DIPLOMA PLC

10-11 CHARTERHOUSE SQUARE, LONDON EC1M 6EE
TELEPHONE: +44 (0)20 7549 5700

PRELIMINARY RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2023

Sustainable Quality Compounding

	FY 2023	FY 2022	Y/y change
Revenue	**£1,200.3m**	£1,012.8m	**+19%**
Organic revenue growth (1)	**8%**	15%	
Adjusted operating profit (2)	**£237.0m**	£191.2m	**+24%**
Adjusted operating margin (2)	**19.7%**	18.9%	**+80bps**
Statutory operating profit	**£183.3m**	£144.3m	**+27%**
Free cash flow (3)	**£163.8m**	£120.4m	**+36%**
Free cash flow conversion (3)	**100%**	90%	
Adjusted earnings per share (2)	**126.5p**	107.5p	**+18%**
Basic earnings per share	**90.8p**	76.1p	**+19%**
Leverage	**0.9x**	1.4x	
Total dividend per share	**56.5p**	53.8p	**+5%**
ROATCE	**18.1%**	17.3%	**+80bps**

(1) Adjusted for acquisition and disposal contribution and currency effects; (2) Before acquisition related and other charges and acquisition related finance charges; (3) Before cash flows on acquisitions, disposals and dividends. All alternative performance measures are defined in note 14 to the Condensed Consolidated Financial Statements.

Excellent financial performance

- Strong organic growth of 8%. Good momentum into FY24, with Q4 volume-led exit rate of 7%.
- £280m invested in 12 quality acquisitions, supporting reported revenue growth of 19%.
- Adjusted operating margin up 80 bps to 19.7%, reflecting our value-add proposition; operational leverage; disciplined cost management; and accretive acquisitions.
- Delivered with discipline: free cash flow conversion of 100%; ROATCE up 80 bps to 18.1%; and leverage reduced to 0.9x.
- Confident FY24 guidance with growth in line with our financial model and consistently high margins.

Commenting, Johnny Thomson, Diploma's Chief Executive said:

"I'd like to thank all my brilliant colleagues who consistently deliver great service to our customers. Our decentralised culture is special, and preserving it as we grow is central to sustaining our great track record.

"We've had an excellent year with strong, volume-led organic growth; great margin progression; and continued double-digit EPS growth, all at strong returns. We continue to diversify end-market exposures, penetrate core geographies; and expand addressable markets through product extension to drive organic growth. We welcomed 12 quality new businesses to the Group. And, we carefully develop our businesses for scale.

"Diploma has a long track record of double-digit EPS growth at healthy returns. We are encouraged by momentum into FY24, and we are confident of continuing to deliver sustainable quality compounding."

Revenue diversification driving organic growth and increasing resilience

- **Controls +11%**: International Controls benefitted from structural tailwinds and market share gains in civil aerospace, defence and energy markets. Sustained strong growth from Windy City Wire (WCW).
- **Seals +5%**: Growth in International Seals led by contributions from R&G in the UK and our Australian businesses. In North America, Aftermarket continued to perform well and take market share. Softer performance in European and US OEM businesses with customer destocking in some end markets.
- **Life Sciences +8%**: Good growth resumed in the second half, as expected. Hospital staffing and surgical procedures have broadly recovered, and clinical diagnostics continues to benefit from increased investment.

Complementary acquisitions driving future organic growth

- 10 small bolt-ons for £33m; average EBIT multiple below 5x; £33m of annual revenue; accretive EBIT margins; and 20% year one ROATCE.
- Two strategic platform acquisitions that address some of our "white space" with strong organic growth potential at accretive operating margins; funded by equity raise of ca. £232m in March 2023.
  - Acquisition of T.I.E. for ca. £76m, entering the strategically important industrial automation end market in the US.
  - Acquisition of DICSA for ca. £170m, establishing a scaled platform in fluid power solutions across the European aftermarket.
- Continued portfolio management discipline: disposed of a non-core, lower margin heating control business in March for £23m.
- M&A pipeline of ca. £1bn, diversified by Sector, size and geography. Strength of cash flow and balance sheet provides capacity for disciplined growth.

Scaling effectively for sustainable growth

- Focused investments in talent, technology and new facilities across our businesses to continue delivering their customer proposition at scale.
- Evolving our structure, capability and culture to support the development of the Group.
- Delivered improvements against all our Delivering Value Responsibly targets.

Confident outlook

- Despite the challenging macro environment, the resilience of our model supports our confidence in the year ahead.
- FY24 growth is expected to be in line with our financial model, albeit with stronger margins:
  - Organic revenue growth of ca. 5%.
  - Acquisitions announced to date to add ca. 6% to reported revenue growth.
  - Strong operating margin, consistent year-on-year at ca. 19.7%.
  - Free cash flow conversion of ca. 90%.

Notes:

1. *Diploma PLC uses alternative performance measures as key financial indicators to assess the underlying performance of the Group. These include adjusted operating profit, adjusted profit before tax, adjusted earnings per share, free cash flow, leverage and ROATCE. All references in this Announcement to "organic" revenues refer to reported results on a constant currency basis, and after adjusting for any contribution from acquired or disposed businesses. The narrative in this Announcement is based on these alternative measures and an explanation is set out in note 14 to the Condensed Consolidated Financial Statements in this Announcement.*

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

A presentation of the results to analysts and investors will be held at 09:00 GMT. This will be streamed live via webcast and audio conference call.

Register your attendance for the webcast at: *https://brrmedia.news/DPLM_FY23*

Conference call dial in details:

- Dial in: +44 (0) 33 0551 0200 (UK-Wide) / 0808 109 0700 (UK Toll Free)
- Confirmation code: Diploma Full Year

A recording of the presentation will be available after the event on our website:
https://www.diplomaplc.com/investors/financial-presentations/

Diploma hosted an Investor Seminar in June 2023. A recording is available on our website:
https://www.diplomaplc.com/investors/results-reports-presentations/investor-seminar-2023/

For further information please contact:

Diploma PLC - Johnny Thomson, Chief Executive Officer Chris Davies, Chief Financial Officer Holly Gillis, Head of Investor Relations	+44 (0)20 7549 5700
Teneo - Martin Robinson Olivia Peters	+44 (0)20 7353 4200

NOTE TO EDITORS:
Diploma PLC is a decentralised, value-add distribution Group. Our businesses deliver practical and innovative solutions that keep key industries moving – from energy and infrastructure to healthcare.

We are a distribution group with a difference. Our businesses have the technical expertise, specialist knowledge, and long-term relationships required to deliver value-add products and services that make our customers' lives easier. These value-add solutions drive customer loyalty, market share growth and strong margins.

Our decentralised model means our specialist businesses are agile and empowered to deliver the right solutions for their customers, in their own way. As part of Diploma, our businesses can also leverage the additional resources, opportunities and expertise of a large, international and diversified Group to benefit their customers, colleagues, suppliers and communities.

We employ c.3,500 colleagues across our three Sectors of Controls, Seals and Life Sciences. Our principal operating businesses are located in the UK, Northern Europe, North America and Australia.

Over the last fifteen years, the Group has grown adjusted earnings per share (EPS) at an average of ca. 15% p.a. through a combination of organic growth and acquisitions.

Diploma is a member of the FTSE 100.

Further information on Diploma PLC can be found at www.diplomaplc.com

The person responsible for releasing this Announcement is John Morrison, Company Secretary.
LEI: 2138008OGI7VYG8FGR19

FULL YEAR REVIEW TO 30 SEPTEMBER 2023

Excellent financial performance, delivered with discipline
The Group has delivered another successful year, reflecting the power of our value-add propositions, our strategy, and our decentralised model. This, underpinned by the commitment of our colleagues to deliver excellent customer service, has enabled us again to deliver strong organic growth at high and growing margins.

Revenue in the year was up 19% to £1.2bn (2022: £1.0bn). Organic growth of 8% was driven by strong volumes. Acquisitions, net of a small disposal, contributed 8% to reported revenue while foreign exchange translation added a further 3%.

Our value-add customer propositions enable us to price to offset cost inflation and then selectively reinvest some of the benefits of positive operational leverage into scaling our businesses. This 'margin formula', coupled with disciplined cost control and accretive acquisitions, means that we have increased adjusted operating margin by 80 bps to a very strong 19.7% (2022: 18.9%). Our adjusted operating profit increased by 24% to £237.0m (2022: £191.2m).

Adjusted earnings per share (EPS) grew by 18%, continuing our long-term compounding track record (15% compound annual growth rate (CAGR) EPS over 15 years).

Our cash-generative business model drove free cash flow conversion of 100% (2022: 90%), benefitting from targeted inventory reduction. Together with the equity raise earlier in the year, this led to a reduction in net debt to £254.7m, reducing leverage to 0.9x at 30 September 2023 (2022: £328.9m and 1.4x). Returns on capital are a key underpin of our compounding financial model and return on average trading capital employed (ROATCE) improved by 80 bps to 18.1% (2022: 17.3%).

In light of this strong performance and in line with our financial model, the Board proposes a final dividend of 40.0p per share (2022: 38.8p), bringing the full year dividend to 56.5p per share (2022: 53.8p), a 5% increase. The final dividend is payable on 2 February 2024 to shareholders on the register on 19 January 2024, with a corresponding ex-dividend date of 18 January 2024.

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

We drive organic growth in three ways: positioning behind structurally growing end markets; penetrating further into core developed geographies; and extending our product range to expand addressable markets. This strategy drives both sustainable organic growth and increased resilience. Execution of this strategy across our businesses drove organic growth of 8% in FY23, with strong trading momentum as we exit the year.

	Revenue £m		**Growth**	
	FY 23	**FY 22**	**Reported**	**Organic**
Controls	**568.4**	492.8	+15%	+11%
Seals	**419.0**	331.4	+26%	+5%
Life Sciences	**212.9**	188.6	+13%	+8%
Group	**1,200.3**	1,012.8	+19%	+8%

Some examples of how our businesses are delivering organic growth are set out below, with further detail provided in the Sector Reviews.

Positioning to take advantage of structurally growing end markets. Across the Group we have continued to drive growth through expansion in structurally growing end markets. A number of businesses in our **Controls** Sector are gaining share in aerospace, defence and energy markets as well as penetrating the wider electrification ecosystem. The acquisition of Tennessee Industrial Electronics (T.I.E.) in March gives us access to the strategically important industrial automation end-market in the US. Across our **Seals** businesses, we are well positioned to benefit from US infrastructure spend and we have diversified into exciting growing markets such as water treatment and renewable energy. In **Life Sciences**, in addition to benefitting from the recovery of surgical procedures, our businesses are continuing to diversify, in particular across diagnostic areas such as molecular testing, allergy and auto-immune testing, haematology, and cancer screening.

Penetration of core developed economies. Over the last year we have made progress developing our US and European footprint. In **Controls**, for example, we continue to win market share in the German energy market delivering very strong double-digit growth. In **Seals**, we are continuing to win share in the western and mid-west states of the US, leveraging the investment in the facility in Louisville. In the UK, R&G has enjoyed a very strong first year in the Group, building out our regional position and product offerings to drive excellent organic growth. The acquisition of Distribuidora Internacional Carmen S.A.U. (DICSA) in July creates a platform for our fluid power business in Spain and across Europe, including cross-selling opportunities with R&G. In **Life Sciences**, we now have a scaled European platform.

Product range extension. New product development forms an ongoing component of all our businesses' organic growth strategies.

- **Controls** has delivered outstanding growth from specialty adhesives, having entered that segment through the acquisition of Techsil in 2021. The acquisition of T.I.E. brings expertise in aftermarket and circular economy solutions for CNC machines and robotics.
- With the acquisition of DICSA, following last year's acquisition of R&G, **Seals** continues to diversify from its traditional strength across seals and gaskets, into wider fluid power products.
- Product development is intrinsic to our **Life Sciences** businesses. The Canadian businesses introduced new technology in the gastrointestinal and surgical segments. The European businesses introduced the single-use endoscope in the Urology segment, as well as new ultrasound technology, and new products in the lab and pharmaceutical testing environments.

Complementary acquisitions to accelerate growth

Acquisitions can accelerate our growth strategy. We are disciplined and selective and will only consider opportunities with the following core characteristics:

- differentiated value-add customer proposition generating sustainable high gross margins;
- strong organic growth and scaling potential; and
- capable management teams we can back.

Since 30 September 2022, we have acquired 12 high-quality businesses for a total of £280m.

In March, we acquired T.I.E. for ca. £76m, entering the strategically important industrial automation end market in the US. T.I.E. is a high growth, market-leading value-add distributor of aftermarket parts and repair services for robotics and CNC machines. It differentiates through speed to market and superior technical support, driving a strong organic growth track record and high margins.

In July, we acquired DICSA for ca. £170m, establishing a platform in fluid power solutions across the European aftermarket. DICSA has significant customer value-add, based on quality product, breadth of range, technical service, and speed to market. It adds to our established positions in the US and UK, expanding our aftermarket fluid power capability and accessing key strategic markets. Over time we will drive significant revenue and procurement synergies including cross-selling existing product from R&G through DICSA's platform into Europe; leveraging our North American Seals Aftermarket platform to accelerate DICSA's growth in the US; and delivering consolidated procurement synergies.

Both T.I.E. and DICSA are strategic platform acquisitions, well positioned for continued strong growth, and are margin and earnings accretive in the first year.

During the year, we have also completed 10 bolt-on acquisitions for £33m, at an average earnings before interest and tax (EBIT) multiple of under 5x. These will add £33m of annual revenue to the Group at accretive EBIT margins, driving ROATCE of over 20% from their first full year.

Continuing our disciplined approach to portfolio management, we disposed of the lower growth, lower margin Hawco business (fluid controls within the **Controls** Sector) in March for £23m.

In fragmented markets with a well-developed approach and a compelling proposition to sellers, the Group's acquisition pipeline is strong and diversified. We remain committed to disciplined investment of capital, ensuring the Group's acquisitions support our future organic growth and deliver compounding earnings growth at high returns over the long term.

Scaling the Businesses and the Group

Delivering our strategy of building high-quality businesses for sustainable organic growth requires that we scale the businesses, developing their operating models to continue to deliver great customer propositions at scale. At the same time, we are developing the Group, evolving our structures, capabilities and culture to support this growth and maintain discipline and appropriate controls.

Scaling the Businesses

We have a simple, common framework which enables our businesses to deliver their target operating models. We have a set of core competencies (value-add, supply chain, operational excellence, commercial discipline, and route to market) which underpin their model.

As well as developing core competencies, scaling our businesses requires selective investment in capability, in the form of talent, technology, and facilities. During the year, we have invested in functional leadership across a number of our businesses, creating or upgrading roles in areas such as supply chain management, operations, route to market and support functions. From a technology perspective, we have Enterprise Resource Planning (ERP) upgrade projects underway across a number of businesses, as well as automated warehouse system upgrades in some **Seals** and **Controls** businesses. In terms of facilities, we have upgrades and relocations underway in each of our three Sectors to drive efficiency and improved customer service as those businesses continue to grow.

Scaling the Group

We have continued to focus on three principles this year:

First: keep it focused. This means portfolio discipline to ensure a manageable platform for scale. Despite more than doubling in size, we have moved from 20 to 16 business units in the last four years. For example, during the year we created new scaled businesses in **Life Sciences** (Canada and Ireland) and **Seals** (Australia) by combining smaller constituent businesses to form integrated operations that are better able to service their customers at scale.

Second: lean structures with dynamic leaders. This avoids bureaucracy in the businesses and promotes alignment, agility and execution. We have very lean Central and Sector teams but require more capability and capacity as we grow. During the year, we have selectively added capability in Finance, HR, Sustainability and Risk & Compliance roles. Through our development processes and programmes, alongside external appointments, we are building talent and succession across the organisation.

Third: mood – the beat of the organisation. Decentralisation doesn't mean isolation. Regular individual and collective touchpoints allow us to be agile, manage pace, and execute better. This year, we have further developed the 'Diploma Identity', strengthening leadership networks, collaboration and best practice sharing, while preserving our critical differentiated decentralised culture.

Delivering Value Responsibly

We are making good progress across our businesses with Delivering Value Responsibly (DVR). During the year we have hired an experienced Group Sustainability Director and submitted our net zero targets for validation to the Science Based Targets initiative (SBTi).

DVR, our framework, is focused on six core areas:

- **Colleague Engagement** increased to 80%, a very strong result particularly for a decentralised business. We have engagement plans in each of our businesses and aim to maintain engagement above 70% over the long-term.

- Workshops and listening groups are also helping to further our **Diversity, Equity & Inclusion** agenda. Over the last four years our gender diversity has improved, with women now representing 28% of our Senior Management Team (SMT) up from 20% in 2019. Our 2030 target is for women to make up 40% of our SMT.

- Potential hazard reporting and training are enhancing our **Health & Safety** culture. In 2023, our Lost time incident (LTI) Rate (LTIs per 1,000 employees) was 9.5 (2022: 10.6). We target at least a 5% reduction in lost time incidents every year.

- Our businesses are stepping up engagement with their **Supply Chains**. Over 70% of key suppliers are now aligned to our Supplier Code – committing to high ethical, professional and legal standards.

- Further focus on **Climate Action** has included energy workshops and implementing emission-reduction initiatives. We have begun to introduce solar solutions on our facilities and expect to progress this further in the coming year. Our target is to achieve net zero across our value chain by 2045, with a 50% reduction in Scope 1 & 2 emissions by 2030.

- We are making good progress in **Waste Reduction**, with the volume of waste sent to landfill down to 32% from 60% in the prior year.

We are also focused on the positive impact that our Group has on society and the environment by delivering innovative and life-saving healthcare solutions; playing a role in renewable energy generation; and supporting circular practices across our aftermarket businesses.

Outlook

Whilst we remain mindful of the uncertain economic outlook, we are confident in the Group's prospects. Diploma has an excellent track record of compounding growth and delivering strong financial returns through the cycle. Our model is resilient, and its resilience has increased over time as we execute our strategy:

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

At this stage in the year, FY24 growth is expected to be in line with our long-term financial model, albeit at higher margins:

- Volume-led organic revenue growth of ca. 5%.
- Acquisitions announced to date add ca. 6% (net) to reported revenue growth.
- Strong, operating margin of ca. 19.7%.
- Free cash flow conversion of ca. 90%.

We remain focused on executing our strategy of building high-quality, scalable businesses for organic growth and are confident in our ability to deliver long-term growth at sustainably high margins.

SECTOR REVIEW: CONTROLS

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

	2023	2022	Change
Revenue	**£568.4m**	£492.8m	+15%
Organic revenue growth	**+11%**	+24%	
Statutory operating profit	**£112.9m**	£75.3m	+50%
Adjusted operating profit	**£136.6m**	£105.8m	+29%
Adjusted operating margin	**24.0%**	21.5%	+250bps

2023 highlights

- Very strong performance in International Controls with organic revenue growth of 15%.
- Windy City Wire (WCW) delivered organic growth of 7%, building on a very strong comparative period in FY22.
- Adjusted operating profit increased significantly, 29% higher at £136.6m (2022: £105.8m) with a 250bps year-on-year increase in adjusted operating margin to 24.0% (2022: 21.5%). Both WCW and International Controls contributed to margin expansion driven by positive operating leverage and mix into higher margin products.
- Strategic acquisition of Tennessee Industrial Electronics (T.I.E.) builds scale and gives access to the important industrial automation end market.

International Controls (51% of **Controls** Sector revenue) delivered 15% organic growth in the year, benefitting from market share gains in recovering civil aerospace markets and structural tailwinds in UK defence and German energy markets as investment in these areas remains a critical focus for governments. The Sector also further penetrated exciting end markets within electric vehicles (EV), renewables and space. Operating margin increased strongly, primarily due to positive operating leverage on volume growth, and mix benefits from the acquisition of T.I.E. and disposal of Hawco.

Windy City Wire (49% of **Controls** Sector revenue) continues to perform strongly, with organic revenue growth of 7% in the year, following a very strong comparative period with 32% organic growth in FY22. Product range extension and share gains in new end market segments drove volume and a favourable mix.

Revenue diversification driving organic growth

The Sector continues to diversify its end markets, gaining share in space and telecoms and benefitting from the wider move to electrification and green energy as it continues to deliver growth in the EV and renewable energy end markets.

We delivered strong double-digit organic growth in our Interconnect businesses, particularly in the German energy end market, driven by share gains and upgrades to the transmission and distribution network. Other key growth segments include defence, motorsport, aerospace and medical, where our businesses benefitted from momentum in these growing end markets and share gains.

Our Specialty Fasteners businesses delivered very strong double-digit growth during the year as they continue to win market share and benefit from strong customer demand in the recovering civil aerospace market in both the US and UK. We secured key contract wins in seats and cabin hardware and further diversified end markets with good momentum into space, unmanned aerial vehicles (UAVs) and electric vertical take-off and landing (eVTOL) aircraft. Geographic diversification has also been a theme in aerospace, with an important contract win in France for a major cabin and seating manufacturer.

Specialty Adhesives delivered strong double-digit growth in its key automotive end market as well as continued share gains in the telecommunications and EV markets.

WCW continues to drive strong growth and gain share in the high margin petrol station end-market where its products are essential to the new generation chip readers used to prevent fraud, and which are being systematically rolled out across the US.

Targeted acquisitions to accelerate growth
During the year, the Sector completed the acquisition of T.I.E. for ca. £76m, providing it with access to the important industrial automation end market, which has been a strategic target end market for some time. T.I.E. also drives product extension (robotics and CNC machines) as well as deepening geographic penetration in the key US market.

Two smaller bolt-on acquisitions were completed in the year, with Eurobond further broadening our product offering in Specialty Adhesives, and Shrinktek expanding the Sector’s offering in UK Wire & Cable.

Building scale
Significant investment in technology and facilities is underway as the Sector finalises the integration of its UK Wire & Cable locations into one state-of-the-art facility and a common ERP platform.

Sales resource has been added to the European Fasteners business as part of the strategy to expand in the civil aerospace market. Focused investments in sales resources are also being made into the adhesives market to capitalise on long-term aerospace and defence opportunities.

Outlook
We have made good strategic progress in **Controls**. Our businesses are benefitting from initiatives to capture growth in structurally growing end markets, such as data centres, EV and energy, as well as high-growth emerging markets, such as space and eVTOL. We are also benefitting from continued geographic diversification as we continue to build scale in the US and Europe. We are taking share in markets in which we operate. The Sector has strong momentum, and we remain very positive about its prospects.

SECTOR REVIEW: SEALS

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

	2023	2022	Change
Revenue	**£419.0m**	£331.4m	+26%
Organic revenue growth	**+5%**	+14%	
Statutory operating profit	**£55.8m**	£46.0m	+21%
Adjusted operating profit	**£79.0m**	£62.6m	+26%
Adjusted operating margin	**18.9%**	18.9%	-

2023 highlights

- Strong International Seals performance driven by R&G and Australian Seals.
- Resilient performance in North American Seals, benefitting from returns on the investment into the Aftermarket facility in Louisville and strong performance in our MRO business offsetting some destocking in certain OEM customers.
- Adjusted operating profit increased by 26% to £79.0m (2022: £62.6m).
- Invested in scaling projects focusing on automation and supply chain efficiencies through facilities upgrades.
- Strategic acquisition of Distribuidora Internacional Carmen S.A.U. (DICSA) builds scale in Europe and broadens the product portfolio into stainless steel fittings, expanding addressable markets.

International Seals (56% of Sector revenue) delivered strong organic growth of 9%, principally driven by an excellent trading performance from R&G in the UK and strong recovery of capital projects in Australia.

North American Seals (44% of Sector revenue) delivered organic growth of 1% against a very strong comparator (2022: +16%) with strong growth in our North American Aftermarket and MRO businesses, partly offset by some destocking in some industrial OEM customers.

Revenue diversification driving organic growth
In International Seals, our UK Aftermarket business, R&G, grew strongly, benefitting from initiatives to diversify into product adjacencies and new end markets, such as wastewater treatment and potash mining. R&G has made a significant contribution to the organic growth of the Sector since acquisition, driven by strong sales into capital projects, particularly in the pneumatics and industrial markets, underpinned by solid MRO volumes.

Our Australian Seals businesses delivered very strong growth. This was driven by share gains and public infrastructure investments on the east coast, strong demand in anti-corrosion applications in the oil and gas industries, and continuous strong demand for the mining of raw materials for batteries. Anti-Corrosion Technology (ACT), which was acquired in late FY22, has more than doubled since acquisition, capitalising on asset protection projects in the oil and gas industry.

We saw softer performance in our European OEM businesses where both medical and industrial end markets suffered some customer destocking. We expect this to moderate growth in the near term.

North American Aftermarket delivered another year of strong growth. The investment in our Aftermarket facility in Louisville, extending service hours and product availability, is continuing to deliver accelerated growth and market share gains, particularly in western states. Very strong organic growth in the core repair market was boosted by the continuing focus on US infrastructure development.

The US MRO business delivered strong organic growth driven by high levels of demand for our proprietary products in the transportation market.

The US OEM business was softer, driven by destocking in a number of customers. We expect this to moderate growth in the near term.

Targeted acquisitions to accelerate growth
During the year, the Sector acquired DICSA for ca. £170m, establishing a scaled platform in fluid power solutions across the European aftermarket. It adds to our established positions in the US and UK and over time will drive significant revenue and procurement synergies: cross-selling existing product from R&G, leveraging the Louisville facility to accelerate DICSA's growth in the US, and enabling procurement synergies.

Also in International Seals, four bolt-on acquisitions were added into the R&G Group. Hedley and FPS bring complementary products and geographical expansion to R&G's Hydraulics division. Valves Online will complement and strengthen R&G's capabilities in the online route to market, as well as developing the valve product category. Lantech enhances the end market capabilities of the Industrial division with its focus on the food & beverage and pharmaceutical markets.

In North American Seals, VSP acquired two businesses during the year, both creating cross-selling opportunities. GP&S, which supplies gaskets, seals, and fasteners; and Hex, which provides bolting and sealing training solutions to make manufacturing sites safer, more reliable and more profitable. Hercules OEM completed the bolt-on acquisition of ITG, a distributor of seals and adhesives for use in electrical connectors, valves, medical devices and industrial equipment.

Building scale
The Sector is selectively integrating smaller businesses to form better scaled platforms and during the year, completed the integration of TotalSeal into FITT Resources in Australia.

Further scaling investments in facilities to establish national hubs are being made, with the construction of a new M Seals facility in Denmark that will become the Nordic hub for the Sector. In the UK, we have invested in a national distribution centre for hydraulic products and a centre of excellence for hose assemblies to position R&G as the national leader for these product ranges.

In North American Seals, we have focused on improving the supply chain; investing in facilities, talent and processes to improve supply-demand planning and optimise inventory. The Sector continues to make major investments in warehouse automation and has successfully expanded the Autostore facility in Louisville.

Outlook
We have made good strategic progress in **Seals** in the year and the growth prospects for the Sector remain strong. The Sector is more resilient now than ever, supported by end segment exposures such as medical, food and beverage and renewable energy, and DICSA adds a scaled European operation to our existing US and UK platforms. Customer destocking has continued in our North American and European industrial OEM businesses, and while we remain confident in their long term prospects, we do expect this to moderate Seals growth in the near term. We are well positioned to benefit from the significant investments into infrastructure projects across the US and Europe, which create a tailwind for growth across our Aftermarket businesses.

SECTOR REVIEW: LIFE SCIENCES

The Life Sciences Sector sources and supplies technology driven value add solutions in the In Vitro Diagnostics , Scientific and Medtech segments of the Global Healthcare market.

	2023	2022	Change
Revenue	**£212.9m**	£188.6m	+13%
Organic revenue growth	**8%**	(4%)	
Statutory operating profit	**£36.4m**	£42.5m	(14%)
Adjusted operating profit	**£43.2m**	£41.0m	+5%
Adjusted operating margin	**20.3%**	21.7%	(140)bps

2023 highlights

- Organic revenue +8% (2022: -4%): The Sector has returned to growth, with momentum accelerating, driven by the normalisation of surgical procedure and diagnostic testing volumes despite ongoing healthcare staffing challenges.
- Positive outlook as governments act to address healthcare staffing shortages with automation and the associated increase in capital project funding.
- Operating margins remain well ahead of our financial model but declined year-on-year, as expected, primarily due to a higher proportion of relatively lower margin capital sales; a full year effect of Accuscience (which has a lower margin with lower capital intensity); plus ongoing scaling investments.
- Continued investments being made to build scale in the facilities and systems in Canada and Europe following the successful completion of the scaling project in Australasia.

Revenue diversification driving organic growth

All businesses in the Sector have successfully diversified revenue streams to capitalise on the recovery of surgical and operating room procedures, as well as the increased funding for capital projects. During the year, we have secured new contracts across all regions as governments and hospitals increase capacity to clear the surgical backlogs and reinvest in new medical research laboratories.

New product introduction and the adoption of new technology were the primary drivers of growth in FY23. Growth has been driven by automated diagnostic testing in histology; molecular testing in infectious disease; haematology testing in oncology; AI-assistance in diagnostic & therapeutic endoscopy; single-use endoscopy in surgical urology procedures; and point of care patient monitoring and ultrasound.

Our growth in Canada has been driven largely by implementation of technology and innovation by hospitals to address acute staffing shortages, with successful expansion in the urology, gynaecology and endoscopy specialties as well as technological adoption in laboratories and increased focus in interventional diagnostics testing. The Australian and New Zealand markets moved out of restrictive business conditions in January, resulting in increased activities in surgery case numbers (as staff availability improved), scientific projects and studies, and pathology testing. In Europe, our Irish and UK businesses continue to see growth in the In Vitro Diagnostics (IVD) segment and the scientific segments driven by improvement in technologies for R&D and manufacturing regulations. In the Nordics, we are well positioned to further expand into the critical care, surgical and gastrointestinal segments through national tender and contract wins.

Building scale

In Australia, we have successfully combined the operations of our two businesses to generate operational efficiencies, such as warehouse process improvements and freight consolidation. Similar projects are underway in the Canadian and European businesses, focusing on facilities and ERP systems. Together, these projects will build three scaled platform businesses to enable the Sector to capitalise on future growth opportunities.

Targeted acquisitions to accelerate growth

In July 2023 we acquired GM Medical in Denmark, distributing consumables and capital equipment for anaesthesia, critical care, surgery, obstetrics, neonatology, simulation and sterilisation. GM Medical is highly complementary to our existing Danish business, Simonsen & Weel.

Outlook
With tailwinds from the recovery in surgical procedures, and increasing investment in pre-emptive diagnostics, the Sector's growth outlook remains positive. All businesses in the Sector continue to focus on building their portfolio of products and services to broaden their value proposition to both suppliers and customers. FY24 will see a continuation of private and public laboratories investing to meet the growing demand for expanded diagnostics and screening utilising new automation and molecular testing; surgical and critical care capacity being rebuilt and expanded in healthcare systems; and drug and vaccine research and development, and companion diagnostics fields accelerating.

FINANCE REVIEW

The Group reports under UK-adopted International Accounting Standards and references alternative performance measures where the Board believes that they help to effectively monitor the performance of the Group and support readers of the Financial Statements in drawing comparisons with past performance. Certain alternative performance measures are also relevant in calculating a meaningful element of Executive Directors' variable remuneration and our debt covenants. Alternative performance measures are not considered to be a substitute for, or superior to, IFRS measures. These are detailed in note 14 to the Condensed Consolidated Financial Statements.

In FY23, the Group has again demonstrated progress against all elements of our financial model.

Excellent financial performance	**FY23**	*Model*
Organic growth is our first priority	**8%**	*5%*
Total revenue accelerated by quality acquisitions	**19%**	*10%*
Value-add drives strong operating margins	**19.7%**	*17%+*
Compounding EPS growth	**18%**	*double-digit*

Delivered with discipline	**FY23**	*Model*
Capital-light business model drives strong cash conversion	**100%**	*90%+*
Capital stewardship focused on strong ROATCE	**18.1%**	*High teens*
Balance sheet discipline maintains prudent leverage	**0.9x**	*<2.0x*
Return to shareholders with a progressive dividend	**5%**	*5%*

Summary income statement

Our diversified portfolio and growth strategy drive strong, sustainable revenue growth, and our value-add service propositions drive consistently high margins.

	Year ended 30 September 2023			Year ended 30 September 2022		
	Adjusted	**Adjustments**	**Total**	Adjusted	Adjustments	Total
	£m	**£m**	**£m**	£m	£m	£m
Revenue	**1,200.3**	**-**	**1,200.3**	1,012.8	-	1,012.8
Operating expenses	**(963.3)**	**(53.7)**	**(1,017.0)**	(821.6)	(46.9)	(868.5)
Operating profit	**237.0**	**(53.7)**	**183.3**	191.2	(46.9)	144.3
Financial expense, net	**(20.4)**	**(7.3)**	**(27.7)**	(11.6)	(3.2)	(14.8)
Profit before tax	**216.6**	**(61.0)**	**155.6**	179.6	(50.1)	129.5
Tax expense	**(52.0)**	**14.7**	**(37.3)**	(45.0)	10.9	(34.1)
Profit for the year	**164.6**	**(46.3)**	**118.3**	134.6	(39.2)	95.4
Earnings per share (p)						
Adjusted/Basic	**126.5**		**90.8**	107.5		76.1

Reported revenue increased by 19% to £1,200.3m (2022: £1,012.8m), consisting of organic growth of 8%, an 8% net contribution from acquisitions and disposals, and a 3% benefit from foreign exchange translation. During the year, the Group disposed of Hawco, which contributed £15.1m to Group revenues in FY2023 (2022: £30.7m).

Adjusted operating profit increased by 24% to £237.0m (2022: £191.2m) as the operational leverage from the increased revenue, disciplined cost management and accretive acquisitions drove an 80bps year-on-year improvement in the adjusted operating margin to 19.7% (2022: 18.9%). Statutory operating profit increased 27% to £183.3m (2022: £144.3m), benefitting from a £12.2m profit on disposal of Hawco, compared with a net gain on disposal of £7.3m in the prior year relating to the disposal of Kentek and a1-envirosciences.

Net adjusted finance expense increased to £20.4m (2022: £11.6m), principally due to the impact of higher interest rates, in particular in the second half of the year. Average gross debt remained broadly consistent with prior year with the proceeds from the equity raise in March being utilised, as intended, to finance acquisitions during the year. The all-in, blended cost of bank debt increased to 5.6% (2022: 2.8%).

Adjusted profit before tax increased 21% to £216.6m (2022: £179.6m). Statutory profit before tax was £155.6m (2022: £129.5m) and is stated after charging acquisition and other related charges, and acquisition related finance charges. Acquisition and other related charges of £53.7m (2022: £46.9m) principally comprise of the amortisation of acquisition related intangible assets of £52.9m (2022: £42.4m), £6.3m of acquisition related expenses (2022: £10.5m), £5.9m of fair value adjustments to inventory acquired through acquisition recognised in cost of inventories sold (2022: £nil) and partly offset by a net gain of £12.2m (2022: £7.3m) from the disposal of Hawco in the year. Acquisition related finance charges of £7.3m (2022: £3.2m) principally comprise of fair value remeasurement of put options for future minority purchases of £1.8m (2022:£1.4m) and amortisation and write-off of capitalised borrowing fees on acquisition related borrowings of £5.9m (2022: £1.4m).

We are committed to being a responsible taxpayer and our approach is to comply with tax laws in the countries in which we operate and to pay our fair share of tax. The Group's tax strategy was approved by the Board and is published on our website. The Group's adjusted effective rate of tax on adjusted profit before tax was 24.0% (2022: 25.0%) reduced from the year ended 30 September 2022 largely due to non-recurring items from the prior year.

Adjusted earnings per share increased by 18% to 126.5p (2022: 107.5p). Basic earnings per share increased by 19% to 90.8p (2022: 76.1p). An equity raise was completed in March 2023, resulting in a 7.5% increase (9,350,965 new shares) in the issued ordinary share capital. As at 30 September 2023, the average number of ordinary shares (which includes any potentially dilutive shares) was 130,260,868 (2022: 124,855,007) and the weighted average number of ordinary shares in issue was 129,675,581 (2022: 124,533,060).

Recommended dividend

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

For FY23, the Board has recommended a final dividend of 40.0p per share, making the proposed full year dividend 56.5p (2022: 53.8p). This represents a 5% increase in the full year dividend per share, with a dividend cover of 2.2x EPS, continuing the Group's progressive dividend track record.

Cash Flow

Our capital-light business model, coupled with balance sheet and capital discipline drives strong and consistent cash conversion and ROATCE and maintains prudent leverage.

Free cash flow increased by 36% to £163.8m (2022:£120.4m). Statutory cash flow from operating activities increased by 42% to £257.3m (2022: £180.6m). Free cash flow conversion for the year was 100% (2022: 90%), ahead of our targeted 90%+ model, demonstrating the highly cash-generative qualities of our businesses and the results of targeted inventory reductions.

Funds flow	**Year ended 30 Sep 2023 £m**	Year ended 30 Sep 2022 £m
Adjusted operating profit	**237.0**	191.2
Depreciation and other non-cash items	**30.5**	24.6
Working capital movement	**(4.2)**	(25.5)
Interest paid, net (excluding borrowing fees)	**(17.9)**	(8.9)
Tax paid	**(41.4)**	(39.2)
Capital expenditure, net of disposal proceeds	**(21.6)**	(5.5)
Lease repayments	**(16.7)**	(13.5)
Notional purchase of own shares on exercise of options	**(1.9)**	(2.8)
Free cash flow	**163.8**	120.4
Acquisition and disposals[1]	**(255.3)**	(177.5)
Proceeds from issue of share capital (net of fees)	**231.9**	-
Acquisition of minority interests	**-**	(0.3)
Dividends paid to shareholders and minority interests	**(70.8)**	(56.4)
Foreign exchange and other non cash movements	**4.6**	(33.7)
Net funds flow	**74.2**	(147.5)
Net debt	**(254.7)**	(328.9)

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

Depreciation and other non-cash items includes £28.6m (2022: £23.9m) of depreciation and amortisation of tangible, intangible and right of use assets and £1.9m (2022: £0.7m) of other non-cash items, primarily share-based payments expense.

Working capital increased by only £4.2m despite a 19% increase in revenue. This was largely driven by a £10.8m decrease in inventory as a result of strategic focus in this area as supply chain constraints have eased.

Interest payments increased by £9.0m to £17.9m (2022: £8.9m) in line with increased interest charges. Tax payments increased by £2.2m to £41.4m (2022: £39.2m) with the cash tax rate reducing to 19% (2022: 22%) due to the timing of tax payments. Our effective cash tax rate remains lower than our Group effective tax rate, mainly due to acquisition goodwill which is deductible for US tax purposes.

Capital expenditure increased by £16.1m, largely driven by scaling investments in Shoal Group, Hercules Aftermarket and R&G. FY22 benefitted from £9.9m of proceeds from disposal of property, plant and equipment.

The Group funded the Company's Employee Benefit Trust with £1.9m (2022: £2.8m) in connection with the Company's long term incentive plan.

The Group received net proceeds of £231.9m from an equity raise completed in March 2023, to enable the refinancing of the acquisition of T.I.E., and provide greater flexibility to execute further acquisitions. Dividends of £70.8m (2022: £56.4m) were paid to ordinary and minority interest shareholders.

This strong free cash generation has allowed the Group to deleverage more quickly than expected. At 30 September 2023, the Group's Net Debt (excluding IFRS 16 lease liabilities) stood at £254.7m (2022: £328.9m).

Acquisitions accelerate growth
In fragmented markets, we deploy capital selectively and with discipline, to acquire quality businesses which accelerate strategic execution; build scale; broaden our portfolio; and accelerate organic growth.

Net cash flow from acquisitions and disposals of £255.3m, which includes £6.0m of acquisition fees, comprises the spend for DICSA of £159.7m and T.I.E. of £75.1m; £23.7m principally relating to ten smaller bolt-on businesses; and £12.3m of deferred consideration relating to previous acquisitions; partly offset by net proceeds of £21.5m from the disposal of Hawco, a lower growth, lower margin business.

The Group's acquisition liabilities to shareholders of acquired businesses at 30 September 2023 reduced to £22.6m (2022: £31.4m) and comprised both put options to purchase outstanding minority shareholdings and deferred consideration payable to vendors of businesses acquired during the current and prior years.

- The liability to acquire minority shareholdings outstanding relates to a 10% interest held in M Seals, 5% interest in Techsil, a 2% interest in R&G and a 5% interest in Pennine Pneumatic Services. These options are valued at £9.2m (2022: £7.4m), based on the latest estimate of EBIT when these options crystallise.
- The liability for deferred consideration payable at 30 September 2023 was £13.4m (2022: £24.0m). This liability represents the best estimate of any outstanding payments based on the expected performance of the relevant businesses during the measurement period. The reduction in the year is primarily due to the revaluation and settlement of deferred consideration for Kungshusen and R&G.

Goodwill at 30 September 2023 was £439.1m (2022: £372.3m). Goodwill is assessed each year to determine whether there has been any impairment in the carrying value. It was confirmed that there was significant headroom on the valuation of this goodwill, compared with the carrying value at the year end.

Attractive returns
ROATCE is a key metric used to measure our success in creating value for shareholders. It is a metric that drives ongoing capital and operating discipline, adding back amortised intangibles and other factors such as any impaired goodwill such that any improvement must be driven by true economic factors. As at 30 September 2023, the Group's ROATCE increased by 80 basis points to 18.1% (2022: 17.3%). This increase was primarily driven by strong operating profit growth from the existing businesses, but was supplemented by the bolt-on acquisitions completed during the year which generate year 1 returns of 20%. This increase in ROATCE was delivered despite the dilutive impact of the DICSA and T.I.E. acquisitions which, when acquired with a combined 9x EBIT multiple, naturally constrain year one returns. We expect both of these acquisitions to reach 20% returns over the medium term.

Improved funding
On 17 July 2023, the Group entered into a new committed multi-currency revolving credit facility agreement (RCF) with an aggregate principal amount of £555.0m. The RCF is due to expire in July 2028 with an option to extend for two further 12 month periods. The RCF replaced the Group's previous debt facility agreement which as at 30 September 2022 comprised an RCF with 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.

At 30 September 2023, net debt of £254.7m (2022: £328.9m) represented leverage of 0.9x (2022: 1.4x) against a banking covenant of 3.5x (2022: 3.0x). The Group maintains strong liquidity, with year end headroom (comprised of undrawn committed facilities and cash funds) of £297m (2022: £204m). The table below outlines the composition of the Group's net debt at 30 September 2023:

Type	Currency	Amount	GBP equivalent	Interest rate exposure
RCF	USD	$200.0m	£163.9m	SOFR fixed at 3%
RCF	EUR	€181.0m	£157.0m	Floating
Overdraft facilities			£0.3m	Floating
Capitalised debt fees net of accrued interest			£(4.1)m	
Gross debt drawn at 30 September 2023			**£317.1m**	
Cash & equivalents at year end			£(62.4)m	
Net debt at 30 September 2023			**£254.7m**	

Pensions
The Group maintains a legacy closed defined benefit pension scheme in the UK. In the year, the Group funded this scheme with cash contributions of £0.6m (2022: £0.6m) which increases annually on 1 October by 2%. In Switzerland, local law requires our Kubo business to provide a contribution-based pension for all employees, which is funded by employer and employee contributions. The cash contribution to the scheme was £0.5m (2022: £0.5m). Both schemes are accounted for in accordance with IAS 19. At 30 September 2023, the UK defined benefit scheme was in a surplus position of £6.8m (30 September 2022: £6.4m) reflecting a slight rise in corporate bond yields and a slight fall in the market's expectation of future inflation. The Kubo scheme is not material.

Exchange rates
A significant proportion of the Group's revenue (ca. 80%) is derived from businesses located outside the UK, principally in the US, Canada, Australia and continental Europe. Compared with FY22, the average Sterling exchange rate is weaker against the US dollar and the Euro, while stronger against the Canadian and Australian dollars. The impact from translating the results of the Group's overseas businesses into UK sterling has led to an increase in Group revenues of £17.5m; an increase in the Group's adjusted operating profit of £4.1m; and a reduction in net debt of £14.9m, compared with the same period last year.

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

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

The Group has modelled a base case and 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 resulting in materially adverse cash flows. These sensitivities factor in a continued unfavourable impact from a prolonged downturn in the economy. Both scenarios indicate that the Group has significant liquidity and covenant headroom on its borrowing facilities to continue in operational existence for the foreseeable future.

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

PRINCIPAL RISKS

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

The Group's decentralised operating model helps mitigate the potential impact of our principal risks. The principal risks which have the potential to be material to the performance, position or future prospects of the Group are described in more detail in pages 44-48 of the 2023 Annual Report & Accounts. This includes more detail on our overall approach to risk management as well as the specific mitigation actions in place for our principal risks.

There have been some changes to the Group's principal risks during the year:

- Two climate-related risks: maximum legislation and maximum impact, have been added to incorporate our TCFD risk assessment.
- Supply Chain has been disaggregated into 'loss of key suppliers' and 'supply chain disruption' given the differing nature of the mitigating actions.
- 'Inflationary environment' and 'foreign currency' have been removed from the register of principal risks as they are part of the underlying operating environment, managed through standard operating procedures.

The principal risks are summarised below (not ranked):

- **Failure to attract retain and develop talent**: the loss of key personnel can have an impact on performance for a limited time period; not having the right talent or diversity at all levels of the organisation to deliver our strategy, resulting in reduced financial performance.
- **Cyber attack**: any disruption or denial of service may delay or impact decision-making if reliable data is unavailable; poor information handling or interruption of business may also lead to reduced service to customers; unintended actions of employees caused by a cyber-attack may also lead to disruption, including fraud.
- **Supply chain disruption**: the risk of manufacturing lead times increasing as a result of supply chain shortages or supply chain partners not operating to the same ethical standards as Diploma.
- **Loss of key supplier**: the risk that a key supplier revokes a supply agreement and accesses the market through a competitor, or chooses to go direct to market rather than via a distributor.
- **Unsuccessful acquisition**: the Group may overpay for a target; the acquired business may experience limited growth post-acquisition; loss of key customers or suppliers post integration; potential cultural misfit.
- **Climate - max legislation**: the risk of increasing environmental legislation that adds cost or complexity to products and services and/or renders some products obsolete.
- **Prolonged market downturn**: adverse changes in the major markets that the businesses operate in could result in slowing revenue growth due to reduced or delayed demand for products and services, or margin pressures due to increased competition.
- **Geopolitical trade issues**: interruption of trade agreements; change of trade or tariff relationships amongst countries in which we operate; Government budget spending; political elections.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2023

	Note	**Adjusted[1] 2023 £m**	**Adjustments[1] £m**	**Total 2023 £m**	Adjusted[1] 2022 £m	Adjustments[1] £m	Total 2022 £m
Revenue	3,4	**1,200.3**	**-**	**1,200.3**	1,012.8	-	1,012.8
Operating expenses	2	**(963.3)**	**(53.7)**	**(1,017.0)**	(821.6)	(46.9)	(868.5)
Operating profit		**237.0**	**(53.7)**	**183.3**	191.2	(46.9)	144.3
Financial expense, net	5	**(20.4)**	**(7.3)**	**(27.7)**	(11.6)	(3.2)	(14.8)
Profit before tax		**216.6**	**(61.0)**	**155.6**	179.6	(50.1)	129.5
Tax expense	6	**(52.0)**	**14.7**	**(37.3)**	(45.0)	10.9	(34.1)
Profit for the year		**164.6**	**(46.3)**	**118.3**	134.6	(39.2)	95.4
Attributable to:							
Shareholders of the Company		**164.0**	**(46.3)**	**117.7**	133.9	(39.2)	94.7
Minority interests		**0.6**	**-**	**0.6**	0.7	-	0.7
		164.6	**(46.3)**	**118.3**	134.6	(39.2)	95.4
Earnings per share (p)							
Adjusted/Basic earnings	7	**126.5p**		**90.8p**	107.5p		76.1p
Adjusted/Diluted earnings	7	**125.9p**		**90.4p**	107.3p		75.9p

1 Adjusted figures exclude certain items as detailed in notes 2, 3, 4, 5 and 6. All amounts relate to continuing operations.

The Group has re-presented the Consolidated Income Statement to reflect the analysis of expenses based on their nature. Together with note 2, this provides more information that is relevant to the users of the financial statements and better aligns to how management information is reported internally.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2023

	Note	**2023 £m**	2022 £m
Profit for the year		**118.3**	95.4
Items that will not be reclassified to the Consolidated Income Statement			
Actuarial (loss)/gain on the defined benefit pension schemes		**(0.9)**	10.6
Deferred tax on items that will not be reclassified	6	**0.2**	(2.8)
		(0.7)	7.8
Items that may be reclassified to the Consolidated Income Statement			
Exchange differences on translation of foreign operations		**(46.3)**	76.8
Gains on fair value of cash flow hedges		**1.8**	4.5
Net changes to fair value of cash flow hedges transferred to the Consolidated Income Statement		**(3.8)**	(0.4)
Deferred tax on items that may be reclassified	6	**0.5**	(1.1)
		(47.8)	79.8
Total Other Comprehensive (Expense)/Income		**(48.5)**	87.6
Total Comprehensive Income for the year		**69.8**	183.0
Attributable to:			
Shareholders of the Company		**69.3**	182.2
Minority interests		**0.5**	0.8
		69.8	183.0

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2023

	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 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		–	–	–	–	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		–	–	–	–	–	**–**	2.5	**2.5**
Disposal of business		–	–	–	–	–	**–**	(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		–	–	–	–	–	**–**	(0.3)	**(0.3)**
Dividends	12	–	–	–	–	(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**
Total Comprehensive Income		–	–	(46.3)	(1.5)	117.1	**69.3**	0.5	**69.8**
Issue of share capital		0.5	231.6	–	–	-	**232.1**	–	**232.1**
Share-based payments		–	–	–	–	4.1	**4.1**	–	**4.1**
Tax on items recognised directly in equity	6	–	–	–	–	0.5	**0.5**	–	**0.5**
Notional purchase of own shares		–	–	–	-	(1.9)	**(1.9)**	–	**(1.9)**
Dividends	12	–	–	-	-	(70.5)	**(70.5)**	(0.3)	**(70.8)**
At 30 September 2023		**6.8**	**420.2**	**42.5**	**1.7**	**424.4**	**895.6**	**6.4**	**902.0**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2023

	Note	**2023 £m**	2022 £m
Non-current assets			
Goodwill	10	**439.1**	372.3
Acquisition intangible assets		**520.1**	455.0
Other intangible assets		**4.2**	4.1
Property, plant and equipment		**59.2**	49.6
Leases – right-of-use assets		**71.5**	62.4
Retirement benefit assets		**6.8**	6.4
Deferred tax assets		**0.2**	0.2
		1,101.1	950.0
Current assets			
Inventories		**232.7**	217.4
Trade and other receivables		**193.1**	169.9
Cash and cash equivalents	9	**62.4**	41.7
		488.2	429.0
Current liabilities			
Borrowings	9	**(0.3)**	(30.5)
Trade and other payables		**(191.9)**	(189.5)
Current tax liabilities	6	**(16.6)**	(11.8)
Other liabilities		**(12.7)**	(19.0)
Lease liabilities		**(15.0)**	(12.7)
		(236.5)	(263.5)
Net current assets		**251.7**	165.5
Total assets less current liabilities		**1,352.8**	1,115.5
Non-current liabilities			
Borrowings	9	**(316.8)**	(340.1)
Lease liabilities		**(65.2)**	(56.4)
Other liabilities		**(9.9)**	(12.4)
Retirement benefit obligations		**(0.3)**	-
Deferred tax liabilities		**(58.6)**	(38.4)
		(450.8)	(447.3)
Net assets		**902.0**	668.2
Equity			
Share capital		**6.8**	6.3
Share premium		**420.2**	188.6
Translation reserve		**42.5**	88.8
Hedging reserve		**1.7**	3.2
Retained earnings		**424.4**	375.1
Total shareholders' equity		**895.6**	662.0
Minority interests		**6.4**	6.2
Total equity		**902.0**	668.2

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2023

	Note	**2023 £m**	2022 £m
Operating profit		**183.3**	144.3
Acquisition related and other charges		**53.7**	46.9
Non-cash items and other		**24.5**	18.1
Increase in working capital		**(4.2)**	(28.7)
Cash flow from operating activities	8	**257.3**	180.6
Interest paid, net (including borrowing fees)		**(26.7)**	(15.0)
Tax paid		**(41.4)**	(40.6)
Net cash inflow from operating activities		**189.2**	125.0
Cash flow from investing activities			
Acquisition of businesses (net of cash acquired)		**(258.5)**	(173.0)
Deferred consideration paid		**(12.3)**	(7.1)
Proceeds from sale of business (net of cash disposed)	11	**21.5**	13.7
Purchase of property, plant and equipment		**(21.6)**	(14.3)
Purchase of other intangible assets		**(1.5)**	(1.1)
Proceeds from sale of property, plant and equipment		**1.5**	9.9
Net cash used in investing activities		**(270.9)**	(171.9)
Cash flow from financing activities			
Proceeds from issue of share capital		**236.1**	–
Share issue costs		**(4.2)**	–
Dividends paid to shareholders	12	**(70.5)**	(56.2)
Dividends paid to minority interests		**(0.3)**	(0.2)
Acquisition of minority interests		**–**	(0.3)
Notional purchase of own shares on exercise of share options		**(1.9)**	(2.8)
Proceeds from borrowings		**579.5**	154.8
Repayment of borrowings		**(617.3)**	(20.0)
Principal elements of lease payments		**(13.9)**	(10.9)
Net cash inflow from financing activities		**107.5**	64.4
Net increase in cash and cash equivalents		**25.8**	17.5
Cash and cash equivalents at beginning of year		**41.7**	24.8
Effect of exchange rates on cash and cash equivalents		**(5.1)**	(0.6)
Cash and cash equivalents at end of year		**62.4**	41.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2023

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 20 November 2023. These statements are presented in UK sterling, with all values rounded to the nearest 100,000, except where otherwise indicated.

The consolidated financial statements of the Group have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. The accounting policies have been consistently applied in the current and comparative year.

The financial information set out in this Preliminary Announcement, which has been extracted from the audited consolidated financial statements, does not constitute the Group's statutory financial statements for the years ended 30 September 2023 and 2022. Statutory financial statements for the year ended 30 September 2022 have been delivered to the Registrar of Companies and are available on the website at www.diplomaplc.com. The statutory financial statements for the year ended 30 September 2023, which were approved by the Directors on 20 November 2023, will be sent to shareholders in December 2023 and delivered to the Registrar of Companies, following the Company's Annual General Meeting.

The auditor has reported on the consolidated financial statements for the years ended 30 September 2023 and 2022. The reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

The Company's Annual General Meeting will be held at 9:00am on 17 January 2024 in The Charterhouse, Charterhouse Square, EC1M 6AN. The Notice of Meeting will be sent out in a separate Circular to shareholders.

2. ANALYSIS OF OPERATING EXPENSES/INCOME

	Adjusted 2023 £m	**Adjustments £m**	**Total 2023 £m**	Adjusted 2022 £m	Adjustments £m	Total 2022 £m
Cost of inventories sold	**652.1**	**5.9**	**658.0**	561.3	-	561.3
Employee costs	**206.2**	**3.8**	**210.0**	173.1	4.4	177.5
Depreciation of property, plant and equipment	**12.8**	**-**	**12.8**	10.4	-	10.4
Depreciation of right-of-use assets	**14.8**	**-**	**14.8**	12.7	-	12.7
Amortisation	**1.0**	**52.9**	**53.9**	0.4	42.4	42.8
Net impairment losses on trade receivables	**2.5**	**-**	**2.5**	3.4	-	3.4
Other operating expenses/(income)	**73.9**	**(8.9)**	**65.0**	60.3	0.1	60.4
Operating expenses	**963.3**	**53.7**	**1,017.0**	821.6	46.9	868.5

Adjustments relate to acquisition related and other charges as defined in note 14.2 of £53.7m (2022: £46.9m) and comprise principally of £52.9m (2022: £42.4m) of amortisation of acquisition intangible assets, £6.3m of acquisition related expenses (2022: £10.5m), £5.9m of fair value adjustments to inventory acquired through acquisitions recognised in cost of inventories sold (2022: £nil) and a £12.2m net gain (2022: £7.3m) on the disposal of businesses, which is set out in note 11.

3. BUSINESS SECTOR ANALYSIS

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

For management reporting purposes, the Group is organised into three main reportable business Sectors: 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. Sector revenue represents revenue from external customers; there is no material inter-Sector revenue. Sector results, assets and liabilities include items directly attributable to a Sector, as well as those that can be allocated on a reasonable basis.

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

	Life Sciences		Seals		Controls		Corporate		Group	
	2023 £m	2022 £m	**2023 £m**	2022 £m	**2023 £m**	2022 £m	**2023 £m**	2022 £m	**2023 £m**	2022 £m
Revenue – existing	**212.0**	188.6	**387.7**	331.4	**550.2**	492.8	**–**	–	**1,149.9**	1,012.8
Revenue – acquisitions	**0.9**	–	**31.3**	–	**18.2**	–	**–**	–	**50.4**	–
Revenue	**212.9**	188.6	**419.0**	331.4	**568.4**	492.8	**–**	–	**1,200.3**	1,012.8
Adjusted operating profit – existing	**43.1**	41.0	**72.2**	62.6	**131.9**	105.8	**(21.8)**	(18.2)	**225.4**	191.2
Adjusted operating profit – acquisitions	**0.1**	–	**6.8**	–	**4.7**	–	**–**	–	**11.6**	–
Adjusted operating profit	**43.2**	41.0	**79.0**	62.6	**136.6**	105.8	**(21.8)**	(18.2)	**237.0**	191.2
Acquisition related and other charges	**(6.8)**	1.5	**(23.2)**	(16.6)	**(23.7)**	(30.5)	**–**	(1.3)	**(53.7)**	(46.9)
Operating profit	**36.4**	42.5	**55.8**	46.0	**112.9**	75.3	**(21.8)**	(19.5)	**183.3**	144.3
Operating assets	**75.2**	74.0	**264.1**	207.5	**214.9**	211.5	**–**	–	**554.2**	493.0
Goodwill	**102.4**	106.2	**169.4**	125.2	**167.3**	140.9	**–**	–	**439.1**	372.3
Acquisition intangible assets	**66.5**	74.9	**195.4**	100.2	**258.2**	279.9	**–**	–	**520.1**	455.0
	244.1	255.1	**628.9**	432.9	**640.4**	632.3	**–**	–	**1,513.4**	1,320.3
Unallocated assets:										
– Deferred tax assets							**0.2**	0.2	**0.2**	0.2
– Cash and cash equivalents							**62.4**	41.7	**62.4**	41.7
– Acquisition related assets							**3.0**	1.8	**3.0**	1.8
– Retirement benefit obligations							**6.8**	6.4	**6.8**	6.4
– Corporate assets							**3.5**	8.6	**3.5**	8.6
Total assets	**244.1**	255.1	**628.9**	432.9	**640.4**	632.3	**75.9**	58.7	**1,589.3**	1,379.0
Operating liabilities	**(43.3)**	(41.7)	**(119.6)**	(103.3)	**(96.1)**	(92.6)	**–**	–	**(259.0)**	(237.6)
Unallocated liabilities:										
– Deferred tax liabilities							**(58.6)**	(38.4)	**(58.6)**	(38.4)
– Retirement benefit obligations							**(0.3)**	–	**(0.3)**	–
– Acquisition related liabilities							**(22.6)**	(31.4)	**(22.6)**	(31.4)
– Corporate liabilities							**(29.7)**	(32.8)	**(29.7)**	(32.8)
– Borrowings							**(317.1)**	(370.6)	**(317.1)**	(370.6)
Total liabilities	**(43.3)**	(41.7)	**(119.6)**	(103.3)	**(96.1)**	(92.6)	**(428.3)**	(473.2)	**(687.3)**	(710.8)
Net assets/(liabilities)	**200.8**	213.4	**509.3**	329.6	**544.3**	539.7	**(352.4)**	(414.5)	**902.0**	668.2

Other Sector information

	Life Sciences		Seals		Controls		Corporate		Group	
	2023 £m	2022 £m	**2023 £m**	2022 £m	**2023 £m**	2022 £m	**2023 £m**	2022 £m	**2023 £m**	2022 £m
Capital expenditure	**7.9**	8.0	**9.0**	3.7	**5.9**	2.7	**0.3**	0.9	**23.1**	15.3
Depreciation and amortisation	**4.0**	2.9	**5.0**	3.5	**4.6**	4.6	**0.2**	0.2	**13.8**	11.2
Revenue recognition										
– immediately on sale	**198.9**	176.4	**399.6**	315.6	**563.0**	492.8	**–**	–	**1,161.5**	984.8
– over a period of time	**14.0**	12.2	**19.4**	15.8	**5.4**	–	**–**	–	**38.8**	28.0
	212.9	188.6	**419.0**	331.4	**568.4**	492.8	**–**	–	**1,200.3**	1,012.8

Accrued income ("contract assets") at 30 September 2023 of £1.0m (2022: £0.1m) and deferred revenue ("contract liabilities") of £3.1m at 30 September 2023 (2022: £3.5m) are included in trade and other receivables and trade and other payables, respectively.

4. GEOGRAPHIC SEGMENT ANALYSIS BY ORIGIN

	Revenue		Adjusted operating profit		Non-current assets[1]		Trading capital employed		Capital expenditure	
	2023 £m	2022 £m	**2023 £m**	2022 £m	**2023 £m**	2022 £m	**2023 £m**	2022 £m	**2023 £m**	2022 £m
United Kingdom	**267.1**	209.7	**28.8**	21.0	**207.3**	193.6	**195.0**	202.2	**9.3**	3.4
Rest of Europe	**210.3**	166.7	**34.5**	29.3	**308.1**	169.1	**354.1**	179.8	**1.6**	1.7
USA	**537.6**	465.5	**132.2**	104.6	**470.0**	464.3	**567.9**	557.2	**4.3**	8.9
Rest of world	**185.3**	170.9	**41.5**	36.3	**106.3**	112.0	**111.2**	119.3	**7.9**	1.3
	1,200.3	1,012.8	**237.0**	191.2	**1,091.7**	939.0	**1,228.2**	1,058.5	**23.1**	15.3

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

The Group has re-presented the prior year geographic segment analysis to reflect USA separately due to the increasing operations in that territory as this provides more information that is relevant to the users of the financial statements.

5. FINANCIAL EXPENSE, NET

	2023 £m	2022 £m
Interest expense/(income) and similar charges		
– bank facility and commitment fees	**1.6**	1.0
– interest income on short term deposits	**(0.4)**	(0.1)
– interest expense on bank borrowings	**16.6**	7.9
– notional interest income on the defined benefit pension scheme	**(0.4)**	–
– amortisation of capitalised borrowing fees	**0.2**	0.2
– interest on lease liabilities	**2.8**	2.6
Net interest expense and similar charges	**20.4**	11.6
– acquisition related finance charges, net	**7.3**	3.2
Financial expense, net	**27.7**	14.8

Acquisition related finance charges as adjusted in the Consolidated Income Statement includes fair value remeasurements of put options for future minority interest purchases of £1.8m charge (2022: £1.4m charge), fair value movement and unwind of discount on acquisition liabilities of £0.4m charge (2022: £0.4m charge), £5.9m charge (2022: £1.4m charge) for the amortisation and write-off of capitalised borrowing fees on acquisition related borrowings, and interest income on previous disposal of business of £0.8m (2022: nil). Acquisition related finance charges are adjusted due to their consistent nature with acquisition related and other charges, as defined in note 14.2.

6. TAX EXPENSE

	2023 £m	2022 £m
Current tax		
The tax charge is based on the profit for the year and comprises:		
UK corporation tax	**10.4**	10.0
Overseas tax	**31.2**	30.8
	41.6	40.8
Adjustments in respect of prior year:		
UK corporation tax	**1.2**	(0.2)
Overseas tax	**0.1**	0.1
Total current tax	**42.9**	40.7
Deferred tax		
The net deferred tax credit based on the origination and reversal of timing differences comprises:		
United Kingdom	**(2.7)**	(3.1)
Overseas	**(2.9)**	(3.5)
Total deferred tax	**(5.6)**	(6.6)
Total tax on profit for the year	**37.3**	34.1

In addition to the above credit for deferred tax included in the Consolidated Income Statement, a deferred tax credit relating to the retirement benefit scheme and cash flow hedges of £0.7m was recognised in the Consolidated Statement of Comprehensive Income (2022: £3.9m charge). A further £0.5m was credited (2022: £0.4m) to the Consolidated Statement of Changes in Equity.

Factors affecting the tax charge for the year

The difference between the total tax charge calculated by applying the effective blended rate of UK corporation tax of 22.0% to the profit before tax of £155.6m and the amount set out above is as follows:

	2023 £m	2022 £m
Profit before tax	**155.6**	129.5
Tax on profit at UK effective corporation tax rate of 22.0% (2022: 19.0%)	**34.2**	24.6
Effects of:		
higher tax rates on overseas earnings	**3.8**	6.7
adjustments in respect of UK and Overseas corporation tax in prior years	**1.3**	(0.1)
other permanent differences	**(2.0)**	2.9
Total tax on profit for the year	**37.3**	34.1
Tax effect on adjusting items	**14.7**	10.9
Adjusted tax expense	**52.0**	45.0

The tax adjustment in the consolidated income statement of £14.7m (2022: £10.9m) reflects the tax effect of the acquisition related and other charges, and acquisition related finance charges.

The Group earns its profits in the UK and overseas. The Group prepares its consolidated financial statements for the year to 30 September and the blended statutory tax rate for UK corporation tax in respect of the year ended 30 September 2023 was 22.0% (2022: 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 2023 have been calculated by reference to the UK corporation tax rate of 25.0% (2022: 25.0%).

At 30 September 2023, the Group had outstanding tax liabilities of £16.6m (2022: £11.8m). 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. The legislation implementing these 'Pillar Two' rules in the UK was substantively enacted on 20 June 2023 and will apply to the Group from the financial year ending 30 September 2025 onwards. The Group is reviewing the legislation and monitoring the implementation of the rules outside of the UK to understand the potential impact. We have applied the temporary exception under IAS 12 from the requirement to recognise and disclose deferred taxes arising from the implementation of the Pillar Two rules.

7. EARNINGS PER SHARE

Basic and diluted earnings per share

Basic earnings per ordinary 5p share is calculated on the basis of the weighted average number of ordinary shares in issue during the year of 129,675,581 (2022: 124,533,060) and the profit for the year attributable to shareholders of £117.7m (2022: £94.7m). Basic earnings per share is 90.8p (2022: 76.1p). Diluted earnings per share is 90.4p (2022: 75.9p) and is based on the average number of ordinary shares (which includes any potentially dilutive shares) of 130,260,868 (2022: 124,855,007).

An equity placing was completed in March 2023, resulting in the issuance of 9,350,965 (7.5% increase) of 5p ordinary shares at a share price of 2,525 pence per placing share, with corresponding fees of £4.2m.

Adjusted earnings per share

Adjusted EPS, which is defined in note 14, is 126.5p (2022: 107.5p).

	2023 pence per share Basic	**2023 pence per share Diluted**	2022 pence per share Basic	2022 pence per share Diluted	**2023 £m**	2022 £m
Profit before tax					**155.6**	129.5
Tax expense					**(37.3)**	(34.1)
Minority interests					**(0.6)**	(0.7)
Earnings for the year attributable to shareholders of the Company	**90.8**	**90.4**	76.1	75.9	**117.7**	94.7
Acquisition related and other charges and acquisition related finance charges, net of tax	**35.7**	**35.5**	31.4	31.4	**46.3**	39.2
Adjusted earnings	**126.5**	**125.9**	107.5	107.3	**164.0**	133.9

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

	2023 £m	2022 £m
Operating profit	**183.3**	144.3
Acquisition related and other charges (note 2)	**53.7**	46.9
Adjusted operating profit	**237.0**	191.2
Depreciation or amortisation of tangible, other intangible assets and leases – right-of-use assets	**28.6**	23.9
Share-based payments expense	**4.1**	2.8
Defined benefit pension scheme payment in excess of interest	**(0.6)**	(0.6)
Profit on disposal of assets	**(1.1)**	(1.6)
Acquisition and disposal expenses paid	**(6.0)**	(6.5)
Other non-cash movements	**(0.5)**	0.1
Non-cash items and other	**24.5**	18.1
Operating cash flow before changes in working capital	**261.5**	209.3
Decrease/(increase) in inventories	**10.8**	(35.6)
Increase in trade and other receivables	**(8.8)**	(10.6)
(Decrease)/increase in trade and other payables	**(6.2)**	17.5
Increase in working capital	**(4.2)**	(28.7)
Cash flow from operating activities	**257.3**	180.6

9. NET DEBT

The movement in net debt during the year is as follows:

	2023 £m	2022 £m
Net increase in cash and cash equivalents	**25.8**	17.5
Decrease/(increase) in bank borrowings	**43.8**	(131.3)
	69.6	(113.8)
Effect of exchange rates and other non-cash movements	**4.6**	(33.7)
Decrease/(increase) in net debt	**74.2**	(147.5)
Net debt at beginning of year	**(328.9)**	(181.4)
Net debt at end of year	**(254.7)**	(328.9)
Comprising:		
Cash and cash equivalents	**62.4**	41.7
Bank borrowings:		
- Revolving credit facility, including accrued interest	**(321.1)**	(201.0)
- Overdraft facilities	**(0.3)**	–
- Term loan, including accrued interest	**–**	(174.3)
- Capitalised debt fees	**4.3**	4.7
	(317.1)	(370.6)
Net debt at end of year	**(254.7)**	(328.9)
Analysed as:		
Repayable within one year	**(0.3)**	(30.5)
Repayable after one year	**(316.8)**	(340.1)

On 17 July 2023, the Group entered into a new committed multi-currency revolving credit facility agreement ("RCF") with an aggregate principal amount of £555.0m. The RCF is due to expire in July 2028 with an option to extend for two further 12-month periods. The RCF replaced the Group's previous debt facility agreement which as at 30 September 2022 comprised an RCF with 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 Group's debt facilities are subject to interest at variable rates. During FY22 and FY23, the Group entered into interest rate swap contracts with the effect of fixing the interest rate on $200.0m (£163.9m) of debt. The effective fixed rate debt was 52% of total debt.

At 30 September 2023, the Group's Net Debt/EBITDA ratio is 0.9x, as illustrated in note 14.

As at 30 September 2023, the Group has utilised £320.9m of the revolving facility. There remains £234.1m undrawn on the revolving facility. Borrowings include £0.2m (2022: £1.0m) of accrued interest and the carrying amount of capitalised debt fees is £4.3m (2022: £4.7m).

As at 30 September 2023 the Group's net debt is £254.7m (2022: £328.9m) and excludes lease liabilities of £80.2m (2022: £69.1m).

10. GOODWILL

	Life Sciences £m	Seals £m	Controls £m	**Total £m**
At 1 October 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**
Acquisitions	1.3	48.1	39.5	**88.9**
Disposals	–	–	(4.3)	**(4.3)**
Exchange adjustments	(5.1)	(3.9)	(8.8)	**(17.8)**
At 30 September 2023	**102.4**	**169.4**	**167.3**	**439.1**

The Group tests goodwill for impairment at least once a year. For the purposes of impairment testing, goodwill is allocated to each of the Group’s three cash-generating units ("CGUs"), which are the three operating Sectors: 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, the discount rates and climate related risks. The operating margins are assumed to remain sustainable, which is supported by historical experience; revenue growth rates generally approximate to the average rates for the markets in which the business operates, unless there are particular factors relevant to a business. The cash flow forecasts use the budgeted figures for FY24, 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 13.2% (2022: 13.9%), Seals 13.3% (2022: 13.8%) and Controls 13.2% (2022: 13.8%). The equivalent post-tax discount rates for FY23 are: Life Sciences 10.0% (2022: 10.4%), Seals 10.1% (2022: 10.3%) and Controls 10.0% (2022: 10.3%). These rates are based on the characteristics of lower risk, non-technically driven, distribution businesses operating generally in well-developed markets and with robust capital structures.

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

11. ACQUISITIONS AND DISPOSALS OF BUSINESSES

Acquisition of Tennessee Industrial Electronics, LLC

On 6 March 2023, the Group acquired 100% of the share capital of Tennessee Industrial Electronics, LLC (“T.I.E.”), a distributor of aftermarket parts and repair services into the US industrial automation end market. The total investment, net of cash acquired was £75.1m ($90.3m).

The provisional fair value of T.I.E.’s net assets acquired excluding acquisition intangibles, related deferred tax and cash is £10.8m following fair value adjustments of £1.0m. The principal fair value adjustments relate to a net increase in inventory (£0.2m) and provisions held against trade receivables (£0.4m), recognition of previously unrecognised liabilities (£0.3m) and write down of property plant and equipment (£0.5m).

Acquisition expenses of £1.5m have been recognised in respect of this transaction in the financial year.

From the date of acquisition to 30 September 2023, T.I.E. contributed £16.6m to revenue and £4.0m to adjusted operating profit. If it had been acquired at the beginning of the financial year, it would have contributed on a pro forma basis £28.3m to revenue and £6.9m to adjusted operating profit. However, these amounts should not be viewed as indicative of the results that would have occurred if T.I.E. had been completed at the beginning of the year.

Acquisition of Distribuidora Internacional Carmen, S.A.U.

On 12 July 2023, the Group acquired 100% of the share capital of Distribuidora Internacional Carmen, S.A.U. (“DICSA”). DICSA, based in Spain, is engaged in the manufacture and commercialisation of stainless steel fittings and in the distribution of hydraulic and pneumatic conductions and components. The total investment, net of cash acquired is £159.7m (€186.6m).

The provisional fair value of DICSA's net assets acquired excluding acquisition intangibles, related deferred tax and cash is £45.4m following fair value adjustments of £1.4m. The principal fair value adjustments relate to a net increase in provisions held against inventory (£0.2m) and trade receivables (£0.1m), recognition of previously unrecognised liabilities (£1.0m) and write down of property plant and equipment (£0.1m).

Acquisition expenses of £2.7m have been recognised in respect of this transaction in the financial year.

From the date of acquisition to 30 September 2023, DICSA contributed £16.5m to revenue and £4.0m to adjusted operating profit. If it had been acquired at the beginning of the financial year, it would have contributed on a pro forma basis £79.5m to revenue and £19.2m to adjusted operating profit. However, these amounts should not be viewed as indicative of the results that would have occurred if DICSA had been completed at the beginning of the year.

Other acquisitions

The Group completed a further ten acquisitions in the year. This comprised the trade and assets of Shrinktek Polymers International Limited ("Shrinktek") (11 January 2023), Eurobond Adhesives Limited ("Eurobond") (23 March 2023) and International Technologies Group, LLC ("ITG") (30 March 2023); 100% of the share capital of Fluid Power Services Limited ("FPS") (3 October 2022), Hedley DMB Limited ("Hedley") (4 October 2022), Valves Online Limited ("Valves Online") (14 March 2023), Gaskets, Packings & Seals Enterprises, LLC ("GP&S") (14 April 2023), GM Medical Group A/S ("GM Medical") (11 July 2023), Hex Technology, LLC ("Hex") (17 July 2023) and Lantech Solutions Limited ("Lantech") (18 September 2023).

The combined initial consideration for these acquisitions was £23.6m, net of cash acquired of £2.4m. Deferred consideration with a fair value of £7.4m is payable based largely on the performance of the businesses in the period subsequent to their acquisitions.

Acquisition expenses of £0.9m have been recognised in respect of these transactions in the financial year.

The provisional fair value of the total net assets acquired excluding intangibles, related deferred tax and cash is £5.4m.

The following table summarises the consideration paid for the acquisitions completed in the year and fair value of assets acquired and liabilities assumed, with fair values being provisional pending completion of a final valuation of T.I.E. and DICSA.

	T.I.E.		DICSA		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]	–	25.9	–	99.7	–	18.2	**–**	**143.8**
Deferred tax	–	–	–	(24.9)	–	(2.0)	**–**	**(26.9)**
Property, plant and equipment	1.3	0.8	4.7	4.6	0.8	0.8	**6.8**	**6.2**
Inventories	11.2	11.4	35.4	35.2	3.3	3.4	**49.9**	**50.0**
Trade and other receivables	4.3	3.9	18.8	18.7	4.9	4.8	**28.0**	**27.4**
Trade and other payables	(5.0)	(5.3)	(12.1)	(13.1)	(3.4)	(3.6)	**(20.5)**	**(22.0)**
Net assets acquired	**11.8**	**36.7**	**46.8**	**120.2**	**5.6**	**21.6**	**64.2**	**178.5**
Goodwill	–	38.4	–	39.5	–	9.4	**–**	**87.3**
Minority interests	–	–	–	–	–	–	**–**	**–**
Cash paid		79.6		174.3		26.0		**279.9**
Cash acquired		(4.5)		(14.6)		(2.4)		**(21.5)**
								258.4
Deferred consideration		–		–		7.4		**7.4**
Total investment		**75.1**[2]		**159.7**		**31.0**		**265.8**

1 On the acquisitions completed in the current year, acquired intangibles relate to customer relationships (£136.8m), brand (£6.2m) and technology (£0.8m).

2 Diploma acquired T.I.E. on a cash free/debt free basis. The total investment amounts to £75.1m being cash paid net of cash acquired. Of the initial cash paid, the vendor directed the funds in escrow to settle outstanding debt of £11.7m, which is excluded from the purchase consideration in accordance with IFRS 3.

Acquisitions revenue and adjusted operating profit

From the date of acquisition to 30 September 2023, each acquired business contributed the following to Group revenue and adjusted operating profit:

	Acquisition date	Revenue £m	Adjustments[2] £m	Pro forma revenue £m	Operating profit[1] £m	Adjustments[2] £m	Pro forma operating profit[1] £m
FPS	03 Oct 2022	3.0	-	3.0	0.7	-	0.7
Hedley	04 Oct 2022	3.7	-	3.7	0.5	-	0.5
Shrinktek	11 Jan 2023	1.0	0.4	1.4	0.3	0.1	0.4
T.I.E.	06 Mar 2023	16.6	11.7	28.3	4.0	2.9	6.9
Valves Online	14 Mar 2023	1.9	1.6	3.5	0.4	0.3	0.7
Eurobond	23 Mar 2023	0.6	0.5	1.1	0.4	0.3	0.7
ITG	30 Mar 2023	0.4	0.4	0.8	0.1	-	0.1
GP&S	14 Apr 2023	5.6	6.6	12.2	1.1	1.3	2.4
GM Medical	11 Jul 2023	0.9	3.4	4.3	0.1	0.4	0.5
DICSA	12 Jul 2023	16.5	63.0	79.5	4.0	15.2	19.2
Hex	17 Jul 2023	0.1	0.4	0.5	-	-	-
Lantech	18 Sep 2023	0.1	2.7	2.8	-	0.8	0.8
		50.4	**90.7**	**141.1**	**11.6**	**21.3**	**32.9**

1 Adjusted operating profit.
2 Pro forma revenue and adjusted operating profit has been extrapolated (as prescribed under IFRS) from the actual results reported since acquisition to indicate what these businesses would have contributed if they had been acquired at the beginning of the financial year on 1 October 2022. 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 31 March 2023, the Group disposed of its interest in Hawco Limited ("Hawco") for total proceeds of £24.5m. Cash of £21.5m was received, net of cash disposed of £2.0m and with a further £1.0m deferred for 12 months.

12. DIVIDENDS

	2023 pence per share	2022 pence per share	**2023 £m**	2022 £m
Interim dividend, paid in June	**16.5**	15.0	**22.1**	18.7
Final dividend of the prior year, paid in February	**38.8**	30.1	**48.4**	37.5
	55.3	45.1	**70.5**	56.2

The Directors have proposed a final dividend in respect of the current year of 40.0p per share (2022: 38.8p), which will be paid on 2 February 2024 subject to approval by shareholders at the Annual General Meeting (AGM) on 17 January 2024. The total dividend for the current year, subject to approval of the final dividend, will be 56.5p per share (2022: 53.8p).

During the year, the Directors became aware that approximately £2.5m of the FY21 interim dividend declared on 17 May 2021 was paid other than in accordance with the technical requirements of the Companies Act 2006. This was because interim accounts had not been filed at Companies House prior to the declaration of the dividend. It is intended that this technical issue, which has no impact on the Company's financial position, be ratified by a shareholders' resolution to be proposed at the Annual General Meeting to be held on 17 January 2024. The approach that the Company is proposing with regard to this matter is consistent with the approach taken by other UK quoted and listed companies that have, similarly, made distributions otherwise than in accordance with the Act.

The Diploma PLC Employee Benefit Trust holds 67,431 (2022: 71,033) shares, which are ineligible for dividends.

13. EXCHANGE RATES

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

	Average		Closing	
	2023	2022	**2023**	2022
US dollar (US$)	**1.23**	1.27	**1.22**	1.12
Canadian dollar (C$)	**1.66**	1.63	**1.65**	1.53
Euro (€)	**1.15**	1.18	**1.15**	1.14
Swiss franc (CHF)	**1.13**	1.20	**1.12**	1.10
Australian dollar (AUD)	**1.85**	1.79	**1.89**	1.74

14. ALTERNATIVE PERFORMANCE MEASURES

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

14.1 Revenue Growth

As a multi-national Group of companies who trade in a large number of currencies and also acquire and sometimes dispose of companies, organic performance is also referred to throughout the Annual Report. These strip out the effects of the movement in exchange rates and of acquisitions and disposals. The Board believe that this allows users of the financial statements to gain a better understanding of how the Group has performed.

A reconciliation of the movement in revenue compared to the prior year is given below.

	£m	%
September 2022 Reported revenue	1,012.8	
Organic	87.8	8
Acquisitions and Disposals	82.1	8
Exchange	17.6	3
September 2023 Reported revenue	**1,200.3**	**19**

The Organic revenue growth percentage is the incremental revenue generated under Diploma's ownership compared to the revenue in the same period prior to acquisition, at prior period exchange rates.

The impact of acquisitions on growth is the revenue of the acquiree prior to the acquisition by Diploma for the comparable period at prior year exchange rates. The impact of disposals on growth is the removal of the revenue of the disposed entity in the comparable post disposal period at prior year exchange rates. The Acquisitions and Disposals growth percentage is calculated as the impact of acquisition and disposals divided by the reported revenue in the prior period.

Exchange translation movements are assessed by re-translating current year reported values to prior year exchange rates.

14.2 Adjusted operating profit and adjusted operating margin

Adjusted operating profit is the operating profit before adjusting items that would otherwise distort operating profit, currently and more recently being amortisation of acquisition intangible assets or goodwill, acquisition expenses, post-acquisition related remuneration costs and adjustments to deferred consideration, the costs of a significant restructuring or rationalisation and the profit or loss relating to the sale of businesses. These are treated as adjusting items (referred to as acquisition related and other charges) as they are considered to be significant in nature and/or quantum and where treatment as an adjusting item provides all our stakeholders with additional useful information to assess the year-on-year trading performance of the Group on a like-for-like basis. Adjusted operating margin is the Group's adjusted operating profit divided by the Group's reported revenue.

A reconciliation between operating profit as reported under IFRS and adjusted operating profit is given below:

	Note	**2023 £m**	2022 £m
Revenue		**1,200.3**	1,012.8
Operating profit as reported under IFRS		**183.3**	144.3
Add: Acquisition related and other charges		**53.7**	46.9
Adjusted operating profit	2,3	**237.0**	191.2
Adjusted operating margin		**19.7%**	18.9%

14.3 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 129,675,581 (2022: 124,533,060), as set out in note 7. The Directors believe that adjusted EPS provides an important measure of the earnings capacity of the Group.

14.4 Free cash flow and free cash flow conversion

Free cash flow is defined as net cash flow from operating activities, less net capital expenditure on tangible and intangible assets, and including proceeds received from property disposals, but before expenditure on business combinations/investments (including any pre-acquisition debt like items such as pensions or tax settled post-acquisition) and proceeds from business disposals, borrowings received to fund acquisitions, net proceeds from issues of share capital and dividends paid to both minority shareholders and the Company's shareholders. "Free cash flow conversion" reflects free cash flow as a percentage of adjusted earnings. The Directors believe that free cash flow gives an important measure of the cash flow of the Group, available for future investment or distribution to shareholders.

	Note	**2023 £m**	2022 £m
Net increase in cash and cash equivalents		**25.8**	17.5
Add: Dividends paid to shareholders and minority interests		**70.8**	56.4
Acquisition of minority interests		**-**	0.3
Acquisition/disposal of businesses (including net expenses)		**243.0**	170.4
Deferred consideration paid		**12.3**	7.1
Proceeds from issue of share capital (net of fees)		**(231.9)**	-
Net repayment of/(proceeds from) borrowings (including borrowing fees)		**43.8**	(131.3)
Free cash flow		**163.8**	120.4
Adjusted earnings[1]	7	**164.0**	133.9
Free cash flow conversion		**100%**	90%

[1] Adjusted earnings is shown on the face of the condensed consolidated income statement as profit for the year attributable to shareholders of the Company.

14.5 Leverage

Leverage is net debt, defined as cash and cash equivalents and borrowings translated at average exchange rates for the reporting period, divided by EBITDA as defined in the Group's external 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 operating profit attributable to minority interests and the annualisation of EBITDA for acquisitions and disposals made during the financial year, excluding the impact of IFRS 16 (Leases). The Directors consider this metric to be an important measure of the Group's financial position.

	Note	**2023 £m**	2022 £m
Cash and cash equivalents	9	**62.4**	41.7
Borrowings	9	**(317.1)**	(370.6)
Re-translation at average exchange rates		**1.2**	23.1
Net debt at average exchange rates		**(253.5)**	(305.8)
Adjusted operating profit	14.2	**237.0**	191.2
Depreciation and amortisation of tangible and other intangible assets	2	**13.8**	11.2
IFRS 16 impact		**(1.7)**	1.2
Minority interest share of adjusted operating profit		**(0.8)**	(1.1)
Pro forma adjustments[1]		**21.0**	10.2
EBITDA		**269.3**	212.7
Leverage		**0.9x**	1.4x

1 Annualisation of adjusted EBITDA, including that of acquisitions and disposals in the year.

14.6 Trading Capital Employed and ROATCE

Trading capital employed is defined as net assets less cash and cash equivalents and retirement benefit assets, after adding back borrowings (other than lease liabilities), deferred tax, retirement benefit obligations and net acquisition liabilities in respect of future purchases of minority interests, deferred consideration payable on acquisitions, and acquisition receivables in respect of previously completed disposals. Adjusted trading capital employed is reported as being trading capital employed plus goodwill and acquisition related charges previously charged to the income statement (net of deferred tax on acquisition intangible assets) and re-translated at the average exchange rates for the reporting period. Return on adjusted trading capital employed ("ROATCE") is defined as the pro forma adjusted operating profit, divided by adjusted trading capital employed, where pro forma adjusted operating profit is the annualised adjusted operating profit including that of acquisitions and disposals in the period. The Directors believe that ROATCE is an important measure of the profitability of the Group.

	Note	**2023 £m**	2022 £m
Net assets as reported under IFRS		**902.0**	668.2
Add/(deduct):			
– Deferred tax, net		**58.4**	38.2
– Retirement benefit assets, net		**(6.5)**	(6.4)
– Net acquisition related liabilities		**19.6**	29.6
– Net debt	9	**254.7**	328.9
Trading capital employed		**1,228.2**	1,058.5
– Historic goodwill and acquisition related charges, net of deferred tax and currency movements		**189.4**	99.6
Adjusted trading capital employed		**1,417.6**	1,158.1
Adjusted operating profit	14.2	**237.0**	191.2
Pro forma adjustments[1]		**19.4**	9.7
Pro forma adjusted operating profit		**256.4**	200.9
ROATCE		**18.1%**	17.3%

1 Annualisation of adjusted operating profit, including that of acquisitions and disposals in the year.

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