

**DIPLOMA GROUP LIMITED**

**ABN 14 127 462 686**

**HALF-YEAR FINANCIAL REPORT**

**31 DECEMBER 2014**

Corporate Directory	2
Directors' Report	3
Directors' Declaration	5
Consolidated Statement of Profit or Loss and Other Comprehensive Income	6
Consolidated Statement of Financial Position	7
Consolidated Statement of Changes in Equity	8
Consolidated Statement of Cash Flows	9
Notes to the Consolidated Half-Year Financial Statements	10
Independent Auditor's Review Report	16
Auditor's Independence Declaration	18

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**

Ian Olson	<i>Non Executive Chairman</i>
Nick Di Latte	<i>Managing 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**

BDO Audit (WA) Pty Ltd  
38 Station Street  
Subiaco WA 6008

**BANKERS**

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

In respect of the half-year ended 31 December 2014, 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.

Ian Olson (Non-executive Chairman)  
Nick Di Latte (Managing 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 Group has two divisions, which are responsible for carrying out the Group'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; and
- Funds management.

**REVIEW AND RESULTS OF OPERATIONS**

Diploma Group Limited (the Group) recorded a net loss after tax of \$1.215 million for the period ended 31 December 2014 equating to a loss of 0.26 cents per share (December 2013: profit of \$1.903 million or 0.60 cents per share). Revenue was down 58% compared to the same time last year to \$47.141 million.

**REVIEW AND RESULTS OF OPERATIONS**

The construction division had a number of new projects that were secured prior to 30 June 2014, however, delays in the commencement of these new projects contributed to the significant decline in revenue for the period.

During the period, the properties division sold its interest in a development project. The sale allows for an "early settlement fee" which will be paid to the Group once all Lots in the development have settled. The early settlement fee is expected to be received prior to the end of the financial year and is based on the current contracted prices for each lot.

**DIVIDENDS**

No dividend was declared for the half-year ended 31 December 2014 (2013: 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 18 and forms part of the Directors' Report.

**MATTERS SUBSEQUENT TO THE REPORTING PERIOD**

On 17 February 2015 the Group entered into two separate Heads of Terms to sell its Quest Rockingham and Quest Adelaide Tce serviced apartment projects for a combined value of \$63.5m. The Heads of Terms are subject to due diligence and other conditions, which are expected to be completed by the end of March 2015. The two sales are expected to net circa \$20m in cash to Diploma. Settlement expected in July 2015 (Quest Rockingham) and March 2016 (Quest Adelaide Tce) respectively.

On 20 February 2015 a subsidiary of the Group entered into a contract to purchase land at Lot 62 Carter Lane Subiaco with settlement expected in July 2015. The acquisition will result in the development of a 4 level mixed use medium density residential building within the award winning Subi Centro area.

Other than the above the Directors are not aware of any 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.



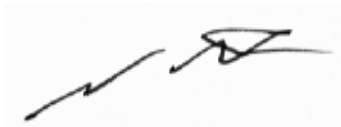
**Nick Di Latte**  
Managing Director  
Perth, Western Australia  
27 February 2015

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 2014 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 other mandatory professional reporting requirements; 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**  
Managing Director  
Perth, Western Australia  
27 February 2015

**Consolidated Statement of Profit or Loss and Other  
Comprehensive Income**

**DIPLOMA GROUP LIMITED**

**For the Half-year Ended 31 December 2014**

	Note	6 months 31 Dec 2014 \$'000	6 months 31 Dec 2013 \$'000
<b>Continuing operations</b>			
Revenue	3	47,141	111,630
Other revenue	4	4,226	536
Cost of sales		(50,274)	(106,440)
Gross profit		1,093	5,726
Other income		1	44
Administration expenses		(2,204)	(1,918)
Marketing and advertising expenses		(70)	(51)
Occupancy expenses		(291)	(281)
Finance costs		(7)	(595)
Other expenses		(231)	(200)
<b>(Loss)/profit before income tax</b>		(1,709)	2,725
Income tax benefit/(expense)		494	(822)
<b>Net (loss)/profit attributable to members of Diploma Group Limited</b>		(1,215)	1,903
<b>Other comprehensive income/(expense) for the period, net of tax</b>		-	-
<b>Total comprehensive (loss)/profit for the period</b>		(1,215)	1,903
Total comprehensive (loss)/ profit for the period is attributable to:			
Non-controlling interest		-	-
Owners of the parent		(1,215)	1,903
		(1,215)	1,903
<b>Profit per share (cents per share)</b>			
Basic (loss)/earnings per share		(0.26)	0.60
Diluted (loss)/earnings per share		(0.26)	0.60

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

	Note	31 Dec 2014 \$'000	30 Jun 2014 \$'000
<b>Current Assets</b>			
Cash and cash equivalents	5	2,342	6,911
Trade and other receivables	6	9,334	17,994
Inventories	7	38,949	38,833
Available for sale financial assets	8	3,861	2,477
Total Current Assets		54,486	66,215
<b>Non-Current Assets</b>			
Inventories	7	16,305	10,442
Property, plant and equipment		1,248	1,334
Equity accounted investments		687	687
Deferred tax asset		6,060	1,750
Total Non-Current Assets		24,300	14,213
<b>Total Assets</b>		78,786	80,428
<b>Current Liabilities</b>			
Trade and other payables	9	29,733	42,607
Interest bearing loans and borrowings	10	20,336	18,150
Provisions		2,307	2,255
Total Current Liabilities		52,376	63,012
<b>Non-Current Liabilities</b>			
Trade and other payables		932	932
Interest bearing loans and borrowings	10	10,438	191
Provisions		87	178
Total Non-Current Liabilities		11,457	1,301
<b>Total Liabilities</b>		63,833	64,313
<b>NET ASSETS</b>		14,953	16,115
<b>Equity</b>			
Issued capital		23,936	23,936
Accumulated losses		(9,545)	(8,330)
Reserves		538	485
<b>Parent Interests</b>		14,929	16,091
Non-Controlling Interests		24	24
<b>TOTAL EQUITY</b>		14,953	16,115

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.



	Issued Capital \$'000	Accumulated Losses \$'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 2014</b>	23,936	(8,330)	659	(174)	16,091	24	16,115
Profit/(loss) for the period	-	(1,215)	-	-	(1,215)	-	(1,215)
<b>Total comprehensive loss/(profit) for the period</b>	-	(1,215)	-	-	(1,215)	-	(1,215)
<b>Transactions with owners in their capacity as owners:</b>							
Share based payments	-	-	53	-	53	-	53
Distributions to non-controlling interests.	-	-	-	-	-	-	-
<b>Balance at 31 December 2014</b>	23,936	(9,545)	712	(174)	14,929	24	14,953

	Issued Capital \$'000	Accumulated Losses \$'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 2013</b>	15,339	(13,029)	598	(174)	2,734	570	3,304
Profit/(loss) for the period	-	1,903	-	-	1,903	-	1,903
<b>Total comprehensive loss/(profit) for the period</b>	-	1,903	-	-	1,903	-	1,903
<b>Transactions with owners in their capacity as owners:</b>							
Issue of share capital	9,119	-	-	-	9,119	-	9,119
Expenses relating to new share issue	(522)	-	-	-	(522)	-	(522)
Share based payments	-	-	8	-	8	-	8
Distributions to non-controlling interests.	-	-	-	-	-	(400)	(400)
<b>Balance at 31 December 2013</b>	23,936	(11,126)	606	(174)	13,242	170	13,412

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

	31 Dec 2014 \$'000	31 Dec 2013 \$'000
<b>Cash Flows from Operating Activities</b>		
Receipts from customers	65,635	128,318
Payments to suppliers and employees	(82,614)	(121,417)
Interest received	9	22
Interest paid	(7)	(595)
Net cash flows generated by/(used in) operating activities	(16,977)	6,328
<b>Cash Flows from Investing Activities</b>		
Purchase of property, plant and equipment	(25)	(33)
Purchase of investments	-	(443)
Net cash flows used in investing activities	(25)	(476)
<b>Cash Flows from Financing Activities</b>		
Proceeds from new share issue	-	9,119
Issue costs paid	-	(522)
Distributions paid to non-controlling interests	-	(400)
Proceeds from borrowings	24,794	2,229
Repayment of borrowings	(12,361)	(13,550)
Net cash flows used in financing activities	12,433	(3,124)
Net increase/(decrease) in cash and cash equivalents	(4,569)	2,728
Cash and cash equivalents at beginning of period	6,911	10,284
<b>Cash and cash equivalents at the end of period</b>	<b>2,342</b>	<b>13,012</b>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

**1 BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT**

These general purpose financial statements for the half-year reporting period ended 31 December 2014 have been prepared in accordance with Australian Accounting Standard 134 Interim Financial Reporting and the Corporations Act 2001.

The historical cost basis has been used, except for investment properties, land and buildings, derivatives and available-for-sale financial assets which have been measured at fair value.

These half-year financial statements do not include all the notes of the type normally included in annual financial statements 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 statements. Accordingly, these half-year financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2014 and any public announcements made by Diploma Group Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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.

**New and amended standards adopted by the entity**

A number of new or amended standards became applicable for the current reporting period, however, the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards. There may be some changes to the disclosures in the 30 June 2015 annual report as a consequence of these amendments.

**Impact of standards issued but not yet applied by the entity**

There were no new standards issued since 30 June 2014 that have been applied by Diploma Group Limited. The 30 June 2014 annual report disclosed that Diploma anticipated no material impacts (amounts recognised and/or disclosed) arising from initial application of those standards issued but not yet applied at that date, and this remains the assessment as at 31 December 2014.

## **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.

### **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 2014 annual report.

### **Major customers**

The Group has a number of external customers to which it provides construction and development services. Revenue from one customer accounted for 17% (31 December 2013: 34%) of external revenue within the Construction operating segment. The next most significant client accounts for less than 10% of external revenue.

<b>Period ended 31 December 2014</b>	<b>Construction \$'000</b>	<b>Property Development \$'000</b>	<b>Inter division eliminations \$'000</b>	<b>Total Operations \$'000</b>
<b>Revenue</b>				
Revenue from external customers	47,128	13	-	47,141
Other revenue from external customers	5	4,220	-	4,225
Inter-segment revenues	-	-	-	-
<b>Total segment revenue</b>	<b>47,133</b>	<b>4,233</b>	<b>-</b>	<b>51,366</b>
<b>Segment net operating profit/(loss) after tax</b>	<b>(2,963)</b>	<b>2,478</b>	<b>-</b>	<b>(485)</b>
Interest revenue	5	13	-	18
Interest expense	(7)	-	-	(7)
Depreciation and amortisation	(111)	-	-	(111)
<b>Segment assets</b>	<b>56,543</b>	<b>61,394</b>	<b>(77,589)</b>	<b>40,348</b>
<b>Segment liabilities</b>	<b>63,026</b>	<b>60,347</b>	<b>(77,589)</b>	<b>45,784</b>

**2 OPERATING SEGMENTS (continued)**

Period ended 31 December 2013	Construction \$'000	Property Development \$'000	Inter division eliminations \$'000	Total Operations \$'000
<b>Revenue</b>				
Revenue from external customers	105,580	6,050	-	111,630
Other revenue from external customers	13	516	-	529
Inter-segment revenues	-	-	-	-
<b>Total segment revenue</b>	<b>105,593</b>	<b>6,566</b>	<b>-</b>	<b>112,159</b>
<b>Segment net operating profit/(loss) after tax</b>	<b>3,590</b>	<b>(50)</b>	<b>-</b>	<b>3,540</b>
Interest revenue	13	2	-	15
Interest expense	(17)	-	-	(17)
Depreciation and amortisation	(113)	-	-	(113)
<b>Segment assets</b>	<b>68,058</b>	<b>43,191</b>	<b>(63,646)</b>	<b>47,603</b>
<b>Segment liabilities</b>	<b>71,580</b>	<b>44,620</b>	<b>(63,646)</b>	<b>52,554</b>

<b>31 Dec 2014 \$'000</b>	<b>31 Dec 2013 \$'000</b>
-----------------------------------	-----------------------------------

**3 REVENUE**

Construction contract revenue	<b>47,128</b>	105,580
Revenue from sale of development properties	<b>13</b>	6,050
	<b>47,141</b>	<b>111,630</b>

**4 OTHER REVENUE**

Sale of investment property	<b>4,044</b>	-
Interest	<b>9</b>	22
Development management fees	<b>173</b>	514
	<b>4,226</b>	<b>536</b>

**5 CASH AND CASH EQUIVALENTS**

Cash at bank and in hand	<b>2,342</b>	6,834
Term deposits	<b>-</b>	77
	<b>2,342</b>	<b>6,911</b>

**Reconciliation to statement of cash flows**

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

Cash at bank and in hand	<b>2,342</b>	6,834
Term deposits	<b>-</b>	77
	<b>2,342</b>	<b>6,911</b>

	31 Dec 2014 \$'000	30 Jun 2014 \$'000
<b>6 TRADE AND OTHER RECEIVABLES</b>		
<b>Current</b>		
Trade receivables	5,442	11,823
Allowance for doubtful debts	(531)	(531)
Retentions receivable	-	1,836
Other receivables	1,955	1,698
	<u>6,866</u>	<u>14,826</u>
<i>Related party receivables</i>		
Director related party receivables	2,468	3,168
	<u>9,334</u>	<u>17,994</u>
<b>7 INVENTORIES</b>		
Development projects under construction – at cost	38,527	30,500
Construction work in progress – gross amounts due from customers	16,727	18,775
	<u>55,254</u>	<u>49,275</u>
<b>Aggregate carrying amount of inventories</b>		
Current	38,949	38,833
Non-current	<u>16,305</u>	<u>10,442</u>
<b>8 AVAILABLE FOR SALE FINANCIAL ASSETS</b>		
Receivable (a)	3,361	1,977
Investment in Australian Unit Trust (b)	500	500
	<u>3,861</u>	<u>2,477</u>

(a) During the period, the properties division sold its interest in a development project, (Refer Note 4). The sale allows for an "early settlement fee" which will be paid to the Group once all Lots in the development have settled. The early settlement fee is expected to be received prior to the end of the financial year and is based on the current contracted prices for each lot.

(b) Investment in the Australian Unit Trust is a residential and commercial unit development located in Subiaco.

	31 Dec 2014 \$'000	30 Jun 2014 \$'000
<b>9 TRADE AND OTHER PAYABLES</b>		
<b>Current</b>		
Trade payables and accruals	26,739	39,800
Gross amounts due to customers – contract work in progress	-	1,254
Other payables	2,994	1,553
	<u>29,733</u>	<u>42,607</u>

**10 INTEREST BEARING LOANS AND BORROWINGS**

<b>Current</b>		
Project facilities – other (a)	20,304	18,117
Finance lease liabilities	32	33
	<u>20,336</u>	<u>18,150</u>
<b>Non-Current</b>		
Project facilities – other (a)	10,263	-
Finance lease liabilities	175	191
	<u>10,438</u>	<u>191</u>

**a) Project facilities**

The Group draws down on project facilities as a result of entering into development and construction projects. These project facilities are with certain banks and credit financial institutions and are secured by registered mortgages over the property of the individual developments along with fixed and floating charges over all the assets and undertakings of the special purpose entities undertaking the developments. The terms of each facility align with the completion date of the individual projects. At 31 December 2014 the Group had access to finance facilities totalling \$70.1m drawn to \$30.5m

**11 CONTINGENT LIABILITIES AND COMMITMENTS**

There has been no significant change to the nature or exposure of the contingent liabilities and commitments since that reported in the 30 June 2014 annual report.

**12 FAIR VALUE MEASUREMENT**

*Fair value hierarchy*

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability

**12 FAIR VALUE MEASUREMENT (Continued)**

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Consolidated – Dec 2014</b>				
<i>Assets</i>				
Available for sale financial asset - Receivable			3,361	3,361
Available for sale financial asset - Investment in unit trust	-	-	500	500
<b>Total assets</b>	<b>-</b>	<b>-</b>	<b>3,861</b>	<b>3,861</b>
<i>Liabilities</i>	-	-	-	-
<b>Consolidated – Jun 2014</b>				
<i>Assets</i>				
Available for sale financial asset - Receivable			1,977	1,977
Available for sale financial asset - Investment in unit trust	-	-	500	500
<b>Total assets</b>	<b>-</b>	<b>-</b>	<b>2,477</b>	<b>2,477</b>
<i>Liabilities</i>	-	-	-	-

Assets and liabilities held for sale are measured at fair value on a non-recurring basis.

There were no transfers between levels during the financial year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

*Valuation techniques for fair value measurements categorised within Level 3*

Unquoted investments and receivable have been valued based on third party financial information on a net asset basis.

**13 EVENTS OCCURRING AFTER THE REPORTING PERIOD**

On 17 February 2015 the Group entered into two separate Heads of Terms to sell its Quest Rockingham and Quest Adelaide Tce serviced apartment projects for a combined value of \$63.5m. The Heads of Terms are subject to due diligence and other conditions, which are expected to be completed by the end of March 2015. The two sales are expected to net circa \$20m in cash to Diploma. Settlement expected in July 2015 (Quest Rockingham) and March 2016 (Quest Adelaide Tce) respectively.

On 20 February 2015 a subsidiary of the Group entered into a contract to purchase land at Lot 62 Carter Lane Subiaco with settlement expected in July 2015. The acquisition will result in the development of a 4 level mixed use medium density residential building within the award winning Subi Centro area.

Other than the above the Directors are not aware of any 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.



## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Diploma Group Limited

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Diploma Group Limited, which comprises the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year's end or from time to time during the half-year.

#### Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity 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 control as the directors determine is 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 half-year 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 2014 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, 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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Diploma Group Limited, would be in the same terms if given to the directors as at the time of this auditor's review 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 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BDO Audit (WA) Pty Ltd

BDO

A handwritten signature in black ink, appearing to read 'P. Murdoch', is written over a horizontal line.

Phillip Murdoch

Director

Perth, 27<sup>th</sup> February 2015

DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH TO THE DIRECTORS OF DIPLOMA GROUP LIMITED

As lead auditor for the review of Diploma Group Limited for the half-year ended 31 December 2014, I declare that to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Diploma Group Limited and the entities it controlled during the period.



Phillip Murdoch

Director

BDO Audit (WA) Pty Ltd

Perth, 27 February 2015