Diploma
CONSTRUCTION • PROPERTY DEVELOPMENT • REALTY

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.”

"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	Mr Simon Oaten
Managing Director	Chief Financial Officer & Company Secretary
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DIPLOMA GROUP LIMITED

ABN 14 127 462 686

HALF-YEAR FINANCIAL REPORT

31 DECEMBER 2009

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

PRINCIPAL REGISTERED

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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.

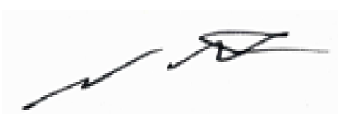
On 22 January 2010, the Company refinanced an existing loan facility totalling $3.317 million for a further 12 months. The purpose of this facility is to support the interim land bank of the second stages of the Groups development at Joondalup called Edge and Cove.

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 $'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	**38,366**	(22,624)
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	**(317)**	(2,637)
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	**(39,376)**	25,455
Net (decrease)/increase in cash and cash equivalents	**(1,327)**	194
Cash and cash equivalents at beginning of period	**5,864**	9,463
Cash and cash equivalents at the end of period	**4,537**	9,657

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	94,993	51,941	146,934
Inter-segment elimination			(19,991)
Unallocated revenue			87
Total consolidated revenue			127,030
Result			
Segment result	3,411	4,566	7,977
Inter-segment elimination			716
Unallocated (expenses)/income			(709)
Net profit before income tax			7,984
Assets			
Segment assets	46,950	93,432	140,382
Inter-segment elimination			5,976
Unallocated assets			605
Total assets			146,963

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	89,352	-	89,352
Inter-segment elimination			(24,178)
Unallocated revenue			104
Total consolidated revenue			65,278
Result			
Segment result	6,381	(87)	6,294
Inter-segment elimination			(1,486)
Corporate salaries & wages			(1,144)
Unallocated (expenses)/income			(1,603)
Net profit before income tax			2,061
Assets			
Segment assets	59,731	87,820	147,551
Inter-segment elimination			(2,374)
Unallocated assets			61
Total assets			145,238

3 REVENUE

	31 Dec 2009 $'000	31 Dec 2008 $'000
Construction contract revenue	**75,002**	65,174
Revenue from sale of development properties	**51,883**	-
	126,885	65,174

	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
	1,339	1,342

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

	31 Dec 2009 $'000	31 Dec 2008 $'000
Cash at bank and in hand	**3,755**	4,900
Deposits held (i)	**782**	964
	4,537	5,864

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

7 INVENTORIES

	31 Dec 2009 $'000	31 Dec 2008 $'000
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
	91,493	119,240
Aggregate carrying amount of inventories		
Current	**70,601**	99,471
Non-current	**20,892**	19,769

8 EQUITY ACCOUNTED INVESTMENTS

	31 Dec 2009	30 Jun 2009
Current		
Criterion Towers Joint Venture	**403**	-
	403	-
Non-current		
Helmshore Unit Trust	**466**	462
Criterion Towers Joint Venture	**-**	393
	466	855

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

	31 Dec 2009	30 Jun 2009
Criterion Towers Joint Venture		
At 1 July	**393**	256
Investment in Project	**36**	141
Share of loss before income tax	**(26)**	(4)
Closing balance	**403**	393
Helmshore Unit Trust		
At 1 July	**462**	332
Investment in Project	**4**	130
Closing balance	**466**	462

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.

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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

Ernst & Young

P McIver
Partner
Perth
12 February 2010

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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.

Ernst + Young

Ernst & Young

P McIver
Partner
Perth
12 February 2010

PM:MB:DIPLOMAL042