DULUXGROUP LIMITED

Appendix 4D
Half Year Report
For the half year ended 31 March 2017

ABN: 42 133 404 065

ASX Code: DLX

Investor contact:
Stuart Boxer, Chief Financial Officer and Executive Director, +61 3 9263 5667
Karen McRae, Investor Relations Manager, +61 3 9263 3586 or +61 417 186 500

Media contact:
Lisa Walters, DuluxGroup Corporate Affairs Manager, +61 3 9263 3652 or +61 421 585 750

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.

DuluxGroup Limited is an Australian company that owns the Dulux® trade mark in Australia, New Zealand, Papua New Guinea, Samoa and Fiji only. DuluxGroup Limited is not associated with, and has no connection to, the owners of the Dulux® trade marks in any other countries, nor does it sell Dulux® products in any other countries.

Results for Announcement to the Market

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

	31 March 2017 $'000	31 March 2016 $'000	Change $'000	Change %
Consolidated revenue from operations	881,177	851,111	30,066	3.5%
Profit for the period attributable to ordinary shareholders of DuluxGroup Limited	72,706	63,679	9,027	14.2%

Dividends

	Amount per security cents	Franked amount per security at 30% tax cents
Interim dividend on ordinary shares for the current period (record date 25 May 2017; payment date 9 June 2017)	13.0	13.0
Interim dividend on ordinary shares for the previous corresponding period	11.5	11.5

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 26 May 2017.

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 2017 cents	30 September 2016 cents
Net tangible assets backing per ordinary security	42.0	34.4

Contents

Directors' Report

The Directors of DuluxGroup Limited (the 'Company') present the financial report for the Company and its subsidiaries (collectively '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 2017 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 (retired on 14 December 2016)
Garry Hounsell
Andrew Larke
Judith Swales
Graeme Liebelt

Directors were in office for the entire period, unless otherwise noted.

Review and results of operations

A review of the operations of the Group for the half year ended 31 March 2017, the results of those operations and the financial position of the Group 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 33.

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 Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191.

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

Peter M. Kirby
Chairman
17 May 2017

Review of Operations

Result Summary

- **Sales revenue** of $881.2M, increased by $30.1M (+3.5%)
  - All segments achieved revenue growth
  - Strong growth in particular by Dulux ANZ (+4.7%) and Lincoln Sentry (+5.3%)
- **EBIT** of $106.0M, increased by 7.8% or $7.7M
  - Dulux ANZ delivered a $5.9M (+7.1%) EBIT increase, underpinning the group earnings result
  - The Selleys & Parchem ANZ, B&D Group and Lincoln Sentry segments all achieved double digit earnings growth
  - The Other businesses segment's earnings were down $1.4M, or 19.2%, driven by planned investment in the UK and a weaker result in China
  - Depreciation and amortisation expense was $1.4M lower, due to the final flow through effects of the 2016 review of asset useful lives
- **Net profit after tax (NPAT)** of $72.7M increased by 14.2%. NPAT included a $3.1M write back of a tax provision established in previous years. Excluding the write back, NPAT increased by 9.3%
- **Operating cash flow** was $49.7M, an increase of 76.2%, due to higher earnings and improved working capital management
- **Cash conversion** was 64%, favourable to the prior corresponding period's (pcp) 52%, and the strongest first half cash conversion for four years
- **Net debt to EBITDA** remains healthy (1.5x) despite significant investment during the half in the new paint factory (which remains on time and on budget)
- **An interim dividend** of 13.0 cents per share, fully franked, an increase of 13.0% on the pcp

Results	**Half year ended 31 March**		
A$M	**2017**	**2016**	**% Change**
Sales revenue	881.2	851.1	3.5%
EBITDA	121.3	115.1	5.4%
Depreciation and Amortisation	*(15.4)*	*(16.8)*	8.3%
EBIT	**106.0**	**98.3**	**7.8%**
Net profit after tax (NPAT)	**72.7**	**63.7**	**14.2%**
NPAT excluding write back of tax provision	*69.6*	*63.7*	*9.3%*
Operating cash flow	49.7	28.2	76.2%
Cash Conversion excluding non-recurring items	64%	52%	*12.0 pts*
Net debt inclusive of USPP hedge value	353.3	326.2	(8.3%)
Net debt to EBITDA	1.5	1.4	(7.1%)
Diluted earnings per ordinary share (EPS) (cents)	18.7	16.4	14.0%
Interim dividend per share (cents)	13.0	11.5	13.0%

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

Review of Operations (continued)

Result by Segment

Key components of the result include:

- Strong EBIT growth from Dulux ANZ, driven by consistent revenue growth (primarily market share and price driven), good margin management and depreciation benefits;
- EBIT growth from Selleys & Parchem ANZ. Selleys EBIT growth was primarily driven by revenue growth of 4.4%. Parchem's EBIT growth resulted from cost reduction and margin improvement programs;
- EBIT growth from B&D Group, driven by revenue growth and margin improvement (product and channel mix) in generally competitive markets;
- Continued strong EBIT growth from Lincoln Sentry, driven by revenue growth in Blum and other cabinet hardware products;
- EBIT decline in Other businesses, primarily due to an adverse result in China (input and other costs), with EBIT growth in Yates and SE Asia offsetting a mild decline in PNG (in weak markets) and investment in the UK; and
- Flat result in Corporate costs, with cost savings reinvested into growth projects and resources.

Sales and EBIT by segment	**Half year ended 31 March**		
A$M	**2017**	**2016**	**% Change**
Sales revenue			
Dulux ANZ	473.7	452.5	4.7%
Selleys & Parchem ANZ	125.8	125.7	0.1%
B&D Group	86.4	84.3	2.5%
Lincoln Sentry	93.6	88.9	5.3%
Other businesses	108.4	105.9	2.4%
Eliminations	(6.7)	(6.2)	(8.1%)
Total sales revenue	**881.2**	**851.1**	**3.5%**
EBIT			
Dulux ANZ	88.5	82.6	7.1%
Selleys & Parchem ANZ	13.7	12.3	11.4%
B&D Group	6.2	5.5	12.7%
Lincoln Sentry	6.1	5.0	22.0%
Other businesses	5.9	7.3	(19.2%)
Business EBIT	**120.4**	**112.7**	**6.8%**
Corporate	(14.5)	(14.4)	(0.7%)
Total EBIT	**106.0**	**98.3**	**7.8%**

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

Review of Operations (continued)

Other Items

Other Items Results	**Half year ended 31 March**		
A$M	**2017**	**2016**	**% Change**
EBIT	**106.0**	**98.3**	**7.8%**
Net finance costs	(8.7)	(10.6)	**17.9%**
Tax expense	(26.3)	(24.7)	**(6.5%)**
Non-controlling interests	1.7	0.7	nm
NPAT	**72.7**	**63.7**	**14.2%**
Effective tax rate	*27.0%*	*28.2%*	

- **Excess tax provision write-back**
  - No impact on EBIT
  - $0.6M favourable impact on net finance costs
  - $2.5M net favourable impact on tax expense

- **Net finance costs**
  - Net finance costs were $1.9M lower than the pcp due partly to lower prevailing base interest rates and the tax provision write-back impact of $0.6M
  - Includes a $2.0M (non-cash) charge relating to the unwinding of discounting of provisions (eg. Rocklea restructuring provision)
  - Excludes $1.1M of capitalised interest associated with the new paint factory
  - Average all-in net cost of debt[1] of 4.4% (4.9% in the pcp)

- **Income tax expense**
  - Effective tax rate of 27.0% (28.2% in the pcp)
  - Excluding the tax provision write-back, the effective tax rate was 29.8% for the period
  - The effective tax rate in the second half is expected to be ~30%

1. All-in net cost of debt – calculated as Net finance costs excluding the $2.0M unwinding of discounting of provisions; excluding the $0.6M benefit relating to the tax provision write-back; and including $1.1M of capitalised interest associated with the new paint factory.

Review of Operations (continued)

Cash Flow

Operating cash flow was $49.7M, $21.5M (76.2%) higher than the pcp. The key driver in addition to higher EBITDA was:

- TWC movement ($9.0M favourable compared to the pcp) – reflects an improved performance in TWC as a % of sales in FY17 compared to an increase in the pcp.

The key driver of the remainder of the cash flow is:

- Major capital expenditure increased by $24.7M, due to the new paint factory.

Cash conversion was 64%, 12% points favourable to the pcp, with lower TWC outflow the key driver

Second half cash flow may be adversely impacted by stock building activity as part of the commissioning and production scale up of the new paint factory. Notwithstanding this, and given our seasonally stronger second half cash flow, we are targeting cash conversion of 80%+ for the full year, excluding non-recurring cash flow items

Statement of Cash Flows	**Half year ended 31 March**		
A$M	**2017**	**2016**	**% Change**
Operating cash flows			
EBITDA	121.3	115.1	5.4%
Trade working capital movement	(32.3)	(41.3)	21.8%
Other	(3.3)	(6.6)	50.0%
Income taxes paid	(29.2)	(30.9)	5.5%
Net interest paid	(6.9)	(8.1)	14.8%
Operating cash flow	**49.7**	**28.2**	76.2%
Net investing cash flows			
Minor capital expediture	(7.5)	(7.8)	3.8%
Major capital expenditure (paint factory)	(41.6)	(16.9)	(146%)
Acquisitions	(0.5)	(1.6)	68.8%
Disposals	0.1	0.1	0.0%
Investing cash flow	**(49.5)**	**(26.2)**	(88.9%)
Dividends paid and equity movements	**(52.1)**	**(49.7)**	(4.8%)
Total cash flow before debt movement	**(51.9)**	**(47.7)**	(8.8%)
Cash conversion	**64%**	**52%**	

Refer to glossary on page 20 for definition of terms

Review of Operations (continued)

Balance Sheet

Balance sheet movements are compared to March 2016 for point in time Trade Working Capital (TWC), given seasonality, and September 2016 for other items. Comments by exception are as follows:

- Point in time **TWC** improved on a percent to sales basis (16.7% versus 17.1% at March 2016). Rolling (or average) TWC as a percent of sales was 15.8%, slightly adverse to 15.7% at March 2016, but favourable to September 2016;
- **Property plant & equipment** increased largely due to the investment in the new paint factory;
- The **defined benefit fund liability** decreased by $18.4M from September 2016, following a regular actuarial reassessment of the fund liability at March 2017. The key driver of the change was an increase in the discount rate; and
- **Net debt** inclusive of the USPP hedge value increased by $52.7M during the first half of FY17, with expenditure on the new paint factory a key driver (refer cash flow). Net debt to EBITDA remains comfortable at 1.5x.

Balance sheet	**Mar**	**Sep**	**Mar**
A$M	**2017**	**2016**	**2016**
Inventories	226.8	218.9	214.1
Trade debtors	249.3	252.3	235.6
Trade creditors	(184.4)	(208.3)	(158.1)
Total trade working capital	291.7	262.9	291.6
Non trade debtors	18.6	13.4	16.3
Deferred tax balances (net)	34.4	43.4	37.8
Property, plant & equipment	338.8	312.0	280.2
Intangible assets	232.0	234.0	229.3
Investments	7.2	6.5	6.7
Non trade creditors	(44.4)	(42.8)	(46.4)
Defined benefit fund liability	(38.1)	(56.5)	(27.7)
Provision for income tax	(8.1)	(14.4)	(10.9)
Provisions (excluding tax)	(79.6)	(88.0)	(90.0)
Net debt inclusive of USPP hedge value	(353.3)	(300.6)	(326.2)
Other	(3.4)	(4.8)	(4.8)
Net Assets	**395.5**	**365.2**	**355.9**
TWC to rolling sales (point in time) %	16.7%	15.3%	17.1%
Rolling TWC to rolling sales %	15.8%	16.0%	15.7%
Net debt to EBITDA	1.5	1.3	1.4

Refer to glossary on page 20 for definition of terms

Review of Operations (continued)

Segment Commentary – Dulux ANZ (Paints and Coatings ANZ)

EBIT of $88.5M, up $5.9M or 7.1%

Strong performance in both Australia and New Zealand

Dulux ANZ	**Half year ended 31 March**		
A$M	**2017**	**2016**	**% Change**
Sales revenue	473.7	452.5	4.7%
EBITDA	95.8	91.1	5.2%
EBIT	88.5	82.6	7.1%
EBIT % Sales	*18.7%*	*18.3%*	

Sales revenue up $21.2M (+4.7%)

- Revenue grew ~4.5% in the Australian business and ~10% in New Zealand
- In Australia, revenue growth reflected modest market growth, good share growth and positive price benefits, reflecting a shift toward premium products
- Market share gains in Australia reflected the benefits of our aligned retail channel partner strategy
- Overall Australian market growth was ~0.5%
  - Within the Australian decorative paint market:
    - The renovation and repaint market (typically ~75% of market volume) declined ~1.5% with "sales in" to retail channels impacted by the last effects of Masters' exit and wet weather conditions late in the half in NSW and Qld. Retail "sales out" demand was positive
    - New housing (~20% of market volume) grew at ~5%
    - Commercial market (~5% of market volume) grew at ~4%
  - The texture, powder and protective coatings markets all grew
- Positive selling price outcome reflected a skew towards premium products
- Strong revenue growth in New Zealand, driven by positive markets and share gains

EBIT growth of $5.9M (+7.1%)

- Strong EBIT growth in Australia, reflecting the sales growth together with a shift towards more premium products and lower depreciation costs. EBITDA margin was in line with the prior year
- Input costs were flat, with rising titanium dioxide prices and a skew to more premium products offset by other benefits
- New Zealand EBIT growth largely reflected strong sales growth

FY17 Outlook

- In the second half, we expect underlying demand, particularly in the renovation and repaint market, to trend back towards the historical 1-1.5% growth in volume terms now that the final Masters exit “sales in” impacts are behind us
- Raw material costs are expected to increase at above inflation rates in the second half driven by titanium dioxide
- Full year EBIT margins are expected to be around FY16 levels taking into account increasing raw material costs and commissioning costs associated with the new paint factory. Depreciation in the second half is expected to be in line with H2 2016

Review of Operations (continued)

Segment Commentary – Selleys & Parchem ANZ (Consumer and Construction Products ANZ)

EBIT of $13.7M, up $1.4M or 11.4%

Sales-led earnings growth in Selleys; cost / margin improvement earnings growth in Parchem

Selleys & Parchem ANZ	**Half year ended 31 March**		
A$M	**2017**	**2016**	**% Change**
Sales revenue	125.8	125.7	0.1%
EBITDA	15.1	13.9	8.6%
EBIT	13.7	12.3	11.4%
EBIT % Sales	*10.9%*	*9.8%*	

Sales revenue up $0.1M (+0.1%)

- Selleys sales grew 4.4%, largely driven by a strong performance with key retail partners
- Parchem sales declined modestly, despite a significant decline in engineering construction markets and the strategic decision to exit low margin products within the decorative concrete and equipment businesses. Share gains were achieved in the core Fosroc construction chemicals business

EBIT growth $1.4M (+11.4%)

- Selleys EBIT increased, reflecting sales growth and depreciation benefits
- Parchem EBIT increased, with the impact of the lower revenue more than offset by the benefits of cost reduction and margin improvement programs undertaken over the last two years

FY17 Outlook

- The fundamentals for Selleys remain strong, underpinned by new product development and marketing and the expectation of consistent market demand
- Engineering construction markets, whilst still tough, appear to be bottoming this year after a multi-year decline

Review of Operations (continued)

Segment Commentary – B&D Group (Garage Doors and Openers)

EBIT of $6.2M, up $0.7M or 12.7%

Earnings growth driven by sales and margin improvement

B&D Group	**Half year ended 31 March**		
A$M	**2017**	**2016**	**% Change**
Sales revenue	86.4	84.3	2.5%
EBITDA	9.5	8.8	8.0%
EBIT	6.2	5.5	12.7%
EBIT % Sales	*7.2%*	*6.5%*	

Sales revenue up $2.1M (+2.5%)

- Modest (~1%) market growth overall
- Positive price outcome reflected price increases and mix improvement

EBIT growth of $0.7M (+12.7%)

- EBIT increase was driven by sales growth and margin improvement (mix) while increasing investment in marketing

FY17 Outlook

- Market conditions are expected to remain consistent with the first half
- The business will continue to balance the requirement to invest in marketing and other improvement strategies with an objective to grow profit

Review of Operations (continued)

Segment Commentary – Lincoln Sentry (Cabinet and Architectural Hardware)

EBIT of $6.1M, up $1.1M or 22.0%

Continued revenue and profit growth

Lincoln Sentry	**Half year ended 31 March**		
A$M	**2017**	**2016**	**% Change**
Sales revenue	93.6	88.9	5.3%
EBITDA	7.2	6.2	16.1%
EBIT	6.1	5.0	22.0%
EBIT % Sales	*6.5%*	*5.6%*	

Sales revenue up $4.7M (+5.3%)

- Sales growth was led by the cabinet hardware business, in positive markets, primarily focused on the renovation of existing homes

EBIT growth of $1.1M (+22.0%)

- EBIT growth was driven by the flow through of the sales growth, together with fixed cost leverage and margin improvement initiatives

FY17 Outlook

- The business remains well positioned for continued growth in the second half

Review of Operations (continued)

Segment Commentary – Other businesses

EBIT of $5.9M, down $1.4M or 19.2%

EBIT decline driven by softer result in China (input costs). Improvement in Yates and South East Asia offset a modest decline in PNG and the planned investment in the UK

Other businesses	**Half year ended 31 March**		
A$M	**2017**	**2016**	**% Change**
Sales revenue	108.4	105.9	2.4%
EBITDA	7.3	8.7	(16.1%)
EBIT	5.9	7.3	(19.2%)
EBIT % Sales	*5.4%*	*6.9%*	

- **Yates ANZ** revenue increased largely due to sales from the Munns acquisition (from June 2016) in flat markets which were driven by poor weather conditions and the impact of Masters liquidation in the first quarter. EBIT growth driven by sales growth and good cost control
- **DGL Camel China/HK** revenue grew modestly in local currency but declined on translation to A$. EBIT loss was adversely impacted by input costs and investment in growth initiatives in China
- The **DGL South East Asian** business grew revenue and EBIT driven by growth in Vietnam
- The **Dulux PNG** business was essentially flat in local currency despite further weakness in economic conditions. The A$ result on translation was negatively impacted by the weaker PNG Kina
- The **DGL UK** business (acquired in August 2016) made an EBIT loss due to the planned investment in sales, marketing and management. Selleys products are progressively launching into the new Bunnings stores and the established Homebase network

FY17 Outlook

- We continue to target FY17 EBIT to be in line with FY16, with ongoing investment in the UK business to be offset by growth across the other businesses in this segment. There is downside risk given the potential for further input cost driven pressures in China

Review of Operations (continued)

Non-recurring items

There were no non-recurring items in the period.

Whilst not separately identified as a non-recurring item, the result included a $3.1M write back of a tax provision, which had no impact on EBIT, but positively impacted tax ($2.5M) and interest ($0.6M).

Supply Chain Investments

New Paint Factory

The new paint factory remains on track to be delivered on time and budget ($165M).

Significant progress has been made on construction of the new factory during the period. The building works are substantially complete, and installation of major plant and equipment is progressing according to plan.

The project is due to start the critical commissioning phase in July 2017 with production expected to scale up from the last quarter of calendar 2017.

Utilisation of the Rocklea restructuring provision of ~$9M is expected to occur once water based production has transferred from Rocklea to the new factory, which is anticipated to be during the first half of our 2018 financial year.

During the period, capital of $41.6M was spent on the new paint factory. The schedule outlining the latest 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	5	41	90	29	165
Other capex	25	20	20-25	25-30	
Total	**30**	**61**	**110-115**	**54-59**	

Once the factory opens, the annualised depreciation increase will be ~$7M. During FY18 and FY19 (the first full year of operation), we are targeting neutral EBIT outcomes, with operational and other savings offsetting incremental depreciation and commissioning costs.

Review of Operations (continued)

Outlook

Overall

Subject to economic conditions and excluding non-recurring items, we expect that 2017 net profit after tax will be higher than the 2016 equivalent of $130.4M.

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

Markets

The outlook for our markets is consistent with our commentary in late 2016.

Lead indicators for our key markets remain largely positive.

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

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

Underlying market demand for this end market is generally resilient and consistent given that many of the projects that use our products focus on maintenance activities of the existing home, are individually of relatively small value and often are, or can be, do-it-yourself in nature.

The new housing construction market (~15%[1] of DuluxGroup revenue, late cycle) which has experienced strong growth over the past three years, is expected to remain strong in FY17. Although housing approvals have peaked, the lag between approvals and completions should provide a solid pipeline of work, though biased to the multi-residential market. DuluxGroup businesses are strategically less exposed to this lower margin sector.

Commercial and infrastructure markets (~15%[1] of DuluxGroup revenue). Non-residential construction is expected to be solid. Engineering construction is bottoming as the last of the decline in resources projects is offset by new civil infrastructure projects.

The outlook for the PNG economy remains weak, with an improvement in economic conditions dependent on international investment in major resources projects.

Outlook comments from the Business Segments

Dulux ANZ

- In the second half, we expect underlying demand, particularly in the renovation and repaint market, to trend back towards the historical 1-1.5% growth in volume terms now that the final Masters exit “sales in” impacts are behind us
- Raw material costs are expected to increase at above inflation rates in the second half driven by titanium dioxide
- Full year EBIT margins are expected to be around FY16 levels taking into account increasing raw material costs and commissioning costs associated with the new paint factory. Depreciation in the second half is expected to be in line with H2 2016.

1. Indicative revenue splits for DuluxGroup

Selleys & Parchem ANZ

- The fundamentals for Selleys remain strong, underpinned by new product development and marketing and the expectation of consistent market demand
- Engineering construction markets, whilst still tough, appear to be bottoming this year after a multi-year decline.

B&D Group

- Market conditions are expected to remain consistent with the first half
- The business will continue to balance the requirement to invest in marketing and other improvement strategies with an objective to grow profit.

Lincoln Sentry

- The business remains well positioned for continued growth in the second half.

Other businesses

- We continue to target FY17 EBIT to be in line with FY16, with ongoing investment in the UK business to be offset by growth across the other businesses in this segment. There is downside risk given the potential for further input cost driven pressures in China.

Other

- Corporate costs for FY17 are expected to be $28-$29M
- The effective tax rate in the second half is expected to be ~30%
- Depreciation expense for FY17 is expected to be ~$32M
- Second half cash flow may be adversely impacted by stock building activity as part of the commissioning of the new paint factory. Notwithstanding this, and given DuluxGroup's operating cash flow is traditionally stronger in the second half, we are targeting cash conversion of 80%+ for the full year, excluding non-recurring cash flow items.

Glossary

1. EBITDA – represents EBIT plus depreciation and amortisation.
2. EBIT – represents earnings before interest and tax.
3. Net profit after tax (NPAT) – represents 'Profit for the half year attributable to ordinary shareholders of DuluxGroup Limited' per the financial statements.
4. Operating cash flow– the equivalent of 'Net cash inflow from operating activities'.
5. 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.
6. 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.
7. 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.
8. Non trade debtors – represents the 'other receivables' portion of 'trade and other receivables', and 'other assets', per the financial statements.
9. Non trade creditors – represents the 'other payables' portion of 'trade and other payables', per the financial statements.
10. Capital expenditure – represents the 'payments for property, plant and equipment' and 'payments for intangible assets' per the financial statements.
11. Acquisitions – represents 'payments for purchase of businesses, net of cash acquired'.
12. Disposals – represents 'proceeds from sale of property, plant and equipment'.
13. Cash conversion – is calculated as EBITDA, less movement in trade working capital and other operating cash flow movements excluding interest and tax, less minor capital spend (capital expenditure less than $5.0M), as a percentage of EBITDA.

Consolidated Income Statement

For the half year ended 31 March:

	Notes	**2017 $'000**	2016 $'000
Revenue		**881,177**	851,111
Other income		**2,513**	892
Expenses			
Changes in inventories of finished goods and work in progress		**(4,288)**	1,738
Raw materials and consumables used and finished goods purchased for resale		**357,376**	344,061
Employee benefits		**191,961**	192,786
Depreciation and amortisation		**15,392**	16,838
Repairs and maintenance		**6,675**	6,767
Operating leases		**26,160**	24,387
Outgoing freight		**35,439**	33,298
Other expenses[1]		**149,661**	134,225
Share of net profit of equity accounted investment	5	**(643)**	(385)
		777,733	753,715
Earnings before interest and income tax expense (EBIT)		**105,957**	98,288
Finance income		**98**	96
Finance expenses		**(8,789)**	(10,687)
Net finance costs		**(8,691)**	(10,591)
Profit before income tax expense		**97,266**	87,697
Income tax expense	4	**(26,292)**	(24,736)
Profit for the half year		**70,974**	62,961
Attributable to:			
Ordinary shareholders of DuluxGroup Limited		**72,706**	63,679
Non-controlling interest in controlled entities		**(1,732)**	(718)
Profit for the half year		**70,974**	62,961
		cents	cents
Earnings per share			
Attributable to the ordinary shareholders of DuluxGroup Limited:			
Basic earnings per share	3	**19.0**	16.6
Diluted earnings per share	3	**18.7**	16.4

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

(1) 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:

	2017	2016
	$'000	$'000
Profit for the half year	**70,974**	62,961
Other comprehensive income/(loss)		
Items that may be reclassified to the income statement		
Cash flow hedge reserve		
Effective portion of changes in fair value of cash flow hedges	**881**	(3,680)
Income tax (expense)/benefit	**(264)**	1,104
Foreign currency translation reserve		
Foreign currency translation loss on foreign operations	**(4,849)**	(5,546)
Total items that may be reclassified to the income statement, net of tax	**(4,232)**	(8,122)
Items that will not be reclassified to the income statement		
Retained earnings		
Actuarial gains/(losses) on defined benefit plan	**19,700**	(4,700)
Income tax (expense)/benefit	**(5,910)**	1,410
Total items that will not be reclassified to the income statement, net of tax	**13,790**	(3,290)
Other comprehensive income/(loss) for the half year, net of tax	**9,558**	(11,412)
Total comprehensive income for the half year	**80,532**	51,549
Attributable to:		
Ordinary shareholders of DuluxGroup Limited	**82,107**	52,249
Non-controlling interest in controlled entities	**(1,575)**	(700)
Total comprehensive income for the half year	**80,532**	**51,549**

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

Consolidated Balance Sheet

As at:

	Notes	**31 March 2017 $'000**	30 September 2016 $'000	31 March 2016 $'000
Current assets				
Cash and cash equivalents		**32,788**	39,068	36,592
Trade and other receivables		**253,314**	256,315	239,188
Inventories		**226,766**	218,873	214,124
Derivative financial assets		**3,281**	3,269	2,619
Other assets		**10,934**	5,180	10,027
Total current assets		**527,083**	522,705	502,550
Non-current assets				
Other receivables		**61**	65	263
Derivative financial assets		**41,087**	57,040	55,704
Equity accounted investment	5	**7,161**	6,518	6,727
Property, plant and equipment		**338,755**	312,041	280,237
Intangible assets		**231,962**	234,047	229,271
Deferred tax assets		**51,140**	59,231	52,773
Other assets		**3,602**	4,155	2,394
Total non-current assets		**673,768**	673,097	627,369
Total assets		**1,200,851**	1,195,802	1,129,919
Current liabilities				
Trade and other payables		**228,519**	250,766	204,180
Interest-bearing liabilities		**14,912**	12,904	10,678
Derivative financial liabilities		**2,086**	3,229	3,173
Current tax liabilities		**8,150**	14,386	10,935
Provisions		**42,052**	41,432	40,948
Total current liabilities		**295,719**	322,717	269,914
Non-current liabilities				
Other payables		**259**	270	282
Interest-bearing liabilities		**416,924**	388,679	411,464
Derivative financial liabilities		**-**	-	616
Deferred tax liabilities		**16,763**	15,827	14,956
Provisions		**37,584**	46,605	49,062
Defined benefit liability		**38,106**	56,466	27,691
Total non-current liabilities		**509,636**	507,847	504,071
Total liabilities		**805,355**	830,564	773,985
Net assets		**395,496**	365,238	355,934
Equity				
Share capital	8	**276,767**	264,886	264,310
Treasury shares	8	**(22,286)**	(10,658)	(10,658)
Reserves		**(92,982)**	(86,344)	(92,604)
Retained earnings[(1)]		**235,627**	197,409	194,573
Total equity attributable to ordinary shareholders of DuluxGroup Limited		**397,126**	365,293	355,621
Non-controlling interest in controlled entities		**(1,630)**	(55)	313
Total equity		**395,496**	365,238	355,934

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

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

Consolidated Statement of Changes in Equity

For the half year ended 31 March 2017:

	Total equity attributable to ordinary shareholders of DuluxGroup Limited									
	Share capital $'000	Treasury shares $'000	Share-based payments reserve $'000	Cash flow hedge reserve[(2)] $'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 2016	**264,886**	**(10,658)**	**8,763**	**(2,886)**	**5,481**	**(97,702)**	**197,409**	**365,293**	**(55)**	**365,238**
Profit/(loss) for the half year	**-**	**-**	**-**	**-**	**-**	**-**	**72,706**	**72,706**	**(1,732)**	**70,974**
Other comprehensive income/(loss), net of tax	**-**	**-**	**-**	**617**	**(5,006)**	**-**	**13,790**	**9,401**	**157**	**9,558**
Total comprehensive income/(loss) for the half year	**-**	**-**	**-**	**617**	**(5,006)**	**-**	**86,496**	**82,107**	**(1,575)**	**80,532**
Transactions with owners, recorded directly in equity										
Purchase of treasury shares	**-**	**(14,835)**	**-**	**-**	**-**	**-**	**-**	**(14,835)**	**-**	**(14,835)**
Shares allocated under the dividend reinvestment plan (DRP)	**-**	**3,207**	**-**	**-**	**-**	**-**	**-**	**3,207**	**-**	**3,207**
Share-based payments	**-**	**-**	**1,516**	**-**	**-**	**-**	**-**	**1,516**	**-**	**1,516**
Shares vested under the LTEIP and ESIP [(1)]	**11,881**	**-**	**(3,765)**	**-**	**-**	**-**	**-**	**8,116**	**-**	**8,116**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**-**	**(48,278)**	**(48,278)**	**-**	**(48,278)**
Balance at 31 March 2017	**276,767**	**(22,286)**	**6,514**	**(2,269)**	**475**	**(97,702)**	**235,627**	**397,126**	**(1,630)**	**395,496**
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 loss, 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 dividend reinvestment plan (DRP)	-	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 $8,116,000 (31 March 2016: $5,784,000) comprises the following:

- Proceeds of $7,316,000 (31 March 2016: $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 2013 LTEIP.
- Amounts totalling $800,000 (31 March 2016: $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.

(2) The closing balance of Cash Flow hedging reserve includes the foreign currency basis reserve which represents changes in the fair value of the Cross Currency Interest Rate Swap (CCIRS) attributable to movement in the foreign currency basis spread.

Consolidated Statement of Cash Flows

For the half year ended 31 March:

	2017 $'000	2016 $'000
Cash flows from operating activities		
Profit for the half year	**70,974**	62,961
Depreciation and amortisation	**15,392**	16,838
Amortisation of prepaid supply agreements	**649**	530
Share-based payments expense	**1,516**	2,354
Defined benefit service cost	**2,875**	2,483
Defined benefit interest cost	**906**	414
Unwind of discounting	**1,073**	1,650
Research and development grant income	**(504)**	-
Share of net profit of equity accounted investment	**(643)**	(385)
Impairment of inventories	**1,614**	1,506
Impairment of trade and other receivables	**614**	508
Net loss on sale of property, plant and equipment	**111**	271
Net foreign exchange gains on operating items	**(826)**	(111)
Amortisation of prepaid loan establishment fees	**418**	530
Operating cash flows before changes in working capital and provisions	**94,169**	89,549
Decrease in trade and other receivables	**829**	14,898
Increase in inventories	**(10,943)**	(1,521)
Increase in other assets	**(5,886)**	(2,560)
Increase in deferred taxes payable	**2,395**	2,080
Decrease in trade and other payables and provisions	**(25,614)**	(65,956)
Decrease in current tax liabilities	**(5,282)**	(8,271)
Net cash inflow from operating activities	**49,668**	28,219
Cash flows from investing activities		
Payments for property, plant and equipment	**(48,945)**	(23,601)
Payments for intangible assets	**(200)**	(1,086)
Payments for purchase of businesses	**(505)**	(1,599)
Proceeds from disposal of property, plant and equipment	**124**	68
Net cash outflow from investing activities	**(49,526)**	(26,218)
Cash flows from financing activities		
Proceeds from short term borrowings	**5,505**	775
Repayments of short term borrowings	**(3,065)**	(3,444)
Proceeds from long term borrowings	**1,359,000**	813,000
Repayments of long term borrowings	**(1,315,000)**	(770,000)
Payments for purchase of treasury shares	**(14,835)**	(13,803)
Proceeds from sale of treasury shares	**-**	32
Proceeds from employee share plan repayments	**7,845**	5,271
Dividends paid (net of shares allocated/issued as part of the DRP)	**(45,071)**	(41,245)
Net cash outflow from financing activities	**(5,621)**	(9,414)
Net decrease in cash held	**(5,479)**	(7,413)
Cash at the beginning of the half year	**39,068**	46,270
Effects of exchange rate changes on cash	**(801)**	(2,265)
Cash at the end of the half year	**32,788**	36,592
Supplementary information		
Interest received	**98**	96
Interest paid	**(7,004)**	(8,221)
Income taxes paid	**(29,179)**	(30,926)

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

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 the Company and its subsidiaries (collectively '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 the Company in its consolidated financial statements for the year ended 30 September 2016.

a) Basis of preparation

This general purpose financial report for the half year ended 31 March 2017 ('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 2017 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 subsidiaries 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 2016 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 ended 31 March 2017 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 2014-4	Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation	1 Oct 2016

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 Oct 2018
AASB 2016-2	Amendments to Australian Accounting Standards- Disclosure Initiative: Amendments to AASB 107	1 Oct 2017
AASB 15	Revenue from Contracts with Customers	1 Oct 2018
AASB 2014-5	Amendments to Australian Accounting Standards arising from AASB 15	1 Oct 2018
AASB 2016-3	Amendments to Australian Accounting Standards - Clarifications to AASB 15	1 Oct 2018
AASB 16	Leases	1 Oct 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 in future reporting periods.

b) Rounding

The amounts shown in this financial report have been rounded off, except where otherwise stated, to the nearest thousand dollars with the Company being in a class specified in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191.

Notes to the Half Year Report

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 Group has renamed its segments in the current period, consistent with the internal reporting, to reflect the brand names in each of the segments. There have been no changes to the nature, allocation, products or services of these segments.

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

Defined reportable segments	Products/services
Dulux ANZ	Dulux decorative paints, woodcare, texture, protective, powder and industrial coatings in Australia and New Zealand for both consumer and professional trade markets.
Selleys & Parchem 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.
B&D Group	B&D garage doors and electronic openers for residential, commercial and industrial use in Australia and New Zealand.
Lincoln Sentry	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, Papua New Guinea coatings business and Craig & Rose paints business in the United Kingdom. Also includes the 51%-owned DGL Camel business in China and Hong Kong.

Notes to the Half Year Report

2 Segment report (continued)

For the half year ended 31 March:

	Dulux ANZ		Selleys & Parchem ANZ		B&D Group		Lincoln Sentry		Other businesses		Unallocated[1]		Consolidated	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000	**2017 $'000**	2016 $'000	**2017 $'000**	2016 $'000	**2017 $'000**	2016 $'000	**2017 $'000**	2016 $'000	**2017 $'000**	2016 $'000
Revenue														
External revenue	**472,281**	450,737	**121,000**	121,772	**86,387**	84,325	**93,552**	88,836	**107,957**	105,441	**-**	-	**881,177**	851,111
Inter-segment revenue	**1,450**	1,769	**4,819**	3,885	**-**	-	**23**	30	**435**	495	**(6,727)**	(6,179)	**-**	-
Total revenue	**473,731**	452,506	**125,819**	125,657	**86,387**	84,325	**93,575**	88,866	**108,392**	105,936	**(6,727)**	(6,179)	**881,177**	851,111
Other income	**1,889**	697	**219**	86	**170**	22	**-**	1	**446**	379	**(211)**	(293)	**2,513**	892
Total revenue and other income	**475,620**	453,203	**126,038**	125,743	**86,557**	84,347	**93,575**	88,867	**108,838**	106,315	**(6,938)**	(6,472)	**883,690**	852,003
Results														
EBITDA[2]	**95,843**	91,087	**15,148**	13,923	**9,500**	8,803	**7,234**	6,183	**7,349**	8,738	**(13,725)**	(13,608)	**121,349**	115,126
Depreciation and amortisation	**(7,308)**	(8,490)	**(1,411)**	(1,655)	**(3,337)**	(3,298)	**(1,090)**	(1,150)	**(1,498)**	(1,460)	**(748)**	(785)	**(15,392)**	(16,838)
EBIT	**88,535**	82,597	**13,737**	12,268	**6,163**	5,505	**6,144**	5,033	**5,851**	7,278	**(14,473)**	(14,393)	**105,957**	98,288
Finance income													**98**	96
Finance expenses													**(8,789)**	(10,687)
Profit before income tax expense													**97,266**	87,697
Income tax expense													**(26,292)**	(24,736)
Profit for the half year													**70,974**	62,961
Attributable to:														
Ordinary shareholders of DuluxGroup Limited													**72,706**	63,679
Non-controlling interest in controlled entities													**(1,732)**	(718)
Profit for the half year													**70,974**	62,961
Acquisitions of property, plant and equipment and intangible assets	**38,804**	28,687	**902**	1,025	**891**	1,171	**137**	129	**941**	1,529	**-**	-	**41,675**	32,541

(1) Comprises of centrally managed income, costs, assets and liabilities 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

3 Earnings per share (EPS)

For the half year ended 31 March	**2017 Cents per share**	2016 Cents per share
Attributable to the ordinary shareholders of DuluxGroup Limited		
Basic earnings per share	**19.0**	16.6
Diluted earnings per share	**18.7**	16.4
	$'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	**72,706**	63,679
	Number	Number
Weighted average number of ordinary shares outstanding used as the denominator:		
Number for basic earnings per share	**382,917,184**	382,515,512
Effect of the potential vesting of shares under the LTEIP and ESIP(1)	**6,284,021**	5,411,581
Number for diluted earnings per share	**389,201,205**	387,927,093

(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 Income tax expense

The current year tax expense of $26,292,000 (31 March 2016: $24,736,000) represents an effective tax rate of 27.0% (31 March 2016: 28.2%). The current period effective tax rate is below the Australian company tax rate of 30% primarily due to the release of a tax provision established in previous years.

5 Equity accounted investment

The Yates garden care business (reported as part of the 'Other businesses' segment) has an interest in the following joint venture arrangement:

For the half year ended 31 March	**2017 $'000**	2016 $'000
Pinegro Products Pty Ltd		
Percentage of ownership interest held(1)	**50%**	50%
Opening balance	**6,518**	6,342
Share of net profit	**643**	385
Closing Balance	**7,161**	6,727

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

Notes to the Half Year Report

6 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 2017 $'000	30 September 2016 $'000	**31 March 2017 $'000**	30 September 2016 $'000
Dulux Australia	**29,273**	29,078	**26,900**	26,900
Selleys & Parchem ANZ	**43,282**	43,299	**3,400**	3,400
Yates ANZ	**10,035**	10,058	**14,858**	14,858
B&D Group	**39,537**	39,537	**15,000**	15,000
Lincoln Sentry	**18,193**	18,193	**2,400**	2,400
DGL International UK	**4,166**	3,500	**-**	-
	144,486	143,665	**62,558**	62,558

The review for impairment at 31 March 2017 did not result in impairment charges being recognised by DuluxGroup.

7 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, reviews the performance of each CGU or asset against expectations, and considers changes in market value and discount rates.

As at 31 March 2017, results of the impairment testing for assets did not result in any impairment.

8 Contributed equity

Movements in fully paid ordinary shares on issue since 1 October 2016 were as follows:

	Ordinary shares		**Treasury shares**		**Total contributed equity**	
Details	**Number of shares**	**2017 $'000**	**Number of shares**	**2017 $'000**	**Number of shares**	**2017 $'000**
Balance at 1 October 2016	389,250,252	264,886	(1,685,960)	(10,658)	387,564,292	254,228
Purchase of treasury shares	-	-	(2,517,433)	(14,835)	(2,517,433)	(14,835)
Shares allocated under the DRP (1)	-	-	544,233	3,207	544,233	3,207
Shares vested under the LTEIP and ESIP	-	11,881	-	-	-	11,881
Balance at 31 March 2017	**389,250,252**	**276,767**	**(3,659,160)**	**(22,286)**	**385,591,092**	**254,481**

(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.

a) Shares issued to subsidiaries

The Group has formed a trust to administer the Group's employee share schemes. This trust is consolidated, as the substance of the relationship is that the trust is controlled by the Company. 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.

Notes to the Half Year Report

8 Contributed equity (continued)

a) Shares issued to subsidiaries (continued)

Movements in shares held by the trust since 1 October 2016 are as follows:

	Number of shares		
Details	**Issued ordinary capital**	**Treasury**	**Total**
Balance at 1 October 2016	4,858,174	1,685,960	6,544,134
Shares purchased under the 2016 LTEIP	-	1,973,200	1,973,200
Shares vested under the LTEIP and ESIP	(2,038,871)	-	(2,038,871)
Balance at 31 March 2017	**2,819,303**	**3,659,160**	**6,478,463**

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 $33,585,000**.**

9 Dividends

For the half year ended 31 March	**2017** **$'000**	2016 $'000
Dividends paid		
Final dividend for 2016 of 12.5 cents per share fully franked (2016: Final dividend for 2015 of 11.5 cents per share fully franked)	**48,278**	44,340

a) Dividends declared after balance date

On 17 May 2017, the Directors determined that an interim dividend of 13.0 cents per ordinary share will be paid in respect of the 2017 financial year. The dividend will be fully franked and payable on 9 June 2017. The financial effect of this dividend is not included in the financial statements for the half year ended 31 March 2017 and will be recognised in the 2017 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 29 May 2017 to 2 June 2017 inclusive. Ordinary shares issued under the DRP will rank equally with all other ordinary shares.

10 Capital expenditure commitments

Capital expenditure as at 31 March 2017 on property and plant and equipment contracted but not provided for and payable was $31,503,000 (30 September 2016: $41,996,000).

11 Events subsequent to balance date

Details of the interim dividend declared since balance date are set out in Note 9.

The Directors have not become aware of any other significant matter or circumstance that has arisen since 31 March 2017, that has affected or may affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent years, which has not been covered in this report.

Directors' Declaration

The Directors of DuluxGroup Limited (the Company) declare that in the Directors' opinion:

(a) the financial statements and notes of the Company and its subsidiaries (the Group) for the half year ended 31 March 2017 set out on pages 21 to 31 are in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the Group's financial position as at 31 March 2017 and of its performance for the half year ended on that date; and

  (ii) complying with the Australian Accounting Standards 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 2017

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 of DuluxGroup Limited for the half year ended 31 March 2017 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 2017

Independent Auditor's Review Report

To the members of DuluxGroup Limited

Report on the Half Year Financial Report

Conclusion

We have reviewed the accompanying ***Half Year Financial Report*** of DuluxGroup Limited.

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 (the Group) 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 2017 and of 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*.

The ***Half Year Financial Report*** comprises:

- Consolidated balance sheet as at 31 March 2017.
- 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 11 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The ***Group*** comprises DuluxGroup Limited and the entities it controlled at the half year end or from time to time during the half year.

Responsibilities of the Directors 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*
- 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 for the review of the Half Year Financial Report

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 2017 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 the 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.

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

KPMG

Gordon Sangster

Partner

James Dent

Partner

Melbourne

17 May 2017