CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2022

	Note	2022 £m	2021 £m
Revenue	2,3	**1,012.8**	787.4
Cost of sales		**(638.3)**	(499.0)
Gross profit		**374.5**	288.4
Distribution costs		**(25.9)**	(23.9)
Administration costs		**(204.3)**	(160.2)
Operating profit	2	**144.3**	104.3
Financial expense, net	5	**(14.8)**	(7.7)
Profit before tax		**129.5**	96.6
Tax expense	6	**(34.1)**	(26.9)
Profit for the year		**95.4**	69.7
Attributable to:			
Shareholders of the Company		**94.7**	69.8
Minority interests	20	**0.7**	(0.1)
		95.4	69.7
Earnings per share			
Basic earnings	8	**76.1p**	56.1p
Diluted earnings	8	**75.9p**	55.9p

ALTERNATIVE PERFORMANCE MEASURES[1]

	Note	2022 £m	2021 £m
Operating profit		**144.3**	104.3
Add: Acquisition related and other charges included in administration costs	2	**46.9**	44.4
Adjusted operating profit	2,3	**191.2**	148.7
Deduct: Net interest and similar charges	5	**(11.6)**	(6.8)
Adjusted profit before tax		**179.6**	141.9
Adjusted earnings per share	8	**107.5p**	85.2p

1 The adjusted numbers set out above are non-statutory measures which are defined and reconciled in note 27 of the financial statements

The notes on pages 146 to 175 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2022

	Note	2022 £m	2021 £m
Profit for the year		**95.4**	69.7
Items that will not be reclassified to the Consolidated Income Statement			
Actuarial gain on the defined benefit pension schemes	24	**10.6**	7.4
Deferred tax on items that will not be reclassified	6,13	**(2.8)**	(0.8)
		7.8	6.6
Items that may be reclassified to the Consolidated Income Statement			
Exchange differences on translation of foreign operations		**76.8**	(16.2)
Gains on fair value of cash flow hedges	18	**4.5**	0.4
Net changes to fair value of cash flow hedges transferred to the Consolidated Income Statement	18	**(0.4)**	0.1
Deferred tax on items that may be reclassified	6,13	**(1.1)**	(0.1)
		79.8	(15.8)
Total Other Comprehensive Income		**87.6**	(9.2)

Total Comprehensive Income for the year		**183.0**	60.5
Attributable to:			
Shareholders of the Company		**182.2**	60.8
Minority interests		**0.8**	(0.3)
		183.0	60.5

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2022

	Note	Share capital £m	Share premium £m	Translation reserve £m	Hedging reserve £m	Retained earnings £m	**Shareholders' equity £m**	Minority interests £m	**Total equity £m**
At 1 October 2020		6.3	188.6	28.3	(0.3)	304.1	**527.0**	3.7	**530.7**
Total Comprehensive Income		–	–	(16.2)	0.5	76.5	**60.8**	(0.3)	**60.5**
Share-based payments	4	–	–	–	–	1.8	**1.8**	–	**1.8**
Tax on items recognised directly in equity	6	–	–	–	–	1.0	**1.0**	–	**1.0**
Notional purchase of own shares		–	–	–	–	(0.5)	**(0.5)**	–	**(0.5)**
Acquisition of business	20	–	–	–	–	–	**–**	0.9	**0.9**
Minority interest put option on acquisition		–	–	–	–	(0.9)	**(0.9)**	–	**(0.9)**
Minority interest issued		–	–	–	–	–	**–**	0.7	**0.7**
Dividends	7,20	–	–	–	–	(52.9)	**(52.9)**	(0.3)	**(53.2)**
At 30 September 2021		6.3	188.6	12.1	0.2	329.1	**536.3**	4.7	**541.0**
Total Comprehensive Income		–	–	76.7	3.0	102.5	**182.2**	0.8	**183.0**
Share-based payments	4	–	–	–	–	2.8	**2.8**	–	**2.8**
Tax on items recognised directly in equity	6	–	–	–	–	0.4	**0.4**	–	**0.4**
Notional purchase of own shares		–	–	–	–	(2.8)	**(2.8)**	–	**(2.8)**
Acquisition of business	20	–	–	–	–	–	**–**	2.5	**2.5**
Disposal of business	20	–	–	–	–	–	**–**	(1.3)	**(1.3)**
Minority interest put option on acquisition		–	–	–	–	(1.9)	**(1.9)**	–	**(1.9)**
Minority interest put option disposal		–	–	–	–	1.2	**1.2**	–	**1.2**
Minority interest acquired	20	–	–	–	–	–	**–**	(0.3)	**(0.3)**
Dividends	7,20	–	–	–	–	(56.2)	**(56.2)**	(0.2)	**(56.4)**
At 30 September 2022		**6.3**	**188.6**	**88.8**	**3.2**	**375.1**	**662.0**	**6.2**	**668.2**

The notes on pages 146 to 175 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2022

	Note	2022 £m	2021 £m
Non-current assets			
Goodwill	9	**372.3**	260.7
Acquisition intangible assets	10	**455.0**	344.9
Other intangible assets	10	**4.1**	3.4
Property, plant and equipment	11	**49.6**	35.4
Leases – right-of-use assets	12	**62.4**	44.9
Retirement benefit assets	24	**6.4**	–
Deferred tax assets	13	**0.2**	0.4
		950.0	689.7
Current assets			
Inventories	14	**217.4**	139.8
Trade and other receivables	15	**169.9**	117.8
Assets held for sale	15	**–**	11.3
Cash and cash equivalents	17	**41.7**	24.8
		429.0	293.7
Current liabilities			
Borrowings	23	**(30.5)**	(18.0)
Trade and other payables	16	**(189.5)**	(127.0)
Current tax liabilities	6	**(11.8)**	(10.0)
Other liabilities	19	**(19.0)**	(11.7)
Lease liabilities	12	**(12.7)**	(9.7)
		(263.5)	(176.4)
Net current assets		**165.5**	117.3
Total assets less current liabilities		**1,115.5**	807.0
Non-current liabilities			
Retirement benefit obligations	24	**–**	(4.9)
Borrowings	23	**(340.1)**	(188.2)
Lease liabilities	12	**(56.4)**	(38.6)
Other liabilities	19	**(12.4)**	(12.0)
Deferred tax liabilities	13	**(38.4)**	(22.3)
Net assets		**668.2**	541.0
Equity			
Share capital		**6.3**	6.3
Share premium		**188.6**	188.6
Translation reserve		**88.8**	12.1
Hedging reserve		**3.2**	0.2
Retained earnings		**375.1**	329.1
Total shareholders' equity		**662.0**	536.3
Minority interests	20	**6.2**	4.7
Total equity		**668.2**	541.0

The consolidated financial statements on pages 142 to 175 were approved by the Board of Directors on 21 November 2022 and signed on its behalf by:

JD Thomson
Chief Executive Officer

C Davies
Chief Financial Officer

The notes on pages 146 to 175 form part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2022

	Note	2022 £m	2021 £m
Operating profit		**144.3**	104.3
Acquisition related and other charges		**46.9**	44.4
Non-cash items and other		**18.1**	9.8
Increase in working capital		**(28.7)**	(12.6)
Cash flow from operating activities	22	**180.6**	145.9
Interest paid, net (including borrowing fees)		**(15.0)**	(5.6)
Tax paid		**(40.6)**	(24.2)
Net cash from operating activities		**125.0**	116.1
Cash flow from investing activities			
Acquisition of businesses (net of cash acquired)	21	**(173.0)**	(451.4)
Deferred consideration paid	19	**(7.1)**	(6.6)
Proceeds from sale of business (net of cash disposed)		**13.7**	11.0
Purchase of property, plant and equipment	11	**(14.3)**	(4.9)
Purchase of other intangible assets		**(1.1)**	(1.3)
Proceeds from sale of property, plant and equipment		**9.9**	4.8
Net cash used in investing activities		**(171.9)**	(448.4)
Cash flow from financing activities			
Proceeds from issue of share capital (net of fees)		**–**	(0.6)
Dividends paid to shareholders	7	**(56.2)**	(52.9)
Dividends paid to minority interests	20	**(0.2)**	(0.3)
Proceeds from minority interests	20	**–**	0.7
Acquisition of minority interests	20	**(0.3)**	–
Purchase of own shares by Employee Benefit Trust		**–**	–
Notional purchase of own shares on exercise of share options		**(2.8)**	(0.6)
Proceeds from borrowings	23	**154.8**	215.3
Repayment of borrowings	23	**(20.0)**	(12.4)
Principal elements of lease payments		**(10.9)**	(9.5)
Net cash from financing activities		**64.4**	139.7
Net increase/(decrease) in cash and cash equivalents		**17.5**	(192.6)
Cash and cash equivalents at beginning of year		**24.8**	206.8
Effect of exchange rates on cash and cash equivalents		**(0.6)**	10.6
Cash and cash equivalents at end of year	17	**41.7**	24.8

ALTERNATIVE PERFORMANCE MEASURES[1]

	Note	2022 £m	2021 £m
Free cash flow	27	**120.4**	108.8
Adjusted earnings	27	**133.9**	106.1
Free cash flow conversion %	27	**90%**	103%

1 The adjusted numbers set out above are non-statutory measures which are defined and reconciled in note 27 of the financial statements

1. General information
Diploma PLC is a public company limited by shares incorporated in the United Kingdom, registered and domiciled in England and Wales and listed on the London Stock Exchange. The address of the registered office is 10-11 Charterhouse Square, London EC1M 6EE. The consolidated financial statements comprise the Company and its subsidiaries (together referred to as 'the Group') and were authorised by the Directors for publication on 21 November 2022. These statements are presented in UK sterling, with all values rounded to the nearest 100,000, except where otherwise indicated.

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. Diploma PLC transitioned to UK-adopted International Accounting Standards in its consolidated financial statements on 1 October 2021. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework.

The consolidated financial statements of the Group have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. The financial statements of the Parent Company, Diploma PLC, have been prepared in accordance with FRS 101 (Reduced Disclosure Framework) and are set out in a separate section of the Annual Report & Accounts on pages 176 to 178. A full list of subsidiary and other related undertakings is set out on pages 187 to 189.

2. Business Sector analysis
The Chief Operating Decision Maker (CODM) for the purposes of IFRS 8 is the CEO. The financial performance of the business Sectors is reported to the CODM on a monthly basis and this information is used to allocate resources on an appropriate basis.

For management reporting purposes, the Group is organised into three main reportable business Sectors: Life Sciences, Seals and Controls. These Sectors are the Group's operating segments as defined by IFRS 8 and form the basis of the primary reporting format disclosures below. The CODM reviews discrete financial information at this operating segment level. The principal activities of each of these Sectors are described in the Strategic Report on pages 60 to 71. 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.

Sector assets exclude cash and cash equivalents, deferred tax assets, retirement benefit assets, acquisition related assets and corporate assets that cannot be allocated on a reasonable basis to a business Sector. Sector liabilities exclude borrowings (other than lease liabilities), retirement benefit obligations, deferred tax liabilities, acquisition related liabilities and corporate liabilities that cannot be allocated on a reasonable basis to a business Sector. These items are shown collectively in the following analysis as 'unallocated assets' and 'unallocated liabilities', respectively.

	Life Sciences		Seals		Controls		Corporate		Group	
	2022 £m	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m
Revenue – existing	**178.0**	180.4	**294.4**	263.7	**481.9**	343.3	**–**	–	**954.3**	787.4
Revenue – acquisitions	**10.6**	–	**37.0**	–	**10.9**	–	**–**	–	**58.5**	–
Revenue	**188.6**	180.4	**331.4**	263.7	**492.8**	343.3	**–**	–	**1,012.8**	787.4
Adjusted operating profit – existing	**39.7**	43.2	**57.0**	46.5	**104.0**	72.4	**(18.2)**	(13.4)	**182.5**	148.7
Adjusted operating profit – acquisitions	**1.3**	–	**5.6**	–	**1.8**	–	**–**	–	**8.7**	–
Adjusted operating profit	**41.0**	43.2	**62.6**	46.5	**105.8**	72.4	**(18.2)**	(13.4)	**191.2**	148.7
Acquisition related and other charges	**1.5**	(4.6)	**(16.6)**	(9.7)	**(30.5)**	(30.1)	**(1.3)**	–	**(46.9)**	(44.4)
Operating profit	**42.5**	38.6	**46.0**	36.8	**75.3**	42.3	**(19.5)**	(13.4)	**144.3**	104.3
Operating assets	**74.0**	51.2	**207.5**	134.4	**211.5**	164.8	**–**	–	**493.0**	350.4
Goodwill	**106.2**	81.4	**125.2**	60.0	**140.9**	119.3	**–**	–	**372.3**	260.7
Acquisition intangible assets	**74.9**	47.2	**100.2**	50.4	**279.9**	247.3	**–**	–	**455.0**	344.9
	255.1	179.8	**432.9**	244.8	**632.3**	531.4	**–**	–	**1,320.3**	956.0
Unallocated assets:										
– Deferred tax assets							**0.2**	0.4	**0.2**	0.4
– Cash and cash equivalents							**41.7**	24.8	**41.7**	24.8
– Acquisition related assets							**1.8**	–	**1.8**	–
– Retirement benefit assets							**6.4**	–	**6.4**	–
– Corporate assets							**8.6**	2.2	**8.6**	2.2
Total assets	**255.1**	179.8	**432.9**	244.8	**632.3**	531.4	**58.7**	27.4	**1,379.0**	983.4
Operating liabilities	**(41.7)**	(30.2)	**(103.3)**	(58.4)	**(92.6)**	(68.1)	**–**	–	**(237.6)**	(156.7)
Unallocated liabilities:										
– Deferred tax liabilities							**(38.4)**	(22.3)	**(38.4)**	(22.3)
– Retirement benefit obligations							**–**	(4.9)	**–**	(4.9)
– Acquisition related liabilities							**(31.4)**	(23.7)	**(31.4)**	(23.7)
– Corporate liabilities							**(32.8)**	(28.6)	**(32.8)**	(28.6)
– Borrowings							**(370.6)**	(206.2)	**(370.6)**	(206.2)
Total liabilities	**(41.7)**	(30.2)	**(103.3)**	(58.4)	**(92.6)**	(68.1)	**(473.2)**	(285.7)	**(710.8)**	(442.4)
Net assets	**213.4**	149.6	**329.6**	186.4	**539.7**	463.3	**(414.5)**	(258.3)	**668.2**	541.0

Acquisition related and other charges are £46.9m (2021: £44.4m) and comprise £42.4m (2021: £33.1m) of amortisation of acquisition intangible assets, £10.5m of acquisition expenses as defined in note 27 (2021: £9.7m), a £7.3m (2021: £1.6m net charge) net gain on the disposal of businesses, which is set out in note 21, and one-off restructuring costs of £1.3m associated with the transition of the Group's Chief Financial Officer.

Other Sector information

	Life Sciences		Seals		Controls		Corporate		Group	
	2022 £m	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m
Capital expenditure	**8.0**	2.3	**3.7**	2.5	**2.7**	1.1	**0.9**	0.3	**15.3**	6.2
Depreciation and amortisation	**2.9**	2.6	**3.5**	2.9	**4.6**	4.1	**0.2**	0.3	**11.2**	9.9
Revenue recognition										
– immediately on sale	**176.4**	164.2	**315.6**	260.1	**492.8**	343.3	**–**	–	**984.8**	767.6
– over a period of time	**12.2**	16.2	**15.8**	3.6	**–**	–	**–**	–	**28.0**	19.8
	188.6	180.4	**331.4**	263.7	**492.8**	343.3	**–**	–	**1,012.8**	787.4

Accrued income ('contract assets') at 30 September 2022 of £0.1m (2021: £0.8m) and deferred revenue ('contract liabilities') of £3.5m at 30 September 2022 (2021: £2.5m) are included in trade and other receivables (note 15) and trade and other payables (note 16), respectively.

3. Geographic segment analysis by origin

	Revenue		Adjusted operating profit		Non-current assets[1]		Trading capital employed		Capital expenditure	
	2022 £m	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m
United Kingdom	**209.7**	142.5	**21.0**	10.5	**193.6**	82.5	**202.2**	83.4	**3.4**	0.5
Rest of Europe	**166.7**	166.5	**29.3**	31.9	**169.1**	115.3	**179.8**	140.3	**1.7**	0.8
North America	**561.0**	411.8	**129.5**	94.7	**519.2**	443.7	**614.2**	496.1	**8.9**	4.1
Rest of world	**75.4**	66.6	**11.4**	11.6	**57.1**	47.8	**62.3**	53.1	**1.3**	0.8
	1,012.8	787.4	**191.2**	148.7	**939.0**	689.3	**1,058.5**	772.9	**15.3**	6.2

1 Non-current assets excludes deferred tax assets, derivative assets and the retirement benefit asset.

4. Group employee costs
Average number of employees

	2022	2021
Life Sciences	**423**	453
Seals	**1,174**	1,055
Controls	**981**	831
Corporate	**36**	31
Number of employees – average	**2,614**	2,370
Number of employees – year end	**2,909**	2,498

Group employee costs, including key management

	2022 £m	2021 £m
Wages and salaries	**154.8**	119.1
Social security costs	**13.3**	10.5
Other pension costs	**6.6**	5.5
Share-based payments	**2.8**	1.8
	177.5	136.9

Key management short-term remuneration, including Directors

	2022 £m	2021 £m
Salaries and short-term employee benefits	**5.0**	5.4
Compensation to directors for loss of office	**0.4**	–
Pension costs	**0.2**	0.2
Share-based payments	**2.4**	1.8
	8.0	7.4

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

The Executive Directors' remuneration and their interests in shares of the Company are given on pages 114 to 138 in the Remuneration Committee Report. The charge for share-based payments of £2.4m (2021: £1.8m) relates to the Group's PSP, described in the Remuneration Committee Report.

Directors' short-term remuneration

	2022 £m	2021 £m
Non-Executive Directors	**0.5**	0.4
Executive Directors	**2.6**	2.5
	3.1	2.9

5. Financial expense, net

	2022 £m	2021 £m
Interest (expense)/income and similar charges		
– bank facility and commitment fees	**(1.0)**	(0.5)
– interest income on short term deposits	**0.1**	–
– interest expense on bank borrowings	**(7.9)**	(4.1)
– notional interest expense on the defined benefit pension scheme (note 24)	**–**	(0.1)
– amortisation of capitalised borrowing fees	**(0.2)**	(0.3)
– interest on lease liabilities	**(2.6)**	(1.8)
Net interest expense and similar charges	**(11.6)**	(6.8)
– acquisition related finance charges	**(3.2)**	(0.9)
Financial expense, net	**(14.8)**	(7.7)

Acquisition related finance charges includes fair value remeasurements of put options for future minority purchases of £1.4m debit (2021: £0.1m debit), unwind of discount on acquisition liabilities of £0.4m debit (2021: £nil), and £1.4m debit (2021: £0.8m debit) for the amortisation of capitalised borrowing fees on acquisition related borrowings.

6. Tax expense

	2022 £m	2021 £m
Current tax		
The tax charge is based on the profit for the year and comprises:		
UK corporation tax	**10.0**	5.5
Overseas tax	**30.8**	21.5
	40.8	27.0
Adjustments in respect of prior year:		
UK corporation tax	**(0.2)**	2.1
Overseas tax	**0.1**	0.5
Total current tax	**40.7**	29.6
Deferred tax		
The net deferred tax credit based on the origination and reversal of timing differences comprises:		
United Kingdom	**(3.1)**	(1.9)
Overseas	**(3.5)**	(0.8)
Total deferred tax	**(6.6)**	(2.7)
Total tax on profit for the year	**34.1**	26.9

In addition to the above credit for deferred tax included in the Consolidated Income Statement, a net deferred tax charge relating to the retirement benefit scheme and cash flow hedges of £3.9m was debited (2021: £0.9m debit) to the Consolidated Statement of Comprehensive Income. A further £0.4m was credited (2021: £1.0m credit) to the Consolidated Statement of Changes in Equity, comprising current tax of £0.4m (2021: £0.8m) with nil deferred tax in the current year (2021: £0.2m), the prior year relates to share-based payments.

Factors affecting the tax charge for the year

The difference between the total tax charge calculated by applying the effective rate of UK corporation tax of 19.0% to the profit before tax of £129.5m and the amount set out above is as follows:

	2022 £m	2021 £m
Profit before tax	**129.5**	96.6
Tax on profit at UK effective corporation tax rate of 19.0% (2021: 19.0%)	**24.6**	18.4
Effects of:		
– higher tax rates on overseas earnings	**6.7**	4.7
– adjustments in respect of prior years	**(0.1)**	2.6
– change to future tax rate in the United Kingdom	**–**	0.5
– other permanent differences	**2.9**	0.7
Total tax on profit for the year	**34.1**	26.9

The Group earns its profits in the UK and overseas. The Group prepares its consolidated financial statements for the year to 30 September and the statutory tax rate for UK corporation tax in respect of the year ended 30 September 2022 was 19.0% (2021: 19.0%) and this rate has been used for tax on profit in the above reconciliation.

The Group's net overseas tax rate is higher than that in the UK, primarily because profits earned in the US, Canada, Germany and Australia are taxed at higher rates than the UK. The UK deferred tax assets and liabilities at 30 September 2022 have been calculated by reference to the future UK corporation tax rate of 25.0% (2021: 25.0%), as substantively enacted to be effective from 1 April 2023.

At 30 September 2022, the Group had outstanding tax liabilities of £11.8m (2021: £10.0m) of which £1.9m (2021: £2.7m) related to UK tax liabilities and £9.9m (2021: £7.3m) related to overseas tax liabilities. These amounts are expected to be paid within the next financial year.

During 2021, the OECD published a framework for the introduction of a global minimum effective tax rate of 15%, applicable to large multinational groups. On 20 July 2022, HM Treasury released draft legislation to implement these 'Pillar 2' rules with effect for accounting periods beginning on or after 31 December 2023. The Group is reviewing these draft rules to understand any potential impact.

7. Dividends

	2022 pence per share	2021 pence per share	2022 £m	2021 £m
Interim dividend, paid in June	**15.0**	12.5	**18.7**	15.6
Final dividend of the prior year, paid in February	**30.1**	30.0	**37.5**	37.3
	45.1	42.5	**56.2**	52.9

The Directors have proposed a final dividend in respect of the current year of 38.8p per share (2021: 30.1p), which will be paid on 3 February 2023 subject to approval by shareholders at the Annual General Meeting (AGM) on 18 January 2023. The total dividend for the current year, subject to approval of the final dividend, will be 53.8p per share (2021: 42.6p).

The Diploma PLC Employee Benefit Trust holds 71,033 (2021: 90,640) shares, which are ineligible for dividends.

8. Earnings per share

Basic and diluted 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 year of 124,533,060 (2021: 124,468,210) and the profit for the year attributable to shareholders of £94.7m (2021: £69.8m). Basic earnings per share is 76.1p (2021: 56.1p). Diluted earnings per share is 75.9p (2021: 55.9p) and is based on the average number of ordinary shares (which includes any potentially dilutive shares) of 124,855,007 (2021: 124,794,473).

Further description of the Company's share capital is set out in note (e) to the Parent Company Financial Statements on page 178.

Adjusted earnings per share

Adjusted EPS, which is defined in note 27, is 107.5p (2021: 85.2p).

	2022 pence per share	2021 pence per share	2022 £m	2021 £m
Profit before tax			**129.5**	96.6
Tax expense			**(34.1)**	(26.9)
Minority interests			**(0.7)**	0.1
Earnings for the year attributable to shareholders of the Company	**76.1**	56.1	**94.7**	69.8
Acquisition related and other charges and acquisition related finance charges, net of tax	**31.4**	29.1	**39.2**	36.3
Adjusted earnings	**107.5**	85.2	**133.9**	106.1

9. Goodwill

	Life Sciences £m	Seals £m	Controls £m	Total £m
At 30 September 2020	62.0	60.5	36.5	**159.0**
Acquisitions	24.1	6.8	86.7	**117.6**
Disposals	(3.8)	–	–	**(3.8)**
Reclassification to held for sale	–	(4.7)	–	**(4.7)**
Exchange adjustments	(0.9)	(2.6)	(3.9)	**(7.4)**
At 30 September 2021	81.4	60.0	119.3	**260.7**
Acquisitions	19.0	56.8	5.2	**81.0**
Exchange adjustments	5.8	8.4	16.4	**30.6**
At 30 September 2022	106.2	125.2	140.9	**372.3**

The Group tests goodwill for impairment at least once a year. For the purposes of impairment testing, goodwill is allocated to each of the Group's three cash-generating units (CGUs), which are the three operating Sectors: Life Sciences; Seals; and Controls. This represents the lowest level within the Group at which goodwill is monitored by management and reflects the Group's strategy of acquiring businesses to drive synergies across a Sector, rather than within an individual business. The impairment test requires a 'value in use' valuation to be prepared for each Sector using discounted cash flow forecasts. The cash flow forecasts are based on a combination of annual budgets prepared by each business and the Group's strategic plan.

The key assumptions used to prepare the cash flow forecasts relate to operating margins, revenue growth rates, working capital movements and the discount rate and climate related risks (based on an initial high level assessment which will be further refined in FY 2023). The operating margins are assumed to remain sustainable, which is supported by historical experience; revenue growth rates generally approximate to the average rates for the markets in which the business operates, unless there are particular factors relevant to a business, such as start-ups; working capital movements are projected to remain consistent as a percentage of revenue. The cash flow forecasts use the budgeted figures for 2023, and then the three-year strategy cash flows for the next two years. From year four onwards a long-term growth rate of 2% is utilised.

The cash flow forecasts are discounted to determine a current valuation using market derived pre-tax discount rates; Life Sciences 13.9% (2021: 10.6%), Seals 13.8% (2021: 11.3%) and Controls 13.8% (2021: 11.7%). These rates are based on the characteristics of lower risk, non-technically driven, distribution businesses operating generally in well-developed markets and geographies and with robust capital structures.

Based on the criteria set out above, no impairment in the value of goodwill in the CGUs was identified.

The Directors have also carried out sensitivity analysis on the key assumptions noted above to determine whether a 'reasonably possible adverse change' in any of these assumptions would result in an impairment of goodwill. The analysis indicates that a 'reasonably possible adverse change' would not give rise to an impairment charge to goodwill in any of the three CGUs.

10. Acquisition and other intangible assets

	Customer relationships £m	Supplier relationships £m	Trade names, brands and databases £m	**Total acquisition intangible assets £m**	**Other intangible assets £m**
Cost					
At 1 October 2020	150.8	29.5	2.9	**183.2**	**7.6**
Additions	–	–	–	**–**	**1.4**
Acquisitions	264.4	1.0	41.4	**306.8**	**0.2**
Disposals	(1.5)	(1.0)	(1.1)	**(3.6)**	**(0.9)**
Reclassification to held for sale	(6.9)	–	–	**(6.9)**	**(0.4)**
Exchange adjustments	(14.4)	(0.7)	(1.7)	**(16.8)**	**(0.3)**
At 30 September 2021	392.4	28.8	41.5	**462.7**	**7.6**
Additions	–	–	–	**–**	**1.0**
Acquisitions	96.2	–	3.7	**99.9**	**0.8**
Disposals	–	–	–	**–**	**(1.1)**
Exchange adjustments	59.3	2.1	8.5	**69.9**	**1.0**
At 30 September 2022	**547.9**	**30.9**	**53.7**	**632.5**	**9.3**
Amortisation					
At 1 October 2020	72.4	20.7	2.9	**96.0**	**4.6**
Acquisitions	14.6	–	4.1	**18.7**	**–**
Charge for the year	12.7	1.7	–	**14.4**	**0.7**
Disposals	(1.5)	(1.0)	(1.1)	**(3.6)**	**(0.7)**
Reclassification to held for sale	(5.4)	–	–	**(5.4)**	**(0.1)**
Exchange adjustments	(2.0)	(0.3)	–	**(2.3)**	**(0.3)**
At 30 September 2021	90.8	21.1	5.9	**117.8**	**4.2**
Acquisitions	3.6	–	0.4	**4.0**	**–**
Charge for the year	32.0	1.8	4.6	**38.4**	**0.8**
Disposals	–	–	–	**–**	**(0.4)**
Exchange adjustments	13.7	1.7	1.9	**17.3**	**0.6**
At 30 September 2022	**140.1**	**24.6**	**12.8**	**177.5**	**5.2**
Net book value					
At 30 September 2022	**407.8**	**6.3**	**40.9**	**455.0**	**4.1**
At 30 September 2021	301.6	7.7	35.6	344.9	3.4

Acquisition intangible assets relate to items acquired through business combinations which are fair-valued and amortised over their useful economic lives.

	Economic life
Customer relationships	5–15 years
Supplier relationships	8–10 years
Trade names, brands and databases	5–11 years

Customer relationships principally relate to: Windy City Wire (£193.0m – 14 years useful life remaining), R&G (£43.9m – 15 years useful life remaining) and VSP (£30.5m – 7 years useful life remaining). Trade names and brands mainly relates to Windy City Wire (£32.4m – 10 years useful life remaining).

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

11. Property, plant and equipment

	Freehold properties £m	Leasehold properties £m	Plant and equipment £m	Hospital field equipment £m	**Total £m**
Cost					
At 1 October 2020	13.8	5.4	32.3	11.8	**63.3**
Additions	–	0.5	2.4	2.0	**4.9**
Acquisitions of businesses	–	2.3	19.1	0.4	**21.8**
Disposals	(3.3)	(0.2)	(2.7)	(1.4)	**(7.6)**
Reclassification to held for sale	(8.0)	–	(2.6)	–	**(10.6)**
Exchange adjustments	(0.6)	(0.2)	(1.6)	–	**(2.4)**
At 30 September 2021	1.9	7.8	46.9	12.8	**69.4**
Additions	–	2.2	5.3	6.8	**14.3**
Acquisitions of businesses (note 21)	1.5	2.5	2.7	–	**6.7**
Disposals	–	(0.4)	(3.2)	(1.4)	**(5.0)**
Exchange adjustments	0.2	1.1	9.5	1.5	**12.3**
At 30 September 2022	**3.6**	**13.2**	**61.2**	**19.7**	**97.7**
Depreciation					
At 1 October 2020	5.3	3.0	20.8	6.3	**35.4**
Charge for the year	0.4	1.1	5.9	1.8	**9.2**
Disposals	(1.6)	(0.1)	(2.6)	(1.2)	**(5.5)**
Reclassifications to held for sale	(3.0)	–	(1.5)	–	**(4.5)**
Exchange adjustments	(0.2)	–	(0.3)	(0.1)	**(0.6)**
At 30 September 2021	0.9	4.0	22.3	6.8	**34.0**
Charge for the year	0.1	1.0	7.1	2.2	**10.4**
Disposals	–	(0.3)	(2.7)	(0.7)	**(3.7)**
Exchange adjustments	0.1	0.5	6.0	0.8	**7.4**
At 30 September 2022	**1.1**	**5.2**	**32.7**	**9.1**	**48.1**
Net book value					
At 30 September 2022	**2.5**	**8.0**	**28.5**	**10.6**	**49.6**
At 30 September 2021	1.0	3.8	24.6	6.0	35.4

Land included within freehold properties above which is not depreciated is £2.7m (2021: £2.7m). Capital commitments contracted, but not provided, were £0.2m (2021: £0.8m).

Freehold properties include ca. 150 acres of land at Stamford (the Stamford Land) that comprises mostly farm land and former quarry land. The Group has entered into a Promotion and Option Agreement with Larkfleet Limited (Larkfleet) in respect of the Stamford Land. Under the terms of the Agreement, Larkfleet promotes the site through the planning system. If satisfactory planning permission is granted, Larkfleet has an option to purchase up to 60% of the residential development land. The remaining land will be sold by the Group on the open market at a time of its choosing.

The initial planning promotion period is six years, but this can be extended by Larkfleet to ten years if they pay an extension fee. If planning permission has been granted, the Agreement extends for up to ten years to allow for marketing and disposal of all of the land benefiting from planning permission to be completed.

The Stamford Land falls within the Stamford North Urban Extension (SNUE) proposal which sits within the local authority areas of South Kesteven District Council (SKDC) in Lincolnshire and Rutland County Council (RCC). The SNUE is a major allocation within the SKDC Adopted Local Plan and is a proposed major allocation within the RCC Draft Local Plan, which is currently at the Regulation 19 stage. Various planning applications in respect of the Stamford Land have been submitted in the second half of FY 2021 and during the current year, and we are awaiting formal notification of any further developments.

In the Directors' opinion, the current fair value of its land at 30 September 2022 is £1.0m (2021: £1.0m) with a book value of £nil (2021: £nil).

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

Right-of-use assets

	Land & buildings £m	Plant & machinery £m	Motor vehicles £m	IT & office equipment £m	**Total £m**
Cost					
At 1 October 2020	34.3	0.5	3.3	0.8	**38.9**
Additions	24.9	0.1	1.6	0.3	**26.9**
Disposals	(2.2)	–	(0.4)	–	**(2.6)**
Reclassification to held for sale	(0.7)	–	(0.2)	–	**(0.9)**
Exchange adjustments	(0.6)	–	(0.1)	–	**(0.7)**
At 30 September 2021	55.7	0.6	4.2	1.1	**61.6**
Additions	19.8	0.2	4.9	0.5	**25.4**
Disposals	(1.1)	–	(0.9)	–	**(2.0)**
Exchange adjustments	6.7	–	0.1	0.1	**6.9**
At 30 September 2022	**81.1**	**0.8**	**8.3**	**1.7**	**91.9**
Depreciation					
At 1 October 2020	5.8	0.1	1.2	0.2	**7.3**
Charge for the year	9.0	0.1	1.4	0.3	**10.8**
Disposals	(0.6)	–	(0.2)	–	**(0.8)**
Reclassification to held for sale	(0.4)	–	(0.1)	–	**(0.5)**
Exchange adjustments	(0.1)	–	–	–	**(0.1)**
At 30 September 2021	13.7	0.2	2.3	0.5	**16.7**
Charge for the year	10.7	0.1	1.5	0.4	**12.7**
Disposals	(0.5)	–	(0.8)	–	**(1.3)**
Exchange adjustments	1.4	–	–	–	**1.4**
At 30 September 2022	**25.3**	**0.3**	**3.0**	**0.9**	**29.5**
Net book value					
At 30 September 2022	**55.8**	**0.5**	**5.3**	**0.8**	**62.4**
At 30 September 2021	42.0	0.4	1.9	0.6	44.9

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

During the year, a property in Switzerland was sold and leased back as part of the Group's operational strategy on a lease of 15 years. Cash proceeds of £9.6m have been received and a gain of £1.5m has been recognised within administration costs.

Lease liabilities

The movement on the lease liability is set out below:

	2022 £m	2021 £m
At 1 October	**48.3**	33.7
Additions	**26.6**	26.9
Disposals	**(0.9)**	(1.9)
Lease repayments	**(13.5)**	(11.3)
Interest on lease liabilities	**2.6**	1.8
Reclassifications to held for sale	**–**	(0.3)
Exchange movements	**6.0**	(0.6)
At 30 September	**69.1**	48.3

Analysed as:	**£m**	£m
Repayable within one year	**12.7**	9.7
Repayable after one year	**56.4**	38.6

Leases of low-value assets and short-term leases are accounted for applying paragraph 6 of IFRS 16. Lease costs of £2.0m (2021: £2.4m) in respect of low-value assets, short-term leases, and variable lease payments not included in the measurement of lease liabilities have been recognised within administration costs. The total cash outflow in respect of leases was £15.5m (2021: £13.7m).

13. Deferred tax

The movement on deferred tax is as follows:

	2022 £m	2021 £m
At 1 October	**(21.9)**	(7.9)
Credit for the year (note 6)	**6.6**	2.7
Acquisitions, disposals and transfers to assets held for sale	**(17.6)**	(16.6)
Accounted for in Other Comprehensive Income or directly in Equity	**(3.9)**	(0.7)
Exchange adjustments	**(1.4)**	0.6
At 30 September	**(38.2)**	(21.9)

Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances on a net basis.

	Assets		Liabilities		Net	
	2022 £m	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m
Property, plant and equipment	**0.1**	0.4	**(5.8)**	(5.8)	**(5.7)**	(5.4)
Goodwill and intangible assets	**–**	–	**(42.0)**	(26.6)	**(42.0)**	(26.6)
Retirement benefit assets/obligations	**–**	2.2	**(1.0)**	–	**(1.0)**	2.2
Inventories	**3.1**	2.8	**(0.1)**	(0.2)	**3.0**	2.6
Share-based payments	**1.4**	1.1	**–**	–	**1.4**	1.1
Trading losses	**–**	–	**–**	–	**–**	–
Leases	**1.2**	0.8	**–**	–	**1.2**	0.8
Other temporary differences	**5.1**	3.7	**(0.2)**	(0.3)	**4.9**	3.4
	10.9	11.0	**(49.1)**	(32.9)	**(38.2)**	(21.9)
Deferred tax offset	**(10.7)**	(10.6)	**10.7**	10.6	**–**	–
	0.2	0.4	**(38.4)**	(22.3)	**(38.2)**	(21.9)

No deferred tax has been provided on unremitted earnings of overseas Group companies as the Group controls the dividend policies of its subsidiaries. Unremitted earnings may be liable to overseas withholding tax (after allowing for double taxation relief) if they were to be distributed as dividends. The aggregate amount for which deferred tax has not been recognised in respect of unremitted earnings from overseas businesses of £184.9m (2021: £157.3m) was £9.3m (2021: £8.0m).

14. Inventories

	2022 £m	2021 £m
Finished goods	**217.4**	139.8

Inventories are stated net of impairment provisions of £24.3m (2021: £15.8m). During the year £4.0m (2021: £2.0m) was recognised as a charge against cost of sales, comprising the write-down of inventories to net realisable value.

15. Trade and other receivables and assets held for sale

	2022 £m	2021 £m
Trade receivables	**158.9**	112.0
Less: loss allowance	**(7.2)**	(3.6)
	151.7	108.4
Other receivables	**9.8**	3.6
Prepayments and accrued income	**8.4**	5.8
	169.9	117.8

Assets held for sale

There were no assets held for sale at 30 September 2022 (2021: £11.3m). Assets held for sale at 30 September 2021 comprised one operating facility whereby the freehold property was sold and leased back to the business during the year and the Group's 90% investment in Kentek Oy, which was disposed of during the year, as explained in note 21.

The maximum exposure to credit risk for trade receivables at 30 September, by currency, was:

	2022 £m	2021 £m
UK sterling	**41.3**	26.3
US dollars	**70.1**	48.4
Canadian dollars	**12.6**	8.9
Euros	**18.0**	11.4
Other	**16.9**	17.0
	158.9	112.0

Trade receivables, before loss allowance, are analysed as follows:

	2022 £m	2021 £m
Not past due	**124.9**	92.9
Past due	**26.8**	15.5
Receivables impaired	**7.2**	3.6
	158.9	112.0

The ageing of trade receivables classified as past due, but not impaired, is as follows:

	2022 £m	2021 £m
Up to one month past due	**20.7**	12.4
Between one and two months past due	**4.5**	2.4
Between two and four months past due	**1.6**	0.7
Over four months past due	**–**	–
	26.8	15.5

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

	2022 £m	2021 £m
At 1 October	**3.6**	1.2
Charged against profit, net	**3.4**	1.3
Set up on acquisition	**0.6**	1.5
Utilised by write-off	**(0.4)**	(0.4)
At 30 September	**7.2**	3.6

Concentrations of credit risk with respect to trade receivables are very limited, reflecting the Group's customer base being large and diverse. The Group has a history of low levels of losses in respect of trade receivables. Management is satisfied that the loss allowance takes into account the historical loss experience and forward-looking expected credit losses in line with IFRS 9 (Financial Instruments).

16. Trade and other payables

	2022 £m	2021 £m
Trade payables	**96.4**	74.5
Other payables	**25.8**	9.0
Other taxes and social security	**11.0**	6.8
Accruals and deferred income	**56.3**	36.7
	189.5	127.0

The maximum exposure to foreign currency risk for trade payables at 30 September, by currency, was:

	2022 £m	2021 £m
UK sterling	**24.1**	20.9
US dollars	**50.2**	36.3
Canadian dollars	**0.8**	0.5
Euros	**14.1**	14.7
Other	**7.2**	2.1
	96.4	74.5

17. Cash and cash equivalents

	UK £m	US$ £m	C$ £m	Euro £m	Other £m	2022 Total £m	UK £m	US$ £m	C$ £m	Euro £m	Other £m	2021 Total £m
Cash at bank	**15.2**	**7.1**	**2.3**	**7.8**	**6.4**	**38.8**	8.5	2.5	0.6	5.6	3.8	21.0
Short-term deposits	**–**	**0.1**	**1.8**	**–**	**1.0**	**2.9**	–	0.9	1.3	–	1.6	3.8
	15.2	**7.2**	**4.1**	**7.8**	**7.4**	**41.7**	8.5	3.4	1.9	5.6	5.4	24.8

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

18. Financial instruments

The Group's overall management of financial risks is carried out by a central treasury team under policies and procedures which are reviewed and approved by the Board. The treasury team identifies, evaluates and, where appropriate, hedges financial risks in close cooperation with the Group's operating businesses. The treasury team does not undertake speculative foreign exchange dealings for which there is no underlying exposure.

The Group's principal financial instruments, other than a number of forward foreign currency and fixed interest rate contracts, comprise cash and short-term deposits, trade and other receivables and trade and other payables, borrowings and other liabilities. Trade and other receivables and trade and other payables arise directly from the Group's day-to-day operations.

The financial risks to which the Group is exposed are those of credit, liquidity, foreign currency, interest rate and capital management. An explanation of each of these risks, how the Group manages these risks and an analysis of sensitivities is set out below.

a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations; this arises principally from the Group's trade and other receivables from customers and from cash balances (including deposits) held with financial institutions.

The Group is exposed to customers ranging from government backed agencies and large public and private wholesalers, to small privately owned businesses and the underlying local economic risks vary throughout the world. Trade receivable exposures are managed locally in the operating units where they arise and credit limits are set as deemed appropriate for each customer.

The Group establishes a loss allowance that represents its estimate of potential losses in respect of specific trade and other receivables where it is deemed that a receivable may not be recoverable (see below) and considers factors which may impact risk of default. Where appropriate, we have grouped these receivables with the same overall risk characteristics. When the receivable is deemed irrecoverable, the provision is written off against the underlying receivable. During the year, the Group had no significant unrecoverable trade receivables.

Exposure to counterparty credit risk with financial institutions is controlled by the Group treasury team which establishes and monitors counterparty limits. Centrally managed funds are invested entirely with counterparties whose credit rating is 'AA' or better. There are no significant concentrations of credit risk. There has been no historical or expected credit loss on cash and cash equivalents.

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

	Carrying amount 2022 £m	Carrying amount 2021 £m
Trade receivables	**151.7**	108.4
Other receivables	**9.8**	3.6
Cash and cash equivalents	**41.7**	24.8
	203.2	136.8

There is no material difference between the book value of the financial assets and their fair value at each reporting date. An analysis of the ageing and currency of trade receivables and the associated loss allowance is set out in note 15. An analysis of cash and cash equivalents is set out in note 17.

Impairment of financial assets

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and accrued income.

The expected loss rates are based on the payment profiles of revenues over a period of 96 months ended 30 September 2022 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information including macroeconomic factors by obtaining and reviewing relevant market data affecting the ability of the customers to settle the receivables.

The Group has identified the current health of the economy (such as market interest rates and growth rates), of the countries in which it sells its goods to be the most relevant factors and accordingly adjusts the historical loss rates based on expected changes in these factors. An increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. Where objective evidence exists that a trade receivable balance may be impaired, provision is made for the difference between its carrying amount and the present value of the estimated cash that will be recovered.

Evidence of impairment may include such factors as a change in credit risk profile of the customer, the customer being in default on a contract, or the customer entering insolvent administration proceedings. All significant balances are reviewed individually on a monthly basis for evidence of impairment.

b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group continually monitors net cash and forecasts cash flows to ensure that sufficient resources are available to meet the Group's requirements in the short, medium and long term. Additionally, compliance with bank covenants is monitored regularly and during 2022 all bank covenant tests were complied with. The applicable financial covenants are interest cover and leverage, whereby EBITDA must be at least 4x net finance charges (as defined by the SFA); and the ratio of net debt to EBITDA must not exceed 3x.

On 13 October 2020, the Group entered into a debt facility agreement (SFA) which comprised 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, which was increased to £185.0m during the previous financial year.

During the year the Group has amended the SFA to increase the total facility size. As at 30 September 2022 the SFA comprises a committed multi-currency revolving facility (RCF) for an aggregate principal amount of £359.7m, an amortising term loan for an aggregate principal amount of £114.2m ($127.5m), a bullet term loan for an aggregate principal amount of £59.1m ($66.0m) and a further bullet term loan for an aggregate principal amount of £45.3m. The SFA is due to expire in December 2024 and there is an option to extend for a further 12-month period.

The Group's debt facilities are subject to interest at variable rates. During the year the Group entered into interest rate swap contracts with the effect of fixing the interest rate on $100.0m (£89.6m) of debt. The effective fixed rate debt was 24% of total debt. Subsequent to year end, the Group has entered into further interest rate swap contracts with the effect of fixing the interest rate on an additional $100.0m of debt.

At 30 September 2022, the Group's Net Debt/EBITDA position is 1.4x, as illustrated in note 27.

The undrawn committed facilities available at 30 September are as follows:

	2022 £m	2021 £m
Expiring within one year	**–**	–
Expiring after one year	**204.0**	89.9

The Group's undiscounted financial liabilities are as follows:

	2022 £m	2021 £m
Trade payables	**96.4**	74.5
Other payables	**25.8**	9.0
Other liabilities	**35.0**	25.3
Borrowings	**370.6**	212.7
	527.8	321.5
The maturities of the undiscounted financial liabilities are as follows:		
Less than one year	**171.7**	116.5
One to two years	**48.7**	28.3
Two to five years	**307.4**	176.7
	527.8	321.5

There is no material difference between the book value of these financial liabilities and their fair value at each reporting date.

c) Currency risk

The Group's principal currency risk comprises translational and transactional risk from its exposure to movements in US dollars, Canadian dollars and Euros. The transactional exposure arises on trade receivables, trade payables and cash and cash equivalents and these balances are analysed by currency in notes 15, 16 and 17, respectively.

The Group holds forward foreign exchange contracts in certain of the Group's businesses to hedge forecast transactional exposure to movements in the US dollar, Euro, UK Sterling, Swedish Krona and Japanese Yen. These forward foreign exchange contracts are classified as cash flow hedges and are stated at fair value. The notional value of forward contracts as at 30 September 2022 was £35.0m (2021: £46.0m). The net fair value of forward foreign exchange contracts used as hedges at 30 September 2022 was £1.3m asset (2021: £0.3m asset).

For hedges of foreign currency transactions, the Group enters into hedge relationships where the critical terms of the hedging instrument match with the terms of the hedged item, ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, or if there are changes in the credit risk of the derivative counterparty. The amount removed from Other Comprehensive Income and taken to the Consolidated Income Statement in cost of sales during the year was £0.4m debit (2021: £0.1m credit). The change in the fair value of cash flow hedges taken to Other Comprehensive Income during the year was £1.4m credit (2021: £0.4m credit).

Management considers that the most significant foreign exchange risk relates to the US dollar, Canadian dollar and Euro. The Group's sensitivity to a 10% strengthening in UK sterling against each of these currencies (with all other variables held constant) is as follows:

	2022 £m	2021 £m
Decrease in adjusted operating profit (at average rates)		
US dollar: UK sterling	**10.3**	7.1
Canadian dollar: UK sterling	**2.6**	2.4
Euro: UK sterling	**1.7**	1.6
Decrease in total equity (at spot rates)		
US dollar: UK sterling	**12.6**	7.2
Canadian dollar: UK sterling	**12.9**	10.2
Euro: UK sterling	**5.4**	3.2

d) Interest rate risk

Interest rate risk is the risk that changes in interest rates will affect the Group's results. The Group's interest rate risk arises primarily from its cash funds and borrowings. The Group uses interest rate swaps to hedge a proportion of the external borrowings. These interest rate swaps are classified as cash flow hedges and are stated at fair value. The notional value of interest rate swap contracts as at 30 September 2022 was £89.6m (2021: nil). The net fair value of interest rate swap contracts used as hedges at 30 September 2022 was £3.1m asset (2021: nil) and is included within Trade and other receivables on the balance sheet. The amount removed from Other Comprehensive Income and taken to the Consolidated Income Statement in finance costs during the year was nil (2021: nil). The change in the fair value of cash flow hedges taken to Other Comprehensive Income during the year was £3.1m credit (2021: nil).

All cash deposits, held in the UK and overseas, are held on a short-term basis at floating rates or overnight rates, based on the relevant UK base rate, or equivalent rate. Surplus funds are deposited with commercial banks that meet the credit criteria approved by the Board, for periods of between one and six months at rates that are generally fixed by reference to the relevant UK base rate, or equivalent rate.

An increase of 1% in interest rates would have a ca. £1.4m (2021: £2.0m) impact on adjusted profit before tax. The impact of interest rate movements has moderated against the prior year due to the fixed interest rate swap contracts entered into in the year.

e) Fair values

There are no material differences between the book value of financial assets and liabilities and their fair value. The basis for determining fair values are as follows:

Derivatives

Forward exchange contracts are designated as level 2 assets (in the 'fair value hierarchy') and valued at year end forward rates, adjusted for the forward points to the contract's value date with gains and losses taken to equity. No contract's maturity date is greater than 18 months from the year end.

For hedges of foreign currency transactions, the Group enters into hedge relationships where the critical terms of the hedging instrument match with the terms of the hedged item, ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, or if there are changes in the credit risk of the derivative counterparty.

Interest rate swap contracts are designated as level 2 assets (in the 'fair value hierarchy') and valued at year end as the net present value of the cashflows using current forward market interest rates, with gains and losses taken to equity.

The Group enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, payment dates, maturities and notional amount. The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the interest rate swap is identical to the hedged risk component. The hedge ineffectiveness can arise from differences in timing or cash flows of the hedged item and hedging instrument, or the counterparties' credit risk differently impacting the fair value movements of the hedging instrument and hedged item.

Trade and other receivables/payables

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

Borrowings

The fair value of the borrowings equate to the book value.

Other liabilities

The carrying amount represents a discounted value of the expected liability which is deemed to reflect the fair value and are designated as level 3 assets (in the 'fair value hierarchy').

f) Capital management risk

The Group's capital structure comprises the retained earnings reserve (£375.1m), cash funds (£41.7m) and medium-term bank borrowing facilities. The Group's objective when managing capital is to safeguard its ability to continue as a going concern and to maintain robust capital ratios to support the development of the business including executing acquisitions and providing strong returns to shareholders.

In order to maintain or adjust the capital structure, the Group may change the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or increase bank borrowings.

19. Other liabilities

	2022 £m	2021 £m
Future purchases of minority interests	**7.4**	5.2
Deferred consideration	**24.0**	18.5
	31.4	23.7
Analysed as:		
Due within one year	**19.0**	11.7
Due after one year	**12.4**	12.0

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

	2022 £m	2021 £m
At 1 October	**5.2**	4.2
Minority interest put options arising on acquisition	**1.9**	0.9
Minority interest put options removed on disposal	**(1.2)**	
Exchange movements	**0.1**	–
Fair value remeasurements	**1.4**	0.1
At 30 September	**7.4**	5.2

At 30 September 2022, the Group's minority interests retained put options to sell their minority interests of 10% in M Seals, 5% in Techsil, as well as 2% of R&G Fluid Power Group Limited (R&G), following its acquisition as described in note 21. The acquisition of R&G has resulted in the recognition of a put option liability on acquisition of £1.9m.

During the year, the Group disposed of Kentek Oy, and therefore the liability for future purchase of minority interests in respect of Kentek has been de-recognised (£1.2m).

At 30 September 2022, the estimate of the financial liability to acquire these outstanding minority shareholdings was reassessed by the Directors, based on their current estimate of the future performance of these businesses and to reflect foreign exchange rates at 30 September 2022. This led to a remeasurement of the options and the liability increased by £1.4m (2021: £0.1m increase) reflecting a revised estimate of the future performance of these businesses and in aggregate, £1.4m (2021: debit £0.1m) has been debited to the Consolidated Income Statement in respect of this remeasurement of the liability.

Deferred consideration comprises the following:

	1 Oct 2021 £m	Additions £m	Discount unwind £m	Revaluation £m	Payments £m	Foreign Exchange £m	30 Sep 2022 £m
Sphere	1.0	–	–	–	(1.0)	–	**–**
HSP	0.1	–	–	–	(0.1)	–	**–**
S&W	3.5	–	–	(0.5)	(3.0)	–	**–**
FITT	2.2	–	–	–	(2.2)	–	**–**
PDI	0.7	–	–	(0.1)	(0.6)	–	**–**
Biospecifix	0.4	–	–	–	(0.1)	–	**0.3**
Kungshusen	5.4	–	0.2	–	–	(0.2)	**5.4**
Techsil	1.1	–	0.1	–	–	–	**1.2**
AHW	4.1	–	0.1	–	–	0.7	**4.9**
R&G	–	8.7	–	–	(0.1)	–	**8.6**
AMG Sealing	–	0.5	–	–	–	–	**0.5**
Hydraproducts	–	0.5	–	–	–	–	**0.5**
ACT	–	2.3	–	–	–	–	**2.3**
Silicone Solutions	–	0.3	–	–	–	–	**0.3**
	18.5	**12.3**	**0.4**	**(0.6)**	**(7.1)**	**0.5**	**24.0**

Deferred consideration of £8.7m added in respect of R&G includes £1.3m relating to bolt-on acquisitions completed by R&G prior to acquisition by Diploma.

20. Minority interests

	£m
At 1 October 2020	3.7
Acquisition of business	0.9
Minority interest issued	0.7
Share of profit	(0.1)
Dividends paid	(0.3)
Exchange adjustments	(0.2)
At 30 September 2021	4.7
Acquisition of business	2.5
Minority interest acquired	(0.3)
Disposal of business	(1.3)
Share of profit	0.7
Dividends paid	(0.2)
Exchange adjustments	0.1
At 30 September 2022	**6.2**

External shareholders, represented by management in each business, hold a 10% minority interest in M Seals, a 5% minority interest in Techsil, and a 2% minority interest in R&G.

The minority interest in R&G arose following the acquisition of R&G, as explained in note 21, and resulted in a £2.5m increase to the minority interest. The disposal of Kentek Oy was completed on 16 November 2021 and resulted in a £1.3m reduction in the minority interest.

21. Acquisitions and disposals of businesses

Acquisition of R&G Fluid Power Group Limited

On 6 April 2022, the Group completed the acquisition of 98% of the share capital of R&G Fluid Power Group Limited (R&G), a value-added aftermarket distributor of a diverse range of industrial, hydraulic and pneumatic products in the United Kingdom. The initial cash payment was £91.7m, net of cash acquired of £1.7m. Deferred consideration of up to £7.4m is payable based on the acquired business achieving certain performance targets in the period up to 31 December 2022.

Acquisition expenses of £2.3m have been recognised in FY 2022.

The provisional fair value of R&G net assets acquired excluding acquisition intangibles, related deferred tax, and cash is £13.3m following fair value adjustments of £1.3m. The goodwill represents the technical expertise of the acquired workforce and the opportunity to leverage any revenue synergies through cross-selling within other businesses. The principal fair value adjustments relate to an increase in the provisions held against inventory (£0.6m) and recognition of a dilapidations provision (£0.5m). The intangible assets of £47.6m relates to customer relationships (£43.9m) and brand (£3.7m).

Minority interests of £2.5m have been recognised at fair value upon acquisition of R&G, comprising the 2% minority interest held in R&G, as well as the 10% minority interest stake in Pneumatic Services Limited, a company for which R&G owned 90% of the share capital at the time of acquisition by the Group.

Acquisition of Accuscience

On 10 May 2022, the Group completed the acquisition of 100% of the share capital of Medilink Services (NI) Limited and Accu-Science Ireland Limited, (collectively Accuscience) a market-leading life sciences and med-tech distributor in Ireland, for consideration of £49.9m (€58.2m), net of cash acquired of £3.2m (€3.8m).

Acquisition expenses of £1.0m have been recognised in FY 2022.

The provisional fair value of Accuscience net assets acquired excluding acquisition intangibles, related deferred tax, and cash is £2.2m (€2.3m) following fair value adjustments of £0.8m (€0.9m). The provisions held against inventory and trade receivables were increased by £0.6m (€0.7m) and £0.2m (€0.2m), respectively.

Other acquisitions

The Group completed a further five other acquisitions during the year. This comprised the purchase of the trade and assets of Silicone Solutions Limited (Silicone Solutions) (9 September 2022); 100% of the share capital of LJR Electronics, LLC (LJR) (2 February 2022), Anti Corrosion Technology Pty Limited (ACT) (29 July 2022), Hydraproducts Limited (Hydraproducts) (12 May 2022) and AMG Sealing Limited (AMG) (19 May 22).

The combined initial consideration for these acquisitions was £30.6m, net of cash acquired of £1.2m. Deferred consideration of up to £3.6m is payable based on the performance of the businesses.

Acquisition expenses of £0.7m have been recognised in respect of these transactions in the financial year.

The provisional fair value of the combined net assets acquired excluding acquisition intangibles, related deferred tax, and cash is £9.2m following fair value adjustments of £1.2m. Fair value adjustments principally relate to an increase in provisions held against inventory of £0.9m.

The following table summarises the consideration paid for the acquisitions completed in the period and fair value of assets acquired and liabilities assumed, with fair values being provisional pending completion of a final valuation. Given the limited time between the acquisitions and signing of these accounts, the fair valuation of acquired assets and liabilities (principally intangible assets and working capital provisions) is incomplete at the date of these financial statements.

During the year an additional £0.8m was paid out in relation to completion account adjustments on previous transactions.

	R&G		Accuscience		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]	–	47.6	–	33.1	–	17.5	**–**	**98.2**
Deferred tax	(0.7)	(12.5)	–	(4.3)	–	(1.7)	**(0.7)**	**(18.5)**
Property, plant and equipment	5.9	5.9	0.7	0.7	0.1	0.1	**6.7**	**6.7**
Inventories	14.4	13.8	4.7	4.1	9.1	8.2	**28.2**	**26.1**
Trade and other receivables	14.4	14.3	5.5	5.3	2.8	2.7	**22.7**	**22.3**
Trade and other payables	(19.4)	(20.0)	(7.9)	(7.9)	(1.6)	(1.8)	**(28.9)**	**(29.7)**
Net assets acquired	**14.6**	**49.1**	**3.0**	**31.0**	**10.4**	**25.0**	**28.0**	**105.1**
Goodwill	–	52.5	–	18.9	–	9.2	**–**	**80.6**
Minority interests	–	(2.5)	–	–	–	–	**–**	**(2.5)**
Cash paid		93.4		53.1		31.8		**178.3**
Cash acquired		(1.7)		(3.2)		(1.2)		**(6.1)**
		91.7		49.9		30.6		**172.2**
Deferred consideration		7.4		–		3.6		**11.0**
Total investment		**99.1[2]**		**49.9**		**34.2**		**183.2**

1 On the acquisitions completed in the current year, acquired intangibles relate to customer relationships (£94.5m) and brand (£3.7m).
2 Diploma acquired R&G on a cash free/debt free basis. The total investment amounts to £99.1m (being cash paid (net of cash acquired) of £91.7m and deferred consideration of £7.4m). Of the initial cash paid, the vendor directed the funds in escrow to settle outstanding debt of £11.7m. The table below details this flow of funds:

	£m
Total investment	99.1
Debt settled	(11.7)
Net consideration	87.4

Acquisitions revenue and adjusted operating profit

From the date of acquisition to 30 September 2022, each acquired business contributed the following to Group revenue and adjusted operating profit:

	Acquisition date	Revenue £m	Adj.[2] £m	Pro forma revenue £m	Operating profit[1] £m	Adj.[2] £m	Pro forma operating profit[1] £m
LJR	2 Feb 2022	10.8	5.4	16.2	1.8	0.9	2.7
R&G	6 Apr 2022	34.3	34.3	68.6	4.8	4.9	9.7
Accuscience	10 May 2022	10.6	17.6	28.2	1.3	2.0	3.3
Hydraproducts	12 May 2022	1.6	2.5	4.1	0.4	0.6	1.0
AMG	19 May 2022	0.5	0.9	1.4	0.1	0.2	0.3
ACT	29 July 2022	0.6	3.0	3.6	0.3	1.5	1.8
Silicone Solutions	9 Sep 2022	0.1	2.1	2.2	0.0	0.8	0.8
		58.5	**65.8**	**124.3**	**8.7**	**10.9**	**19.6**

1 Adjusted operating profit.
2 Pro forma revenue and adjusted operating profit have been extrapolated (as prescribed under IFRS) 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 2021. 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.

Disposals

On 16 November 2021, the Group disposed of its 90% interest in Kentek Oy (Kentek) for proceeds of £10.0m. A charge of £1.6m has been recognised within administration costs principally relating to the recycling of cumulative foreign currency translation losses arising on the disposal of Kentek.

On 3 May 2022, the Group disposed of its 100% interest in a1-envirosciences Limited and a1-envirosciences GmbH (collectively a1-envirosciences) for proceeds of £11.4m. A gain of £8.9m has been recognised within administration costs comprising the profit on disposal of £8.7m and the recycling of cumulative foreign currency translation gains of £0.2m.

22. Reconciliation of operating profit to cash flow from operating activities

	2022 £m	2022 £m	2021 £m	2021 £m
Operating profit		**144.3**		104.3
Acquisition related and other charges (note 2)		**46.9**		44.4
Adjusted operating profit		**191.2**		148.7
Depreciation or amortisation of tangible, other intangible assets and leases – right-of-use assets	**23.9**		20.7	
Share-based payments expense (note 4)	**2.8**		1.8	
Defined benefit pension scheme payment in excess of interest	**(0.6)**		(5.8)	
Profit on disposal of assets	**(1.6)**		(2.8)	
Acquisition and disposal expenses paid	**(6.5)**		(4.2)	
Other non-cash movements	**0.1**		0.1	
Non-cash items and other		**18.1**		9.8
Operating cash flow before changes in working capital		**209.3**		158.5
Increase in inventories	**(35.6)**		(13.5)	
Increase in trade and other receivables	**(10.6)**		(16.3)	
Increase in trade and other payables	**17.5**		17.2	
Increase in working capital		**(28.7)**		(12.6)
Cash flow from operating activities		**180.6**		145.9

23. (Net debt)/cash funds

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

	1 Oct 2021 £m	Cash flow[1] £m	Exchange movements £m	Other non-cash movements £m	30 Sep 2022 £m
Cash and cash equivalents	24.8	17.5	(0.6)	–	**41.7**
Borrowings	(206.2)	(131.3)	(30.9)	(2.2)	**(370.6)**
Net debt	(181.4)	(113.8)	(31.5)	(2.2)	**(328.9)**

	1 Oct 2020 £m	Cash flow £m	Exchange movements £m	Other non-cash movements £m	30 Sep 2021 £m
Cash and cash equivalents	206.8	(192.6)	10.6	–	24.8
Borrowings	–	(202.9)	(1.8)	(1.5)	(206.2)
Cash funds/(net debt)	206.8	(395.5)	8.8	(1.5)	(181.4)

1 The borrowings cash flow includes £3.5m of debt fees which have been capitalised and are included within interest paid in the Consolidated Cash Flow Statement.

On 13 October 2020, the Group entered into a debt facility agreement (SFA) which comprised 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, which was increased to £185.0m during the previous financial year.

During the year, the Group has amended the SFA to increase the total facility size. As at 30 September 2022, the SFA comprises a committed multi-currency revolving facility (RCF) for an aggregate principal amount of £359.7m, an amortising term loan for an aggregate principal amount of £114.2m ($127.5m), a bullet term loan for an aggregate principal amount of £59.1m ($66.0m) and a further bullet term loan for an aggregate principal amount of £45.3m. The SFA is due to expire in December 2024 and there is an option to extend for a further 12-month period.

The Group's debt facilities are subject to interest at variable rates. During the year the Group entered into interest rate swap contracts with the effect of fixing the interest rate on $100.0m (£89.6m) of debt. The effective fixed rate debt was 24% of total debt. Subsequent to year end, the Group has entered into further interest rate swap contracts with the effect of fixing the interest rate on an additional $100.0m of debt.

At 30 September 2022, the Group's Net Debt/EBITDA ratio is 1.4x, as illustrated in note 27.

As at 30 September 2022, the term loans have an aggregate outstanding principal amount of £173.3m ($193.5m) and the Group has utilised £201.0m of the revolving facility. There remains £158.7m undrawn on the revolving facility and £45.3m undrawn on the bullet term loan. Borrowings include £1.0m (2021: £0.4m) of accrued interest and the carrying amount of capitalised debt fees is £4.7m (2021: £2.8m).

As at 30 September 2021, under the SFA the Group had a drawn term loan with an aggregate principal amount of £113.5m ($153.0m) and drawings of £95.1m under the revolving facility. As at 30 September 2021 the undrawn revolving facility amount was £89.9m.

Total net debt is £398.0m (2021: £229.7m) comprising cash funds of £41.7m (2021: £24.8m), borrowings of £370.6m (2021: £206.2m), and lease liabilities of £69.1m (2021: £48.3m). Bank covenants are tested against net debt funds only (i.e. excluding lease liabilities).

24. Retirement benefit asset and obligations

The Group maintains two pension arrangements which are accounted for under IAS 19 (Revised) (Employee Benefits). The principal arrangement is the defined benefit pension scheme in the UK, maintained by Diploma Holdings PLC and called the Diploma Holdings PLC UK Pension Scheme (the Scheme). This Scheme provides benefits based on final salary and length of service on retirement, leaving service or death and has been closed to further accrual since 5 April 2000.

The second and smaller pension arrangement is operated by Kubo, a business based in Switzerland and provides benefits on retirement, leaving service or death for the employees of Kubo in accordance with Swiss law. The Kubo pension scheme is a defined contribution based scheme, which for technical reasons, is required under IFRS to be accounted for in accordance with IAS 19 (Revised).

The amount of pension asset/deficit included in the Consolidated Statement of Financial Position in respect of these two pension arrangements is:

	2022 £m	2021 £m
Diploma Holdings PLC UK Pension Scheme	**(6.4)**	2.7
Kubo Pension Scheme	**–**	2.2
Pension scheme net (asset) / deficit	**(6.4)**	4.9

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

	2022 £m	2021 £m
Diploma Holdings PLC UK Pension Scheme	**–**	(0.1)
Kubo Pension Scheme	**(0.5)**	(0.5)
Amounts charged to the Consolidated Income Statement	**(0.5)**	(0.6)

Defined contribution schemes operated by the Group's businesses are not included in these disclosures.

Diploma Holdings PLC UK Pension Scheme

The Scheme is subject to a Statutory Funding Objective under the Pensions Act 2004 which requires that a valuation of the Scheme is carried out at least once every three years to determine whether the Statutory Funding Objective is met. As part of the process the Company must agree with the Trustees of the Scheme the contributions to be paid to address any shortfall against the Statutory Funding Objective. The most recent triennial actuarial valuation carried out as at 30 September 2019 reported that the Scheme had a funding deficit of £9.9m and held assets which covered 76% of its liabilities at that date. The next triennial actuarial valuation of the Scheme will be carried out as at 30 September 2022 and the results of the valuation will be reported in the 2023 Annual Report & Accounts. There were no Scheme amendments, curtailments or settlements during the year.

On 28 September 2018, the Trustees completed a Buy-In of the pensioner liabilities in the Scheme with Just Retirement Limited. The Scheme paid £12.3m to Just Retirement Limited on 28 September 2018 to fund 95% of the Buy-In premium and £0.7m was paid on 22 October 2018 to fund the remaining 5% of the premium. The impact of this transaction has been reflected in the pension disclosures set out below.

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

The Scheme exposes the Company, and therefore the Group, to a number of risks:

- **Investment risk.** The Scheme holds investments in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long term, volatility over the short-term can cause additional funding to be required if a deficit emerges.
- **Interest rate risk.** The Scheme's liabilities are assessed using market yields on high-quality corporate bonds to discount the liabilities. As the Scheme's assets include equities, the value of the assets and liabilities may not move in the same way.
- I**nflation risk.** A significant proportion of the benefits under the Scheme are linked to inflation. The Scheme's assets are expected to provide a good hedge against inflation over the long term, however movements over the short term could lead to funding deficits emerging.
- **Mortality risk.** In the event that members live longer than assumed, a funding deficit may emerge in the Scheme.

a) Pension surplus / (deficit) included in the Consolidated Statement of Financial Position

	2022 £m	2021 £m
Market value of Scheme assets:		
Equities[1]	**20.7**	21.9
Gilts	**3.9**	5.7
Buy-In policy[2]	**7.3**	10.5
Cash	**–**	0.2
	31.9	38.3
Present value of Scheme liabilities	**(25.5)**	(41.0)
Pension scheme net asset / (deficit)	**6.4**	(2.7)

1 Quoted market price in an active market.
2 The Buy-In policy was valued on the same basis as the underlying pensioner liabilities.

In addition to the Buy-In policy, the pension scheme net asset includes £3.5m of historic annuities and related assets on a net basis, rather than on a gross basis.

b) Amounts charged to the Consolidated Income Statement

	2022 £m	2021 £m
Charged to operating profit	**–**	–
Interest cost on liabilities	**(0.8)**	(0.6)
Interest on assets	**0.8**	0.5
Charged to financial expense, net (note 5)	**–**	(0.1)
Amounts charged to the Consolidated Income Statement	**–**	(0.1)

c) Amounts recognised in the Consolidated Statement of Comprehensive Income

	2022 £m	2021 £m
Investment (loss)/gain on Scheme assets in excess of interest	**(6.5)**	5.0
Effect of changes in financial assumptions on Scheme liabilities	**15.4**	0.1
Effect of changes in demographic assumptions on Scheme liabilities	**0.3**	(0.9)
Experience adjustments on Scheme liabilities	**(0.7)**	–
Actuarial gain credited in the Consolidated Statement of Comprehensive Income	**8.5**	4.2

The cumulative amount of actuarial losses recognised in the Consolidated Statement of Comprehensive Income, since the transition to IFRS, is £1.2m (2021: £9.7m).

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

	2022 £m	2021 £m
Deficit as at 1 October	**2.7**	12.7
Amounts charged to the Consolidated Income Statement	**–**	0.1
Contributions paid by employer	**(0.6)**	(5.9)
Net effect of remeasurements of Scheme assets and liabilities	**(8.5)**	(4.2)
(Asset) / deficit as at 30 September	**(6.4)**	2.7

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

	2022 £m	2021 £m
At 1 October	**41.0**	40.8
Experience adjustments on Scheme liabilities	**0.7**	–
Interest cost on liabilities	**0.8**	0.6
Impact from changes in actuarial assumptions	**(15.7)**	0.8
Benefits paid	**(1.3)**	(1.2)
At 30 September	**25.5**	41.0

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

	2022 £m	2021 £m
At 1 October	**38.3**	28.1
Interest on assets	**0.8**	0.5
Return on Scheme assets	**(6.5)**	5.0
Contributions paid by employer	**0.6**	5.9
Benefits paid	**(1.3)**	(1.2)
At 30 September	**31.9**	38.3

The actual return on the Scheme assets (including interest on assets) during the year was a loss of £5.7m (2021: £5.5m gain).

Assets

The Scheme's assets are held in passive unit funds managed by Legal & General Investment Management and at 30 September 2022, the major categories of assets were as follows:

	2022 %	2021 %
North America equities	**28**	23
UK equities	**12**	10
European equities (non-UK)	**11**	10
Asia-Pacific and Emerging Markets equities	**12**	10
Gilts	**14**	14
Buy-In policy	**23**	33

Principal actuarial assumptions for the Scheme at balance sheet dates

		2022 %	2021 %	2020 %	2019 %
Inflation rate	– RPI	**3.6**	3.4	2.9	3.4
	– CPI	**3.2**	3.0	1.9	2.4
Expected rate of pension increases	– CPI	**3.2**	3.0	1.9	2.4
Discount rate		**5.3**	2.0	1.5	1.8

The volatility in bond yields in the period leading up to and after the Group's year end meant there was a significant favourable impact on the pension scheme's liabilities. This volatility also had an adverse impact on the valuation of the scheme's gilts. Since the year end bond yields have fallen back to levels more in line with historical trends. The Scheme had 14% of its assets in bonds as at 30 September 2022, with no exposure to LDI.

Demographic assumptions

Mortality table used:	S3PA
Year the mortality table was published:	CMI 2021
Allowance for future improvements in longevity:	Year of birth projections, with a long-term improvement rate of 1.0%
Allowance made for members to take a cash lump sum on retirement:	Members are assumed to take 100% of their maximum cash sum (based on current commutation factors)
The weighted average duration of the defined benefit obligation is around 15 years	

Sensitivities

The sensitivities of the 2022 pension liabilities to changes in assumptions are as follows:

		Impact on pension liabilities	
Factor	Assumption	Estimated increase %	Estimated increase £m
Discount rate	Decrease by 0.5%	6.7	1.7
Inflation	Increase by 0.5%	2.4	0.6
Life expectancy	Increase by one year	2.4	0.6

Risk mitigation strategies

When setting the investment strategy for the Scheme, the Trustees, in conjunction with the employer, take into account the liability profile of the Scheme. The current strategy is designed to invest in growth assets in respect of deferred pensioners. Annuity policies have been taken out in respect of some historic pensioners, but the Scheme has not purchased annuities for retirements since 2005.

In addition to these individual annuity policies, the Trustees have purchased a Buy-In policy for all existing pensioners as at 1 September 2018. The Buy-In policy secures the Scheme against both market and mortality risk relating to these pensioners. The Scheme however remains liable ultimately for the liabilities, should the insurance company which sold the liabilities go into insolvent liquidation.

Effect of the Scheme on the Group's future cash flows
The Company is required to agree a schedule of contributions with the Trustees of the Scheme following each triennial actuarial valuation. Following the triennial actuarial valuation carried out as at 30 September 2019, the Company agreed to contribute £0.5m in cash to the Scheme annually increasing at 2% per year. The current year contribution was £0.6m. No one-off contributions were made in the year (2021: one off contribution of ca. £5.1m).

The Kubo Pension Scheme (the Kubo Scheme)
In accordance with Swiss law, Kubo's pension benefits are contribution based with the level of benefits varying according to category of employment. Swiss law requires certain guarantees to be provided on such pension benefits. Kubo finances its Swiss pension benefits through the ASGA Pensionskasse, a multi-employer plan of non-associated companies which pools risks between participating companies. Set out below is a summary of the key features of the Kubo Scheme.

a) Pension deficit included in the Consolidated Statement of Financial Position

	2022 £m	2021 £m
Assets of the Kubo Scheme[1]	**13.5**	12.4
Actuarial liabilities of the Kubo Scheme	**(13.5)**	(14.6)
Pension scheme net deficit	**–**	(2.2)

1 The assets of the Kubo Scheme are held as part of the employee funds managed by ASGA Pensionskasse.

b) Amounts charged to the Consolidated Income Statement

	2022 £m	2021 £m
Service cost	**(0.5)**	(0.5)
Amount charged to operating profit in the Consolidated Income Statement	**(0.5)**	(0.5)

c) Analysis of movement in the pension deficit

	2022 £m	2021 £m
At 1 October	**2.2**	5.6
Amounts charged to the Consolidated Income Statement	**0.5**	0.5
Contributions paid by employer	**(0.5)**	(0.5)
Net effect of remeasurements of Kubo Scheme assets and liabilities	**(2.1)**	(3.2)
Exchange adjustments	**(0.1)**	(0.2)
At 30 September	**–**	2.2

d) Amounts recognised in the Consolidated Statement of Comprehensive Income
The actuarial gain credited to the Consolidated Statement of Comprehensive Income is £2.1m (2021: £3.2m gain).

	2022 £m	2021 £m
Investment gain/(loss) on Scheme assets in excess of interest	**(1.3)**	2.8
Effect of changes in financial assumptions on Scheme liabilities	**4.2**	–
Effect of changes in demographic assumptions on Scheme liabilities	**–**	1.0
Experience adjustments on Scheme liabilities	**(0.4)**	(0.6)
Adjustment in respect of IFRIC 14	**(0.4)**	–
Actuarial gain credited in the Consolidated Statement of Comprehensive Income	**2.1**	3.2

Principal actuarial assumptions for the Kubo Scheme at balance sheet dates

	2022	2021
Expected rate of pension increase	**0%**	0%
Expected rate of salary increase	**1.0%**	1.0%
Discount rate	**2.3%**	0.2%
Interest credit rate	**1.0%**	0.5%
Mortality	**BVG2020**	BVG2020

Sensitivities
The sensitivities of the 2022 pension liabilities to changes in assumptions are as follows:

		Impact on pension liabilities	
Factor	Assumption	Estimated increase %	Estimated increase £m
Discount rate	Decrease by 0.25%	3.7	0.4
Life expectancy	Increase by one year	1.7	0.2

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

	£m
Best estimate of employer's contribution in 2023	0.4
Best estimate of employees' contribution in 2023	0.4

The weighted average duration of the defined benefit obligation is approximately 15 years (2021: 18 years).

25. Auditors' remuneration

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

	2022 £m	2021 £m
Fees payable to the auditors for the audit of:		
– the Company's Annual Report & Accounts	**1.1**	0.5
– the Company's subsidiaries	**0.4**	0.8
Audit fees	**1.5**	1.3

Non-audit fees of £29,200 (2021: £28,200) were paid to the Group's auditor for carrying out 'agreed upon procedures' on both the Half Year Announcement (which is unaudited), and subscription costs for access to a market-wide technical accounting database.

26. Exchange rates

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

	Average		Closing	
	2022	2021	2022	2021
US dollar (US$)	**1.27**	1.37	**1.12**	1.35
Canadian dollar (C$)	**1.63**	1.73	**1.53**	1.71
Euro (€)	**1.18**	1.15	**1.14**	1.16
Swiss franc (CHF)	**1.20**	1.25	**1.10**	1.26
Australian dollar (AUD)	**1.79**	1.83	**1.74**	1.87

27. Alternative performance measures

The Group uses a number of alternative (non-Generally Accepted Accounting Practice (non-GAAP)) financial measures which are not defined within IFRS. The Directors use these measures for internal management reporting 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 Annual Report & Accounts:

27.1 Adjusted operating profit and adjusted operating margin

'Adjusted operating profit' is defined as operating profit before amortisation and impairment of acquisition intangible assets or goodwill, acquisition expenses, post-acquisition related remuneration costs and adjustments to deferred consideration, 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.

	Note	2022 £m	2021 £m
Revenue		**1,012.8**	787.4
Operating profit		**144.3**	104.3
Add: Acquisition related and other charges included in administration costs		**46.9**	44.4
Adjusted operating profit	2,3	**191.2**	148.7
Adjusted operating margin	2,3	**18.9%**	18.9%

27.2 Adjusted profit before tax

'Adjusted profit before tax' is defined as adjusted operating profit, after net finance expenses (but before acquisition related finance charges) and before tax. The Directors believe that adjusted profit before tax is an important measure of the operational performance of the Group.

	Note	2022 £m	2021 £m
Adjusted operating profit	2,3	**191.2**	148.7
Deduct: Net interest expense and similar charges	5	**(11.6)**	(6.8)
Adjusted profit before tax		**179.6**	141.9

27.3 Adjusted earnings per share

'Adjusted earnings per share' (adjusted EPS) is calculated as the total of adjusted profit before tax, less income tax costs, but including the tax impact on the items included in the calculation of adjusted profit, less profit/(loss) attributable to minority interests, divided by the weighted average number of ordinary shares in issue during the year of 124,533,060 (2021: 124,468,210). The Directors believe that adjusted EPS provides an important measure of the earnings capacity of the Group.

	2022 pence per share	2021 pence per share	2022 £m	2021 £m
Profit before tax			**129.5**	96.6
Tax expense			**(34.1)**	(26.9)
Minority interests			**(0.7)**	0.1
Earnings for the year attributable to shareholders of the Company	**76.1**	56.1	**94.7**	69.8
Acquisition related and other charges and acquisition related finance charges, net of tax	**31.4**	29.1	**39.2**	36.3
Adjusted earnings	**107.5**	85.2	**133.9**	106.1

27.4 Free cash flow and free cash flow conversion

'Free cash flow' is defined as net cash flow from operating activities, after net capital expenditure on tangible and intangible assets, and including proceeds received from property disposals, but before expenditure on business combinations/investments (including any pre-acquisition debt like items such as pensions or tax settled post acquisition) and proceeds from business disposals, borrowings received to fund acquisitions and dividends paid to both minority shareholders and the Company's shareholders. 'Free cash flow conversion' reflects free cash flow as a percentage of adjusted earnings.

The Directors believe that free cash flow gives an important measure of the cash flow of the Group, available for future investment or distribution to shareholders.

		Note	2022 £m	2021 £m
Net increase/(decrease) in cash and cash equivalents			**17.5**	(192.6)
Add:	Dividends paid to shareholders	7	**56.2**	52.9
	Dividends paid to minority interests	20	**0.2**	0.3
	Acquisition of minority interests	20	**0.3**	–
	Proceeds from minority interests	20	**–**	(0.7)
	Acquisition of businesses and payments of pre-acquisition debt-like items (net of cash acquired)		**177.6**	451.4
	Acquisition and disposal expenses paid	22	**6.5**	4.2
	Proceeds from sale of business (net of expenses)	21	**(13.7)**	(11.0)
	Proceeds from issue of share capital (net of fees)		**–**	0.6
	Deferred consideration paid	21	**7.1**	6.6
	(Proceeds from)/repayment of borrowings (net)	23	**(131.3)**	(202.9)
Free cash flow			**120.4**	108.8
Adjusted earnings			**133.9**	106.1
Free cash flow conversion			**90%**	103%

27.5 Trading capital employed and ROATCE

The below reconciliation includes 'trading capital employed', being defined as net assets less cash and cash equivalents (cash funds) and after adding back: borrowings (other than lease liabilities); retirement benefit obligations; deferred tax; and acquisition liabilities in respect of future purchases of minority interests and deferred consideration. Adjusted trading capital employed is reported as being trading capital employed plus goodwill and acquisition related charges previously written off (net of deferred tax on acquisition intangible assets) and re-translated at 12 month average exchange rates. Return on adjusted trading capital employed (ROATCE) is defined as the pro forma adjusted operating profit, divided by adjusted trading capital employed, where pro forma adjusted operating profit is adjusted operating profit adjusted for the full year effect of acquisitions and disposals. The Directors believe that ROATCE is an important measure of the profitability of the Group.

	2022 £m	2021 £m
Net assets	**668.2**	541.0
Add/(deduct):		
– Deferred tax, net	**38.2**	21.9
– Retirement benefit (assets)/obligations	**(6.4)**	4.9
– Acquisition related liabilities/assets, net	**29.6**	23.7
– Net debt	**328.9**	181.4
Reported trading capital employed	**1,058.5**	772.9
– Historic goodwill and acquisition related charges, net of deferred tax and currency movements	**99.6**	129.6
Adjusted trading capital employed	**1,158.1**	902.5
Adjusted operating profit	**191.2**	148.7
Pro forma adjustments[1]	**9.7**	8.7
Pro forma adjusted operating profit	**200.9**	157.4
ROATCE	**17.3%**	17.4%

1 Adjustment for annualisation of adjusted operating profit of acquisitions and disposals.

27.6 Net debt to EBITDA

Net debt to EBITDA is the net debt, defined as cash and cash equivalents and borrowings translated at 12 month average exchange rates, divided by EBITDA as defined in the Group's external facility covenants, which is the Group's adjusted operating profit adjusting for depreciation and amortisation of tangible and other intangible assets, the share of adjusted EBITDA attributable to minority interests, the annualisation of EBITDA for acquisitions and disposals made during the financial year and to remove the impact of IFRS 16 *(Leases)*. The Directors consider this metric to be an important measure of the Group's financial position.

	Note	2022 £m	2021 £m
Cash and cash equivalents	23	**41.7**	24.8
Borrowings	23	**(370.6)**	(206.2)
Re-translation at average exchange rates		**23.1**	1.6
Net debt (average exchange rates)		**(305.8)**	(179.8)
Adjusted operating profit	27.1	**191.2**	148.7
Depreciation and amortisation of tangible and other intangible assets	10,11	**11.2**	9.9
IFRS 16 impact		**1.2**	(0.5)
Minority interest share of adjusted EBITDA		**(1.1)**	(0.8)
Pro forma adjustments[1]		**10.2**	8.3
EBITDA		**212.7**	165.6
Net debt to EBITDA		**1.4x**	1.1x

1 Adjustment for annualisation of adjusted EBITDA of acquisitions and disposals.

27.7 Dividend cover

Dividend cover is adjusted earnings per share (as per note 27.3) divided by the total dividend for the year (interim and final proposed).

	Note	2022	2021
Adjusted earnings per share	8	**107.5**	85.2
Total dividend for the year (interim and final proposed)		**53.8**	42.6
Dividend cover		**2.0**	2.0

1.1 Basis of preparation

The consolidated financial statements have been prepared on a consistent basis to prior year and also under the historical cost convention, except for derivative financial instruments which are held at fair value.

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. Diploma PLC transitioned to UK-adopted International Accounting Standards in its consolidated financial statements on 1 October 2021. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework.

Going concern

The consolidated financial statements have been prepared on a going concern basis. The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 2 to 89. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 77 to 79. In addition, pages 156 to 159 of the Annual Report & Accounts include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Group continues to operate against a backdrop of macroeconomic disruption, including widespread global inflation, rising interest rates and the continued uncertainty of the Covid-19 pandemic, in particular its lasting impact on global supply chains. Accordingly, the Directors have again considered a more comprehensive going concern view than in previous years. The Group has considerable financial resources, together with a broad spread of customers and suppliers across different geographic areas and sectors, often secured with longer term agreements. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully as described further on pages 82 to 88.

Liquidity and financing position

The Group's liquidity and funding arrangements are described in notes 18 and 23 to the consolidated financial statements. On 13 October 2020, the Group entered into a debt facility agreement (SFA) which comprised 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, which was increased to £185.0m during the previous financial year.

During the year the Group has amended the SFA to increase the total facility size. As at 30 September 2022 the SFA comprises a committed multi-currency revolving facility (RCF) for an aggregate principal amount of £359.7m, an amortising term loan for an aggregate principal amount of £114.2m ($127.5m), a bullet term loan for an aggregate principal amount of £59.1m ($66.0m) and a further bullet term loan for an aggregate principal amount of £45.3m. The SFA is due to expire in December 2024 and there is an option to extend for a further 12-month period.

The Group's debt facilities are subject to interest at variable rates. During the year the Group entered into interest rate swap contracts with the effect of fixing the interest rate on $100.0m (£89.6m) of debt. The effective fixed rate debt was 24% of total debt. Subsequent to year end, the Group has entered into further interest rate swap contracts with the effect of fixing the interest rate on an additional $100.0m of debt.

At 30 September 2022, the Group's Net Debt/EBITDA ratio is 1.4x, as illustrated in note 27.

As at 30 September 2022, the term loans have an aggregate outstanding principal amount of £173.3m ($193.5m) and the Group has utilised £201.0m of the revolving facility. There remains £158.7m undrawn on the revolving facility and £45.3m undrawn on the bullet term loan. Borrowings include £1.0m (2021: £0.4m) of accrued interest and the carrying amount of capitalised debt fees is £4.7m (2021: £2.8m).

As at 30 September 2021, under the SFA the Group had a drawn term loan with an aggregate principal amount of £113.5m ($153.0m) and drawings of £95.1m under the revolving facility. As at 30 September 2021 the undrawn revolving facility amount was £89.9m.

Total net debt is £398.0m (2021: £229.7m) comprising cash funds of £41.7m (2021: £24.8m), borrowings of £370.6m (2021: £206.2m), and lease liabilities of £69.1m (2021: £48.3m). Bank covenants are tested against net debt funds only (i.e. excluding lease liabilities).

Financial modelling

The Group has modelled a base case and downside case in its assessment of going concern. The base case is driven off the Group's detailed budget which is built up on a business by business case and considers both the micro and macroeconomic factors which could impact performance in the industries and geographies in which that business operates. The downside case models steep declines in revenues and operating margins as well as materially adverse working capital movements. These sensitivities model a continued unfavourable impact from a prolonged downturn in the economy.

The purpose of this exercise is to consider if there is a significant risk that the Group could breach either its facility headroom or financial covenants. Both scenarios indicate that the Group has significant liquidity and covenant headroom on its borrowing facilities to continue in operational existence for the foreseeable future.

Going concern basis

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

1.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries and Employee Benefit Trust (EBT)). Control exists when the Company is exposed or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The assets, liabilities and results of subsidiaries acquired or disposed of during the year are included in the Consolidated Income Statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

Non-controlling interests, defined as minority interests, in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination.

1.2.a. New accounting standards adopted

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

1.3 Acquisitions

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

Minority interests may be initially measured at fair value or, alternatively, at the minority interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made for each business combination separately.

1.4 Divestments

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

1.5 Revenue recognition

Revenue is measured as the fair value of the consideration received or receivable for goods and services supplied to customers, after deducting sales allowances and value-added taxes; revenue receivable for services supplied to customers, as opposed to goods, is less than ca. 3% of Group revenue. Under IFRS 15, each customer contract is assessed to identify the performance obligation. An assessment of the timing of revenue recognition is made for each performance obligation. Revenue is recognised at a point in time for all standard revenue transactions when control of the goods provided is transferred to the customer. Revenue is also recognised at a point in time for contracts that contain multiple elements (service contracts) when the agreed output is produced by the customer, unless there are specific performance obligations to deliver other services over time. The revenue on such service contracts is not material in the context of the Group's total revenue.

The transaction price is allocated to each performance obligation based on the relative stand-alone selling prices of the goods or services provided. If a stand-alone selling price is not available, the Group will estimate the selling price with reference to the price that would be charged for the goods or services if they were sold separately. There are no contracts with variable consideration.

Provision is made for returns and in the few instances where rebates are provided. There are no capitalised contract costs recognised by the Group.

1.6 Employee benefits

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

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

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

i) Within the Consolidated Income Statement:
- Service cost of current members of the Kubo Scheme.
- Gains and losses arising on settlements and curtailments – where the item that gave rise to the settlement or curtailment is recognised in operating profit.
- Any interest cost on the net deficit of the plan – calculated by applying the discount rate to the net defined benefit liability at the start of the annual reporting period.

ii) Within the Consolidated Statement of Comprehensive Income (Other Comprehensive Income):
- Actuarial gains and losses arising on the assets and liabilities of the plan related to actual experience and any changes in assumptions at the end of the year.

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

The Group operates an EBT for the granting of shares to Executives. The cost of shares in the Company purchased by the EBT are shown as a deduction from equity.

1.7 Foreign currencies

The individual financial statements of each Group entity are prepared in their functional currency, which is the currency of the primary economic environment in which that entity operates. For the purpose of the consolidated financial statements, the results and financial position of each entity are translated into UK sterling, which is the presentational currency of the Group.

a) Reporting foreign currency transactions in functional currency: Transactions in currencies other than the entity's functional currency (foreign currencies) are initially recorded at the rates of exchange prevailing on the dates of the transactions. At each subsequent balance sheet date:
   i) Foreign currency monetary items are retranslated at the rates prevailing at the balance sheet date. Exchange differences arising on the settlement or retranslation of monetary items are recognised in the Consolidated Income Statement.
   ii) Non-monetary items measured at historical cost in a foreign currency are not retranslated.
   iii) Non-monetary items measured at fair value in a foreign currency are retranslated using the exchange rates at the date the fair value was determined. Where a gain or loss on non-monetary items is recognised directly in equity, any exchange component of that gain or loss is also recognised directly in equity and conversely, where a gain or loss on a non-monetary item is recognised in the Consolidated Income Statement, any exchange component of that gain or loss is also recognised in the Consolidated Income Statement.

b) Translation from functional currency to presentational currency: When the functional currency of a Group entity is different from the Group's presentational currency, its results and financial position are translated into the presentational currency as follows:
   i) Assets and liabilities are translated using exchange rates prevailing at the balance sheet date.
   ii) Income and expense items are translated at average exchange rates for the year, except where the use of such an average rate does not approximate the exchange rate at the date of the transaction, in which case the transaction rate is used.
   iii) All resulting exchange differences are recognised in Other Comprehensive Income; these cumulative exchange differences are recognised in the Consolidated Income Statement in the period in which the foreign operation is disposed of.

c) Net investment in foreign operations: Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation are recognised in the Consolidated Income Statement in the separate financial statements of the reporting entity or the foreign operation as appropriate. In the consolidated financial statements such exchange differences are initially recognised in Other Comprehensive Income as a separate component of equity and subsequently recognised in the Consolidated Income Statement on disposal of the net investment.

1.8 Taxation

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

Current tax is based on taxable profit for the year, which differs from profit before taxation as reported in the Consolidated Income Statement. Taxable profit excludes items of income and expense that are taxable (or deductible) in other years and also excludes items that are never taxable or deductible. The Group's liability for current tax, including UK corporation tax and overseas tax, is calculated using rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method. Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Temporary differences arise primarily from the recognition of the deficit on the Group's defined benefit pension scheme, the difference between accelerated capital allowances and depreciation and for short-term timing differences where a provision held against receivables or inventory is not deductible for taxation purposes. However, deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit, nor the accounting profit.

Deferred tax liabilities are also recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. No deferred tax is recognised on the unremitted earnings of overseas subsidiaries, as the Group controls the dividend policies of its subsidiaries.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax is charged or credited to the Consolidated Income Statement, except when the item on which the tax or charge is credited or charged directly to equity, in which case the deferred tax is also dealt with in equity. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. Tax assets and liabilities are offset when there is a legally enforceable right to enforce current tax assets against current tax liabilities and when the deferred income tax relates to the same fiscal authority.

1.9 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the purchase price plus costs directly incurred in bringing the asset into use. All repairs and maintenance expenditure is charged to the Consolidated Income Statement in the period in which it is incurred.

Freehold land is not depreciated. Depreciation on other items of property, plant and equipment begins when the asset is available for use and is charged to the Consolidated Income Statement on a straight-line basis to write off the cost, less residual value of the asset, over its estimated useful life as follows:

Freehold property	– between 20 and 50 years
Leasehold property	– term of the lease
Plant and equipment	– plant and machinery between 3 and 7 years
	– IT hardware between 3 and 5 years
	– fixtures and fittings between 5 and 15 years
Hospital field equipment	– 5 years

The depreciation method used, residual values and estimated useful lives are reviewed and changed, if appropriate, at least at each financial year end. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses arising on disposals are determined by comparing sales proceeds with carrying amount and are recognised in the Consolidated Income Statement.

1.10 Intangible assets

All intangible assets, excluding goodwill arising on a business combination, are stated at their amortised cost or fair value at initial recognition less any provision for impairment. Amortisation of intangible assets is recognised as an administration cost.

a) Research and development costs

Research expenditure is written off as incurred. Development costs are written off as incurred unless forecast revenues for a particular project exceed attributable forecast development costs in which case they are capitalised and amortised on a straight-line basis over the asset's estimated useful life. Costs are capitalised as intangible assets unless physical assets, such as tooling, exist when they are classified as property, plant and equipment.

b) Computer software costs

Where computer software is not integral to an item of property, plant or equipment its costs are capitalised as other intangible assets. Amortisation is provided on a straight-line basis over its useful economic life of between three and seven years.

c) Acquired intangible assets – business combinations

Intangible assets that may be acquired as a result of a business combination, include, but are not limited to, customer lists, supplier lists, databases, technology and software and patents that can be separately measured at fair value, on a reliable basis, are separately recognised on acquisition at the fair value, together with the associated deferred tax liability. Amortisation is charged on a straight-line basis to the Consolidated Income Statement over the expected useful economic lives.

Fair values of customer and supplier relationships on larger acquisitions are valued using a discounted cash flow model; databases are valued using a replacement cost model. For smaller acquisitions, intangible assets are assessed using historical experience of similar transactions.

d) Goodwill – business combinations

Goodwill arising on the acquisition of a subsidiary represents the excess of the aggregate of the fair value of the consideration over the aggregate fair value of the identifiable intangible, tangible and current assets and net of the aggregate fair value of the liabilities (including contingent liabilities of businesses acquired at the date of acquisition). Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Transaction costs are expensed and are not included in the cost of acquisition.

1.11 Impairment of tangible and intangible assets

An impairment loss is recognised to the extent that the carrying amount of an asset or a CGU exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the higher of: (i) its fair value less costs to sell; and (ii) its value in use. Its value in use is the present value of the future cash flows expected to be derived from the asset or CGU, discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. Impairment losses are recognised immediately in the Consolidated Income Statement.

a) Impairment of goodwill

Goodwill acquired in a business combination is allocated to a CGU; CGUs for this purpose are the Group's three Sectors which represent the lowest level within the Group at which the goodwill is monitored by the Group's Board of Directors for internal and management purposes. CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the goodwill attributable to the CGU. Impairment losses cannot be subsequently reversed.

b) Impairment of other tangible and intangible assets

Other tangible and intangible assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Impairment losses and any subsequent reversals are recognised in the Consolidated Income Statement.

1.12 Inventories

Inventories are stated at the lower of cost (generally calculated on a FIFO or weighted average cost basis depending on the nature of the inventory) and net realisable value, after making due allowance for any obsolete or slow moving inventory. Cost comprises direct materials, duty and freight-in costs.

Net realisable value represents the estimated selling price less all estimated costs of completion and the estimated costs necessary to make the sale.

1.13 Financial instruments

Financial assets and liabilities are recognised in the Group balance sheet when the Group becomes a party to the contractual provisions of the instrument.

a) Trade receivables and loss allowance
Trade receivables are initially measured at fair value, do not carry any interest and are reduced by a charge for impairment for estimated irrecoverable amounts. Such impairment losses are recognised in the Consolidated Income Statement, calculated under IFRS 9 (see note 1.2(a)).

b) Trade payables
Trade payables are non-interest bearing and are initially measured at their nominal value.

c) Cash and cash equivalents
Cash and cash equivalents comprise cash in hand, interest bearing deposits, bank overdrafts and short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts are repayable on demand and can form an integral part of the Group's cash management. Bank overdrafts (where used) are presented net of cash and cash equivalents on the balance sheet.

d) Put options held by minority interests
The purchase price of shares to be acquired under options held by minority shareholders in the Group's subsidiaries are calculated by reference to the estimated profitability of the relevant subsidiary at the time of exercise, using a multiple based formula. The net present value of the estimated future payments under these put options is shown as a financial liability. The corresponding entry is recognised in equity as a deduction against retained earnings. At the end of each year, the estimate of the financial liability is reassessed and any change in value is recognised in the Consolidated Income Statement, as part of finance income or expense. Where the liability is in a foreign currency, any change in the value of the liability resulting from changes in exchange rates is recognised in the Consolidated Income Statement.

e) Derivative financial instruments and hedge accounting
The Group holds derivative financial instruments in the form of forward foreign exchange contracts to hedge its foreign currency exposure and interest rate swaps to hedge its exposure to market interest rates. These derivatives are designated as cash flow hedges. The Group has elected to continue to apply the hedge accounting requirements of IAS 39, as allowed under IFRS 9.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and subsequent changes in the fair value of foreign currency derivatives which are designated and effective as hedges of future cash flows are recognised in equity in the hedging reserve and in Other Comprehensive Income and are reclassified to profit or loss on maturity of the derivative. Changes in the fair value of foreign currency derivatives which are ineffective or do not meet the criteria for hedge accounting in accordance with IAS 39 are recognised immediately in the Consolidated Income Statement.

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

No derivative contracts have been designated as fair value hedges or net investment hedges.

f) Borrowings
Borrowings are initially recognised at the fair value of the consideration received. They are subsequently measured at amortised cost. Borrowings are classified as non-current when the repayment date is more than 12 months from the period end date or where they are drawn on a facility with more than 12 months to expiry.

1.14 Investments (fair value through Other Comprehensive Income)
The investments held by the Group comprise equity shares which are not held for the purposes of equity trading and in accordance with IFRS 9 is classified as fair value through Other Comprehensive Income. They are initially recognised at fair value. Subsequent to initial recognition, they are measured at fair value and changes therein are recognised in Other Comprehensive Income.

1.15 Leases
The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, being the initial amount of the lease liability adjusted for any lease payments made at or before commencement date.

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

Right-of-use assets are depreciated on a straight-line basis over the lease term, or useful life if shorter.

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

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

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

1.17 Dividends
The annual final dividend is not provided for until approved at the AGM; interim dividends are charged in the period they are paid.

1.18 Share capital and reserves
Ordinary shares are classified as equity and details of the Group's share capital is disclosed in note (e) of the Parent Company's financial statements. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. The Group also maintains the following reserves:

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

b) Hedging reserve – The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments that are determined to be an effective hedge.

c) Retained earnings reserve – The retained earnings reserve comprises total cumulative recognised income and expense attributable to shareholders. Bonus issues of share capital and dividends to shareholders are also charged directly to this reserve. In addition, the cost of acquiring shares in the Company and the liability to provide those shares to employees, is accounted for in this reserve.

Where any Group company purchases the Company's equity share capital and holds that share either directly as treasury shares or indirectly within an ESOP trust, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders. These shares are used to satisfy share awards granted to Directors under the Group's share schemes. The Trustee purchases the Company's shares on the open market using loans made by the Company or a subsidiary of the Company.

1.19 Related parties

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

1.20 Accounting standards, interpretations and amendments to published standards not yet effective

The IASB has published a number of new IFRS standards, amendments and interpretations to existing standards which are not yet effective, but will be mandatory for the Group's accounting periods beginning on or after 1 October 2021. An assessment of the impact of these new standards and interpretations is set out below:

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
Reference to the Conceptual Framework – Amendments to IFRS 3

The Group does not anticipate that the adoption of these standards and interpretations that are effective for the year ending September 2023 will have a material effect on its financial statements.

1.21 Significant accounting estimates and critical judgements

The preparation of the Group's consolidated financial statements requires management to make critical accounting judgements, assumptions or estimates with regard to assets or liabilities that could potentially have a material adjustment to the carrying amount of assets or liabilities in the next 12 months.

1.21.1 Acquisition accounting (estimate)

Acquisition accounting is a significant accounting estimate.

When the Group makes an acquisition it recognises the identifiable assets and liabilities, including intangible assets, at fair value with the difference between the fair value of net assets acquired and the fair value of consideration paid comprising goodwill. Acquisitions are accounted for using the acquisition method as described in the Group Accounting Policies. The key assumptions and estimates used to determine the valuation of intangible assets acquired are the forecast cash flows, the discount rate and customer/supplier attrition. Customer and supplier relationships are valued using an excess earnings cash flow model. Acquisitions often comprise an element of deferred consideration and may include a minority interest, which are subject to put options. These put options are valued at fair value at the date of acquisition. Deferred consideration is fair valued based on the Directors' estimate of future performance of the acquired entity.

The significant assumptions in valuing the R&G and Accuscience intangible assets, which were acquired in the year, together with the sensitivity analysis, are set out below.

	R&G	Accuscience
Discount rate + 1% (all intangibles)	ca. £(2)m	ca. £(2)m
Revenue growth rate +1% (all intangibles)	ca. £2m	ca. £3m
Customer attrition rate +1% (customer relationships)	ca. £(2)m	ca. £(2)m

Management are also required to make judgements, assumptions and estimates relating to certain assets and liabilities that could potentially have a material impact over the longer term. These relate to:

1.21.2 Goodwill impairment (estimate)

The Group has material amounts of goodwill and intangible assets (principally customer and supplier relationships) recognised in the Consolidated Statement of Financial Position. As set out in note 1.11 of the Group Accounting Policies, goodwill is tested annually to determine if there is any indication of impairment. Assumptions are used to determine the recoverable amount of each CGU, principally based on the present value of estimated future cash flows to derive the 'value in use' to the Group of the capitalised goodwill. The key estimates made and assumptions used in performing impairment testing this year are set out in note 10 to the consolidated financial statements.

1.21.3 Inventory provisions (estimate)

Inventories are stated at the lower of cost and net realisable value as set out in note 1.12 of the Group Accounting Policies. In the course of normal trading activities, estimates are used to establish the net realisable value of inventory and impairment charges are made for obsolete or slow-moving inventories and against excess inventories.

The decision to make an impairment charge is based on a number of factors including management's assessment of the current trading environment, aged profiles and historical usage and other matters which are relevant at the time the consolidated financial statements are approved.

1.21.4 Defined benefit pension (estimate)

Defined benefit pensions are accounted for as set out in note 1.6 of the Group Accounting Policies. Determining the value of the future defined benefit obligation requires estimates in respect of the assumptions used to calculate present values. These include discount rate, future mortality and inflation rate. Management makes these estimates in consultation with an independent actuary. For the year ended 30 September 2022, the Defined benefit pension obligation is an asset rather than an obligation due to the increase in the discount rate. Detail of the estimates and key sensitivities made in calculating the defined benefit asset at 30 September 2022 are set out in note 25 to the consolidated financial statements.

PARENT COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2022

	Note	2022 £m	2021 £m
Fixed assets			
Investments	d	**297.2**	297.2
Debtors: amounts falling due within one year			
Amounts owed by Group undertakings		**35.8**	-
Creditors: amounts falling due within one year			
Amounts owed to Group undertakings		**–**	(34.7)
Net assets		**333.0**	262.5
Capital and reserves			
Called up share capital	e	**6.3**	6.3
Share premium		**188.6**	188.6
Profit and loss account[1]		**138.1**	67.6
Total shareholders' equity		**333.0**	262.5

1 Includes profit after tax for the year of £125.5m (2021: £69.6m).

The financial statements of Diploma PLC and the notes on 176 to 178, which form part of these financial statements, company number 3899848, were approved by the Board of Directors on 21 November 2022 and signed on its behalf by:

JD Thomson
Chief Executive Officer

C Davies
Chief Financial Officer

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2022

	Note	Share capital £m	Share premium £m	Retained earnings £m	Total shareholders' equity £m
At 1 October 2020		6.3	188.6	50.4	**245.3**
Total Comprehensive Income	a	–	–	69.6	**69.6**
Dividends paid	f	–	–	(52.9)	**(52.9)**
Settlement of LTIP awards	e	–	–	0.5	**0.5**
At 30 September 2021		6.3	188.6	67.6	**262.5**
Total Comprehensive Income	a	–	–	125.5	**125.5**
Dividends paid	f	–	–	(56.2)	**(56.2)**
Settlement of LTIP awards		–	–	1.2	**1.2**
At 30 September 2022		**6.3**	**188.6**	**138.1**	**333.0**

a) Accounting policies

a.1) Basis of accounting

The Parent Company Financial Statements (the Financial Statements) have been prepared consistently in accordance with the Companies Act 2006 and FRS 101 (Reduced Disclosures Framework). The Directors confirm they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and accordingly, they continue to adopt the going concern basis in preparing the Financial Statements. The Financial Statements, which are prepared on a historical cost basis, are presented in UK sterling and all values are rounded to the nearest 100,000 except when otherwise indicated.

Diploma PLC is a public company limited by shares incorporated in the United Kingdom, and registered and domiciled in England and Wales and listed on the London Stock Exchange. The address of the registered office is 10-11 Charterhouse Square, London EC1M 6EE. The financial statements were authorised by the Directors for publication on 21 November 2022.

The following disclosures have not been provided as permitted by FRS 101:

- a cash flow statement and related notes;
- a comparative period reconciliation for share capital;
- disclosures in respect of transactions with wholly owned subsidiaries;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRS;
- disclosures in respect of the compensation of key management personnel as required.

The Company has also taken the exemption under FRS 101 available in respect of the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 (Share-based Payment) in respect of Group settled share-based payments as the consolidated financial statements of the Company include the equivalent disclosures within the Remuneration Committee Report.

a.2) Total Comprehensive Income

Total Comprehensive Income comprises dividends received from subsidiaries, interest payable on inter-company balances at the UK base rate, plus 1.5% and that are repayable on demand.

a.3) Dividend income

Dividend income is recognised when received. Final dividend distributions are recognised in the Company's Financial Statements in the year in which the dividends are approved by the Company's shareholders. Interim dividends are recognised when paid.

a.4) Diploma PLC Employment Benefit Trust and employee share schemes

Shares held by the Diploma PLC Employee Benefit Trust (the Trust) are stated at cost and accounted for as a deduction from shareholders' equity in accordance with IAS 32, as applied by FRS 101. Shares that are held by the Trust are not eligible for dividends until such time as the awards have vested and options have been exercised by the participants.

a.5) Auditors' remuneration

Fees payable to the auditors for the audit of the Company's financial statements of £3,500 (2021: £3,500) were borne by a fellow Group undertaking.

b) Directors' and employees' remuneration

No remuneration is paid directly by the Company; information on the Directors' remuneration (which is paid by a subsidiary company) and their interests in the share capital of the Company are set out in the Remuneration Committee Report on pages 114 to 138 and note 4 to the Consolidated Financial Statements on page 148. The Company had no employees (2021: none).

c) Company profit and loss account

As permitted by section 408 of the Companies Act 2006, no separate profit and loss account is presented for the Company. There were no gains or losses either in the current or preceding years recognised in Other Comprehensive Income. The Company's profit for the year was £125.5m (2021: profit of £69.6m), before settlement of LTIP awards.

d) Investments

	2022 £m	2021 £m
Shares in Group undertakings held at cost		
At 30 September	**297.2**	297.2

A full list of subsidiary and other related undertakings is set out on pages 187 to 189. Investments in subsidiaries are reviewed annually to see if there are any indicators of impairment. There were none (2021: none).

e) Called up share capital

	2022 Number	2021 Number	2022 £m	2021 £m
Issued, authorised and fully paid ordinary shares of 5p each				
At 30 September	**124,616,170**	124,563,515	**6.3**	6.3

During the year, 72,262 ordinary shares in the Company (2021: 27,914) were transferred from the Trust to participants on an after income tax basis in connection with the exercise of options in respect of awards which had vested under the 2011 Long-Term Incentive Plan, as set out in the Remuneration Committee Report.

At 30 September 2022, the Trust held 71,033 (2021: 90,640) ordinary shares in the Company representing 0.1% of the called up share capital. The market value of the shares at 30 September 2022 was £1.7m (2021: £2.6m).

f) Dividends
Details in respect of dividends proposed and paid during the year by the Company are included in note 7 to the consolidated financial statements.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion:

- Diploma PLC's Group financial statements and Parent Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 September 2022 and of the Group's profit and the Group's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report (the "Annual Report"), which comprise: the Consolidated and Parent Company Statements of Financial Position as at 30 September 2022; the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Cash Flow Statement, and the Consolidated and Parent Company Statements of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in note 25, we have provided no non-audit services to the Parent Company or its controlled undertakings in the period under audit.

Our audit approach

Overview

Audit scope
- The Group is split into three Sectors (Life Sciences, Seals and Controls) and we have conducted audit work across all of them. Through our full scope component audits, audit of the consolidation and additional audit procedures performed at a Group level we have achieved coverage of 75% (2021:79%) of Group profit before tax and 75% (2021: 77%) of Group revenue.

Key audit matters
- Valuation of the intangibles for the R&G and Accuscience acquisitions (Group)
- Carrying value of investments in subsidiaries (parent)

Materiality
- Overall Group materiality: £6.2m (2021: £4.8m) based on approximately 5% of profit before tax.
- Overall Parent Company materiality: £3.3m (2021: £3.0m) based on 1% of total assets.
- Performance materiality: £4.7m (2021: £3.6m) (Group) and: £2.5m (2021: £2.2m) (Parent Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Carrying value of investments in subsidiaries (Parent Company) and Valuation of the intangibles for the R&G and Accuscience acquisitions (Group) are new key audit matters this year. Provision for impairment of inventories – Controls Sector (Group) and Accounting for the Windy City Wire acquisition (intangibles valuation)(Group), which were key audit matters last year, are no longer included because of the reduced impact of COVID-19 on the industries in which the Controls Sector operates and there is no significant risk associated with the ongoing accounting for, or valuation of, the Windy City Wire intangibles.

Key audit matter	How our audit addressed the key audit matter
Valuation of the intangibles for the R&G and Accuscience acquisitions (Group) Refer to page 175 Significant accounting estimates and critical judgements (Acquisition accounting) and note 21 (Acquisitions and disposals of businesses) within the Group consolidated financial statements. The Group acquired R&G and Accuscience businesses for a consideration of £142.2m. Acquired intangible assets of £80.7m were identified and recognised in respect of these acquisitions. These included customer relationships (£77.0m), and brands (£3.7m). We have identified a significant risk associated with the valuation of the intangibles due to the magnitude of the acquisitions, the significant level of estimation involved in determining the fair value of the acquired intangibles and their sensitivity to changes in key assumptions. The valuation of the identifiable intangible assets requires management estimation as it is dependent on a number of key assumptions including forecast revenue growth rates, discount rates and average historical customer attrition rates. In considering such assumptions, there is an inherent level of estimation uncertainty and subjectivity.	Procedures undertaken to address the significant risk identified in respect of the valuation of the acquired intangibles include: We validated the mathematical accuracy of management's models and appropriateness of the methodologies used to determine the fair values, with support from our internal valuation experts. We obtained an understanding of the assumptions used to determine these estimates and identified the following key assumptions: – Discount rates: We engaged our valuation experts to corroborate the reasonableness of the discount rates using comparable market data, for example discount rates of other companies in similar industries. – Forecast revenue growth rates and margins: We compared the assumptions in respect of forecast revenue growth rates and margins to historical trading experience and the actual trading performance of the businesses post acquisition. In addition, we compared the forecasts used in the valuations to the Board approved budgets, the three year forecast and comparable companies. – Customer attrition rates: In respect of the customer relationship intangible assets, we corroborated the customer attrition rate assumptions and forecast cash flows. We compared the assumptions in respect of forecast cash flows to historical customer sales, we engaged our valuation experts to assist in the evaluation of the methodology used by management. From our procedures we concluded that management's estimate of the fair values of the acquired intangibles are appropriate.
Carrying value of investments in subsidiaries (Parent Company) At the balance sheet date, the Parent Company had investments in subsidiaries of £297.2m (2021: £297.2m). Refer to the Parent Company Statement of Financial Position and note d within the Parent Company financial statements. We have focused our audit efforts on this balance given the significance of it. The carrying amount of the Parent Company's investments in subsidiaries represents 89% of the Parent Company's total assets (2021: 100%). Given the trading performance of the underlying subsidiary investments, we do not consider the valuation of these investments to be at a high risk of material misstatement or to be subject to a significant level of impairment judgement/estimation. However, due to their materiality in the context of the Parent Company financial statements as a whole, it is considered to be the area on which the most audit effort is focused for the Parent Company.	We checked that the net assets on the balance sheets of the individual investments were in excess of the carrying value of the Parent Company's investment in those subsidiaries. In addition, our work performed through the audit did not identify any other impairment indicators regarding the recoverability of the carrying value of those investments at the balance sheet date. We have no issues to report in respect of this work.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Parent Company, the accounting processes and controls, and the industry in which they operate.

The Group is focused on three core Sectors (Life Sciences, Seals and Controls) with operations primarily geographically located in Australia, Canada, the USA, the UK and Continental Europe. Within the aforementioned Sectors are a number of businesses / management reporting entities which are consolidated by Group management. The financial statements are a consolidation of multiple reporting components representing the operating businesses within these three core Sectors. Our audit scope was determined by considering the significance of each component's contribution to profit before tax and contribution to individual financial statement line items, with specific consideration to obtaining sufficient coverage over significant risks and other areas of higher risk. We identified 20 financial reporting components across eight countries for which we determined that full scope audits would need to be performed. Through our full scope audits, the audit of the consolidation and other audit procedures performed at a Group level, we have achieved coverage of 75% of the Group's profit before tax and 75% of the Group's revenue, giving us the evidence we needed for our opinion on the financial statements as a whole.

The reporting components, excluding those audited by the Group engagement team, were audited by eight component teams. The Group engagement team attended audit clearance meetings via video conference or in-person, met with management from certain UK, USA and Canada businesses and discussed the audit approach and audit findings with all reporting component teams. Our attendance at the clearance meetings, reviews of the component team reporting, and review and discussion of the audit working papers of a number of overseas locations, together with the additional procedures performed at Group level, gave us the evidence we needed for our opinion on the financial statements as a whole. Our audit procedures at the Group level included the audit of the consolidation, fair value adjustments and intangible asset valuations on acquisitions, goodwill and investment impairment trigger assessments, UK pensions and certain tax procedures. The Group engagement team also performed the audit of the Parent Company and five UK components.

As part of our audit we made enquiries of management to understand the process they have adopted to assess the extent of the potential impact of climate change risk on the Group and Parent Company financial statements. Management considers that the impact of climate change does not give rise to a material financial statement impact due to the Group's decentralised and diverse nature and agility to adapt to changing end markets. We used our knowledge of the Group to evaluate management's assessment. We particularly considered how climate change risks would impact the assumptions made in the forecasts prepared by management and used in their impairment and going concern analysis. We discussed with management the ways in which climate change disclosures should continue to evolve as the Group continues to develop its response to the impact of climate change. We also considered the consistency of disclosures in relation to climate change contained in the other information within the Annual Report to the financial statements and our knowledge from our audit.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements - Group	Financial statements - Parent Company
Overall materiality	£6.2m (2021: £4.8m).	£ 3.3m (2021: £3.0m).
How we determined it	Approximately 5% of Profit before tax	1% of Total assets
Rationale for benchmark applied	An appropriate measure for a listed group and one of the key measures used by the shareholders in assessing the statutory performance of the Group.	A typical measure used by shareholders in assessing the performance of a holding company and a generally accepted auditing benchmark.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was £0.4m and £5.6m. Certain components were audited to a local statutory audit materiality that was also less than our allocated component materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2021: 75%) of overall materiality, amounting to £4.7m (2021: £3.6m) for the Group financial statements and £2.5m (2021: £2.2m) for the Parent Company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £312,000 (Group audit) (2021: £250,000) and £165,000 (Parent Company audit) (2021: £149,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Group's and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Reviewing management's going concern assessment to ensure it was based upon the latest Board approved forecasts and that the cash flow assumptions were consistent with our understanding of the outlook for the Group's businesses and the wider market;
- Testing the mathematical accuracy of the model;
- Corroborating key model inputs with other procedures performed over the course of the audit;
- Discussing conclusions with management across the business to ensure consistency and gain perspective on the developments within the business;
- Comparison of the prior year forecasts against current year actual performance to assess management's ability to forecast accurately; and
- Reviewing the latest signed financing agreements to validate covenants used in the modelling and the timing of debt maturities.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Parent Company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information, which includes reporting based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 September 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Parent Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Directors' Remuneration

In our opinion, the part of the Remuneration Committee Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Parent Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Parent Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the Group's and Parent Company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the Parent Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the Group was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Parent Company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Parent Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the Parent Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities for preparing the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK Listing Rules, the Companies Act 2006 and indirect and direct tax laws, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to fraudulent journal entries to manipulate the financial performance and management bias in significant accounting estimates, in order to achieve management incentive scheme targets and market consensus. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- enquiring of Group and local management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud, and review of internal audit reports in so far as they related to the financial statements;
- inspecting management reports and Board minutes
- challenging assumptions and judgements made by management in their accounting estimates, including the inventory provision
- reviewing selected component auditors' work
- incorporating elements of unpredictability into our work
- identifying and testing journal entries, including those posted with unusual account combinations; and
- reviewing financial statement disclosures and testing these to supporting documentation to assess compliance with applicable laws and regulations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Parent Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

OTHER REQUIRED REPORTING

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the Parent Company financial statements and the part of the Remuneration Committee Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 1 March 2018 to audit the financial statements for the year ended 30 September 2018 and subsequent financial periods. The period of total uninterrupted engagement is 5 years, covering the years ended 30 September 2018 to 30 September 2022.

Christopher Burns (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
21 November 2022

SUBSIDIARIES OF DIPLOMA PLC

	Registered office address*
Seals	
HB Sealing Products, Inc.	D
HKX, Inc.	E
RTD Seals Corp.	C
VSP Technologies, Inc.	C
HB Sealing Products Limited	Q
M Seals A/S (90% owned)	M
M Seals AB (90% owned)	N
M Seals UK Limited[2]	A
Edco Seal and Supply Limited[1]	A
Diploma (Tianjin) Trading Co. Limited	V
Diploma CCA Limited[1]	A
FPE Seals Limited[2]	A
DMR Seals (Holdings) Limited[2]	A
DMR Gaskets Limited[2]	A
DMR Seals Limited[2]	A
A.B. Seals Limited[1]	A
Swan Seals (Aberdeen) Limited[1]	A
FPE Seals BV	J
Kubo Tech AG	K
Kubo Tech GmbH	L
PumpNSeal Australia Pty Limited	R
TotalSeal Group Australia Pty Limited	S
TotalSeal New Caledonia SAS	U
Fitt Management Pty Limited	AB
Fitt Resources Pty Limited	AB
Fitt Trading Pty Limited	AB
Merseyflex Limited[2] & (98% owned)	A
R&G Investments Limited[2] & (98% owned)	A
One Stop Fluid Power Limited[2] & (98% owned)	A
Pearson Hose & Hydraulics Limited[2] & (98% owned)	A
Northern Hose & Hydraulics Limited[1] & (98% owned)	A
Exeter Hose & Hydraulics Limited[2] & (98% owned)	A
North Devon Hose & Hydraulics Limited[2] & (98% owned)	A
Pressurelines Hose & Hydraulics Limited[2] & (98% owned)	A
Somerset Hose & Hydraulics Limited[2] & (98% owned)	A
West Cornwall Hose & Hydraulics Limited[2] & (98% owned)	A
Pearson Hydraulics Limited[2] & (98% owned)	A
Henry Gallacher Limited[2] & (98% owned)	A
Fluidair Power Limited[2] & (98% owned)	A
GHS Limited[2] & (98% owned)	A
Global Hydraulic Services Limited[2] & (98% owned)	A
Pennine Pneumatic Services Limited[2] & (88.5% owned)	A
Compcon Limited[2] & (88.5% owned)	A
Norman Walker (Machinery) Limited[2] & (88.5% owned)	A
Rubberfast Limited[2] & (98% owned)	A
Rubberlast Group Limited[2] & (98% owned)	A
Hydraulic & Offshore Supplies Limited[2] & (98% owned)	A
Lancashire Hose and Fittings Limited[2] & (98% owned)	A
Hyphose Limited[2] & (98% owned)	A
AMG Sealing Limited[2] & (98% owned)	A
Hydraproducts Limited[2] & (98% owned)	A
Century Hose Limited[2] & (98% owned)	A
Flexicon Industrial Supplies Limited[2] & (98% owned)	A
Integraflex Limited[2] & (98% owned)	A
Intrico Products[1] & (98% owned)	A

	Registered office address*
Hose & Hydraulics Group Limited[2] & (98% owned)	A
Grimsby Hydraulic Services Limited[2] & (98% owned)	A
Pneumatic Services Limited[2] & (88.5% owned)	A
AMG (Brighouse) Limited[2] & (98% owned)	A
Millennium Coupling Company Limited[2] & (98% owned)	A
Fluid Power Products Limited[1] & (98% owned)	A
Industrial Hose & Pipe Fittings Limited[2] & (98% owned)	A
Millennium Engineering (2012) Limited[2] & (98% owned)	A
Anti-Corrosion Technology Pty Limited	AH

Controls	Registered office address*
IS-Rayfast Limited	A
IS-Motorsport, Inc.	C
Amfast Limited[1]	A
Clarendon Specialty Fasteners Limited	A
Clarendon Specialty Fasteners (Asia) Limited	X
Clarendon Specialty Fasteners, Inc.	B
Clarendon Engineering Supplies Limited[1]	A
Clarendon Speciality Fasteners GmbH	Y
Cabletec Interconnect Component Systems Limited[1]	A
Sommer GmbH	G
Filcon Electronic GmbH	H
Actios SAS	O
Gremtek SAS	O
Gremco UK Limited[1]	A
Gremtek GmbH[1]	I
Ascome SARL	O
Cablecraft Limited[1]	A
Birch Valley Plastics Limited[1]	A
Krempfast Limited[2]	A
Betaduct Limited[1]	A
Hawco Limited	A
Abbeychart Limited[1]	A
HA Wainwright Limited[1]	A
Hawco Refrigeration Limited[1]	A
Hawco, Inc.	C
Microtherm UK Limited[1]	A
IS Group (Europe) Limited[1]	A
Specialty Fasteners Limited[1]	A
Specialty Fasteners & Components Limited[1]	A
FSC UK Limited[1]	A
FS Cables Limited[1]	A
FSC Global Limited[1]	A
Caplink Limited[1]	A
Shoal Group Limited	A
Specialised Wiring Accessories Limited[2]	A
M-Tec Limited[1 & (95% owned)]	A
Techsil Limited[2 & (95% owned)]	A
Glueline Limited[1 & (95% owned)]	A
Twist Acquisitions, LLC	Z
WCW Intermediate Holdings LLC	Z
Windy City Wire Cable & Technology Products LLC	Z
LJR Electronics LLC	AG
Buy Deutsch Connectors, LLC	AG

Life Sciences	Registered office address*
Somagen Diagnostics Inc.	F
AMT Electrosurgery Inc.	P
Vantage Endoscopy Inc.	P
Big Green Surgical Company Pty Limited	R
Diagnostic Solutions Pty Limited	R
Sphere Surgical Pty Limited	R
Aspire Surgical Pty Limited	R
Big Green Surgical NZ Limited	T
Techno-Path (Distribution) Limited	W
Abacus dx Pty Limited	R
Abacus dx Limited	T
Simonsen and Weel A/S	AC
Simonsen and Weel AB	AA
Kungshusen Medicinska AB	AD
Accu-Science Ireland Limited	AF
Medilink Services (NI) Limited[2]	AE

Intermediate holding companies	Registered office address*
Diploma Holdings PLC	A
Diploma Holdings, Inc.	C
Pride Limited[2]	A
Diploma Australia Holdings Limited[2]	A
Diploma Canada Holdings Limited[2]	A
Diploma Overseas Limited	A
Napier Group Limited	A
Williamson, Cliff Limited[2]	A
Diploma One Limited[1]	A
Diploma Two Limited[1]	A
Newlandglebe Limited[2]	A
Diploma Holding Germany GmbH	G
Diploma Canada Healthcare Inc.	F
Diploma Australia Healthcare Pty Limited	R
Diploma Australia Seals Pty Limited	R
Techsil Group Holdings Limited[2] & (95% owned)	A
Techsil Holdings Limited[2] & (95% owned)	A
R&G Fluid Power Holdings Limited[2]	A
R&G Fluid Power Group Limited[2] & (98% owned)	A

1 Dormant company.
2 These subsidiaries, which are incorporated in England, are exempt from the requirements of the UK Companies Act 2006 relating to the audit of individual accounts by virtue of section 479A of the Act, with Diploma PLC providing the relevant guarantee.

All subsidiaries are wholly owned, except where otherwise indicated.

All subsidiaries are owned through ordinary shares.

* Registered office address shown overleaf

A 10-11 Charterhouse Square, London, EC1M 6EE, UK.
B 5716 Corsa Avenue, Ste 110, Westlake Village, CA 91362-7354, USA.
C 919 North Market Street, Suite 950, Wilmington, DE 19801, USA.
D 17888 67th Court North, Loxahatchee, FL 33470-2525, USA.
E 4505 Pacific Highway East, Suite C2, Fife, WA 98424-2638, USA.
F 3400 First Canadian Centre, 350-7th Avenue SW, Calgary, Alberta T2P 3N9, Canada.
G Kraichgaustrasse 5, D-73765 Neuhausen, Germany.
H Rotwandweg 5, D-82024, Taufkirchen/München, Germany.
I 20-24 Robert Bosch Strasse, 25451 Quickborn, Germany.
J Industrieterrein Dombosch 1, Elftweg 38, 4941 VP Raamsdonksveer, the Netherlands.
K Im Langhag 5, 8307 Illnau-Effretikon, Switzerland.
L Gewerbeallee 12a, 4221 Steyregg, Austria.
M Bybjergvej 13, DK 3060, Espergaerde, Denmark.
N Industrivagen 17, SE-302, 41 Halmstad, Sweden.
O 58 rue du Fosse blanc, 92230 Gennevilliers, France.
P 333 Bay St., Suite 2400, Toronto, Ontario M5H 2T6, Canada.
Q 226 Lockhart Road, Barrie, Ontario, L4N 9G8, Canada.
R 46 Albert Street, Preston, Victoria, 3072, Australia.
S 72 Platinum Street, Crestmead, Queensland, 4132, Australia.
T Office of Bendall & Cant Ltd, Southern Cross Building, 61 High Street, Auckland, New Zealand.
U 22 Avenue des Géomètres Pionniers, ZAC PANDA – 98835, Dumbéa, New Caledonia.
V 18 Fuyuandao Road, Wuqing Development Area, Tianjin, China.
W Fort Henry Business Park, Ballina, Co. Tipperary, Ireland.
X 98/155 Soi Supapong 1 Yak 6, Srinakarin Road, Nongbon, Bangkok, Thailand.
Y Kriegackerstrasse 32, 72469 Messtetten, Germany.
Z 386 Internationale Drive Suite H Bolingbrook, IL 60440 United States.
AA Flöjelbergsgatan 8 A, 43137 Mölndal, Sweden.
AB 27 Awaba Street, Lisarow NSW 2250, Australia.
AC Vejlegårdsvej 59, 2665 Vallensbæk Strand, Denmark.
AD Kikarvägen 14, 647 35 Mariefred, Sweden.
AE 81 Sydenham Road, Belfast, Antrim, BT3 9DJ
AF Unit C3, M7 Business Park, Newhall, NAAS Kildare, Ireland
AG 2072 Byers Rd, Miamisburg, OH, 45342-1167, United States
AH 3/13 Selhurst St, BRISBANE QLD 4108, Australia

FINANCIAL CALENDAR AND SHAREHOLDER INFORMATION

Announcements (provisional dates)

Q1 Trading Update released	18 January 2023
Annual General Meeting (2022)	18 January 2023
Half Year Results announced	15 May 2023
Q3 Trading Update released	20 July 2023
Preliminary Results announced	20 November 2023
Annual Report posted to shareholders	8 December 2023
Annual General Meeting (2023)	17 January 2024

Dividends (provisional dates)

Interim announced	15 May 2023
Paid	5 June 2023
Final announced	20 November 2023
Paid (if approved)	February 2024

Annual Report & Accounts
Copies can be obtained from the Group Company Secretary at the address shown opposite.

Share Registrar
Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ
Telephone: 0370 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
John Morrison Solicitor
10-11 Charterhouse Square
London EC1M 6EE
Telephone: 020 7549 5700

Registered in England and Wales, number 3899848.

Website
Diploma's website is www.diplomaplc.com

ADVISORS

Corporate Stockbrokers
Numis Securities
45 Gresham Street
London EC2V 7BF

Barclays Bank PLC
1 Churchill Place
London E14 5HP

Independent Auditor
PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH

Solicitors
Simmons & Simmons LLP
CityPoint
One Ropemaker Street
London EC2Y 9SS

Bankers
Barclays Bank PLC
1 Churchill Place
London E14 5HP

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

FIVE YEAR RECORD

Year ended 30 September	2022 £m	2021 £m	2020 £m	2019 £m	2018 £m
Revenue	**1,012.8**	787.4	538.4	544.7	485.1
Adjusted operating profit	**191.2**	148.7	87.1	97.2	84.9
Net interest and similar charges	**(11.6)**	(6.8)	(2.7)	(0.7)	(0.1)
Adjusted profit before tax	**179.6**	141.9	84.4	96.5	84.8
Acquisition related and other charges[1]	**(46.9)**	(44.4)	(17.3)	(13.1)	(11.7)
Fair value remeasurements	**(3.2)**	(0.9)	(0.4)	0.1	(0.4)
Profit before tax	**129.5**	96.6	66.7	83.5	72.7
Tax expense	**(34.1)**	(26.9)	(16.9)	(21.1)	(18.3)
Profit for the year	**95.4**	69.7	49.8	62.4	54.4
Capital structure					
Equity shareholders' funds	**662.0**	536.3	527.0	321.3	291.2
Minority interest	**6.2**	4.7	3.7	3.3	3.1
Add/(deduct): cash and cash equivalents	**(41.7)**	(24.8)	(206.8)	(27.0)	(36.0)
borrowings	**370.6**	206.2	–	42.1	–
retirement benefit (asset) / obligations	**(6.4)**	4.9	18.3	17.8	10.5
net acquisition related liabilities[2]	**29.6**	23.7	11.5	11.3	5.6
deferred tax, net	**38.2**	21.9	7.9	8.3	8.4
Reported trading capital employed	**1,058.5**	772.9	361.6	377.1	282.8
Add: historic goodwill and acquisition related charges, net of deferred tax and currency movements	**99.6**	129.6	99.4	84.3	74.6
Adjusted trading capital employed	**1,158.1**	902.5	461.0	461.4	357.4
Net (decrease)/increase in net (debt)/funds	**(113.8)**	(395.5)	224.0	(51.9)	13.1
Add: dividends paid	**56.4**	53.2	23.4	30.1	27.0
acquisition of businesses (including minority interests), net of disposals	**177.8**	450.5	14.9	78.3	20.4
proceeds from issue of share capital (net of fees)	**–**	0.6	(189.8)	–	–
Free cash flow[3]	**120.4**	108.8	72.5	56.5	60.5
Per ordinary share (p)					
Basic earnings	**76.1**	56.1	43.5	54.7	47.5
Adjusted earnings[4]	**107.5**	85.2	56.4	64.3	56.4
Free cash flow[3]	**96.7**	87.4	64.0	49.9	53.5
Dividends	**53.8**	42.6	30.0	29.0	25.5
Total shareholders' equity[5]	**532**	431	423	284	257
Dividend cover[6]	**2.0**	2.0	1.9	2.2	2.2
Ratios	**%**	%	%	%	%
Return on adjusted trading capital employed (ROATCE)[7]	**17.3**	17.4	19.1	22.9	24.5
Working capital: revenue	**15.6**	15.8	16.0	16.5	15.1
Adjusted operating margin	**18.9**	18.9	16.2	17.8	17.5

1 Acquisition related and other charges comprise the amortisation and impairment of acquisition intangible assets, acquisition expenses, adjustments to deferred consideration, profits/losses on disposal of businesses and other one-off costs.
2 Acquisition liabilities comprise amounts payable for the future purchases of minority interests and deferred consideration.
3 Free cash flow is defined in note 27 to the consolidated financial statements. Free cash flow per share is the free cash flow balance divided by the weighted average number of ordinary shares in issue during the year.
4 Adjusted earnings per share is calculated in accordance with note 8 to the consolidated financial statements.
5 Total shareholders' equity per share has been calculated by dividing equity shareholders' funds by the number of ordinary shares in issue at the year end.
6 Dividend cover is calculated on adjusted earnings as defined in note 27 to the consolidated financial statements.
7 ROATCE represents adjusted operating profit, before acquisition related charges (adjusted for the full year effect of acquisitions and disposals), as a percentage of adjusted trading capital employed. Trading capital employed and adjusted trading capital employed are calculated as defined in note 27 to the consolidated financial statements.