



Compounding growth

Diploma PLC is an international group of businesses supplying specialised technical products and services. We operate globally in three distinct Sectors



Life Sciences

Suppliers of consumables, instrumentation and related services to the healthcare and environmental industries.



For more information
See pages 16-17



Seals

Suppliers of seals, gaskets, filters, cylinders, components and kits for heavy mobile machinery and industrial equipment.



For more information
See pages 18-19



Controls

Suppliers of specialised wiring, connectors, fasteners and control devices for technically demanding applications.



For more information
See pages 20-21

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www.diplomaplc.com

For current information on Diploma PLC, including the Annual Report & Accounts 2017, please visit our website.

Financial Highlights

For the year ended 30 September 2017

Strong results with double-digit growth in revenue and earnings

Revenue

£451.9^m

2016: £382.6^m

+18%

Adjusted operating profit¹

£78.2^m

2016: £65.7^m

+19%

Adjusted operating margin¹

17.3%

2016: 17.2%

+10bps

Adjusted profit before tax^{1,2}

£77.5^m

2016: £64.9^m

+19%

Profit before tax

£66.8^m

2016: £54.0^m

+24%

Free cash flow³

£55.7^m

2016: £59.0^m

-6%

	2017 pence		2016 pence
Adjusted earnings per share ^{1,2}	49.8	+19%	41.9
Basic earnings per share	42.0	+24%	33.9
Total dividend per share	23.0	+15%	20.0
Free cash flow per share ³	49.3	-6%	52.2

1 Before acquisition related charges.

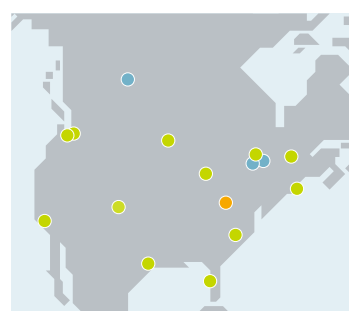
2 Before fair value remeasurements and gain on disposal of assets.

3 Before cash payments on acquisitions and dividends.

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, trading capital employed and return on adjusted trading capital employed ("ROATCE"). All references in this Annual Review to "underlying" revenues or operating profits refer to reported results on a constant currency basis and before any contributions from acquired or disposed businesses. The narrative in the Annual Review is based on these alternative measures and an explanation is set out in note 2 to the consolidated financial statements included in the Annual Report & Accounts.

Group at a Glance

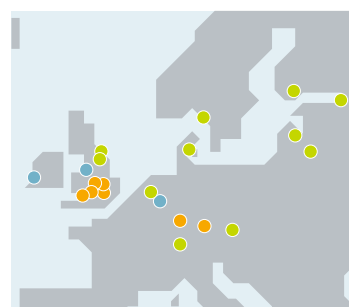
Well diversified by geography and business area



North American revenues
(by destination) by Sector



23% US 18% Canada



European revenues
(by destination) by Sector



22% UK 26% Continental Europe



Rest of World revenues
(by destination) by Sector



● Life Sciences ● Seals ● Controls

Life Sciences



Healthcare (84% of revenues)

Clinical diagnostic instrumentation, consumables and services supplied to hospital pathology and life sciences laboratories for the testing of blood, tissue and other samples.

Surgical medical devices and related consumables and services supplied to hospital operating rooms, GI/Endoscopy suites and clinics.

Environmental (16% of revenues)

Environmental analysers, containment enclosures and emissions monitoring systems.

Group revenue

28%

Employees

412

Primary growth drivers

- Public and private healthcare spending
- Population ageing and increasing life expectancy
- Health & Safety and Environmental regulation



For more information
See pages 16-17

Seals



North America – Aftermarket (32% of revenues)

Next day delivery of seals, sealing products and cylinder components for the repair of heavy mobile machinery.

North America – Industrial OEM (29% of revenues)

Sealing products, custom moulded and machined parts supplied to manufacturers of specialised industrial equipment.

International (39% of revenues)

Sealing products and filters supplied outside North America to Aftermarket and Industrial OEM customers as well as to Maintenance, Repair and Overhaul ("MRO") operations.

Group revenue

43%

Employees

862

Primary growth drivers

- General economic growth
- Activity and spending levels in Heavy Construction and Infrastructure
- Growth in industrial production
- MRO expenditure in Mining and process industries



For more information
See pages 18–19

Controls



Interconnect (59% of revenues)

Wiring, cable harness components and cable accessories used in specialised technical applications in Aerospace, Defence, Motorsport, Energy, Medical, Rail and Industrial.

Specialty Fasteners (18% of revenues)

Specialty aerospace-quality fasteners supplied to Civil Aerospace, Motorsport, Industrial and Defence markets.

Fluid Controls (23% of revenues)

Temperature, pressure and fluid control products used in Food, Beverage and Catering industries.

Group revenue

29%

Employees

437

Primary growth drivers

- General growth in the industrial economy
- Activity and spending levels in Aerospace, Defence, Motorsport, Energy, Medical and Rail
- Equipment installation and maintenance in Food, Beverage and Catering



For more information
See pages 20–21

Chairman's Statement

Strong performance in 2017



John Nicholas, Chairman

The Group has a long track record of consistent delivery against its key performance metrics.

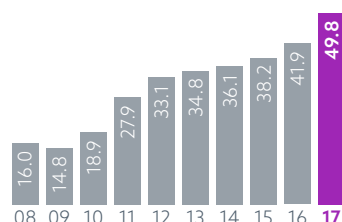
The Group reported another strong performance in 2017 and delivered robust underlying growth in more confident global economies. The Board remains focused on executing the Group's established strategy which is designed to deliver strong growth in earnings and shareholder value over the economic cycle.

The Group has a long track record of consistent delivery against its key performance metrics by compounding stable "GDP plus" underlying growth with carefully selected, value enhancing acquisitions, funded by the Group's free cash flow. This strategy has been successfully designed and executed under the outstanding leadership of Bruce Thompson since he became CEO of Diploma PLC in 1996. Over the last 15 years, since emerging from a major restructuring of the Group led by Bruce, the Group has delivered strong double-digit growth in earnings, dividends and share price and has grown market capitalisation from ca. £60m to ca. £1.2bn today, without any new equity having been issued.

In September of this year, the Board received notice from Bruce of his intention to retire as CEO before the end of 30 September 2018. This notice period ensures sufficient time to complete a thorough search process and a smooth transition of responsibilities. Bruce will be leaving the Group with a clearly defined and sustainable strategy, with a substantial runway for future growth and an experienced senior

Adjusted EPS growth (pence)

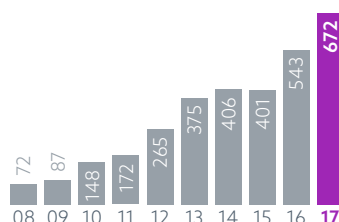
+14% p.a.¹



¹ Ten-year compound.

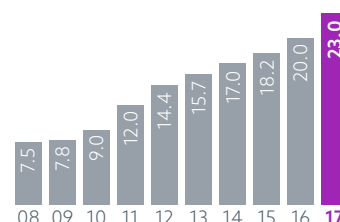
TSR growth (TSR index 2007 = 100)

+21% p.a.¹



Dividend growth (pence)

+16% p.a.¹



management team. We all wish him a long, healthy and well-earned retirement.

Results

Group revenues increased in 2017 by 18% to £451.9m (2016: £382.6m), with the Group's results again boosted by currency effects from translating the results of the overseas businesses, following the substantial depreciation in UK sterling. After adjusting for the contribution from acquisitions completed both this year and last year, net of a small disposal and for these currency effects on translation, Group revenues increased by 7% on an underlying basis. The Controls businesses delivered robust underlying revenue growth of 14% and both the Life Sciences and Seals businesses reported a 4% growth in underlying revenues.

Adjusted operating profit increased by 19% to £78.2m (2016: £65.7m) reflecting the strong growth in revenues and a small increase of 10bps in adjusted operating margins to 17.3% (2016: 17.2%). Adjusted profit before tax increased by 19% to £77.5m (2016: £64.9m) and adjusted earnings per share ("EPS") also increased by 19% to 49.8p (2016: 41.9p).

The Group's free cash flow remained robust at £55.7m (2016: £59.0m) as working capital increased by £4.0m to support the stronger trading environment across the Group. Last year's free cash flow included an inflow of £6.3m from reduced working capital and £4.6m of cash realised on the sale of assets. Capital expenditure of £3.3m (2016: £3.7m) remained at a similar level to last year.

The Group has invested ca. £90m over three years in acquiring value enhancing businesses. However, expenditure on acquisitions slowed this year to £20.1m (2016: £32.7m) as some vendors postponed their exit plans in the face of a more favourable macroeconomic environment. There are still a number of good quality businesses in our acquisition pipeline which we are confident of completing when the vendors are ready to move forward.

The Group's balance sheet remains robust with cash funds at 30 September 2017 of £22.3m (2016: £10.6m), after investing £20.1m in acquisitions and making distributions to shareholders of £23.5m (2016: £21.0m). The Group also has renewed committed bank facilities of £30m with an accordion option to extend these facilities up to £60m.

Dividends

The combination of strong results and free cash flow, supported by a robust balance sheet has led the Board to recommend an increase in the final dividend of 16% to 16.0p per share (2016: 13.8p). Subject to shareholder approval at the Annual General Meeting ("AGM"), this dividend will be paid on 24 January 2018 to shareholders on the register at 1 December 2017.

The total dividend per share for the year will be 23.0p (2016: 20.0p) which represents a 15% increase on 2016. With underlying adjusted earnings increasing by 19%, the level of dividend cover increases slightly to 2.2 times on an adjusted EPS basis, from 2.1 times in recent years.

Governance

The Board's Committees, led by the non-Executive Directors, have had a productive year. Anne Thorburn led the Audit Committee through an audit tender process which in September resulted in a proposal to appoint PricewaterhouseCoopers LLP as Company and Group auditor from next year. Andy Smith has also led the Remuneration Committee through a thorough review of the Company's Remuneration Policy, in advance of the triennial vote by shareholders at the AGM on 17 January 2018. I have worked closely with Charles Packshaw as Senior Independent Director and with the Nomination Committee to commence a search for a new CEO to lead the Group, following the intended retirement of Bruce Thompson later in 2018.

Employees

Our employees remain our most important asset and their hard work continues to be a driving force behind our consistent and strong performance. Diploma is very much a people business and success is always a team effort. I wish to thank all of our employees for their support and contribution to the success of the Group this year.

Outlook

Diploma reported another strong performance in 2017, delivering strong double-digit growth in revenue and earnings. All of the Group's Sectors contributed to this growth with a particularly strong performance from Controls.

Principal corporate objectives

Achieve double-digit growth in adjusted EPS over the business cycle

Generate TSR growth in the upper quartile of the FTSE 250

Deliver progressive dividend growth with two times dividend cover

The Group's performance in 2017 provides confidence in the Group's prospects for solid underlying growth in the year ahead, which we aim to enhance by unlocking value enhancing acquisition opportunities. With a proven business model, broad geographic spread of businesses, robust balance sheet and consistently strong free cash flow, the Board is confident that further progress will be made in the next financial year.

Chief Executive's Review

Building larger, broader-based businesses



Bruce Thompson, Chief Executive Officer

The Group's strategy, consistently applied, delivers strong growth in earnings and shareholder value.

Group strategy

The Group's "compounding" strategy is designed to generate strong growth in earnings and shareholder value over the business cycle, while building larger, broader-based businesses in the three Group Sectors of Life Sciences, Seals and Controls.

The businesses target stable "GDP plus" underlying revenue growth over the business cycle with sustainable attractive margins and then convert the profit into strong free cash flow by tightly managing working capital and focused capital investments. The free cash flow generated then funds healthy growing dividends and selective value enhancing acquisitions which accelerate growth in revenues and profit to double-digit levels. The strategy consistently

delivers a return in excess of 20% pre-tax on total capital invested and steadily increasing shareholder value.

Business model and KPIs

Stable and resilient "GDP plus" underlying revenue growth is achieved through our focus on **essential products** and services funded by customers' operating rather than capital budgets and supplied across a range of specialised industry segments. By supplying **essential solutions**, not just products, we build strong long term relationships with our customers and suppliers, which support sustainable and attractive margins. Finally, we encourage an entrepreneurial culture in our businesses through our decentralised management structure. 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 key performance indicators ("KPIs") we use to measure the success of the business model relate to recurring income and stable underlying revenue growth, sustainable and attractive margins and organisational health.

This year, underlying revenue growth, after adjusting for currency movements and acquisitions, has been a robust 7% with the growth rate strengthening in the second half of the year. Over five years, the average underlying revenue growth has been 5% p.a. which meets the Group's target of "GDP plus" growth.

Adjusted operating margins improved this year by 10bps to 17.3% of revenue, as transactional currency pressures eased during the year in the Healthcare businesses and improved operating leverage with tight control of operating costs has offset other pressures on gross margins. Over five years the average adjusted operating margin has been ca. 18% against the Group's medium term target of 18-19%.

The agility and responsiveness of the organisation is more difficult to measure directly, but non-financial KPIs can give an indication of the organisational health. The number of working days lost to sickness has consistently been only ca. 1% a year and over the last five years, the average length of service for all employees has been ca. 6.5 years (ca. 11 years for the senior management cadre).

Our Year in Review

Growth strategy and KPIs

Overall growth is accelerated from underlying "GDP plus" levels to the corporate target of double-digit growth, through carefully selected, value enhancing acquisitions which fit the business model and offer entry into new but related strategic markets.

Acquisitions are not made just to add revenue and profit, but rather to bring into the Group successful businesses which have growth potential, capable management and a good track record of profitable growth and cash generation. As part of our **Acquire, Build, Grow** strategy, we invest in the businesses post-acquisition to build a firm foundation to allow them to move to a new level of growth and improve operating margins. These acquisitions form a critical part of our Sector growth strategies and are designed to generate a pre-tax return on investment of at least 20% and hence support our Group objectives for return on total investment.

Again we measure the success of the growth strategy with KPIs, the first of which is acquisition spend. To achieve the Group's objective of strong double-digit growth, acquisition spend of at least £30m p.a. is targeted, though year on year spend will vary with the acquisition environment. This year, the Group invested ca. £20m in acquisitions, bringing the total over three years to ca. £90m. The acquisitions completed over the last three years have contributed ca. 16% of 2017 revenues.

Strong cash flow funds our growth strategy (and supports healthy, growing dividends) and tight management of working capital maximises the conversion of profit to cash flow. This year, working capital has been managed down to a record low of 15.0% of revenue, generating free cash flow of £55.7m and representing a conversion rate of 99% of adjusted post tax earnings. Over five years, the average working capital to revenue ratio has been 16-17% and average free cash flow has been £45m p.a. with an average conversion ratio of 98%.

The Group's return on total investment measure is the pre-tax return on adjusted trading capital employed, excluding net cash, but including all goodwill and acquired intangible assets ("ROATCE"). This is used to measure the overall performance of the Group and very importantly, our success in creating value for shareholders through our acquisition programme. Over the last five years, ROATCE has comfortably exceeded the 20% target and this year was 24.0%.

Financial performance

In 2017, the Group delivered strong double-digit growth in revenue and earnings with robust underlying growth, a modest net contribution from acquisitions and further benefiting from the strong tailwind from the depreciation in UK sterling.

The Group's reported revenues increased by 18%, with currency movements increasing revenues by 9% and acquisitions contributing a further 2% to the revenue growth, net of a small prior year disposal. On an underlying basis, after adjusting for acquisitions and for currency effects on translation, Group revenues increased by 7%.

Group adjusted operating margins improved by 10bps to 17.3%, compared with 17.2% in the prior full year and the first half of the current year. Management gross margins have reduced overall by 60bps with margin pressures in several businesses from a combination of the impact on product costs from currency movements and increases in other margin support costs. These pressures have been partly mitigated by the stronger gross margins in recent acquisitions and transactional currency pressures in the Healthcare businesses have eased during the year. Operating costs as a percentage of revenue have reduced by 70bps with improved operating leverage from the increase in revenues and generally tight control of operating costs.

Working capital as a percentage of revenue was managed down through the year to 15.0%, although the Group's free cash flow reduced by 6% to £55.7m, reflecting the absence of prior year proceeds from one-off property sales and the divestment of the Medivators business.

Sector performance

In **Life Sciences**, underlying revenues increased by 4% after adjusting for currency movements, the acquisition of Abacus and the prior year disposal of the Medivators business. The Healthcare businesses benefited from stronger capital revenues as new technology was introduced and delayed projects were reactivated in the laboratory diagnostic sector. The Environmental businesses delivered steady growth in instrumentation sales and increasing service contract revenues.

In **Seals**, underlying revenues increased by 4% after adjusting for currency movements and the acquisitions of PSP and Edco. In North America, the improving trend in industrial activity seen in the second quarter, following the US election, strengthened further as the year progressed. In the International Seals businesses, strong growth in the UK and Scandinavia was offset by more challenging market conditions in Switzerland, Russia and Australia.

In **Controls**, underlying revenues increased by 14% after adjusting for currency movements and the prior year acquisitions of Cablecraft and Ascome. The Specialty Fasteners business increased revenues strongly, driven principally by a ramp-up in demand from customers in the Civil Aerospace sector. The Interconnect and Fluid Controls businesses also delivered good growth benefiting from increased project work and targeted investment in sales resources.

Acquisitions and disposals

Over the last three years, a total of ca. £90m has been invested in acquisitions which contributed ca. 16% of 2017 Group revenues.

During 2017, total acquisition spend was ca. £20m, of which ca. £15m was invested in the acquisition of Abacus, a long established supplier of diagnostics instrumentation and consumables to the Pathology and Life Sciences sectors in Australia and New Zealand. Abacus adds critical mass to our existing Healthcare businesses in the region and opens up new growth opportunities.

In addition, two smaller bolt-on acquisitions were completed in the Seals Sector during the year – PSP in the US and Edco in the UK. After the year end, a small acquisition was completed in the Controls Sector of Coast Fabrication Inc. ("Coast"), a US specialty fastener distributor.

Chief Executive's Review

continued



Building management strength

Essential values and culture

We encourage an entrepreneurial culture across our businesses, through a decentralised management structure.

In specialised distribution businesses it is essential that decisions are made close to the customer and that the businesses are agile and responsive to changes in the market and competitive environment. The success of the Group is therefore built upon strong, self-standing management teams in the operating businesses who are committed to and rewarded according to the success of their businesses.

This culture is very attractive to managers who join the Group in acquired businesses and who are used to a similar culture in their privately owned businesses.

Managing business clusters

We also recognise that there are significant synergy benefits which can be achieved through managing clusters of similar businesses. Typically these synergies come in the form of cross-selling and joint purchasing

between the businesses and shared back office functions. There are also best practices which can be shared within the clusters in areas such as IT and digital capabilities.

We have therefore introduced small senior teams to manage the business clusters in each Sector, while being careful not to allow the build-up of heavy divisional structures with their associated costs and bureaucracy. This ensures that we gain the benefits of scale while retaining agility in the operating businesses.

These senior management teams are responsible for maximising the potential of their business clusters and also for identifying and progressing acquisition opportunities.

Executive Management Group

As the Group grows larger and becomes more broadly spread both geographically and operationally, it is important that we have in place a strong and broad based executive management team to drive the next stage of the Group's growth strategy.

The Executive Management Group ("EMG") was established in 2016, comprising the Executive Directors along with the executive managers who are responsible for the major business clusters and key Group functions. The EMG members are a combination of internally developed managers and experienced senior managers who have been recruited externally.

The EMG provides the opportunity for its members to broaden their perspective of the Group's activities in order to reinforce the key elements of the Group's culture and to identify best practices which are transferable across the Group. The EMG meets quarterly through a combination of full group meetings in London and sub-group meetings held in the major business locations.

The EMG provides the senior management bench strength to manage a growing and broadly spread Group while laying the groundwork for succession in key executive positions.



Capital Markets Day

In February 2017, the Group hosted a Capital Markets Day ("CMD") in London, exactly five years to the day after the previous CMD held in February 2012.

There were four key objectives for the day:

1. **Five-year track record** – to show the Group's progress over the last five years in executing its strategy and delivering strong growth in earnings and shareholder value.
2. **Resilience and sustainable margins** – to demonstrate the resilience of the Group's businesses and the high barriers to entry which protect the Group's stable and attractive margins.
3. **Runway for growth** – to give confidence in the substantial further "runway for growth" over the next five years, through a combination of stable underlying growth and value enhancing acquisitions.
4. **Senior management bench strength** – to introduce the strong and experienced senior management team which is in place to drive the next phase of the Group's development.

The first objective was achieved in an introductory presentation and animation video which summarised the development of the Group over the five years, with strong double-digit growth in adjusted EPS, TSR and dividends and an increase in market capitalisation from ca. £400m to ca. £1.2bn.

The other three objectives were achieved in break-out sessions for each of the three Sectors, where the EMG members presented the key features and resilient characteristics of their businesses and demonstrated key products. They also described the key elements of competitive advantage and barriers to entry which support the attractive margins. Finally, they detailed the substantial runway for growth in each business in terms of new product and market opportunities, geographic expansion and acquisitions.



The various presentations and video material delivered at the CMD are on the Diploma PLC website in the Investors section under the heading "Diploma PLC Investor Day 2017".

Our Business Model

Making us essential to our customers



Our Business Model is built on the three "Essentials" – essential Products, Solutions and Values.

What we put in

Essential Products

Our businesses focus on supplying essential products and services funded by customers' operating rather than capital budgets and supplied across a range of specialised industry segments.

The majority of the Group's revenues are generated from consumable products. In many cases, the products will be used in repair and maintenance applications and refurbishment and upgrade programmes, rather than supplied to original equipment manufacturers.

Essential Solutions

Our businesses design their individual business models to provide solutions which closely meet the requirements of their customers:

- Highly responsive customer service, such as the next day delivery from stock of essential, but low value items.
- Deep technical support, where we work closely with our customers in designing our products into their specific applications.
- Added value services which, if we did not provide these services, customers would have to pay others to provide them or would require them to invest in additional resources of their own.

Essential Values

We encourage an entrepreneurial culture across our businesses, through a decentralised management structure.

We want the managers to feel that they have the freedom to run their own businesses, while being able to draw upon the support and resources of a larger group where this is beneficial.

Within our businesses we have strong, self-standing management teams who are committed to and rewarded according to the success of their businesses.

What we get out

Recurring income and stable revenue growth

Our focus on essential products and services contributes to the Group's record of stable revenue growth over the business cycle.

Our businesses target GDP plus levels of underlying revenue growth, over the economic cycle, with higher growth rates achieved at the Group level through carefully selected value enhancing acquisitions.

Sustainable and attractive margins

By supplying solutions, not just products, we build strong long term relationships with our customers and suppliers, supporting sustainable and attractive margins.

Our businesses achieve sustainable and attractive gross margins by offering strongly differentiated products and customer focused solutions within specialised market segments. By running efficient operations, these gross margins are converted into healthy operating margins.

Agility and responsiveness

Our decentralised organisational model ensures 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.

Agility and responsiveness in the businesses ensure close management of operating costs and working capital and deliver strong free cash flow.

How we have made progress

Performance is measured by the underlying growth in revenue, after adjusting for currency and acquisitions:

- This year, the underlying growth has been +7%.
- Over five years, the average has been +5% p.a..



For more information
See page 15

Performance is measured by the level and stability over time of gross and operating margins:

- Gross margins have remained broadly stable over many years, excluding shorter term currency effects.
- This year, adjusted operating margin improved 10bps to 17.3%.
- Over five years, the average adjusted operating margin has been 18%.



For more information
See page 15

Performance is more difficult to measure directly, but non-financial KPIs can give an indication of organisational stability and health. Over the last five years:

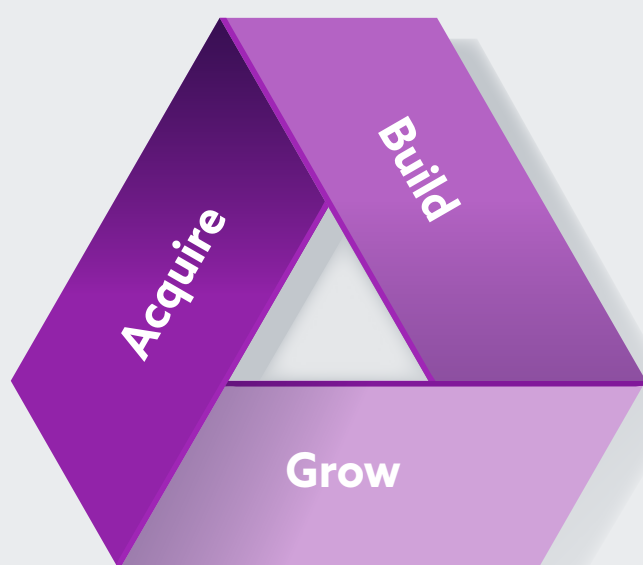
- Average length of service for all employees has been ca. 6.5 years (ca. 11 years for the senior management cadre).
- Number of working days lost to sickness has consistently been only ca. 1% a year.



For more information
See page 15

Growth Strategy

Compounding growth through acquisitions



Growth is accelerated by investing in value enhancing acquisitions

What we put in

Acquire

Clear business criteria have been established to guide the Group's acquisition programme:

- fit with the Group's business model;
- marketing led with strong customer relationships;
- secure supply of high quality, differentiated products; and
- capable management.

The principal financial criteria are:

- Track record of stable, profitable growth and cash generation.
- Exceed post-tax IRR threshold of 13% to ensure 20%+ pre-tax return on investment.

Build

The acquisitions we make are of businesses which are already successful and with a good track record. However, these businesses have typically reached the point where additional resources are needed to take them to the next level of growth.

Working with the management, we provide the investment required to build a solid foundation to allow the business to move to a new level of growth. The investment we make in new acquisitions will normally be in new facilities and IT systems, increased but better managed working capital and additional management resource.

Grow

Once the acquisition is integrated into the Group, with a solid platform established, the focus is on delivering stable, profitable growth.

The results of the Acquire, Build, Grow strategy can be seen in the improving revenue growth and operating margins post acquisition.

What we get out




Acquisitions give entry into new but related markets and thereby extend the reach of the existing businesses and bring new growth opportunities.

The Group applies a consistent level of effort and resources to identifying and developing acquisition opportunities. However, the output in terms of acquisitions completed, ebbs and flows depending on the acquisition environment.

To achieve the Group's objective of strong double-digit growth, acquisition spend of at least £30m p.a. is targeted.

Except in the case of smaller bolt-on acquisitions, the acquired companies maintain their distinct sales and marketing identity and strong independent management teams.

Where there are opportunities for synergies with other Group businesses, these are managed in larger business clusters. Synergies typically include:

-  Cross-selling between the businesses
-  Joint purchasing between the businesses
-  Shared operational infrastructure and shared back-office functions

By the third year post-acquisition, underlying revenue growth for the acquired businesses is typically higher than the Group average and operating margins have improved by 200-300bps on average.

These improvements in financial performance ensure that the Group creates value through its acquisition programme and maintains ROATCE above the 20% threshold.

How we have made progress

Abacus

In April 2017, the DHG group acquired Abacus, a long established supplier of specialised diagnostic instrumentation and consumables in Australia and New Zealand. Abacus has a good fit with our existing DS business, adds attractive product lines, critical mass and economies of scale in Clinical Diagnostics and gives entry to new segments within the broader Healthcare and Life Sciences sectors.



For more information
See pages 16-17

US Industrial OEM Seals

In the second half of this year, a senior leadership team was established to manage the cluster of Industrial OEM Seals businesses in the US. While maintaining the distinct identities of the businesses and close local contact with the customers, key functions including Sales, Supply chain, Technical and Finance will be managed centrally by this team. Investment will also be made in implementing a new ERP system to replace the disparate legacy IT systems.



For more information
See pages 18-19

Cablecraft

Cablecraft, in only its second year as part of the Group, is already showing the benefits of investments made post-acquisition in increasing management and sales resources, expanding e-commerce capabilities and refurbishing facilities.

Under the continued strong leadership of one of the former owners, Cablecraft has increased revenues in 2017 by 7% on a like-for-like basis and has improved operating margins by ca. 300bps.



For more information
See pages 20-21

Strategic Priorities and KPIs

Strategic Priority



GDP+ underlying revenue growth

We focus on essential products and services, funded by customers' operating rather than capital budgets, giving resilience to revenues.



Attractive margins

Our attractive operating margins are sustained through the quality of customer service, the depth of technical support and value adding activities.



Agile and responsive organisation

We encourage an entrepreneurial culture in our businesses through our decentralised organisation.



Acquisitions to accelerate growth

Carefully selected, value enhancing acquisitions accelerate the underlying growth and take us into related strategic markets.



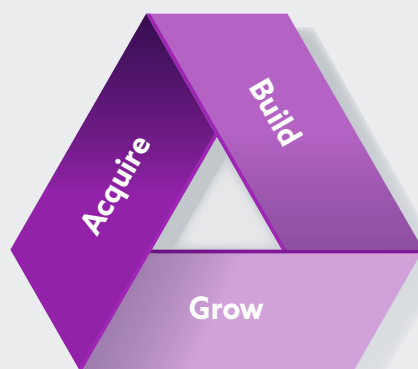
Strong cash flow

An ungeared balance sheet and strong cash flow fund our growth strategy while providing healthy and growing dividends.



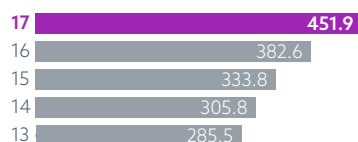
Value creation

We aim to create value by consistently exceeding 20% ROATCE.



Key Performance Indicators

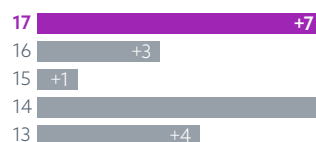
Total revenue growth (£m)



+12% p.a.

Five-year compound

Underlying revenue growth (%)



+5% p.a.

Five-year average

Adjusted operating margins (%)



18%

Five-year average

Adjusted operating margin (Δbps)

Improvement in adjusted operating margin of acquired businesses three years after acquisition

+200–300 bps

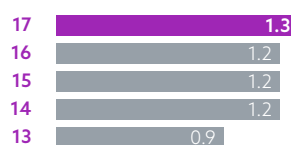
Length of service (years)



6.5 years

Five-year average

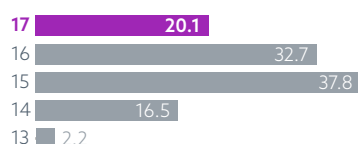
Average working days lost to sickness (%)



1.2%

Five-year average

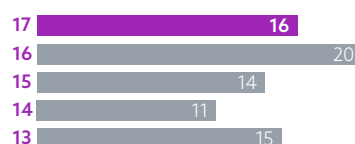
Acquisition spend (£m)



£22m p.a.

Five-year average

Revenue from acquisitions¹ (% of total)

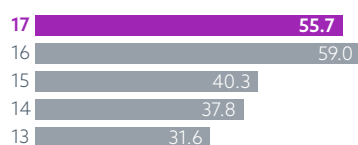


15%

Five-year average

¹ Completed over the last (rolling) three years.

Free cash flow (£m)



£45m p.a.

Five-year average

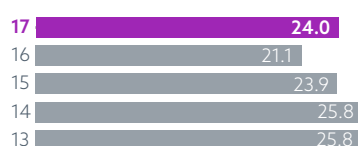
Working capital (% of revenue)



16–17%

Five-year average

ROATCE (%)



24%

Five-year average

Life Sciences



Highlights from the year

- Sector revenue growth of 15%; underlying growth of 4% after adjusting for currency, an acquisition and a disposal
- In Canada, DHG underlying revenues increased by 6% with strong capital revenues as projects were reactivated; AMT and Vantage combined into single Surgical Products business
- In Australia, underlying revenues increased by 4%; Abacus acquired in April 2017 and being integrated with DS to form a larger broader-based business
- TPD revenues broadly flat in Ireland and the UK with new suppliers and products replacing suppliers moving to direct supply model
- Environmental businesses increased underlying revenues by 3%, finishing the year with strong order books

Building a larger, broader-based Life Sciences business

Sector performance

Reported revenues of the Life Sciences businesses increased by 15% to £125.9m. The acquisition in April 2017 of Abacus ALS ("Abacus") added 7% to Sector revenues, but this was offset by the prior year disposal of the Medivators business. Currency movements, on translation of the results from overseas businesses to UK sterling, contributed a further 11% to Sector revenues. After adjusting for currency, the acquisition and the disposal, underlying revenues increased by 4%.

Sector adjusted operating margins improved by 70bps, benefiting from a combination of stronger gross margins in Abacus and from reduced operating costs following the consolidation of the AMT and Vantage business operations into one facility at the beginning of the year. Transactional currency pressures on the Healthcare

businesses also eased towards the end of the year, following a number of years when gross margins were significantly impacted by the progressive depreciation of the Canadian and Australian dollars relative to the US dollar and Euro. Sector adjusted operating profits increased by 19% to £23.3m.

Free cash flow reduced to £17.0m, reflecting the slightly higher working capital in the Healthcare businesses; although last year's free cash flow also included £2.2m received on the disposal of the Medivators business.

Healthcare

The DHG group of Healthcare businesses, which account for 84% of Life Sciences revenues, increased underlying revenues by 4% after adjusting for currency, the acquisition of Abacus and the disposal of the Medivators business.



	2017	2016	
Revenue	£125.9m	£109.9m	+15%
Adjusted operating profit	£23.3m	£19.6m	+19%
Adjusted operating margin	18.5%	17.8%	+70bps
Free cash flow	£17.0m	£19.0m	-11%
ROATCE	19.7%	18.0%	+170bps

AMT's facility in Kitchener. In its core electrosurgery business, AMT continued to face pricing pressures but was able to maintain revenues by increasing sales of specialised surgical instruments and devices used in laparoscopic and other minimally invasive surgical procedures. Vantage, operating now as a division of AMT, increased revenues in its core GI/endoscopy product lines and successfully launched a new series of flexible endoscopes with significantly improved light imaging performance and higher reliability. Vantage also secured the exclusive distribution rights for a premium range of rigid and flexible endoscopes and surgical instrument sets, which give entry into the Urology and Gynaecology segments and provide further opportunities for growth in the Surgical products sector.

In Australia, the BGS and DS businesses increased revenues by 4% in local currency terms, with smoke evacuation programmes in existing and new accounts continuing to be the principal driver to growth and with strong sales of consumables following a number of capital placements during the prior year. In April 2017, DHG completed the acquisition of Abacus, a long established supplier of diagnostics instrumentation and consumables to pathology laboratories and to research and educational institutions. Abacus has very complementary clinical diagnostics products to the DS business and these two businesses are now in the process of being integrated to form "abacus dx", a larger broader-based Clinical Diagnostics, Life Science and Patient Simulation business, supplying across Australasia.

The TPD business in Ireland and the UK reported revenues broadly flat in Euro terms, with business transacted in UK sterling (ca. 40% of revenues) impacted by the weaker currency. TPD continued to achieve steady growth in supplying clinical chemistry and serology control products, specialty medical devices used in digestive health and rapid microbial testing products used in industrial laboratories. However, revenues reduced in the water testing and interventional cardiology segments as certain suppliers moved from specialised distribution to a direct supply model. TPD is introducing a number of new suppliers and products to replace these revenues

and is broadening its service capability to extend into the blood services sector. TPD has also established a new Surgical Products division to bring to market the electrosurgical and smoke evacuation products similarly supplied by AMT and BGS in Canada and Australia.

Environmental

The a1-group of Environmental businesses in Europe, which account for 16% of Life Sciences revenues, saw revenues increase by 3% in constant currency terms. The a1-envirosciences business based in Germany increased revenues against a strong prior year comparative, which had benefited from a large mercury detector order. Revenue from high-end trace and elemental analysers delivered good growth and service revenue continued to grow with the larger installed base and with increasing demand from the larger customers for faster response times.

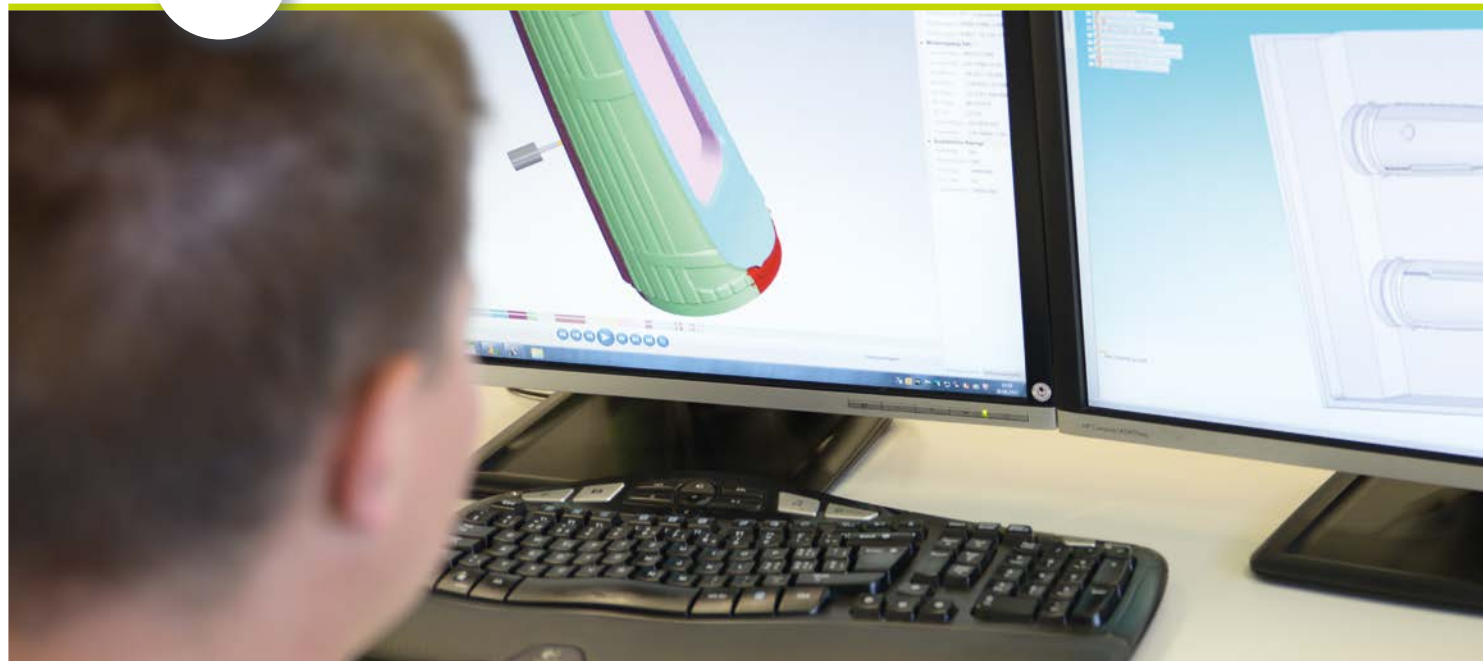
The a1-CBISS business based in the UK, benefited from continued growth in the installation of continuous emissions monitoring systems ("CEMS") and increased service contract revenues. The sector remains buoyant with new Energy from Waste ("EFW") plants playing an important role in reducing landfill waste. The gas detection sector has also started to see increased demand from Oil & Gas customers after a number of years of lower activity levels.

Potential for growth

- Increase share of specialised segments of Healthcare markets in Canada, Australia and UK/Ireland
- Leverage product portfolio across existing businesses and extend into other medical disciplines
- Pursue further acquisition opportunities in Europe and Asia-Pacific
- Continue to develop product and geographic spread of Environmental businesses

In Canada, underlying revenues increased by 6% against the background of continuing budget pressures throughout the Provincial healthcare systems, but with strong capital revenues as new technology was introduced and delayed projects were reactivated in the diagnostic laboratory sector. Somagen's core Clinical Diagnostics business in Canada delivered steady growth in consumable and service revenues as demand for diagnostic testing remained robust, particularly with the growth of cancer screening tests and related diagnostics. Capital revenues increased strongly with new technology introduced in the areas of Allergy, Autoimmunity and Histology.

AMT and Vantage were combined into a single, more efficient Surgical and GI specialty medical device business, with warehousing, logistics and back office functions integrated within



Highlights from the year

- Sector revenue growth of 17%; underlying growth of 4% after adjusting for currency and acquisitions
- In North America, Aftermarket underlying revenues increased by 5% with a good performance in the core Hercules business and a strong recovery in the HKX business
- Industrial OEM underlying revenues in North America increased by 7% with an improving trend through the year following the US election
- Senior leadership team established to manage cluster of Industrial OEM businesses in the US
- International Seals businesses increased underlying revenues by 1% with performances of the businesses very dependent on local market conditions

Building a larger, broader-based Seals business

Sector performance

Reported revenues of the Seals businesses increased by 17% to £195.3m, with the acquisitions of PSP and Edco completed during the year contributing 1% to Sector revenues and with currency movements contributing a further 12% to Sector revenues. After adjusting for the acquisitions and for currency effects, underlying revenues increased by 4%.

Adjusted operating margins for the Sector reduced by 60bps to 16.3%. Across the businesses, gross margins reduced with product margins under pressure from supplier cost increases, but also reflecting an increase in other margin support costs, such as freight, discounts and stock adjustments. This reduction in gross margins was significantly mitigated by a combination of tight control over operating costs and improved operating leverage through

increased revenues. Adjusted operating profits increased by 13% to £31.9m.

The free cash flow generated in this Sector was £24.9m, which remained unchanged from last year with the additional after tax operating cash flow offsetting an increase in working capital as trading strengthened in the second half of the year.

North American Seals

The North American Seals businesses, which account for 61% of Seals revenues, increased underlying revenues by 6% after adjusting for currency and the small bolt-on acquisition of PSP.

The HFPG Aftermarket Seals businesses increased revenues by 5% on a constant currency basis, driven by a good performance in the core Hercules business in the US and Canada and a



	2017	2016	
Revenue	£195.3m	£166.6m	+17%
Adjusted operating profit	£31.9m	£28.2m	+13%
Adjusted operating margin	16.3%	16.9%	-60bps
Free cash flow	£24.9m	£24.9m	-
ROATCE	22.8%	20.1%	+270bps

revenues by 9% in US dollar terms, as the improving trend in industrial activity seen in the second quarter, following the US election, strengthened further as the year progressed. In April 2017, J Royal relocated its operations to a newly constructed, purpose built facility in Winston-Salem, North Carolina, which was then sold and leased back to the business. At the same time, the Group acquired PSP, a small bolt-on acquisition to All Seals based in Denver, Colorado which supplies O-rings and custom rubber moulded products. In the second half of the year, a senior leadership team was established to manage this cluster of businesses in North America. While maintaining the distinct identity of the businesses and close local contact with customers, key functions including Sales, Supply Chain, Technical and Finance will be managed centrally by this team. The team has also initiated a project to implement a new ERP system to replace the disparate legacy IT systems in the businesses.

International Seals

The International Seals businesses, which account for 39% of Seals revenues, increased underlying revenues by 1% after adjusting for currency and the acquisition of Edco, with performance in the individual businesses very dependent on local market conditions.

The FPE Seals and M Seals businesses, with their principal operations in the UK, Scandinavia and the Netherlands, together delivered underlying growth of 11% in revenues on a constant currency basis. FPE Seals experienced good growth in its core UK market for Aftermarket hydraulic seals and metal cylinder parts and benefited from a recovery in demand from the Oil & Gas sector for sealing products used in Maintenance, Repair and Overhaul ("MRO") operations.

M Seals delivered good growth in revenues, with particularly strong growth in Sweden, building on its strong customer relationships and extending its activities into the Finnish market. In June 2017, M Seals completed the acquisition of Edco, a specialised distributor of O-rings, seals and gaskets based in Leicester and supplying to UK OEMs and MRO companies operating within the Oil & Gas and other process industries.

The Kentek business, with principal operations in Finland and Russia, increased revenues by 4% in Euro terms. The revenues generated in Russia, which account for ca. 65% of Kentek revenues, slowed in the second half of the year with the weakening Russian Rouble and increasing competitive pressures. However, Kentek significantly increased sales of its own-brand filters in Russia and the Baltics and achieved good growth in Finland, benefiting from a recovery in both the Aftermarket and Industrial OEM sectors.

Kubo and WCIS saw combined underlying revenues for the year reduce by 3%, with a return to modest revenue growth in the second half of the year. Kubo has been facing significant challenges in its core industrial market in Switzerland, where the strong currency has made Swiss industrial manufacturers less competitive. However, the strengthening of the Euro through the year has contributed to an increase in industrial activity in Switzerland. In Australia and New Caledonia, WCIS has been significantly impacted by cutbacks in the Mining sector and has responded by investing in additional sales resources to broaden coverage across a wider range of market sectors and territories.

Potential for growth

- Continue to gain share in Aftermarket Seals in North America through superior marketing, "Webstore" E-commerce and new products
- Build and expand the group of Industrial OEM Seals businesses in North America
- Explore opportunities more broadly in Industrial Distribution in North America
- Build larger, broader-based International Seals business in the EMEA and Asia-Pacific regions

strong recovery in the HKX attachment kit business. In the domestic US market, Hercules continues to add new products and to expand the breadth of equipment supported. The additional investment last year in sales and marketing resources had a positive impact on revenues and E-commerce continues to deliver strong year-on-year growth of ca. 20% p.a. In Canada, Hercules benefited from the strengthening Construction sector driving growth in the repair market and from good growth in the Manufacturing sector. The HKX attachment kit business increased revenues by 11% with growth particularly strong in Canada, driven by recovery in the Oil & Gas sector and strong sales of excavators ahead of new emissions regulations.

The HFPG Industrial OEM Seals businesses in North America (J Royal, RT Dygert and All Seals) increased

Controls



Highlights from the year

- Sector revenue increased by 23%; underlying increase of 14% after adjusting for currency and acquisitions
- The Interconnect businesses benefited from increased project work and delivered strong underlying growth of 8%; Cablecraft has expanded the range of products supplied and markets served
- Clarendon increased revenues by over 30%, with growth driven by increased customer demand in Civil Aerospace and Motorsport
- Fluid Controls increased revenues by 14% with upturn in refrigeration equipment sales and increased export sales in Europe and the US

Building a larger, broader-based Controls business

Sector performance

Reported revenues of the Controls businesses increased by 23% to £130.7m. Full year contributions from Cablecraft and Ascome, acquired in the first half of last year, added 6% to Sector revenues and currency movements contributed a further 3% on translation to UK sterling. On an underlying basis, after adjusting for these acquisitions and currency effects, revenues increased by 14%, with growth moderating in the second half (though still double-digit) against stronger prior year comparatives.

Adjusted operating margins increased by 70bps to 17.6%. Gross margins were broadly stable overall, with stronger margins in the Cablecraft business broadly offsetting the impact of weaker UK sterling on products purchased by the other Controls businesses. Operating costs remained tightly controlled across the businesses and improved

leverage from the increased revenue more than offset increased investment in sales resources. Adjusted operating profits increased by 28% to £23.0m.

Free cash flow increased strongly to £18.6m reflecting stronger trading, including the additional contribution from Cablecraft and despite an increase in working capital to support the growth in trading.

Interconnect

The Interconnect businesses account for 59% of Controls revenues and increased underlying revenues by 8% after adjusting for the Cablecraft and Ascome acquisitions and for currency effects.

The IS-Group continued to implement the business development programmes initiated last year, designed to position the business as the European supplier of choice for the full range of specialised



cable harnessing components. Field sales resources have been realigned to focus on sectors and customer accounts with the highest growth potential and internal sales processes have been refocused to more efficiently manage the baseline business. Further investment has also been made in broadening the product range and further developing E-commerce capabilities.

The IS-Group UK businesses reported good growth in revenues from the Industrial sector in the UK and more broadly in Europe, as the business improved its competitive position under new sales leadership, following the appointment of a sales director focused on the EMEA region. The IS-Group also benefited from regulation changes and development activity in the Formula 1 ("F1") and World Rally Championship ("WRC") Series and upgrades to the GT500 cars in Japan.

	2017	2016	
Revenue	£130.7m	£106.1m	+23%
Adjusted operating profit	£23.0m	£17.9m	+28%
Adjusted operating margin	17.6%	16.9%	+70bps
Free cash flow	£18.6m	£16.4m	+13%
ROATCE	32.2%	27.0%	+520bps

In Germany, IS-Sommer delivered solid growth in the Industrial market and with a particularly strong performance in the Space market, supplying connectors and backshells to the Meteosat Third Generation ("MTG") and Sentinel satellites. Revenues in the Medical sector also performed strongly with key medical device manufacturers managing a solid pipeline of projects on the back of new regulations. However, revenues were held back in the important Energy market where lower Utility company budgets delayed repair and maintenance of the electricity network and Motorsport revenues were impacted by the withdrawal of VW from the WRC Rally Series and Audi from the World Endurance Championship ("WEC") Series. Filcon delivered a very strong performance, with a full year contribution from the small Ascome acquisition, and boosted by major project activity from orders secured in the final quarter of the prior year from key Military Aerospace and Space customers.

Cablecraft has made a strong contribution to the Group since its acquisition in March 2016, extending the markets served by the Interconnect businesses and adding attractive ranges of own branded and manufactured products. Revenues have increased by 7% on a like-for-like basis, with good growth generated from the continued focus on end user customers, especially electrical panel builders and contractors upgrading the UK rail network. Cablecraft continues to benefit from the move by customers towards E-commerce, with online sales growing by ca. 30% in the year.

Specialty Fasteners

The Clarendon Specialty Fasteners business accounts for 18% of Controls revenues and increased revenues by over 30%. In Civil Aerospace, revenues increased strongly with the ramp up of the major business class seating programme at a key aircraft seating customer. Clarendon also had success in increasing sales to a range of other aircraft seating and cabin interiors manufacturers and their subcontractors across Europe. Good growth was achieved in Clarendon's other major market of Motorsport, where Clarendon supplies aerospace-quality fasteners to the F1 race teams, engine builders and subcontractors.

After the year end, in October 2017, Clarendon completed the acquisition of Coast Fabrication Inc. ("Coast"), a small US specialty fastener distributor based in Huntington Beach, California. Coast provides a base in the US for supporting Clarendon's current Aerospace customers as well as giving access to major fastener suppliers that principally sell to US entities.

Fluid Controls

The Hawco Group accounts for 23% of Controls revenues and increased revenues by 14%, in a market that remains highly competitive and price sensitive. Hawco reported a good upturn in activity in the UK Refrigeration Equipment market and achieved strong growth in the Contractor market. Hawco also increased its export revenues, benefiting in particular from supplying scroll compressors into a significant project with a major US retailer.

Abbeychart has continued to strengthen its relationship with the large vending machine operators in Europe and during the year supplied products to a large project to refresh a range of vending machines for a major customer in Switzerland. Abbeychart revenues also benefited from a full year of sales activity for a range of spare parts for Wurlitzer vending machines and from the introduction of a catalogue of essential spare parts for the specialist coffee market, which has offset reduced revenues from one of its larger coffee OEM customers.

Potential for growth

- In Interconnect, create a broader-based European cable harnessing business and extend product range with own-branded products
- In Specialty Fasteners, build on strong positions in Civil Aerospace and Motorsport and expand in niche industrial markets
- Continue to reposition Fluid Controls business towards growth segments of the Food & Beverage industry
- Explore opportunities outside the UK and Northern Continental Europe

Finance Review

Maintaining focus on financial strength



Nigel Lingwood, Group Finance Director

Adjusted operating margin

17.3%

Free cash flow

£55.7m

ROATCE

24.0%

The businesses returned to robust underlying revenue growth delivering 7% on a Group basis.

Robust growth in revenues and adjusted operating profit

Diploma delivered another strong performance this year, increasing revenues by 18% to £451.9m and increasing adjusted operating profit by 19% to £78.2m. The Group's reported financial results benefited from strong underlying growth, particularly in the Controls businesses, following two years of weaker end markets. The significant depreciation in UK sterling following the UK's Brexit vote on Europe led to increases

in revenues and adjusted operating profits of £34.9m and £6.3m respectively on the translation of the results of the overseas businesses, when compared with last year's average exchange rates.

The environment for completing acquisitions has been more challenging over the past 12 months and the contribution from acquisitions completed both this year and last year, net of a small disposal last year, was £8.5m (2016: £26.6m) to revenue and £2.3m (2016: £4.2m) to adjusted operating profit.

The stronger growth in underlying revenues of 7% this year helped compensate for this smaller contribution from acquired businesses. Underlying revenues are after adjusting for the contribution from businesses acquired during the year (and from the incremental impact from those acquired last year) and for the impact on the translation of the results of the overseas businesses from the significant weakening in the UK sterling exchange rate, against the currencies of the Group's overseas businesses.

Improved adjusted operating margin

The Group's adjusted operating margin improved by 10bps this year to 17.3% (2016: 17.2%) as transactional currency pressures finally eased in the Group's Healthcare businesses.

The transactional impact on the Group's adjusted operating margin from the substantial depreciation in UK sterling has been limited. The UK businesses (26% of Group revenues) have faced higher product costs from the depreciation in UK sterling, but they have generally managed to mitigate these increases by a combination of selling price increases, support from suppliers and by switching some key customer accounts into Euro or US dollar invoicing.

The operating margins in those businesses acquired in recent years have, as anticipated, also made a slightly stronger contribution to the Group this year reflecting the benefits from initiatives taken shortly after acquisition.

Increase in adjusted profit before tax and adjusted EPS

Adjusted profit before tax increased by 19% to £77.5m (2016: £64.9m). The interest expense this year was £0.7m (2016: £0.8m) which included a £0.2m (2016: £Nil) arrangement fee paid on renewal of the bank facility during the year. However interest costs on borrowings decreased by £0.3m to £0.1m this year reflecting a lower level of acquisition activity in 2017, compared with last year. The notional interest expense on the Group's defined pension liabilities increased to £0.3m (2016: £0.2m) reflecting the larger deficit in the fund this year, following the actuarial valuation completed as at 30 September 2016.

Adjusted earnings per share ("EPS") increased by 19% to 49.8p, compared with 41.9p last year and statutory basic EPS increased to 42.0p (2016: 33.9p).

Strong free cash flow

The Group again generated strong free cash flow this year of £55.7m (2016: £59.0m). Free cash flow conversion was 99% (2016: 124%) of adjusted earnings. Last year's free cash flow included exceptional proceeds of £4.6m from the sale of the Medivators business in Canada and legacy properties and from an unusually large cash inflow of £6.3m from reduced working capital. Free cash flow represents cash available to invest in acquisitions or return to shareholders.

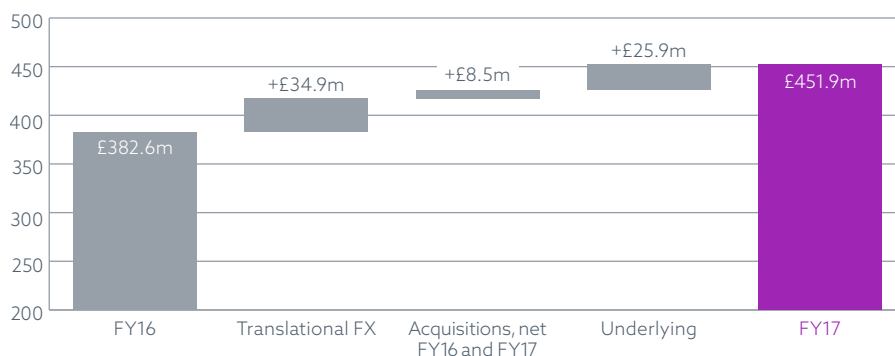
The Group's operating cash flow increased by £2.7m to £79.3m (2016: £76.6m) this year, despite a £4.0m outflow of cash into working capital. However, the Group's KPI metric of working capital to revenue at 30 September 2017 reduced to a record low of 15.0% (2016: 16.6%) reflecting much stronger revenues in the previous rolling 12 months, compared with last year.

Acquisitions completed during the year

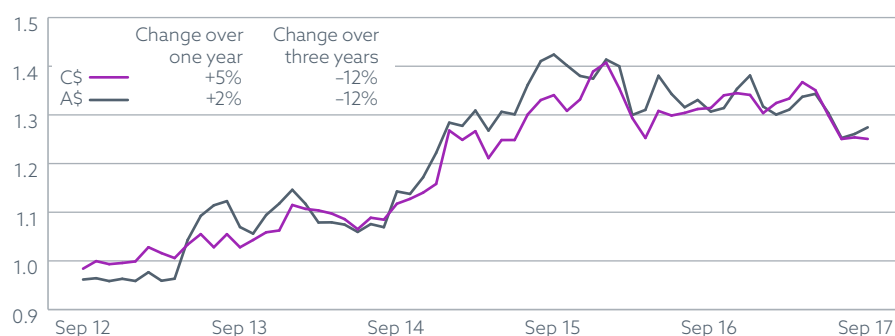
The Group invested £19.5m in acquiring new businesses this year and paid a further £0.6m of deferred consideration on a business acquired in the prior year. This compares with an aggregate of £32.7m invested last year in acquisitions, minority shareholdings and deferred consideration.

In April 2017, the Group was successful in completing the acquisition of Abacus for cash consideration of £15.0m, including debt acquired and expenses. A further £4.5m in aggregate was invested in June 2017 to acquire Edco, a small hydraulic seal distributor in the UK and in April 2017 to acquire PSP, a small supplier of specialist seals based in the US.

Revenue bridge - FY17 (£m)



Transactional impact-base currency (US\$)



GBP vs G10 currency basket securities



Value delivered to shareholders

A key metric that the Group uses to measure the overall profitability of the Group and its success in creating value for shareholders is the return on adjusted trading capital employed ("ROATCE"). At 30 September 2017, the Group ROATCE improved to 24.0% (2016: 21.1%) which reflects the strong increase in adjusted operating profits this year. Adjusted trading capital employed is defined in note 3 to the consolidated financial statements in the Annual Report & Accounts.

The Group continues to maintain a strong balance sheet with cash funds of £22.3m at 30 September 2017, compared with net cash funds of £10.6m last year. This strong balance sheet and cash flow allows the Board to pursue a progressive dividend policy which aims to increase the dividend each year broadly in line with the growth in adjusted EPS. For 2017, the Board has recommended a final dividend of 16.0p per share (2016: 13.8p) making the proposed full year dividend 23.0p (2016: 20.0p). This represents a 15% increase in the proposed full year dividend with dividend cover increasing slightly to 2.2 times (2016: 2.1 times).

Board of Directors



John Nicholas^{1,3}
Chairman

Appointed:

Joined the Board on 1 June 2013 and appointed Chairman on 21 January 2015.

Skills and experience:

A Chartered Certified Accountant with a Masters degree in Business Administration from Kingston University, London. John has a wealth of business and commercial experience and spent much of his early career in technology-focused international manufacturing and service companies involved in analytical instruments, fire protection and food processing.

He has been Group Finance Director of Kidde plc (on its demerger from Williams Holdings) and of Tate & Lyle PLC.

External appointments:

John is currently non-Executive Director and Chairman designate of Porvair plc and non-Executive Director and Chairman of the Audit Committee of Hunting PLC (until April 2018). John is Senior Independent Director of Mondi plc.



Bruce Thompson
Chief Executive Officer

Appointed:

Joined the Board in 1994 as a Group Director and appointed Chief Executive Officer in 1996.

Will retire from the Board before 30 September 2018.

Skills and experience:

Bruce started his career in the automotive industry, first as a design engineer and then in product marketing. He then spent three years in international marketing with a construction materials company, developing new markets in Europe, the Middle East and North Africa. Prior to joining Diploma, he was a Director with Arthur D Little Inc., the technology and management consulting firm, initially in the UK and then as Director of the firm's Technology Management Practice based in Cambridge, Massachusetts.

External appointments:

None.



Charles Packshaw^{1,2,3}
Senior Independent Non-Executive Director

Appointed:

Joined the Board on 1 June 2013 and appointed Senior Independent Director on 27 February 2015.

Skills and experience:

Charles has over 30 years of City experience, including 15 years at HSBC where he was Head of UK Advisory and Managing Director in HSBC's global banking business. Prior to that, he was Head of Corporate Finance at Lazard in London. Charles has been a non-Executive Director of two listed companies and he is also a Chartered Engineer.

External appointments:

Charles is a non-Executive Director of BMT Group Limited.

Executive Management Group

Bruce Thompson
Chief Executive Officer

Nigel Lingwood
Group Finance Director



Dan Brown

Joined the Group in October 2015 to take responsibility for the Group's Healthcare businesses across all international markets.



Darin Clause

Joined the Group in November 2015 to take responsibility for the Seals businesses in North America and more broadly to develop new opportunities in US Industrial Distribution.



Nigel Lingwood
Group Finance Director

Appointed:

Joined the Company in June 2001 and appointed Group Finance Director in July 2001.

Skills and experience:

Prior to joining the Company, Nigel was the Group Financial Controller at Unigate PLC where he gained experience of working in a large multinational environment and on a number of large corporate transactions. Nigel qualified as a Chartered Accountant with Price Waterhouse, London.

External appointments:

None.



Anne Thorburn^{1,2,3}
Non-Executive Director

Appointed:

Joined the Board on 7 September 2015 and appointed Chairman of the Audit Committee on 17 November 2015.

Skills and experience:

Anne was Chief Financial Officer of Exova Group plc until 30 November 2015 and has many years of experience at Board level in listed international groups. Anne was previously Group Finance Director at British Polythene Industries PLC. Anne is a member of the Institute of Chartered Accountants in Scotland.

External appointments:

None.



Andy Smith^{1,2,3}
Non-Executive Director

Appointed:

Joined the Board and appointed Chairman of the Remuneration Committee on 9 February 2015.

Skills and experience:

Andy is Managing Director, Severn Trent Business Services with responsibility for the company's non-regulated businesses. He has many years of plc Board level experience having previously served on the Boards of The Boots Company PLC as Group HR Director and Severn Trent PLC as Water Services Director. Andy is a Mechanical Engineering graduate and has significant operational and HR experience. He has worked in the UK and overseas previously with global businesses including BP, Mars and Pepsi.

External appointments:

None.

Committee membership: 1 Remuneration Committee 2 Audit Committee 3 Nomination Committee



Gustav Röber

Joined the Group in September 2004 initially as Finance Controller and then as Corporate Development Director. Now responsible for the Group's Controls and Environmental businesses.



James Routh

Joined the Group in September 2012 initially as Business Development Director and now responsible for the Group's International Seals businesses outside North America.



Stuart Bell

Joined the Group in May 2013 in the Group Finance department and appointed as Group Financial Controller in June 2015.

Five Year Record

Year ended 30 September	2017 £m	2016 £m	2015 £m	2014 £m	2013 £m
Revenue	451.9	382.6	333.8	305.8	285.5
Adjusted operating profit	78.2	65.7	60.3	56.7	54.3
Adjusted profit before tax	77.5	64.9	59.6	56.2	54.3
Fixed assets	23.3	24.7	24.0	13.9	14.7
Working capital	68.4	63.4	59.9	54.2	47.8
Goodwill and intangible assets	176.8	169.8	129.5	108.8	105.2
Investment	0.7	0.7	0.7	0.7	0.7
Reported trading capital employed	269.2	258.6	214.1	177.6	168.4
Net cash funds	22.3	10.6	3.0	21.3	19.3
Other assets/(liabilities), net	(24.7)	(31.4)	(22.3)	(11.6)	(9.4)
Net assets	266.8	237.8	194.8	187.3	178.3
Cash flow from operating activities	79.3	76.6	62.1	55.0	55.9
Free cash flow	55.7	59.0	40.3	37.8	31.6
Acquisition expenditure	(20.1)	(32.7)	(37.8)	(16.5)	(2.2)
	Pence	Pence	Pence	Pence	Pence
Adjusted earnings per share	49.8	41.9	38.2	36.1	34.8
Dividends per share	23.0	20.0	18.2	17.0	15.7
Net assets per share	235.6	210.0	172.0	165.4	157.5
	%	%	%	%	%
Adjusted operating margin	17.3	17.2	18.1	18.5	19.0
Working capital as percentage of revenue	15.0	16.6	17.0	17.2	16.7
Return on adjusted trading capital employed ("ROATCE")	24.0	21.1	23.9	25.8	25.8

The information above has been extracted from the audited Annual Report & Accounts of Diploma PLC and does not constitute statutory information. Diploma PLC uses alternative performance measures as key performance 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, trading capital employed and ROATCE, as explained in note 2 to the consolidated financial statements in the Annual Report & Accounts.

Financial Calendar and Shareholder Information

Announcements (provisional dates)

First Quarter Statement released	17 January 2018
Annual General Meeting (2017)	17 January 2018
Half Year Results announced	14 May 2018
Third Quarter Statement released	29 August 2018
Preliminary Results announced	19 November 2018
Annual Report posted to shareholders	7 December 2018
Annual General Meeting (2018)	16 January 2019

Dividends (provisional dates)

Interim announced	14 May 2018
Paid	13 June 2018
Final announced	19 November 2018
Paid (if approved)	23 January 2019

Annual Report & Accounts

Copies can be obtained from the Group Company Secretary at the address shown below.

Share Registrar – Computershare Investor Services PLC

The Company's Registrar is Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZZ. Telephone: 0870 7020010. Its 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

AJ Gallagher FCIS, Solicitor, 12 Charterhouse Square, London EC1M 6AX. Telephone: 020 7549 5700. Fax: 020 7549 5715. Registered in England and Wales, number 3899848.

Website

Diploma's website is www.diplomaplc.com.

Advisors

Investment Bankers

Lazard

50 Stratton Street
London W1J 8LL

Corporate Stockbrokers

Numis Securities

10 Paternoster Square
London EC4M 7LT

Solicitors

Ashurst LLP

Broadwalk House
5 Appold Street
London EC2A 2HA

Auditor

Deloitte LLP

2 New Street Square
London EC4A 3BZ

Bankers

Barclays Bank PLC

1 Churchill Place
London E14 5HP

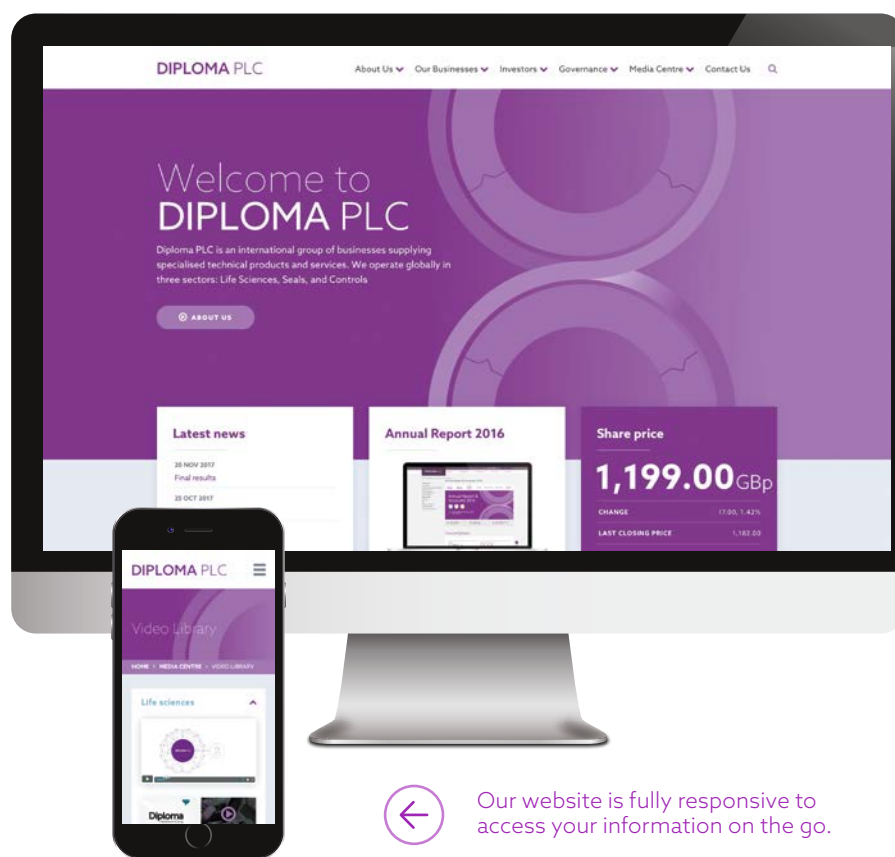
HSBC Bank plc

City Corporate Banking Centre
60 Queen Victoria Street
London EC4N 4TR

For More Information

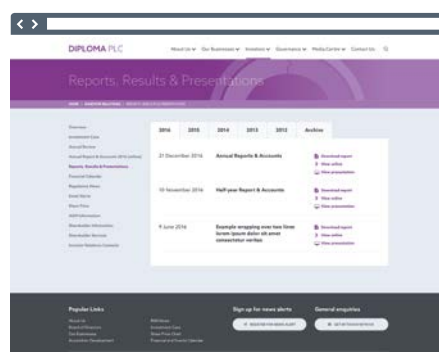
To access press releases, news, presentations and up-to-date information visit our website.

www.diplomaplc.com

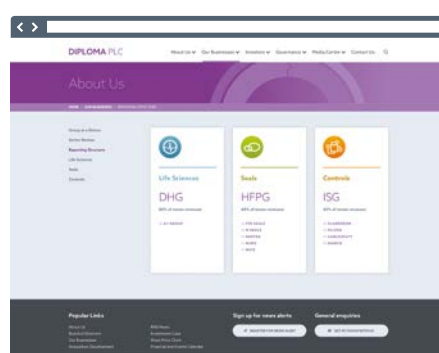


Our website is fully responsive to access your information on the go.

Access our financial results and presentations.



Find out more information about our principal businesses and links to their websites.



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