NEWSRELEASE

DIPLOMA PLC

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FOR IMMEDIATE RELEASE

17 May 2021

ANNOUNCEMENT OF HALF YEAR RESULTS FOR THE SIX MONTHS ENDED 31 MARCH 2021

"Very strong first half performance and full year outlook ahead of expectations"

- Outstanding response of our colleagues to the pandemic
- Very strong H1 performance with improving momentum into H2
- Windy City Wire ('WCW') performance exceptional
- Strong balance sheet and active acquisition pipeline
- Environmental, Social and Governance ('ESG') activity intensifying
- Significant upgrade to full year guidance

	HY2021 £m	HY2020 £m	
Revenue	**365.2**	283.6	***+29%***
Underlying revenue growth[(1)]	***2%***	*1%*	
Adjusted operating profit[(2)]	**66.6**	49.9	***+33%***
Adjusted operating margin[(2)]	**18.2%**	17.6%	***+60bps***
Statutory operating profit	**46.3**	42.2	***+10%***
Free cash flow[(3)]	**34.3**	21.8	***+57%***
Adjusted earnings per share[(2)]	**38.4p**	32.3p	***+19%***
Basic earnings per share	**25.5p**	27.4p	***-7%***
Interim dividend per share	**12.5p**	-	***n/a***

(1) Adjusted for acquisition contribution and currency effects
(2) Before acquisition related charges and fair value remeasurements
(3) Before cash payments on acquisitions and dividends

Commenting on the results, Johnny Thomson, Chief Executive Officer, said:

"I want to thank all my Diploma colleagues for their outstanding dedication in this challenging year – their wellbeing is our utmost priority. Our performance in the period was very strong and we have exciting trading momentum into the second half, resulting in an upgrade to our full year expectations. We continue to execute our strategy of building high quality scalable businesses for organic growth. I am pleased with the exceptional contribution of our acquisitions in the period, particularly Windy City Wire. Delivering Value Responsibly – our ESG agenda – is core to our strategy and we are intensifying our activities. I remain very optimistic about our prospects for the short and long term."

Very strong first half performance

- Underlying revenue growth of 2% against a pre-pandemic comparator, with our revenue initiatives, improving demand and contribution from acquisitions resulting in a return to growth in all three Sectors by the end of the period.
- Exceptional performance from acquisitions, particularly WCW.
- Improving momentum across all three Sectors during the period:
    - **Controls:** recovering very well with our existing businesses ('International Controls') returning to underlying growth by the end of the period, ahead of our expectations; exceptional WCW performance, well ahead of plan.
    - **Life Sciences:** excellent performance with the easing of lockdown restrictions boosting capital sales particularly; Simonsen & Weel acquisition contribution well ahead of plan.
    - **Seals:** exciting progress in International Seals and North America; successful transition to new Aftermarket facility in Louisville.
- Intense focus on supply chain to ensure product availability and manage inflation appropriately.
- Adjusted operating profit up 33% and margin +60bps to 18.2% reflecting the benefits of restructuring, accretion from acquisitions, and Covid-related expense savings.

Delivering Value Responsibly: intensifying our ESG activity

- Acceleration of ESG initiatives core to the strategy with significant ongoing activity across our businesses.
- Current focus on establishing a Group-wide approach and a structured programme to consistently embed ESG in our culture.
- Five priority areas: colleague engagement; health and safety; diversity, equity and inclusion; supply chain management; and environment.
- Scope and measures for each priority area being defined during FY2021 with a view to rolling out targets in FY2022.

Strong balance sheet and cash generation

- Good cash conversion supporting a 57% increase in free cash flow.
- Strong financial position with net debt expected to be less than 1x EBITDA by year-end.
- Successful integration of WCW; a further ca.£50m spent on three high quality acquisitions.
- Acquisitions continue to be an integral part of the Group's growth strategy and while we will remain disciplined, we have an active pipeline of opportunities.

Current trading and outlook

- Exciting trends into H2 with a further acceleration in underlying growth for all three Sectors in April driven by our revenue initiatives, improving demand and a strong contribution from acquisitions.
- As a result of the strong trading performance in H1 and positive momentum into H2, we now expect full year results significantly ahead of our previous expectations.
- Interim dividend of 12.5p, an increase ahead of earnings growth[1] reflecting our confidence in the Group's growth outlook and future prospects.

[1] Based on notional 2020 interim dividend of 10p (1/3 of full and final 2020 dividend of 30p)

Notes:

1. *Diploma PLC uses alternative performance measures as key financial indicators to assess the underlying performance of the Group. These include adjusted operating profit, adjusted profit before tax, adjusted earnings per share, free cash flow and ROATCE. All references in this Announcement to "underlying" revenues refer to reported results on a constant currency basis, before acquired or disposed businesses (ex-growth basis) and include growth generated by acquisitions under our ownership. The narrative in this Announcement is based on these alternative measures and an explanation is set out in note 2 to the condensed consolidated financial statements in this Announcement.*

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

There will be a presentation of the results to analysts and investors at 9:00am this morning via audio conference call and webcast. Conference call dial in details:

- Dial in: +44 (0)330 336 9125
- Participant access code: 6550576

Register your attendance for the webcast at:
https://webcasting.brrmedia.co.uk/broadcast/6076aca70386285386cc82fa

This presentation will be available after the conference call at:
https://www.diplomaplc.com/investors/financial-presentations/. A replay of the audio will be available on the same link after the event.

For further information please contact:

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NOTE TO EDITORS:

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

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

Our businesses then design their individual business models to closely meet the requirements of their customers, offering a blend of high quality customer service, deep technical support and value adding activities. By supplying *essential solutions*, not just products, we build strong long term relationships with our customers and suppliers, which support attractive and sustainable margins. Finally, we encourage an entrepreneurial culture in our businesses through our decentralised management structure. We want our managers to feel that they have the freedom to run their own businesses, while being able to draw on the support and resources of a larger group. These *essential values* ensure that decisions are made close to the customer and that the businesses are agile and responsive to changes in the market and the competitive environment. The Group employs ca. 2,400 employees and its principal operating businesses are located in the UK, Northern Europe, North America and Australia.

Over the last ten years, the Group has grown adjusted earnings per share at an average of ca. **16%** p.a. through a combination of organic growth and acquisitions. Diploma is a member of the FTSE 250 with a market capitalisation of ca. **£3.5bn**.

Further information on Diploma PLC can be found at www.diplomaplc.com
LEI: 2138008OGI7VYG8FGR19

HALF YEAR REVIEW TO 31 MARCH 2021

Group overview

Diploma delivered a very strong first half performance with significant reported revenue growth of 29%. Underlying growth was 2% and growth from acquisitions was 29%, partly offset by a 2% foreign exchange headwind. Positive trading trends continued across all Sectors and this momentum has continued into the second half. Adjusted operating profit increased by 33%, with operating margin up 60bps to 18.2%.

Underlying revenue growth of 2% over a pre-Covid comparative period was due to the success of initiatives to drive organic growth, a return in demand across all Sectors and a positive contribution from acquisitions. In the Seals Sector, underlying revenues were down 2% with a strong performance in International Seals, and the North American Seals business returning to growth by the end of the period. In the Controls Sector, underlying revenues declined 1% and benefitted from the impressive performance of WCW while International Controls continued on its strong recovery trajectory and returned to growth by the end of the period. Underlying growth in the Life Sciences Sector was 14% with approximately half of this due to Simonsen & Weel. The Sector benefitted from post-Covid restocking, especially of consumables, as well as strong capital sales maximising opportunities to access hospitals.

Acquisitions in the period contributed 29% to reported revenue growth. Our strategy aims to build high quality scalable businesses that deliver sustainable organic growth. Our two largest acquisitions in the period, WCW (Controls) and Simonsen & Weel (Life Sciences), are accretive to the Group's underlying growth and margins.

Adjusted operating profit increased by 33% to £66.6m with adjusted operating margins improving by 60bps to 18.2%. The margin improvement reflects the benefits of the restructuring concluded last year mainly in the Aerospace segments of our Controls Sector, accretion from acquisitions, and Covid-related expense savings while travel restrictions continue. We experienced some supply chain disruption and inflation but were able to manage this effectively. We expect this pressure to continue, especially as older inventory unwinds, but we are well placed to navigate this challenge through supplier negotiations and customer pricing. Statutory operating profit increased 10% to £46.3m.

We have seen very good cash conversion at 72%, demonstrating the strong cash generative qualities of the business model despite the increasing revenue profile. Free cash flow has increased in the period by 57% to £34.3m. This has allowed us to deleverage more quickly than we had expected with net debt now at ca.£191m, putting us in a strong financial position with flexibility to continue with our acquisition programme. While we remain financially disciplined, we have an active pipeline of potential opportunities across all three Sectors.

The Group continues to follow a progressive dividend policy. After the Covid related deferral of an interim dividend last year, we have declared an interim dividend of 12.5p per share, reflecting our confidence in the Group's growth outlook and future prospects. The dividend will be paid on 16 June 2021 to shareholders on the register on 28 May 2021.

Current trading and outlook

The Group has delivered a strong first half performance, with positive momentum across all Sectors and an exceptional contribution from acquisitions. Underlying growth trends are very encouraging with revenue in all three Sectors returning to growth during the period, and this trajectory has continued into the second half.

We have started the second half very positively. We now upgrade our full year performance expectations. We expect reported revenues to be slightly better than 40% ahead of FY2020, with an increase in the margin towards 19%. This reflects the strong H1, continued excellent performance from acquisitions, WCW in particular, and improving underlying trading momentum in our existing business.

Acquisitions remain an integral part of the Group's growth strategy, and while we will remain disciplined, we have an active pipeline of opportunities.

The balance sheet is strong and following the better than expected H1 performance on cash conversion, we now expect net debt to be less than 1x EBITDA by year end, giving us good flexibility for future acquisitions.

We remain very optimistic about our trading prospects.

Operating and strategic review

The strong trading performance and strategic progress made in the first half puts the Group in a good position to take advantage of the improving macroeconomic environment.

The exceptional response of our colleagues to Covid-19 has allowed our businesses to adapt to the challenges posed in the last year while continuing to provide fantastic customer service throughout the crisis. We continue to support our colleagues as a priority, including ensuring their physical safety and mental wellbeing. I am very grateful to all our colleagues for their continued tenacity and hard work.

Built on the foundations of our value-add distribution model, our strategy is to develop high-quality, scalable businesses with organic growth potential. Our Sectors benefit from exciting structural growth tailwinds across our diverse range of customer end segment exposures. We are focused on core, developed markets and current and adjacent product ranges for our growth. In order to sustain growth, we seek to continuously improve our core business model competencies to enable the execution of our value-add distribution model in our businesses as they scale. This is supported by pragmatic and incremental investments into our organisational capabilities – talent, technology and facility.

Delivering Value Responsibly is our ESG programme and is central to our performance, reputation and the success of our strategy. During the period, our initiatives gained momentum and intensity, with a particular focus on establishing a Group-wide approach, while continuing with local activities within our businesses. Our efforts are focused on the five priority areas where we believe Diploma can make the greatest difference:

- **Colleague engagement:** our colleagues are critical to our success. Over the last year, we have not only embraced new ways of working, but also a greater focus on supporting the physical and mental wellbeing of our people during these uncertain times, including through wellbeing workshops. In May, we are completing engagement surveys across the Group which will support the continued development of great places to work.
- **Health and safety:** while we have an impressive health and safety track record, there is more to do to develop our health and safety culture for the future. To this end, we have refreshed our health and safety policy, which includes updated metrics and increased reporting, with Group-wide workshops to embed these into our day-to-day operations.
- **Diversity, equity and inclusion:** we have established a steering group which, together with the data outputs of our employee engagement survey, will help us focus our initiatives, policies and KPIs, initially on gender and ethnicity, as we actively work to create a diverse, equitable and inclusive environment.
- **Supply chain management:** as a distributor, our supply chain is an area of critical importance and one in which we can have a significant impact. Our risk-based approach is focused on ensuring a supply chain that is ethical, resilient and underpins the value we deliver to our customers. We have defined our supply chain code of conduct and will be engaging with our critical suppliers to ensure they are responsibly managing both their environmental footprint and their employment practices.
- **Environment:** our aim is to combine a growing business with a shrinking environmental footprint. There is work to be done to define policy, measures and targets in critical areas of

impact, including carbon emissions and waste management. As a distributor, we have exciting opportunities to supply essential products and services that support customers in their efforts to reduce environmental impact, such as products that reduce customer emissions, or have direct application in renewables industries.

The Group's ESG agenda is closely tied to the Group's growth strategy, with direct management by the Chief Executive and with oversight from the Board. We are driving progress in these key areas of focus, and ensure we have a structured programme to consistently embed ESG in our business. Our focus during FY2021 is on defining the scope, measurement and targets in each of our priority areas. By the end of the year, we intend to have clearly defined KPIs and targets to be rolled out during FY2022.

Controls

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

	Half Year	
	2021	**2020**
Revenue	**£152.8m**	£88.2m
Adjusted operating profit	**£28.6m**	£15.8m
Adjusted operating margin	***18.7%***	*17.9%*

- International Controls businesses have been diversifying customers and end segment exposure, returning to growth by the end of the half
- Exceptional performance from WCW, with underlying revenue and margin significantly ahead of expectations
- Delivered sustainable restructuring savings resulting in margin improvements

Reported revenues of the Controls Sector businesses increased by 73% to £152.8m (2020: £88.2m), with underlying revenues down 1%, acquisition related growth of 78% and a currency headwind of 4%.

Adjusted operating margins improved by 80bps to 18.7% reflecting the combined effects of restructuring savings made in the International Controls businesses, tight operating cost control and the accretive margin impact from WCW.

International Controls

International Controls continued its recovery trajectory, growing revenues through diversification of end segments particularly into industrial, defence and energy markets, but also emerging sectors such as space and urban air mobility where research and development spend continues. The Sector saw a return to underlying growth towards the end of the first half and is well positioned to benefit from the improved macroeconomic environment in the second half of the year.

The savings targeted as part of last year's restructuring activities were delivered, resulting in improved profitability in the first half and the revenue growth expected in the second half will deliver further operating leverage benefits.

North American Controls

Acquired in October 2020 for a consideration of ca.£348m, WCW was the Group's largest acquisition to date, and has performed exceptionally well. High single digit growth was driven by a combination of a higher copper price and an increased proportion of high value product (Distributed Antenna Systems – 'DAS'). WCW's compelling customer service proposition means that pricing power serves to protect profitability. The business successfully implemented operational savings in its assembly procedures, reduced labour costs and waste, and grew profits by ca.55% over the pre-acquisition comparative as a result.

Life Sciences

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

	Half Year	
	2021	**2020**
Revenue	**£88.6m**	£72.4m
Adjusted operating profit	**£18.7m**	£14.0m
Adjusted operating margin	***21.1%***	*19.3%*

- Very strong underlying revenue growth; capital sales particularly buoyant with improved access to hospitals and laboratories
- Simonson & Weel contributing significantly to underlying revenue growth with an exceptionally strong performance
- Strong margin performance due to operating leverage, contribution from acquisitions and Covid-related savings

Reported revenues of the Life Sciences Sector increased by 22% to £88.6m (2020: £72.4m), with underlying revenues up 14%, acquisition related growth of 5% and a foreign exchange tailwind of 3%.

Adjusted operating margins improved by 180bps to 21.1% reflecting the combined effects of operating leverage, tight cost control as travel restrictions continue as well as a positive impact on margin from Simonsen & Weel.

Healthcare

Both our Canadian and Australian businesses generated strong underlying revenue growth from capital and consumables sales. The businesses also benefitted from some customer re-stocking activity post lockdown as well as a focus on capital sales taking advantage of access to hospitals.

Approximately half the underlying performance in the healthcare business reflects the revenue growth contribution from our recent acquisition, Simonsen & Weel. This high-quality medical supplies distribution business based in Denmark includes intensive care unit ('ICU') supplies and has benefitted from Covid-related demand, specifically ventilators, resulting in exceptionally high growth rates over last year. While ventilator sales of ca.£5m are not expected to recur, the core Simonsen & Weel business is performing well.

Environmental

The environmental businesses generated underlying revenue growth of 5% with both the UK and European businesses contributing broadly equally to that growth.

Seals

The Seals Sector businesses supply a range of seals, gaskets, filters, cylinders, components and kits used in heavy mobile machinery and specialised industrial equipment.

	Half Year	
	2021	**2020**
Revenue	**£123.8m**	£123.0m
Adjusted operating profit	**£19.3m**	£20.1m
Adjusted operating margin	***15.6%***	*16.3%*

- Improving market demand in core industrial and construction sectors, with longer term support from increasing US infrastructure investment
- Continued strong performance in International Seals with well diversified customer base and end markets
- Well positioned for market share gains as US industrial demand returns with automated AI enabled Aftermarket distribution facility in Louisville now fully operational
- New acquisitions in North American MRO and Australia enable the building of scalable platforms for growth in these markets

Reported revenues of the Seals Sector businesses increased by 1% to £123.8m (2020: 123.0m), with underlying revenues down 2%, acquisition related growth of 6% and a currency headwind of 3%.

Adjusted operating margins decreased by 70bps to 15.6% primarily as a result of dual running costs prior to the transition to the new NA Aftermarket distribution facility in December 2020.

North American Seals

The NA Aftermarket business saw demand returning in both the US domestic and international segments. The new AI enabled fully automated distribution facility in Louisville, Kentucky, became fully operational in mid-December and with its larger geographic reach can now access a greater share of the US market as industrial demand returns.

The OEM business has seen a strong return in demand in its industrial client base following the pandemic and is seeing positive underlying growth.

Our MRO business, VSP Technologies, is seeing strong recovery in its underlying trading trends as we enter the second half of the year. The business is well positioned to make market share gains as industrial demand returns and the macro-economic factors improve. A strategic investment to expand the MRO footprint into the northern US states will support the continued growth and the integration of the new business and customers into existing operational structures is going well.

International Seals

International Seals proved to be one of the strongest performing parts of the Group during the pandemic due to its broad and well diversified customer base, including exposure to medical OEM, food and renewable energies. It is well positioned to benefit from the rebound in industrial demand across its end segments.

The acquisition of FITT Resources, a specialist supplier of pumps, seals and dewatering equipment in Eastern Australia complements our existing businesses in Australia both geographically as well as from a product/customer mix perspective and will allow us to operate a scalable platform for growth in Australia.

FINANCE

Income statement

Reported revenues increased by 29% to £365.2m (2020: £283.6m) and adjusted operating profit increased by 33% to £66.6m (2020: £49.9m). Revenues reflect a 29% contribution from acquisitions, underlying growth of 2%, partly offset by a currency headwind of 2%. The Group's adjusted operating margin improved to 18.2% (2020: 17.6%).

Adjusted profit before tax increased 31% to £63.2m. There was an increase in finance costs to £3.8m (2020: £1.7m), principally due to increased borrowings used to finance acquisitions.

Statutory profit before tax increased by only 2% to £42.5m (2020: £41.6m) due to higher amortisation of acquisition intangibles.

The Group's adjusted effective rate of tax on adjusted profit before tax remained consistent at 24% (2020: 24%).

Adjusted earnings per share increased by 19% to 38.4p, compared with 32.3p in H1 2020. This includes the dilutive impact from the share placing at the end of FY2020.

Free cash flow

Free cash flow represents cash available for acquisitions and distributions to shareholders. The Group generated free cash flow of £34.3m (2020: £21.8m) which includes a £5.1m one-off outflow for a contribution to the Group's defined benefit pension scheme. The prior half year benefitted from cash proceeds (£5.1m) from asset sales. Therefore, while reported free cash flow increased by 57%, adjusted free cash flow saw a much larger improvement.

Operating cash flow increased by £12.5m to £55.5m (2020: £43.0m) reflecting a stronger adjusted operating profit, partly offset by a larger investment in working capital and the one-off pension contribution.

The investment in working capital of £14.5m (2020: £13.1m) was £1.4m more than in the prior half year. This remains consistent with historical trends that sees a higher investment in the first half of the year, which mostly unwinds in the second half. The increase in receivables (£17.7m) and inventory (£1.7m), reflects the impact of the improved trading activity towards the end of the first half as all Sectors returned to positive growth.

The Group's metric of working capital to revenue decreased to 16.0% (2020: 17.6%), reflecting the combined impact of a continued focus on cash collection and an improving revenue profile. This compares with an average of ca. 16% over the past five years. We expect to make some targeted investment in inventory during the second half to help manage supply chain constraints.

Tax payments in the first half of the year decreased by £0.6m to £12.5m (2020: £13.1m), and the underlying cash tax rate decreased to 20% (2020: 26%) following the acquisition of WCW and the benefit of its related goodwill which is deductible for US tax purposes. The prior half also included two additional quarterly tax payments in the UK (£1.1m) due to legislative changes. The Group also funded the Company's Employee Benefit Trust with £0.6m (2020: £2.5m) in connection with the Company's long term incentive plan.

Capital expenditure decreased by £3.8m against the comparable period last year to £2.6m (2020: £6.4m). The prior year included investments in the new distribution facility in Louisville (£2.2m) and a facility fit out in the Controls Sector (£0.7m).

Acquisition expenditure of £399.4m which includes fees, comprises the spend for WCW (£349.1m), which was acquired in October 2020, as well as further bolt-on acquisitions S&W (£31.9m), FITT Resources (£11.7m), PDI (£4.2m) and HSP (£2.5m). There was also deferred consideration expenditure of £6.1m, primarily related to VSP.

The Group also paid £37.6m (2020: £23.4m) in dividends to ordinary and minority interest shareholders. This payment included the catch up of the FY2020 interim dividend which had been deferred in May 2020 due to the uncertainty created by Covid-19 at that time.

Net bank debt

On 13 October 2020, the Group entered into a new debt facility agreement ("SFA") which comprises a three-year term loan for an aggregate principal amount of £136.0m ($170.0m) and a committed multi-currency revolving facility ("RCF") for an aggregate principal amount of £135.0m. The SFA is due to expire in December 2023 and there is an option to extend for a further two 12-month periods. The facility also has an accordion option to increase the committed facility by a further £50.0m.

At 31 March 2021, the Group's net bank debt stands at £191.1m. The Group continues to maintain a robust balance sheet with net bank debt comprised of borrowings of £216.9m, less cash funds of £25.8m. At 31 March 2021, net bank debt of £191.1m represented 1.3X EBITDA against a banking covenant of 3X EBITDA and we expect this to reduce to less than 1X EBITDA by year end.

At 31 March 2021, the Group ROATCE was 16.5% (2020: 22.0%), having decreased as a result of the impact of ca.£400m of acquisition spend in the period.

Going concern

The Directors have assessed the relevant factors surrounding going concern, and in particular the risks for the Group's business model posed by the Covid-19 pandemic. The Group has carried out an assessment of its projected trading for the 18-month period through to the year ending 30 September 2022. This assessment incorporated a severe but plausible downside scenario which demonstrates that the Group has sufficient liquidity, resources and covenant headroom to continue in operation for the foreseeable future. The Directors confirm there are no material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern and these condensed consolidated financial statements have therefore been prepared on a going concern basis.

Exchange rates

A significant proportion of the Group's revenues (ca. 80%) are derived from businesses located outside the UK, principally in the US, Canada, Australia and Northern Europe. Since 30 September 2020, UK sterling has generally strengthened against the major currencies in which the Group operates and in particular the US dollar and Euro. Compared with the first half of last year, the average UK sterling exchange rate is also stronger against most major currencies. The impact from translating the results of the Group's overseas businesses into UK sterling has led to a reduction in Group revenues and Group adjusted operating profit by ca. £5.0m and ca. £0.9m respectively, compared with the same period last year.

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

RISKS AND UNCERTAINTIES

The principal risks and uncertainties which may have the largest impact on performance in the second half of the year are the same as those described in detail in pages 27-32 of the 2020 Annual Report & Accounts. In summary these are:

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

The Directors confirm that the principal risks and uncertainties and the processes for managing them have not changed since the publication of the 2020 Annual Report & Accounts and that they remain relevant for the second half of the financial year.

UPDATED FINANCIAL CALENDAR FOR 2021

Going forward, the company intends to publish a Q3 Trading Update in July to be followed by the Full Year results in November. The Q3 Trading Update in July will replace the Third Quarter statement usually published in August.

The provisional scheduled dates for the remainder of 2021 are:

- Q3 Trading Update – 22 July 2021
- Preliminary Results – 22 November 2021

Johnny Thomson
Chief Executive Officer 17 May 2021

Responsibility Statement of the Directors in respect of the Half Year Report 2021

We confirm that to the best of our knowledge:

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

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

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

The Directors of Diploma PLC and their respective responsibilities are listed in the Annual Report & Accounts for 2020 and on the Company's website at *www.diplomaplc.com*.

By Order of the Board

JD Thomson	**B Gibbes**
Chief Executive Officer	Chief Financial Officer
17 May 2021	17 May 2021

Condensed Consolidated Income Statement
For the six months ended 31 March 2021

	Note	**Unaudited 31 March 2021 £m**	Unaudited 31 March 2020 £m	Audited 30 Sept 2020 £m
Revenue	3	**365.2**	283.6	538.4
Cost of sales		**(231.3)**	(180.3)	(344.0)
Gross profit		**133.9**	103.3	194.4
Distribution costs		**(10.7)**	(7.4)	(14.0)
Administration costs		**(76.9)**	(53.7)	(110.6)
Operating profit	3	**46.3**	42.2	69.8
Net profit on disposal of properties		**-**	1.1	-
Financial expense, net	4	**(3.8)**	(1.7)	(3.1)
Profit before tax		**42.5**	41.6	66.7
Tax expense	5	**(10.5)**	(10.3)	(16.9)
Profit for the period		**32.0**	31.3	49.8
Attributable to:				
Shareholders of the Company		**31.7**	31.1	49.3
Minority interests		**0.3**	0.2	0.5
		32.0	31.3	49.8
Earnings per share				
Basic earnings	6	**25.5p**	27.4p	43.5p
Diluted earnings		**25.4p**	27.3p	43.5p

Alternative Performance Measures (note 2)	Note	**31 March 2021 £m**	31 March 2020 £m	30 Sept 2020 £m
Operating profit		**46.3**	42.2	69.8
Add: Acquisition related charges	9	**20.3**	7.7	17.3
Adjusted operating profit	3	**66.6**	49.9	87.1
Deduct: Interest expense	4	**(3.4)**	(1.5)	(2.7)
Adjusted profit before tax		**63.2**	48.4	84.4
Adjusted earnings per share	6	**38.4p**	32.3p	56.4p

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 31 March 2021

	Unaudited 31 March 2021 £m	Unaudited 31 March 2020 £m	Audited 30 Sept 2020 £m
Profit for the period	**32.0**	31.3	49.8
Items that will not be reclassified to the Consolidated Income Statement			
Actuarial losses in the defined benefit pension scheme	**-**	-	(0.4)
Deferred tax on items that will not be reclassified	**-**	-	0.4
	-	-	-
Items that may be reclassified to the Consolidated Income Statement			
Exchange rate (losses)/gains on foreign currency net investments	**(24.8)**	(8.1)	(7.6)
(Losses)/gains on fair value of cash flow hedges	**(1.3)**	1.7	(0.1)
Net changes to fair value of cash flow hedges transferred to the Consolidated Income Statement	**-**	-	(0.4)
Deferred tax on items that may be reclassified	**0.5**	(0.5)	0.1
	(25.6)	(6.9)	(8.0)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**6.4**	24.4	41.8
Attributable to:			
Shareholders of the Company	**6.4**	24.2	41.2
Minority interests	**-**	0.2	0.6
	6.4	24.4	41.8

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 March 2021

	Share capital	Share premium	Transl. reserve	Hedging reserve	Retained earnings	Share -holders' equity	Minority interests	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m
At 1 October 2019 (audited)	**5.7**	**-**	**36.0**	**0.2**	**279.4**	**321.3**	**3.3**	**324.6**
Total comprehensive income	-	-	(8.1)	1.2	31.1	**24.2**	0.2	**24.4**
Share-based payments	-	-	-	-	0.4	**0.4**	-	**0.4**
Tax on items recognised directly in equity	-	-	-	-	-	**-**	-	**-**
Purchase of own shares	-	-	-	-	(2.5)	**(2.5)**	-	**(2.5)**
Dividends	-	-	-	-	(23.2)	**(23.2)**	(0.2)	**(23.4)**
At 31 March 2020 (unaudited)	**5.7**	**-**	**27.9**	**1.4**	**285.2**	**320.2**	**3.3**	**323.5**
Total comprehensive income	-	-	0.4	(1.7)	18.3	**17.0**	0.4	**17.4**
Issue of share capital	0.6	188.6	-	-	-	**189.2**	**-**	**189.2**
Share-based payments	-	-	-	-	0.4	**0.4**	**-**	**0.4**
Tax on items recognised directly in equity	-	-	-	-	0.2	**0.2**	**-**	**0.2**
Notional purchase of own shares	-	-	-	-	-	**-**	**-**	**-**
Dividends	-	-	-	-	-	**-**	**-**	**-**
At 30 September 2020 (audited)	**6.3**	**188.6**	**28.3**	**(0.3)**	**304.1**	**527.0**	**3.7**	**530.7**
Total comprehensive income	-	-	(24.5)	(0.8)	31.7	**6.4**	-	**6.4**
Share-based payments	-	-	-	-	0.7	**0.7**	-	**0.7**
Tax on items recognised directly in equity	-	-	-	-	-	**-**	-	**-**
Purchase of own shares	-	-	-	-	(0.6)	**(0.6)**	-	**(0.6)**
Minority interest issued	-	-	-	-	-	**-**	0.7	**0.7**
Dividends	-	-	-	-	(37.3)	**(37.3)**	(0.3)	**(37.6)**
At 31 March 2021 (unaudited)	**6.3**	**188.6**	**3.8**	**(1.1)**	**298.6**	**496.2**	**4.1**	**500.3**

Condensed Consolidated Statement of Financial Position
As at 31 March 2021

	Note	**Unaudited 31 March 2021 £m**	Unaudited 31 March 2020 £m	Audited 30 Sept 2020 £m
Non-current assets				
Goodwill	9	**243.5**	159.1	159.0
Acquisition intangible assets	9	**320.9**	95.5	87.2
Other intangible assets		**3.2**	2.9	3.0
Property, plant and equipment		**44.1**	28.2	27.9
Leases - right of use of assets	11	**42.0**	33.0	31.6
Deferred tax assets		**0.7**	0.5	0.7
		654.4	319.2	309.4
Current assets				
Inventories		**121.1**	108.0	100.6
Trade and other receivables		**115.0**	98.8	77.8
Cash and cash equivalents	8	**25.8**	25.9	206.8
		261.9	232.7	385.2
Current liabilities				
Trade and other payables		**(109.1)**	(88.5)	(87.1)
Current tax liabilities		**(4.4)**	(4.5)	(4.7)
Other liabilities	12	**(10.6)**	(15.5)	(11.5)
Lease liabilities	11	**(9.9)**	(6.3)	(7.2)
Borrowings	8	**(14.9)**	-	-
		(148.9)	(114.8)	(110.5)
Net current assets		**113.0**	117.9	274.7
Total assets less current liabilities		**767.4**	437.1	584.1
Non-current liabilities				
Retirement benefit obligations		**(12.5)**	(17.9)	(18.3)
Borrowings	8	**(202.0)**	(55.8)	-
Lease liabilities	11	**(35.0)**	(28.3)	(26.5)
Other liabilities	12	**(0.7)**	(0.6)	-
Deferred tax liabilities		**(16.9)**	(11.0)	(8.6)
Net assets		**500.3**	323.5	530.7
Equity				
Share capital		**6.3**	5.7	6.3
Share premium		**188.6**	-	188.6
Translation reserve		**3.8**	27.9	28.3
Hedging reserve		**(1.1)**	1.4	(0.3)
Retained earnings		**298.6**	285.2	304.1
Total shareholders' equity		**496.2**	320.2	527.0
Minority interests		**4.1**	3.3	3.7
Total equity		**500.3**	323.5	530.7

Condensed Consolidated Cash Flow Statement

For the six months ended 31 March 2021

	Note	**Unaudited 31 March 2021 £m**	Unaudited 31 March 2020 £m	Audited 30 Sept 2020 £m
Cash flow from operating activities	7	**55.5**	43.0	108.4
Interest paid, net		**(2.3)**	(0.7)	(1.5)
Tax paid		**(12.5)**	(13.1)	(21.5)
Net cash from operating activities		**40.7**	29.2	85.4
Cash flow from investing activities				
Acquisition of businesses (net of cash acquired)		**(397.3)**	(13.6)	(13.8)
Deferred consideration paid	12	**(6.1)**	-	(1.1)
Proceeds from sale of property and investment		-	5.1	0.8
Purchase of property, plant and equipment		**(2.0)**	(6.4)	(8.4)
Purchase of other intangible assets		**(0.6)**	-	(1.0)
Proceeds from sale of property, plant and equipment		**0.2**	-	5.8
Net cash used in investing activities		**(405.8)**	(14.9)	(17.7)
Cash flow from financing activities				
Proceeds from issue of share capital (net of fees)		**(0.6)**	-	189.8
Dividends paid to shareholders	13	**(37.3)**	(23.2)	(23.2)
Dividends paid to minority interests		**(0.3)**	(0.2)	(0.2)
Proceeds from minority interests		**0.7**	-	-
Lease repayments	11	**(5.5)**	(3.6)	(7.6)
Purchase of own shares by Employee Benefit Trust		**-**	(2.0)	(1.8)
Notional purchase of own shares on exercise of options		**(0.6)**	(0.5)	(0.7)
Proceeds from borrowings	8	**226.0**	14.0	-
Repayment of borrowings	8	**(6.3)**	-	(42.1)
Net cash from/(used in) financing activities		**176.1**	(15.5)	114.2
Net (decrease)/increase in cash and cash equivalents	8	**(189.0)**	(1.2)	181.9
Cash and cash equivalents at beginning of period		**206.8**	27.0	27.0
Effect of exchange rates on cash and cash equivalents		**8.0**	0.1	(2.1)
Cash and cash equivalents at end of period		**25.8**	25.9	206.8

Alternative Performance Measures (note 2)		**31 March 2021 £m**	31 March 2020 £m	30 Sept 2020 £m
Net (decrease)/increase in cash and cash equivalents		**(189.0)**	(1.2)	181.9
Add:	Dividends paid to shareholders and minority interests	**37.6**	23.4	23.4
	Proceeds from minority interests	**(0.7)**	-	-
	Acquisition of businesses (including expenses)	**399.4**	13.6	13.8
	Deferred consideration paid	**6.1**	-	1.1
	Proceeds from issue of share capital (net of fees)	**0.6**	-	(189.8)
	(Proceeds from)/repayment of bank borrowings, net	**(219.7)**	(14.0)	42.1
Free cash flow		**34.3**	21.8	72.5
Cash and cash equivalents		**25.8**	25.9	206.8
Bank borrowings		**(216.9)**	(55.8)	-
(Net bank debt)/cash funds		**(191.1)**	(29.9)	206.8

Notes to the Condensed Consolidated Financial Statements
For the six months ended 31 March 2021

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

Diploma PLC (the "Company") is a public limited company registered and domiciled in England and Wales. The condensed set of consolidated financial statements (the "financial statements") for the six months ended 31 March 2021 comprise the Company and its subsidiaries (together referred to as "the Group").

The condensed information presented for the financial year ended 30 September 2020 does not constitute full statutory accounts as defined in section 434 of the Companies Act 2006. Those statutory accounts have been reported on by the Company's auditor and delivered to the Registrar of Companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. The figures for the six months ended 31 March 2020 were extracted from the 2020 Half Year Report, which was unaudited.

The Group's audited consolidated financial statements for the year ended 30 September 2020 are available on the Company's website (*www.diplomaplc.com*) or upon request from the Company's registered office at Diploma PLC, 12 Charterhouse Square, London, EC1M 6AX.

1.1 Statement of compliance
The financial statements included in this Half Year Announcement for the six months ended 31 March 2021 have been prepared on a going concern basis and in accordance with IAS 34*, Interim Financial Reporting* as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority. The financial statements do not include all of the information required for full annual consolidated financial statements and should be read in conjunction with the Group's audited consolidated financial statements for the year ended 30 September 2020.

The Half Year financial statements were approved by the Board of Directors on 17 May 2021; they have not been audited by the Company's auditor.

1.2 Significant accounting policies
The accounting policies applied by the Group in this set of financial statements are the same as those applied by the Group in its audited consolidated financial statements for the year ended 30 September 2020, except for the amount included in the Half Year Report in respect of taxation.

As in previous Half Year Announcements, taxation has been calculated by applying the Directors' best estimate of the annual rates of taxation to taxable profits for the period. In the audited consolidated financial statements for the full year, the taxation balances are based on draft tax computations prepared for each business within the Group.

1.3 Risk management
The Group's overall management of financial risks is carried out by a central team under policies and procedures which are reviewed by the Board. 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 and how the Group manages them is included in the Annual Report & Accounts for year ended 30 September 2020. Further explanation of the Group's principal risks and uncertainties and Going Concern are set out in the narrative of this Half Year Report.

There is no material difference between the book value and fair value of the Group's financial assets and financial liabilities as at 31 March 2021. The basis for determining the fair value is as follows:

- *Derivatives:* Forward contracts are designated as level 2 assets (in the fair value hierarchy) and valued at 31 March forward rates with the gains and losses taken to equity. The fair value of the forward contracts as at 31 March 2021 amounts to a £1.3m liability (2020: £2.1m asset).
- *Trade and other receivables:* As the majority of the trade and other receivables have a remaining life of less than 12 months, the book value is deemed to be reflective of the fair value.
- *Lease and other liabilities:* The carrying amount represents the discounted value of the expected liability which is deemed to reflect the fair value.

1.4 Estimates and judgements

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

The accounting estimates and judgements made by management in applying the Group's accounting policies that have the most significant effect on the amounts included within these consolidated financial statements, were the same as those that applied to the Group's audited consolidated financial statements for the year ended 30 September 2020 as set out on page 97 of the 2020 Annual Report & Accounts, except for the additional estimates and judgements required in these financial statements in respect of acquisition accounting, as explained below.

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. 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 Group's growth strategy is underpinned by the successful execution of acquisitions. This results in material amounts of goodwill and intangible assets (principally customer and supplier relationships) being recognised in the Consolidated Statement of Financial Position. Goodwill is tested annually to determine if there is any indication of impairment. Assumptions are then 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.

2. ALTERNATIVE PERFORMANCE MEASURES

The Group uses a number of alternative (non-Generally Accepted Accounting Practice ("non-GAAP")) financial measures which are not defined within IFRS. The Directors use these measures for internal management reporting of key performance indicators ("KPIs") in order to assess the operational performance of the Group on a comparable basis against the Group's KPIs, as a key constituent of the Group's planning process, as well as comprising targets against which compensation is determined. As such these measures should be considered alongside the IFRS measures. The following non-GAAP measures are referred to in this Half Year Announcement:

2.1 Adjusted operating profit

At the foot of the Consolidated Income Statement, "adjusted operating profit" is defined as operating profit before amortisation and impairment of acquisition intangible assets, acquisition expenses and adjustments to deferred consideration (collectively, "acquisition related charges"), the costs of a material restructuring or rationalisation of operations and the profit or loss relating to the sale of businesses. The Directors believe that adjusted operating profit is an important measure of the operational performance of the Group. Adjusted operating margin is the Group's adjusted operating profit divided by the Group's revenue.

2.2 Adjusted profit before tax

At the foot of the Consolidated Income Statement, "adjusted profit before tax" is separately disclosed, being defined as adjusted operating profit, after finance expenses (but before fair value remeasurements in respect of acquisition related payments) and before tax. The Directors believe that adjusted profit before tax is an important measure of the operational performance of the Group.

2.3 Adjusted earnings per share

"Adjusted earnings per share" ("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 attributable to minority interests, divided by the weighted average number of ordinary shares in issue during the year. The Directors believe that adjusted EPS provides an important measure of the earnings capacity of the Group.

2.4 Free cash flow

At the foot of the Consolidated Cash Flow Statement, "free cash flow" is reported, being defined as net cash flow from operating activities, after net capital expenditure on tangible and intangible assets, and including proceeds received from business disposals, but before expenditure on business combinations/investments, borrowings received to fund acquisitions and dividends paid to both minority shareholders and the Company's shareholders. The Directors believe that free cash flow gives an important measure of the cash flow of the Group, available for future investment or distribution to shareholders. Cash conversion is defined as free cash flow over adjusted earnings as presented in note 6.

3. BUSINESS SECTOR ANALYSIS

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

Sector information is presented in this Half Year Announcement in respect of the Group's business Sectors, which is the primary basis of Sector reporting. The business Sector reporting format reflects the Group's management and internal reporting structure. The geographic sector reporting represents results by origin. The Group's financial results have not, historically, been subject to significant seasonal trends. In the year ended 30 September 2020, the Group earned 52.7% of its annual revenues and 57.3% of its annual adjusted operating profits in the first six months of the year.

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

	Revenue			**Adjusted operating profit**			**Operating profit**		
	31 Mar 2021 £m	31 Mar 2020 £m	30 Sept 2020 £m	**31 Mar 2021 £m**	31 Mar 2020 £m	30 Sept 2020 £m	**31 Mar 2021 £m**	31 Mar 2020 £m	30 Sept 2020 £m
By Sector									
Life Sciences	**88.6**	72.4	139.7	**18.7**	14.0	28.3	**16.7**	12.9	25.9
Seals	**123.8**	123.0	242.1	**19.3**	20.1	36.0	**14.8**	15.5	26.9
Controls	**152.8**	88.2	156.6	**28.6**	15.8	22.8	**14.8**	13.8	17.0
	365.2	283.6	538.4	**66.6**	49.9	87.1	**46.3**	42.2	69.8
By Geographic Area									
United Kingdom	**67.1**	76.2	134.0	**10.8**	13.9	19.0			
Rest of Europe	**79.7**	63.2	126.8	**14.2**	9.0	17.7			
North America	**187.7**	122.2	228.5	**36.7**	23.9	43.3			
Rest of World	**30.7**	22.0	49.1	**4.9**	3.1	7.1			
	365.2	283.6	538.4	**66.6**	49.9	87.1			

	Total assets			**Total liabilities**			**Net assets**		
	31 Mar 2021 £m	31 Mar 2020 £m	30 Sept 2020 £m	**31 Mar 2021 £m**	31 Mar 2020 £m	30 Sept 2020 £m	**31 Mar 2021 £m**	31 Mar 2020 £m	30 Sept 2020 £m
By Sector									
Life Sciences	**169.1**	122.4	121.9	**(32.5)**	(29.9)	(27.6)	**136.6**	92.5	94.3
Seals	**251.9**	260.2	237.5	**(57.4)**	(57.6)	(52.5)	**194.5**	202.6	185.0
Controls	**471.1**	138.1	123.9	**(56.6)**	(35.3)	(31.8)	**414.5**	102.8	92.1
Unallocated assets/(liabilities)	**24.2**	31.2	211.3	**(269.5)**	(105.6)	(52.0)	**(245.3)**	(74.4)	159.3
	916.3	551.9	694.6	**(416.0)**	(228.4)	(163.9)	**500.3**	323.5	530.7

Notes to the Condensed Consolidated Financial Statements
For the six months ended 31 March 2021

3. BUSINESS SECTOR ANALYSIS (continued)

In the six months ended 31 March 2021, the Group acquired WCW, S&W, FITT Resources, PDI, and HSP. These businesses contributed £85.4m to revenue and £17.7m to adjusted operating profit (£4.5m to statutory operating profit), after the allocation of head office costs. See note 10 for the individual contributions from each of the acquired businesses. The results of WCW and HSP are included within the Controls Sector and reported within the geographic areas of North America and the Rest of Europe, respectively. The results of S&W are included within the Life Sciences Sector and reported within the geographic area of the Rest of Europe. The results of FITT Resources and PDI are included within the Seals Sector and reported within the geographic areas of the Rest of World and North America, respectively. Sector assets exclude cash and cash equivalents, deferred tax assets and corporate assets that cannot be allocated on a reasonable basis to a business Sector. Sector liabilities exclude bank borrowings, retirement benefit obligations, deferred tax liabilities, acquisition liabilities and corporate liabilities that cannot be allocated on a reasonable basis to a business Sector. These items that cannot be allocated on a reasonable basis to a business Sector are shown collectively as "unallocated assets/(liabilities)".

	Capital expenditure			**Depreciation**		
	31 Mar 2021 £m	31 Mar 2020 £m	30 Sept 2020 £m	**31 Mar 2021 £m**	31 Mar 2020 £m	30 Sept 2020 £m
By Sector						
Life Sciences	**0.9**	1.9	2.9	**1.2**	1.3	2.6
Seals	**1.4**	3.6	5.2	**1.4**	1.1	2.1
Controls	**0.3**	0.9	1.3	**2.1**	0.3	0.7
	2.6	6.4	9.4	**4.7**	2.7	5.4

A further £5.4m of depreciation was incurred on Leases - right of use assets (note 11).

4. FINANCIAL EXPENSE, NET

	31 March 2021 £m	31 March 2020 £m	30 Sept 2020 £m
Interest (expense)/income and similar charges			
- bank facility and commitment fees	**(0.3)**	-	(0.2)
- interest income on bank deposits	**-**	-	0.1
- interest expense on bank borrowings	**(2.0)**	(0.7)	(0.9)
- notional interest expense on the defined benefit pension scheme	**(0.2)**	(0.1)	(0.3)
- interest on lease liabilities	**(0.9)**	(0.7)	(1.4)
Net interest expense and similar charges	**(3.4)**	(1.5)	(2.7)
- acquisition related finance charges	**(0.4)**	(0.2)	(0.4)
Financial expense, net	**(3.8)**	(1.7)	(3.1)

Acquisition related finance charges includes fair value remeasurements of put options for future minority purchases, unwind of discount on acquisition liabilities, and the amortisation of capitalised borrowing fees on acquisition related borrowings. Further detail on the interest charged on lease liabilities is included in note 11.

5. TAXATION

	31 March 2021 £m	31 March 2020 £m	30 Sept 2020 £m
UK corporation tax	**1.0**	2.6	2.5
Overseas tax	**9.5**	7.7	14.4
Total tax on profit for the period	**10.5**	10.3	16.9

Taxation on profits before tax has been calculated by applying the Directors' best estimate of the annual rates of taxation to taxable profits for the period. The effective rate of taxation on profit before tax for the period decreased to 24.7% (2020: 24.8%) and the Group's adjusted effective rate of tax on adjusted profit before tax remained consistent at 24.0% (2020: 24.0%).

6. EARNINGS PER SHARE

Basic earnings per share
Basic earnings per ordinary 5p share are calculated on the basis of the weighted average number of ordinary shares in issue during the period of 124,463,520 (2020: 113,177,419) and the profit for the period attributable to shareholders of £31.7m (2020: £31.1m).

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

	31 Mar 2021 pence per share	31 Mar 2020 pence per share	30 Sept 2020 pence per share	**31 Mar 2021 £m**	31 Mar 2020 £m	30 Sept 2020 £m
Profit before tax				**42.5**	41.6	66.7
Tax expense				**(10.5)**	(10.3)	(16.9)
Minority interests				**(0.3)**	(0.2)	(0.5)
Earnings for the period attributable to shareholders of the Company	**25.5**	27.4	43.5	**31.7**	31.1	49.3
Acquisition related charges	**16.3**	6.8	15.2	**20.3**	7.7	17.3
Acquisition related finance charges	**0.3**	0.2	0.3	**0.4**	0.2	0.4
Net profit on disposal of properties	**-**	(1.0)	-	**-**	(1.1)	-
Tax effect on above adjustments	**(3.7)**	(1.1)	(2.6)	**(4.7)**	(1.3)	(3.0)
Adjusted earnings	**38.4**	32.3	56.4	**47.7**	36.6	64.0

7. RECONCILIATION OF OPERATING PROFIT TO CASH FLOW FROM OPERATING ACTIVITIES

	31 March 2021 £m	31 March 2020 £m	30 Sept 2020 £m
Operating profit	**46.3**	42.2	69.8
Acquisition related charges (note 9)	**20.3**	7.7	17.3
Adjusted operating profit	**66.6**	49.9	87.1
Depreciation/amortisation of tangible, other intangible assets and right of use assets	**10.1**	6.0	12.7
Share-based payments expense	**0.7**	0.4	0.8
Defined benefit scheme expense	**(5.3)**	(0.2)	(0.2)
Profit on disposal of assets	**-**	-	(1.0)
Acquisition expenses paid	**(2.1)**	-	-
Other non-cash movements	**-**	-	(0.5)
Non-cash items and other	**3.4**	6.2	11.8
(Increase)/decrease in inventories	**(1.7)**	(5.4)	1.6
(Increase)/decrease in trade and other receivables	**(17.7)**	(6.8)	10.3
Increase/(decrease) in trade and other payables	**4.9**	(0.9)	(2.4)
(Increase)/decrease in working capital	**(14.5)**	(13.1)	9.5
Cash flow from operating activities	**55.5**	43.0	108.4

8. (NET BANK DEBT)/CASH FUNDS

The movement in (net bank debt)/cash funds during the period is as follows:

	31 March 2021 £m	31 March 2020 £m	30 Sept 2020 £m
Net (decrease)/increase in cash and cash equivalents	**(189.0)**	(1.2)	181.9
(Increase)/decrease in bank borrowings	**(219.7)**	(14.0)	42.1
	(408.7)	(15.2)	224.0
Effect of exchange rates	**10.8**	0.4	(2.1)
Non-cash movements	**-**	-	-
Movement in (net bank debt)/cash funds	**(397.9)**	(14.8)	221.9
Cash funds/(net bank debt) at beginning of period	**206.8**	(15.1)	(15.1)
(Net bank debt)/cash funds at end of period	**(191.1)**	(29.9)	206.8
Comprising:			
Cash and cash equivalents	**25.8**	25.9	206.8
Bank borrowings:			
- Revolving credit facility	**(101.7)**	(20.0)	-
- Term loan	**(118.1)**	(35.8)	-
- Capitalised debt fees	**2.9**	-	-
	(216.9)	(55.8)	-
(Net bank debt)/cash funds at end of period	**(191.1)**	(29.9)	206.8
Analysed as:	**£m**	£m	£m
Repayable within one year	**14.9**	-	-
Repayable after one year	**202.0**	55.8	-

On 13 October 2020, the Group entered into a new debt facility agreement (“SFA”) which comprises a three-year term loan for an aggregate principal amount of £136.0m ($170.0m) and a committed multi-currency revolving facility (“RCF”) for an aggregate principal amount of £135.0m. The SFA is due to expire in December 2023 and there is an option to extend for a further two 12-month periods. The facility also has an accordion option to increase the committed facility by a further £50.0m. Interest on the facility and term loan is payable between 125–275bps above LIBOR, depending on the ratio of net debt to EBITDA.

At 31 March 2020, the Group had utilised £101.7m of the RCF (2020: £20.0m of expired RCF), comprising £28.3m ($39.1m) of US dollars, £28.1m (€32.9m) of Euros and £45.3m of sterling.

Total debt is £236.0m (2020: £64.5m) comprising net bank debt of £191.1m (2020: £29.9m) and lease liabilities of £44.9m (2020: £34.6m). Bank covenants are tested against net bank debt only.

9. GOODWILL AND ACQUISITION INTANGIBLE ASSETS

	Goodwill £m	Acquisition intangible assets £m
At 1 October 2019	155.0	96.1
Acquisitions	8.8	8.3
Amortisation charge	-	(7.5)
Exchange adjustments	(4.7)	(1.4)
At 31 March 2020	159.1	95.5
Acquisitions	(2.5)	(0.7)
Amortisation charge	-	(7.9)
Exchange adjustments	2.4	0.3
At 30 September 2020	159.0	87.2
Acquisitions	94.8	269.7
Amortisation charge	-	(15.8)
Exchange adjustments	(10.3)	(20.2)
At 31 March 2021	**243.5**	**320.9**

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

Acquisition related charges of £20.3m (2020: £7.7m) are charged to the Consolidated Income Statement. These charges comprise £15.8m (2020: £7.5m) of amortisation of acquisition intangible assets and £4.5m (2020: £0.2m) of acquisition expenses.

10. ACQUISITION OF SUBSIDIARIES

Acquisition of Windy City Wire Cable & Technology Products LLC
On 16 October 2020, the Group acquired 100% of SEP III Wire & Holdings, LLC, the holding company of Windy City Wire Cable & Technology Products LLC (“WCW”), a leading value-add distributor of premium quality, low voltage wire and cable in the US. The consideration was £347.7m ($449.6m), net of cash acquired of £0.9m ($1.1m).

The acquisition was funded partly by an equity placing announced on 22 September 2020 (gross proceeds of £193.7m offset by related transaction costs of £4.5m) with the remaining balance being funded through a new committed debt facility. On 13 October 2020, the Group entered into a new debt facility agreement (“SFA”) which comprises a three-year term loan for an aggregate principal amount of £136.0m ($170.0m) and a committed multi-currency revolving facility (“RCF”) for an aggregate principal amount of £135.0m. The term loan was fully drawn and RCF partly drawn to assist with the acquisition of WCW. Debt arrangement fees of £3.7m have been capitalised and are being amortised over the expected term of the loans.

Acquisition expenses of £5.1m have been recognised in respect of the transaction across FY2020 and HY2021 and are included within administration costs and £0.3m of acquisition related finance charges have been included within financial expense relating to the amortisation of debt arrangement fees mentioned above.

The provisional fair value of WCW’s net assets acquired excluding acquisition intangibles, related deferred tax, and cash is £45.0m following fair value adjustments of £3.2m. The principal fair value adjustments relate to fixed assets (£1.2m reduction in the book value) and an increase in the provisions held against inventory (£0.8m) and trade receivables (£0.7m).

Acquisition of Simonsen & Weel A/S
On 31 December 2020, the Group acquired 100% of Simonsen and Weel A/S ("S&W"), a distributor of clinical nutrition products and medically supervised compression garments, as well as specialty medical devices for operating rooms and intensive care units, based in Denmark, for initial consideration of £31.5m (DKK 259.0m), net of cash acquired of £1.3m (DKK 11.0m). Deferred contingent consideration of up to £3.6m (DKK 30.0m) is payable based on the performance of S&W in the 12 months following the acquisition and has been recognised in full.

10. ACQUISITION OF SUBSIDIARIES (continued)

Acquisition expenses of £0.4m have been incurred in the period and are included within administration costs.

The provisional fair value of S&W's net assets acquired excluding acquisition intangibles, related deferred tax, and cash is £0.2m following fair value adjustments of £0.2m primarily relating to an increased provision against inventory.

Acquisition of FITT Management Pty Limited
On 15 January 2021, the Group acquired 100% of FITT Management Pty Limited ("FITT Resources"), a market-leading distributor of pumps and fluid sealing products and a full-service provider of mechanical seals and mechanical packing for rotating and static equipment, based in New South Wales, for initial consideration of £11.5m (A$20.4m), net of debt acquired of £0.1m (A$0.1m). Deferred contingent consideration of up to £1.7m (A$3.0m) is payable based on the performance of FITT Resources in the 12 months following acquisition and has been recognised. Acquisition expenses of £0.2m have been recognised in the period and are included within administration costs.

The provisional fair value of FITT Resources' net assets acquired excluding acquisition intangibles, related deferred tax, and cash is £3.2m following fair value adjustments of £0.5m. The provisions held against inventory and trade receivables were increased by £0.4m and £0.1m, respectively.

Acquisition of Power Dynamics Gasket Company, Inc.
On 22 December 2020, the Group acquired the trade and assets of Power Dynamics Gasket Company, Inc. ("PDI"), a leading supplier of fluid sealing products and services including mechanical seals, braided packing and gasketing materials, based in Minneapolis, Minnesota for initial consideration of £4.1m ($5.5m). Deferred contingent consideration of £0.8m (US$1.0m) is payable 18 months after the completion date. Acquisition expenses of £0.1m have been recognised in the period and are included within administration costs.

The provisional fair value of PDI's net assets acquired excluding acquisition intangibles, related deferred tax, and cash is £0.4m following fair value adjustments of £0.1m to increase the provision held against trade receivables.

Acquisition of HSP GmbH
On 2 October 2020, the Group acquired the trade and assets of HSP GmbH ("HSP"), a small cable business based in Germany for consideration of £2.5m (€2.9m).

The following table summarises the consideration paid for the acquisitions completed in the period and fair value of assets acquired and liabilities assumed, with values being provisional pending completion of final valuation. The provisional fair value of trade and other receivables reflects management's best estimate of the contractual cash flows expected to be collected.

	WCW		**S&W**		**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]	-	233.1	-	25.3	-	11.3	-	269.7
Deferred tax	-	(2.6)	-	(5.7)	-	(2.1)	-	(10.4)
Property, plant and equipment	21.0	19.8	0.3	0.3	1.9	1.9	23.2	22.0
Inventories	19.3	18.5	2.7	2.4	3.7	3.3	25.7	24.2
Trade and other receivables	18.9	18.2	4.2	4.1	2.9	2.8	26.0	25.1
Trade and other payables	(11.0)	(11.5)	(6.8)	(6.6)	(3.8)	(3.9)	(21.6)	(22.0)
Net assets acquired	**48.2**	**275.5**	**0.4**	**19.8**	**4.7**	**13.3**	**53.3**	**308.6**
Goodwill	-	72.2	-	15.3	-	7.3	-	94.8
Cash paid		348.6		32.8		18.0		399.4
(Cash)/debt acquired		(0.9)		(1.3)		0.1		(2.1)
		347.7		31.5		18.1		397.3
Deferred consideration		-		3.6		2.5		6.1
Total consideration		**347.7**		**35.1**		**20.6**		**403.4**

10. ACQUISITION OF SUBSIDIARIES (continued)

[1] Acquired intangibles relate to customer relationships (£228.2m), patented technology (£34.1m), and brand (£7.4m).

Acquisitions revenue and adjusted operating profit
From the date of acquisition to 31 March 2021, each acquired business contributed the following to Group revenue and adjusted operating profit:

	Acquisition date	Revenue	Adj.[2]	Pro-forma revenue	Operating profit[1]	Adj.[2]	Pro-forma operating profit[1]
		£m	£m	£m	£m	£m	£m
WCW	16 Oct 2020	70.0	6.4	76.4	14.6	1.3	15.9
S&W	31 Dec 2020	9.1	9.1	18.2	2.2	2.2	4.4
FITT	15 Jan 2021	3.9	5.5	9.4	0.7	1.0	1.7
PDI	22 Dec 2020	0.9	0.9	1.8	-	-	-
HSP	2 Oct 2020	1.5	-	1.5	0.2	-	0.2
		85.4	**21.9**	**107.3**	**17.7**	**4.5**	**22.2**

[1] Adjusted operating profit after appropriate allocation of head office costs, but before acquisition related charges.
[2] Pro forma revenue and adjusted operating profit has been extrapolated from the 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 2020. 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.

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11. 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
At 1 October 2020	28.5	0.4	2.1	0.6	31.6
Additions	16.2	-	0.8	0.3	17.3
Disposals	-	(0.1)	-	-	(0.1)
Exchange adjustments	(1.2)	-	(0.1)	(0.1)	(1.4)
At 31 March 2021	**43.5**	**0.3**	**2.8**	**0.8**	**47.4**
Depreciation	(4.5)	(0.1)	(0.7)	(0.1)	(5.4)
At 31 March 2021	**39.0**	**0.2**	**2.1**	**0.7**	**42.0**

Right of use assets represent those assets held under operating leases which IFRS 16 requires to be capitalised.

Lease liabilities

The movement in lease liabilities is set out below:

	£m
At 1 October 2020	33.7
Additions	17.4
Disposals	(0.1)
Lease repayments	(5.5)
Interest on lease liabilities	0.9
Exchange adjustments	(1.5)
At 31 March 2021	**44.9**

Analysed as:	**£m**
Repayable within one year	**9.9**
Repayable after one year	**35.0**

12. OTHER LIABILITIES

	31 March 2021 £m	31 March 2020 £m	30 Sept 2020 £m
Future purchases of minority interests	**4.3**	4.2	4.2
Deferred consideration	**7.0**	11.9	7.3
	11.3	16.1	11.5
Analysed as:			
Repayable within one year	**10.6**	15.5	11.5
Repayable after one year	**0.7**	0.6	-

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

	31 March 2021 £m	31 March 2020 £m	30 Sept 2020 £m
At 1 October	**4.2**	4.3	4.3
Fair value remeasurements	**0.1**	(0.1)	(0.1)
At end of period	**4.3**	4.2	4.2

At 31 March 2021, the Group retained put options to acquire minority interests of 10% held in each of M Seals and Kentek which were both exercisable from November 2018. At 31 March 2021, the estimate of the financial liability to acquire the outstanding minority shareholdings was reassessed by the Directors, based on their current estimate of the future performance of these businesses and to reflect foreign exchange rates at 31 March 2021.

Deferred consideration comprises:

	31 March 2021 £m	31 March 2020 £m	30 Sept 2020 £m
VSP Technologies	**-**	7.9	5.5
DMR Seals	**-**	0.6	-
Sphere Surgical	**0.8**	1.0	0.8
CR Systems	**0.4**	1.9	1.0
PumpNSeal	**-**	0.5	-
PDI	**0.7**	-	-
FITT Resources	**1.7**	-	-
S&W	**3.4**	-	-
	7.0	11.9	7.3

The movement on deferred consideration during the period is as follows:

	1 Oct 2020 £m	Additions £m	Foreign exchange £m	Payments £m	**31 March 2021 £m**
VSP Technologies	5.5	-	-	(5.5)	**-**
Sphere Surgical	0.8	-	-	-	**0.8**
CR Systems	1.0	-	-	(0.6)	**0.4**
PDI	-	0.8	(0.1)	-	**0.7**
FITT Resources	-	1.7	-	-	**1.7**
S&W	-	3.6	(0.2)	-	**3.4**
	7.3	6.1	(0.3)	(6.1)	**7.0**

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13. DIVIDENDS

	31 Mar 2021 pence per share	31 Mar 2020 pence per share	30 Sept 2020 pence per share	**31 Mar 2021 £m**	31 Mar 2020 £m	30 Sept 2020 £m
Final dividend of the prior year, paid in January	**30.0**	20.5	20.5	**37.3**	23.2	23.2
Interim dividend, paid in June	**12.5**	-	-	**15.6**	-	-
	42.5	20.5	20.5	**52.9**	23.2	23.2

The Directors have declared an interim dividend of 12.5p per share (2020: £nil) which will be paid on 16 June 2021 to shareholders on the register on 28 May 2021. The total value of the dividend will be £15.6m (2020: £nil).

14. EXCHANGE RATES

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

	Average			**Closing**		
	31 March 2021	31 March 2020	30 Sept 2020	**31 March 2021**	31 March 2020	30 Sept 2020
US dollar (US$)	**1.36**	1.29	1.29	**1.38**	1.24	1.29
Canadian dollar (C$)	**1.74**	1.73	1.73	**1.73**	1.76	1.73
Euro (€)	**1.13**	1.17	1.14	**1.17**	1.13	1.10
Swiss franc (CHF)	**1.23**	1.26	1.23	**1.30**	1.20	1.19
Australian dollar (A$)	**1.81**	1.94	1.89	**1.81**	2.03	1.80

15. RELATED PARTY TRANSACTIONS

There have been no changes to the related party arrangements or transactions as reported in the 2020 Annual Report & Accounts.

Transactions between Group companies, which are related parties, have been eliminated on consolidation and are therefore not disclosed. Other transactions which qualify to be treated as related party transactions are: those relating to the remuneration of key management personnel, which are not disclosed in this Half Year Report, but will be disclosed in the Group's next Annual Report & Accounts; and transactions between the Group and the Group's defined benefit pension plan, which are disclosed within the Consolidated Cash Flow Statement.