DIPLOMA PLC
Annual Review 2015

Acquire, Build, Grow

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

Life Sciences

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

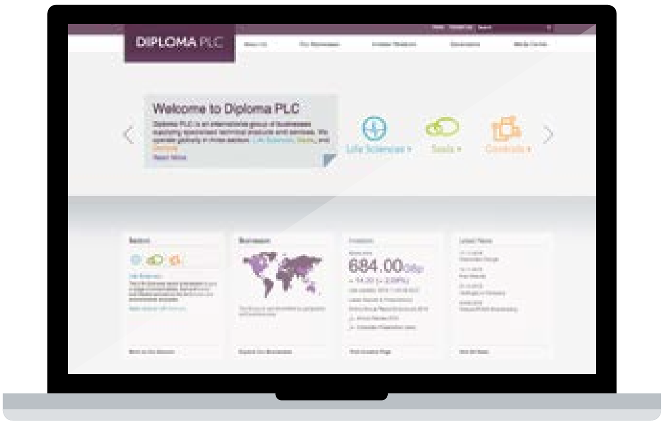
Seals

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

Controls

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

www.diplomaplc.com
For current information on Diploma PLC, including the Annual Report & Accounts 2015, please visit our website.



We focus on supplying essential products and services across a range of specialised industry sectors.

Building a broader base

Life Sciences

Healthcare (85% of revenues)
Medical devices and related consumables and services supplied to hospital pathology laboratories, operating rooms and GI Endoscopy suites and clinics.

Environmental (15% of revenues)
Environmental analysers, containment enclosures and emissions monitoring systems.

Principal businesses
DHG, a1-group

31%
of revenues

387
employees worldwide

PG14

Seals

Aftermarket (55% of revenues)
Next day delivery of seals, sealing products, filters and cylinder components for the repair of heavy mobile machinery.

Industrial OEMs (45% of revenues)
Sealing products and custom moulded and machined parts supplied to manufacturers of specialised industrial equipment.

Principal businesses
HFPG, EMEA Seals

42%
of revenues

764
employees worldwide

PG18

Controls

Interconnect (75% of revenues)
Wiring, harness components and fasteners used in specialised applications in Aerospace, Defence, Motorsport, Energy, Medical and Industrial.

Fluid Controls (25% of revenues)
Temperature, pressure and fluid control products used in Food, Beverage and Catering industries.

Principal businesses
IS-Group, Specialty Fasteners, Filcon, Hawco

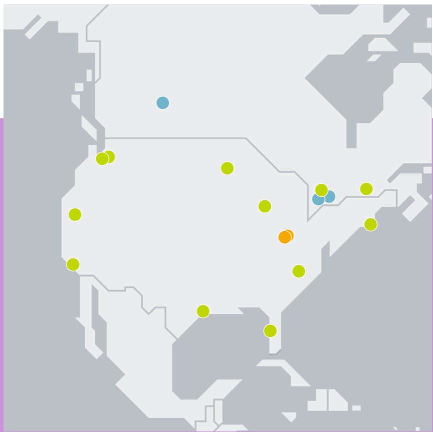
27%
of revenues

334
employees worldwide

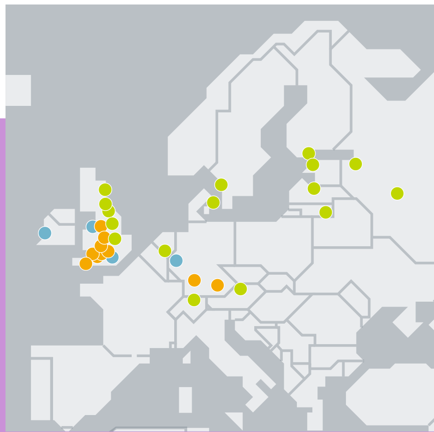
PG22

The Group is well diversified by geographic and business area.

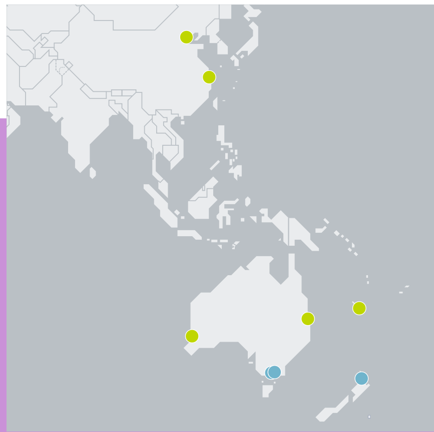
North America



Europe

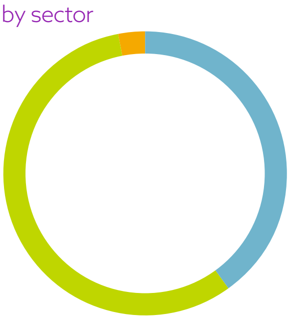


Rest of World



Life Sciences
Seals
Controls

North American revenues[1]
by sector

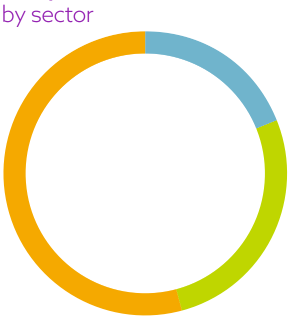


46%
of Group revenues

25%
US

21%
Canada

European revenues[1]
by sector

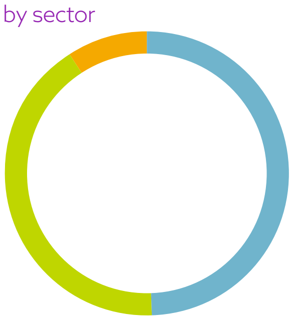


46%
of Group revenues

23%
UK

23%
Continental Europe

Rest of World revenues[1]
by sector



8%
of Group revenues

1 By destination

Financial Highlights

"Robust performance, acquisition led growth."

	2015 Year ended 30 September		2014
Revenue	£333.8m	↗9%	£305.8m
Adjusted operating profit[1]	£60.3m	↗6%	£56.7m
Adjusted operating margin[1]	18.1%		18.5%
Adjusted profit before tax[1,2]	£59.6m	↗6%	£56.2m
Profit before tax	£51.8m	↗4%	£49.8m
Free cash flow[3]	£40.3m	↗7%	£37.8m

	2015 pence		2014 pence
Adjusted earnings per share[1,2]	38.2	+6%	36.1
Basic earnings per share	32.5	+4%	31.4
Total dividends per share	18.2	+7%	17.0
Free cash flow per share[3]	35.6	+7%	33.4

1 Before acquisition related charges.
2 Before fair value remeasurements.
3 Before cash payments on acquisitions and dividends.

Contents

Diploma PLC uses alternative performance measures as key financial indicators to assess the underlying performance of the Group. These include adjusted operating profit, adjusted profit before tax, adjusted earnings per share, free cash flow, trading capital employed and return on adjusted trading capital employed ("ROATCE"). The narrative in the Annual Review is based on these alternative measures and an explanation is set out in note 2 to the consolidated financial statements included in the Annual Report & Accounts.

"I am pleased that with the newly refreshed Board, we have a strong and experienced team to support and guide the Group."

John Nicholas, Chairman

I was delighted to be appointed Chairman of your Company in January of this year, following the retirement of John Rennocks from the Board. During his ten years as Chairman, John guided the Company through an extended period of strong and sustained growth which delivered excellent returns to shareholders. I hope that in the years ahead I will be able to maintain this performance through executing the Group's strategy which is designed to deliver strong, double-digit growth in earnings and shareholder value over the economic cycle.

Shortly after my appointment, in June of this year, the Board met at the facility of Kubo, our newly acquired Seals business in Switzerland, to review the Group's strategy and to set targets and objectives for each of the Group's Sectors to be delivered over the next three years. After a number of presentations and thorough and challenging reviews with Executive management, the Board was unanimous in supporting the Group's existing strategy of building larger, broader based businesses in our three Sectors. This strategy aims to generate stable "GDP plus" organic revenue growth over the business cycle, sustainable attractive margins and strong cash flow. The Board also confirmed the ambition of accelerating growth through an active acquisition programme, utilising the Group's strong cash resources and experienced management to enhance value.

In September, Iain Henderson informed us of his decision to step down from the Board at the conclusion of the AGM in January 2016 and after an orderly handover of responsibilities, to retire from the Company on 31 March 2016. Iain has been a key member of the Board since 1998 and as Chief Operating Officer since 2005, has played a significant role in developing and implementing the strategy of the Group and in particular, the Seals and Controls Sector businesses. The Board will miss Iain's wise counsel and robust approach to the day-to-day operational challenges that face all businesses. All of us in the Group wish him a long, healthy and well-earned retirement.

The Board is very supportive of the decision by our CEO, Bruce Thompson to establish over the coming year, a formal Executive Management Group ("EMG") which will report to him. The EMG will comprise the key senior managers of the main business clusters and certain Group functions. Good progress has already been achieved with this development and two senior level recruits have recently joined the Group to strengthen management in key areas. The Board remains confident that the formation of this EMG over the course of 2016 will provide Diploma PLC with a strong and experienced group of senior business and financial managers who have the potential to provide leadership in the coming years.

Results

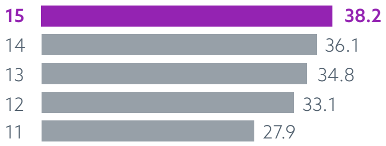
Group revenues increased in 2015 by 9% to £333.8m (2014: £305.8m), with acquisitions completed during the year contributing £24.2m and adverse currency movements reducing the results of the overseas businesses when translated into UK sterling by £8.1m, when compared with last year. After adjusting for the contribution from these and prior year acquisitions and for currency effects on translation, Group revenues increased by 1% on an underlying basis. Steady underlying revenue growth of ca.4% in both the Life Sciences and Seals Sectors more than offset a weaker performance from the Controls Sector where underlying revenues declined by 5% against a strong prior year comparative.

Adjusted operating margins remained robust at 18.1% (2014: 18.5%) and adjusted operating profit increased by 6% to £60.3m (2014: £56.7m). Gross margins in the Canadian and Australian Healthcare businesses were again impacted by transactional currency effects, but this was partly mitigated by a more favourable product mix and strong control over operating costs. Adjusted profit before tax increased by 6% to £59.6m (2014: £56.2m) and adjusted earnings per share ("EPS") also increased by 6% to 38.2p (2014: 36.1p).

The Group generated strong free cash flow of £40.3m (2014: £37.8m), with tighter control over working capital providing record operating cash flow of £62.1m (2014: £55.0m). Capital expenditure increased to £4.3m (2014: £2.2m) with increased investment in productive capital represented by facilities, healthcare field equipment and seal cutting machinery and tooling.

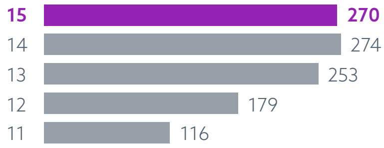
Adjusted EPS growth (pence)

↗15% p.a.[1]



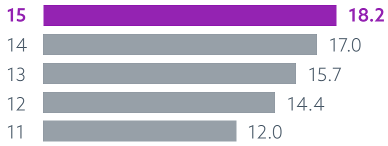
TSR growth (TSR index 2010 = 100)

↗22% p.a.[1]



Dividend growth (pence)

↗15% p.a.[1]



1 Five year compound.

Building momentum

It was a much stronger year for acquisition activity with the Group investing £37.8m (2014: £16.5m) in new businesses during the financial year, extending the Group's activities into new products and geographies in line with the Group's strategic objectives. Shortly after the year end the Group completed the acquisition of WCIS, an established supplier of sealing products and services in Australia for a maximum consideration of £9.8m. The WCIS acquisition is another example of how the Group uses acquisitions to extend and broaden its activities into new markets and geographies.

The much higher spend on acquisitions in this financial year, together with distributions of £19.7m (2014: £18.2m) to shareholders during the year, contributed to a reduction in net cash funds of £18.3m in the year to £3.0m at 30 September 2015 (2014: £21.3m).

Dividends

The robust balance sheet and strong free cash flow, together with a more favourable acquisition environment, has led the Board to recommend an increase in the final dividend of 7% to 12.4p per share (2014: 11.6p). Subject to shareholder approval at the Annual General Meeting, this dividend will be paid on 27 January 2016 to shareholders on the register at 27 November 2015.

The total dividend per share for the year will be 18.2p (2014: 17.0p) which represents a 7% increase on 2014. The dividend is well covered by adjusted EPS at 2.1 times, in line with the Board's objective of targeting towards a two times level of cover.

Governance

We have this year completed the process of developing and refreshing the Board started by my predecessor in 2013. In February we strengthened the Board's resources with the appointment of Andy Smith as a non-Executive Director. Andy brings excellent experience to the Company having previously held Group HR roles at Severn Trent PLC and The Boots Company PLC.

I was also pleased that Anne Thorburn accepted our invitation to join the Board in September. Anne brings to the Company many years of experience gained from Board level finance roles in listed international industrial companies. Anne will replace Marie-Louise Clayton as Chairman of the Audit Committee, when she retires from the Board this month at the end of her term of office. I wish to thank Marie-Louise for the support and guidance she has provided to the Board during the past three years.

I am pleased that with the newly refreshed Board, we have a strong and experienced team to support and guide the Group as it pursues the successful implementation of the Group's growth strategy.

Employees

Since being appointed Chairman earlier this year, I have endeavoured to visit the Group's businesses and meet our employees who are so important to the success of the Group. I have been impressed by the hard work and loyalty that our employees demonstrate to each of their businesses and I wish to thank them for their efforts this year to deliver a high level of service as they strive to meet targets in the face of challenging markets.

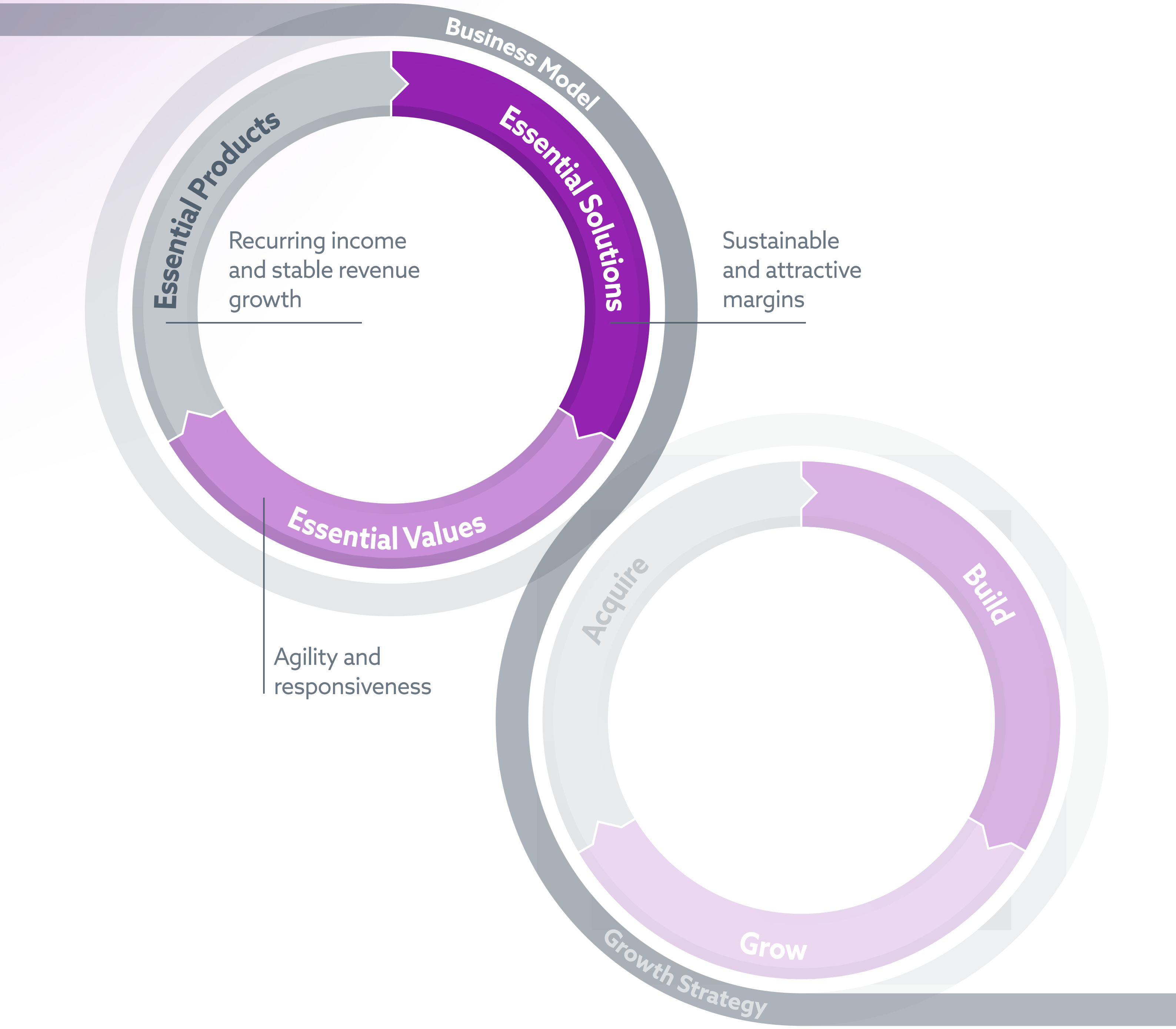
Outlook

The Group's strong and proven business model delivered robust growth this year, benefitting from a good contribution from acquisitions and despite adverse exchange rate movements. This balance is expected to continue into the coming financial year as the economic headwinds continue to constrain organic growth in the Group's principal markets in North America and Europe, but prospects for further acquisitions remain promising.

While the Board remains cautious on the current macroeconomic backdrop, we remain confident that the Group's resilient business model with a diverse geographic spread of activities and strong financial position, together with a more favourable environment for acquisitions will provide a good platform to deliver further growth in the coming year.

John Nicholas
Chairman
16 November 2015

Our business model is designed to make us essential to our customers.



What we put in

What we get out

Essential Products

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

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

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

Our businesses target organic revenue growth, over the economic cycle, at a rate of 5-6% p.a. ("GDP plus" growth), with higher growth rates achieved at the Group level through carefully selected value enhancing acquisitions.

Essential Solutions

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

The solutions can be in the form of:

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

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

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

Essential Values

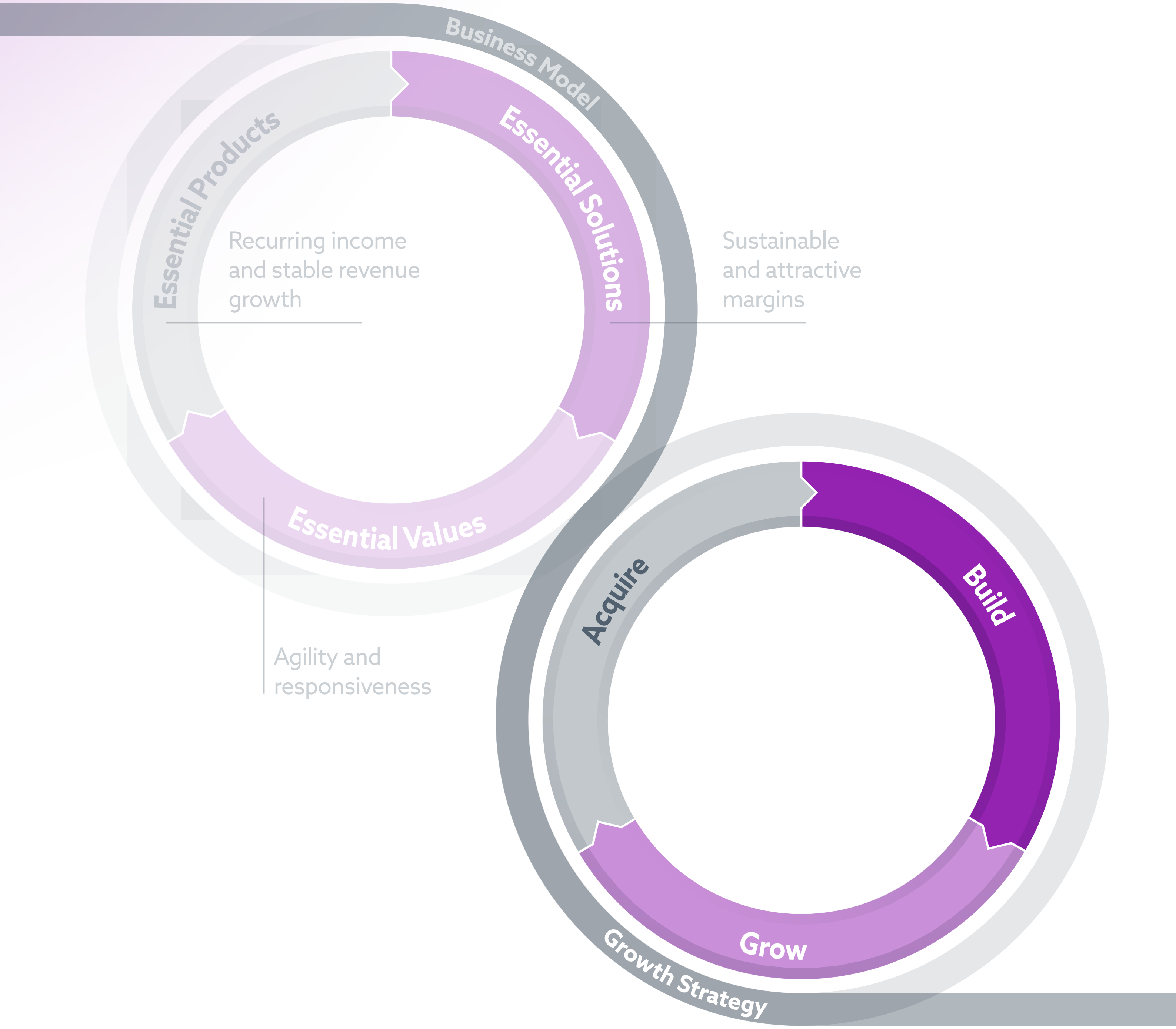
We encourage an entrepreneurial culture across our businesses, through a decentralised management structure.

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

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

Agility and responsiveness
Our decentralised organisational model ensures that decisions are made close to the customer and that the businesses are agile and responsive to changes in the market and the competitive environment.

The Group's "Acquire, Build, Grow" strategy is designed to deliver strong, double-digit growth.



Growth Strategy

Acquire

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

- Fit with the Group's business model.
- Marketing led with strong customer relationships.
- Secure supply of high quality, differentiated products.
- Capable management.

The principal financial criteria are:

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

Build

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

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

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

Grow

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

Except in the case of smaller, bolt-on acquisitions, the acquisitions will maintain their distinct sales and marketing identity and will be managed as independent business units. However, where there are opportunities for synergies with other Group businesses, these will be managed within larger business clusters.

Typically synergies come in the following areas:

- Cross-selling between the businesses.
- Joint purchasing between the businesses.
- Shared back-office functions for finance and administration.

Principal corporate objectives

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

Next level objectives

Generate stable "GDP plus" organic revenue growth over the business cycle

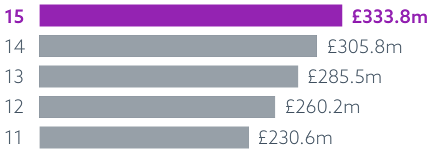
The businesses target organic revenue growth, over the economic cycle, at a rate of 5–6% p.a. ("GDP plus" growth), with higher growth rates achieved at the Group level through carefully selected value enhancing acquisitions.

Underlying (organic) revenue is after adjusting for the impact from acquisitions and divestments and for currency movements on the translation of overseas results.

Total revenue growth

↗ 13% p.a.

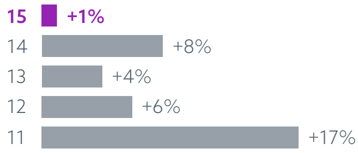
Five year compound



Underlying revenue growth

↗ 7% p.a.

Five year average



Maintain stable attractive margins

Adjusted operating margin is an important measure of the success of the businesses in achieving superior margins by offering strongly differentiated products and customer focused solutions, as well as by running efficient operations.

Adjusted operating margins

18–19%

of revenue

↗ Generate TSR growth in the upper quartile of the FTSE 250

↗ Deliver progressive dividend growth with two times dividend cover

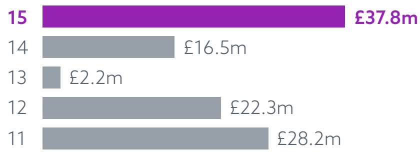
Accelerate growth through carefully selected value enhancing acquisitions

To complement the Group's organic growth strategy, the Group has an ongoing acquisition programme, designed to accelerate growth and to facilitate entry into related strategic markets.

Acquisition spend

£21m p.a.

Five year average



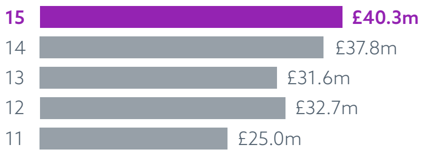
Generate consistently strong cash flow to fund growth strategy and dividends

Free cash flow is defined as the cash flow generated after tax, but before acquisitions and dividends. This measures the success of the Group and its businesses in turning profit into cash through the careful management of working capital and investments in fixed assets.

Free cash flow

£33m p.a.

Five year average



Working capital

16–17%

of revenue

Create value by consistently exceeding 20% ROATCE

Return on adjusted trading capital employed ("ROATCE") is defined as adjusted operating profit as a percentage of adjusted trading capital employed ("TCE"). Adjusted TCE excludes net cash and non-operating assets and liabilities, but includes all goodwill and acquired intangible assets.

ROATCE

26%

Five year average

> "The Group delivered a robust performance with a good contribution from acquisitions"
>
> Bruce Thompson, CEO

In 2015, the Group has delivered a robust performance with a good contribution from acquisitions completed during the last eighteen months. The Group's revenues increased by 9% with the acquired businesses adding 11% to revenues, but with adverse currency movements reducing revenues by 3% on translation to UK sterling. After adjusting for acquisitions and currency, underlying revenues increased by 1%. Adjusted operating margins decreased by 40bps to 18.1% of revenue, reflecting transactional currency effects in the Healthcare businesses and initial dilution from the acquired businesses. Free cash flow increased by 7% to £40.3m and return on adjusted trading capital employed ("ROATCE") remained comfortably above the 20% threshold at 23.9%.

Business model and growth strategy

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

Our businesses target "GDP plus" levels of organic revenue growth over the business cycle. Stable and resilient revenue growth is achieved through our focus on **essential products** and services funded by customers' operating rather than capital budgets and supplied across a range of specialised industry segments. By supplying **essential solutions**, not just products, we build strong long term relationships with our customers and suppliers, which support sustainable and attractive margins. Finally we encourage an entrepreneurial culture in our businesses through our decentralised management structure and these **essential values** ensure that decisions are made close to the customer and that the businesses are agile and responsive to changes in the market and the competitive environment.

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

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

Our Year in Review

Group

Strong proven business model delivered robust performance

Life Sciences

4% underlying revenue growth despite pressure on Healthcare budgets in Canada and Australia

PG14

Seals

4% underlying revenue growth as trading activity in North America slowed in H2

PG18

Controls

Softer European industrial markets and strong prior year comparatives; 5% underlying revenue reduction

PG22

Acquisitions

Acquisition spend doubled over prior year in positive acquisition environment

Building shareholder value

Performance against objectives and KPIs
The Group's principal corporate objectives are to achieve double digit growth in adjusted earnings per share ("EPS") over the business cycle, to generate total shareholder return ("TSR") growth in the upper quartile of the FTSE 250 and to deliver progressive dividend growth with two times dividend cover.

The compound growth in adjusted EPS has been 15% p.a. over the last five years, with growth this year at the more modest level of 6%. Over the last five years, the compound growth in TSR has been 22% p.a. This year, TSR has been broadly flat after a number of years of very strong growth. Dividends have increased progressively in each of the last 16 years and this year the dividend has increased by 7%. Over the last five years, the compound growth in dividends has been 15% p.a.

Underpinning the principal corporate objectives are a set of further objectives, with related key performance indicators ("KPIs") which are used to measure performance at the Group level, but also to drill down through the operating businesses.

The first of these next level objectives is to generate stable "GDP plus" levels of *organic revenue growth* over the business cycle. This year, challenging markets within the three Sectors meant that organic growth has been hard won. In Life Sciences, underlying revenues increased by 4% despite the pressure on budgets throughout the Healthcare system driven by the tougher economic environments in Canada and Australia. In Seals, underlying revenues increased by 4% as trading activity in North America slowed in the second half of the year, impacted indirectly by cutbacks in the Oil & Gas sector and lower demand for natural resources. Controls revenues decreased by 5% on an underlying basis, reflecting softer European industrial markets and strong prior year comparatives.

The objective for *adjusted operating margins* is to maintain stable attractive margins which reflect the focus on specialised segments, strongly differentiated products and customer focused solutions, combined with efficiently run operations. This year, adjusted operating margins were 18.1% which is at the lower end of the five year average range of 18–19%. As always there were a number of moving parts, with margins negatively impacted by the reduced gross margins in the Healthcare businesses, initial dilution from acquired businesses and one-off facility restructuring costs in the US. However, the impact on Group operating margins was limited to 40bps by Sector mix and by tight control of operating costs across the businesses.

The Group continues to focus strongly on *free cash flow*, which funds the growth strategy and gives the resources to provide healthy dividends to shareholders. In 2015, free cash flow was £40.3m, compared with a five year average of £33m p.a. and was equivalent to a conversion rate of over 90% of adjusted after tax earnings.

The principal determinant of free cash flow conversion is the effective management of working capital and the KPI used to measure and monitor this performance is *working capital as a percentage of revenue*. In 2015 this KPI remained stable at 17.0% comparing well with the five year average level of 16–17% which is also the longer term target.

ROATCE is the final indicator of the overall performance of the Group and very importantly of its success in creating value for shareholders. ROATCE is measured as the pre-tax return on total Group investment excluding net cash, but including all goodwill and acquired intangible assets. ROATCE has comfortably exceeded the 20% target in each of the last five years and this year was 23.9%.

"Carefully selected, value enhancing acquisitions accelerate growth and facilitate entry to related markets."

Acquisitions

Acquisitions are an integral part of the Group's strategy, designed to accelerate growth and to facilitate entry into related strategic markets. To achieve the Group's objective of strong double-digit growth, acquisition spend at the level of £25–30m p.a. is targeted. This year, the Group continued to benefit from a positive acquisition environment and invested £37.8m in acquisitions, which was well above the target annual level and was more than double the level of expenditure in the prior year.

The acquisitions which have been completed are natural extensions of the Group's existing businesses and have extended the scope of the businesses into new product and market segments and geographies.

In Life Sciences, DHG acquired 80% of Technopath Distribution ("TPD"), an established supplier to the Biotechnology, Clinical Laboratory and Medical markets in Ireland and the UK. The acquisition of TPD represents an important first step in extending the scope of DHG's business into the markets of Ireland and the UK. In addition, TPD brings important new products and suppliers to the DHG group in the areas of rapid hygiene testing in Food, Dairy and Pharmaceutical industries as well as Digestive Health.

In Seals, the Group acquired Kubo, a leading supplier of seals, 'O' rings, gaskets and moulded rubber parts serving a diverse base of industrial customers in Switzerland and Austria. This acquisition opens up further opportunities for cross-selling of products with the Group's other Industrial OEM Seals businesses, giving them access to Kubo's high precision manufactured parts. In the UK, FPE Seals acquired Swan Seals, a small specialised supplier of machined seals based in Aberdeen and serving customers' operational requirements.

The Group also acquired a further 10% shareholding in Kentek, taking our ownership to 90% with the balance held by the Managing Director of the business. In October 2015, shortly after the year end, the Group acquired WCIS, a supplier of gaskets, seals and associated products and services, with operations in Australia and New Caledonia.

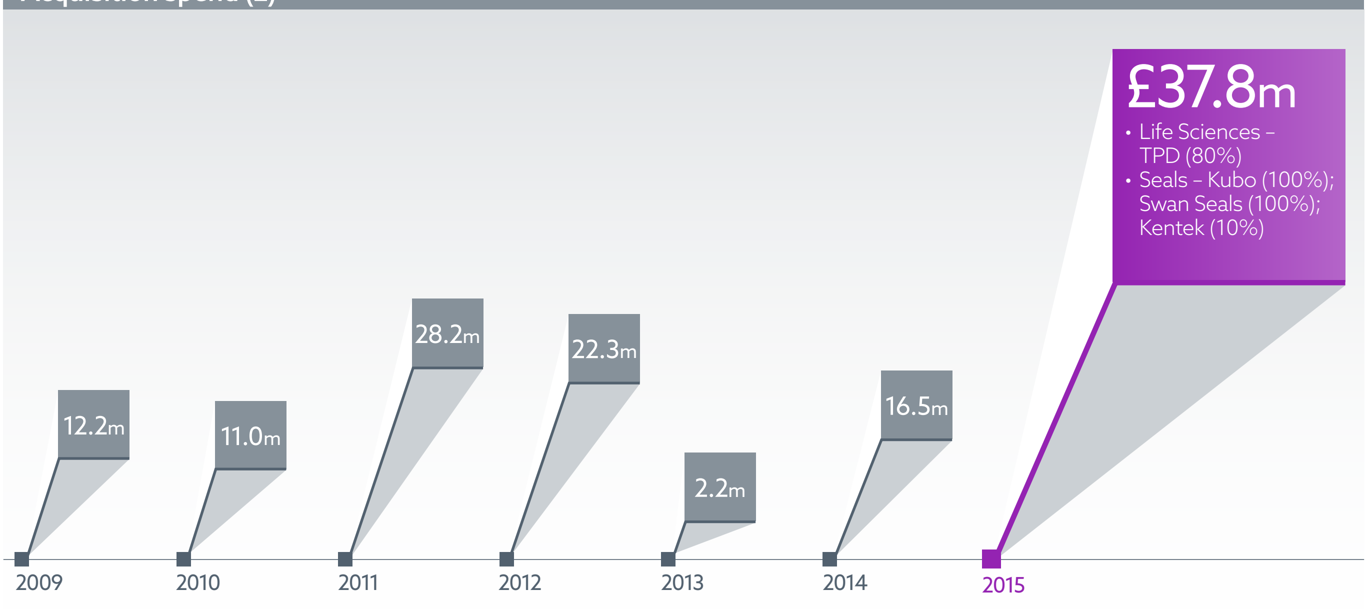
Management development

Iain Henderson, our Chief Operating Officer ("COO"), decided during the year that he would like to retire from the Group. Iain will stand down from the Board at the January 2016 AGM but will stay fully involved with the Group until the end of March 2016 to ensure a smooth handover of responsibilities. Iain has worked alongside me for 17 years at Diploma and he has been a key driver of the growth and development of the Group over this period. We will all miss his insightful contributions on strategy, keen business judgement and dry humour, but at the same time we all wish him well in his future endeavours.

Over the last few years, we have strengthened the senior management team by giving increased responsibility to existing managers and through selective external recruitment. We are intending to continue this process over the coming year with the establishment of a formal Executive Management Group ("EMG") reporting in to me. We will be retiring Iain's COO shirt and his responsibilities will be re-allocated across this broader leadership team.

The introduction of the EMG will ensure that we have a strong and broad based team in place to support the next stage of our growth strategy. Since the year end, we have made good progress in building bench strength in this evolving EMG, with the recruitment of two experienced senior managers to take leadership roles in North American Industrial Distribution and in our International Healthcare business.

Acquisition spend (£)



Life Sciences

% of Group revenue

31%

Geography[1]

59% Canada
28% Europe
13% Rest of World

Customers

84% Clinical
10% Utilities
3% Chemical & Petrochemical
2% Life Sciences Research
1% Other Life Sciences

Products

71% Consumables
19% Instrumentation
10% Service

387
Employees

Principal businesses

Diploma Healthcare Group (DHG)
a1-group

Seals

% of Group revenue

42%

Geography[1]

63% North America
30% Europe
7% Rest of World

Customers

41% Industrial OEMs
28% Heavy Construction
17% Other Industrial
10% Industrial Aftermarket
3% Dump & Refuse Trucks
1% Logging & Agriculture

Products

43% Seals & Seal Kits
16% O-rings
15% Cylinders & Other
10% Filters
9% Gaskets
7% Attachment Kits

764
Employees

Principal businesses

Hercules Fluid Power Group (HFPG)
EMEA Seals (FPE Seals, Kentek, M Seals, Kubo, WCIS)

Controls

% of Group revenue

27%

Geography[1]

60% UK
32% Continental Europe
8% Rest of World

Customers

29% Aerospace & Defence
27% Industrial
18% Food & Beverage
15% Motorsport
7% Energy & Utilities
4% Medical & Scientific

Products

38% Wire & Cable
18% Fasteners
14% Equipment & Components
14% Connectors
11% Control Devices
5% Other Controls

334
Employees

Principal businesses

IS Group
Specialty Fasteners
Filcon
Hawco

1 By destination.

Life Sciences

Building a larger, broader-based Life Sciences business

Life Sciences Sector

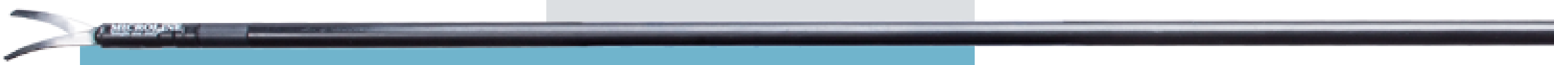
Performance in the year

Reported revenues of the Life Sciences businesses increased by 13% to £103.1m. The acquisitions of TPD in October 2014 and Chemzyme in July 2014 added 15% to Sector revenues but this was partly offset by a reduction of ca.6% in revenues from currency translation to a strong UK sterling. On a constant currency basis, underlying revenues increased by 4%.

Gross margins in the Healthcare businesses continued to be impacted significantly by transactional currency effects. During the financial year, the Canadian and Australian businesses experienced further depreciation in their domestic currencies of 20% and 25% respectively relative to the US dollar, which is the principal currency in which these businesses mostly purchase their products. The TPD business in Ireland and the UK has not been impacted in the same way by transactional currency effects, but joined the Group with slightly lower operating margins. Currency hedging contracts and supplier price concessions have provided some mitigation, but Healthcare gross margins have reduced by 370bps compared with the prior year. Environmental gross margins improved and operating costs as a percentage of revenue reduced across the Life Sciences businesses; Sector adjusted operating margins therefore reduced by only 120bps to 20.4%. On a reported basis, adjusted operating profit increased in UK sterling terms by 7% to £21.0m.

+13%

Revenue growth



Highlights

- Sector revenue growth of 13%; underlying growth of 4% after adjusting for currency and TPD acquisition
- Good revenue growth in DHG's Canadian and Australian businesses despite pressure on Healthcare budgets; stronger second half of year as delayed capital equipment orders released
- Significant pressure on margins from 20-25% depreciation of Canadian and Australian dollars against US dollar
- TPD acquisition extends DHG into Ireland and the UK; strong double-digit growth in first year
- Environmental businesses maintained underlying revenues and finished the year with solid order book

Free cash flow increased by 5% to £15.6m reflecting a combination of the increased operating profit and reduced cash flows into working capital, offset by an increase in capital expenditure.

Strategy development

The DHG group of **Healthcare** businesses account for 85% of Life Sciences revenues. The DHG model is to build strong market positions in growing niche Healthcare markets. Products are sourced from high quality medical device manufacturers under the terms of long term exclusive distribution agreements. Full service solutions are provided by highly qualified technical sales and product application staff, working closely with surgeons, operating room nurses and laboratory technologists. A large proportion of revenues are secured under multi-year customer contracts.

In Canada, the three principal businesses delivered good revenue growth, despite the softer economic environment putting pressure on budgets throughout the Healthcare system. There have been various initiatives by the Provinces and regions to restructure functions and these constrained purchasing in the first half of the year; the businesses had a stronger second half as delayed capital equipment orders were released. Somagen continued to grow in the core areas of HbA1c diabetes testing, electrophoresis, colorectal cancer screening and assisted reproductive technology ("ART"), while adding new suppliers in quality control products and automation in microbiology and theranostics. Revenue growth in AMT's core electrosurgery business was constrained by Provincial and buying group tendering processes, but further progress was made in developing AMT's minimally invasive surgery business. Vantage delivered good double-digit growth across its principal product lines including endoscopes, reprocessors, argon plasma and GI endoscopy accessories.

In Australia, the economies have faced similar economic challenges to those experienced in Canada and again Healthcare budgets have come under pressure. Against this background, the DHG businesses have delivered a creditable double-digit growth in revenues, with particularly strong growth in smoke evacuation. BGS and DSL operate as distinct sales and marketing businesses under a single strong leadership team and shared operations and back-office systems. Chemzyme, acquired in July 2014, was fully integrated into DHG's operations in Melbourne during the year.

In early October 2014, DHG acquired 80% of TPD, an established supplier to the Biotechnology, Clinical Laboratory and Medical markets in Ireland and the UK. TPD is an important first step in extending the scope of DHG's business into Europe and adding new products and suppliers in the Food, Dairy and Pharmaceutical industries as well as Digestive Health. TPD has performed very well since acquisition, delivering strong double-digit revenue growth on a like-for-like basis.

The a1-group of **Environmental** businesses account for ca.15% of Sector revenues and supply a range of products used in Environmental testing and Health & Safety applications. The a1-group businesses have maintained underlying revenues in challenging European markets and finished the year with a solid order book. The a1-envirosciences business saw strong demand for high-end elemental and mercury analysers supplied to the Petrochemical industry and Environmental laboratories. The a1-CBISS business is benefiting from supplying to the new Biomass and Energy from Waste plants which are forming an increasingly important part of the UK's energy portfolio.

	2015	2014
Revenue	£103.1m	£91.4m
Adjusted operating profit	£21.0m	£19.7m
Adjusted operating margin	20.4%	21.6%
Free cash flow	£15.6m	£14.9m

20.4%

Adjusted operating margin

£15.6m

Free cash flow

Acquire, Build, Grow

Life Sciences

Potential for Future Growth

- Increase share of specialised segments of Healthcare markets in Canada and Australia
- Build presence in the UK and Ireland from TPD base and explore opportunities more broadly in Europe
- Extend into other specialised medical disciplines with new products and technologies
- Continue to develop product and geographic spread of Environmental businesses

Building a larger, broader-based Life Sciences business

Revenue growth

13% p.a.

Five year compound

ROATCE

21.1%

Over the last five years, the Life Sciences Sector businesses have grown revenues at a compound rate of 13% p.a. from ca.£55m in 2010 to more than £100m in 2015; ROATCE at 21% is above the Group's 20% threshold. The principal driver for the Sector growth has been the DHG group of Healthcare businesses which has built from a strong base in the Canadian Healthcare market and extended activities into Australia and New Zealand through the acquisitions of BGS, DSL and Chemzyme. Future growth in these markets will come from increasing the share of existing market segments as well as extending into other specialised medical disciplines with new products and technologies. The acquisition of TPD in October 2014 gives a base from which to build a strong presence in the UK and Ireland and to explore opportunities more broadly in Europe. It also adds new products and suppliers which may open up new growth opportunities in other markets. The Environmental businesses have been successful in recent years by maintaining a sharp focus on attractive niche markets. While maintaining this focus, the businesses continue to look for bolt-on acquisitions to introduce new growth opportunities.

TECHNOPATH

Case study – TPD acquisition

Technopath Distribution ("TPD") is an established supplier to the Biotechnology, Clinical Laboratory and Medical markets in Ireland and the UK with its principal operations in Ballina, County Tipperary. The acquisition of TPD represents an important first step in extending the scope of DHG's business into these new markets in Europe. DHG acquired 80% of Technopath Distribution ("TPD") in October 2014 for consideration of ca.£11m. The owner managers retain a minority shareholding of 20% in TPD with put and call options which can be realised over 3-5 years. TPD shares key suppliers with DHG in Canada and Australia and also adds new products and suppliers in the areas of rapid hygiene testing in Food, Dairy and Pharmaceutical industries as well as Digestive Health. TPD has performed very well since acquisition, delivering strong double-digit revenue growth on a like-for-like basis.

Seals

Building a larger, broader-based Seals business

Seals Sector

Highlights

- Sector revenue growth of 17%; underlying growth of 4% after adjusting for currency and acquisitions
- In North America, slower trading activity in second half, impacted indirectly by cutbacks in Oil & Gas and Mining industries
- Continued investment in e-commerce and seal machining centres; Bulldog operations relocated to Tampa; new branch operation in Houston
- In Europe, strong underlying growth despite challenging economic background; new purpose built FPE Seals facility established as core Aftermarket hub in Europe
- EMEA Seals now 34% of Sector revenues following acquisitions of Kentek, Kubo and Swan Seals
- Acquisition of WCIS after year end broadens product range and extends Seals activities into Australasia

Performance in the year

Reported revenues of the Seals businesses increased by 17% to £139.6m. These revenues included contributions from Kubo, Kentek, and four smaller bolt-on acquisitions in the UK completed during the last 18 months. After adjusting for these acquisitions and for currency translation, underlying revenues increased by 4%.

Good progress has been made during the year in establishing a more substantial presence outside North America through a combination of organic growth and acquisition. The businesses based in the EMEA region contributed £47.3m to Seals revenues in the year and now account for 34% of Sector revenues. In October 2015, shortly after the year end, the acquisition was completed of WCIS, a supplier of gaskets, seals and associated products and services with operations in Australia and New Caledonia.

Across the Seals businesses, gross margins continued to be resilient, underpinned by the business model of superior product availability and added value technical services. Adjusted operating margins reduced by 30bps to 17.8% as Kubo joined the Group with lower initial operating margins and there were several one-off costs in the reorganisation of facilities in the US, including the relocation of the Bulldog facility. Adjusted operating profits increased by 14% to £24.8m.

+17%

Revenue growth

Free cash flow increased by £1.4m to £17.8m, benefiting from the increase in operating profit and tight control of working capital, partially offset by an increase in capital expenditure.

Strategy development

The **Aftermarket** Seals businesses account for ca.55% of Sector revenues and supply own-branded sealing products used in a broad range of heavy mobile machinery applications. The products are generally supplied from inventory on a next day delivery basis and are typically used in the repair and maintenance of equipment after it has completed its initial warranty or lease term. Our businesses act as a one-stop source of replacement components for all main brands of machinery and compared to the OEM dealer networks, offer higher levels of customer service and more competitive pricing.

In North America, HFPG delivered a solid performance in most territories, offset by substantial declines in the resource dependent States in the second half of the year. Further progress was made in electronic trading and two new seal machining centres were added during the year. The Bulldog operations in Reno were relocated to a new facility in Tampa, close to the core Hercules Clearwater site. HFPG revenues were also impacted this year by a significant reduction in demand for HKX's attachment kits against a very strong prior year comparative. HKX has responded by introducing lower cost, entry level kits which are upgradeable as required to provide a fuller range of capabilities.

In Europe, FPE Seals increased revenues strongly, benefiting from a full year of AB Seals and the transfer from HFPG of sales responsibility for the Bulldog range of products in the EMEA region. Swan Seals, a small specialised supplier of machined seals based in Aberdeen, was acquired in July 2015. During the year, FPE Seals relocated its principal UK operations to a new, purpose built facility which will be the core Aftermarket Seals hub for further expansion in the EMEA region. Kentek delivered strong revenue growth despite the significant economic and market challenges in Russia, Finland and the Baltic States.

The **Industrial OEM** businesses account for ca.45% of Seals revenues and supply seals, O-rings and custom moulded and machined parts used in a range of specialised industrial equipment. The businesses work closely with their Industrial OEM customers to specify the most appropriate sealing material and design for the customer's application and to select the most suitable seal manufacturer from which to source the parts. Once the part is designed into the application, the businesses provide the necessary logistical and technical support, in most cases for the lifetime of the OEM's product.

In North America, the businesses delivered solid GDP plus growth for the year, though trading activity again slowed in the second half, impacted indirectly by cutbacks in the Oil & Gas and Mining sectors. During the year, a new branch operation was opened by All Seals in Houston and J Royal strengthened its operations by integrating its Rhode Island operations into the main facility in North Carolina.

In Europe, the Group completed the acquisition of Kubo, a leading supplier of seals, O-rings, gaskets and moulded rubber parts to a diverse base of industrial customers in Switzerland and Austria. M Seals delivered solid underlying growth in Denmark, Sweden, China and the UK.

	2015	2014
Revenue	£139.6m	£119.8m
Adjusted operating profit	£24.8m	£21.7m
Adjusted operating margin	17.8%	18.1%
Free cash flow	£17.8m	£16.4m

17.8%
Adjusted operating margin

£17.8m
Free cash flow

Acquire, Build, Grow

Seals

Potential for Future Growth

- Continue to gain share in Aftermarket Seals in North America through superior marketing and product development
- Build and expand group of Industrial OEM Seals businesses in North America and internationally
- Build larger, broader-based Seals business in the EMEA and Asia Pacific regions
- Explore opportunities more broadly in Industrial Distribution in North America

Building a larger, broader-based Seals business

Revenue growth

18% p.a.

Five year compound

ROATCE

23.7%

Over the last five years, the Seals Sector businesses have grown revenues at a compound rate of 18% p.a. from ca.£60m in 2010 to ca.£140m in 2015. ROATCE at ca.24% is comfortably above the Group's threshold of 20%. In North America, the core Aftermarket business has grown steadily over this period, but the main driver for growth has been the creation of a sub-group of Industrial OEM Seals businesses in the US comprising RT Dygert, All Seals and J Royal. There has also been strong growth outside North America, where revenues have been boosted by the acquisitions of Kentek and Kubo and by four smaller bolt-on acquisitions in the UK; the EMEA region now accounts for 34% of Sector revenues. The Seals businesses in North America have significant further growth potential with continued share growth, supplemented by additional acquisitions to extend product and market coverage. Opportunities will also be explored to extend the Seals business more broadly into Industrial Distribution and to build a larger, broader-based Seals business in the EMEA and Asia Pacific regions. The acquisition of WCIS in Australia shortly after the year end was a further step in this strategic development.

Case study – Kubo acquisition

The Group completed the acquisition of the Kubo Group ("Kubo") in March 2015 for net cash consideration of ca.£23m. Kubo is a long established supplier of seals, O-rings, gaskets and moulded rubber parts to a large and diverse base of industrial customers in Switzerland and Austria. Kubo specialises in high value products for harsh environments and complex applications and Kubo's high precision manufactured parts extend the Group's product line. This acquisition opens up further opportunities for cross-selling of products with the Group's other Industrial OEM Seals businesses in the EMEA region and in North America.

Controls

Building a larger, broader-based Controls business

Controls Sector

Performance in the year

Reported revenues of the Controls businesses decreased by 4% to £91.1m, after including a full year contribution from SFC, acquired in July 2014. After adjusting for this acquisition and for currency translation, underlying revenues decreased by 5%. The Controls businesses faced challenging industrial markets in the UK and Continental Europe and strong comparatives for the Specialty Fasteners business in the Civil Aerospace and Motorsport sectors.

Overall gross margins remained resilient in the Controls businesses due to their focus on specialised markets and added value services. However, operating costs as a percentage of revenue increased due to reverse operating leverage and adjusted operating margins reduced by 30bps to 15.9%. Adjusted operating profits decreased by 5% to £14.5m.

Free cash flow remained unchanged at £11.4m, with reduced cash flows into working capital and lower capital expenditure offsetting the impact of lower operating profit.

Highlights

- Sector revenue reduced by 4%; underlying reduction of 5% after adjusting for currency and acquisitions
- Interconnect businesses faced challenging industrial markets in the UK and Continental Europe and strong comparatives in Civil Aerospace and Motorsport
- Continued growth in specialised segments in Germany, including the Energy and the Space satellite sectors
- In Specialty Fasteners, lineside supply projects for aircraft seat manufacturer constrained business this year but will deliver longer term revenue growth; excellent performance from SFC in first full year
- Fluid Controls businesses repositioned towards growing segments of the Food & Beverage market in the UK, with smaller more energy efficient products

Strategy development

The **Interconnect** businesses account for ca.75% of Controls revenues and supply a range of high performance wiring, connectors, harness components, fasteners and control devices. These products are used in technically demanding applications, often in harsh environments in a range of industries including Aerospace, Defence, Motorsport, Energy and Medical as well as in other specialised Industrial applications. The businesses act as a single source for a wide range of products, have strong technical knowledge to specify products for customer applications and offer ex-stock availability and a full range of value-added services. A high proportion of the products are used in refurbishment, upgrade and maintenance programmes for equipment in service.

The core Industrial markets in the UK have been challenging, with demand from industrial end-users muted and with a significant reduction in the sales to other distributors in the UK and in Eurozone countries which the IS-Group serves as a Master distributor for certain key suppliers. In Germany, again the general industrial sector has suffered in the wake of Russian sanctions and the slowing Chinese manufacturing sector. In addition, a number of IS-Sommer's customers have relocated all or part of their manufacturing to lower cost regions outside Germany.

To offset the declines in the broader Industrial markets, the Interconnect businesses have focused on more specialised market sectors which continue to show growth potential. In the Energy sector, IS-Sommer has delivered a strong increase in revenues from products used in the repair and maintenance of the medium-voltage infrastructure of the Electricity distribution network. Filcon has also had success supplying a focused portfolio of specialised connectors to the developing Space satellite segment.

A key element of the growth strategy within Interconnect is also to broaden the range of high performance products and added value services offered. As part of this strategy, the Specialty Fasteners group of businesses has been formed and was strengthened through the acquisition of SFC, which delivered an excellent performance in its first full year with the Group. Clarendon this year strengthened its partnership with its major aircraft seating customer, with the installation of an innovative VMI (vendor managed inventory) solution that utilises bespoke dispensing racks located within the customer's production cells. Clarendon also consolidated its position with the same customer by extending its supply contract to an additional manufacturing site. While these projects constrained revenue this year during the implementation phases, they will secure longer term growth in revenues.

The **Fluid Controls** businesses account for ca.25% of Controls revenues and supply a range of fluid control products used broadly across the Food & Beverage industry. Products are used in a range of applications including food retailing and transportation, catering equipment, vending machines, coffee brewing, pure water and water cooling systems.

Hawco has had to respond to significant structural changes in food retailing, where the traditional UK majors have reduced substantially their fit-outs of new stores and Hawco's immediate customers, the commercial refrigeration manufacturers, have now begun to win new business from the European discount retailers. Hawco also continues to leverage its expertise and access to smaller, more efficient compressors and ancillary components to penetrate the wider Brewing and Catering sectors.

There are also significant changes taking place in the hot drinks dispensing market where key players are re-positioning their businesses from "vending companies" to "coffee specialists". Abbeychart has responded by building a portfolio of essential parts to service the broad range of espresso-type machines installed in an increasing number of outlets from garages to high end restaurants.

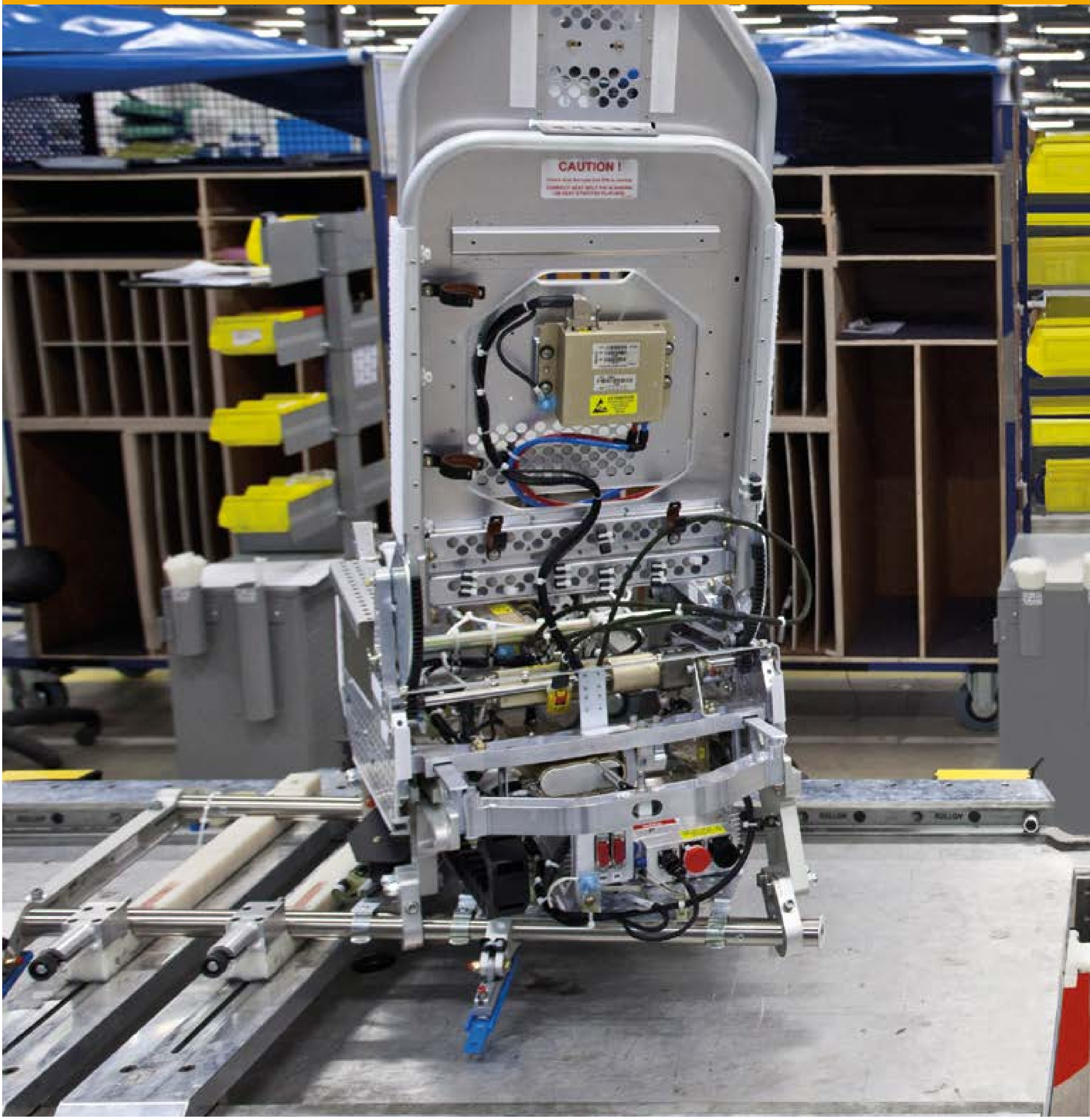
	2015	2014
Revenue	**£91.1m**	£94.6m
Adjusted operating profit	**£14.5m**	£15.3m
Adjusted operating margin	**15.9%**	16.2%
Free cash flow	**£11.4m**	£11.4m

-4%
Revenue growth

15.9%
Adjusted operating margin

£11.4m
Free cash flow

Acquire, Build, Grow



Controls

Potential for Future Growth

- Extend Interconnect product line and further penetrate specialised markets in Europe
- In Specialty Fasteners, build on strong positions in Civil Aerospace and Motorsport and expand in niche industrial markets
- Continue to reposition Fluid Controls business towards growth segments of the Food & Beverage industry
- Expand geographic reach outside UK and Northern Continental Europe

Building a larger, broader-based Controls business

Revenue growth

6% p.a.

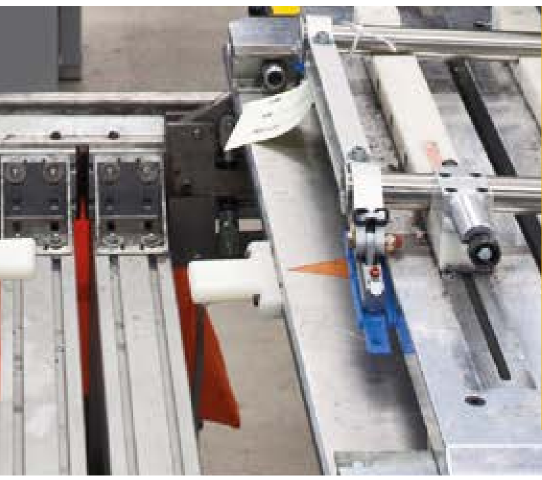
Five year compound

ROATCE

30.5%

Over the last five years, the Controls Sector businesses have grown revenues at a compound rate of 6% p.a. from ca.£70m in 2010 to ca.£90m in 2015. Over the five year period, this growth has been achieved by supplementing hard-won organic growth in challenging European industrial markets, with a series of incremental acquisitions. While revenue growth in Controls has been more modest than the other Sectors, ROATCE at over 30% is significantly higher due to the smaller size of the acquisitions and the opportunity for more immediate synergies. There is continued potential for growth in the core Interconnect business by extending the product line and further penetrating specialised markets in Europe. The developing Specialty Fasteners business also has good opportunities to build on its strong positioning in the Civil Aerospace and Motorsport sectors and to expand in niche industrial markets. The Fluid Controls business will continue to reposition itself in the Food & Beverage industry to align itself more directly with the growth segments. Opportunities for the Control businesses to expand their geographic reach outside the UK and Northern Continental Europe will also be explored.

Specialty Fasteners



Case study – Specialty Fasteners

The Group is building a grouping of Specialty Fastener businesses focusing on specialised applications within the Civil Aerospace and Motorsport sectors and other niche industrial segments. Clarendon is building a strong position in the civil aircraft seating and cabin interiors markets and this year installed a new lineside supply system within the production cells of a major aircraft seating customer. This project involves the installation of an innovative VMI (vendor managed inventory) solution that utilises bespoke dispensing racks equipped with RFID (radio frequency identification) technology. The supply contract is now being extended to one of the customer's other manufacturing sites and the business is also being broadened with sales to other aircraft seating customers across the EMEA region. The acquisition last year of SFC has given access to a range of smaller niche manufacturers in the broader Industrial sector and adds own-brand fastener products (e.g. Aerocatch) for Motorsport applications.

> "The Group generated strong free cash flow helped by a good contribution from the acquired businesses and tight control of working capital."

Nigel Lingwood, Group Finance Director

Growing revenues and adjusted operating profits
Diploma achieved a creditable performance this year with revenues increasing by 9% and adjusted operating profit increasing by 6%, bolstered by good contributions from acquisitions. Weaker industrial markets, particularly in the second half of the financial year, led to underlying revenues and adjusted operating profits increasing by only 1% this year.

One of the Group's principal objectives is to achieve a double-digit growth in earnings over the economic cycle and this year revenues increased by 12% on a constant currency basis. The incremental contribution from acquisitions completed both this year and last year added 11% (£32.4m) to revenues and the underlying revenue growth added a further 1% (£3.7m). The Group's businesses based overseas account for ca.75% of Group revenues and the impact from currency translation led to a reduction in revenues of 3% (£8.1m) which resulted in reported revenues increasing by 9% to £333.8m.

Adjusted operating profits increased by 9% on a constant currency basis and again, after adjusting for the effect of currency translation of 3%, reported adjusted operating profits increased by 6% to £60.3m.

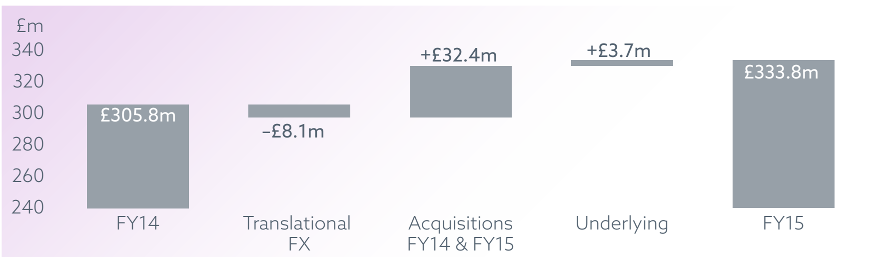
Robust adjusted operating margins
The Group targets robust adjusted operating margins of 18-19% over the economic cycle. This year, the adjusted operating margin has moved towards the lower end of this range at 18.1% due to the significant transactional currency effects in the Healthcare businesses and the initial dilution from acquired businesses.

The Canadian and Australian Healthcare businesses account for ca.20% of Group revenue and they purchase most of their products in US dollars or Euros. The Canadian and Australian currencies have depreciated significantly against these currencies over the past two years and this has impacted Group adjusted operating margins by 50bps in 2015. If current exchange rates prevail, this transactional currency effect will result in a further reduction in gross margins of these businesses in 2016.

Group adjusted operating margins are also impacted when acquired businesses join the Group with initial operating margins which are lower than the Group's average. With the increased acquisition spend over the last 18 months, this has impacted operating margins negatively by 60bps. However, investment by the Group in these acquisitions to grow revenues, combined with synergy benefits, will generally lead to these margins moving towards the Group's average in the 2-3 years post acquisition.

The Group works hard to mitigate these negative impacts on adjusted operating margins by maintaining a tight control over operating costs and this provides operating leverage as revenues increase. This year, operating leverage has improved adjusted operating margins by 60bps and changes in the mix of Group revenues have added a further 30bps.

Underlying revenue bridge – FY 2015



Adjusted operating margin
18.1%

Free cash flow
£40.3m

ROATCE
23.9%

Building financial strength

One-off reorganisation costs in the Seals businesses have reduced adjusted operating margins by 20bps this year, but should result in reduced operating costs in 2016.

Increase in adjusted profit before tax and adjusted EPS

Adjusted profit before tax increased by 6% to £59.6m after a finance expense this year of £0.7m, which included £0.5m of costs associated with the bank facility and borrowings drawn down during the year to help finance acquisitions and £0.2m of a notional interest expense on the Group's defined pension liabilities.

With the Group's adjusted effective accounting tax charge in 2015 remaining unchanged from the previous year at 26.3%, the Company's adjusted earnings per share increased by 6% to 38.2p.

Strong free cash flow and robust financial position

A key characteristic of the Group's business model is the ability of the businesses to generate strong free cash flow – being cash available to invest in acquisitions or return to shareholders.

This year the Group generated strong free cash flow of £40.3m, helped by a good contribution from the acquired businesses and tight control of working capital. This cash was then reinvested in acquiring new businesses (£37.8m) and in new facilities, plant and machinery (£4.3m) which together provide a strong platform for earnings growth in future years.

The strong free cash flow also allowed the Group to continue with its policy of paying healthy dividends to shareholders which this year will be 18.2p per share and will be the sixteenth year of successive growth in dividends.

The Group's financial position remains robust with net cash funds of £3.0m at 30 September 2015, comprising bank borrowings of £20.0m offset by cash funds of £23.0m. These cash funds were largely utilised shortly after the year end in completing the acquisition of WCIS and in repaying some of the bank borrowings.

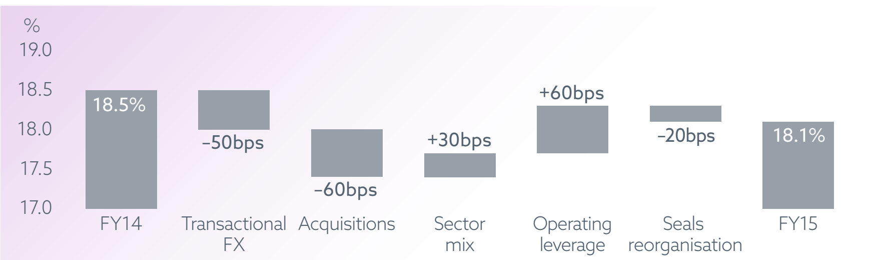
Additional financial resources are available in the form of a revolving multi-currency credit facility comprising committed bank facilities of £40m, with an option to extend these to £50m, subject to market pricing. These bank facilities are committed until June 2017 and will continue to be utilised to help fund new acquisitions.

Delivering value to shareholders

A key metric that the Group uses to provide an indication of the overall profitability of the Group and its success in creating value for shareholders is the Return on Adjusted Trading Capital Employed ("ROATCE").

This represents the adjusted operating margin as a ratio of the fixed and working capital of the Group, together with all gross intangible assets and goodwill. At 30 September 2015, the Group ROATCE was 23.9% which remains well above the Group's target threshold of 20%.

Adjusted operating margin bridge – FY 2015



John Nicholas[1,3]
Chairman

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

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

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

External appointments:
John is currently non-Executive Director and Chairman of the Audit Committees of Mondi plc and Hunting PLC. John is Senior Independent Director of Rotork plc.

Bruce Thompson
Chief Executive Officer

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

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

External appointments:
None.

Charles Packshaw[1,2,3]
Senior Independent Non-Executive Director

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

Skills and experience:
Charles is Head of UK Advisory and Managing Director in HSBC's global banking business. Over 30 years of City experience, including 18 years at Lazard in London, where he was Head of Corporate Finance, prior to joining HSBC in 2002. Charles has been a non-Executive Director of two listed companies and he is also a Chartered Engineer.

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

Nigel Lingwood
Group Finance Director

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

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

External appointments:
Nigel is Senior Independent Director and Chairman of the Audit Committee of Creston plc.

Anne Thorburn[1,2,3]
Non-Executive Director

Appointed:
Joined the Board on 7 September 2015 and will be appointed Chairman of the Audit Committee with effect from 17 November 2015.

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

External appointments:
None.

Iain Henderson
Chief Operating Officer

Appointed:
Joined the Board as a Director in 1998 and appointed Chief Operating Officer in 2005.

Will retire from the Board on 20 January 2016.

Skills and experience:
Iain qualified as a Chartered Management Accountant and began his career in the food industry, progressing to be an operations general manager with H J Heinz. Since 1988, Iain has specialised in the acquisition and development of small to medium sized enterprises within group structures. This was firstly within the privately owned Bricom MBO, where he ran ANC Holdings and from 1994 in a public company environment as a Director of Glenchewton plc.

External appointments:
None.

Andy Smith[1,2,3]
Non-Executive Director

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

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

External appointments:
None.

Marie-Louise Clayton[1,2,3]
Non-Executive Director

Appointed:
Joined the Board on 13 November 2012 and appointed Chairman, Audit Committee on 21 March 2013.

Will retire from the Board on 16 November 2015.

Skills and experience:
Marie-Louise is a Chartered Certified Accountant with some 30 years' experience in commerce and industry, who has held senior positions at Alstom (formerly, Alsthom GEC) and was previously Group Finance Director of Venture Production plc. She has also been a non-Executive Director of Forth Ports PLC and Ocean Rig ASA.

External appointments:
Marie-Louise is Chairman of the Audit Committee and a non-Executive Director of Zotefoams plc. Marie-Louise is also a non-Executive Director of Independent Oil and Gas plc and of two private companies.

Member of:
1 Remuneration Committee
2 Audit Committee
3 Nomination Committee

Five Year Record

Year ended 30 September	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m
Revenue	**333.8**	305.8	285.5	260.2	230.6
Adjusted operating profit	**60.3**	56.7	54.3	52.8	45.2
Adjusted profit before tax	**59.6**	56.2	54.3	52.6	44.9
Fixed assets	**24.0**	13.9	14.7	13.0	11.4
Working capital	**59.9**	54.2	47.8	44.4	37.1
Goodwill and intangible assets	**129.5**	108.8	105.2	112.0	101.7
Investment	**0.7**	0.7	0.7	0.7	–
Reported trading capital employed	**214.1**	177.6	168.4	170.1	150.2
Net cash funds	**3.0**	21.3	19.3	7.9	12.2
Other assets/(liabilities), net	**(22.3)**	(11.6)	(9.4)	(10.8)	(10.5)
Net assets	**194.8**	187.3	178.3	167.2	151.9
Cash flow from operating activities	**62.1**	55.0	55.9	50.2	40.3
Free cash flow	**40.3**	37.8	31.6	32.7	25.0
Acquisition expenditure	**(37.8)**	(16.5)	(2.2)	(22.3)	(28.2)
	Pence	Pence	Pence	Pence	Pence
Adjusted earnings per share	**38.2**	36.1	34.8	33.1	27.9
Dividends per share	**18.2**	17.0	15.7	14.4	12.0
Net assets per share	**172.0**	165.4	157.5	147.7	145.4
	%	%	%	%	%
Adjusted operating margin	**18.1**	18.5	19.0	20.3	19.6
Working capital as % of revenue	**17.0**	17.2	16.7	16.5	16.1
Return on adjusted trading capital employed (ROATCE)	**23.9**	25.8	25.8	26.6	25.4

The information above has been extracted from the audited Annual Report & Accounts of Diploma PLC and does not constitute statutory information.
Diploma PLC uses alternative performance measures as key performance indicators to assess the underlying performance of the Group. These include adjusted operating profit, adjusted profit before tax, adjusted earnings per share, free cash flow, trading capital employed and ROATCE, as explained in note 2 to the consolidated financial statements in the Annual Report & Accounts.

Financial Calendar, Shareholder Information and Advisors

Announcements (provisional dates):

First Quarter Statement released	20 January 2016
Annual General Meeting (2015)	20 January 2016
Half Year Results announced	16 May 2016
Third Quarter Statement released	31 August 2016
Preliminary Results announced	21 November 2016
Annual Report posted to shareholders	2 December 2016
Annual General Meeting (2016)	18 January 2017

Dividends (provisional dates):

Interim announced	16 May 2016
Paid	15 June 2016
Final announced	21 November 2016
Paid (if approved)	25 January 2017

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

Share Registrar – Computershare Investor Services PLC:
The Company's Registrar is Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZZ. Telephone: 0870 7020010.
Its website for shareholder enquiries is www.computershare.co.uk

Shareholders' enquiries:
If you have any enquiry about the Company's business or about something affecting you as a shareholder (other than questions dealt with by Computershare Investor Services PLC) you are invited to contact the Group Company Secretary at the address shown below.

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

Website:
Diploma's website is www.diplomaplc.com

Advisors

Investment Bankers
Lazard
50 Stratton Street
London W1J 8LL

Corporate Stockbrokers
Numis Securities
10 Paternoster Square
London EC4M 7LT

Solicitors
Ashurst LLP
Broadwalk House
5 Appold Street
London EC2A 2HA

Auditor
Deloitte LLP
2 New Street Square
London EC4A 3BZ

Bankers
Barclays Bank PLC
1 Churchill Place
London E14 5HP

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

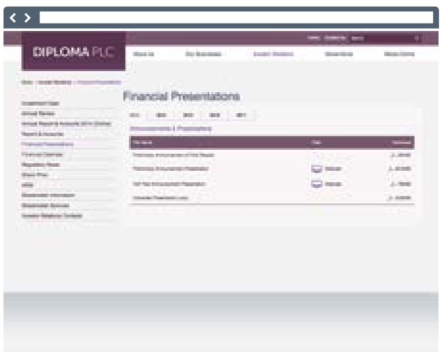
For more information

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

www.diplomaplc.com

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

Access our financial results and presentations.



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

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