

# DIPLOMA PLC

12 Charterhouse Square  
London  
EC1M 6AX

7 December 2012

## **DIPLOMA PLC**

(the "Company")

(Registered in England and Wales No. 3899848)

## **NOTICE OF ANNUAL GENERAL MEETING**

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN YOU SHOULD CONSULT YOUR STOCKBROKER OR OTHER FINANCIAL ADVISER AUTHORISED UNDER THE FINANCIAL SERVICES AND MARKETS ACT 2000.**

**IF YOU HAVE SOLD OR TRANSFERRED ALL YOUR ORDINARY SHARES IN DIPLOMA PLC PLEASE SEND THIS DOCUMENT AND, WHERE RELEVANT, THE ACCOMPANYING FORM OF PROXY TO THE STOCKBROKER OR OTHER AGENT THROUGH WHOM THE SALE OR TRANSFER WAS EFFECTED FOR TRANSMISSION TO THE PURCHASER OR TRANSFEREE.**

Dear Shareholder,

## **ANNUAL GENERAL MEETING**

The Annual General Meeting will be held in the Brewers' Hall, Aldermanbury Square, London EC2V 7HR on Wednesday, 16 January 2013 at 12.00, midday. As you can see from the Notice of the Annual General Meeting which follows this letter there are 16 items of Business to be discussed.

The purpose of this letter is to explain the Business to be transacted at the Annual General Meeting.

### **Resolutions 1 to 11**

The Ordinary Resolutions deal with the receipt and adoption of the Report of the Directors and the Financial Statements for the year ended 30 September 2012, together with the Auditor's Reports, the declaration of a final dividend, the re-appointment of Deloitte LLP as Auditor and the authorisation of the Directors to set the Auditor's remuneration.

In 2011 the Board, having considered carefully the recommendations of the UK Corporate Governance Code, decided that all Directors of the Company should retire and stand for election or re-election at each Annual General Meeting. As a consequence, Ordinary Resolutions 3 to 8 deal with the re-election of each Director of the Board. Having considered the performance of each of the current Directors standing for re-election, the Board has concluded that each Director makes a positive and effective contribution to the Board and demonstrates commitment to the role.

Ordinary Resolution 9 deals with the election of Marie-Louise Clayton as a Director of the Board as she was appointed by the Board since the last Annual General Meeting. In view of Marie-Louise Clayton's recent appointment, there has been no formal evaluation undertaken in 2012, but her appointment followed an intensive search and selection process and the Board is satisfied that Marie-Louise brings considerable relevant financial and business expertise to the Board.

Biographical details of the Directors seeking election or re-election are given on pages 26 and 27 of the Annual Report & Accounts 2012.

### **Resolution 12 – Approval of Directors' Remuneration Report**

In accordance with the Directors' Remuneration Report Regulations 2002, shareholders are being invited to approve the Directors' Remuneration Report for the financial year ended 30 September 2012. You can find the Report on pages 34 to 43 of the Annual Report & Accounts 2012.

### **Resolution 13 – Authority to Allot Shares**

The Directors may only allot shares or grant rights to subscribe for, or convert any security into, shares if authorised to do so by shareholders. The previous authority granted by shareholders in respect of the allotment of shares will expire on 16 January 2013. Accordingly, Resolution 13 will be proposed as an Ordinary Resolution. Part (a) of Resolution 13 grants new authority to allot shares and grant rights to subscribe for, or convert any security into, shares up to an aggregate nominal amount of £1,887,326. This amount represents approximately one third of the total issued ordinary share capital of the Company as at 6 December 2012, the latest practicable date before the publication of the Notice.

In accordance with the latest institutional guidelines issued by the Association of British Insurers ("ABI"), paragraph (b) of Resolution 13 will also authorise Directors to allot, including the ordinary shares referred to in paragraph (a) of Resolution 13, further ordinary shares in connection with a pre-emptive offer by way of a rights issue to ordinary shareholders up to a maximum nominal amount of £3,774,652. This amount represents approximately two thirds (66.67%) of the Company's existing issued share capital calculated as at 6 December 2012, the latest practicable date before the publication of the Notice.

The Directors have no present intention of exercising these authorities. However, if they do exercise the authority set out in Resolution 13(b), the Directors intend to follow best practice as regards its use (including, where appropriate, the Directors standing for re-election) as recommended by the ABI.

If given, these authorities will expire at the Annual General Meeting in 2014 or 16 April 2014, whichever is the earlier.

### **Resolution 14 – Disapplication of Pre-Emption Rights**

The Directors require a power from shareholders to allot equity securities or sell treasury shares where they propose to do so for cash and otherwise than to existing shareholders pro rata to their holdings. The previous power granted by shareholders in respect of the disapplication of Pre-Emption Rights will expire on 16 January 2013. Accordingly, Resolution 14 will be proposed as a Special Resolution to grant such a power. Apart from offers or invitations, the authority will be limited to the allotment of equity securities and sales of treasury shares for cash up to an aggregate nominal amount of £283,099 (being 5% of the issued ordinary share capital at 6 December 2012). If given, this authority will expire on the earlier of 16 April 2014 and the conclusion of the Annual General Meeting in 2014. Your Directors will have due regard to institutional guidelines in relation to any exercise of this authority, in particular the requirement for advance consultation and explanation before making any non-pre-emptive cash issue pursuant to this resolution which exceeds 7.5% of the Company's issued share capital in any rolling three year period. Your Directors do not have any present intention of exercising this authority, but consider it desirable to have the flexibility to use it should opportunities arise.

#### **Resolution 15 – Authority to make Market Purchases of Ordinary Shares**

This resolution will give the Company authority to purchase its own shares in the market up to a limit of 10% of its issued ordinary share capital. The maximum and minimum prices are stated in the resolution. The Directors believe that it is advantageous for the Company to have the flexibility to make market purchases of its own shares. In the event that shares are purchased, they would either be cancelled (and the number of shares in issue would be reduced accordingly) or, subject to the Companies Act 2006 (the "Act"), be retained as treasury shares. The Act enables companies to hold shares re-purchased as treasury shares with a view to possible re-sale at a future date rather than having to cancel them. The Company will consider holding re-purchased shares pursuant to the authority conferred by this resolution as treasury shares. This would give the Company the ability to re-issue treasury shares quickly and cost effectively and would provide the Company with additional flexibility in the management of its capital base. The Directors will only exercise this authority if they are satisfied that a purchase would result in an increase in expected earnings per share and would be in the interests of shareholders generally. This resolution is to be renewed for the period ending on the earlier of 16 April 2014 and the conclusion of the Annual General Meeting in 2014.

At the date of this letter the Company does not hold any treasury shares.

#### **Resolution 16 – Notice Period for General Meetings**

This Resolution is required under the changes made to the Act to implement the Shareholder Rights Directive. The Act increases the notice period for general meetings of companies such as ours to 21 days, unless certain conditions are met in which case it will be 14 clear days notice. To ensure that our general meetings (other than annual general meetings) may be held on not less than 14 clear days notice, one of the conditions needing to be met is that a shareholder resolution reducing the period of notice to not less than 14 clear days has been passed at the immediately preceding Annual General Meeting. It is intended that this flexibility will only be used for non-routine business where the flexibility is merited by the business of the meeting and it is thought to be in the best interests of shareholders as a whole. The approval will be effective until the Company's next Annual General Meeting, when it is intended that a similar resolution will be proposed.

#### **Recommendation and Action to be Taken**

The Board is unanimous in its view that the adoption of the Resolutions set out in the Notice of Annual General Meeting is in the best interests of the Company and its shareholders as a whole. Accordingly, the Board recommends that you vote in favour of the resolutions. Each Director intends to vote in favour of the resolutions in respect of his own beneficial holding, which in aggregate amount to 1,902,814 shares at the date of this letter.

Ordinary shareholders are requested, whether or not they propose to attend the Annual General Meeting, to complete and return the enclosed form of proxy to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY so as to arrive as soon as possible, but in any event by no later than 48 hours before the time of the meeting. The lodging of forms of proxy will not prevent ordinary shareholders from attending and voting in person if they so wish.

In line with best practice, we are changing our voting arrangements for the Annual General Meeting so that all resolutions for consideration at the meeting will be decided on a poll rather than on a show of hands. We believe that a poll is the best way of representing the views of as many shareholders as possible in the voting process. This means that a shareholder has one vote for every share held.

Yours faithfully  
**JL Rennocks**  
**Chairman**

7 December 2012

#### **Note:**

Copies of the following documents are available for inspection at the registered office of the Company, 12 Charterhouse Square, London EC1M 6AX during normal business hours on any weekday from the date of this Notice until the close of the Annual General Meeting (Saturdays, Sundays and public holidays excepted) and will be available for inspection at the place of the Annual General Meeting convened for that day from at least 15 minutes prior to the appointed time for the meeting until the meeting is concluded or adjourned:

- (a) copies of the Executive Directors' service agreements; and
- (b) copies of the terms and conditions of appointment of non-Executive Directors.

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Diploma PLC will be held in the Brewers' Hall, Aldermanbury Square, London, EC2V 7HR on Wednesday, 16 January 2013 at 12.00, midday, to consider, and if thought fit, approve the following resolutions which will be proposed as to Resolutions 1 to 13 (inclusive) as Ordinary Resolutions and Resolutions 14, 15 and 16 as Special Resolutions:

1. THAT the Financial Statements for the financial year ended 30 September 2012, together with the Reports of the Directors and Auditor thereon, be received and adopted by members. **(Resolution 1)**
2. THAT a final dividend of 10.2p per ordinary share be declared in respect of the year ended 30 September 2012, payable on 23 January 2013 to ordinary shareholders on the register at the close of business on 30 November 2012. **(Resolution 2)**
3. THAT JL Rennocks, the Chairman of the Company and submitting himself for re-election, be re-elected as a Director. **(Resolution 3)**
4. THAT BM Thompson, the Chief Executive Officer of the Company and submitting himself for re-election, be re-elected as a Director. **(Resolution 4)**
5. THAT IM Grice, a non-Executive Director of the Company and submitting himself for re-election, be re-elected as a Director. **(Resolution 5)**
6. THAT I Henderson, the Chief Operating Officer of the Company and submitting himself for re-election, be re-elected as a Director. **(Resolution 6)**
7. THAT NP Lingwood, the Group Finance Director of the Company and submitting himself for re-election, be re-elected as a Director. **(Resolution 7)**
8. THAT JW Matthews, a non-Executive Director of the Company and submitting himself for re-election, be re-elected as a Director. **(Resolution 8)**
9. THAT ML Clayton, a non-Executive Director of the Company, having been appointed by the Board since the last Annual General Meeting and submitting herself for election, be elected as a Director. **(Resolution 9)**
10. THAT Deloitte LLP be re-appointed as Auditor of the Company. **(Resolution 10)**
11. THAT the Directors be authorised to set the remuneration of the Auditor. **(Resolution 11)**
12. THAT the Directors' Remuneration Report for the financial year ended 30 September 2012, set out on pages 34 to 43 of the Annual Report & Accounts be and is hereby received and approved. **(Resolution 12)**
13. THAT the Directors be and are hereby generally and unconditionally authorised for the purposes of Section 551 of the Companies Act 2006 (the "Act"), to exercise all the powers of the Company to allot shares and grant rights to subscribe for, or convert any security into, shares:
  - (a) up to an aggregate nominal amount (within the meaning of Section 551(3) and (6) of the Act) of £1,887,326 (such amount to be reduced by the nominal amount allotted or granted under (b) below in excess of such sum); and
  - (b) comprising equity securities (as defined in section 560 of the Act) up to an aggregate nominal amount (within the meaning of section 551(3) and (6) of the Act) of £3,774,652 (such amount to be reduced by any allotments or grants made under (a) above) in connection with or pursuant to an offer by way of a rights issue in favour of holders of ordinary shares in proportion (as nearly as practicable) to the respective number of ordinary shares held by them on the record date for such allotment (and holders of any other class of equity securities entitled to participate therein or if the Directors consider it necessary, as permitted by the rights of those securities), but subject to such exclusions or other arrangements as the Directors may consider necessary or appropriate to deal with fractional entitlements, treasury shares, record dates or legal, regulatory or practical difficulties which may arise under the laws of, or the requirements of any regulatory body or stock exchange in any territory or any other matter whatsoever;

these authorisations to expire at the conclusion of the Annual General Meeting of the Company in 2014 or on 16 April 2014, whichever is the earlier, save that the Company may before such expiry make any offer or agreement which would or might require shares to be allotted or rights to be granted, after such expiry and the Directors may allot shares, or grant rights to subscribe for or to convert any security into shares in pursuance of any such offer or agreement as if the authority conferred hereby had not expired. **(Resolution 13)**

14. THAT subject to the passing of Resolution 13 above the Directors be and are hereby empowered pursuant to Sections 570 and 573 of the Companies Act 2006 (the "Act") to:
- (a) allot equity securities (as defined in Section 560 of the Act) of the Company for cash pursuant to the authority conferred by that resolution; and
  - (b) sell ordinary shares (as defined in Section 560(1) of the Act) held by the Company as treasury shares ("Treasury Shares") for cash (as detailed in Section 727 of the Act),

as if Section 561 of the Act did not apply to any such sale, provided that this power shall be limited to the allotment of equity securities for cash and the sale of Treasury Shares:

- (i) in connection with or pursuant to an offer or invitation to acquire equity securities (but in the case of the authorisation granted under Resolution 13(b), by way of rights issue only) in favour of holders of ordinary shares in proportion (as nearly as practicable) to the respective number of ordinary shares held by such holders on the record date for such allotment or sale (and holders of any other class of equity securities entitled to participate therein or if the Directors consider it necessary, as permitted by the rights of those securities) but subject to such exclusions or other arrangements as the Directors may deem necessary or desirable in relation to fractional entitlements, Treasury Shares, record dates or legal or practical problems arising in, or pursuant to, the laws of any territory or the requirements of any regulatory body or stock exchange in any territory or any other matter whatsoever; and
- (ii) in the case of the authorisation granted under Resolution 13(a) above (or in the case of any transfer of Treasury Shares) and otherwise than pursuant to paragraph (i) of this resolution, up to an aggregate nominal amount of £283,099.

This power shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2014 or on 16 April 2014, whichever is the earlier, save that the Company may, at any time before the expiry of such power make any offer or enter into any agreement which would or might require equity securities to be allotted, or Treasury Shares to be sold, after the expiry of such power and the Directors may allot equity securities or sell Treasury Shares in pursuance of any such offer or agreement as if such power conferred hereby had not expired. **(Resolution 14)**

15. THAT the Company is hereby generally and unconditionally authorised for the purposes of Section 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of Section 693(4) of the Act) of any of its ordinary shares of 5p each in the capital of the Company on such terms and in such manner as the Directors may from time to time determine, provided that:
- (a) the maximum number of ordinary shares which may be purchased is 11,323,956 representing approximately 10% of the issued ordinary share capital at 6 December 2012;
  - (b) the minimum price which may be paid for each ordinary share is 5p which amount shall be exclusive of expenses, if any;
  - (c) the maximum price (exclusive of expenses) which may be paid for each ordinary share is the highest of:
    - (i) an amount equal to 105% of the average of the middle market quotations for the ordinary shares of the Company as derived from the Daily Official List of the London Stock Exchange plc for the five business days immediately preceding the day on which such share is contracted to be purchased; and
    - (ii) the higher of the price of the last independent trade and the highest current independent bid on the trading venues where the purchase is carried out;
  - (d) unless previously renewed, revoked or varied, this authority shall expire at the conclusion of the Annual General Meeting in 2014 or on 16 April 2014, whichever is the earlier; and
  - (e) under this authority the Company may make a contract to purchase ordinary shares which would or might be executed wholly or partly after the expiry of this authority, and may make purchases of ordinary shares pursuant to it as if this authority had not expired. **(Resolution 15)**
16. THAT the period of notice required for general meetings of the Company (other than annual general meetings) shall be not less than 14 clear days notice. **(Resolution 16)**

By Order of the Board  
**AJ Gallagher**  
Secretary

Diploma PLC  
12 Charterhouse Square  
London EC1M 6AX

7 December 2012

## NOTES:

1. Only holders of ordinary shares are entitled to attend and vote at this meeting. A member is entitled to appoint another person as his proxy to exercise all or any of his rights to attend, to speak and to vote at the meeting. A member may appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him. A proxy need not be a member of the Company. To be valid any form of proxy must be received by post or by hand (during normal business hours only) by the Company's Registrars, Computershare Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY, or at the electronic address provided in the form of proxy/website, in each case no later than 48 hours before the time of the meeting. If you are a CREST member, see note 3 below.
2. You may not use any electronic address (within the meaning of Section 333(4) of the Companies Act 2006) provided in this Notice (or in any related documents including the Chairman's letter and proxy form) to communicate with the Company for any purposes other than those expressly stated.
3. Alternatively, if you are a member of CREST, you may register the appointment of a proxy by using the CREST electronic proxy appointment service.

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting and any adjournment(s) thereof by using the procedures, and to the address, described in the CREST Manual (available via [www.euroclear.com/CREST](http://www.euroclear.com/CREST)) subject to the provisions of the Company's Articles of Association. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK and Ireland specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID 3RA50) by 12 noon on 14 January 2013. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK and Ireland does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

4. The appointment of a proxy does not prevent a member who so wishes from attending the meeting and voting in person.
5. Copies of Executive Directors' service agreements and copies of the terms and conditions of appointment of non-Executive Directors of the Company, together with a copy of the Articles of Association, are available for inspection at the Company's registered office at 12 Charterhouse Square, London, EC1M 6AX during normal business hours from the date of this Notice until the close of the Annual General Meeting (Saturdays, Sundays and public holidays excepted) and will be available for inspection at the place of the Annual General Meeting from 11.45 a.m. until the conclusion of the meeting.
6. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, entitlement to attend and vote at the meeting and the number of votes which may be cast thereat will be determined by reference to the Register of Members of the Company at close of business on the day which is two days before the day of the meeting or, if the meeting is adjourned, to the Register of Members of the Company at close of business on the day which is two days before the day of any adjourned meeting. Changes to entries on the Register of Members after that time shall be disregarded in determining the rights of any person to attend and vote at the meeting.

7. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
8. Any member attending the Annual General Meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
9. A copy of this Notice, and other information required by Section 311A of the Companies Act 2006, can be found at [www.diplomaplc.com](http://www.diplomaplc.com).
10. Under Section 527 of the Companies Act 2006 (the "Act"), members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (ii) any circumstance connected with an auditor of the Company appointed for the financial year beginning on 1 October 2011 ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with Section 437 of the Act, (in each case) that the members propose to raise at the Annual General Meeting. The Company may not require the members requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under Section 527 of the Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required under Section 527 of the Act to publish on a website.
11. Any person to whom this Notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may have a right under an agreement between him/her and the member by whom he/she was nominated, to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such right or does not wish to exercise it, he/she may have a right under such an agreement, to give instructions to the member as to the exercise of voting rights. The statement of the rights of the members in relation to the appointment of proxies does not apply to Nominated Persons. Those rights can only be exercised by members of the Company.
12. As at 6 December 2012 the Company's issued share capital consists of 113,239,555 ordinary Shares, carrying one vote each. Therefore, the total voting rights in the Company as at 6 December 2012 are 113,239,555, of which 962,337 are held by the Diploma Employee Benefit Trust.
13. Under Section 338 and Section 338A of the Companies Act 2006, members meeting the threshold requirements in those sections have the right to require the Company (i) to give, to members of the Company entitled to receive notice of the Annual General Meeting, notice of a resolution which may properly be moved and is intended to be moved at the meeting and/or (ii) to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may be properly included in the business. A resolution may properly be moved or a matter may properly be included in the business unless (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise), (b) it is defamatory of any person, or (c) it is frivolous or vexatious. Such a request may be in hard copy form or in electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be authorised by the person or persons making it, must be received by the Company not later than six clear weeks before the meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.