjusted operating profit is a key performance measure for the Executive Directors' annual bonus structure and management remuneration. It also provides all stakeholders with additional useful information to assess the period-on-period trading performance of the Group.
Adjusted operating margin	Operating profit divided by revenue	Adjusted operating profit/(loss) divided by revenue.	Adjusted operating margin is a measure used to assess and compare profitability. It also allows for ongoing trends and performance of the Group to be measured by the Directors, management and interested stakeholders.

Measure	Closest UK-adopted IAS measure	Definition and reconciliation	Purpose
Adjusted earnings per share	Basic earnings per share	Adjusted earnings (being adjusted profit after tax attributable to equity shareholders) for the period attributable to shareholders of the Group divided by the weighted average number of shares in issue, excluding those held in the Employee benefit trust which are treated as cancelled. A reconciliation of statutory profit to adjusted profit for the purpose of this calculation is provided within the notes to the financial statements.	Adjusted earnings per share is widely used by external stakeholders, particularly in the investment community.
Return on adjusted trading capital employed (ROATCE)	Operating profit divided by net assets	Pro forma adjusted operating profit (being the annualised adjusted operating profit including that of acquisitions and disposals) divided by adjusted trading capital employed. Adjusted trading capital employed is reported as being trading capital employed plus goodwill and acquisition related charges previously written off (net of deferred tax on acquisition intangible assets) and re-translated at the average exchange rates that are consistent with the proforma adjusted operating profit.	ROATCE gives an indication of the Group's capital efficiency and is an element of a performance measure for the Executive Directors' remuneration.

ALTERNATIVE PERFORMANCE MEASURES CONTINUED

Measure	Closest UK-adopted IAS measure	Definition and reconciliation	Purpose
Free cash flow	Net cash generated from operating activities	The cash flow equivalent of adjusted profit after tax.	Free cash flow allows us and external parties to evaluate the cash generated by the Group's operations and is also a key performance measure for the Executive Directors' annual bonus structure and management remuneration.
Net debt	Borrowings less cash	Cash and cash equivalents (cash overnight deposits, other short-term deposits) offset by borrowings which compose of bank loans, excluding lease liabilities.	Net debt is the measure by which the Group and interested stakeholders assesses its level of overall indebtedness.
Earnings Before Interest and Tax plus Depreciation and Amortisation (EBITDA)	Operating profit	EBITDA is calculated by taking adjusted operating profit, adding back depreciation and amortisation and annualised for acquisitions and disposals made during the year.	EBITDA is used as a key measure to understand profit and cash generation before the impact of investments (such as capital expenditure and working capital). It is also used to derive the Group's gearing ratio.

Measure	Closest UK-adopted IAS measure	Definition and reconciliation	Purpose
Leverage	No direct equivalent	The ratio of net debt to EBITDA over the last 12 months (with net debt translated at the average exchange rates that are consistent with EBITDA), after making the following adjustments to EBITDA: including any annualised EBITDA for businesses acquired by the Group during that financial year; the reversal of IFRS 16 accounting; the exclusion of any EBITDA of businesses disposed by the Group during that financial year; and the exclusion of the profit or loss attributable to minority interest.	The leverage ratio is considered a key measure of balance sheet strength and financial stability by which the Group and interested stakeholders assesses its financial position.

SHAREHOLDER INFORMATION

FINANCIAL CALENDAR

Announcements (provisional dates)

Q1 Trading Update released	15 January 2025
Annual General Meeting (2024)	15 January 2025
Half Year Results announced	20 May 2025
Q3 Trading Update released	18 July 2025
Preliminary Results announced	18 November 2025
Annual Report posted to shareholders	5 December 2025
Annual General Meeting (2025)	14 January 2026

Dividends (provisional dates)

Interim announced	20 May 2025
Paid	June 2025
Final announced	18 November 2025
Paid (if approved)	February 2026

ADVISORS

Corporate Stockbrokers

Deutsche Numis
45 Gresham Street
London EC2V 7BF

Morgan Stanley

25 Cabot Square
London E14 4QA

Independent Auditor

PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH

CONTACT DETAILS

Annual Report and Accounts

Copies can be obtained from the Group Company Secretary at the address shown opposite.

Share Registrar

Computershare Investor Services PLC

The Pavilions
Bridgwater Road
Bristol BS99 6ZZ
Telephone: 0370 7020010

The Registrar's website for shareholder enquiries is:
www.computershare.co.uk

Shareholders' enquiries

If you have any enquiry about the Company's business or about something affecting you as a shareholder (other than questions dealt with by Computershare Investor Services PLC) you are invited to contact the Group Company Secretary at the address shown below.

Group Company Secretary and Registered Office

John Morrison
10–11 Charterhouse Square
London EC1M 6EE
Telephone: 020 7549 5700

Registered in England and Wales,
number 3899848.

Website

www.diplomaplc.com

FIVE YEAR RECORD

Year ended 30 September	2024 £m	2023 £m	2022 £m	2021 £m	2020 £m
Revenue	1,363.4	1,200.3	1,012.8	787.4	538.4
Adjusted operating profit	285.0	237.0	191.2	148.7	87.1
Net interest and similar charges	(27.0)	(20.4)	(11.6)	(6.8)	(2.7)
Adjusted profit before tax	258.0	216.6	179.6	141.9	84.4
Acquisition related and other charges ¹	(77.6)	(53.7)	(46.9)	(44.4)	(17.3)
Acquisition related finance charges, net	(3.8)	(7.3)	(3.2)	(0.9)	(0.4)
Profit before tax	176.6	155.6	129.5	96.6	66.7
Tax expense	(46.6)	(37.3)	(34.1)	(26.9)	(16.9)
Profit for the year	130.0	118.3	95.4	69.7	49.8
Capital structure					
Equity shareholders' funds	888.0	895.6	662.0	536.3	527.0
Minority interest	6.7	6.4	6.2	4.7	3.7
Add/(deduct): cash and cash equivalents	(55.5)	(62.4)	(41.7)	(24.8)	(206.8)
cash and cash equivalents held in disposal groups	(4.7)	–	–	–	–
borrowings	479.8	317.1	370.6	206.2	–
retirement benefit (asset)/obligations, net	(1.5)	(6.5)	(6.4)	4.9	18.3
net acquisition related liabilities ²	23.6	19.6	29.6	23.7	11.5
deferred tax, net	48.6	58.4	38.2	21.9	7.9
Reported trading capital employed	1,385.0	1,228.2	1,058.5	772.9	361.6
Add: historic goodwill and acquisition related charges, net of deferred tax	308.0	189.4	99.6	129.6	99.4
Adjusted trading capital employed	1,693.0	1,417.6	1,158.1	902.5	461.0
Net change in net debt/funds	(185.6)	69.6	(113.8)	(395.5)	224.0
Cash reclassified to assets held for sale	(4.7)	–	–	–	–

Year ended 30 September	2024 £m	2023 £m	2022 £m	2021 £m	2020 £m
Add: dividends paid	77.2	70.8	56.4	53.2	23.4
acquisition of businesses (including minority interests), net of disposals	311.0	255.3	177.8	450.5	14.9
proceeds from issue of share capital (net of fees)	–	(231.9)	–	0.6	(189.8)
Free cash flow³	197.9	163.8	120.4	108.8	72.5
Per ordinary share (p)					
Basic earnings	96.5	90.8	76.1	56.1	43.5
Adjusted earnings ⁴	145.8	126.5	107.5	85.2	56.4
Free cash flow ³	147.7	126.3	96.7	87.4	64.0
Dividends	59.3	56.5	53.8	42.6	30.0
Total shareholders' equity ⁵	662.2	668.2	531.2	430.5	423.1
Dividend cover ⁶	2.5	2.2	2.0	2.0	1.9
Ratios	%	%	%	%	%
Return on adjusted trading capital employed (ROATCE) ⁷	19.1	18.1	17.3	17.4	19.1
Adjusted operating margin	20.9	19.7	18.9	18.9	16.2

- 1 Acquisition related and other charges comprise the amortisation and impairment of acquisition intangible assets, acquisition related expenses, fair value adjustments to inventory acquired through acquisitions recognised in cost of inventories sold, adjustments to deferred consideration, profits/losses on disposal of businesses and other one-off costs.
- 2 Net acquisition related liabilities comprise amounts payable for the future purchases of minority interests, deferred consideration and acquisition related receivables.
- 3 Free cash flow is defined in note 29 to the consolidated financial statements. Free cash flow per share is the free cash flow balance divided by the weighted average number of ordinary shares in issue during the year.
- 4 Adjusted earnings per share is calculated in accordance with note 9 to the consolidated financial statements.
- 5 Total shareholders' equity per share has been calculated by dividing total shareholders' equity by the number of ordinary shares in issue at the year end.
- 6 Dividend cover is calculated on adjusted earnings as defined in note 29 to the consolidated financial statements.
- 7 ROATCE represents adjusted operating profit, before acquisition related and other charges (adjusted for the full year effect of acquisitions and disposals), as a percentage of adjusted trading capital employed. Trading capital employed and adjusted trading capital employed are calculated as defined in note 29 to the consolidated financial statements.



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