

# Appendix 4D

## Half-year Report 31 December 2011

**Diploma Group Limited**  
ACN 127 462 686

### Details of the reporting period

This report details the consolidated results of Diploma Group Limited and its controlled entities for the six months ended 31 December 2011. Comparatives are for the six months ended 31 December 2010.

### Results for announcement to the market

<b>Financial Results</b>	<b>Dec 2011 \$'000</b>	<b>Dec 2010 \$'000</b>	<b>Change %</b>
Revenue from ordinary activities	95,671	61,612	55%
Profit (loss) from ordinary activities after tax attributable to members	(3,774)	(644)	-486%
Net profit (loss) for the period attributable to members	(3,970)	(644)	-516%

<b>Dividends</b>	Amount per Ordinary Security	Franked amount per security	Amount per security of foreign sourced dividend
2012 interim dividend	Nil	Nil	Nil
2011 final dividend	Nil	Nil	Nil

Details of dividend reinvestment plan	N/A
---------------------------------------	-----

<b>Net Tangible Asset Backing</b>	<b>Dec 2011</b>	<b>Dec 2010</b>
Net tangible asset backing per ordinary security	\$0.16	\$0.18

**The information required by listing rule 4.2A is contained in both this Appendix 4D and the attached half-year financial report, which has been subject to independent review. This half-yearly reporting information should be read in conjunction with the most recent annual financial report.**

**DIPLOMA GROUP LIMITED**

**ABN 14 127 462 686**

**HALF-YEAR FINANCIAL REPORT**

**31 DECEMBER 2011**

Corporate Directory	2
Directors' Report	3
Directors' Declaration	6
Consolidated Statement of Comprehensive Income	7
Consolidated Statement of Financial Position	8
Consolidated Statement of Changes in Equity	9
Consolidated Cash Flow Statement	10
Notes to the Half-Year Financial Statements	11
Independent Auditor's Review Report	17
Auditor's Independence Declaration	19

The half-year report covers the consolidated entity comprising Diploma Group Limited (ABN 14 127 462 686) and its subsidiaries (the Group). The 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  
Facsimile: (08) 9475 3501  
Email: [info@diploma.com.au](mailto:info@diploma.com.au)  
Website: [www.diploma.com.au](http://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**

St George Bank  
152 – 158 St Georges' Tce  
Perth WA 6000

In respect of the half-year ended 31 December 2011, 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 include:

**Construction**

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

**Property Development**

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

**REVIEW AND RESULTS OF OPERATIONS**

Diploma Group Limited (the Group) recorded a net loss after tax of \$3.970 million for the period ended 31 December 2011 equating to a loss of \$0.026 per share (December 2010: loss of \$0.644 million). Revenue was up 55% compared to the same time last year to \$95.671 million.

The result has been impacted by a one month delay in project profit of \$5.0m at the Eleven78 development and by a reduction in sales prices across the Groups completed inventory as at 30 June 2011 for projects that were commenced pre GFC. These projects include Zenith, Sky and Rise apartments in the Perth CBD. The completed inventory of \$55m at 30 June 2011 has been subsequently sold with \$25m remaining at 31 December 2011. There was also minor contribution from the development division during this period with settlements in the Groups Eleven78 development in West Perth commencing in January 2012. Approximately \$5m in profit has been recognised to date since the 1st of January 2012 from Eleven78 which will contribute to the second half result. To date, approximately 75% of settlements have occurred in this project with a further 20% under contract and due to settle over the next two months.

The slower than expected commencement and award of new construction contracts in the first half have also had an adverse effect on the result. During the period, the Group was awarded approximately \$190m of new third party construction work of which less than \$2m had been earned at 31 December 2011. The current order book run off value now stands at \$230m with a further \$175m of submitted tenders awaiting an outcome within the next 8 weeks.

The Groups construction business in the Middle East continues to be self-sufficient with no further capital injected into the business since June 2011. Conditions continue to remain challenging on the project, with confirmation received from the client that the project will undergo a redesign to achieve LEED Platinum/Gold Certification with respect to the buildings environmental credentials. This will result in a delay to completion of approximately 3 months. Diploma intends to lodge relevant time delay with cost claims to the client to cover the additional time and expense.

On 2 July 2011, the board of directors entered into a conditional letter of offer for sale of the Group's rent roll from its residential and strata authorities. This offer went unconditional on 18 October 2011 and the sale was concluded on 21 November 2011.

**DIVIDENDS**

No dividend was declared for the half-year ended 31 December 2011 (2010: Nil).

**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 17 and forms part of the Directors' Report.

**EVENTS SUBSEQUENT TO BALANCE DATE**

Since the end of the financial period, the Directors are not aware of any other 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  
27 February 2012

In accordance with a resolution of the Directors of Diploma Group Limited, I 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 2011 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  
27 February 2012



	Note	6 months 31 Dec 2011 \$'000	6 months 31 Dec 2010 \$'000
<b>Continuing operations</b>			
Revenue	3	95,671	61,612
Other revenue		689	28
Cost of sales		(94,112)	(58,167)
Gross profit		2,248	3,473
Other income		607	1,473
Administration expenses		(3,871)	(2,967)
Marketing and advertising expenses		(1,071)	(951)
Occupancy expenses		(408)	(431)
Finance costs		(571)	(151)
Other expenses	4	(1,030)	(1,045)
Share of loss from equity accounted investment		(1,060)	-
<b>Loss before income tax</b>		<b>(5,156)</b>	<b>(599)</b>
Income tax benefit/(expense)		1,382	(45)
<b>Net loss attributable to members of Diploma Group Limited</b>		<b>(3,774)</b>	<b>(644)</b>
<b>Other comprehensive income/(expense)</b>			
Foreign currency translation		4	(232)
Income tax on items of other comprehensive income		-	-
<b>Other comprehensive income/(expense) for the period, net of tax</b>		<b>4</b>	<b>(232)</b>
<b>Total comprehensive loss for the period</b>		<b>(3,770)</b>	<b>(876)</b>
Profit/(loss) for the period is attributable to:			
Non-controlling interest		196	-
Owners of the parent		(3,970)	(644)
		<b>(3,774)</b>	<b>(644)</b>
Total comprehensive profit/(loss) for the period is attributable to:			
Non-controlling interest		196	-
Owners of the parent		(3,966)	(876)
		<b>(3,770)</b>	<b>(876)</b>
<b>Loss per share (cents per share)</b>			
Basic loss per share		(2.60)	(0.42)
Diluted loss per share		(2.60)	(0.42)

	Note	31 Dec 2011 \$'000	30 Jun 2011 \$'000
<b>Current Assets</b>			
Cash and cash equivalents	6	9,768	2,099
Trade and other receivables	7	40,999	28,478
Inventories	8	58,823	76,113
Equity accounted investments		-	588
Other assets		623	571
<b>Total Current Assets</b>		<b>110,213</b>	<b>107,849</b>
<b>Non-Current Assets</b>			
Trade and other receivables	7	736	978
Inventories	8	25,068	21,531
Property, plant and equipment		1,688	1,758
Equity accounted investments		665	665
Intangible asset		1,294	1,487
<b>Total Non-Current Assets</b>		<b>29,451</b>	<b>26,419</b>
<b>Total Assets</b>		<b>139,664</b>	<b>134,268</b>
<b>Current Liabilities</b>			
Trade and other payables		58,995	56,028
Interest bearing loans and borrowings	9	44,949	34,977
Current tax payable		739	-
Provisions		2,890	2,913
<b>Total Current Liabilities</b>		<b>107,573</b>	<b>93,918</b>
<b>Non-Current Liabilities</b>			
Trade and other payables		2,246	3,884
Interest bearing loans and borrowings	9	119	2,166
Provisions		180	148
Deferred tax liability		3,443	4,279
<b>Total Non-Current Liabilities</b>		<b>5,988</b>	<b>10,477</b>
<b>Total Liabilities</b>		<b>113,561</b>	<b>104,395</b>
<b>NET ASSETS</b>		<b>26,103</b>	<b>29,873</b>
<b>Equity</b>			
Issued capital		15,339	15,339
Retained earnings		8,921	12,891
Reserves		473	469
<b>Parent Interests</b>		<b>24,733</b>	<b>28,699</b>
Non-Controlling Interests		1,370	1,174
<b>TOTAL EQUITY</b>		<b>26,103</b>	<b>29,873</b>

	Issued Capital \$'000	Retained Profits \$'000	Employee equity benefits reserve \$'000	Foreign currency translation reserve \$'000	Owners of Parent \$'000	Non- Controlling Interest \$'000	Total \$'000
<b>Balance at 1 July 2011</b>	15,339	12,891	590	(121)	28,699	1,174	29,873
Exchange differences on translation of foreign operations	-	-	-	4	4	-	4
Net income recognised directly in equity	-	-	-	4	4	-	4
Profit/(loss) for the period	-	(3,970)	-	-	(3,970)	196	(3,774)
<b>Total comprehensive loss for the period</b>	-	(3,970)	-	4	(3,966)	196	(3,770)
<b>Transactions with owners in their capacity as owners:</b>							
<b>Balance at 31 December 2011</b>	15,339	8,921	590	(117)	24,733	1,370	26,103

	Issued Capital \$'000	Retained Profits \$'000	Employee equity benefits reserve \$'000	Foreign currency translation reserve \$'000	Owners of Parent \$'000	Non- Controlling Interest \$'000	Total \$'000
<b>Balance at 1 July 2010</b>	15,545	14,826	573	201	31,145	-	31,145
Exchange differences on translation of foreign operations	-	-	-	(232)	(232)	-	(232)
Net expense recognised directly in equity	-	-	-	(232)	(232)	-	(232)
Profit/(loss) for the period	-	(644)	-	-	(644)	-	(644)
<b>Total comprehensive loss for the period</b>	-	(644)	-	(232)	(876)	-	(876)
<b>Transactions with owners in their capacity as owners:</b>							
Share buy back	(200)	-	-	-	(200)	-	(200)
Share-based payment	-	-	16	-	16	-	16
Equity dividends	-	(1,534)	-	-	(1,534)	-	(1,534)
<b>Balance at 31 December 2010</b>	15,345	12,648	589	(31)	28,551	-	28,551

	31 Dec 2011 \$'000	31 Dec 2010 \$'000
<b>Cash Flows from Operating Activities</b>		
Receipts from customers	84,640	72,209
Payments to suppliers and employees	(84,944)	(83,613)
Interest received	48	28
Interest paid	(571)	(151)
Income tax paid	1,284	(50)
Net cash flows generated by/(used in) operating activities	457	(11,577)
<b>Cash Flows from Investing Activities</b>		
Purchase of property, plant and equipment	(88)	(136)
Contribution to equity accounted investments	(625)	(236)
Net cash flows used in investing activities	(713)	(372)
<b>Cash Flows from Financing Activities</b>		
Proceeds from borrowings	16,311	7,391
Repayment of borrowings	(9,476)	-
Payment for redemption of shares	-	(200)
Dividends paid	-	(1,534)
Net cash flows from financing activities	6,835	5,657
Net increase/(decrease) in cash and cash equivalents	6,579	(6,292)
Cash and cash equivalents at beginning of period	(1,806)	5,410
<b>Cash and cash equivalents at the end of period</b>	<b>4,773</b>	<b>(882)</b>

6

## 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 2011 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 2011 annual financial report, and all public announcements made by Diploma Group Limited and its controlled entities during the half-year ended 31 December 2011 in accordance with the continuous disclosure obligations of the ASX listing rules.

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. Apart from the changes in accounting policy noted below, the accounting policies and method of computation are the same as those adopted in the most recent annual financial report.

### *Changes in accounting policy and disclosures.*

From 1 July 2011, the Group has adopted the Standards and Interpretations, mandatory for annual periods beginning on or after 1 July 2011. 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.

## 2 OPERATING SEGMENTS

### **Identification of reportable segments**

The group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources. The operating segments are identified by management based on the nature of the services provided. Discrete financial information about each of these operating businesses is reported to the executive management team on at least a monthly basis. The reportable segments are based on aggregated operating segments determined by the similarity of the services provided, as these are the sources of the Group's major risks and have the most effect on the rates of return.

2 OPERATING SEGMENTS (continued)

**Types of products and services**

*Construction*

Construction projects across the commercial, retail, industrial, residential, hospitality and engineering sectors.

*Property development*

Development projects in the commercial, retail and residential sectors.

**Accounting policies and inter-segment transactions**

The accounting policies used by the Group in reporting segments internally are the same as those reported in the 30 June 2011 annual report.

**Major customers**

The Group has a number of external customers to which it provides construction and development services. The most significant client accounts for 40% (31 December 2010: 42%) of external revenue within the Construction operating segment.

The next most significant client accounts for less than 10% of external revenue.

	Construction \$'000	Property Development \$'000	Unallocated Items \$'000	Total Operations \$'000
<b>Period ended 31 December 2011</b>				
<b>Revenue</b>				
Revenue from external customers	80,765	14,906	-	95,671
Other revenue from external customers	30	659	-	689
Inter-segment revenues	1,181	-	-	1,181
<b>Total segment revenue</b>	<b>81,976</b>	<b>15,565</b>		<b>97,541</b>
<b>Segment net operating profit/(loss) after tax</b>				
	197	(3,806)	(165)	(3,774)
Interest revenue	30	18	-	48
Interest expense	(257)	(314)	-	(571)
Depreciation and amortisation	(407)	(1)	-	(408)
Income tax expense	(85)	1,631	(164)	1,382
<b>Segment assets</b>	<b>85,049</b>	<b>55,803</b>	<b>(1,188)</b>	<b>139,664</b>
<b>Segment liabilities</b>	<b>71,809</b>	<b>43,383</b>	<b>(1,631)</b>	<b>113,561</b>
<b>Cash flow information</b>				
Net cash flow from operating activities	6,673	(7,414)	1,198	457
Net cash flow from investing activities	(204)	(1,228)	719	(713)
Net cash flow from financing activities	(95)	6,931	(1)	6,835

2 OPERATING SEGMENTS (continued)

	Construction \$'000	Property Development \$'000	Unallocated Items \$'000	Total Operations \$'000
Period ended 31 December 2010				
<b>Revenue</b>				
Revenue from external customers	48,223	13,389	-	61,612
Other revenue from external customers	20	8	-	28
Inter-segment revenues	29,126	-	-	29,126
<b>Total segment revenue</b>	<b>77,369</b>	<b>13,397</b>	<b>-</b>	<b>90,766</b>
<b>Segment net operating profit/(loss) after tax</b>				
	1,645	(1,534)	(755)	(644)
Interest revenue	20	8	-	28
Interest expense	(50)	(1)	(100)	(151)
Depreciation and amortisation	(124)	-	-	(124)
Income tax expense	-	-	(45)	(45)
<b>Segment assets</b>	<b>16,070</b>	<b>83,290</b>	<b>32,293</b>	<b>131,653</b>
<b>Segment liabilities</b>	<b>40,626</b>	<b>46,445</b>	<b>16,031</b>	<b>103,102</b>

	31 Dec 2011 \$'000	31 Dec 2010 \$'000
<b>3 REVENUE</b>		
Construction contract revenue	80,765	48,223
Revenue from sale of development properties	14,906	13,389
	<b>95,671</b>	<b>61,612</b>

4 OTHER EXPENSES

Depreciation and amortisation expense	408	124
Foreign exchange loss	157	673
Other expenses	465	248
	<b>1,030</b>	<b>1,045</b>

	31 Dec 2011 \$'000	30 Jun 2011 \$'000
<b>5 DIVIDENDS PAID AND PROPOSED</b>		
(a) Dividends declared and paid during the half-year on ordinary shares:	-	-
Final franked dividend for the financial year ended 30 June 2011: Nil (2010: \$0.01 cents)	-	1,534
(b) Dividends proposed and not yet recognised as a liability:		
Interim franked dividend for the half-year ended 31 December 2011 (30 June 2011: Nil)	-	-
<b>6 CASH AND CASH EQUIVALENTS</b>		
Cash at bank and in hand	<u>9,768</u>	<u>2,099</u>
<b>Reconciliation to statement of cash flows</b>		
For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:		
Cash at bank and in hand	9,768	2,099
Bank overdraft	(4,995)	(3,905)
	<u>4,773</u>	<u>(1,806)</u>
<b>7 TRADE AND OTHER RECEIVABLES</b>		
<b>Current</b>		
Trade receivables	8,630	4,865
Allowance for doubtful debts	-	(627)
Retentions receivable	159	324
Other receivables	<u>10,795</u>	<u>7,528</u>
	<b>19,584</b>	<b>12,090</b>
<i>Related party receivables</i>		
Director related party receivables (i)	5,795	10,906
Other related party receivables (ii)	<u>15,620</u>	<u>5,482</u>
	<b>40,999</b>	<b>28,478</b>
(i) During the period the Group transferred AED \$5.3m from a bank account domiciled in the UAE and controlled by Mr John Norup to a bank account controlled by the Group. This cash balance acts as security for a bank guarantee issued on behalf of the Group in relation to a construction project in the UAE. This balance is now classified as an Other related party receivable.		
(ii) Construction work in progress receivables totalling \$7.3m relating to the Groups 50% interest in the Criterion Towers Joint Venture have been reclassified during the period as Other related party receivables.		



	31 Dec 2011 \$'000	30 Jun 2011 \$'000
<b>7 TRADE AND OTHER RECEIVABLES (continued)</b>		
<b>Non-current</b>		
Retentions receivable	736	369
Other receivables	-	609
	<u>736</u>	<u>978</u>
<b>8 INVENTORIES</b>		
Development projects complete	31,669	30,416
Development projects under construction	35,716	38,177
Construction work in progress – amounts due from customers	16,506	29,051
	<u>83,891</u>	<u>97,644</u>
<b>Aggregate carrying amount of inventories</b>		
Current	58,823	76,113
Non-current	<u>25,068</u>	<u>21,531</u>
<b>9 INTEREST BEARING LOANS AND BORROWINGS</b>		
<b>Current</b>		
Multi option facility	4,995	9,905
Working capital facility (i)	7,094	2,612
Project facilities – other (ii)	32,256	22,413
Finance lease liabilities	15	22
Other	589	25
	<u>44,949</u>	<u>34,977</u>
<b>Non-Current</b>		
Project facilities – other	-	2,040
Finance lease liabilities	119	126
	<u>119</u>	<u>2,166</u>

(i) The working capital facility is secured against residual stock at the Groups Joondalup Cove and Foundry Road projects. Subsequent to period end the Group has repaid \$3.4m of this facility from settlements at these projects. In addition to this the Group has sales contracts expected to settle by the end of March 2012 which will clear the debt entirely.

(ii) Subsequent to the period end \$15.2m of the project facilities debt has been repaid with a further \$2.1m to be repaid from contracted apartment sales by the end of March 2012.

**10 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 2011 annual report.

**11 EVENTS AFTER THE BALANCE SHEET DATE**

On 15 February 2012, the Group's UAE construction project was put on hold at the request of the client, Dubai Electricity & Water Authority in order that they can apply for "LEED Platinum/Gold Certification". This will require significant design changes in order to meet the high energy rating criteria. The Group is working with the client to implement these changes.

This event is not expected to have any financial impact on the Group. Management does not expect this to cause any non-recoverability of WIP or trade debtor amounts relating to the UAE contract.

Other than the above, the Directors are not aware of any other matters or circumstances not otherwise dealt with in the financial statements, 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.

## Independent review report to the members of Diploma Group Limited

To the members of Diploma Group Limited

### Report on the 31 December 2011 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 2011, the statement of comprehensive income, statement of changes in equity and cash flows statement for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, 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 31 December 2011 Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### 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 a Financial Report 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 2011 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 half-year financial report of Diploma Group Limited is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

Ernst & Young

A handwritten signature in black ink that reads 'Gavin Buckingham'.

Gavin Buckingham  
Partner  
Perth  
27 February 2012

## 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 2011, 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'.

Ernst & Young

A handwritten signature in black ink that reads 'Gavin Buckingham'.

Gavin Buckingham  
Partner  
Perth  
27 February 2012