DULUXGROUP LIMITED

Appendix 4D
Half Year Report
For the half year ended 31 March 2016

ABN: 42 133 404 065

ASX Code: DLX

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Disclaimer: Statements contained in the Review of Operations contained on pages 6 to 20, particularly those regarding possible or assumed future performance, estimated Company earnings, potential growth of the Company, industry growth or other trend projections are or may be forward looking statements. Such statements relate to future events and expectations and therefore involve unknown risks and uncertainties. Actual results may differ materially from those expressed or implied by these forward looking statements.

Results for Announcement to the Market

DuluxGroup Limited and its controlled entities results for announcement to the market are set out in the table below.

	31 March 2016 $'000	31 March 2015 $'000	Change $'000	Change %
Consolidated revenue from operations	851,111	836,872	14,239	1.7%
Profit for the period attributable to ordinary shareholders of DuluxGroup Limited	63,679	49,468	14,211	28.7%
Profit for the period attributable to ordinary shareholders of DuluxGroup Limited, before non-recurring items[1]	63,679	61,389	2,290	3.7%

[1] Represents net profit after tax, excluding the non-recurring items in the prior year comparative period ('pcp') on page 17. Directors believe that the result excluding these items provides a better basis for comparison from period to period.

Dividends

	Amount per security Cents	Franked amount per security at 30% tax Cents
Interim dividend on ordinary shares for the current period (record date 24 May 2016; payment date 10 June 2016)	11.5	11.5
Interim dividend on ordinary shares for the previous corresponding period	11.0	11.0

The Company's Dividend Reinvestment Plan (DRP) will operate with respect to the interim dividend. The last date for receipt of election notices for participation in the interim dividend under the DRP is 1 June 2016.

Explanation of Results

Please refer to 'Review of Operations' contained on pages 6 to 20 for an explanation of the results.

Other Information

	31 March 2016 Cents	30 September 2015 Cents
Net tangible assets backing per ordinary security	32.5	30.6

Contents

Directors' Report

The Directors of DuluxGroup Limited (the 'Company') present the financial report for the Company and its controlled entities (collectively 'the consolidated entity' or 'the Group' or 'DuluxGroup') in the form of Appendix 4D of the Australian Securities Exchange (ASX) Listing Rules for the half year ended 31 March 2016 and the auditor's review report thereon.

Directors

The directors of the Company during the half year and up to the date of this report are:

Peter Kirby, Chairman
Patrick Houlihan, Managing Director and Chief Executive Officer
Stuart Boxer, Executive Director and Chief Financial Officer
Gaik Hean Chew
Garry Hounsell
Andrew Larke
Judith Swales

Directors were in office for the entire period.

Review and results of operations

A review of the operations of the consolidated entity for the half year ended 31 March 2016, the results of those operations and the financial position of the consolidated entity is contained on pages 6 to 20.

Lead auditor's independence declaration

A copy of the lead auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 35.

Rounding

The amounts shown in this report and in the financial statements have been rounded off, except where otherwise stated, to the nearest thousand dollars, the Company being in a class specified in the ASIC Class Order 98/100 dated 10 July 1998.

Signed on behalf of the Board in accordance with a resolution of the directors of the Company.

Peter M. Kirby
Chairman
17 May 2016

Review of Operations

Result Summary

- **Sales revenue** of $851.1M, increased by $14.2M (+1.7%)
  - Revenue growth of 4% from Paints Australia and strong growth from Garage Doors & Openers (GDO) (7%) and Cabinet & Architectural Hardware (8%)
  - Lower revenue from Parchem (weak market) and Paints New Zealand (Mitre 10 exit) as foreshadowed in FY15
- **EBIT** of $98.3M, increased by 27.7%. Excluding the impact of non-recurring items in 2015, EBIT increased $4.2M (+4.5%)
  - 5% growth from Paints & Coatings ANZ, largely absorbing the NZ Mitre 10 impact through cost control, and 39% growth from Cabinet & Architectural Hardware
  - Garage Doors & Openers was flat, impacted by customer service centralisation costs
  - 7% decline in Consumer & Construction Products (C&CP), driven by Parchem, with the benefit of FY15 cost savings initiatives largely offsetting the impact of lower revenue

Refer next page for revenue and EBIT by segment

- **Net profit after tax (NPAT)** [3] increased by 28.7%. Excluding the impact of non-recurring items[4] in 2015, NPAT increased by $2.3M or 3.7%
- **Operating cash flow** was $28.2M, a decrease of 26.8%, with higher tax payments and higher working capital (largely inventory-driven) the main drivers. Cash conversion was 52%, compared to 56% in the pcp
- An **interim dividend** of 11.5 cents per share, fully franked, an increase of 4.5% on the pcp

Results	**Half year ended 31 March**		
A$M	**2016**	**2015**	**% Change**
Sales revenue	851.1	836.9	1.7%
EBITDA [1]	115.1	94.6	21.7%
EBITDA excluding non-recurring items [2]	*115.1*	*111.6*	*3.1%*
EBIT	**98.3**	**77.0**	**27.7%**
EBIT excluding non-recurring items [2]	*98.3*	*94.1*	*4.5%*
Net profit after tax (NPAT) [3]	**63.7**	**49.5**	**28.7%**
NPAT excluding non-recurring items [4]	*63.7*	*61.4*	*3.7%*
Operating cash flow [5]	28.2	38.5	(26.8%)
Net debt inclusive of USPP hedge value [6]	326.2	329.0	0.9%
Net debt to EBITDA [6]	1.4	1.5	6.7%
Diluted earnings per ordinary share (EPS) (cents)	16.4	12.8	28.1%
Diluted EPS excluding non-recurring items (cents) [7]	*16.4*	*15.9*	*3.1%*
Interim dividend per share (cents)	11.5	11.0	4.5%

Note: Numbers in this report are subject to rounding. 'nm' = not meaningful. '~' = approximately

1. EBITDA – represents EBIT plus depreciation and amortisation.
2. EBIT excluding non-recurring items and EBITDA excluding non-recurring items – refer to note 2 in the financial statements. Directors believe that the result excluding these items provides a better basis for comparison from year to year.
3. Net profit after tax (NPAT) – represents 'Profit for the half year attributable to ordinary shareholders of DuluxGroup Limited' per the financial statements.
4. NPAT excluding non-recurring items – represents NPAT, excluding the non-recurring items outlined on page 17. Directors believe that the result excluding these items provides a better basis for comparison from year to year.
5. Operating cash flow – the equivalent of 'Net cash inflow from operating activities'.
6. Net debt inclusive of USPP hedge value and Net debt to EBITDA – are calculated by taking closing net debt, adjusted to include the asset balance relating to the cross currency interest rate swap and interest rate swap established to hedge the United States dollar (USD) currency and interest rate exposures relating to the US Private Placement (USPP) debt. Net Debt to EBITDA reflects this measure as a multiple of the most recent twelve months of EBITDA before non-recurring items.
7. Diluted EPS excluding non-recurring items – represents diluted EPS adjusted for the non-recurring items outlined on page 17.

Review of Operations (continued)

Result by Segment

Key components of the result:

- Continued growth from Paints and Coatings ANZ. A strong performance from the Australian business driven by market share gains and good cost control was partly offset by a decline in the New Zealand business following the exit from Mitre 10 New Zealand in the second half of 2015 (consistent with our guidance at the FY15 full year result and AGM);
- The Consumer and Construction Products ANZ result reflects flat earnings from Selleys (impacted by destocking activities within Woolworths' hardware channels) and revenue and EBIT decline in Parchem (tough infrastructure market, largely offset by cost savings initiatives, again consistent with our guidance at the FY15 full year result and AGM);
- Strong revenue growth from Garage Doors and Openers, with flat EBIT due to costs associated with customer service centralisation;
- Strong EBIT growth from Cabinet and Architectural Hardware reflects continued revenue growth and benefits from margin improvement initiatives; and
- Modest EBIT growth in Other businesses reflects EBIT improvements in China, South East Asia and Yates, largely offset by a market-driven decline in the Papua New Guinea (PNG) business.

Sales and EBIT by segment	**Half year ended 31 March**			
A$M	**2016**	**2015**	**$ Change**	**% Change**
Sales revenue				
Paints & Coatings ANZ	452.5	442.4	10.1	2.3%
Consumer & Construction Products ANZ	125.7	132.6	(6.9)	(5.2%)
Garage Doors & Openers	84.3	78.8	5.5	7.0%
Cabinet & Architectural Hardware	88.9	82.2	6.7	8.2%
Other businesses	105.9	107.0	(1.1)	(1.0%)
Eliminations	(6.2)	(6.1)	(0.1)	(1.6%)
Total sales revenue	**851.1**	**836.9**	**14.2**	**1.7%**
EBIT, excluding non-recurring items				
Paints & Coatings ANZ	82.6	78.7	3.9	5.0%
Consumer & Construction Products ANZ	12.3	13.2	(0.9)	(6.8%)
Garage Doors & Openers	5.5	5.5	-	-
Cabinet & Architectural Hardware	5.0	3.6	1.4	38.9%
Other businesses	7.3	7.2	0.1	1.4%
Business EBIT	**112.7**	**108.2**	**4.5**	**4.2%**
Corporate	(14.4)	(14.1)	(0.3)	(2.1%)
Total EBIT, excl non-recurring items	**98.3**	**94.1**	**4.2**	**4.5%**

Further discussion on the results of the segments follows from page 11.

Review of Operations (continued)

Other Items

Corporate costs were up $0.3M, or 2.1%. Full year Corporate costs are expected to be ~$27M.

Net finance costs were $10.6M, (including $1.7M total unwinding of discounting on provisions, $0.6M in the pcp) slightly below the pcp of $10.8M. The average all-in net cost of debt[1] was 4.9%, slightly below the pcp of 5.3%, primarily driven by lower prevailing rates.

Income tax expense of $24.7M. The effective tax rate of 28.2% (27.6% in the pcp excluding non-recurring items) was slightly below our guided range of 29-30% due mainly to timing benefits. The effective tax rate in the second half is expected to revert to a range of 29-30%.

Interim dividend of 11.5 cents per share, fully franked, an increase of 4.5% on the pcp, which represents a 70% payout ratio based on NPAT. The Company's dividend reinvestment plan (DRP) will operate with respect to this dividend. There will be no discount on the DRP.

1. All-in net cost of debt – calculated as Net finance costs excluding the unwinding of the discount on provisions and defined benefit fund interest and includes $0.3M of capitalised interest associated with the new paint factory.

Review of Operations (continued)

Balance Sheet

Balance sheet movements are compared to either March 2015 (for items where there is a seasonal impact, for example, working capital) or September 2015 (where seasonal impacts are minimal). Comments by exception are as follows:

- **Rolling Trade Working Capital[1] (TWC) to rolling sales[2]** was 15.7% at March 2016, unfavourable to both September 2015 (15.2%) and March 2015 (15.3%). About half of the increase was driven by stock building activity during the period in preparation for industrial action in Rocklea and stock building activity late in FY15 associated with the launch of the new Dulux Wash & Wear range. The remainder of the increase largely related to higher inventory balances in businesses impacted by softer sales, such as Parchem;
- **Trade working capital** (point in time) increased by $22.6M from March 2015 and TWC as a percentage to sales was higher at 17.1% (pcp 16.4%), largely driven by many of the same factors that affected the rolling TWC. The impact of the stock building in paints will "wash through" by year end and a program of activity is in place across other businesses to improve TWC across the second half;
- The **defined benefit fund liability** increased by $5.6M from September 2015, following a regular actuarial reassessment of the fund liability at March 2016. This is a balance sheet adjustment only, with an equal amount reflected in retained earnings; and
- **Net debt** inclusive of the USPP hedge value decreased by $2.8M since March 2015 and increased $49.3M since September 2015, reflecting cash flow performance - Refer to page 10 for further details.

Balance Sheet	**Mar**	**Sep**	**Mar**
A$M	**2016**	**2015**	**2015**
Inventories	214.1	216.0	203.3
Trade debtors	235.6	253.2	229.5
Trade creditors	(158.1)	(214.8)	(163.8)
Total trade working capital [1]	291.6	254.4	269.0
Non trade debtors [3]	16.3	14.8	19.7
Deferred tax balances (net)	37.8	37.3	41.6
Property, plant & equipment	280.2	261.9	264.0
Intangible assets	229.3	232.1	221.7
Investments	6.7	6.3	5.9
Non trade creditors [4]	(54.3)	(52.8)	(45.3)
Defined benefit fund liability	(27.7)	(22.1)	(34.1)
Provision for income tax	(10.9)	(19.5)	(9.1)
Provisions (excluding tax)	(82.1)	(83.8)	(83.0)
Net debt inclusive of USPP hedge value	(326.2)	(276.9)	(329.0)
Other	(4.8)	(0.4)	(2.3)
Net Assets	**355.9**	**351.2**	**319.3**
TWC to rolling sales (point in time) %	17.1%	15.1%	16.4%
Rolling TWC to rolling sales %	15.7%	15.2%	15.3%

1. Trade working capital (TWC) – represents the net trade receivables portion of 'trade and other receivables' plus 'inventory', less the trade payables portion of 'trade and other payables', per the financial statements.
2. Rolling TWC to rolling sales – calculated as the 12 month rolling average of month end TWC balances divided by the most recent 12 months sales revenue. This figure is not directly extracted from the financial statements.
3. Non trade debtors – represents the 'other receivables' portion of 'trade and other receivables', and 'other assets', per the financial statements.
4. Non trade creditors – represents the 'other payables' portion of 'trade and other payables', per the financial statements.

Review of Operations (continued)

Cash Flow

Operating cash flow excluding non-recurring items was $28.2M, $10.3M lower than the pcp. The key drivers offsetting higher EBITDA were:

- **TWC movement** ($6.6M unfavourable compared to the pcp) – largely inventory-driven, as outlined in the Balance Sheet section on page 9; and
- **Income taxes paid** ($7.1M unfavourable compared to the pcp) – reflects higher taxable income in FY15 (paid in H1 2016) compared to FY14.

Key drivers of the remainder of the cash flow are:

- Investing cash outflows increased by $14.1M, due primarily to increased capital expenditure relating to the new paint factory ($17.4M) and the acquisition of the Western Australia garage doors business from Gliderol ($1.6M).

Cash conversion [4] excluding non-recurring items was 52%, a decline from 56% in the pcp, with lower maintenance capital expenditure partly compensating for the weaker TWC performance.

DuluxGroup operating cash flow is traditionally stronger in the second half and, given the various working capital improvement initiatives, we remain focused on delivering full year cash conversion at our target level of 80%+.

Statement of Cash Flows	**Half year ended 31 March**		
A$M	**2016**	**2015**	**% Change**
Operating cash flows excluding non-recurring items			
EBITDA	115.1	111.6	3.1%
Trade working capital movement	(41.3)	(34.7)	(19.0%)
Other	(6.6)	(5.3)	(24.5%)
Income taxes paid	(30.9)	(23.8)	(29.8%)
Net interest paid	(8.1)	(9.3)	12.9%
Operating cash flow excluding non-recurring items	**28.2**	**38.5**	(26.8%)
Non-recurring items	-	-	
Operating cash flow	**28.2**	**38.5**	(26.8%)
Net investing cash flows			
Capital expenditure [1]	(24.7)	(12.3)	(101%)
Acquisitions [2]	(1.6)	-	nm
Disposals [3]	0.1	0.1	0.0%
Investing cash flow	**(26.2)**	**(12.1)**	(117%)
Financing cash flow before debt movement	**(49.7)**	**(19.2)**	(159%)
Total cash flow before debt movement	**(47.7)**	**7.2**	(763%)
Cash conversion excluding non-recurring items [4]	**52%**	**56%**	

1. Capital expenditure – represents the 'payments for property, plant and equipment' and 'payments for intangible assets' per the financial statements.
2. Acquisitions – represents 'payments for purchase of businesses, net of cash acquired', net of 'proceeds from price adjustment on purchase of controlled entities'.
3. Disposals – represents 'proceeds from disposal of business' and 'proceeds from sale of property, plant and equipment'.
4. Cash conversion – is calculated as EBITDA excluding non-recurring items, add/less movement in trade working capital and other, less minor capital spend (capital expenditure less than $5.0M), as a percentage of EBITDA excluding non-recurring items.

Review of Operations (continued)

Segment Commentary – Paints and Coatings ANZ

EBIT of $82.6M excluding non-recurring items, up $3.9M or 5.0%.

Strong performance in Australia partially offset by weaker New Zealand.

Paints & Coatings ANZ	**Half year ended 31 March**		
A$M	**2016**	**2015**	**% Change**
Sales revenue	452.5	442.4	2.3%
EBITDA excluding non-recurring items	91.1	87.6	4.0%
EBIT excluding non-recurring items	82.6	78.7	5.0%
EBIT % Sales excluding non-recurring items	*18.3%*	*17.8%*	
Non-recurring items	-	(13.8)	

Sales revenue up $10.1M (+2.3%)

- Revenue grew ~4% in the Australian business and declined in New Zealand due to the H2 2015 exit from Mitre 10 New Zealand
- In Australia, revenue growth reflected share gains and modest price gains
  - The overall market outcome was broadly flat, with a short term correction in retail channels (refer below) offsetting strong growth in other markets such as new housing
  - Within the Australian decorative paint market:
    - The renovation and repaint market (~75% of market volume) declined ~7%, largely reflecting the sell-in to retail channels of cheap paint in the prior corresponding period (~8% market growth in H1 2015), the promotional sell-in of the new Wash & Wear range in the second half of 2015, and destocking activities in some retail channels in the current period. Excluding these impacts we estimate market demand was consistent with history, with positive ‘sales out’ performance led by Bunnings
    - New housing (~20% of market volume) grew at ~8%, reflecting growth in completions, and the commercial market (~5% of market volume) also grew at ~5%
  - The texture and powder coatings markets grew strongly (new housing driven)
  - The protective coatings market declined (soft construction and mining markets)
- Market share growth in Australia reflected the success of the new Dulux Wash & Wear product range, which has gained good traction in both retail and trade channels
- A positive selling price outcome reflected a stronger skew towards premium products
- In New Zealand sales were adversely impacted by the H2 2015 exit from Mitre 10, partially offset by share gains in the trade channel and with other retail partners. The NZ market grew slightly

EBIT growth of $3.9M (+5.0%) excluding non-recurring items

- Strong EBIT growth in Australia, reflecting the sales growth together with effective cost control, some of which was timing related (in anticipation of the NZ softness)
- Input costs increased in line with price outcomes
- EBIT declined in New Zealand, reflective of lower sales

Review of Operations (continued)

Outlook

- The fundamentals for the Australian business remain sound, with strengthening market share positions and good market demand. The potential closure of Masters and the cycling of the launch sell-in of Wash & Wear in late 2015 may have a minor impact on the market in the second half
- The outlook for input costs is similar to what was seen in the first half. Going forward we expect to revert to inflationary level input cost increases
- The sales and EBIT impact of the exit from Mitre 10 New Zealand has now largely flowed through the H2 2015 and H1 2016 results. Given this, we are targeting EBIT growth in New Zealand in the second half to achieve a broadly flat result for the FY16 year (noting that New Zealand represents ~10% of this segment's EBIT)
- Our expectation is that the first half EBIT margin improvement over the prior period (0.5% pts) will continue at a similar rate through the second half. The second half margin will be positively impacted by the expected EBIT recovery in New Zealand, partially offset by fixed cost timing within the Australian business

Review of Operations (continued)

Segment Commentary – Consumer and Construction Products ANZ

EBIT of $12.3M excluding non-recurring items, down $0.9M or 6.8%.

Selleys results were in line with record first half earnings delivered in the pcp and Parchem declined due to soft markets.

Consumer & Construction Products ANZ	**Half year ended 31 March**		
A$M	**2016**	**2015**	**% Change**
Sales revenue	125.7	132.6	(5.2%)
EBITDA excluding non-recurring items	13.9	15.0	(7.3%)
EBIT excluding non-recurring items	12.3	13.2	(6.8%)
EBIT % Sales excluding non-recurring items	*9.8%*	*10.0%*	
Non-recurring items	-	(3.2)	

Sales revenue down $6.9M (-5.2%)

- Selleys sales were in line with the prior period, in flat markets, largely due to destocking activities across the Woolworths hardware group, with growth achieved in other channels where combined sales grew ~3%
- Parchem sales were (as expected) adversely impacted by weak markets, particularly the resources infrastructure market in Australia, and the slowing of rebuilding activity in Christchurch

EBIT down $0.9M excluding non-recurring items (-6.8%)

- Selleys EBIT was flat, reflecting the sales outcome and good cost control
- Parchem profit declined by $0.9M, with the impact of the lower revenue largely offset by improved gross margins and the benefits of the cost reduction program undertaken in the second half of 2015. The business incurred $0.5M of one-off costs relating to the exit of tools manufacturing at Brunswick (now outsourced)

Outlook

- We are targeting second half EBIT improvement on the pcp for this segment. Revenue and margin initiatives across both businesses, together with the full year impact of the 2015 cost saving program in Parchem, are expected to more than offset continued weakness in infrastructure markets and any further Woolworths hardware group destocking

Review of Operations (continued)

Segment Commentary – Garage Doors and Openers

EBIT of $5.5M was flat.

Strong revenue growth offset by one-off costs.

Garage Doors & Openers	Half year ended 31 March		
A$M	2016	2015	% Change
Sales revenue	84.3	78.8	7.0%
EBITDA	8.8	8.8	0.0%
EBIT	5.5	5.5	0.0%
EBIT % Sales	*6.5%*	*7.0%*	

Sales revenue up $5.5M (+7.0%)

- Markets were largely positive, growing at ~3%, with new detached housing (45% of market and 35% of GDO) growing more strongly than the renovation market (45% of market and 50% of GDO)
- Share outcomes were neutral in the Eastern states, with good performance in both accredited dealers and new housing. The small acquisition of Gliderol's WA business during the half contributed to a positive share outcome in that market
- Modest price increases were achieved to offset input cost increases, especially in the openers business

EBIT flat at $5.5M

- Operating gross margins held, with price offsetting mild increases in input costs
- Profit was flat due to one-off costs relating to the centralisation of customer service centres from state based to a national centre (~$0.5M). Excluding this impact, EBIT grew ~9%

Outlook

- We remain positive on the sales, EBIT and strategic outlook for this business (heading into the seasonally stronger second half), given good sales momentum toward the end of the first half and cost reduction initiatives implemented early in the second half

Review of Operations (continued)

Segment Commentary – Cabinet and Architectural Hardware

EBIT of $5.0M, up $1.4M or 38.9%.

Strong revenue growth and impact of margin improvement initiatives.

Cabinet & Architectural Hardware	**Half year ended 31 March**		
A$M	**2016**	**2015**	**% Change**
Sales revenue	88.9	82.2	8.2%
EBITDA	6.2	4.8	29.2%
EBIT	5.0	3.6	38.9%
EBIT % Sales	*5.6%*	*4.4%*	

Sales revenue up $6.7M (+8.2%)

- Sales growth was led by the cabinet hardware business, in solid markets, primarily focused on the renovation of existing homes
- Positive price outcomes were consistent with supplier price increases together with improved pricing practices

EBIT growth of $1.4M (+38.9%)

- EBIT growth was driven by the flow through of the sales growth, together with fixed cost leverage, and margin improvement initiatives. The prior period also included a $0.3M one-off cost associated with the centralisation of customer service

Outlook

- The business remains well positioned for the second half

Review of Operations (continued)

Segment Commentary – Other businesses

EBIT of $7.3M, up $0.1M or 1.4%.

EBIT improvement in Yates, China and South East Asia largely offset by PNG decline due to weak economic conditions.

Other businesses	Half year ended 31 March		
A$M	2016	2015	% Change
Sales revenue	105.9	107.0	(1.0%)
EBITDA	8.7	8.9	(2.2%)
EBIT	7.3	7.2	1.4%
EBIT % Sales	*6.9%*	*6.7%*	

- **Yates ANZ** revenue declined modestly due to soft markets, driven by a relatively poor spring season. However, the business continued to grow share in its core premium branded categories, which supported EBIT growth for the period
- **DGL Camel** revenue grew in soft markets due to market share gains associated with the Camel Professional relaunch in Hong Kong and China. EBIT improved due to margin improvement initiatives
- The **South East Asian** business produced higher sales and EBIT largely driven by strong growth in Vietnam in particular
- The **PNG** business was significantly impacted by weaker economic conditions with sales and EBIT declining in local currency and Australian dollars. The strong market position of this business was maintained. The outlook for the PNG economy remains poor in the short term, with an expected return to growth when investment in major resources projects commence

Review of Operations (continued)

Non-recurring items

There were no non-recurring items in 2016.

The non-recurring items recognised in 2015 are outlined below:

Non-recurring items	**Half year ended 31 March**		
A$M	**EBIT**	**NPAT**	**Operating cash flow**
2016: Nil			
2015			
Rocklea restructuring provision	(8.7)	(6.1)	-
Distribution centres closure provision	(8.3)	(5.8)	-
Total	**(17.0)**	**(11.9)**	**-**

Please note that the cash flow utilisation of these provisions is as follows:

- The Distribution centres closure provision is expected to be largely utilised in H2 FY16
- The Rocklea restructuring provision is expected to be utilised in late FY17 and/or early FY18

Review of Operations (continued)

Supply Chain Investments

The two supply chain investment projects announced in March 2015, the NSW distribution centre and the new paint factory, remain on track. Once operational, both projects will deliver significant financial and operational benefits to the business.

NSW Distribution Centre
Significant progress has been made on the new distribution centre, which is being built and will be operated by Linfox to DuluxGroup specifications. Transition from the Selleys Moorebank and Dulux Padstow distribution centres will commence in July 2016. The distribution centre is on track to commence operations in the third quarter of calendar 2016.

New Paint Factory
The new paint factory remains on track to be delivered on time and budget. The forecast capital expenditure is $165M and net incremental expenditure is $130M (including capital savings and asset sales). Both of these figures are consistent with our previous disclosure.

Substantial progress has been made during the first half. All planning and building approvals have been obtained. Site works commenced in December 2015 and by the end of March, bulk earth works were largely complete and construction of the building had commenced. Key items of equipment have been ordered, with pricing agreed on items comprising approximately 50% of total project spend, and a further 25% in the final stages of review and / or negotiation. The project is on track for commissioning in mid-2017 and production in late calendar 2017.

During this reporting period, capital of $17.4M (cash) was spent on the new paint factory. A schedule outlining the estimated capital expenditure associated with the new paint factory, together with an outlook for other group capital expenditure follows:

DuluxGroup Capital Expenditure

A$M	**2015**	**2016**	**2017**	**2018**	**Total**
New Paint Factory [1]	5	60	75	25	165
Other Projects		20-25	20-30	20-30	
Total		**80-85**	**95-105**	**45-55**	

Acquisitions

Gliderol WA
In December 2015, DuluxGroup acquired Gliderol's Western Australian garage door and openers business for $1.6M. The rationale for the acquisition was to obtain a Western Australian sectional door line, and to increase WA market share (given B&D's share in WA has historically been lower than in other states). The agreement includes a non-compete clause from Gliderol in relation to the Western Australian market.

Munns
In April 2016, DuluxGroup acquired the Munns lawn care business for $3.5M. The acquisition expands the Yates brand portfolio in the lawn care segment and provides growth opportunities through Yates' more extensive sales and distribution network.

Both acquisitions are expected to be earnings accretive from FY17 and have solid payback profiles.

1. New paint factory capital expenditure includes capitalised interest.

Review of Operations (continued)

Outlook

Overall Outlook

Subject to economic conditions and excluding non-recurring items, we expect that 2016 net profit after tax will be higher than the 2015 equivalent of $124.7M.

Directors expect to maintain a dividend payout ratio on NPAT excluding non-recurring items of approximately 70% on a full year basis.

Markets

Our view of the market remains largely unchanged from the commentary provided at the Annual General Meeting in December 2015.

The key existing home segment exposure (~65%[1] of DuluxGroup revenue) is expected to continue providing resilient and profitable growth:

- 10 million existing dwellings in Australia, of which two thirds are detached homes
- 70% of these are more than 20 years old

The new housing construction market (~15%[1] of DuluxGroup revenue, late cycle) which has experienced strong growth over the past two years, is expected to remain strong throughout the 2016 financial year. Although housing approvals have peaked, the lag between approvals and completions should provide a strong pipeline of work. DuluxGroup businesses are strategically less geared to growth in this lower margin, more price competitive sector of the housing market.

The outlook for commercial and infrastructure markets (~15%[1] of DuluxGroup revenue) is expected to be subdued. In Australia, engineering construction projects are expected to continue declining over the next couple of years, particularly in the resources sector. Whilst the pipeline of public infrastructure projects is building, particularly in major urban transport, increased spending is not anticipated to translate into higher demand levels until calendar year 2017.

Growth rates in China and Hong Kong are expected to be relatively weak and the outlook for the PNG economy remains poor in the short term, with an expected return to growth when investment in major resources projects commence.

Outlook comments from the Business Segments

Paints & Coatings ANZ:

- The fundamentals for the Australian business remain sound, with strengthening market share positions and good market demand. The potential closure of Masters and the cycling of the launch sell-in of Wash & Wear in late 2015 may have a minor impact on the market in the second half
- The outlook for input costs is similar to what was seen in the first half. Going forward we expect to revert to inflationary level input cost increases
- The sales and EBIT impact of the exit from Mitre 10 New Zealand has now largely flowed through the H2 2015 and H1 2016 results. Given this, we are targeting EBIT growth in New Zealand in the second half to achieve a broadly flat result for the FY16 year (noting that New Zealand represents ~10% of this segment's EBIT)
- Our expectation is that the first half EBIT margin improvement over the prior period (0.5% pts) will continue at a similar rate through the second half. The second half margin will be positively impacted by the expected EBIT recovery in New Zealand, partially offset by fixed cost timing within the Australian business

1. Indicative revenue splits for DuluxGroup

Review of Operations (continued)

Consumer & Construction Products:

- We are targeting second half EBIT improvement on the pcp for this segment. Revenue and margin initiatives across both businesses, together with the full year impact of the 2015 cost saving program in Parchem, are expected to more than offset continued weakness in infrastructure markets and any further Woolworths hardware group destocking

Garage Doors & Openers:

- We remain positive on the sales, EBIT and strategic outlook for this business (heading into the seasonally stronger second half), given good sales momentum toward the end of the first half and cost reduction initiatives implemented early in the second half

Cabinet & Architectural Hardware:

- The business remains well positioned for the second half

Other:

- Corporate costs for the full year are expected to be ~$27M
- The effective tax rate in the second half is expected to revert to a range of 29-30%
- DuluxGroup operating cash flow is traditionally stronger in the second half and, given the various working capital improvement initiatives, we remain focused on delivering full year cash conversion at our target level of 80%+

Consolidated Income Statement

For the half year ended 31 March:

	Notes	**31 March 2016 $'000**	31 March 2015 $'000
Revenue		**851,111**	836,872
Other income	4	**687**	1,451
Expenses			
Changes in inventories of finished goods and work in progress		**1,738**	(821)
Raw materials and consumables used and finished goods purchased for resale		**343,856**	342,695
Employee benefits [1]		**192,786**	204,873
Depreciation and amortisation		**16,838**	17,566
Repairs and maintenance		**6,767**	6,009
Operating leases		**24,387**	24,945
Outgoing freight		**33,298**	34,339
Other expenses [1,2]		**134,225**	132,183
Share of net profit of equity accounted investment	6	**(385)**	(508)
		753,510	761,281
Earnings before interest and income tax expense (EBIT)		**98,288**	77,042
Finance income		**96**	176
Finance expenses		**(10,687)**	(10,968)
Net finance costs		**(10,591)**	(10,792)
Profit before income tax expense		**87,697**	66,250
Income tax expense	5	**(24,736)**	(17,891)
Profit for the half year		**62,961**	48,359
Attributable to:			
Ordinary shareholders of DuluxGroup Limited		**63,679**	49,468
Non-controlling interest in controlled entities		**(718)**	(1,109)
Profit for the half year		**62,961**	48,359

		Cents	Cents
Earnings per share			
Attributable to ordinary shareholders of DuluxGroup Limited:			
Basic earnings per share	3	**16.6**	13.0
Diluted earnings per share	3	**16.4**	12.8

The above consolidated income statement should be read in conjunction with the accompanying notes.

(1) Prior year comparative period includes restructuring costs relating to the two supply chain projects, which are reported as part of employee benefits expense ($15,918,000) and other expenses ($1,112,000). Refer to note 2 for further details.

(2) Largely comprises of advertising and marketing expenditure, commissions, royalties and other fixed and variable costs.

Consolidated Statement of Comprehensive Income

For the half year ended 31 March:

	31 March 2016 $'000	31 March 2015 $'000
Profit for the half year	**62,961**	48,359
Other comprehensive income		
Items that may be reclassified subsequently to the income statement		
Cash flow hedge reserve		
Effective portion of changes in fair value of cash flow hedges	**(3,680)**	(3,560)
Income tax expense	**1,104**	1,068
Foreign currency translation reserve		
Foreign currency translation (loss)/gain on foreign operations	**(5,546)**	11,703
Total items that may be reclassified subsequently to the income statement, net of tax	**(8,122)**	9,211
Items that will not be reclassified to the income statement		
Retained earnings		
Actuarial losses on defined benefit plan	**(4,700)**	(19,035)
Income tax benefit	**1,410**	5,711
Total items that will not be reclassified to the income statement, net of tax	**(3,290)**	(13,324)
Other comprehensive income for the half year, net of tax	**(11,412)**	(4,113)
Total comprehensive income for the half year	**51,549**	44,246
Attributable to:		
Ordinary shareholders of DuluxGroup Limited	**52,249**	45,131
Non-controlling interest in controlled entities	**(700)**	(885)
Total comprehensive income for the half year	**51,549**	44,246

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet

As at:

	Notes	**31 March 2016 $'000**	30 September 2015 $'000	31 March 2015 $'000
Current assets				
Cash and cash equivalents		**36,592**	46,270	41,225
Trade and other receivables		**239,188**	257,854	232,895
Inventories		**214,124**	216,036	203,322
Derivative financial assets		**2,619**	5,207	3,544
Other assets		**10,027**	7,085	12,776
Total current assets		**502,550**	532,452	493,762
Non-current assets				
Trade and other receivables		**263**	85	38
Derivative financial assets		**55,704**	70,026	49,579
Investment accounted for using the equity method	6	**6,727**	6,342	5,931
Property, plant and equipment		**280,237**	261,865	263,991
Intangible assets		**229,271**	232,129	221,724
Deferred tax assets		**52,773**	53,286	58,006
Other assets		**2,394**	2,924	3,453
Total non-current assets		**627,369**	626,657	602,722
Total assets		**1,129,919**	1,159,109	1,096,484
Current liabilities				
Trade and other payables		**212,065**	267,277	208,813
Interest-bearing liabilities		**10,678**	14,650	15,020
Derivative financial liabilities		**3,173**	1,271	1,216
Current tax liabilities		**10,935**	19,492	9,072
Provisions		**33,063**	33,573	23,082
Total current liabilities		**269,914**	336,263	257,203
Non-current liabilities				
Trade and other payables		**282**	276	285
Interest-bearing liabilities		**411,464**	381,558	407,356
Derivative financial liabilities		**616**	1,382	1,987
Deferred tax liabilities		**14,956**	16,035	16,359
Provisions		**49,062**	50,243	59,882
Defined benefit liability		**27,691**	22,107	34,075
Total non-current liabilities		**504,071**	471,601	519,944
Total liabilities		**773,985**	807,864	777,147
Net assets		**355,934**	351,245	319,337
Equity				
Share capital	9	**264,310**	256,483	252,234
Treasury shares	9	**(10,658)**	(159)	(159)
Reserves		**(92,604)**	(84,616)	(82,648)
Retained earnings[1]		**194,573**	178,524	148,864
Total equity attributable to ordinary shareholders of DuluxGroup Limited		**355,621**	350,232	318,291
Non-controlling interest in controlled entities		**313**	1,013	1,046
Total equity		**355,934**	351,245	319,337

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

(1) The retained earnings of the consolidated entity includes the profits reserve of the parent entity, DuluxGroup Limited.

Consolidated Statement of Changes in Equity

For the half year ended 31 March 2016:

	Total equity attributable to ordinary shareholders of DuluxGroup Limited									
	Share capital $'000	Treasury shares $'000	Share-based payments reserve $'000	Cash flow hedge reserve $'000	Foreign currency translation reserve $'000	Common control reserve $'000	Retained earnings $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 October 2015	**256,483**	**(159)**	**7,444**	**(824)**	**6,466**	**(97,702)**	**178,524**	**350,232**	**1,013**	**351,245**
Profit for the half year	**-**	**-**	**-**	**-**	**-**	**-**	**63,679**	**63,679**	**(718)**	**62,961**
Other comprehensive income, net of tax	**-**	**-**	**-**	**(2,576)**	**(5,564)**	**-**	**(3,290)**	**(11,430)**	**18**	**(11,412)**
Total comprehensive income for the half year	**-**	**-**	**-**	**(2,576)**	**(5,564)**	**-**	**60,389**	**52,249**	**(700)**	**51,549**
Transactions with owners, recorded directly in equity										
Purchase of treasury shares	**-**	**(13,803)**	**-**	**-**	**-**	**-**	**-**	**(13,803)**	**-**	**(13,803)**
Shares allocated under the DuluxGroup dividend reinvestment plan	**-**	**3,113**	**-**	**-**	**-**	**-**	**-**	**3,113**	**-**	**3,113**
Sale of treasury shares	**-**	**32**	**-**	**-**	**-**	**-**	**-**	**32**	**-**	**32**
Share-based payments	**-**	**-**	**2,354**	**-**	**-**	**-**	**-**	**2,354**	**-**	**2,354**
Shares vested under the LTEIP and ESIP[(1)]	**7,827**	**159**	**(2,202)**	**-**	**-**	**-**	**-**	**5,784**	**-**	**5,784**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**-**	**(44,340)**	**(44,340)**	**-**	**(44,340)**
Balance at 31 March 2016	**264,310**	**(10,658)**	**7,596**	**(3,400)**	**902**	**(97,702)**	**194,573**	**355,621**	**313**	**355,934**

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

(1) The total amount of $5,784,000 comprises the following:

- Proceeds of $4,795,000 (being the net loan repayable after taking account of debt repaid via dividends and any loan forgiveness) were received as repayment for shares vested under the 2012 LTEIP.
- Amounts totalling $989,000 were applied as settlement for shares vested under the ESIP. Under the ESIP, proceeds collected from employees by way of a salary sacrifice are recognised by DuluxGroup as a liability until such time as an employee has the right to on-sell the shares, at which time the amount is recognised in contributed equity.

Consolidated Statement of Changes in Equity (continued)

For the half year ended 31 March 2015:

	Total equity attributable to ordinary shareholders of DuluxGroup Limited									
	Share capital $'000	Treasury shares $'000	Share-based payments reserve $'000	Cash flow hedge reserve $'000	Foreign currency translation reserve $'000	Common control reserve $'000	Retained earnings $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 October 2014	236,114	(7,625)	6,554	(1,065)	816	(97,702)	152,638	289,730	1,931	291,661
Profit for the half year	-	-	-	-	-	-	49,468	49,468	(1,109)	48,359
Other comprehensive income, net of tax	-	-	-	(2,492)	11,479	-	(13,324)	(4,337)	224	(4,113)
Total comprehensive income for the half year	-	-	-	(2,492)	11,479	-	36,144	45,131	(885)	44,246
Transactions with owners, recorded directly in equity										
Shares issued under the DuluxGroup dividend reinvestment plan	16,393	-	-	-	-	-	-	16,393	-	16,393
Share-based payments	-	-	2,416	-	-	-	-	2,416	-	2,416
Shares vested under the LTEIP and ESIP(1)	(273)	7,466	(2,654)	-	-	-	-	4,539	-	4,539
Dividends paid	-	-	-	-	-	-	(39,918)	(39,918)	-	(39,918)
Balance at 31 March 2015	252,234	(159)	6,316	(3,557)	12,295	(97,702)	148,864	318,291	1,046	319,337

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

(1) The total amount of $4,539,000 comprises the following:

- Proceeds of $3,910,000 (being the net loan repayable after taking account of debt repaid via dividends and any loan forgiveness) were received as repayment for shares vested under the 2011 LTEIP.
- Amounts totalling $629,000 were applied as settlement for shares vested under the ESIP. Under the ESIP, proceeds collected from employees by way of a salary sacrifice are recognised by DuluxGroup as a liability until such time as an employee has the right to on-sell the shares, at which time the amount is recognised in contributed equity.

Consolidated Statement of Cash Flows

For the half year ended 31 March:

	31 March 2016 $'000	31 March 2015 $'000
Cash flows from operating activities		
Profit for the half year	**62,961**	48,359
Depreciation and amortisation	**16,838**	17,566
Restructuring provisions	**(208)**	17,030
Share-based payments expense	**2,354**	2,416
Defined benefit service cost	**2,483**	2,278
Defined benefit interest cost	**414**	235
Unwind of discounting	**1,650**	491
Share of net profit of equity accounted investment	**(385)**	(508)
Impairment of inventories	**1,506**	949
Impairment of trade and other receivables	**508**	1,617
Net loss on sale of property, plant and equipment	**271**	140
Net foreign exchange gains on operating items	**(111)**	(73)
Amortisation of prepaid loan establishment fees	**530**	650
Operating cash flows before changes in working capital and provisions	**88,811**	91,150
Decrease/(increase) in trade and other receivables	**15,428**	(1,566)
Increase in inventories	**(1,521)**	(532)
Increase in other assets	**(2,560)**	(5,588)
Increase/(decrease) in deferred taxes	**2,080**	(3,506)
Decrease in trade and other payables and provisions	**(65,748)**	(39,061)
Decrease in current tax liabilities	**(8,271)**	(2,363)
Net cash inflow from operating activities	**28,219**	38,534
Cash flows from investing activities		
Payments for property, plant and equipment	**(23,601)**	(12,001)
Payments for intangible assets	**(1,086)**	(251)
Payments for purchase of businesses, net of cash acquired(1)	**(1,599)**	-
Proceeds from sale of property, plant and equipment	**68**	139
Net cash outflow from investing activities	**(26,218)**	(12,113)
Cash flows from financing activities		
Proceeds from short term borrowings	**775**	15,259
Repayments of short term borrowings	**(3,444)**	(16,353)
Proceeds from long term borrowings	**813,000**	775,000
Repayments of long term borrowings	**(770,000)**	(775,398)
Payments for purchase of treasury shares	**(13,803)**	-
Proceeds from sale of treasury shares	**32**	-
Proceeds from employee share plan repayments	**5,271**	4,370
Dividends paid (net of shares allocated/issued as part of DuluxGroup's dividend reinvestment plan)	**(41,245)**	(23,525)
Net cash outflow from financing activities	**(9,414)**	(20,647)
Net (decrease)/increase in cash held	**(7,413)**	5,774
Cash at the beginning of the half year	**46,270**	35,118
Effects of exchange rate changes on cash	**(2,265)**	333
Cash at the end of the half year	**36,592**	41,225
Supplementary information		
Interest received	**96**	176
Interest paid	**(8,221)**	(9,505)
Income taxes paid	**(30,926)**	(23,760)

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

(1) On 16 November 2015, the Group entered into an arrangement to acquire Gilderol's Western Australian garage doors and openers business for a cash consideration of $1,599,000.

Notes to the Half Year Report

1 Accounting policies

DuluxGroup Limited (the 'Company') is a company domiciled in Australia. The significant accounting policies adopted in preparing the consolidated financial statements of DuluxGroup Limited and of its controlled entities (collectively 'the consolidated entity' or 'the Group' or 'DuluxGroup') are stated below to assist in a general understanding of this financial report.

Except as described below, the accounting policies and methods of computation applied by the Group in this Half Year Report are the same as those applied by DuluxGroup Limited in its consolidated financial statements for the year ended 30 September 2015.

a. Basis of preparation

This general purpose financial report for the half year reporting period ended 31 March 2016 ('Financial Report') has been prepared in accordance with the requirements of applicable Australian Accounting Standards including AASB 134 *Interim Financial Reporting*, Australian Interpretations and the *Corporations Act 2001*.

The Financial Report was approved by the Board of Directors on 17 May 2016 and is presented in Australian dollars, which is DuluxGroup Limited's functional and presentation currency. The Financial Report has been prepared on a historical cost basis, except for derivative financial instruments, investments in financial assets (other than controlled entities and joint ventures) and defined benefit obligations which have been measured at fair value.

The Financial Report does not include all of the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 September 2015 prepared under Australian Accounting Standards including Australian Interpretations and the *Corporations Act 2001*, changes in accounting policies for the requirements summarised below and any public announcements made by the Company during the half year reporting period ended 31 March 2016 in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

DuluxGroup has adopted the following new and amended accounting standards.

Reference	Title	Application
AASB 2015-9	Amendments to Australian Accounting Standards - Scope and Application Paragraphs [AASB 8, AASB 133 & AASB 1057]	1 Oct 2015
AASB 2015-10	Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128	1 Oct 2015

The adoption of these standards did not have a significant impact on the consolidated financial statements and has impacted disclosures only.

Issued but not yet effective

The following Australian Accounting Standards have recently been issued or amended but are not yet effective and have not been adopted for this half year reporting period. Other than the implications of AASB 16 *Leases* outlined below, these standards are not expected to have a material impact on the Group's financial position and performance. However, increased disclosures will be required in the Group's financial statements.

Reference	Title	Application
AASB 2015-8	Amendments to Australian Accounting Standards - Effective Date of AASB 15	1 Jan 2017
AASB 2016-1	Amendments to Australian Accounting Standards- Recognition of Deferred Tax Assets for Unrealised Losses	1 Jan 2017
AASB 2016-2	Amendments to Australian Accounting Standards- Disclosure Initiative: Amendments to AASB 107	1 Jan 2017
AASB 15	Revenue from Contracts with Customers	1 Jan 2018
AASB 2014-5	Amendments to Australian Accounting Standards arising from AASB 15	1 Jan 2018
AASB 16	Leases	1 Jan 2019

AASB 16 Leases

AASB 16 *Leases* was released in February 2016 by the Australian Accounting Standards Board. AASB 16 requires companies to bring on-balance sheet most leases, in particular those leases previously classified as operating leases under the previous standard, by recognising a right-of-use asset and a lease liability. As a result there is likely to be changes to the timing, amounts and nature of items recognised in the consolidated income statement. The new standard is mandatory for the annual reporting periods beginning after 1 January 2019, but may in some circumstances be early adopted. The Group is yet to assess the impact of this standard on its financial statements and would expect to make a more detailed assessment of the effect over the next 12 months.

Notes to the Half Year Report (continued)

2 Segment report

The operating segments are reported in a manner which is consistent with the internal reporting provided to the Chief Operating Decision Maker. The Chief Operating Decision Maker has been identified as the Managing Director and Chief Executive Officer.

The major products and services from which DuluxGroup's segments derive revenue are:

Defined reportable segments	**Products/services**
Paints and Coatings Australia & New Zealand (ANZ)	Dulux decorative paints, woodcare, texture, protective, powder and industrial coatings in Australia and New Zealand for both consumer and professional trade markets.
Consumer & Construction Products ANZ	Selleys adhesives, sealants and other household repair and maintenance products for the consumer and professional trade markets; and Parchem construction chemicals, decorative concrete solutions and related equipment in Australia and New Zealand.
Garage Doors & Openers	B&D garage doors and electronic openers for residential, commercial and industrial use in Australia and New Zealand.
Cabinet & Architectural Hardware	Lincoln Sentry, a specialist trade distributor of premium branded cabinet hardware and architectural hardware to the cabinet making industry, and the window, door and glazing industries in Australia.
Other businesses	Yates garden care and home improvement products in Australia and New Zealand, South East Asia specialty coatings and adhesives businesses, and Papua New Guinea coatings business. Also includes the 51%-owned DGL Camel business in China and Hong Kong.

Notes to the Half Year Report (continued)

2 Segment report (continued)

Reportable segments 31 March 2016 $'000	Paints & Coatings ANZ	Consumer & Construction Products ANZ	Garage Doors & Openers	Cabinet & Architectural Hardware	Other businesses	Total reportable segments	Unallocated [1]	Consolidated
Revenue								
External revenue	**450,737**	**121,772**	**84,325**	**88,836**	**105,441**	**851,111**	**-**	**851,111**
Inter-segment revenue	**1,769**	**3,885**	**-**	**30**	**495**	**6,179**	**(6,179)**	**-**
Total revenue	**452,506**	**125,657**	**84,325**	**88,866**	**105,936**	**857,290**	**(6,179)**	**851,111**
Other income	**492**	**86**	**22**	**1**	**379**	**980**	**(293)**	**687**
Total revenue and other income	**452,998**	**125,743**	**84,347**	**88,867**	**106,315**	**858,270**	**(6,472)**	**851,798**
Results								
EBITDA[2]	**91,087**	**13,923**	**8,803**	**6,183**	**8,738**	**128,734**	**(13,608)**	**115,126**
Depreciation and amortisation	**(8,490)**	**(1,655)**	**(3,298)**	**(1,150)**	**(1,460)**	**(16,053)**	**(785)**	**(16,838)**
EBIT	**82,597**	**12,268**	**5,505**	**5,033**	**7,278**	**112,681**	**(14,393)**	**98,288**
Finance income								**96**
Finance expenses								**(10,687)**
Profit before income tax expense								**87,697**
Income tax expense								**(24,736)**
Profit for the half year								**62,961**
Investment accounted for using the equity method	**-**	**-**	**-**	**-**	**6,727**	**6,727**	**-**	**6,727**
Acquisitions of property, plant and equipment and intangible assets	**28,687**	**1,025**	**1,171**	**129**	**1,529**	**32,541**	**-**	**32,541**
Share-based payments expense	**581**	**72**	**71**	**48**	**17**	**789**	**1,565**	**2,354**
Share of net profit of equity accounted investment	**-**	**-**	**-**	**-**	**385**	**385**	**-**	**385**

(1) Comprises of centrally managed income and costs relating to properties, tax, treasury and the Group's defined benefit pension plan.
(2) Earnings before interest, income tax expense, depreciation and amortisation.

Notes to the Half Year Report (continued)

2 Segment report (continued)

Reportable segments 31 March 2015 $'000	Paints & Coatings ANZ	Consumer & Construction Products ANZ	Garage Doors & Openers	Cabinet & Architectural Hardware	Other businesses	Total reportable segments	Unallocated [1]	Consolidated
Revenue								
External revenue	440,897	128,317	78,823	82,156	106,679	836,872	-	836,872
Inter-segment revenue	1,521	4,239	-	30	281	6,071	(6,071)	-
Total revenue	442,418	132,556	78,823	82,186	106,960	842,943	(6,071)	836,872
Other income	806	106	21	-	230	1,163	288	1,451
Total revenue and other income	443,224	132,662	78,844	82,186	107,190	844,106	(5,783)	838,323
Results								
EBITDA excluding non-recurring items [2]	87,561	15,017	8,804	4,800	8,918	125,100	(13,462)	111,638
Depreciation and amortisation	(8,862)	(1,817)	(3,313)	(1,234)	(1,675)	(16,901)	(665)	(17,566)
EBIT excluding non-recurring items	78,699	13,200	5,491	3,566	7,243	108,199	(14,127)	94,072
Non-recurring items [3]	(13,813)	(3,217)	-	-	-	(17,030)	-	(17,030)
EBIT								77,042
Finance income								176
Finance expense								(10,968)
Profit before income tax expense								66,250
Income tax expense								(17,891)
Profit for the half year								48,359
Investment accounted for using the equity method	-	-	-	-	5,931	5,931	-	5,931
Acquisitions of property, plant and equipment and intangible assets	7,945	916	1,273	405	829	11,368	-	11,368
Share-based payments expense	486	156	114	48	39	843	1,573	2,416
Share of net profit of equity accounted investment	-	-	-	-	508	508	-	508

(1) Comprises of centrally managed income and costs relating to properties, tax, treasury and the Group's defined benefit pension plan.
(2) Earnings before interest, income tax expense, depreciation and amortisation after excluding the items explained in footnote 3 below.
(3) Comprises of restructuring costs relating to supply chain projects totalling $17,030,000. These projects are: the construction of a new paint factory in Melbourne which is due for completion in 2017 and will result in reduced activity at the Rocklea manufacturing site; and establishment of a new distribution centre in Sydney which is due to be operational later in 2016 and will result in the closure of the two existing distribution centres operated by the Group. Further details are available in the Group's annual report for the year ended 30 September 2015.

Notes to the Half Year Report (continued)

3 Earnings per share (EPS)

As reported in the consolidated income statement	**31 March 2016 Cents per share**	31 March 2015 Cents per share
Total attributable to ordinary shareholders of DuluxGroup Limited		
Basic earnings per share	**16.6**	13.0
Diluted earnings per share	**16.4**	12.8
	$'000	$'000
Earnings used in the calculation of basic and diluted earnings per share		
Profit for the half year attributable to ordinary shareholders of DuluxGroup Limited	**63,679**	49,468
	Number	Number
Weighted average number of ordinary shares outstanding used as the denominator:		
Number for basic earnings per share	**382,515,512**	379,123,262
Effect of the potential vesting of shares under the LTEIP and ESIP(1)	**5,411,581**	6,992,698
Number for diluted earnings per share	**387,927,093**	386,115,960

(1) The calculation of the weighted average number of shares has been adjusted for the effect of these potential ordinary shares from the earlier of the date of issue or the beginning of the half year.

4 Other income

	31 March 2016 $'000	31 March 2015 $'000
Royalty income	**293**	578
Rental income	**224**	241
Other	**170**	632
	687	1,451

5 Income tax expense

The current period tax expense of $24,736,000 (2015: $17,891,000) represents an effective tax rate of 28.2% (2015: 27.0%). The current and prior corresponding period effective tax rates are below the Australian company tax rate of 30% primarily as a result of non-assessable income and income in offshore jurisdictions that have lower corporate tax rates.

6 Investment accounted for using the equity method

The consolidated entity has an interest in the following joint venture arrangement:

	31 March 2016 $'000	31 March 2015 $'000
Pinegro Products Pty Ltd		
Percentage of ownership interest held(1)	**50%**	50%
Opening balance	**6,342**	5,423
Contribution to net profit	**385**	508
Closing Balance	**6,727**	5,931

(1) Acquired on 1 December 2009 and incorporated on 10 April 1979.

Notes to the Half Year Report (continued)

7 Intangible assets

Allocation of goodwill and intangible assets with indefinite useful lives

The allocation of goodwill and brand names with indefinite lives to cash-generating units is as follows:

	Goodwill		Brand Names	
	31 March 2016 $'000	30 September 2015 $'000	**31 March 2016 $'000**	30 September 2015 $'000
Paints Australia	**29,078**	29,078	**26,900**	26,900
Consumer and Construction Products ANZ	**43,277**	43,280	**3,400**	3,400
Yates ANZ	**8,139**	8,143	**14,858**	14,858
Garage Doors and Openers	**39,535**	39,466	**15,000**	15,000
Cabinet and Architectural Hardware	**18,193**	18,193	**2,400**	2,400
	138,222	138,160	**62,558**	62,558

The review for impairment at 31 March 2016 did not result in impairment charges being recognised by DuluxGroup.

8 Impairment testing

At the end of each half year reporting period, a review is undertaken to determine whether there is an indicator that a cash-generating unit (CGU) or asset may be impaired. This review takes account of both internal and external sources of information, and reviews the performance of each CGU or asset against expectations, considers changes in market value and discount rates.

As at 31 March 2016, results of the impairment testing for assets did not result in any impairment being identified. For all CGUs apart from Parchem Australia, a reasonable possible change in these inputs would not cause the recoverable amount to be below their respective carrying amount.

For the Parchem Australia CGU the market outlook remains challenging, observable market data around transaction multiples for similar businesses has reduced, and trading conditions for the business continues to be weaker than expected. The recoverable amount as determined using a discounted cash flow model prepared under a value-in-use based approach is particularly sensitive to sales revenue growth in the forecast period. In the absence of any new initiatives or strategies that the business may implement, an average compound annual growth in sales revenue of 4.6% during the forecast period has been applied and a 1.5% reduction to that rate will result in the recoverable amount being equal to carrying value.

9 Contributed equity

Movements in fully paid ordinary shares on issue since 1 October 2015 were as follows:

	Ordinary shares		**Treasury shares**		**Total contributed equity**	
Details	**Number of shares**	**2016 $'000**	**Number of shares**	**2016 $'000**	**Number of shares**	**2016 $'000**
Balance at 1 October 2015	389,250,252	256,483	(54,646)	(159)	389,195,606	256,324
Purchase of treasury shares	-	-	(2,184,988)	(13,803)	(2,184,988)	(13,803)
Shares allocated under the DuluxGroup dividend reinvestment plan (DRP)[1]	-	-	493,925	3,113	493,925	3,113
Sale of treasury shares	-	-	5,103	32	5,103	32
Shares vested under the LTEIP and ESIP	-	7,827	54,646	159	54,646	7,986
Balance at 31 March 2016	**389,250,252**	**264,310**	**(1,685,960)**	**(10,658)**	**387,564,292**	**253,652**

(1) The Company has established a DRP under which holders of ordinary shares may be able to elect to have all or part of their dividend entitlements satisfied by the issue of new fully paid ordinary shares or shares purchased on-market.

Notes to the Half Year Report (continued)

9 Contributed equity (continued)

a) Shares issued to subsidiaries

The Group has formed a trust to administer the Group's employee share schemes.

Shares held by the trust for the purpose of the employee share schemes are either recognised as treasury shares if they were originally purchased on-market, or where new ordinary share capital is issued to the trust and continues to be held at balance date, this ordinary share capital is not recognised in contributed equity on consolidation.

Movements in shares held by the trust since 1 October 2015 are as follows:

	Number of shares		
Details	**Issued ordinary capital**	**Treasury**	**Total**
Balance at 1 October 2015	7,267,723	54,646	7,322,369
Shares purchased under the 2015 LTEIP	-	1,685,960	1,685,960
Shares vested under the LTEIP and ESIP	(2,296,791)	(54,646)	(2,351,437)
Balance at 31 March 2016	**4,970,932**	**1,685,960**	**6,656,892**

In the event that all shares held by the trust vest in full with no debt forgiveness, the maximum outstanding proceeds expected to be received from employee share plan repayments is $32,771,000**.**

10 Dividends

	31 March 2016 $'000	31 March 2015 $'000
Dividends paid		
Final dividend for 2015 of 11.5 cents per share fully franked (2014: Final dividend of 10.5 cents per share fully franked)	**44,340**	39,918

a) Dividends declared after balance date

Details of the final dividend declared since balance date is set out in note 12.

11 Capital expenditure commitments

Capital expenditure as at 31 March 2016 on property and plant and equipment contracted but not provided for and payable was $31,709,000 (30 September 2015: $14,840,000).

12 Events subsequent to balance date

On 18 April 2016, DuluxGroup acquired the Munns lawn care business for $3,500,000.

On 11 May 2016, DuluxGroup extended Tranche C ($150,000,000) of its $400,000,000 unsecured multi-currency syndicated bank loan facility for three years from 8 November 2016 to 8 November 2019. The terms and conditions of the facility remain largely unchanged.

On 17 May 2016, the Directors determined that an interim dividend of 11.5 cents per ordinary share will be paid in respect of the 2016 financial year. The dividend will be fully franked and payable on 10 June 2016. The financial effect of this dividend is not included in the financial statements for the half year ended 31 March 2016 and will be recognised in the 2016 annual financial statements.

The Company's DRP will operate with respect to the interim dividend. The DRP pricing period will be the five trading days from 26 May 2016 to 1 June 2016 inclusive. Ordinary shares issued under the DRP will rank equally with all other ordinary shares.

The Directors have not become aware of any other significant matter or circumstance that has arisen since 31 March 2016, that has affected or may affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent years, which has not been covered in this report.

Directors' Declaration

In the Directors' opinion:

(a) the financial statements and the notes set out on pages 21 to 33 are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair value of the consolidated entity's financial position as at 31 March 2016 and of its performance for the half year ended on that date; and

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

(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.

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

Peter M. Kirby
Chairman

Melbourne

17 May 2016

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of DuluxGroup Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 March 2016 there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

Gordon Sangster
Partner

Melbourne

17 May 2016

Independent auditor's review report to the members of DuluxGroup Limited

Report on the financial report

We have reviewed the accompanying half-year financial report of DuluxGroup Limited ("the Company"), which comprises the consolidated balance sheet as at 31 March 2016, consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year period ended on that date, notes 1 to 12 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company 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 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 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 Group's financial position as at 31 March 2016 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of DuluxGroup 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*.

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 DuluxGroup Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 March 2016 and of its performance for the half-year ended on that date; and

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

KPMG

Gordon Sangster
Partner

James Dent
Partner

Melbourne

17 May 2016