

16 February 2010

Announcement to Australian Securities Exchange

Results for the half year ended 31 December 2009

ALL DOLLARS ARE IN AUD UNLESS OTHERWISE STATED

- **Sales revenue flat at \$198.2m**
- **EBIT increased to \$7.0m**
- **Gearing reduced to 20.7%**

Wattyl Limited (“Wattyl” or the “Group”) recorded a profit after tax of \$2.4 million for the half year ended 31 December 2009. This result is a significant improvement over the loss of \$1.5 million (before non-recurring items) reported for the prior corresponding period in 2008. This improved profit was achieved on flat sales of \$198.2 million (\$199.6 million last year) and was largely the result of the cost and margin improvement initiatives implemented during the prior 12 months.

Earnings Before Interest and Tax (EBIT) of \$7.0 million was also substantially ahead of the \$1.3 million reported for the prior corresponding period. The reduction in bank debt resulted in lower finance costs of \$2.9 million (\$3.7 million last year).

Net debt decreased by \$5.6 million in the period under review to \$32.5 million (\$71.6 million as at 31 December 2008). This reduction in debt resulted in a lower gearing ratio (net debt to net debt plus equity) of 20.7% at 31 December 2009. In October 2009 a new two year banking facility was finalised with Wattyl’s banker.

Results Summary	31 Dec 2009 \$ million	31 Dec 2008 \$ million
Continuing operations – before non-recurring items		
Sales	198.2	199.6
EBIT (earnings before interest and tax)	7.0	1.3
Net interest	(2.9)	(3.7)
Profit / (Loss) before tax	4.1	(2.4)
Income tax	(1.7)	0.9
Profit / (Loss) after tax	2.4	(1.5)
Non-recurring items and discontinued operations (after tax)	-	(4.1)
Profit / (Loss) after tax – reported	2.4	(5.6)
Earnings per share (cents)	2.9	(6.7)
Ordinary dividends for the period (cents) – fully franked	Nil	Nil

Whilst there has been an improvement in both the profits of the Group and gearing, the economic outlook still remains uncertain and consequently the directors have resolved to not declare an interim dividend. The directors are aware that many WattyI shareholders rely on dividends and it is the intention of the directors to resume the payment of dividends as soon as fiscally prudent.

Australia

Results for the half year to	31 Dec 2009 \$ million	31 Dec 2008 \$ million	Change %
Sales	177.7	178.2	(0.3)
EBIT - before non-recurring items	6.2	0.7	767
EBIT - reported	6.2	(4.6)	n/a

In Australia sales were 0.3% below those of the previous half year. This result was achieved notwithstanding a decline in overall paint industry volumes of 5.6% for the same period in the prior year.

The Australian business has secured profit improvements despite the impact of declining industry volumes. Execution of key sales and marketing initiatives is ongoing and the rollout of the new WattyI colour selector system continues to be well received in the marketplace.

Significant reductions in operating expenses were achieved following the implementation of cost management initiatives during FY2009. These savings have offset inflationary pressure and contributed positively to the improved EBIT result compared to the previous half year.

New Zealand

Results for the half year to	31 Dec 2009 \$ million	31 Dec 2008 \$ million	Change %
Sales	20.5	21.4	(4.5)
EBIT - before non-recurring items	0.8	0.6	40.4
EBIT – reported	0.8	0.1	816.0

Sales in New Zealand declined 4.5% as the residential construction sector continues to be adversely impacted by the economic downturn. Effective cost management has contributed to the \$0.2 million improvement in EBIT before non-recurring items to \$0.8 million.

Non-recurring items

There were no non-recurring items included in the half year. The prior year reported result included the following items

	31 Dec 2009 \$ million	31 Dec 2008 \$ million
Restructuring costs	-	(5.8)
Tax benefits relating to non-recurring items	-	1.7
Non-recurring items after tax	-	4.1

Outlook

Housing Industry bodies in Australia and New Zealand are forecasting an improvement in housing starts in 2010. However, this outlook must be tempered by the uncertainty created by the prospect of higher interest rates and the withdrawal of government stimulus initiatives. In light of these factors modest growth is anticipated in 2010.

Management will maintain control over input costs, continue to strengthen Watty's brands and focus on revenue growth.

Broker reports estimate FY2010 EBIT between \$12 million and \$13 million. In view of the above we expect full year EBIT broadly in line with consensus.

For further information:

Tony Dragicevich, Managing Director, on (02) 9813-3301

Emmanuel Zammit, Chief Financial Officer, on (02) 9813-3303

WATTYL LIMITED
A.B.N. 46 008 412 173

RESULTS FOR ANNOUNCEMENT TO MARKET

PRELIMINARY FINAL REPORT – ASX LISTING RULE 4.3A

FOR THE FINANCIAL HALF YEAR ENDED 31 DEEMBER 2010

Wattyl Limited

ABN 46 008 412 173

Australian Securities Exchange Listing Rules Disclosure

Half Year Information

For the half year ended 31 December 2009

<u>Contents</u>	<u>Page</u>
Results for Announcement to the Market	2
Half Year Report	
- Directors' Report	7
- Auditors' Independence Declaration	9
- Consolidated Income Statement	10
- Consolidated Statement of Comprehensive income	11
- Consolidated Statement of Financial Position	12
- Consolidated Statement of Changes in Equity	13
- Consolidated Statement of Cash Flows	14
- Notes to the Consolidated Half Year Financial Statements	15
- Directors' Declaration	22
- Independent Review Report to the Members	23

This information should be read in conjunction with the 30 June 2009 Annual Report and any announcements to the market by Wattyl Limited during the period.

Wattyl Limited

ABN 46 008 412 173

Half Year Information

For the half year ended 31 December 2009
(Previous corresponding period: half year ended 31 December 2008)

Results for Announcement to the Market

<u>Group Results</u>					<u>\$000</u>
Revenues from ordinary activities	Down	0.8 %	To		\$ 198,195
Earnings before interest , tax and non-recurring items	Up	448 %	To		\$ 7,005
Earnings before interest and tax	Up	n/a	To		\$ 7,005
Profit from ordinary activities after tax attributable to members	Up	n/a	To		\$ 2,437
Profit for the period attributable to members	Up	n/a	To		\$ 2,437

<u>Group Ratios</u>		
Earnings per share ^(a)		2.9 ¢
<i>(a) Based on weighted average shares of 84.956 million for the half year and 84.866 million for the prior corresponding half year</i>		

Dividends

No final dividend for the 2009 financial year has been declared or paid during the period.

No interim dividend for the half year ended 31 December 2009 has been declared or paid during the period, or subsequent to the half year end.

Results Highlights

Wattyl Limited ("Wattyl" or the "Group") recorded a profit after tax of \$2.4 million for the half year ended 31 December 2009. This result is a significant improvement over the loss of \$1.5 million (before non-recurring items) reported for the prior corresponding period in 2008. This improved profit was achieved on flat sales of \$198.2 million (\$199.6 million last year) and was largely the result of the cost and margin improvement initiatives implemented during the prior 12 months.

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Net debt decreased by \$5.6 million in the period under review to \$32.5 million (\$71.6 million as at 31 December 2008). This reduction in debt resulted in a lower gearing ratio (net debt to net debt plus equity) of 20.7% at 31 December 2009. In October 2009 a new two year banking facility was finalised with Wattyl's banker.

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Wattyl Limited

ABN 46 008 412 173

Half year financial statements
For the half year ended 31 December 2009

Wattyl Limited
Directors' Report

For the half year ended 31 December 2009

The Directors of Wattyl Limited ("Wattyl", "parent entity" or "Company") present their report on the consolidated entity consisting of the Company and its controlled entities (collectively "the consolidated entity" or "Group") for the half year ended 31 December 2009. In order to comply with the provisions of the Corporations Act 2001, the Directors' report as follows:

The names of the Directors of the Company during or since the end of the period are:

Mr J.W. Ingram
Ms P.E. Akopiantz
Mr M.B. Luby
Mr I.L. Fraser

Dr J.D. Nolan retired on 30 October 2009

Mr A.M. Dragicevich was appointed Managing Director on 30 October 2009 and continues in office at the date of this Report

Review of operations

The Group recorded a profit after tax of \$2,437,000 for the half year ended 31 December 2009. This result is a significant improvement over the loss of \$1,577,000 (before non-recurring items) reported for the prior corresponding period in 2008. This improved profit was achieved on flat sales of \$198.2 million (\$199.6 million last year) and was largely the result of the cost and margin improvement initiatives implemented during the prior 12 months.

Australia

In Australia revenue from external customers was down 0.3% below the previous half year.

Significant reductions in operating expenses were achieved following the implementation of cost management initiatives during FY2009. These savings have offset inflationary pressure and contributed positively to the improved EBIT result compared to the previous half year.

New Zealand

Revenue from external customers in New Zealand declined 4.5% as the residential construction sector continues to be adversely impacted by the economic downturn. Effective cost management has contributed to the \$0.2 million improvement in EBIT before non-recurring items to \$0.8 million.

Results Summary

	2009	2008
	\$'000	\$'000
Revenue from external customers		
Australia	177,702	178,204
New Zealand	20,478	21,442
	198,180	199,646
EBIT before non-recurring items		
Australia	6,217	717
New Zealand	788	561
	7,005	1,278
EBIT		
Australia	6,217	(4,622)
New Zealand	788	86
	7,005	(4,536)
Group		
Profit / (Loss) after tax – before non-recurring items	2,437	(1,577)
Profit / (Loss) after tax	2,437	(5,647)

Dividend

Whilst there has been an improvement in both the profits of the Group and gearing, the economic outlook still remains uncertain and consequently the directors have resolved to not declare an interim dividend. The directors are aware that many Wattyl shareholders rely on dividends and it is the intention of the directors to resume the payment of dividends as soon as fiscally prudent.

Rounding

The Company is an entity of a kind referred to in the ASIC Class Order No. 98/0100 and, in accordance with this Class Order, amounts in the financial report and the directors' report have been rounded off to the nearest one thousand dollars, unless otherwise stated.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 9.

Signed in accordance with a resolution of the directors.



John Ingram
Chairman



Anthony Dragicevich
Managing Director

Sydney
16 February 2010



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Auditor's Independence Declaration

As lead auditor for the review of Wattyl Limited for the half year ended 31 December 2009, I declare that to the best of my knowledge and belief, there have been:

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

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

A handwritten signature in black ink, appearing to read 'Matthew Lunn'.

Matthew Lunn

Partner
PricewaterhouseCoopers

Sydney
16 February 2010

Wattyl Limited
Consolidated Income Statement
For the half year ended 31 December 2009

		Half Year	
	Note	2009 \$'000	2008 \$'000
Sales Revenue	3(a)	198,158	199,630
Other Revenue	3(b)	37	85
Revenue from continuing operations		198,195	199,715
Other income	3(c)	37	-
Changes in inventories of finished goods and work in progress		4,285	(3,425)
Raw materials and consumables used		(85,944)	(76,800)
Employee benefits expense		(53,975)	(64,344)
Depreciation and amortisation expense		(5,382)	(5,214)
Finance Costs		(2,928)	(3,733)
Other expenses	3(d)	(50,196)	(54,399)
Profit / (Loss) from continuing operations before income tax		4,092	(8,200)
Income tax (expense) / benefit	5	(1,655)	2,553
Profit / (Loss) attributable to owners of Wattyl Limited		2,437	(5,647)

Earnings per share for profit / (loss) attributable to the ordinary equity holders of the company

Basic earnings per share (cents per share)	2.9¢	(6.7)¢
Diluted earnings per share (cents per share)	2.9¢	(6.7)¢

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

Wattyl Limited
Consolidated Statement of Comprehensive Income
For the half year ended 31 December 2009

	2009 \$'000	Half Year 2008 \$'000
Profit / (Loss) for the half year	2,437	(5,647)
Other comprehensive income		
Changes in fair value of cash flow hedges	41	(1)
Actuarial gains / (losses) on defined benefit plan	994	(5,158)
	1,035	(5,159)
Income tax on items of other comprehensive income	(310)	1,548
	725	(3,611)
Exchange differences on translation of foreign operations	(109)	143
Other comprehensive income net of tax	616	(3,468)
Total comprehensive income attributable to the owners of Wattyl Limited	3,053	(9,115)

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

Wattyl Limited
Consolidated Statement of Financial Position
As at 31 December 2009

	31 December 2009	30 June 2009	31 December 2008
	Note	\$'000	\$'000
ASSETS			
Current assets			
Cash and cash equivalents	7	3,273	2,625
Trade and other receivables		56,621	47,685
Inventories		65,523	64,420
Derivative financial instruments		41	-
Current tax assets		34	34
Total current assets		125,492	114,764
Non-current assets			
Property, plant and equipment		79,381	81,264
Deferred tax assets		11,868	13,741
Intangible assets		20,106	20,085
Total non-current assets		111,355	115,090
Total assets		236,847	229,854
LIABILITIES			
Current liabilities			
Bank overdraft	7	-	1,151
Trade and other payables		53,464	43,318
Provisions		13,858	14,157
Borrowings	8	-	-
Other		10	26
Total current liabilities		67,332	58,652
Non-current liabilities			
Borrowings	8	35,821	39,578
Deferred tax liabilities		6,510	6,578
Provisions		2,211	2,036
Retirement benefit obligations		394	1,585
Other		-	-
Total non-current liabilities		44,936	49,777
Total liabilities		112,268	108,429
Net assets		124,579	121,425
EQUITY			
Contributed equity		146,933	146,932
Reserves		(2,364)	(1,927)
Retained losses		(19,990)	(23,580)
Total equity		124,579	121,425

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

Wattyl Limited
Consolidated Statement of Changes in Equity
For the half year ended 31 December 2009

	Contributed Equity	Retained Profits	Reserves			Total
			Foreign Currency Translation	Share Based Payments	Cash flow hedge	
			(2,375)			
Balance at 30 June 2009	146,932	(23,580)		448	-	121,425
Profit for the period	-	2,437	-	-	-	2,437
Other comprehensive income	-	696	(109)	-	29	616
Total comprehensive income	-	3,133	(109)	-	29	3,053
Transactions with owners in their capacity as owners						
Payments on partly paid shares	1	-	-	-	-	1
Dividends paid or provided	-	-	-	-	-	-
Employee share options	-	-	-	100	-	100
Transfer of lapsed share options	-	457	-	(457)	-	-
Balance 31 December 2009	146,933	(19,990)	(2,484)	91	29	124,579

	Contributed Equity	Retained Profits	Reserves			Total
			Foreign Currency Translation	Share Based Payments	Cash flow hedge	
			(2,370)			
Balance at 30 June 2008	146,927	(16,896)		503	1	128,165
Loss for the period	-	(5,647)	-	-	-	(5,647)
Other comprehensive income	-	(3,610)	143	-	(1)	(3,468)
Total comprehensive income	-	(9,257)	143	-	(1)	(9,115)
Transactions with owners in their capacity as owners						
Payments on partly paid shares	1	-	-	-	-	1
Dividends paid or provided	-	(2,377)	-	-	-	(2,377)
Employee share options	-	-	-	63	-	63
Balance 31 December 2008	146,928	(28,530)	(2,227)	566	-	116,737

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

Wattyl Limited
Consolidated Statement of Cash Flows
For the half year ended 31 December 2009

	Note	Half Year	
		2009 \$'000	2008 \$'000
Cash flows from operating activities			
Receipts from customers		223,975	228,295
Payments to suppliers and employees		(211,779)	(234,984)
		12,196	(6,689)
Interest received		15	69
Borrowing costs		(2,362)	(3,184)
Income taxes paid		(100)	(2,334)
Net cash inflow / (outflow) from operating activities		9,749	(12,138)
Cash flows from investing activities			
Payments for property, plant and equipment		(3,462)	(9,232)
Payment for purchase of intangible		-	(268)
Proceeds from sale of property, plant and equipment		20	31
Net cash outflow from investing activities		(3,442)	(9,469)
Cash flows from financing activities			
Proceeds from share issue		1	1
Proceeds from borrowings		58,394	19,145
Dividends paid	6	-	(2,377)
Repayment of borrowings		(62,870)	(5,000)
Net cash (outflow) / inflow from financing activities		(4,475)	11,769
Net increase / (decrease) in cash held		1,832	(9,838)
Cash held at the beginning of the period		1,474	13,735
Effects of exchange rate changes on cash		(33)	96
Cash and cash equivalents held at the end of the period	7	3,273	3,993

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

Wattyl Limited

Notes to the Consolidated Half Year Financial Statements

For the half year ended 31 December 2009

1. Summary of significant accounting policies

Wattyl Limited (the 'Company') is a company domiciled in Australia. The half year financial statements on the consolidated entity consists of the Company and its controlled entities (collectively the "Group") as at and for the half year ended 31 December 2009.

(a) Basis of preparation

The half year financial statement is a general purpose financial statement prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*

The half year financial statement does not include all notes of the type normally included within the annual financial statements. Accordingly, this statement is to be read in conjunction with the annual report for the year ended 30 June 2009 and any public announcements made by Wattyl Limited during the interim period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

(b) Principles of consolidation

The consolidated half year financial statements incorporate the assets and liabilities of all subsidiaries of Wattyl Limited as at 31 December 2009 and the results of all subsidiaries for the half year then ended. PT Wattyl Dimet Indonesia which was in liquidation and fully written down at 30 June 2009, has been liquidated during the period to 31 December 2009. There have been no other changes to the composition of the Group since 30 June 2009.

(c) Significant accounting policies

The accounting policies are consistent with those of the previous financial year and corresponding interim reporting period, except as set out below. In certain cases, prior year figures have been restated to enhance comparability. The financial statement has been prepared on the basis of historical cost, except for derivative financial instruments which have been measured at fair value.

The preparation of financial statements in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

(d) Changes in accounting policies

Wattyl Limited had to change some of its accounting policies as the result of new or revised accounting standards which became operative for the annual reporting period beginning 1 July 2009.

The affected policies and standards are:

- Principles of consolidation – revised AASB 127 *Consolidated and Separate Financial Statements* and changes made by AASB 2008-7 *Amendments to Australian Accounting Standards – Cost of an Investments in a Subsidiary, Jointly Controlled Entity or Associate*
- Business combinations – revised AASB 3 *Business Combinations*
- Segment reporting – AASB 8 *Operating Segments*
- Borrowing costs – AASB 123 *Borrowings Costs (revised 2007)*
- Employee benefits – AASB 119 *Employee Benefits*

No Australian Accounting Standards issued but not yet effective have been early adopted.

Notes to the Consolidated Half Year Financial Statements

For the half year ended 31 December 2009

1 (b) Changes in accounting policies (continued)

Principles of consolidation

AASB 127 (revised) requires that a change in ownership interest of a subsidiary (without a change in control) is to be accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill or gains and losses in the Statement of Comprehensive Income. If control is lost, any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss. The revised standard also requires losses of a partially owned subsidiary to be allocated to the non-controlling interest, even if that interest has a carrying amount of less than zero. The change in accounting policy will be applied prospectively and has had no impact on profit for the half year financial statement.

AASB 2008 – 7 removed the reference to the “cost method” making the distinction between pre and post acquisition profits irrelevant. All dividends received will now be recognised in profit or loss rather than being split between a reduction to the investment and the profit or loss. However, the receipt of a dividend now requires an entity to consider whether there is an indicator of impairment of the investment in the subsidiary. The adoption of these changes has not had any impact on the Statement of Financial Position of the Group.

Business combinations

AASB 3 (revised) introduces significant changes in the accounting for business combinations occurring after 1 July 2009. All payments to purchase a business will be recorded at fair value at the acquisition date, with contingent consideration classified as debt which is then subsequently remeasured through the income statement. Non-controlling interests in an acquiree are now recognised either at fair value or at the acquiree’s net assets. The decision is made on an acquisition-by-acquisition basis.

All acquisition related costs will now be expensed. The application of this standard is prospective and will impact the amount of recognised goodwill, the reported results in the period when an acquisition occurs and future reported results.

Segment reporting

AASB 8 replaced AASB 114 *Segment Reporting*. The Group has concluded that the operating segments disclosed are consistent with those reported previously: Australia and New Zealand. AASB 8 disclosures are shown in note 2, including the revised comparative information.

Borrowing costs

The definition of borrowing costs has been revised in AASB 123 *Borrowings Costs (revised 2007)* to be the interest expense calculated using the effective interest rate method under AASB 139 *Financial Instruments: Recognition and Measurement*. The revised standard also requires the capitalisation of borrowing costs on the acquisition, construction or production of a qualifying asset. All other borrowing costs will continue to be recognised as an expense. As the application of this change is prospective, the Group has amended its accounting policy accordingly with no change to its half year Consolidated Income Statement or Statement of Financial Position.

Employee benefits

AASB 119 *Employee Benefits* clarifies the terms “curtailments” and “negative past service cost”. If an amendment to the defined benefit fund reduces benefits, the Group will need to assess whether the reduction affects future benefits, past benefits or both. Reductions in future benefits are curtailments and will be recognised immediately. Reductions relating to past benefits will be accounted for as negative past service costs and recognised over the vesting period. There has been no change to the accounting for amendments to the plan that were recognised to June 2009, as there was no impact on past benefits resulting from that amendment.

AASB 119 *Employee Benefits* has been adjusted to replace the term “fall due” with “due to be settled” which incorporates the concept of an employee’s entitlement to benefits (within or after twelve months). This means that the timing of when an employee becomes entitled to a benefit drives the classification of an employee benefit as short term or long term. As an employee is entitled to annual leave as it accrues, annual leave will now be classified as current and will no longer be discounted. This has resulted in a change in the classification of some leave provisions from non-current to current.

Wattyl Limited

Notes to the Consolidated Half Year Financial Statements

For the half year ended 31 December 2009

1 (b) Changes in accounting policies (continued)

Revised accounting standards which impact disclosure in the current year:

Financial instruments

Additional disclosures will be included in the 30 June 2010 annual financial statements in relation to the fair value measurement of financial instruments. Disclosures will be required in accordance with the three level hierarchy for determining fair value as well as enhanced disclosures around liquidity risk. No comparatives are required.

Presentation of financial statements

All changes in equity arising from transactions with owners in their capacity as owners will be presented separately from non owner changes in equity. The Statement of Changes in Equity now shows transactions with owners as owners. All other non owner related changes in equity are shown in the Consolidated Income Statement and the Statement of Comprehensive Income, which are presented as two separate statements. The impact of this change is disclosure only.

Revised accounting standards which have not impacted Wattyl's accounting policies include:

Share-based payments

The changes to this standard clarify that vesting conditions comprise service and performance conditions only. Other features of a share based payment are not considered vesting conditions and will be taken into account in measuring the fair value at grant date, but will not affect the number of awards expected to vest. This clarification is consistent with how the Group accounted for its existing share based payments, as well as new share based payments issued during the current half year period. Additionally, any cancellations will now be accounted for consistently, regardless of what has caused the cancellation.

Government grants

AASB 120 *Accounting for Government Grants and Disclosures of Government Assistance* has been adjusted to state that loans granted with no or low interest rates will not be exempt from the requirement to impute interest. The Group has an interest free loan from the government that is currently measured in accordance with AASB 139. This change confirms the Group's current practice.

Notes to the Consolidated Financial Statements

For the half year ended 31 December 2009

2. Operating Segment Information**Description of operating segments**

Management has determined the operating segments of the Group based on the reports reviewed by the chief operating decision makers in assessing performance and in determining the allocation of resources within the Group. Segment performance is evaluated on an Earnings before Interest and Tax (EBIT) basis.

The operating segments are identified on a geographical basis. Each of the operating segments is subject to different regulatory environments. Discrete financial information about each operating segment is reported and reviewed on a monthly basis.

Each operating segment sources its revenues from the manufacture and sale of paints and other surface coatings. There has been no change to the identification of reportable segments from the previous reporting period. The application of AASB 8 *Operating Segments* has resulted in changes to the items disclosed, as information reported is now based on internal reporting to the Group's chief operating decision makers.

Accounting policies and intersegment sales

The accounting policies used by the Group in reporting segments internally are consistent with those outlined in Note 1. Intersegment revenues in the form of royalties charged by Australia have been eliminated. Royalties are calculated as a % of sales on certain products sold in New Zealand, where the Australian segment owns the brand. During the period, Australia generated royalty income of \$295,000 (2008: \$280,000) from the New Zealand segment.

The Group manages its financing on a Group basis and as such interest revenue and finance costs have been excluded from the measure of segment revenues and performance.

Half Year 31 December 2009	Continuing Operations		Total \$'000
	Australia \$'000	New Zealand \$'000	

Operating segment information:

Revenue from external customers	177,702	20,478	198,180
Earnings before interest and tax (EBIT)	6,217	788	7,005

Half Year 31 December 2008	Continuing Operations		Total \$'000
	Australia \$'000	New Zealand \$'000	

Operating segment information:

Revenue from external customers	178,204	21,442	199,646
Earnings before interest and tax (EBIT)	(4,622)	86	(4,536)

(c) Reconciliations

	31 December 2009 \$'000	31 December 2008 \$'000
Segment EBIT	7,005	(4,536)
Interest revenue	15	69
Borrowing costs	(2,928)	(3,733)
Profit / (Loss) as per the income statement before income tax expense	4,092	(8,200)

Wattyl Limited
Notes to the Consolidated Financial Statements
For the half year ended 31 December 2009

	Half Year	
	2009 \$'000	2008 \$'000
3. Revenue, income and expenses		
(a) Sales revenue		
Sale of goods	198,158	199,630
(b) Other revenue		
Interest income	15	69
Other revenue	22	16
	37	85
(c) Other Income		
Foreign exchange gain	29	-
Gain on sale of property, plant and equipment	8	-
	37	-
(d) Other expenses		
Selling and marketing	17,239	17,137
Freight	8,671	10,051
Heat, Light & Power	1,215	1,096
Occupancy	8,697	7,967
Provision for bad and doubtful debts	640	901
Motor vehicle expenses	2,080	2,745
Communications	1,271	1,429
Claims and litigation matters	370	441
Other	10,013	12,632
	50,196	54,399

4. Individually significant revenues and expenses

Profit for the year includes the following items that are unusual because of their nature or size

Restructuring and redundancy costs (included in employee benefit expense 2009: Nil, 2008: \$5,501,000)	-	5,814
Less applicable income tax benefit	-	(1,744)
	-	4,070

Notes to the Consolidated Half Year Financial Statements

For the half year ended 31 December 2009

	Half Year	
	2009	2008
	\$'000	\$'000
5. Income tax expense		
(a) Income tax expense		
Profit / (Loss) from continuing operations before income tax expense	4,092	(8,200)
The prima facie income tax (expense) / benefit reconciles to income tax provided as follows:		
Prima facie income tax (expense) / benefit on profit / (loss) at the tax rate of 30%	(1,228)	2,460
Non-deductible expenses	(54)	(48)
Research and development deductions	90	79
	<u>(1,192)</u>	<u>2,491</u>
Adjustment for current income tax of prior periods	(463)	62
	<u>(1,655)</u>	<u>2,553</u>
(b) Amounts recognised in the Consolidated Statement of Comprehensive Income		
Net deferred tax – debited / (credited) directly to equity	310	(1,548)
6. Dividends		
Final dividend of 3 cents per fully paid share paid on 26 September 2008	-	2,377

No final dividend has been declared or paid during the period. No interim dividend will be declared or paid in relation to the half year ended 31 December 2009.

	31 December 2009 \$'000	30 June 2009 \$'000	31 December 2008 \$'000
7. Cash and cash equivalents			
Cash at bank and on hand	2,563	2,625	3,993
Short term deposits	710	-	-
	<u>3,273</u>	<u>2,625</u>	<u>3,993</u>
For the purpose of the half year Consolidated Statement of Cash Flow cash and cash equivalents are comprised of the following:			
Balances as above	3,273	2,625	3,993
Bank overdraft	-	(1,151)	-
Cash per Statement of Cash Flows	<u>3,273</u>	<u>1,474</u>	<u>3,993</u>
8. Borrowings			
Secured			
Current – bank loans	-	-	75,585
Non-current – bank loans	35,816	39,573	-
	<u>35,816</u>		<u>75,585</u>
Unsecured			
Non-current – other loans	5	5	5
	<u>5</u>		<u>5</u>
	<u>35,821</u>	<u>39,578</u>	<u>75,590</u>

Bank overdraft and loan facilities

On 29 October 2009, the Group refinanced its existing debt facilities into a new, longer term facility for 100% of its ongoing banking requirements with ANZ. The new facility is for a total of \$72m, consisting of \$57m core loan and a \$15m overdraft and bank guarantee facility. The facility is secured by property mortgages and a fixed and floating charge over other assets. The facility is for an initial two year period through to 29 October 2011. As a result, bank loans have been classified as non-current.

Notes to the Consolidated Half Year Financial Statements

For the half year ended 31 December 2009

	31 December 2009	30 June 2009	31 December 2008
<hr/>			
9. Net tangible asset backing			
Net tangible assets per ordinary share	\$1.23	\$1.19	\$1.14

10. Events occurring after the balance date

The Directors are not aware of any matter or circumstance that has arisen since the end of the financial year that has significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years.

11. Contingent liabilities and assets

In the normal course of business commercial claims, including product liability, are periodically made against entities in the consolidated entity. These claims are regularly reviewed and provisions are made where exposure is believed to exist, and the amount of the obligation can be measured with sufficient reliability. Directors are satisfied, based on information available, that these provisions are adequate and strong legal grounds exist to defend the balance of claims.

The nature of the Group's activities is such that, from time to time the consolidated entity is party to claims of an environmental nature which have arisen during the ordinary course of business. The directors confirm that there are currently no such claims likely to result in material loss to the consolidated entity.

Wattyl Limited

Directors' Declaration

For the half year ended 31 December 2009

The directors' declare that:

- (a) the financial statements and notes set out on pages 10 to 21 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standard AASB 134 *Interim Financial Reporting*, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) give a true and fair view of the consolidated entity's financial position as at 31 December 2009 and its performance for the half year ended 31 December 2009; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors made pursuant to Section 303(5) of the *Corporations Act 2001*.



John Ingram
Chairman



Anthony Dragicevich
Managing Director

Sydney
16 February 2010

Independent auditor's review report

to the members of Wattyl Limited



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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Wattyl Limited, which comprises the statement of financial position as at 31 December 2009, and the income statement, the statement of comprehensive income, statement of changes in equity, and statement of cash flow for the half-year ended on that date, other selected explanatory notes and the directors' declaration for Wattyl Limited Group (the consolidated entity). The consolidated entity comprises both Wattyl Limited (the company) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Wattyl 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. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. 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.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

Independent auditor's review report (continued)



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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

A handwritten signature in cursive script that reads "PricewaterhouseCoopers".

PricewaterhouseCoopers

A handwritten signature in cursive script that reads "Matthew Lunn".

Matthew Lunn
Partner

Sydney
16 February 2010