

15 February 2010

The Companies Officer
Australian Securities Exchange
2 The Esplanade
PERTH WA 6000

DIPLOMA GROUP ANNOUNCES STRONG HALF YEAR PROFIT RESULT

HIGHLIGHTS

- **EBIT of \$8.0 million, up 287%**
- **Net profit after tax of \$5.3 million, up from \$0.9 million**
- **Revenue of \$127.0 million, up 95%**
- **Generated net operating cash inflows of \$38.4 million**
- **Retired project specific debt of \$45.1 million**
- **Added \$110 million of new contracts to order book**
- **Total forward order book \$610 million**
- **Negotiating/tendering on a further \$300 million of work**

Diploma Group Limited (ASX: DGX) today reported an after tax profit of \$5.3 million for the half year ended 31 December 2009, up 462% from the corresponding period last year.

Revenues for the period rose 95% to \$126.9 million primarily as a result of the settlement of one of the Groups developments known as Sky Apartments.

Financial highlights for the 6 month period ending 31 December 2009 include:

| Item | HY 09 | Change |
|------------------------------|--------------|-----------------|
| EBIT | \$8.0m | +287% |
| Revenue | \$127.0m | +95% |
| Net profit after tax | \$5.3m | +462% |
| Earnings per share | 4.41cps | Up from 0.78cps |
| Operating cash inflow | \$38.4m | +270% |

For the 6 months to 31 December 2009, the Company was awarded approximately \$170 million in new construction and development work. Diploma completed Joondalup Apartments Gateway South and completed and settled Sky Apartments.

Diploma CEO Nick Di Latte commenting on the half year result said, "Shareholders should be pleased with the Group's result. A 462% increase in net profit after tax along with a combined forward order book in excess of \$610 million positions the Company extremely well for continued and sustained growth over the next 3 to 4 years."

ASX Announcement

15 February 2010

"In addition to the excellent result, the Company was able to generate net cash inflows from operations of \$38.366 million, repay project specific debt of \$45.133 million, secure additional project specific development finance in excess of \$50 million and increase our corporate bond facility lines by \$20 million."

OUTLOOK

Diploma has opened an office in NSW and along with its office in the UAE it continues to look for opportunities in both these new markets.

Confidence is returning to the property sector and on the back of this the Construction division is currently negotiating/tendering on a further \$300m in new work in Western Australia alone. In addition to this the properties division has an current order book, which will generate consistent revenue streams in each financial year from now until 2012/13.

Current business activity and Diploma's forward order book remain robust and with an increasingly positive outlook for the property sector, the Company is well positioned to capitalise on project opportunities.

FURTHER INFORMATION:

Mr Nick Di Latte
Managing Director
Tel: +61 8 9475 3500

Mr Simon Oaten
Chief Financial Officer & Company Secretary
Tel: +61 8 9475 3500

ABOUT DIPLOMA GROUP

Diploma is a leading ASX listed property development and construction company with a diverse portfolio of award-winning commercial, retail and residential developments. Since 1976 the company has grown from a private boutique residential construction business into a large listed company.

Diploma's head office is in Perth, WA with a second office in Sydney, NSW. Across Australia Diploma operates through two wholly-owned subsidiaries, Diploma Construction and Diploma Properties.

Diploma Group Limited ACN 127 462 686 **Construction** ACN 113 950 100 **Properties** ACN 127 493 252

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DIPLOMA GROUP LIMITED

ABN 14 127 462 686

HALF-YEAR FINANCIAL REPORT

31 DECEMBER 2009

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The half-year report covers the consolidated entity comprising Diploma Group Limited (ABN 14 127 462 686) and its subsidiaries (the Group). The Group's functional and presentation currency is AUD (\$). A description of the Group's operations and principal activities is included in the review of operations in the director's report.

DIRECTORS

| | |
|------------------|-------------------------------|
| Dominic Di Latte | <i>Chairman</i> |
| Nick Di Latte | <i>Managing Director</i> |
| John Norup | <i>Executive Director</i> |
| Ian Olson | <i>Non Executive Director</i> |
| Carl Lancaster | <i>Non Executive Director</i> |

COMPANY SECRETARY

Simon Oaten

PRINCIPAL REGISTERED

First Floor
140 Abernethy Road
Belmont WA 6104
Telephone: (08) 9475 3500
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Email: info@diploma.com.au
Website: www.diploma.com.au

SHARE REGISTRY

Computershare Registry Services Pty Ltd
Level 2, Reserve Bank Building
45 St Georges Terrace
Perth WA 6000
Telephone: (08) 9323 3000
Facsimile: (08) 9323 2033

AUDITORS

Ernst & Young
The Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000

BANKERS

BankWest
199 Balcatta Road
Balcatta WA 6021

In respect of the half-year ended 31 December 2009, the Directors of Diploma Group Limited (referred to in these financial statements as "the Company" or "Diploma") submit the following report in respect of the consolidated entity.

DIRECTORS

The names of the Company's directors in office during the whole of the half-year until the date of this report are set out below. Directors were in office for this entire period.

Dominic Di Latte (Chairman)
Nick Di Latte (Managing Director)
John Norup (Executive Director)
Ian Olson (Non-executive Director)
Carl Lancaster (Non-executive Director)

NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

Diploma is a commercial construction and property development business, which offers a complete vertically integrated model by managing the entire design process of a project, from initial concept through to final delivery of the end product. The Company has two divisions, which are responsible for carrying out the Company's activities. Within each division Diploma offers a comprehensive range of services that includes:

Construction

- Design capabilities;
- Quality construction;
- Construction management;
- Site supervision and administration;
- Joint venture partnerships;
- Total service capability from concept drawings through to interior design; and
- Engineering.

Property Development

- Feasibility studies;
- Site acquisition;
- Building design;
- Project management;
- Joint venture partnerships;
- Sales and marketing coordination; and
- Facility management.

REVIEW AND RESULTS OF OPERATIONS

Diploma Group Limited (the Group) recorded a net profit after tax of \$5.290 million for the period ended 31 December 2009 equating to \$0.04 cents per share. This is a 462% increase on the same period from 31 December 2008 and a 160% increase on the 30 June 2009 result of \$2.033 million. Revenue was also up 95% compared to the same time last year to \$127.030 million.

The construction order book consists of 10 projects with a total contract value estimated at approximately \$320 million across a variety of sectors including residential, commercial and industrial and the Group continues to investigate further opportunities in the UAE emirate of Sharjah and the east coast of Australia. The division contributed \$3.411 million in profit before tax on revenue of \$94.993 million.

The property division contributed \$4.566 million in profit before tax on revenue of \$51.941 million for the 6 months to 31 December 2009. This profit was generated from the completion during the period of the Sky Apartments development and continued sales from the Gateway North Joondalup development completed prior to 30 June 2009.

With respect to the Sky Development, 105 of the 118 units settled prior to 31 December 2009, 11 units are due to settle post 31 December 2009 and 2 remain unsold while Gateway Joondalup North has settled 35 of the 40 apartments prior to 31 December 2009, 4 are due to settle post 31 December 2009 and 1 remains unsold.

In addition to the above, Gateway South Joondalup with 62 units was completed just prior to 31 December 2009 and along with the Rise Development which has 73 units and is due for completion in February 2010, both will contribute additional revenue and profits for the Group in the second half of this financial year.

For the six months to 31 December 2009 the Group has generated net cash inflows from operations of \$38.366 million, repaid project specific debt of \$45.133 million, secured additional project specific development finance in excess of \$50 million and increased its corporate bond facility lines by \$20 million.

DIVIDENDS

A fully franked dividend totalling \$1.200 million or \$0.01cent per share was paid on 1 December 2009 (2008: \$2.400 million or \$0.02 cents per share, paid on 1 December 2008).

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is attached at page 19 and forms part of the Directors' Report.

EVENTS SUBSEQUENT TO BALANCE DATE

On 1 January 2010, the Company secured a new 30 month project specific finance facility for the Eleven78 Hay St development. The facility will be used to refinance an existing short term debt related to the development along with financing the remainder of the project to completion.

On 22 January 2010, the Company refinanced an existing loan facility totalling \$3.317 million for a further 12 months. The purpose of this facility is to support the interim land bank of the second stages of the Groups development at Joondalup called Edge and Cove.

Other than the matters disclosed above, there are no matters or circumstances that have significantly or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity.

ROUNDING OF AMOUNTS

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (unless otherwise stated) under the option available under ASIC Class Order 98/0100 issued by the Australian Securities and Investments Commission. The Company is an entity to which the Class Order applies.

This report is made in accordance with a resolution of the Directors.



Nick Di Latte
Director

Perth, Western Australia
12 February 2010

In accordance with a resolution of the Directors of Diploma Group Limited, we state that:

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position as at 31 December 2009 and performance for the half-year ended on that date of the consolidated entity; and
 - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board,



Nick Di Latte
Director

Perth, Western Australia
12 February 2010

| | Note | 6 months 31 Dec 2009 \$'000 | 6 months 31 Dec 2008 \$'000 |
|--|------|--------------------------------------|--------------------------------------|
| Continuing operations | | | |
| Revenue | 3 | 126,885 | 65,174 |
| Other revenue | | 145 | 104 |
| Cost of sales | | (114,471) | (58,581) |
| Gross profit | | 12,559 | 6,697 |
| Other income | | 407 | 13 |
| Administration expenses | | (2,776) | (2,656) |
| Marketing and advertising expenses | | (308) | (210) |
| Occupancy expenses | | (371) | (356) |
| Finance costs | | (162) | (85) |
| Other expenses | 4 | (1,339) | (1,342) |
| Share of loss from equity accounted investment | | (26) | - |
| Profit before income tax | | 7,984 | 2,061 |
| Income tax expense | | (2,694) | (1,120) |
| Net profit attributable to members of Diploma Group Limited | | 5,290 | 941 |
| Other comprehensive expense | | | |
| Foreign currency translation | | (257) | 764 |
| Income tax on items of other comprehensive income | | - | - |
| Other comprehensive expense for the period, net of tax | | (257) | 764 |
| Total comprehensive income for the period | | 5,033 | 1,705 |
| Earnings per share (cents per share) | | | |
| Basic earnings per share | | 4.41 | 0.78 |
| Diluted earnings per share | | 4.41 | 0.78 |

| | Note | 31 Dec 2009 \$'000 | 30 Jun 2009 \$'000 |
|--------------------------------|------|--------------------------|--------------------------|
| Current Assets | | | |
| Cash and cash equivalents | 6 | 4,537 | 5,864 |
| Trade and other receivables | | 37,992 | 45,399 |
| Inventories | 7 | 70,601 | 99,471 |
| Equity accounted investments | 8 | 403 | - |
| Other assets | | 234 | 178 |
| Total Current Assets | | 113,767 | 150,912 |
| Non-Current Assets | | | |
| Trade and other receivables | | 7,268 | 2,060 |
| Inventories | 7 | 20,892 | 19,769 |
| Property, plant and equipment | | 1,838 | 1,946 |
| Equity accounted investments | 8 | 466 | 855 |
| Deferred tax assets | | 968 | 889 |
| Intangible asset | | 1,764 | 1,956 |
| Total Non-Current Assets | | 33,196 | 27,475 |
| Total Assets | | 146,963 | 178,387 |
| Current Liabilities | | | |
| Trade and other payables | | 52,045 | 56,062 |
| Interest bearing liabilities | | 69,205 | 108,289 |
| Current tax payable | | 3,159 | 1,070 |
| Provisions | | 2,529 | 2,474 |
| Total Current Liabilities | | 126,938 | 167,895 |
| Non-Current Liabilities | | | |
| Trade and other payables | | 6,776 | 1,017 |
| Interest bearing liabilities | | 146 | 289 |
| Provisions | | 88 | 67 |
| Total Non-Current Liabilities | | 7,010 | 1,373 |
| Total Liabilities | | 133,948 | 169,268 |
| NET ASSETS | | 13,015 | 9,119 |
| Equity | | | |
| Issued capital | | 1,085 | 1,085 |
| Retained earnings | | 11,275 | 7,185 |
| Reserves | | 655 | 849 |
| TOTAL EQUITY | | 13,015 | 9,119 |

| | Issued Capital \$'000 | Retained Profits \$'000 | Foreign Currency Translation \$'000 | Share Option Reserve \$'000 | Total \$'000 |
|---|-----------------------------|-------------------------------|--|--------------------------------------|-----------------|
| Balance at 1 July 2009 | 1,085 | 7,185 | 352 | 497 | 9,119 |
| Profit for the half-year | - | 5,290 | - | - | 5,290 |
| Other comprehensive income | - | - | (257) | - | (257) |
| Total comprehensive income | - | 5,290 | (257) | - | 5,033 |
| Transactions with equity holders in their capacity as equity holders: | | | | | |
| Share-based payment | - | - | - | 63 | 63 |
| Equity dividends | - | (1,200) | - | - | (1,200) |
| Balance at 31 December 2009 | 1,085 | 11,275 | 95 | 560 | 13,015 |

| | Issued Capital \$'000 | Retained Profits \$'000 | Foreign Currency Translation \$'000 | Share Option Reserve \$'000 | Total \$'000 |
|---|-----------------------------|-------------------------------|--|--------------------------------------|-----------------|
| Balance at 1 July 2008 | 1,085 | 7,552 | (112) | 76 | 8,601 |
| Profit for the half-year | - | 941 | - | - | 941 |
| Other comprehensive income | - | - | 764 | - | 764 |
| Total comprehensive income | - | 941 | 764 | - | 1,705 |
| Transactions with equity holders in their capacity as equity holders: | | | | | |
| Share-based payment | - | - | - | 371 | 371 |
| Equity dividends | - | (2,400) | - | - | (2,400) |
| Balance at 31 December 2008 | 1,085 | 6,093 | 652 | 447 | 8,277 |

| | 31 Dec 2009 \$'000 | 31 Dec 2008 \$'000 |
|---|--------------------------|--------------------------|
| Cash flows from Operating Activities | | |
| Receipts from customers | 129,545 | 57,727 |
| Payments to suppliers and employees | (90,421) | (78,639) |
| Interest received | 87 | 104 |
| Interest paid | (162) | (85) |
| Income tax paid | (683) | (1,731) |
| Net cash flows from /(used in) operating activities | <u>38,366</u> | <u>(22,624)</u> |
| Cash Flows from Investing Activities | | |
| Purchase of property, plant and equipment | (16) | (851) |
| Contribution to equity accounted investments | (301) | (744) |
| Purchase of intangible asset | - | (1,042) |
| Net cash flows used in investing activities | <u>(317)</u> | <u>(2,637)</u> |
| Cash Flows from Financing Activities | | |
| Repayment of borrowings | (45,133) | - |
| Proceeds from borrowings | 5,906 | 25,766 |
| Dividends paid | (149) | (311) |
| Net cash flows from financing activities | <u>(39,376)</u> | <u>25,455</u> |
| Net (decrease)/increase in cash and cash equivalents | (1,327) | 194 |
| Cash and cash equivalents at beginning of period | <u>5,864</u> | <u>9,463</u> |
| Cash and cash equivalents at the end of period | <u>4,537</u> | <u>9,657</u> |

1 BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

This half-year financial report is a general purpose condensed financial report, which has been prepared for the half-year ended 31 December 2009 in accordance with the requirements of the Corporations Act 2001 and AASB 134 "Interim Financial Reporting".

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that this report be read in conjunction with the 30 June 2009 annual financial report, and all public announcements made by Diploma Group Limited and its controlled entities during the half-year ended 31 December 2009 in accordance with the continuous disclosure obligations of the Corporations Act 2001.

The half-year financial report has been prepared on a historical cost basis.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the company under ASIC Class Order 98/0100. The company is an entity to which the class order applies.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period. The accounting policies adopted are consistent with those of the previous financial year and corresponding half-year financial report.

From the 1 July 2009, the Group has adopted all the Australian Accounting Standards and Interpretation, mandatory for the annual periods beginning on or after 1 July 2009. Adoption of these standards and Interpretations did not have an effect on the financial position or performance of the Group, except for the following:

- **AASB 8 Operating Segments**
The Standard replaces AASB 14 Segment Reporting and requires a management approach to be used for segment reporting and also replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. This approach identifies operating segments by reference to internal reports that are evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Group concluded that the operating segments determined in accordance with AASB 8 are the same as the business segments reported under AASB 114.
- **AASB 101 Presentation of Financial Statements (revised)**
The revised Standard separates owner and non-owner changes in equity and requires a statement of comprehensive income to be prepared which discloses all changes in equity during a period resulting from non-owner transactions. The Group has elected to present comprehensive income using the single statement approach.

1 BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (continued)

- Interpretation 15 Agreements for the Construction of Real Estate
The interpretation addresses whether an agreement for the construction of real estate is within the scope of IAS 11 "Construction Contracts" or IAS 18 "Revenue". IAS 11 will only be applicable when the definition of a construction contract (a contract specifically negotiated for the construction of an asset) is met. In such cases, revenue is recognised by reference to the stage of completion. This interpretation also requires that when the real estate developer is providing construction services to the buyer's specifications, revenue is recognised as construction progresses on a percentage to completion basis. In all other cases, revenue should be recognised when risk and reward of ownership passes. This consensus view raised in the interpretation is consistent with the current accounting policies of the Group.

The Group has not elected to early adopt any new standards or amendments.

At 31 December 2009 the Group had a net working capital deficiency of \$13.171 million as a result of certain project specific debt being due and payable within the next 12 months and therefore classified as current. The Company was in negotiations with a number of debt providers interested in refinancing this project specific debt during the six month period to 31 December 2009. These negotiations were concluded post balance date and these debt facilities have subsequently been reclassified as non-current.

2 SEGMENT INFORMATION

The Group has identified its operating segments based on the internal management reporting that is used by the executive management team (the chief operating decision maker) in assessing performance and allocating resources. Diploma's operating segments have been identified based on how the financial and operating results of the Group are monitored and presented internally to the executive management team.

The following reportable segments are identified by management based on the nature of the business and the similarity of the services provided, as these are the sources of the Group's major risks and has the most effect on the rates of return.

- Construction
Diploma Construction operates in the commercial, residential and engineering sectors, including accommodation, infrastructure, processing and asset management
- Development
Property Development provides comprehensive, integrated property services for large scale residential development, commercial and facilities management, marketing and sales.

The accounting policies used by the Group in reporting segments internally are the same as those contained in note 1 to the accounts, except as detailed below:

2 SEGMENT INFORMATION (continued)

- Inter-segment sales
Inter-segment sales are recognised based on an internally set margin. The margin is set with reference to market conditions on commencement of the project and aims to reflect what the business operation could achieve if their services were sold to external parties at arm's length.
- Unallocated revenue and assets
Corporate items are not allocated to operating segments as they are not considered part of the core operations of any segments.

The tables below present revenue and profit information for business segments for the half years ended 31 December 2009 and 31 December 2008.

| 2 SEGMENT INFORMATION (continued) | Construction \$'000 | Development \$'000 | Total Operations \$'000 |
|--|--------------------------------|-------------------------------|--|
| 31 December 2009 | | | |
| Revenue | | | |
| Revenue from external customers | 75,002 | 51,941 | 126,943 |
| Inter-segment revenues | 19,991 | - | 19,991 |
| Total segment revenue | <u>94,993</u> | <u>51,941</u> | 146,934 |
| Inter-segment elimination | | | (19,991) |
| Unallocated revenue | | | <u>87</u> |
| Total consolidated revenue | | | <u>127,030</u> |
| Result | | | |
| Segment result | <u>3,411</u> | <u>4,566</u> | 7,977 |
| Inter-segment elimination | | | 716 |
| Unallocated (expenses)/income | | | <u>(709)</u> |
| Net profit before income tax | | | <u>7,984</u> |
| Assets | | | |
| Segment assets | 46,950 | 93,432 | 140,382 |
| Inter-segment elimination | | | 5,976 |
| Unallocated assets | | | <u>605</u> |
| Total assets | | | <u>146,963</u> |

| 2 SEGMENT INFORMATION (continued) | Construction \$'000 | Development \$'000 | Total Operations \$'000 |
|---|------------------------|-----------------------|-------------------------------|
| 31 December 2008 | | | |
| Revenue | | | |
| Revenue from external customers | 65,174 | - | 65,174 |
| Inter-segment revenues | 24,178 | - | 24,178 |
| Total segment revenue | <u>89,352</u> | - | 89,352 |
| Inter-segment elimination | | | (24,178) |
| Unallocated revenue | | | <u>104</u> |
| Total consolidated revenue | | | <u>65,278</u> |
| Result | | | |
| Segment result | <u>6,381</u> | <u>(87)</u> | 6,294 |
| Inter-segment elimination | | | (1,486) |
| Corporate salaries & wages | | | (1,144) |
| Unallocated (expenses)/income | | | <u>(1,603)</u> |
| Net profit before income tax | | | <u>2,061</u> |
| Assets | | | |
| Segment assets | 59,731 | 87,820 | 147,551 |
| Inter-segment elimination | | | (2,374) |
| Unallocated assets | | | <u>61</u> |
| Total assets | | | <u>145,238</u> |
| 31 Dec | | | |
| 2009 | | | |
| \$'000 | | | |
| 31 Dec | | | |
| 2008 | | | |
| \$'000 | | | |
| 3 REVENUE | | | |
| Construction contract revenue | | 75,002 | 65,174 |
| Revenue from sale of development properties | | 51,883 | - |
| | | <u>126,885</u> | <u>65,174</u> |

| | 31 Dec 2009 \$'000 | 31 Dec 2008 \$'000 |
|--|--------------------------|--------------------------|
| 4 OTHER EXPENSES | | |
| Depreciation expense | 123 | 112 |
| Bad debts expense | 728 | - |
| Insurance | 225 | 268 |
| Option expense | 5 | 832 |
| Other expenses | 258 | 130 |
| | <u>1,339</u> | <u>1,342</u> |
| 5 DIVIDENDS PAID | | |
| A fully franked dividend for the financial year ended 30 June 2009, that was paid on 1 December 2009 totalled \$1.2 million (30 June 2008: \$2.400 million paid on 1 December 2008). | | |
| 6 CASH AND CASH EQUIVALENTS | | |
| Cash at bank and in hand | 3,755 | 4,900 |
| Deposits held (i) | 782 | 964 |
| | <u>4,537</u> | <u>5,864</u> |
| (i) Presale deposits held in trust on development projects. These will be released on completion of the development. | | |
| 7 INVENTORIES | | |
| Development projects complete – at cost | 2,620 | 5,161 |
| Development projects under construction – at cost | 77,757 | 106,268 |
| Construction work in progress – amounts due from customers | 11,116 | 7,811 |
| | <u>91,493</u> | <u>119,240</u> |
| Aggregate carrying amount of inventories | | |
| Current | 70,601 | 99,471 |
| Non-current | 20,892 | 19,769 |

| | 31 Dec 2009 | 30 Jun 2009 |
|---------------------------------------|----------------|----------------|
| 8 EQUITY ACCOUNTED INVESTMENTS | | |
| Current | | |
| Criterion Towers Joint Venture | 403 | - |
| | <u>403</u> | <u>-</u> |
| Non-current | | |
| Helmshore Unit Trust | 466 | 462 |
| Criterion Towers Joint Venture | - | 393 |
| | <u>466</u> | <u>855</u> |

Movements in the carrying amount of the Group's Investment in Equity Accounted Investees

| | | |
|---------------------------------------|------------|------------|
| <i>Criterion Towers Joint Venture</i> | | |
| At 1 July | 393 | 256 |
| Investment in Project | 36 | 141 |
| Share of loss before income tax | (26) | (4) |
| | <u>403</u> | <u>393</u> |
| <i>Helmshore Unit Trust</i> | | |
| At 1 July | 462 | 332 |
| Investment in Project | 4 | 130 |
| | <u>466</u> | <u>462</u> |

10 ISSUES, REPURCHASES AND REPAYMENTS OF SECURITIES

Options

During the period there were no share options exercised or issued (2008: Nil). 1,440,000 options were forfeited (2008: 1,330,000 forfeited). The balance of outstanding share options on issue at 31 December 2009 is 10,900,000 (2008: 13,420,000).

11 CONTINGENT LIABILITIES AND ASSETS

There has been no significant change to the nature or exposure of the contingent liabilities since that reported in the 30 June 2009 annual report.

12 SUBSEQUENT EVENTS

On 1 January 2010, the Company secured a 30 month project specific finance facility for the Eleven78 Hay St development. The facility will be used to refinance an existing short term debt related to the development along with financing the remainder of the project to completion.

On 22 January 2010, the Company refinanced an existing loan facility totalling \$3.317 million for a further 12 months. The purpose of this facility is to support the interim land bank of the second stages of the Groups development at Joondalup called Edge and Cove.

Other than the matters disclosed above, there are no matters or circumstances that have significantly or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity.

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Diploma Group Limited, which comprises the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001*. As the auditor of Diploma Group Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration a copy of which is included in the Directors' Report.

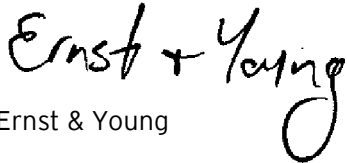
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Diploma Group Limited is not in accordance with:

a. the Corporations Act 2001, including:

giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and

complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Ernst & Young



P McIver

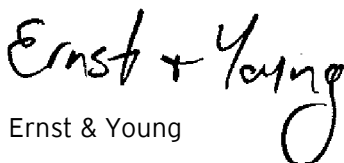
Partner

Perth

12 February 2010

Auditor's Independence Declaration to the Directors of Diploma Group Limited

In relation to our review of the financial report of Diploma Group Limited for the half-year ended 31 December 2009, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A handwritten signature in black ink that reads 'Ernst & Young' in a cursive style.

Ernst & Young

A handwritten signature in black ink that reads 'P McIver' in a cursive style.

P McIver
Partner
Perth
12 February 2010