DULUXGROUP LIMITED

Appendix 4D
Half Year Report
For the half year ended 31 March 2015

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 18, 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 2015 $'000	31 March 2014 $'000	Change $'000	Change %
Consolidated revenue from operations	836,872	804,455	32,417	4.0%
Profit for the period attributable to ordinary shareholders of DuluxGroup Limited	49,468	59,997	(10,529)	(17.5)%
Profit for the period attributable to ordinary shareholders of DuluxGroup Limited, before non-recurring items[1]	61,389	56,147	5,242	9.3%

[1] Represents net profit after tax, excluding the non-recurring items 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 29 May 2015; payment date 19 June 2015)	11.0	11.0
Interim dividend on ordinary shares for the previous corresponding period	10.0	10.0

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 2015.

Explanation of Results

Please refer to 'Review of Operations' contained on pages 6 to 18 for an explanation of the results.

Other Information

	31 March 2015 Cents	30 September 2014 Cents
Net tangible assets backing per ordinary security	25.12	17.40

Half Year Report

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 2015 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, Chief Financial Officer and Executive Director
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 2015, the results of those operations and the financial position of the consolidated entity is contained on pages 6 to 18.

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 34.

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
18 May 2015

Review of Operations

Result Summary

- **Sales revenue** of $836.9M increased by $32.4M (+4.0%) on the prior year corresponding period ('pcp').
- **EBIT** [3] of $77.0M, decreased by 18.0%. Excluding non-recurring items, EBIT was $94.1M, an increase of $3.3M (+3.6%) on the pcp. The non-recurring items in the first half were restructuring provisions associated with the supply chain investments (building a new state-of-the-art paint factory in Melbourne and establishing a new third party operated distribution centre in NSW) that were announced in March 2015.
- **Net profit after tax (NPAT)** [5] was $49.5M, a decrease of 17.5%. NPAT before non-recurring items [6] was $61.4M, an increase of 9.3% over the pcp equivalent of $56.1M.
- **Operating cash flow** was $38.5M, an increase of 112.7%. Excluding non-recurring items (which impacted the pcp cash flow), operating cash flow increased 6.9%.
- **Net debt to EBITDA** [8,9] ended the period at 1.48 times, which represents an improvement from 1.53 times at 30 September 2014.
- An **interim dividend** of 11.0 cents per share, fully franked, an increase of 10.0% on the pcp.

Results [1]	**Half year ended 31 March**		
A$M	**2015 Actual**	**2014 Actual**	**% Change**
Sales revenue	836.9	804.5	4.0%
EBITDA [2]	94.6	110.6	(14.5%)
EBIT [3]	**77.0**	**93.9**	**(18.0%)**
EBIT before non-recurring items [4]	*94.1*	*90.8*	*3.6%*
Net interest expense	(10.8)	(12.9)	16.3%
Tax expense	(17.9)	(21.7)	17.5%
Non-controlling interests	1.1	0.6	83.3%
Net profit after tax (NPAT) [5]	**49.5**	**60.0**	**(17.5%)**
NPAT before non-recurring items [6]	*61.4*	*56.1*	*9.3%*
Operating cash flow	38.5	18.1	112.7%
Operating cash flow before non-recurring items [7]	*38.5*	*36.0*	*6.9%*
Net debt [8] (closing)	381.2	391.6	2.7%
Net debt inclusive of USPP hedge value [9]	329.0	391.6	16.0%
Net debt to EBITDA [9]	1.48	1.89	21.7%
Diluted earnings per ordinary share (EPS) (cents)	12.8	15.8	(19.0%)
Diluted EPS before non-recurring items (cents) [10]	*15.9*	*14.8*	*7.4%*
Interim dividend per share (cents)	11.0	10.0	10.0%

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

1. Other than as indicated in subsequent footnotes, the financial information contained in this document is directly extracted or calculated from the Financial Statements included in the Half Year Report which has been subject to review.
2. EBITDA – represents 'Profit from operations' plus 'depreciation and amortisation expense' per the half year financial statements.
3. EBIT – the equivalent of 'Profit from operations' per the half year financial statements.
4. EBIT before non-recurring items – represents 'profit from operations', excluding the non-recurring items outlined on page 17. Directors believe that the result excluding these items provides a better basis for comparison from period to period.
5. Net profit after tax (NPAT) – represents 'Profit for the half year attributable to ordinary shareholders of DuluxGroup Limited'.
6. NPAT before non-recurring items – represents NPAT, excluding the non-recurring items per page 17. Directors believe that the result excluding these items provides a better basis for comparison from period to period.
7. Operating cash flow before non-recurring items – the equivalent of 'Net cash inflow from operating activities' per the half year financial statements, less the cash component of the non-recurring items outlined on page 17.
8. Net debt – represents 'interest bearing liabilities' less 'cash and cash equivalents'.
9. 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.
10. Diluted EPS before non-recurring items – represents EPS adjusted for the non-recurring items outlined on page 17.

Review of Operations (continued)

Result by Segment

Key components of the result include:

- Business EBIT growth of 6.0% before Corporate costs.
- Continued growth from Paints and Coatings ANZ in relatively strong markets. The sales and EBIT margin result was positively impacted by the timing of Easter (early April compared to late April in pcp), with sales 'in' to retail channels occurring during the half.
- The Consumer and Construction Products ANZ result reflects growth from Selleys offset by revenue and EBIT decline in Parchem (soft infrastructure market and poor Equipment result).
- The Garage Doors and Openers (GDO) result reflects transitional impacts associated with the launch of the new product range in late 2014 and implementation of the dealer distribution strategy.
- Continued revenue growth from Cabinet and Architectural Hardware, with margins slightly impacted by customer service centralisation restructuring costs.
- EBIT growth in Other Businesses due to Yates revenue growth, China margin improvement and Papua New Guinea (PNG) foreign exchange translation benefit.
- Corporate was adversely impacted by an increased long service leave provision due to lower bond rates, with underlying costs within expectations.

Sales and EBIT by segment	**Half year ended 31 March**		
A$M	**2015 Actual**	**2014 Actual**	**% Change**
Sales revenue			
Paints & Coatings ANZ	442.4	416.7	6.2%
Consumer & Construction Products ANZ	132.6	133.1	(0.4%)
Garage Doors & Openers	78.8	81.0	(2.7%)
Cabinet & Architectural Hardware	82.2	76.8	7.0%
Other businesses	107.0	102.3	4.6%
Eliminations	(6.1)	(5.6)	(8.9%)
Total sales revenue	**836.9**	**804.5**	**4.0%**
EBIT, before non-recurring items			
Paints & Coatings ANZ	78.7	72.2	9.0%
Consumer & Construction Products ANZ	13.2	13.1	0.8%
Garage Doors & Openers	5.5	7.5	(26.7%)
Cabinet & Architectural Hardware	3.6	3.4	5.9%
Other businesses	7.2	5.9	22.0%
Business EBIT	**108.2**	**102.1**	**6.0%**
Corporate	(14.1)	(11.4)	(23.7%)
Total EBIT, before non-recurring items	**94.1**	**90.8**	**3.6%**

Further discussion on the results of the segments follows from page 12.

Review of Operations (continued)

Supply Chain Investments

In March 2015, two significant supply chain investments were announced:

- The construction of a new state-of-the-art factory in Melbourne to manufacture water-based decorative paint ('new paint factory'); and
- The establishment of a new third party operated distribution centre, to replace two existing distribution centres ('new distribution centre').

These projects are summarised below. Please refer to the Company's ASX announcement on 17 March 2015 for further background information on both projects, including details on the timing of expenditure and financial returns.

New paint factory

The new paint factory will produce almost all of Dulux Australia's water-based decorative paints, which are currently manufactured at the Rocklea factory in Queensland. The Rocklea site will be retained, but will operate at a reduced manning level, focusing on the production of solvent-based decorative paint products.

It is expected that the new paint factory will cost approximately $165M, though after taking account of capital expenditure savings at Rocklea and elsewhere in DuluxGroup, together with the expected sale of the Glen Waverley site, the net expenditure will be approximately $130M, spread over the next three years. The project is targeting completion in late calendar 2017.

The reduced activity at Rocklea will unfortunately result in some redundancies, and a provision of $8.7M (pre-tax) has been recognised (refer page 17 for further details).

This investment will deliver significant financial and operational benefits to the business.

New distribution centre

A new distribution centre will be established in Sydney to replace Dulux's NSW distribution centre at Padstow and Selleys' national distribution centre at Moorebank, NSW, both of which are currently operated by DuluxGroup. The new distribution centre will be built, owned and operated by Linfox, and is scheduled to be operational in mid to late 2016.

The key driver of this change is the significant growth in volume for both Dulux and Selleys over recent years, with both businesses now having outgrown their current distribution centres.

The closure of our existing distribution centres will unfortunately result in the redundancy of roles at those sites. We will look to redeploy where possible, however there will be retrenchments. A provision of $8.3M (pre-tax) has been recognised (refer page 17 for further details).

This investment has a strong financial payback.

Non-recurring Items

Non-recurring items for 2015 and 2014 are detailed later in this report. The major items are:

2015: Adverse impact of $17.0M pre-tax; $11.9M post-tax

- Provisions associated with the supply chain investments (new paint factory and new distribution centre) announced in March 2015.

2014: Favourable impact of $3.1M pre-tax; $3.9M post-tax

- Alesco integration costs and the reversal of an excess tax provision relating to the New Zealand Inland Revenue Department proceedings.

Refer to page 17 for further details.

Review of Operations (continued)

Other Items

Corporate costs were up $2.7M, or 23.7%. The result was adversely impacted by an increase in long service leave provisions due to the impact of lower bond rates used to discount the non-current liability. Other than this, costs were well controlled, despite increased investment in business development activities.

Net interest expense [1] of $10.8M was $2.1M lower than the pcp due to a lower average debt balance and a lower effective interest rate, following the USPP raising and renegotiation of our Australian syndicated debt facility in 2014. The average net cost of debt was ~5.3% (including commitment fees and amortisation of facility establishment fees).

Income tax expense of $17.9M. Excluding non-recurring items, the effective tax rate was 27.6% due mainly to one-off benefits. The effective tax rate in the second half is expected to revert to our expected range of 29-30%.

Interim dividend of 11.0 cents per share, fully franked, an increase of 10% on the pcp, which represents a 70% payout ratio based on NPAT before non-recurring items. The Company's dividend reinvestment plan (DRP) will operate with respect to this dividend. There will be no discount on the DRP.

1. Net interest expense – represents 'net finance costs' per the half year financial statements.

Review of Operations (continued)

Balance Sheet

Balance sheet movements are compared to either March 2014 (for items where there is a seasonal impact, for example, working capital) or September 2014 (where seasonal impacts are minimal). Comments by exception are as follows:

- **Trade working capital** [1] (TWC) increased by $24.8M from March 2014, due to a higher level of trade debtors, driven by increased sales late in the half because of the timing of Easter. TWC as a percentage to sales was higher than the pcp at 16.4% (pcp 15.3%). **Rolling TWC to rolling sales** [2, 3] was 15.3% at March 2015, marginally unfavourable to both September 2014 (15.1%) and March 2014 (15.0%);
- **Net tax balances** have increased since September 2014, mainly due to higher deferred tax assets ($10.0M) related to the supply chain investment provisions and movements in the defined benefit fund liability;
- The **defined benefit fund liability** increased by $19.6M from September 2014, following a regular actuarial reassessment of the fund liability at March 2015. A lower discount rate due to lower prevailing bond rates was a major driver of the increase. This is a balance sheet adjustment only, with an equal amount reflected in retained earnings;
- **Provisions (excluding tax)** have increased by $14.1M since September 2014. This increase is primarily due to the provisions associated with the supply chain investments ($17.0M); and
- **Net debt** reflects the value of our local syndicated loans (Australian dollar (AUD) denominated) and USPP notes (AUD and USD denominated). As previously disclosed, the foreign exchange exposure associated with the USD149.5M component of the USPP notes was fully hedged (both principal and future coupon payments). For accounting purposes, the USPP notes are recognised within net debt at the prevailing AUD/USD exchange rates at 31 March 2015, with the offsetting value of the hedge (A$52.2M at 31 March 2015) recognised in **Net derivative assets/ (liabilities)**.

Balance Sheet **A$M**	**Mar 2015 Actual**	**Sept 2014 Actual**	**Mar 2014 Actual**
Inventories	203.3	203.7	204.4
Trade debtors	229.5	227.9	204.0
Trade creditors	(163.8)	(197.4)	(164.2)
Total trade working capital [1]	269.0	234.2	244.2
Non trade debtors [4]	19.7	15.8	18.2
Tax balances (net)	32.6	20.4	25.7
Property, plant & equipment	264.0	262.0	261.2
Intangible assets	221.7	224.9	236.0
Investments	5.9	5.4	5.3
Non trade creditors [5]	(45.3)	(54.2)	(45.8)
Defined benefit fund liability	(34.1)	(14.5)	(7.8)
Provisions (excluding tax)	(83.0)	(68.9)	(67.8)
Net debt	(381.2)	(345.7)	(391.6)
Net derivative assets/(liabilities)	49.9	12.2	(0.2)
Net Assets	**319.3**	**291.7**	**277.4**
Total equity attributable to ordinary shareholders of DuluxGroup Limited	318.3	289.7	274.5
Non-controlling interest in controlled entities	1.0	1.9	2.9
Total Shareholders' Equity	**319.3**	**291.7**	**277.4**

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

Review of Operations (continued)

Cash Flow

Excluding non-recurring items (which adversely impact the pcp cash flow), operating cash flow was $2.5M higher. In addition to higher EBITDA excluding non-recurring items, key drivers were:

- **TWC movement** (~$14M unfavourable compared to the pcp, excluding non-recurring items in the pcp) – due to the higher level of debtors at March 2015, driven by increased sales (into retail channels) late in the half because of the timing of Easter; and
- **Interest paid** ($4.2M favourable compared to the pcp) – this is mainly due to lower interest expense in the current period, combined with timing of interest payments.

Cash conversion excluding non-recurring items was 56%, marginally below the pcp.

Key drivers of the remainder of the cash flow are:

- Investing cash outflows increased by $10.0M, due to the pcp containing $10.8M gross proceeds from the disposal of the Opel business in China; and
- Capital expenditure decreased by $1.6M on the pcp, despite the inclusion of $2.9M relating to the new paint factory project.

Refer to page 17 for details on the cash flow impact of non-recurring items.

Statement of Cash Flows	**Half year ended 31 March**		
A$M	**2015 Actual**	**2014 Actual**	**% Change**
Net operating cash flows			
EBIT	77.0	93.9	(18.0%)
less: Profit on disposal of business (investing) [1]	-	(3.7)	nm
add: Depreciation	13.7	13.5	1.5%
add: Amortisation	3.9	3.2	21.9%
Adjusted EBITDA	94.6	106.9	(11.5%)
Trade working capital movement	(34.7)	(24.8)	nm
Non trade working capital movement	9.8	(22.4)	nm
Other non cash	2.0	2.5	nm
Income taxes paid	(23.8)	(30.6)	22.2%
Net interest paid	(9.3)	(13.5)	31.1%
Operating cash flow	**38.5**	**18.1**	112.7%
Net investing cash flows			
Capital expenditure [2]	(12.3)	(13.9)	11.5%
Disposals [3]	0.1	11.8	(99.2%)
Investing cash flow	**(12.1)**	**(2.1)**	(476.2%)
Financing cash flow before debt movement	**(19.2)**	**(17.7)**	(8.5%)
Total cash flow before debt movement	**7.2**	**(1.8)**	nm
Operating cash flow before non-recurring items	**38.5**	**36.0**	**6.9%**
Cash conversion [4]	**66%**	**45%**	
Cash conversion before non-recurring items	**56%**	**58%**	

1. Profit on disposal of business - represents 'profit on disposal of a business' per the half year financial statements. This represents profit on disposal of the Opel Woodcare business in China in the pcp.
2. Capital expenditure – represents the 'payments for property, plant and equipment' and 'payments for intangible assets' per the half year financial statements.
3. Disposals – represents 'proceeds from disposal of business' and 'proceeds from sale of property, plant and equipment', less 'proceeds from price adjustment on purchase of controlled entities' per the half year financial statements.
4. Cash conversion – is calculated as adjusted EBITDA, add/less movement in working capital and other non-cash, less minor capital spend (capital project spend less than A$5M), as a percentage of adjusted EBITDA.

Review of Operations (continued)

Segment Commentary – Paints and Coatings ANZ

EBIT of $78.7M before non-recurring items, up 9.0%.

Continued earnings growth in positive markets.

Paints & Coatings ANZ	**Half year ended 31 March**		
A$M	**2015 Actual**	**2014 Actual**	**% Change**
Sales revenue	442.4	416.7	6.2%
EBIT	64.9	72.2	(10.1%)
EBITDA before non-recurring items	87.6	80.8	8.4%
EBIT before non-recurring items	78.7	72.2	9.0%
EBIT % Sales before non-recurring items	*17.8%*	*17.3%*	

* *Please note that the statutory result for this segment includes the provision associated with the new paint factory project and ~60% of the provision associated with the new NSW distribution centre project. EBIT and EBITDA excluding non-recurring items exclude these provisions. Please refer to page 17 for further information.*

Sales revenue up $25.7M (+6.2%)

- Sales growth was in line with overall market growth of ~6.5% across Australia and New Zealand.
- Within decorative paint, markets grew ~8% in the core premium renovation and repaint markets in Australia (~75% of market volume).
- Market growth in the new housing part of the Australian market (~20% of the market) was significantly stronger, growing ~17%.
- Other markets, such as commercial buildings and New Zealand grew at lower rates, and the protective coatings market declined, reflecting soft infrastructure markets.
- Overall market share declined slightly due to the strong growth in the less profitable, new housing sector in Australia in which Dulux's share is strategically lower.
- Price outcomes were neutral, reflecting input cost outcomes (refer below).
- Both market and sales growth were positively impacted by the early April timing of Easter (compared to late April in the pcp), with significant sales 'in' to retail channels to build pre-Easter stock levels occurring during the first half. We estimate that this effect contributed up to 1% to first half sales growth.

EBIT growth of $6.5M (+9.0%) before non-recurring items

- Input costs were broadly flat with the benefit of a lower oil price (which impacts latex in particular) offset by the impact of a weaker Australian dollar and other modest increases.
- EBIT margin improvement was largely timing driven, with the strong pre-Easter sales and timing of expenditure key drivers. Full year margins are expected to revert to around FY14 levels.
- The stronger New Zealand dollar had a minor positive impact on EBIT.

Review of Operations (continued)

Segment Commentary – Consumer and Construction Products ANZ

EBIT of $13.2M before non-recurring items, up 0.8%.

Selleys growth offset by earnings decline in Parchem.

Consumer & Construction Products ANZ	**Half year ended 31 March**		
A$M	**2015 Actual**	**2014 Actual**	**% Change**
Sales revenue	132.6	133.1	(0.4%)
EBIT	10.0	13.1	(23.7%)
EBITDA before non-recurring items	15.0	15.1	(0.7%)
EBIT before non-recurring items	13.2	13.1	0.8%
EBIT % Sales before non-recurring items	*10.0%*	*9.8%*	

* *Please note that the statutory result for this segment includes ~40% of the provision associated with the new NSW distribution centre project. EBIT and EBITDA excluding non-recurring items exclude this provision. Please refer to page 17 for further information.*

Sales revenue down $0.5M (-0.4%)

- Selleys sales grew in markets that grew modestly.
- Parchem sales were adversely impacted by soft civil infrastructure and non-residential construction markets, together with weak sales in the Equipment business.

EBIT growth of $0.1M before non-recurring items (+0.8%)

- Selleys profit increased due to revenue growth and good cost control, whilst increasing marketing spend.
- Parchem profit declined as a result of the lower sales and some margin compression.
- A number of initiatives to improve Parchem profitability have been implemented since 31 March 2015. These include changes in business leadership and structural cost reduction, which will be self-funding in the second half and will put the business on a more appropriate cost footing given infrastructure markets are not expected to recover in the near term.
- Parchem revenue initiatives, whilst slower than originally anticipated, are progressing positively.

Review of Operations (continued)

Segment Commentary – Garage Doors and Openers

EBIT of $5.5M, down 26.7%.

EBIT declined due to revenue softness during a period of strategic transition.

Garage Doors & Openers	**Half year ended 31 March**		
A$M	**2015 Actual**	**2014 Actual**	**% Change**
Sales revenue	78.8	81.0	(2.7%)
EBITDA	8.8	10.4	(15.4%)
EBIT	5.5	7.5	(26.7%)
EBIT % Sales	*7.0%*	*9.3%*	

Sales revenue down $2.2M (-2.7%)

- Revenue decline reflects transitional impacts associated with the launch of the new garage door product range in late calendar 2014 and implementation of the dealer distribution strategy.
- The adverse revenue particularly impacted the December quarter.

EBIT decline of $2.0M (-26.7%)

- Profit declined as fixed cost reductions were insufficient to offset lower revenue and higher input costs, particularly in the openers business (mainly due to the impact of the weaker Australian dollar).
- The business' strategy of focusing more strongly on product innovation, marketing and a stronger aligned and independent dealer network remains appropriate. The adverse impact on revenue and profit associated with the implementation of this strategy has been greater than expected.
- Our clear objective is to address this profit decline in the second half, which will be primarily dependent on revenue initiatives.

Review of Operations (continued)

Segment Commentary – Cabinet and Architectural Hardware

EBIT of $3.6M, up 5.9%.

Solid result partially offset by restructuring costs.

Cabinet & Architectural Hardware	Half year ended 31 March		
A$M	2015 Actual	2014 Actual	% Change
Sales revenue	82.2	76.8	7.0%
EBITDA	4.8	4.5	6.7%
EBIT	3.6	3.4	5.9%
EBIT % Sales	*4.4%*	*4.4%*	

Sales revenue up $5.4M (+7.0%)

- Sales growth was led by the cabinet hardware business, with growth coming primarily from the core renovation markets.
- Architectural hardware revenue also grew modestly.

EBIT growth of $0.2M (+5.9%)

- EBIT growth driven by the flow through of the sales growth.
- EBIT margin impacted by gross margin softness (input cost pressure, customer and product mix) and restructuring costs of ~$0.3M relating to the consolidation of state-based customer service centres into one national centre.

Review of Operations (continued)

Segment Commentary – Other businesses

EBIT of $7.2M, up 22.0%.

EBIT growth driven by Yates revenue growth, margin improvement in China and PNG FX.

Other businesses	**Half year ended 31 March**		
A$M	**2015 Actual**	**2014 Actual**	**% Change**
Sales revenue	107.0	102.3	4.6%
EBITDA	8.9	7.6	17.1%
EBIT	7.2	5.9	22.0%
EBIT % Sales	*6.7%*	*5.8%*	

- **Yates ANZ** revenue grew, with new product led share gains in a moderately growing market. EBIT grew due to revenue growth, favourable product mix and supply chain improvements.
- **DGL Camel** revenue declined, due to the disposal of the Opel Woodcare business in the pcp, partly offset by favourable foreign exchange translation benefits. Excluding Opel sales, revenue was broadly in-line with the pcp in local currency, in flat markets. EBIT improved on the pcp, with margin improvements the major contributor.
- The **PNG** business grew modestly in local currency. The Australian dollar result on translation was positively impacted by the stronger PNG kina.
- The **South East Asian** business produced a flat operating EBIT result on higher sales, due to investment in fixed costs to broaden the distribution base.

Review of Operations (continued)

Non-recurring items

The non-recurring items are detailed below:

Non-recurring items	**Half year ended 31 March**		
A$M	**EBIT**	**NPAT**	**Operating cash flow**
2015			
Rocklea restructuring provision	(8.7)	(6.1)	-
Distribution centres closure provision	(8.3)	(5.8)	-
Total	**(17.0)**	**(11.9)**	**-**
2014			
Alesco integration costs	(2.4)	(1.7)	(3.1)
Reversal of excess NZ OCN tax matter provision	5.6	5.6	(8.5)
Sale of Opel Woodcare	-	-	(6.4)
Total	**3.1**	**3.9**	**(17.9)**

2015

Provisions associated with the supply chain projects (new paint factory and new distribution centre) that were announced in March 2015**:**

- **The Rocklea restructuring provision** relates to the future costs associated with the transition of water-based paint manufacture from Rocklea in Queensland to the new paint factory in Victoria. The provision will be utilised when staffing levels at Rocklea reduce, which will occur when the new factory opens (scheduled for late calendar 2017). The amount recognised includes discounting, which will unwind through interest. The gross provision before discounting is $12.4M.

  This provision has been recognised within the Paints and Coatings ANZ segment.

- **Distribution centres closure provision** relates to retrenchments associated with the closure of the two distribution centres in NSW, concurrent with the opening of the new Linfox-operated NSW distribution centre. The provision will be utilised in FY16 when the distribution centres close. The amount recognised includes discounting, which will unwind through interest. The gross provision before discounting is $9.6M.

  Approximately 60% ($5.1M) of this provision has been recognised within the Paints and Coatings ANZ segment, with the remaining ~40% ($3.2M) recognised within the Consumer and Construction Products ANZ segment.

Please refer to the Company's ASX announcement on 17 March 2015 for further background information on both projects.

2014

Alesco integration costs refer to the costs associated with integrating the Alesco businesses into DuluxGroup. Costs largely related to IT and finance shared service integration activities.

The **reversal of the excess NZ OCN tax matter provision** relates to a reversal of the excess portion of a contingent liability provision that was held in relation to an Optional Convertible Note (OCN) matter with the New Zealand Commissioner of Inland Revenue. The matter was settled during the first half of 2014, with A$5.6M of this provision written back to the profit and loss during the first half and A$5.9M for the 2014 full year.

The **sale of Opel Woodcare** relates to the operating cash flows associated with the divested Opel Woodcare business in China. These costs are more than offset by the proceeds from disposal (investing cash flows).

Review of Operations (continued)

Outlook

Subject to economic conditions and excluding non-recurring items, we expect that 2015 net profit after tax will be higher than the 2014 equivalent of $111.9M.

Our view of the market remains largely unchanged from the commentary provided at the Annual General Meeting in December 2014.

The key existing home segment exposure (62%[1] of DuluxGroup revenue) is expected to continue providing resilient and profitable growth, though some of the strong market growth in the first half reflected the earlier Easter timing, so may reverse in the second half.

The new housing market (~18%[1] of DuluxGroup revenue, late cycle) is expected to remain strong in Australia over the remainder of 2015. 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 (~16%[1] of DuluxGroup revenue) remains less positive.

The outlook for the Chinese and PNG markets remains subdued for the remainder of the 2015 financial year.

Broadly, input cost increases are expected to remain relatively flat. The main pressure point for input costs continues to be exchange rate exposure against the USD, the Euro and the Chinese Renminbi. However, DuluxGroup aims to mitigate these cost increases.

Full year margins for the Paints and Coatings ANZ segment are expected to revert to around 2014 financial year levels.

Initiatives are in place to improve the operating performance of both Parchem and Garage Doors and Openers.

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

1. Revenue splits as per 2014 full year revenue.

Consolidated Income Statement

For the half year ended 31 March:

	Notes	2015 $'000	2014 $'000
Revenue		**836,872**	804,455
Other income	3	**1,451**	4,491
Expenses			
Changes in inventories of finished goods and work in progress		**(821)**	(7,511)
Raw materials and consumables used and finished goods purchased for resale		**342,695**	336,963
Employee benefits expense[(1)]		**204,873**	180,065
Depreciation and amortisation expense		**17,566**	16,709
Purchased services[(1)]		**95,146**	93,778
Repairs and maintenance		**6,009**	5,944
Lease payments - operating leases		**24,945**	24,847
Outgoing freight		**34,339**	31,450
Other expenses[(2)]		**37,037**	33,418
Share of net profit of joint venture accounted for using the equity method	6	**(508)**	(600)
		761,281	715,063
Profit from operations		**77,042**	93,883
Finance income		**176**	358
Finance expenses		**(10,968)**	(13,220)
Net finance costs		**(10,792)**	(12,862)
Profit before income tax expense		**66,250**	81,021
Income tax expense	5	**(17,891)**	(21,669)
Profit for the half year		**48,359**	59,352

Attributable to:			
Ordinary shareholders of DuluxGroup Limited		**49,468**	59,997
Non-controlling interest in controlled entities		**(1,109)**	(645)
Profit for the half year		**48,359**	59,352

Earnings per share			
Attributable to ordinary shareholders of DuluxGroup Limited:			
Basic earnings per share	4	**13.0**	16.2
Diluted earnings per share	4	**12.8**	15.8

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

(1) Includes restructuring costs relating to supply chain projects, which are reported as part of employee benefits expense ($15,918,000) and purchased services ($1,112,000). Refer to note 8.

(2) Other expenses largely comprises commissions, royalties and other fixed and variable costs.

Consolidated Statement of Comprehensive Income

For the half year ended 31 March:

	2015 $'000	2014 $'000
Profit for the half year	**48,359**	59,352
Other comprehensive income		
Items that may be reclassified subsequently to the income statement		
Effective portion of changes in fair value of cash flow hedges	**(3,560)**	(216)
Foreign currency translation gain on foreign operations	**11,703**	2,445
Income tax on items that may be reclassified subsequently to the income statement	**1,068**	65
Total items that may be reclassified subsequently to the income statement, net of tax	**9,211**	2,294
Items that will not be reclassified to the income statement		
Actuarial (losses)/gains on defined benefit plan	**(19,035)**	300
Income tax on items that will not be reclassified to the income statement	**5,711**	(90)
Total items that will not be reclassified to the income statement, net of tax	**(13,324)**	210
Other comprehensive income for the half year, net of tax	**(4,113)**	2,504
Total comprehensive income for the half year	**44,246**	61,856
Attributable to:		
Ordinary shareholders of DuluxGroup Limited	**45,131**	63,726
Non-controlling interest in controlled entities	**(885)**	(1,870)
Total comprehensive income for the half year	**44,246**	61,856

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

Consolidated Balance Sheet

As at:

	Notes	**31 March 2015 $'000**	30 September 2014 $'000
Current assets			
Cash and cash equivalents		**41,225**	35,118
Trade and other receivables		**232,895**	232,969
Inventories		**203,322**	203,739
Derivative financial assets		**3,544**	507
Other assets		**12,776**	7,269
Total current assets		**493,762**	479,602
Non-current assets			
Trade and other receivables		**38**	30
Derivative financial assets		**49,579**	11,715
Investment accounted for using the equity method		**5,931**	5,423
Property, plant and equipment		**263,991**	261,994
Intangible assets		**221,724**	224,916
Deferred tax assets		**58,006**	48,046
Other assets		**3,453**	3,372
Total non-current assets		**602,722**	555,496
Total assets		**1,096,484**	1,035,098
Current liabilities			
Trade and other payables		**208,813**	251,282
Interest-bearing liabilities		**15,020**	14,765
Derivative financial liabilities		**1,216**	-
Current tax liabilities		**9,072**	10,657
Provisions		**23,082**	28,129
Total current liabilities		**257,203**	304,833
Non-current liabilities			
Trade and other payables		**285**	292
Interest-bearing liabilities		**407,356**	366,092
Derivative financial liabilities		**1,987**	-
Deferred tax liabilities		**16,359**	16,972
Provisions		**59,882**	40,780
Defined benefit liability		**34,075**	14,468
Total non-current liabilities		**519,944**	438,604
Total liabilities		**777,147**	743,437
Net assets		**319,337**	291,661
Equity			
Share capital	9	**252,234**	236,114
Treasury shares	9	**(159)**	(7,625)
Reserves		**(82,648)**	(91,397)
Retained earnings [(1)]		**148,864**	152,638
Total equity attributable to ordinary shareholders of DuluxGroup Limited		**318,291**	289,730
Non-controlling interest in controlled entities		**1,046**	1,931
Total equity		**319,337**	291,661

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 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 Changes in Equity (continued)

For the half year ended 31 March 2014:

	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 2013	201,099	(7,716)	7,514	1	(2,530)	(97,702)	125,559	226,225	4,743	230,968
Profit for the half year	-	-	-	-	-	-	59,997	59,997	(645)	59,352
Other comprehensive income, net of tax	-	-	-	(151)	3,670	-	210	3,729	(1,225)	2,504
Total comprehensive income for the half year	**-**	**-**	**-**	**(151)**	**3,670**	**-**	**60,207**	**63,726**	**(1,870)**	**61,856**
Transactions with owners, recorded directly in equity										
Shares issued under the DuluxGroup dividend reinvestment plan	11,337	-	-	-	-	-	-	11,337	-	11,337
Share-based payments	-	-	2,232	-	-	-	-	2,232	-	2,232
Shares vested under the LTEIP and ESIP[1]	10,678	57	(4,350)	-	-	-	-	6,385	-	6,385
Dividends paid	-	-	-	-	-	-	(35,419)	(35,419)	-	(35,419)
Balance at 31 March 2014	**223,114**	**(7,659)**	**5,396**	**(150)**	**1,140**	**(97,702)**	**150,347**	**274,486**	**2,873**	**277,359**

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

(1) The total amount of $6,385,000 comprises the following:

- Proceeds of $5,723,000 (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 2010 LTEIP.
- Amounts totalling $662,000 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:

	2015 $'000	2014[1] $'000
Cash flows from operating activities		
Profit from continuing operations	**48,359**	59,352
Depreciation and amortisation	**17,566**	16,709
Share-based payments expense	**2,416**	2,232
Share of net profits of equity accounted investments	**(508)**	(600)
Profit on disposal of business	**-**	(3,714)
Impairment of inventories	**949**	578
Impairment of trade and other other receivables	**1,617**	1,535
Net loss on sale of property, plant and equipment	**140**	583
Unrealised foreign exchange loss	**(73)**	239
Amortisation of prepaid loan establishment fees	**650**	864
Operating cash flows before changes in working capital and provisions	**71,116**	77,778
(Increase)/decrease in trade and other receivables	**(1,566)**	11,423
Increase in inventories	**(532)**	(9,829)
Increase in other assets	**(5,588)**	(3,126)
(Decrease)/increase in deferred taxes payable	**(3,506)**	3,516
Decrease in trade payables and provisions	**(19,027)**	(49,235)
Decrease in current tax liabilities	**(2,363)**	(12,399)
Net cash inflow from operating activities	**38,534**	18,128
Cash flows from investing activities		
Payments for property, plant and equipment	**(12,001)**	(13,785)
Payments for intangible assets	**(251)**	(109)
Proceeds from disposal of business	**-**	10,776
Proceeds from sale of property, plant and equipment	**139**	265
Proceeds from price adjustment on purchase of controlled entities	**-**	710
Net cash outflow from investing activities	**(12,113)**	(2,143)
Cash flows from financing activities		
Proceeds from short term borrowings	**15,259**	-
Repayments of short term borrowings	**(16,353)**	(9,824)
Proceeds from long term borrowings	**775,000**	2,018,522
Repayments of long term borrowings	**(775,398)**	(2,028,500)
Proceeds from employee share plan repayments	**4,370**	6,360
Dividends paid (net of shares issued as part of DuluxGroup's dividend reinvestment plan)	**(23,525)**	(24,082)
Net cash outflow from financing activities	**(20,647)**	(37,524)
Net increase/(decrease) in cash held	**5,774**	(21,539)
Cash at the beginning of the half year	**35,118**	46,374
Effects of exchange rate changes on cash	**333**	(216)
Cash at the end of the half year	**41,225**	24,619
Supplementary information		
Interest received	**176**	358
Interest paid	**(9,505)**	(13,852)
Income taxes paid	**(23,760)**	(30,552)

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

[1] The consolidated statement of cash flows has been presented for the first time using the alternative permissible presentation method; being the indirect method.

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 2014.

a. Basis of preparation

This general purpose financial report for the half year reporting period ended 31 March 2015 ('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 18 May 2015 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 2014 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 2015 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 9	Financial Instruments	1 Oct 2014
AASB 2013-9	Amendments to Australian accounting standards Conceptual Framework, Materiality and Financial Instruments; Part C: Financial Instruments	1 Oct 2014
AASB 2014-1	Amendments to Australian Accounting Standards Part E: Financial Instruments	1 Oct 2014
AASB 2014-2	Amendments to AASB 1053 - Transition to and between Tiers, and related Tier 2 Disclosure Requirements	1 Oct 2014
AASB 2014-9	Amendments to Australian Accounting Standards - Equity Method in Separate Financial Statements	1 Oct 2014
AASB 2014-10	Amendments to Australian Accounting Standards - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 Oct 2014

Other than outlined below, the adoption of these standards did not have a significant impact on the consolidated financial statements and has impacted disclosures only.

AASB 9 Financial Instruments

From 1 October 2014 DuluxGroup applied the amendments to AASB 9 *Financial Instruments* for hedge accounting. Adoption of this amendment alters the accounting for the time value of qualifying hedge options. Under the previous standard AASB 139 *Financial Instruments: Recognition and Measurement*, movements in the time value of qualifying hedging options were required to be recognised in the income statement. Under AASB 9, movements in the time value of qualifying hedge options are recognised in other comprehensive income. In accordance with the AASB 9 transition rules, the changes are applied retrospectively for qualifying hedge options that existed at 1 October 2014. Prior periods have not been restated as the impact is deemed to be not material.

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 consolidated entity's policy is to transfer products internally at negotiated commercial prices. Other income includes royalties, rental income, profit on sale of property, plant and equipment and businesses, and net foreign exchange gains.

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, window, door and glazing industries in Australia.
Other businesses	Yates garden care and home improvement products, South East Asia specialty coatings and adhesives businesses, and Papua New Guinea coatings business. Also includes the 51%-owned DGL Camel speciality coatings and adhesives business in China and Hong Kong.

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								
Profit/(loss) before net financing costs and income tax expense [2]	64,886	9,983	5,491	3,566	7,243	91,169	(14,127)	77,042
Profit/(loss) from operations [2]	64,886	9,983	5,491	3,566	7,243	91,169	(14,127)	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
Depreciation expense	7,651	1,532	1,627	621	1,556	12,987	665	13,652
Amortisation expense	1,211	285	1,686	613	119	3,914	-	3,914
Non-cash expenses other than depreciation and amortisation:								
Share-based payments	486	156	114	48	39	843	1,573	2,416
Share of net profit of joint venture accounted for using the equity method	-	-	-	-	508	508	-	508

(1) Comprises centrally managed income, costs, assets and liabilities relating to properties, tax, treasury and DuluxGroup's defined benefit pension plan.

(2) Includes restructuring costs relating to supply chain projects in the Paints and Coatings ANZ ($13,813,000) and in Construction and Consumer Products ANZ ($3,217,000) segments. Refer to note 8.

Notes to the Half Year Report (continued)

2 Segment report (continued)

Reportable segments **Restated 31 March 2014**[1] **$'000**	Paints & Coatings ANZ	Consumer & Construction Products ANZ	Garage Doors & Openers	Cabinet & Architectural Hardware	Other businesses	Total reportable segments	Unallocated[2]	Consolidated
Revenue								
External revenue	415,332	129,256	81,041	76,850	101,976	804,455	-	804,455
Inter-segment revenue	1,378	3,834	-	-	344	5,556	(5,556)	-
Total revenue	416,710	133,090	81,041	76,850	102,320	810,011	(5,556)	804,455
Other income[3]	416	10	35	18	2,208	2,687	1,804	4,491
Total revenue and other income	417,126	133,100	81,076	76,868	104,528	812,698	(3,752)	808,946
Results								
Profit/(loss) before net financing costs and income tax expense	72,230	13,128	7,482	3,378	5,902	102,120	(8,237)	93,883
Profit/(loss) from operations	72,230	13,128	7,482	3,378	5,902	102,120	(8,237)	93,883
Finance income								358
Finance expense								(13,220)
Profit before income tax expense								81,021
Income tax expense								(21,669)
Profit for the half year								59,352
Investment accounted for using the equity method[4]	-	-	-	-	5,423	5,423	-	5,423
Acquisitions of property, plant and equipment and intangible assets	8,645	768	1,521	945	1,283	13,162	-	13,162
Depreciation expense	8,253	1,699	1,278	486	1,466	13,182	362	13,544
Amortisation expense	349	287	1,632	663	228	3,159	6	3,165
Non-cash expenses other than depreciation and amortisation:								
Share-based payments	452	86	103	24	8	673	1,559	2,232
Share of net profit of joint venture accounted for using the equity method	-	-	-	-	600	600	-	600

(1) The consolidated entity's operating segments have been updated from those presented at 31 March 2014 to reflect a new organisational structure that came into effect during the second half of the financial year ended 30 September 2014.

(2) Comprises centrally managed income, costs, assets and liabilities relating to properties, tax, treasury, DuluxGroup's defined benefit pension plan and integration costs associated with the Alesco acquisition ($2,436,000) and reversal of the provision for contingent liabilities from business acquisitions relating to the Option Convertible Note (OCN) tax matter in New Zealand ($5,555,000).

(3) Includes foreign exchange gains/(losses) in various reportable segments and includes profit from the disposal of the Opel business of $3,714,000 (before restructuring costs of $2,798,000 relating to the exit of this business) reported in the Other businesses segment.

(4) Balance as at 30 September 2014.

Notes to the Half Year Report (continued)

3 Other income

	31 March 2015 $'000	31 March 2014 $'000
Profit on disposal of a business	-	3,714
Royalty income	578	253
Rental income	241	203
Other	632	321
	1,451	4,491

4 Earnings per share (EPS)

As reported in the consolidated income statement	31 March 2015 Cents per share	31 March 2014 Cents per share
Total attributable to ordinary shareholders of DuluxGroup Limited		
Basic earnings per share	13.0	16.2
Diluted earnings per share	12.8	15.8
	$'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	49,468	59,997
	Number	Number
Weighted average number of ordinary shares outstanding used as the denominator:		
Number for basic earnings per share	379,123,262	369,602,312
Effect of the potential vesting of shares under the LTEIP and ESIP	6,992,698	9,605,560
Number for diluted earnings per share	386,115,960	379,207,872

(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.

5 Income tax expense

The current period tax expense of $17,891,000 (2014: $21,669,000) represents an effective tax rate of 27.0% (2014: 26.7%). 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 Investments accounted for using the equity method

The consolidated entity has an interest in the following entity:

	Percentage of ownership interest held at end of the half year		Contribution to net profit	
Name of entity	31 March 2015 %	31 March 2014 %	31 March 2015 $'000	31 March 2014 $'000
Pinegro Products Pty Ltd(1)	50.0	50.0	508	600

(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 are as follows:

	Goodwill		Brand Names	
	31 March 2015 $'000	30 September 2014 $'000	**31 March 2015 $'000**	30 September 2014 $'000
Paints Australia	**21,777**	21,777	**23,500**	23,500
Consumer and Construction Products ANZ	**43,314**	43,271	**3,400**	3,400
Yates	**8,189**	8,131	**14,858**	14,858
Garage Doors and Openers	**39,466**	39,466	**15,000**	15,000
Cabinet and Architectural Hardware	**18,193**	18,193	**2,400**	2,400
	130,939	130,838	**59,158**	59,158

The review for impairment at 31 March 2015 did not result in impairment charges being recognised by DuluxGroup.

8 Supply chain projects

As announced on 17 March 2015, DuluxGroup is investing in two significant supply chain projects:

New paint factory

The construction of a new state-of-the-art paint factory in Melbourne which will produce almost all of Dulux Australia's water-based decorative paints currently manufactured at the Rocklea factory in Queensland. The Rocklea factory will be retained, but will operate at a reduced manning level, focusing on the production of solvent-based decorative paint products. The reduced activity at Rocklea will result in some redundancies. A provision of $8,721,000[1] (expected future cash outflow of $12,384,000) has been recognised during the half year ended 31 March 2015, with payment to occur once the new site is fully operational. The project is targeting completion in late calendar year 2017. The new paint factory is an important investment that will set up DuluxGroup's Australian decorative paints business for decades.

New distribution centre

The establishment of a new distribution centre in Sydney, built, owned and operated by Linfox, which is scheduled to be operational in mid to late calendar year 2016. This new distribution centre will result in the closure of the two existing distribution centres currently operated by DuluxGroup, resulting in the redundancy of roles at those sites and some closure costs. A provision of $8,309,000[1] (expected future cash outflow of $9,552,000) has been recognised during the half year ended 31 March 2015, with payment largely expected to occur when the new distribution centre is operational.

(1) As the provisions are not expected to be paid or settled within the next 12 months, in accordance with the accounting standards these provisions have been determined by discounting the expected future cash outflows. The unwinding of the effect of discounting on these provisions will be recognised as a finance expense in future periods.

Notes to the Half Year Report (continued)

9 Contributed equity

	31 March 2015 $'000	30 September 2014 $'000
Issued and fully paid		
Ordinary shares	**252,234**	236,114
Less treasury shares	**(159)**	(7,625)
Ordinary shares of the consolidated entity	**252,075**	228,489

Movements in fully paid ordinary shares on issue since 1 October 2014 were as follows:

Details	Number of shares	31 March 2015 $'000
Ordinary shares		
Balance at 1 October 2014	383,503,942	236,114
Shares issued under the DuluxGroup dividend reinvestment plan (DRP)[1]	2,891,261	16,393
Shares issued under the 2014 LTEIP and ESIP	2,148,065	-
Shares vested under the LTEIP and ESIP	-	(273)
Balance at 31 March 2015	**388,543,268**	**252,234**
Less treasury shares	54,646	159
Total contributed equity	**388,488,622**	**252,075**

[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 by DuluxGroup.

a) Shares issued to subsidiaries

DuluxGroup has formed a trust to administer the Group's employee share schemes. DuluxGroup (Employee Share Plans) Pty Ltd is the trustee for the plans. The trust is consolidated as the substance of the relationship is that the trust is controlled by DuluxGroup.

Shares held by the DuluxGroup Employee Share Plan Trust are either recognised as treasury shares if they were originally purchased on-market, or where new ordinary share capital is issued to the trust for the purpose of the employee share schemes, this ordinary share capital is not recognised in contributed equity on consolidation.

Movements in these shares since 1 October 2014 were as follows:

	Number of shares		
Details	Issued to subsidiaries	Treasury	Total
Balance at 1 October 2014	5,189,985	2,625,070	7,815,055
Shares issued under the LTEIP and ESIP	2,148,065	-	2,148,065
Shares vested under the ESIP	(33,700)	(358,523)	(392,223)
Shares vested under the LTEIP	-	(2,211,901)	(2,211,901)
Balance at 31 March 2015	**7,304,350**	**54,646**	**7,358,996**

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 $31,198,000.

Notes to the Half Year Report (continued)

10 Dividends

	31 March 2015 $'000	31 March 2014 $'000
Dividends paid		
Final dividend for 2014 of 10.5 cents per share fully franked (2013: Final dividend of 9.5 cents per share fully franked)	**39,918**	35,419

a) Dividends declared after balance date

On 18 May 2015, the Directors declared an interim dividend of 11.0 cents per ordinary share, fully franked and payable on 19 June 2015.

The financial effect of the interim dividend has not been brought to account in the financial report for the half year ended 31 March 2015 and will be recognised in the financial report for the financial year ending 30 September 2015.

The Company's DRP will operate with respect to the interim dividend. The DRP pricing period will be the five trading days from 2 June 2015 to 9 June 2015 inclusive. Ordinary shares issued under the DRP will rank equally with all other ordinary shares.

11 Businesses disposed

2015

No business disposals occurred during the half year ended 31 March 2015.

2014

On 18 December 2013, DuluxGroup entered into an agreement to dispose of the Opel business in China for RMB 55,453,000 (A$10,315,000), net of sales related taxes, to Nippon Paint (China) Co., Limited. This transaction was completed on 15 January 2014, with the sale proceeds received in full during the half year ended 31 March 2014.

The net impact of this transaction on net profit attributable to DuluxGroup shareholders, inclusive of associated restructuring costs and allocation of goodwill pertaining to the part of the cash generating unit disposed, was $18,000.

12 Events subsequent to balance date

On 18 May 2015, the directors declared an interim dividend of 11.0 cents per ordinary share, fully franked and payable on 19 June 2015. The financial effect of this interim dividend is not included in the financial statements for the half year ended 31 March 2015 and will be recognised in the 2015 annual financial statements.

The directors have not become aware of any other significant matter or circumstance that has arisen since 31 March 2015, 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 19 to 32 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 2015 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

18 May 2015

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 2015 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

18 May 2015

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 2015, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year 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 2015 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 2015 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

Melbourne

18 May 2015