DIPLOMA GROUP LIMITED

ABN 14 127 462 686

HALF-YEAR FINANCIAL REPORT

31 DECEMBER 2008

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	*Chairman*
Nick Di Latte	*Managing Director*
John Norup	*Executive Director*
Ian Olson	*Non Executive Director*
Carl Lancaster	*Non Executive Director*

COMPANY SECRETARY
Simon Oaten

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AUDITORS
Ernst & Young
The Ernst & Young Building
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BANKERS
BankWest
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Balcatta WA 6021

In respect of the half-year ended 31 December 2008, 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 $941K for the period ended 31 December 2008. The result for the current period and comparison to the prior period is a function of the solid performance by the construction division and a reflection that the prior period result includes a significant profit from the settlement of the Diploma Construction (WA) Pty Ltd and Probuild Constructions (Aust) Pty Ltd Joint Venture.

Revenue for the construction division, before intercompany eliminations was up 80% to $89,352K and profit before interest and tax was down 21% to $6,381K. After adjusting for the prior year JV settlement discussed above, profit before tax and intercompany eliminations, the construction division profit grew 280% from last year demonstrating the strong underlying performance of the construction division.

The construction portfolio consists of 18 projects with a total contract value estimated at approximately $315,000K across a variety of sectors including residential, commercial and industrial and the construction division is investigating further opportunities in the UAE and east coast of Australia.

The property division contributed $nil EBIT to the Group as no developments were completed during the period to 31 December 2008. The recognition of both profit and revenue is at settlement of the development.

The Sky and Rise developments are on track for completion this calendar year, while the first stage of the Joondalup development has been fast tracked and is expected to be completed by 30 June 2009.

The net cash out flow from operations of $22,624K includes $25,926K in cash outflows from property development expenditure. This property development expenditure has been funded primarily by debt and the cash inflow from this debt finance is classified as a financing activity. After adjusting for the property development expenditure, the net cash inflow from operations was $3,302K.

While the property markets are expected to continue to feel the effects of the global financial crisis for some time due to the lack of credit and an easing of demand from the economic slowdown, the Company is well placed to capitalise on a recovery of the property market due to lower interest rates and the ongoing imbalance in the supply and demand for housing. The Company will also look to capitalise on future infrastructure spending programs announced by the Federal and State Governments.

There have been no significant changes to the Group's capital or debt profile during the period. As outlined elsewhere in this report there have been no significant changes in the state of affairs of the consolidated entity during the period, and all changes to the consolidated balance sheet since 30 June 2008 reflect the normal manner of the group's operations during the period.

DIVIDENDS

A fully franked dividend totalling $2,400K was paid on 1 December 2008 (2007: $1,925K paid on 22 October 2007).

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 27 February 2009, Messrs D. Di Latte and N. Di Latte have agreed to provide a bank with security of $10,000K over their personal assets for the Sky Development project. As a result the bank has agreed to extend the facility until completion of the project on terms and conditions that it customarily includes in financing of this nature.

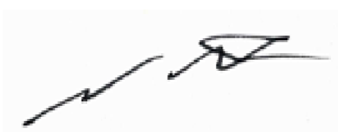
On 9 March 2009, the Company received a waiver of a breach of a financial covenant from another bank funding the Rise development. Refer to going concern under Note 1 for further detail.

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 affair 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
11 March 2009

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

In the opinion of the directors:

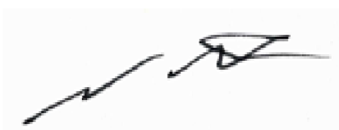
(a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the financial position as at 31 December 2008 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
11 March 2009

	Note	6 months 31 Dec 2008 $'000	6 months 31 Dec 2007 $'000
Continuing operations			
Construction revenue		**65,174**	38,528
Other revenue		**104**	671
Cost of sales		**(58,581)**	(37,102)
Gross Profit		**6,697**	2,097
Other income		**13**	61
Administration expenses		**(2,656)**	(2,024)
Marketing and advertising expenses		**(210)**	(48)
Occupancy expenses		**(356)**	(119)
Finance costs		**(85)**	(37)
Other expenses	3(a)	**(1,342)**	(924)
Gain on sale of equity accounted investment		**-**	7,600
Share of profit from equity accounted investment		**-**	295
Profit before income tax		**2,061**	6,901
Income tax expense		**(1,120)**	(2,091)
Net profit attributable to members of Diploma Group Limited		**941**	4,810
Earnings per share (cents per share)			
Basic earnings per share		**0.78**	4.07
Diluted earnings per share		**0.78**	4.07

	Note	31 Dec 2008 $'000	30 Jun 2008 $'000
Current Assets			
Cash and cash equivalents	5	**9,657**	9,463
Trade and other receivables		**32,155**	23,941
Inventories	6	**76,577**	27,239
Other assets		**316**	195
Total Current Assets		**118,705**	60,838
Non-Current Assets			
Trade and other receivables		**2,029**	2,784
Inventories	6	**19,253**	23,461
Property, plant and equipment		**2,094**	1,355
Equity accounted investments	7	**1,331**	588
Deferred tax assets		**783**	799
Intangible asset	8	**1,042**	-
Total Non-Current Assets		**26,532**	28,987
Total Assets		**145,237**	89,825
Current Liabilities			
Trade and other payables		**50,549**	31,675
Interest bearing liabilities		**56,222**	20,722
Current tax payable		**2,093**	2,721
Provisions		**2,435**	2,055
Total Current Liabilities		**111,299**	57,173
Non-Current Liabilities			
Trade and other payables		**2,563**	1,121
Interest bearing liabilities		**23,034**	22,870
Provisions		**64**	60
Total Non-Current Liabilities		**25,661**	24,051
Total Liabilities		**136,960**	81,224
NET ASSETS		**8,277**	8,601
Equity			
Issued capital		**1,085**	1,085
Retained earnings		**6,093**	7,552
Reserves		**1,099**	(36)
TOTAL EQUITY		**8,277**	8,601

	Issued Capital $'000	Retained Profits $'000	Reserves $'000	Total $'000
Balance at 1 July 2008	**1,085**	**7,552**	**(36)**	**8,601**
Exchange differences on translation of Foreign operations	-	-	764	764
Net expense recognised directly in equity	-	-	764	764
Profit for the year	-	941	-	941
Total recognised income and expense for the year	-	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**	**1,099**	**8,277**

	Issued Capital $'000	Retained Profits $'000	Reserves $'000	Total $'000
Balance at 1 July 2007	**100**	**1,926**	**-**	**2,026**
Profit for the year	-	4,810	-	4,810
Total recognised income and expense for the year	-	4,810	-	4,810
Transactions with equity holders in their capacity as equity holders:				
Share issue costs	(15)	-	-	(15)
Share-based payment	-	-	75	75
Issue of share capital	1,000	-	-	1,000
Equity dividends	-	(1,925)	-	(1,925)
Balance at 31 December 2007	**1,085**	**4,811**	**75**	**5,971**

	Note	31 Dec 2008 $'000	31 Dec 2007 $'000
Cash flows from operating activities			
Receipts from customers		**57,727**	39,018
Payments to suppliers and employees		**(78,639)**	(57,709)
Interest received		**104**	197
Interest paid		**(85)**	(13)
Income tax paid		**(1,731)**	(375)
Net cash flows (used in)/from operating activities		**(22,624)**	(18,882)
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		**(851)**	(138)
Contribution to equity accounted investments		**(744)**	-
Purchase of intangible asset		**(1,042)**	-
Proceeds from equity accounted investment		**-**	8,225
Net cash flows from investing activities		**(2,637)**	8,087
Cash Flows from Financing Activities			
Proceeds from issue of shares		**-**	1,000
Issue and listing costs paid		**-**	(698)
Proceeds from borrowings		**25,766**	15,924
Dividends paid		**(311)**	(1,925)
Net cash flows from financing activities		**25,455**	14,301
Net increase in cash and cash equivalents		**194**	3,506
Cash and cash equivalents at beginning of period		**9,463**	3,752
Cash and cash equivalents at the end of period		**9,657**	7,258

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 2008 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 2008 annual financial report, and all public announcements made by Diploma Group Limited and its controlled entities during the half-year ended 31 December 2008 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 in 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 1 July 2008 the Group has adopted the following Standards and Interpretations, mandatory for annual periods beginning on or after 1 July 2008.

- AASB 2008-10 *Amendment to Australian Accounting Standards – Reclassification of Financial Assets (amendments to AASB 139 Financial Instruments: Recognition and Measurement and AASB 7 Financial Instruments Disclosures)*
- Interpretation 12 and AASB 2007-2 *Service Concession Arrangements* and consequential amendments to other Australian Accounting Standards
- Interpretation 129 *Service Concession Arrangements: Disclosures*
- Interpretation 4 (revised) *Determining whether an arrangement contains a lease*
- Interpretation 13 *Customer Loyalty Programmes.*
- Interpretation 14 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.*

Adoption of these standards and interpretations did not have any effect on the financial position or performance of the Group.

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

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

Going concern

For the half-year ended 31 December 2008, the Group had net operating cash outflows of $22,624K due to significant expenditure incurred on a number of property development projects that are due to complete and settle with revenue being recognised in the next twelve months. These property development projects are financed through debt facilities.

The debt facility for one of the development projects, the Sky project, is due to expire on 13 March 2009. The bank has agreed to extend the debt facility for the Sky project beyond 13 March 2009 subject to the Company supporting the facility with an extended security value of at least $10,000K for the project. Two Directors, Messrs D. Di Latte and N. Di Latte have agreed to provide security over their personal assets of at least $10,000K should the Company not be able to secure it from another source.

Furthermore, the Company breached a net equity financial covenant in relation to another development, the Rise project. The covenant is measured six monthly and requires the Company to maintain $15,000K net equity as at 31 December 2008. On 9 March 2009, the bank waived the breach of the net equity covenant as at 31 December 2008 and agreed not to act on the breach, however they reserved their rights under the terms of the original loan agreement. Furthermore, the bank has not demanded repayment of the loan. The bank has reduced the ongoing covenant to net equity of no less than $13,000k at 30 June 2009. Since the formal waiver was received on 9 March 2009, after the date these financial statements were approved, the Company has classified the total debt due to the bank as a current liability in the financial statements at 31 December 2008.

Notwithstanding the above, the Directors are of the opinion that at the date of signing the financial report, there are reasonable grounds to believe that the Group can continue as a going concern having regard to the following pertinent matters:

- The Company has signed unconditional sales agreements for a significant portion of these two development projects that are due to settle in the next twelve months, which will provide sufficient working capital for the Company.

- The bank waived the breach of the covenant for the Rise project and has not demanded repayment of the loan.

- The directors are confident that the Company will meet the net equity covenant of no less than $13,000k for the Rise project at 30 June 2009, based on future profits expected from completion of their developments.

2 SEGMENT INFORMATION

The primary reporting format for the group is business segments.

Business Segment
The following table presents revenue and profit information for business segments for the half years ended 31 December 2008 and 31 December 2007.

	Construction $'000	Development $'000	Total Operations $'000
31 December 2008			
Revenue			
Revenue from external customers	65,174	-	65,174
Other income	-	13	13
Inter-segment revenues	24,178	-	24,178
Total segment revenue	89,352	13	89,365
Inter-segment elimination			(24,178)
Unallocated revenue			104
Total consolidated revenue			65,291
Result			
Segment result	6,381	(87)	6,294
Inter-segment elimination			(1,486)
Unallocated (expenses)/income			(2,747)
Net profit before income tax			2,061
31 December 2007			
Revenue			
Revenue from external customers	39,002	-	39,002
Other income	61	-	61
Inter-segment revenues	10,637	-	10,637
Total segment revenue	49,700	-	49,700
Inter-segment elimination			(10,637)
Unallocated revenue			197
Total consolidated revenue			39,260
Result			
Segment result	8,115	(2)	8,113
Inter-segment elimination			(413)
Unallocated (expenses)/income			(799)
Net profit before income tax			6,901

	31 Dec	31 Dec

		2008 $'000	2007 $'000
3	**OTHER EXPENSES**		
(a)	**Other expenses**		
	Depreciation expense	**112**	84
	Listing expenses	**-**	686
	Insurance	**268**	60
	Foreign Exchange Loss	**832**	-
	Other expenses	**130**	94
		1,342	924

4 DIVIDENDS PAID

A fully franked dividend for the financial year ended 30 June 2008, that was paid on 1 December 2008 totalled $2,400K (30 June 2007: $1,925K paid on 22 October 2007).

		31 Dec 2008 $'000	30 Jun 2008 $'000
5	**CASH AND CASH EQUIVALENTS**		
	Cash at bank and in hand	**7,094**	8,343
	Deposits held (i)	**2,563**	1,120
		9,657	9,463

(i) Presale deposits held in trust on development projects. These will be released on completion of the development.

6 INVENTORIES

Development projects under construction – at cost	**79,054**	43,128
Construction work in progress – amounts due from customers	**16,776**	7,572
	95,830	50,700
Aggregate carrying amount of inventories		
Current	**76,577**	27,239
Non-current	**19,253**	23,461

		31 Dec 2008 $'000	31 Dec 2007 $'000
7	**EQUITY ACCOUNTED INVESTMENTS**		
	Helmshore Unit Trust	**463**	332
	Criterion Towers Joint Venture	**868**	256
		1,331	588

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

	2008	2007
Opening balance	588	-
Investment in Helmshore Unit Trust	131	332
Investment in Criterion Towers Joint Venture	612	256
Closing balance	1,331	588

There were no equity accounted investments held at 31 December 2007.

		2008 $'000	2007 $'000
8	**INTANGIBLE ASSET**		
	Opening balance	**-**	-
	Additions	**1,042**	-
	Impairment	**-**	-
	Amortisation	**-**	-
	Closing balance	**1,042**	-

The intangible asset relates to the procurement of an unlimited United Arab Emirates building licence and is carried at cost less accumulated impairment losses. It has been determined to have an indefinite useful life. The licence is granted by the Dubai Municipality & Department of Economic Development and is renewable each year without significant cost provided the entity meets certain requirements. Given the ability of the entity to meet these requirements without significant cost has enabled the Group to determine that this asset has an indefinite useful life. The licence is subject to impairment testing on an annual basis or whenever there is an indication of impairment.

9 ISSUES, REPURCHASES AND REPAYMENTS OF SECURITIES

Options

During the period there were no share options exercised (2007: Nil). There were 2,950,000 issued during the period and 1,330,000 options were forfeited (2007: 11,800,000 issued and Nil forfeited). The balance of outstanding share options on issue at 31 December 2008 is 13,420,000 (2007: 11,800,000).

10 CONTINGENT LIABILITIES AND ASSETS

The following contingent liabilities existed at 31 December 2008, for which there has been a significant change to the nature or exposure since that reported in the 30 June 2008 annual report:

(a) Performance and other guarantees in the form of insurance bonds, in relation to construction contracts executed in the normal course of business totalled $4,519K (30 June 2008: Nil)

11 SUBSEQUENT EVENTS

On 27 February 2009, Messrs D. Di Latte and N. Di Latte have agreed to provide a bank with security of up to $10,000K over their personal assets for the Sky Development project. As a result the bank has agreed to extend the facility until completion of the project on terms and conditions that it customarily includes in financing of this nature.

On 9 March 2009, the Company received a waiver of a breach of a financial covenant from another bank funding the Rise development. Refer to going concern under Note 1 for further detail.

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 affair of the consolidated entity.

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To the members of Diploma Group Limited

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying condensed half-year financial report of Diploma Group Limited, which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement 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) and 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 2008 and 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*. 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 condensed half-year financial report of Diploma Group Limited is not in accordance with the *Corporations Act 2001*, including:

i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and

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

Ernst & Young

Ernst & Young

P McIver
Partner
Perth
11 March 2009

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

In relation to our review of the half year financial report of Diploma Group Limited for the half-year ended 31 December 2008, 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.

Ernst & Young

Ernst & Young
P McIver
Partner
Perth
11 March 2009

PM:JC:DIPLOMA:028