Appendix 4D
Half Year Report
For the half year ended 31 March 2013

Name of entity:	**DULUXGROUP LIMITED**
ABN:	**42 133 404 065**

Half year ended ('current period')	Half year ended ('previous corresponding period' or 'prior period')
31 March 2013	31 March 2012

Results for announcement to the market				**$'000**
Consolidated revenue from operations	Up	30.7%	to	690,753
Profit for the period attributable to ordinary shareholders of DuluxGroup Limited	Down	31.3%	to	32,920

Dividends		Amount per security	Franked amount per security at 30% tax
Interim dividend – Ordinary	Cents	8.0	8.0
Previous corresponding period			
Interim dividend – Ordinary	Cents	7.5	7.5

Record date for determining entitlements to the dividend:	Ordinary shares	24 May 2013
Payment date of dividend:	Ordinary shares	14 June 2013

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:	Ordinary shares	24 May 2013

	Current period (Cents)	Previous corresponding period (Cents)
Net tangible asset backing per ordinary security	(6.48)	18.56

For commentary regarding the financial performance during the half year, financial position as at the half year end and any other significant information needed by an investor to make an informed assessment of DuluxGroup Limited and its controlled entities' results, please refer to the accompanying DuluxGroup Limited Profit Report. We note that this Profit Report has not been subject to review or audit by DuluxGroup's auditors.

Commentary on results for the half year

Takeover of Alesco Corporation Limited (current period)

On 18 December 2012, DuluxGroup announced that it had been successful in acquiring over 90% of Alesco Corporation Limited (Alesco) and had commenced the compulsory acquisition of the remaining shares of Alesco. Compulsory acquisition was completed on 29 January 2013. From an accounting perspective, the results of the acquired businesses have been consolidated from the close of business on 11 December 2012.

Shareholders wanting analysis on the performance of the DuluxGroup business as a result of this takeover are encouraged to refer to the Profit Report dated 13 May 2013 accompanying this Half Year Report. We note that this Profit Report has not been subject to review or audit by DuluxGroup's auditors.

Queensland flood (prior period)

The consolidated financial results presented for DuluxGroup for the half year ended 31 March 2012 include accounting for the impacts arising from the Queensland flood which caused plant damage and closure to the Group's main Australian manufacturing facility at Rocklea in January 2011. The insurance claim was finalised and settled in full with the Group's insurers for a total compensation of $80,000,000. $15,000,000 of this claim has been recognised as other income and was received during the half year ended 31 March 2012. The balance of the claim was recognised as other income during the preceding financial year ended 30 September 2011, of which $11,468,000 remained receivable at that date.

Other impacts in the half year ended 31 March 2012 included the cost of asset repairs, costs to rework damaged stock, stock disposal costs and claim preparation costs, and recognition of insurance income to reimburse for these costs, costs relating to replacement of assets and increased costs of production.

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Directors' Report

The Directors of DuluxGroup Limited (the Company) present the financial report for the Company and its controlled entities (collectively 'the consolidated entity' or 'the Group' or 'DuluxGroup') in the form of Appendix 4D of the Australian Securities Exchange (ASX) Listing Rules for the half year ended 31 March 2013 and the auditor's review report thereon.

Directors

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

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

Directors were in office for the entire period. The office of Company Secretary and General Counsel is held by Simon Black.

Review and results of operations

A review of the operations of the consolidated entity and of the results of those operations for the half year ended 31 March 2013 is contained in the accompanying DuluxGroup Limited Profit Report.

Events subsequent to balance date

On 11 April 2013, DuluxGroup reached an unconditional agreement to dispose of the land and buildings located at the O'Connor site in Western Australia for $9,560,000. At 31 March 2013, the written-down value of these assets was $924,000. As the terms of this transaction were agreed after 31 March 2013, the profit from the disposal of these assets has not been included in the results of DuluxGroup for the half year ended 31 March 2013. DuluxGroup expects this agreement to be settled during the six months ending 30 September 2013.

On 10 May 2013, the directors approved the cancellation of Tranche B of DuluxGroup's $270,000,000 syndicated loan facility, established on 30 April 2012. This tranche had a limit of $50,000,000 which is undrawn and the cancellation will result in a reduction of DuluxGroup's committed facilities to $620,000,000.

On 13 May 2013, the directors declared an interim dividend of 8.0 cents per ordinary share, fully franked and payable on 14 June 2013. The financial effect of this interim dividend is not included in the financial statements for the half year ended 31 March 2013 and will be recognised in the 2013 annual financial statements.

The Company's Dividend Reinvestment Plan (DRP) will operate with respect to the interim dividend. The DRP pricing period will be the five trading days from 28 May 2013 to 3 June 2013 inclusive. A discount of 2.5% will be applied to the DRP price. Ordinary shares issued under the DRP will rank equally with all other ordinary shares.

The directors have not become aware of any other significant matter or circumstance that has arisen since 31 March 2013, that has affected or may affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent years, which has not been covered in this report.

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 32.

Rounding

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

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

P M Kirby

Peter M. Kirby
Chairman
13 May 2013

Consolidated Income Statement

For the half year ended 31 March:

	Notes	**2013 $'000**	2012 $'000
Revenue from sale of goods		**687,240**	528,548
Revenue from services		**3,513**	-
Revenue		**690,753**	528,548
Other income	4	**1,279**	16,617
Expenses			
Changes in inventories of finished goods and work in progress		**(2,188)**	(2,685)
Raw materials and consumables used and finished goods purchased for resale		**283,630**	216,521
Employee benefits expense		**153,467**	110,777
Depreciation and amortisation expense		**15,647**	11,048
Purchased services		**90,382**	74,828
Repairs and maintenance		**5,362**	4,016
Lease payments - operating leases		**19,680**	15,600
Outgoing freight		**28,987**	23,045
Other expenses		**37,563**	20,742
Share of net profit of joint venture accounted for using the equity method	10	**(715)**	(974)
		631,815	472,918
Profit from operations		**60,217**	72,247
Finance income		**220**	346
Finance expenses		**(13,508)**	(10,971)
Net finance costs		**(13,288)**	(10,625)
Profit before income tax expense		**46,929**	61,622
Income tax expense	11	**(15,922)**	(15,321)
Profit for the half year		**31,007**	46,301

Attributable to:			
Ordinary shareholders of DuluxGroup Limited		**32,920**	47,922
Non-controlling interest in controlled entities		**(1,913)**	(1,621)
Profit for the half year		**31,007**	46,301

		cents	cents
Earnings per share			
Attributable to ordinary shareholders of DuluxGroup Limited:			
Basic earnings per share	3	**9.1**	13.3
Diluted earnings per share	3	**8.8**	13.0

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

Consolidated Statement of Comprehensive Income

For the half year ended 31 March:

	Notes	**2013 $'000**	2012 $'000
Profit for the half year		**31,007**	46,301
Other comprehensive income			
Items that may be reclassified subsequently to the income statement			
Effective portion of changes in fair value of cash flow hedges	11(c)	**73**	(410)
Foreign currency translation gain/(loss) on foreign operations		**589**	(2,205)
Income tax on items that may be reclassified subsequently to the income statement	11(c)	**(22)**	123
Total items that may be reclassified subsequently to the income statement, net of tax		**640**	(2,492)
Items that will not be reclassified to the income statement			
Actuarial gains on defined benefit plan	11(c)	**6,900**	1,200
Revaluation of other financial assets at fair value through other comprehensive income		**(940)**	-
Income tax on items that will not be reclassified to the income statement	11(c)	**(2,070)**	(360)
Total items that will not be reclassified to the income statement, net of tax		**3,890**	840
Other comprehensive income for the half year, net of tax		**4,530**	(1,652)
Total comprehensive income for the half year		**35,537**	44,649
Attributable to:			
Ordinary shareholders of DuluxGroup Limited		**37,540**	46,619
Non-controlling interest in controlled entities		**(2,003)**	(1,970)
Total comprehensive income for the half year		**35,537**	44,649

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

Consolidated Balance Sheet

As at:

	Notes	**31 March 2013 $'000**	30 September 2012 $'000
Current assets			
Cash and cash equivalents		**27,875**	28,508
Trade and other receivables		**214,554**	157,717
Inventories		**195,378**	129,220
Derivative financial assets		**110**	56
Assets classified as held for sale		**924**	-
Other assets		**9,185**	3,546
Total current assets		**448,026**	319,047
Non-current assets			
Trade and other receivables		**116**	22
Derivative financial assets		**-**	2
Investment in listed equity securities		**-**	36,848
Investment accounted for using the equity method		**4,212**	3,747
Property, plant and equipment		**263,303**	199,056
Intangible assets		**225,452**	96,830
Deferred tax assets		**52,828**	36,186
Other assets		**4,641**	4,998
Total non-current assets		**550,552**	377,689
Total assets		**998,578**	696,736
Current liabilities			
Trade and other payables		**217,132**	186,146
Interest-bearing liabilities		**15,468**	13,523
Derivative financial liabilities		**2**	39
Current tax liabilities		**11,001**	7,224
Provisions		**32,322**	17,652
Total current liabilities		**275,925**	224,584
Non-current liabilities			
Trade and other payables		**11**	43
Interest-bearing liabilities		**469,098**	245,237
Deferred tax liabilities		**2,627**	914
Provisions		**37,344**	22,237
Defined benefit liability		**12,388**	20,869
Total non-current liabilities		**521,468**	289,300
Total liabilities		**797,393**	513,884
Net assets		**201,185**	182,852
Equity			
Contributed equity	8	**183,106**	172,695
Reserves		**(102,580)**	(105,340)
Retained earnings		**109,355**	102,538
Total equity attributable to ordinary shareholders of DuluxGroup Limited		**189,881**	169,893
Non-controlling interest in controlled entities		**11,304**	12,959
Total equity		**201,185**	182,852

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

Consolidated Statement of Changes in Equity

For the half year ended 31 March 2013:

	Total equity attributable to ordinary shareholders of DuluxGroup Limited									
	Contributed equity $'000	Share-based payments reserve $'000	Cash flow hedge reserve $'000	Foreign currency translation reserve $'000	Common control reserve $'000	Revaluation reserve - other financial assets $'000	Retained earnings $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 October 2012	172,695	5,176	(67)	(11,995)	(97,702)	(752)	102,538	169,893	12,959	182,852
Profit for the half year	-	-	-	-	-	-	32,920	32,920	(1,913)	31,007
Other comprehensive income, net of tax	-	-	51	679	-	(940)	4,830	4,620	(90)	4,530
Total comprehensive income for the half year	**-**	**-**	**51**	**679**	**-**	**(940)**	**37,750**	**37,540**	**(2,003)**	**35,537**
Transactions with owners, recorded directly in equity										
Shares issued under the DuluxGroup dividend reinvestment plan	10,358	-	-	-	-	-	-	10,358	-	10,358
Share-based payments expense	-	1,303	-	-	-	-	-	1,303	-	1,303
Shares vested under the ESIP[(1)]	53	(25)	-	-	-	-	-	28	-	28
Transfer of reserve to retained earnings[(2)]	-	-	-	-	-	1,692	(1,692)	-	-	-
Finalisation of non-controlling interest on acquisition of a subsidiary[(3)]	-	-	-	-	-	-	-	-	348	348
Dividends paid	-	-	-	-	-	-	(29,241)	(29,241)	-	(29,241)
Balance at 31 March 2013	**183,106**	**6,454**	**(16)**	**(11,316)**	**(97,702)**	**-**	**109,355**	**189,881**	**11,304**	**201,185**

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

(1) Refer to Note 9 for details of the DuluxGroup Long-term Executive Investment Plan (LTEIP) and Employee Share Investment Plan (ESIP).

(2) As permitted under Australian Accounting Standards, the revaluation of Alesco shares previously held at fair value through other comprehensive income was transferred to retained earnings after the successful acquisition of Alesco.

(3) Non-controlling interest on acquisition of a subsidiary relates to the merger of DuluxGroup Limited's DGL International entities in Hong Kong and China with the Hong Kong and China operations of National Lacquer Paint and Products Co Ltd (NLPP). Non-controlling interest as recognised at 30 September 2012 comprises shares issued in DuluxGroup's wholly owned subsidiary, DGL Camel International Limited, with a fair value of $12,460,000 and NLPP's retained 49% interest in Camelpaint Chemicals Company Limited and its wholly owned subsidiaries (CCC Group) of $4,084,000. During the half year ended 31 March 2013 as part of the acquisition accounting process, the fair value of shares issued in DGL Camel International Limited was subsequently amended to $12,112,000 and NLPP's retained 49% interest in CCC Group was amended to $4,780,000.

Consolidated Statement of Changes in Equity (continued)

For the half year ended 31 March 2012:

	Total equity attributable to ordinary shareholders of DuluxGroup Limited									
	Contributed equity	Share-based payments reserve	Cash flow hedge reserve	Foreign currency translation reserve	Common control reserve	Revaluation reserve - other financial assets	Retained earnings	Total	Non-controlling interest	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 October 2011	175,629	3,148	295	(10,973)	(97,702)	-	68,059	138,456	-	138,456
Profit for the half year	-	-	-	-	-	-	47,922	47,922	(1,621)	46,301
Other comprehensive income, net of tax	-	-	(287)	(1,856)	-		840	(1,303)	(349)	(1,652)
Total comprehensive income for the half year	**-**	**-**	**(287)**	**(1,856)**	**-**	**-**	**48,762**	**46,619**	**(1,970)**	**44,649**
Transactions with owners, recorded directly in equity										
Share-based payments expense	-	1,233	-	-	-	-	-	1,233	3	1,236
Purchase of treasury shares for the LTEIP and ESIP[(1)]	(7,815)	-	-	-	-	-	-	(7,815)	-	(7,815)
Shares vested under the LTEIP and ESIP[(2)]	329	(25)	-	-	-	-	-	304	-	304
Non-controlling interest on acquisition of a subsidiary[(3)]	-	-	-	-	-	-	-	-	16,306	16,306
Dividends paid	-	-	-	-	-	-	(27,496)	(27,496)	-	(27,496)
Balance at 31 March 2012	**168,143**	**4,356**	**8**	**(12,829)**	**(97,702)**	**-**	**89,325**	**151,301**	**14,339**	**165,640**

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

(1) DuluxGroup's 2011 LTEIP and ESIP share issue requirements were satisfied by an on-market purchase of DuluxGroup shares. These purchased shares are held by the DuluxGroup Employee Share Plan Trust and have been accounted for as treasury shares with contributed equity reduced accordingly.

(2) Refer to Note 9 for details of the DuluxGroup LTEIP and ESIP.

(3) Non-controlling interest on acquisition of a subsidiary relates to the merger of DuluxGroup Limited's DGL International entities in Hong Kong and China with the Hong Kong and China operations of National Lacquer Paint and Products Co Ltd (NLPP). Under the terms of the merger arrangement DuluxGroup holds 51% of the issued capital in the parent entity of the merged group DGL Camel International Limited. Non-controlling interest as recognised at 31 March 2012 comprises shares issued in DuluxGroup's wholly owned subsidiary, DGL Camel International Limited, with a fair value of $12,108,000 and NLPP's retained 49% interest in Camelpaint Chemicals Company Limited and its wholly owned subsidiaries of $4,198,000. For the full year ended 30 September 2012, as part of the acquisition accounting process, the fair value of shares issued in DGL Camel International Limited was subsequently amended to $12,460,000 and NLPP's retained 49% interest in CCC Group was amended to $4,084,000.

Consolidated Statement of Cash Flows

For the half year ended 31 March:

	2013 $'000	2012 $'000
Cash flows from operating activities		
Receipts from customers	**788,892**	603,496
Payments to suppliers and employees	**(738,422)**	(556,061)
Interest received	**220**	346
Interest paid	**(11,895)**	(8,579)
Income taxes paid	**(16,713)**	(14,234)
Insurance recoveries	**1,040**	26,468
Net cash inflow from operating activities	**23,122**	51,436
Cash flows from investing activities		
Payments for property, plant and equipment	**(9,247)**	(13,232)
Payments for intangible assets	**(557)**	(126)
Payments for purchase of businesses and controlled entities	**(145,531)**	(2,053)
Proceeds from sale of property, plant and equipment	**48**	32
Net cash outflow from investing activities	**(155,287)**	(15,379)
Cash flows from financing activities		
Net repayments of short term borrowings	**(73,123)**	(4,590)
Net proceeds from/(repayments of) long term borrowings	**223,145**	(2,681)
Proceeds from issue of ordinary shares	**10,358**	-
Payments for purchase of treasury shares for the LTEIP and ESIP	**-**	(7,815)
Proceeds from employee share plan repayments	**391**	437
Dividends paid	**(29,241)**	(27,496)
Net cash inflow/(outflow) from financing activities	**131,530**	(42,145)
Net decrease in cash held	**(635)**	(6,088)
Cash at the beginning of the half year	**28,508**	39,540
Effects of exchange rate changes on cash	**2**	359
Cash at the end of the half year	**27,875**	33,811

Reconciliation of cash

Cash and cash equivalents at the end of the half year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

Cash at bank and on hand	**24,965**	30,840
Cash at bank - restricted[1]	**2,910**	2,971
	27,875	33,811

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

[1] DuluxGroup operates a customer loyalty programme, which is managed on behalf of DuluxGroup by a third party. Under the terms of this arrangement, DuluxGroup is required to maintain sufficient funds in a programme specific bank account to honour in full the potential redemption value of rewards by customers. The ability to use this cash is contractually restricted and has therefore been presented separately.

Notes to the Half Year Report

1 Accounting policies

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

Except as described below, the accounting policies and methods of computation applied by the Group in this Half Year Report are the same as those applied by DuluxGroup Limited in its consolidated financial statements for the year ended 30 September 2012.

a. Basis of preparation

This financial report (Half Year Report) has been prepared on a historical cost basis, except for derivative financial instruments and investments in financial assets (other than controlled entities and joint ventures) which have been measured at fair value.

The financial report for the half year ended 31 March 2013 was approved by the Board of Directors on 13 May 2013. This financial report is presented in Australian dollars, which is DuluxGroup Limited's functional and presentation currency.

This general purpose financial report for the half year reporting period ended 31 March 2013 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*.

This Half Year 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 2012 prepared under Australian Accounting Standards including Australian Interpretations and the *Corporations Act 2001*, changes in accounting policies for the requirements summarised below and any public announcements made by the Company during the half year reporting period ended 31 March 2013 in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

No new accounting standards that are relevant to the Group have been early adopted during the half year. The standards and interpretations relevant to the Group that have not been early adopted are:

- AASB 10 *Consolidated Financial Statements* - applicable for annual reporting periods beginning on or after 1 January 2013.
- AASB 11 *Joint Arrangements* - applicable for annual reporting periods beginning on or after 1 January 2013.
- AASB 12 *Disclosure of Interests in Other Entities* - applicable for annual reporting periods beginning on or after 1 January 2013.
- AASB 119 *Employee Benefits* – applicable for annual reporting periods beginning on or after 1 January 2013.
- AASB 127 *Separate Financial Statements* - applicable for annual reporting periods beginning on or after 1 January 2013.
- AASB 128 *Investments in Associates and Joint Ventures* - applicable for annual reporting periods beginning on or after 1 January 2013.
- AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* – applicable for annual reporting periods on or after 1 July 2013.
- AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* – applicable for annual reporting periods beginning on or after 1 January 2013.
- AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)* - applicable for annual reporting periods beginning on or after 1 January 2013.
- AASB 2012-10 *Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments* – applicable for annual reporting periods beginning on or after 1 January 2013.

DuluxGroup expects to adopt these standards and interpretations in subsequent financial years - however they are not expected to have a significant impact on the financial results of DuluxGroup.

b. Changes to significant accounting policies

As a result of the acquisition of Alesco Corporation Limited and its controlled entities (collectively 'Alesco Group'), the following accounting policies have been adopted by DuluxGroup. The adoption of these policies does not have an impact on previous financial periods.

Revenue from services

Revenue from services rendered is recognised in the income statement in the period in which the services are performed.

Provision for warranty

A provision for warranty is made for claims received and claims expected to be received in relation to sales made or services provided prior to reporting date, based on historical claim rates, adjusted for specific information arising from internal quality assurance processes.

Notes to the Half Year Report (continued)

1 Accounting policies (continued)

Provision for surplus lease space

A provision is made for non-cancellable operating lease rentals payable on surplus leased premises when it is determined that no substantive future benefit will be obtained from its occupancy and sub-lease rentals do not recover the full rental cost. The estimate is calculated based on discounted net future cash flows, using the interest rate implicit in the lease or an estimate thereof.

Provision for onerous lease contracts

A provision for onerous lease contracts is recognised when changes in market conditions result in the original terms of a contract becoming unfavourable in comparison to present market supply conditions. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

c. Comparatives

Where applicable, comparatives have been adjusted to disclose them on the same basis as current period figures.

Notes to the Half Year Report (continued)

2 Businesses acquired

2013

On 18 December 2012, DuluxGroup announced that it had been successful in acquiring over 90% of the ordinary share capital of Alesco and had commenced compulsory acquisition for the remainder of the shares. Compulsory acquisition was completed on 29 January 2013.

From an accounting perspective, the acquisition date is 12 December 2012, being the date on which DuluxGroup's offer for Alesco Group was made unconditional and DuluxGroup obtained the ability to govern the financial and operating policies of Alesco Group through securing Board and management control of this group. The results of the acquired businesses have been consolidated from the close of business on 11 December 2012.

At the date of acquisition and in accordance with accounting standard requirements, the Group's original 19.96% interest in Alesco Group which was previously accounted for as an investment in listed securities through other comprehensive income has been disposed and reacquired at fair value, with any reserve amounts in other comprehensive income transferred to retained earnings.

The acquisition accounting for this transaction is considered provisional due to the ongoing work to be carried out on the identification and valuation of net assets acquired. Finalisation is expected no later than close of business on 11 December 2013. The amounts recognised at 31 March 2013, are based on preliminary purchase price allocations of acquired net assets. Therefore, these amounts may be subject to change before 12 December 2013. As allowed under the relevant Australian Accounting Standards, adjustments made to these provisional numbers will be reflected in future financial periods.

The provisional assets and liabilities recognised as a result of this transaction by the consolidated entity are as follows:

2013	Book value $'000	Fair value adjustment $'000	Fair value total $'000
Consideration			
Cash payments to ordinary shareholders of Alesco[1]	145,940	-	145,940
Investment in Alesco at fair value through other comprehensive income	35,908	-	35,908
Net cash acquired	(409)	-	(409)
Total consideration	181,439	-	181,439
Net assets of controlled entities acquired			
Trade and other receivables[2]	82,037	(634)	81,403
Inventories	72,734	(7,559)	65,175
Property, plant and equipment	56,736	13,034	69,770
Intangibles including purchased goodwill[3]	333,127	(278,382)	54,745
Other assets	2,403	-	2,403
Deferred tax assets	12,883	4,263	17,146
Trade and other payables	(68,031)	(3,396)	(71,427)
Interest-bearing liabilities	(75,001)	-	(75,001)
Leased properties provisions	(4,642)	(3,721)	(8,363)
Contingent liabilities	-	(7,550)	(7,550)
Current income tax provision	(4,448)	(36)	(4,484)
Other provisions	(1,931)	(1,499)	(3,430)
Provision for employee entitlements	(12,933)	(970)	(13,903)
Deferred tax liabilities	(1,846)	1,846	-
Net identifiable assets acquired	391,088	(284,604)	106,484
Goodwill on acquisition			74,955

(1) Cash payment to ordinary shareholders of Alesco for accounting purposes comprises $125,584,000 relating to the purchase of ordinary shares in Alesco and $20,356,000 in relation to payment of a special dividend.

(2) Includes an insurance receivable of NZD 700,000 (AUD 550,000) for recoveries from the Christchurch earthquake.

(3) Book value includes purchased goodwill of $230,125,000.

Transaction costs with respect to this acquisition during the half year ended 31 March 2013 were $5,705,000 (2012 $NIL). For the full year ended 30 September 2012, transaction costs of $3,596,000 were recognised. These costs have been included as part of purchased services in the consolidated income statement.

Notes to the Half Year Report (continued)

2 Business acquired (continued)

Results contributed by the acquired business since acquistion date:

	$'000
Revenue	127,558
Loss from operations	168

If the acquisition had occured on 1 October 2012, the results of the consolidated entity would have been:

	$'000
Revenue	777,878
Profit from operations	68,542

The information on revenue and profit before income tax expense above was compiled by management based on financial information made available following acquisition and assuming no material transactions between DuluxGroup and the acquired businesses. Goodwill on the purchase of Alesco Group is attributable mainly to the skills and technical talent of the acquired businesses' work forces and the synergies expected to be achieved from integrating these businesses.

2012

On 30 November 2011, DuluxGroup Limited merged its DGL International entities in Hong Kong and China with the Hong Kong and China operations of National Lacquer Paint and Products Co Ltd to create DGL Camel International Group (DGCI Group).

Under the terms of the merger arrangement DuluxGroup holds 51% of the issued capital in DGL Camel International Limited, comprising DGL Camel International (a newly formed holding company) and its controlled entities, and has secured board and management control of this group. The following legal entities were acquired as part of this transaction:

- DGL Camel (Hong Kong) Limited (formerly Camelpaint Chemicals Company Limited);
- DGL Camel (China) Limited (formerly Camelpaint (China) Company Limited); and
- Dongguan Benson Paint Company Limited.

As a result of the merger, DuluxGroup has obtained control of its joint venture with DGL Camel Powder Coatings Limited through an increased board and management representation and an increase to its existing 50% ownership interest to 51%.

The results of the acquired businesses have been consolidated from close of business on 30 November 2011.

The residual 49% interest in the DGCI Group is held by National Lacquer Paint and Products Co Ltd and accordingly its share of the DuluxGroup results and equity have been recognised as non-controlling interest.

Notes to the Half Year Report (continued)

2 Business acquired (continued)

The acquisition accounting for this transaction has now been finalised. The assets and liabilities recognised as a result of the acquisitions by the consolidated entity are as follows:

2012	Book value $'000	Fair value adjustment $'000	Fair value total $'000
Consideration			
Shares issued in DGCI at fair value	12,112	-	12,112
Cash paid and settled via loans with related entities	4,000	-	4,000
Purchase price adjustment[1]	(710)	-	(710)
Net cash acquired	(1,947)	-	(1,947)
Total consideration	13,455	-	13,455
Net assets of controlled entities acquired			
Trade and other receivables	13,066	-	13,066
Inventories	4,961	-	4,961
Property, plant and equipment	2,975	-	2,975
Intangible assets including purchased goodwill	-	1,700	1,700
Other assets	259	-	259
Deferred tax assets	-	396	396
Trade and other payables	(11,429)	-	(11,429)
Interest-bearing liabilities	(3,571)	-	(3,571)
Other provisions	(24)	-	(24)
Provision for employee entitlements	(282)	-	(282)
Deferred tax liabilities	-	(281)	(281)
Net identifiable assets acquired	5,955	1,815	7,770
less: interest retained by non-controlling interests in acquired net assets			(4,780)
Net identifiable assets acquired, net of non-controlling interests			2,990
Goodwill on acquisition[2]			10,465

(1) At 31 March 2013 $710,000 of this purchase price adjustment is included in trade and other receivables.

(2) As permitted by Australian Accounting Standards, DuluxGroup have elected in its accounting policies to recognise acquired goodwill on a proportional basis. Therefore, only DuluxGroup's 51% share of goodwill arising from this transaction has been recognised.

Transaction costs recognised in respect to this acquisition during the half year ended 31 March 2013 were $18,900 (2012 $391,000). For the full year ended 30 September 2012 transaction costs of $504,000 were recognised.

Goodwill on the purchase of these entities is attributable mainly to the skills and technical talent of the acquired businesses' work forces and the synergies expected to be achieved from integrating these businesses.

3 Earnings per share (EPS)

As reported in the consolidated income statement	**31 March 2013 Cents per share**	31 March 2012 Cents per share
Total attributable to ordinary shareholders of DuluxGroup Limited		
Basic earnings per share	**9.1**	13.3
Diluted earnings per share	**8.8**	13.0
	$'000	$'000
Earnings used in the calculation of basic and diluted earnings per share		
Profit for the half year attributable to ordinary shareholders of DuluxGroup Limited	**32,920**	47,922
	Number	Number
Weighted average number of ordinary shares outstanding used as the denominator:		
Number for basic earnings per share	**363,316,737**	361,119,109
Effect of the potential vesting of shares under the LTEIP and ESIP[1]	**8,717,275**	6,167,606
Number for diluted earnings per share	**372,034,012**	367,286,715

(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. For further details on the LTEIP and ESIP refer to Note 9.

Notes to the Half Year Report (continued)

4 Other income

	31 March 2013 $'000	31 March 2012 $'000
Insurance recoveries[(1)]	**331**	15,000
Net foreign exchange gains	**63**	994
Royalty income	**57**	68
Rental income	**485**	271
Other	**343**	284
	1,279	16,617

(1) For the half year ended 31 March 2013, comprises recoveries from the Christchurch earthquake. For the half year ended 31 March 2012, comprises recoveries from the Queensland flood.

5 Segment report

Segment information is presented in respect of the consolidated entity's reportable segments. The Chief Operating Decision Maker (CODM) for the Group has been assessed as the Group's Managing Director and Chief Executive Officer. The consolidated entity's operations are divided into six reportable segments comprising: Paints Australia, Paints New Zealand, Selleys Yates, Garage Doors and Openers, Parchem, Lincoln Sentry, and Other businesses.

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

The major products and services from which the above segments derive revenue are:

Defined reportable segments	**Products/services**
Paints Australia	Manufacture and supply of paints and other surface coatings to the decorative market in Australia for both consumer and professional markets.
Paints New Zealand	Manufacture and supply of paints and other surface coatings to the decorative market in New Zealand for both consumer and professional markets.
Selleys Yates	Manufacture and distribution of home improvement and garden care products in Australia and New Zealand for both consumer and professional markets.
Garage Doors and Openers	Manufacture and supply of a range of garage doors for domestic and commercial use as well as commercial and residential automatic openers.
Parchem	Manufacture and supply of decorative concrete solutions, and commercial and industrial concrete products and equipment.
Lincoln Sentry	Supplier and distributor of hardware and components to the cabinet and furniture making industry, the window, door and glazing industries and the niche industrial tape and insulation markets.
Other businesses	China and South East Asia coatings and home improvement businesses, Papua New Guinea coatings business, the powders and industrial coatings business in Australia and New Zealand and the Robinhood kitchen and laundry appliance business.

Notes to the Half Year Report (continued)

5 Segment report (continued)

Reportable segments 31 March 2013 $'000	Paints Australia	Paints New Zealand	Selleys Yates	Garage Doors and Openers	Parchem	Lincoln Sentry	Other businesses	Unallocated[2]	Consolidated
Revenue									
External sales from goods	321,438	45,219	121,257	42,812	34,856	41,354	80,304	-	687,240
External sales from services	-	-	-	3,513	-	-	-	-	3,513
Inter-segment sales	3,081	204	5,298	-	-	(1)	241	(8,823)	-
Total revenue from sales of goods and services	324,519	45,423	126,555	46,325	34,856	41,353	80,545	(8,823)	690,753
Other income[1]	4	26	23	440	44	63	104	575	1,279
Total revenue and other income	324,523	45,449	126,578	46,765	34,900	41,416	80,649	(8,248)	692,032
Results									
Profit/(loss) before net financing costs and income tax expense	56,120	7,065	12,054	2,745	190	(59)	2,143	(20,041)	60,217
Profit/(loss) from operations	56,120	7,065	12,054	2,745	190	(59)	2,143	(20,041)	60,217
Finance income									220
Finance expense									(13,508)
Profit before income tax expense									46,929
Income tax expense									(15,922)
Profit for the half year									31,007
Segment assets	286,053	46,426	125,654	157,984	86,812	72,017	122,572	101,060	998,578
Segment liabilities	125,023	10,781	40,328	22,164	17,810	19,431	33,790	528,066	797,393
Investment accounted for using the equity method	-	-	4,212	-	-	-	-	-	4,212
Acquisitions of property, plant and equipment and intangible assets	5,399	225	1,276	899	233	156	970	-	9,158
Impairment of property, plant and equipment	-	-	-	-	-	-	140	-	140
Impairment/(reversal of impairment) of inventories	872	157	91	124	24	214	(163)	-	1,319
Impairment/(reversal of impairment) of trade and other receivables	1,096	72	-	(191)	15	(36)	(149)	-	807
Depreciation expense	5,327	1,290	1,455	1,149	908	386	2,226	413	13,154
Amortisation expense	377	36	164	1,080	192	419	219	6	2,493
Non-cash expenses other than depreciation and amortisation:									
Share-based payments	370	56	93	-	-	-	40	744	1,303
Share of net profit of joint venture accounted for using the equity method	-	-	715	-	-	-	-	-	715

(1) Includes foreign exchange gains/(losses) in various reportable segments.

(2) Unallocated largely comprises centrally managed income, costs, assets and liabilities relating to properties, tax, treasury, DuluxGroup's defined benefit pension plan and transaction costs ($5,705,000) and integration costs ($4,771,000) associated with the acquisition of the Alesco Group.

Notes to the Half Year Report (continued)

5 Segment report (continued)

Reportable segments 31 March 2012 $'000	Paints Australia	Paints New Zealand	Selleys Yates	Garage Doors and Openers	Parchem	Lincoln Sentry	Other businesses	Unallocated[3]	Consolidated
Revenue									
External sales from goods	306,804	37,945	115,748	-	-	-	68,051	-	528,548
External sales from services	-	-	-	-	-	-	-	-	-
Inter-segment sales	3,446	14	6,366	-	-	-	276	(10,102)	-
Total revenue from sales of goods and services	310,250	37,959	122,114	-	-	-	68,327	(10,102)	528,548
Other income[1]	15,093	21	864	-	-	-	788	(149)	16,617
Total revenue and other income	325,343	37,980	122,978	-	-	-	69,115	(10,251)	545,165
Results									
Profit/(loss) before net financing costs and income tax expense	59,175	4,920	12,049	-	-	-	2,862	(6,759)	72,247
Profit/(loss) from operations	59,175	4,920	12,049	-	-	-	2,862	(6,759)	72,247
Finance income									346
Finance expense									(10,971)
Profit before income tax expense									61,622
Income tax expense									(15,321)
Profit for the half year									46,301
Segment assets[2]	282,689	50,103	134,028	-	-	-	111,922	117,994	696,736
Segment liabilities[2]	128,019	12,974	46,879	-	-	-	34,620	291,392	513,884
Investment accounted for using the equity method[2]	-	-	3,747	-	-	-	-	-	3,747
Acquisitions of property, plant and equipment and intangible assets	6,569	1,076	1,393	-	-	-	400	-	9,438
Impairment/(reversal of impairment) of inventories	49	(13)	(80)	-	-	-	1,047	-	1,003
Impairment/(reversal of impairment) of trade and other receivables	465	123	-	-	-	-	(103)	-	485
Depreciation expense	5,190	1,295	1,434	-	-	-	2,059	183	10,161
Amortisation expense	461	38	283	-	-	-	105	-	887
Non-cash expenses other than depreciation and amortisation:									
Share-based payments	752	82	95	-	-	-	25	282	1,236
Share of net profit of joint venture accounted for using the equity method	-	-	974	-	-	-	-	-	974

(1) Includes foreign exchange gains/(losses) in various reportable segments and insurance recoveries from the Queensland flood of $15,000,000 in Paints Australia.

(2) Balance as at 30 September 2012.

(3) Unallocated largely comprises centrally managed income, costs, assets and liabilities relating to properties, tax, treasury and DuluxGroup's defined benefit pension plan.

6 Dividends

The declaration of dividends is subject to the Company satisfying the 'solvency test' requirements of the *Corporations Act 2001*.

a) Ordinary shares

2013

On 14 November 2012, the Directors declared a fully franked final dividend of 8.0 cents per ordinary share. Dividends totalling $29,241,000 were paid on 17 December 2012.

2012

On 14 May 2012, the Directors declared a fully franked final dividend of 7.5 cents per ordinary share. Dividends totalling $27,294,000 were paid on 15 June 2012.

On 14 November 2011, the Directors declared a fully franked final dividend of 7.5 cents per ordinary share. Dividends totalling $27,336,000 were paid on 16 December 2011.

b) Subsequent events

On 13 May 2013, the directors declared an interim dividend of 8.0 cents per ordinary share, fully franked and payable on 14 June 2013. The financial effect of this interim dividend is not included in the financial statements for the half year ended 31 March 2013 and will be recognised in the 2013 annual financial statements.

The Company's Dividend Reinvestment Plan (DRP) will operate with respect to the interim dividend. The DRP pricing period will be the five trading days from 28 May 2013 to 3 June 2013 inclusive. A discount of 2.5% will be applied to the DRP price. Ordinary shares issued under the DRP will rank equally with all other ordinary shares.

7 Intangible assets

Impairment testing of goodwill and intangible assets with indefinite useful lives

For the purpose of impairment testing, the allocation of goodwill and brand names with indefinite lives are as follows:

	Goodwill [1]		**Brand names** [2]	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Paints Australia	**8,063**	8,063	**23,500**	23,500
Selleys Yates	**20,227**	20,210	**14,858**	14,858
China[3]	**25,039**	25,863	**-**	-
Garage Doors and Openers[4]	**39,851**	-	**15,000**	-
Parchem[4]	**19,695**	-	**3,400**	-
Lincoln Sentry[4]	**15,409**	-	**2,400**	-
	128,284	54,136	**59,158**	38,358

(1) Goodwill acquired in a business combination is measured at cost less any accumulated impairment losses.

(2) Brand names assessed to have indefinite lives are identified on the basis of brand strength, expectations of continuing profitability and future business commitment to these brands.

(3) Includes DuluxGroup's operations in China and Hong Kong.

(4) Allocation of goodwill and brand names associated with the acquisition of the Alesco Group is currently provisional. Refer to Note 2 for further details.

The recoverable amount of both goodwill and brand names with indefinite lives is assessed based on the higher of value in use and fair value less costs to sell. The recoverable amounts are determined using cash flow projections based on DuluxGroup's Board approved budgets, four year business plans and related strategic reviews. Cash flow projections beyond the four year period are extrapolated using estimated growth rates, which are not expected to exceed the long term average growth rates in the applicable markets. Foreign currency cash flows are discounted using the functional currency of the Cash Generating Units (CGUs) and then translated to Australian dollars using the closing exchange rate.

The discount rates for the recoverable amount of each CGU are assessed using a pre-tax rate. The rate used for a:

- value in use calculation is derived based on an independent external assessment of the Group's post-tax weighted average cost of capital in conjunction with risk specific factors to the countries in which the CGU operates.
- fair value less cost to sell calculation is based on an independent external assessment of the cost of capital of a willing buyer taking into account risk specific factors to the countries in which the CGU operates.

Notes to the Half Year Report (continued)

7 Intangible assets (continued)

The pre-tax discount rates applied in the discounted cash flow models range between 11% and 15% (30 September 2012 between 11% and 15%).

As at 31 March 2013, results of the impairment testing for goodwill and intangible assets with indefinite useful lives did not result in any impairment being identified.

The calculation of recoverable amount for DuluxGroup impairment testing purposes is sensitive to changes in discount rates, terminal value growth rates applied in perpetuity, expected sales revenue growth rates in the forecast period, and earnings varying from the assumptions and forecast data used. As such, sensitivity analysis was undertaken to examine the effect of a change in a variable on each CGU. Refer below for sensitivity analysis regarding the China CGU. For all other CGUs, a reasonable possible change in these inputs would not cause the recoverable amount to be below the carrying amount.

DuluxGroup's Asian presence (through Selleys, Decorative Coatings and Powder Coatings) was enhanced by the acquisition of Sopel, a China-based coatings business, in November 2008 and the Camelpaint business in November 2011.

The acquisition of Sopel provided DuluxGroup with access to over 750 distribution outlets and a leading position in woodcare coatings in the Shanghai region. DuluxGroup's strategy in acquiring Sopel was to leverage the acquired distribution channels by overlaying DuluxGroup's broad product range. The acquisition of the Camelpaint business provided DuluxGroup with additional skills and technical talent in the region. Consistent with the Group's stated strategy for growth in China, the recoverable amount of the China CGU was assessed for the half year ended 31 March 2013 using fair value less cost to sell, with the recoverable amount of the CGU exceeding the carrying value of its net assets. The recoverable amount as determined by fair value less cost to sell is sensitive to sales revenue growth rate in the forecast period, terminal value growth rate applied into perpetuity and the discount rate applied. The assumptions applied are as follows:

	31 March 2013	30 September 2012
10 year sales revenue compound annual growth rate	**8.9%**	9.4%
Terminal value growth rate	**4%**	4%
Pre-tax discount rate	**China: 15.1%**	China: 15.3%
	Hong Kong: 11.2%	Hong Kong: 11.3%

Assumed sales revenue compound annual growth rate reflects the anticipated growth opportunities in this market. Terminal value growth rate is based on the long term expected growth for the China market. The pre-tax discount rate has been externally assessed by an independent expert and represents the weighted average cost of capital in China and Hong Kong respectively determined with regard to the capital asset pricing model and various external indices.

The excess in recoverable amount over the carrying value of the China CGU's net assets would change should the following changes to key assumptions occur:

- 10 year sales revenue compound annual growth rate – a 0.1% (30 September 2012 0.1%) reduction in the rate would result in recoverable amount being equal to carrying value.
- Terminal value growth rate – a 0.5% (30 September 2012 0.3%) reduction in the rate would result in recoverable amount being equal to carrying value.
- Discount rate – An increase in the rate of 1.0% in China or 0.4% in Hong Kong (30 September 2012 0.1% in China or 0.6% in Hong Kong) would result in recoverable amount being equal to carrying amount.

Notes to the Half Year Report (continued)

8 Contributed equity

	31 March 2013 $'000	30 September 2012 $'000
Issued and fully paid		
Ordinary shares	**190,841**	180,457
Less treasury shares	**(7,735)**	(7,762)
Ordinary shares of the consolidated entity	**183,106**	172,695

Movements in fully paid ordinary shares on issue since 1 October 2011 were as follows:

Details	Number of shares	Issue price $	$'000
Ordinary shares			
Balance at 1 October 2011	367,456,259	-	175,629
Shares issued under the DuluxGroup dividend reinvestment plan(1)	1,528,643	2.92	4,464
Shares vested under the ESIP(2,3)	-	-	77
Shares vested under the LTEIP(2,4)	-	-	287
Balance at 30 September 2012	368,984,902		180,457
Shares issued under the DuluxGroup dividend reinvestment plan(5)	2,976,371	3.48	10,358
Shares issued under the ESIP and the LTEIP(2)	2,545,908	-	-
Shares vested under the ESIP(2,3)	-	-	26
Balance at 31 March 2013	**374,507,181**		**190,841**

(1) The Company has established a dividend reinvestment plan under which holders of ordinary shares may be able to elect to have all or part of their dividend entitlements satisfied by the issue of new fully paid ordinary shares or shares purchased on-market by DuluxGroup. In relation to the interim dividend paid 15 June 2012, 1,528,643 new shares were issued at a price of $2.92. No new shares were issued in relation to the dividends paid on 16 December 2011 as the required shares were purchased on-market.

(2) For details of the DuluxGroup LTEIP and the ESIP, refer to Note 9.

(3) Upon cessation of employment and settlement of amounts outstanding for their ESIP shares, 19,076 shares vested to plan participants (2012 47,824).

(4) In accordance with the plan rules, 124,324 shares vested under the 2010 LTEIP.

(5) Pursuant to the DRP as described in footnote 1, 2,976,371 new shares were issued at a price of $3.48 (net of a discount of 2.5%) for the dividend paid on 17 December 2012.

a) Shares issued to subsidiaries and treasury shares

The Company has the flexibility under the LTEIP and ESIP rules to purchase shares on-market, issue new shares or reallocate forfeited shares to participants in the plans.

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

Where ordinary shares are issued to the trust for the purpose of the employee share schemes, this ordinary share capital is not recognised on consolidation. Where shares are purchased on-market by the trust for the purpose of the employee share schemes, the purchase is accounted for as a buy-back and the amount is deducted from contributed equity as treasury shares on consolidation.

Notes to the Half Year Report (continued)

8 Contributed equity (continued)

a) Shares issued to subsidiaries and treasury shares (continued)

Movements in these shares since 1 October 2011 were as follows:

	Number of shares			$'000		
Details	**Issued to subsidiaries**	**Treasury**	**Total**	**Issued to subsidiaries**	**Treasury**	**Total**
Balance at 1 October 2011	4,872,750	-	4,872,750	12,525	-	12,525
Shares vested under the ESIP(1,4)	(29,460)	(18,364)	(47,824)	(77)	(53)	(130)
Shares vested under the LTEIP(2,4)	(124,324)	-	(124,324)	(320)	-	(320)
Purchase of shares for the LTEIP and ESIP(3,4)	-	2,690,652	2,690,652	-	7,815	7,815
Balance at 30 September 2012	4,718,966	2,672,288	7,391,254	12,128	7,762	19,890
Shares vested under the ESIP(1,4)	(9,670)	(9,406)	(19,076)	(26)	(27)	(53)
Shares issued for the LTEIP and ESIP(4)	2,545,908	-	2,545,908	9,420	-	9,420
Balance at 31 March 2013	**7,255,204**	**2,662,882**	**9,918,086**	**21,522**	**7,735**	**29,257**

(1) Upon cessation of employment and settlement of amounts outstanding for their ESIP shares, 19,076 shares vested to plan participants (2012 47,824).

(2) In accordance with the plan rules NIL shares (2012 124,324 shares) vested under the various LTEIP and proceeds of $NIL (2012 $287,292) were received as settlement, being the residual balance after applying dividends and debt forgiveness of $32,220.

(3) DuluxGroup's December 2011 LTEIP and ESIP requirements were satisfied by an on-market purchase of 2,690,652 DuluxGroup ordinary shares and reallocation of forfeited 2010 LTEIP and ESIP shares returned to DuluxGroup during the vesting period by executives and employees leaving DuluxGroup respectively. As these shares are held by the DuluxGroup Employee Share Plan Trust, a wholly owned subsidiary of DuluxGroup Limited, these shares are either recognised as treasury shares or not recognised depending on whether the shares were purchased on-market or were from a new share issue.

(4) Refer to Note 9 for details of the DuluxGroup LTEIP and ESIP.

Notes to the Half Year Report (continued)

9 Share-based payments

Total expenses arising from share-based payment transactions recognised during the half year as part of employee benefit expense were as follows:

	31 March 2013 $	31 March 2012 $
DuluxGroup Long Term Equity Incentive Plan	**1,302,526**	619,708
DuluxGroup Employee Share Investment Plan	**-**	615,928
	1,302,526	1,235,636

a) DuluxGroup Long Term Equity Incentive Plan (LTEIP)

The LTEIP has been established to incentivise executives to generate shareholder wealth. Under the LTEIP, eligible executives are provided with an interest free, non-recourse loan from DuluxGroup for the sole purpose of acquiring shares in the Company. Executives may not deal with the shares while the loan remains outstanding and any dividends paid on the shares are applied (on an after-tax basis) towards repaying the loan. Executives are entitled to exercise the voting rights attaching to their DuluxGroup ordinary shares from the date of allocation of those shares. The shares issued to the executives can be newly issued shares, purchased on-market or reallocated forfeited shares. Shares allocated under this plan in conjunction with non-recourse loans are accounted for as options. As a result, the amounts receivable from employees in relation to these loans are not recognised in the financial statements. New shares issued to a wholly owned subsidiary to satisfy the requirements under this plan are not recognised on consolidation (refer Note 8). Shares purchased on-market by a wholly owned subsidiary to satisfy the requirements under this plan are accounted for as a buy-back and recognised as treasury shares on consolidation (refer Note 8). Shares purchased by the Company on-market under the plan are recognised as a share buy-back. In accordance with the requirements of AASB 2 *Share-based Payment*, a share-based payments expense is recognised in the income statement over the vesting period based on the fair value of the options. Settlement of share loans upon vesting are recognised as share capital.

Under the LTEIP, the shares allocated to executives are returned to DuluxGroup, subject to discretion retained by the Directors, if the executives leave DuluxGroup within the vesting period. Typically, the vesting period is approximately three years, with performance tested following the announcement of annual results in the third year after a grant is made.

Details of shares issued under this plan and the associated share-based payment expense is as follows:

				Total expense[1,2]	
	Number at issue date	Issue date	Issue price	31 March 2013 $	31 March 2012 $
2010 LTEIP grant	4,401,850	19 July 2010/5 August 2010	$2.57	**653,400**	388,716
2011 LTEIP grant	2,641,325	20 December 2011	$2.90	**421,231**	230,992
2012 LTEIP grant	2,417,231	19 December 2012	$3.70	**227,895**	-
				1,302,526	619,708

(1) Represents the value calculated under AASB 2. The share-based payment expense represents the expense incurred during the half year in respect of current incentive allocations to executives. These amounts are therefore not amounts actually received by executives during the half year. Whether an executive receives any value from the allocation of long term incentives in the future will depend on the performance of the Company's shares. The minimum potential future value of grants under LTEIP is $NIL (2012 $NIL).

(2) Refer to Note 9(a)(i) for details of the valuation of share options issued in accordance with AASB 2.

Notes to the Half Year Report (continued)

9 Share-based payments (continued)

i) Fair value of share options granted in December 2012

The fair value at grant date for the purposes of AASB 2 is independently determined using an adjusted form of the Black-Scholes option pricing model. Standard option pricing inputs include underlying share price, exercise price, expected dividends, expected risk-free interest rates and expected share price volatility. In addition, specific factors in relation to the likely achievement of performance hurdles and employment tenure have been taken into account.

The fair value inputs for share options granted during the half year ended 31 March 2013 include:

	LTEIP 2012
Grant date	30 November 2012(1)
Fair value estimate at grant date ($)	$0.99
Gateway condition(2)	EPS
Performance condition(3)	TSR ranking
Expected life of share options (years)	3.1
Expected dividend yield (%)	NIL
Expected risk-free interest rate (%)	2.62%
Expected share price volatility (%)	22.5%
Grant date share price ($)	$3.50

(1) While the issue and allocation of LTEIP shares to the executives only occurred on 19 December 2012, in accordance with the requirements of Australian Accounting Standards, the 'grant date' is 30 November 2012 being the date that the Company and the executives agreed to enter a share-based payment arrangement.

(2) The Board has implemented a 'gateway' level of minimum performance for the DuluxGroup LTEIP below which no benefit accrues. This 'gateway' is the compound annual EPS growth over the life of the share option from 30 September 2012 and must equal or exceed 4%.

(3) The relative Total Shareholder Return (TSR) performance hurdle is used to determine the level of loan forgiveness under the DuluxGroup LTEIP (the forgiveness amount). There is no loan forgiveness amount if DuluxGroup's relative TSR is below the 51st percentile against a Board approved comparator group. If DuluxGroup's relative TSR is greater than or equal to the 51st percentile, a proportion of the initial loan balance (on a 'sliding scale' from 10% at the 51st percentile up to a maximum of 30% at or above the 75th percentile) is forgiven.

b) DuluxGroup Employee Share Investment Plan (ESIP)

In December 2012, eligible employees of the Group (with the exception of New Zealand employees) were offered to acquire DuluxGroup ordinary shares to the value of $1,000 (through a salary sacrifice). Eligible employees in New Zealand were offered to acquire ordinary shares to the value of NZD$780.

The number of DuluxGroup shares allocated was based on the volume weighted average price of DuluxGroup shares over the five day trading period from 11 December 2012 to 17 December 2012 (inclusive). The offer was only open to full time and permanent part time employees who had been continuously employed within the DuluxGroup business for a period of three months prior to the date of the offers and specifically excluded members of the senior management team and directors.

A participating employee is entitled to receive all cash dividends paid on their DuluxGroup shares and to exercise the voting rights attaching to those shares from the date of allocation. Employees who leave DuluxGroup must salary sacrifice any remaining amount owed prior to becoming entitled to the shares. A share allocated to a participating employee under the ESIP has trade restrictions attached until the earlier of the end of three years after the date of allocation and the time when the participant ceases to be employed by DuluxGroup Limited or any of its controlled entities. At the end of the restriction period, the employee will be able to sell or otherwise deal with their DuluxGroup shares.

Details of shares issued under this plan and the associated share-based payment expense is as follows:

					Total expense	
	Number of participants	**Number at issue date**	**Issue date**	**Issue price**	**31 March 2013 $**	31 March 2012 $
2010 ESIP	1,311	489,840	9 August 2010/ 28 September 2010	$2.56/ $2.69	-	-
2011 ESIP	1,306	424,105	20 December 2011	$2.90	-	615,928
2012 ESIP	1,026	268,620	19 December 2012	$3.70	-	-
					-	615,928

Notes to the Half Year Report (continued)

10 Investments accounted for using the equity method

The consolidated entity has interests in the following entities:

	Percentage of ownership interest held at end of the financial year		Contribution to net profit	
	31 March	**31 March**	**31 March**	**31 March**
Name of entity	**2013 %**	2012 %	**2013 $'000**	2012 $'000
Pinegro Products Pty Ltd[1]	**50.0**	50.0	**715**	974

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

11 Income tax expense

a) Income tax expense recognised in the consolidated income statement

	For the half year ended:	
	31 March 2013 $'000	31 March 2012 $'000
Current tax expense	**16,102**	18,240
Deferred tax (benefit)/expense	**(207)**	273
Under/(over) provision in prior years[1,2]	**27**	(3,192)
Total income tax expense in the consolidated income statement	**15,922**	15,321
Deferred tax (benefit)/expense included in income tax expense comprises:		
(Increase)/decrease in deferred tax assets	**(683)**	108
Increase in deferred tax liabilities	**476**	165
	(207)	273

b) Reconciliation of income tax expense to prima facie tax expense

	31 March 2013 $'000	31 March 2012 $'000
Profit before income tax expense	**46,929**	61,622
Prima facie income tax expense calculated at 30% of profit before income tax expense	**14,079**	18,487
Tax effect of items which (decrease)/increase tax expense:		
Variation in tax rates of foreign controlled entities	**(49)**	(16)
Entertainment	**208**	191
Non allowable share-based payments	**385**	197
Research and development	**(230)**	(208)
Share of net profit of joint venture accounted for using the equity method	**(214)**	(292)
Net non-deductible/non-assessable income	**(1,609)**	(1,307)
Non-deductible transaction costs	**1,545**	-
Tax consolidation adjustment[2]	**-**	(3,229)
Deferred tax restatements for overseas tax legislation change	**-**	5
Tax losses not recognised	**984**	879
Sundry items	**823**	614
Income tax expense reported in the consolidated income statement	**15,922**	15,321

(1) The over provision recognised during the half year ended 31 March 2012 largely comprises changes to the tax consolidation adjustments recognised in previous reporting periods. Refer footnote 2 below for further details.

(2) On forming the Australian tax consolidated group effective from 19 July 2010, management undertook an exercise to calculate the impact of tax consolidation on the recognised values of deferred tax balances in Australia. Management has completed the tax exit calculation with no further deferred tax asset recognised in the half year ended 31 March 2013 (2012 $3,229,000).

Notes to the Half Year Report (continued)

11 Income tax expense (continued)

c) Income tax expense recognised in other comprehensive income

	For the half year ended:					
	31 March 2013			31 March 2012		
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
	Before tax	**Tax expense**	**Net of tax**	Before tax	Tax benefit/ (expense)	Net of tax
Effective portion of changes in fair value of cash flow hedges	**73**	**(22)**	**51**	(410)	123	(287)
Actuarial gains on defined benefit plan	**6,900**	**(2,070)**	**4,830**	1,200	(360)	840
	6,973	**(2,092)**	**4,881**	790	(237)	553

d) New Zealand Inland Revenue Department proceedings

On 5 March 2013 the New Zealand Court of Appeal handed down its judgement in favour of the Commissioner of Taxation. The decision upheld the judgement of the High Court handed down on 12 December 2011 in relation to the tax challenge proceedings issued in 2010 against the Inland Revenue Department by Alesco New Zealand Limited (Alesco NZ), now a wholly owned subsidiary of DuluxGroup. An application for leave to appeal to the New Zealand Supreme Court was lodged in April 2013.

The proceedings relate to the question of tax deductibility of interest on an Optional Convertible Note (OCN) financing arrangement put in place by Alesco NZ in 2003 and relate to the 2003-2008 tax years. This arrangement was unwound in July 2010. There is also an exposure for the 2009-2011 tax years which were not subject to the proceedings but are likely to be dealt with in the same manner as eventually determined for the 2003-2008 tax years.

For the half year ended 31 March 2013, a further NZD 7,688,000 (AUD 6,164,000) has been recognised as contingent liabilities arising from business acquisitions and is reported as part of provisions.

12 Critical accounting estimates and judgements

Management determines the development, selection and disclosure of the consolidated entity's critical accounting policies, estimates and judgements and the application of these policies and estimates. Management necessarily makes estimates and judgements that have a significant effect on the amounts recognised in the financial statements. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Management believes the estimates used in preparing the financial report are reasonable and in accordance with accounting standards. Changes in the assumptions underlying the estimates may result in a significant impact on the financial statements. The most critical of these assumptions and judgements are:

a) Provisions against current assets

In the course of normal trading activities, management uses its judgement in establishing the net realisable value of various elements of working capital – principally inventory and trade receivables. Provisions are established for obsolete or slow moving inventories and bad or doubtful receivables. Actual expenses in future periods may be different from the provisions established and any such differences would affect future earnings of the Group.

b) Property, plant and equipment and definite life intangible assets

The Group's property, plant and equipment and intangible assets, other than indefinite life intangible assets, are depreciated/amortised on a straight-line basis over their useful economic lives. Management reviews the appropriateness of useful economic lives of assets at least annually but any changes to useful economic lives would affect prospective depreciation rates and asset carrying values.

Notes to the Half Year Report (continued)

12 Critical accounting estimates and judgements (continued)

c) Impairment of assets

The Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets are impaired. In making the assessment for impairment, assets that do not generate independent cash inflows are allocated to an appropriate CGU. The recoverable amount of those assets, or CGUs, is measured as the higher of their fair value less costs to sell and value in use. Management necessarily applies its judgement in allocating assets that do not generate independent cash inflows to appropriate CGUs.

The determination of recoverable amount requires the estimation and discounting of future cashflows. The estimation of cashflows considers all information available at balance date which may deviate from actual developments. This includes, amongst other things, changes in discount rates, terminal value growth rates applied in perpetuity, expected sales revenue growth rates in the forecast period, and earnings varying from the assumptions and forecast data used. Subsequent changes to the CGU allocation or to the timing and quantum of cash flows may impact the carrying value of the respective assets.

d) Defined benefit superannuation fund obligations

The expected costs of providing post-employment benefits under defined benefit arrangements relating to employee service during the period are charged to the income statement. Any actuarial gains and losses, which can arise from differences between expected and actual outcomes or changes in actuarial assumptions, are recognised immediately in the consolidated statement of comprehensive income. In all cases, the superannuation costs are assessed in accordance with the advice of independent qualified actuaries but require the exercise of significant judgement in relation to assumptions for future salary, superannuation increases, long term price inflation, discount rates and investment returns. While management believes the assumptions used are appropriate, a change in the assumptions used would impact the earnings and equity of the Group.

e) Environmental

The Group is subject to a variety of laws and regulations in the jurisdictions in which it operates or maintains properties. Provisions for expenses that may be incurred in complying with such laws and regulations are set aside if environmental inquiries or remediation measures are probable and the costs can be reliably estimated. For sites where there are uncertainties with respect to what DuluxGroup's remediation obligations might be or what remediation techniques might be approved and no reliable estimate can presently be made of regulatory and remediation costs, no amounts have been provided for. It is also assumed that the methods planned for environmental clean-up will be able to treat the issues within the expected time frame.

It is difficult to estimate the future costs of environmental remediation because of many uncertainties, particularly with regard to the status of laws, regulations and the information available about conditions in the various countries and at the individual sites. Significant factors in estimating the costs include previous experiences in similar cases, expert opinions regarding environmental programs, current costs and new developments affecting costs, management's interpretation of current environmental laws and regulations, the number and financial position of third parties that may become obligated to participate in any remediation costs on the basis of joint liability, and the remediation methods which are likely to be deployed.

Environmental costs are estimated using either the work of external consultants and/or internal experts. Changes in the assumptions underlying these estimated costs may impact future reported results. Subject to these factors, but taking into consideration experience gained to date regarding environmental matters of a similar nature, DuluxGroup believes the provisions to be appropriate based upon currently available information. However, given the inherent difficulties in estimating liabilities in this area, it cannot be guaranteed that additional costs will not be incurred beyond the amounts provided. It is possible that final resolution of these matters may require expenditures to be made in excess of established provisions over an extended period of time that may result in changes in timing of anticipated cash flows from those assumed and in a range of amounts that cannot be reasonably estimated.

Notes to the Half Year Report (continued)

12 Critical accounting estimates and judgements (continued)

f) Business acquisitions

The consolidated financial statements include the information and results of each subsidiary from the date on which the Company obtains control until such time as the Company ceases to control such entity.

The determination as to the existence of control or significant influence over an entity necessarily requires management judgement to assess the Group's ability to govern the financial and operating activities of an investee. In making such an assessment, a range of factors are considered including voting rights in an investee and Board and management representation.

A business acquisition also requires judgement with respect to the determination of the fair value of purchase consideration given and the fair value of identifiable net assets and liabilities acquired. Many of these assets and liabilities either given up or acquired are not normally traded in active markets, and thus management judgement is required in determining their fair values. Management judgement is also required in ascertaining the assets and liabilities which should be recognised, in particular with respect to intangible assets such as brand names, customer relationships, patents and trademarks.

g) Taxation

DuluxGroup is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the worldwide provision for income taxes. There are transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group's estimates its tax liabilities based on the Group's understanding of the tax law. Where the final tax outcome of these matters is different from the amounts initially recorded, such differences will impact the current and deferred income tax provision in the period in which such determination is made.

In addition, deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable profits are available to utilise those temporary differences and losses, and the tax losses continue to be available having regard to the nature and timing of their origination and compliance with the relevant tax legislation associated with their recoupment.

Assumptions are also made about the application of income tax legislation. These assumptions are subject to risk and uncertainty and there is a possibility that changes in circumstances will alter expectations which may impact the amount of deferred tax assets and deferred tax liabilities recorded on the consolidated balance sheet and the amount of tax losses and timing differences not yet recognised. In these circumstances, the carrying amount of deferred tax assets and liabilities may change, resulting in an impact on the earnings of the Group.

h) Warranty

DuluxGroup generally offers warranties for its products. Management estimates the related provision for future warranty claims based on historical warranty claim information, as well as recent trends that might suggest that past cost information may differ from future claims. Factors that could impact the estimated future warranty claims include information on futures parts and labour costs.

Notes to the Half Year Report (continued)

13 Contingent liabilities and contingent assets

DuluxGroup had contingent liabilities and contingent assets at 31 March 2013 in respect of:

a) Orica Separation Deed

The Separation Deed between Orica Limited (Orica) and DuluxGroup Limited deals with certain commercial, transitional and legal issues arising in connection with the legal and economic separation of DuluxGroup from Orica. A key part of the Separation Deed is the agreement between the parties in relation to the 'Demerger Principle'. This fundamental underlying principle of the demerger is that, on and from the effective date of the demerger, DuluxGroup has the entire economic benefit, commercial risk and liabilities of all businesses to be conducted by DuluxGroup after the effective date and all former DuluxGroup businesses, as though DuluxGroup had always owned and operated those businesses. The principle also states that Orica will have the entire economic benefit, commercial risk and liabilities of all businesses to be conducted by Orica after the effective date, and any company, business or asset which is not a business to be conducted by DuluxGroup after the effective date or a former DuluxGroup business, as though Orica had always owned and operated those businesses. To support this principle, DuluxGroup and Orica indemnify each other against all claims, and liabilities relating to any claim brought by the other, relating to liabilities which are liabilities of their businesses or former businesses following the application of the Demerger Principle. The Separation Deed also contains specific indemnities with respect to certain matters.

b) Deed of cross guarantee

All of DuluxGroup Limited's Australian subsidiaries, excluding DuluxGroup Employee Share Plan Trust and the Australian entities that were part of the former Alesco Group, are party to a Deed of Cross Guarantee pursuant to ASIC Class Order 98/1418. The terms of this Deed of Cross Guarantee include a provision that each party guarantees the debts of each other party on insolvency.

c) Camelpaint warranties

As part of the acquisition of the Camelpaint entities (refer Note 2), DuluxGroup and National Lacquer Paint and Products Co Ltd (NLPP) agreed to provide general warranties to each other in respect of matters that were not disclosed during the due diligence process. In addition, the parties agreed to provide each other with indemnities in relation to environmental, tax and other specific matters in respect of the period prior to the acquisition. The warranties and indemnities are subject to certain limitations as to the period during which claims can be made and maximum claim amounts.

There are certain assets of NLPP that were not intended to form part of the transaction but which formed part of the entities that were transferred to DGCI Group (the 'excluded NLPP assets'). These excluded NLPP assets have been segregated pending their formal transfer back to NLPP or a NLPP nominee. The Group and NLPP have agreed that NLPP will be responsible for all costs and liabilities associated with the operation and maintenance of the excluded NLPP assets as if NLPP was the owner of those excluded assets from the completion of the transaction.

d) Legal proceedings

The nature of DuluxGroup's consumer products business and its geographic diversity means that the Company receives a range of claims from various parties and is from time to time required to make its own assessment of obligations arising from legislation across the jurisdictions in which it operates. These claims, and actual or potential obligations, are evaluated on a case-by-case basis considering the information and evidence available as well as specialist advice as required to assess the appropriate outcome.

The outcome of currently pending and future litigation cannot be predicted with certainty. Accordingly, an adverse decision in a lawsuit could result in additional costs that are not covered, either wholly or partially, under insurance policies and that could materially affect the financial position, results of operations or cash flows of the Group. Litigation and other judicial proceedings raise difficult legal issues and are subject to many complexities. Upon resolution of a legal matter, the Group may incur charges in excess of the presently established provisions and related insurance coverage. Where it is considered probable that a future obligation will result in a material outflow of resources, then this is accounted for accordingly by the Group.

Notes to the Half Year Report (continued)

14 Events subsequent to balance date

On 11 April 2013, DuluxGroup reached an unconditional agreement to dispose of the land and buildings located at the O'Connor site in Western Australia for $9,560,000. At 31 March 2013, the written-down value of these assets was $924,000. As the terms of this transaction were agreed after 31 March 2013, the profit from the disposal of these assets has not been included in the results of DuluxGroup for the half year ended 31 March 2013. DuluxGroup expects this agreement to be settled during the six months ending 30 September 2013.

On 10 May 2013, the directors approved the cancellation Tranche B of DuluxGroup's $270,000,000 syndicated loan facility, established on 30 April 2012. This tranche had a limit of $50,000,000 which is undrawn and the cancellation would result in a reduction of DuluxGroup's committed facilities to $620,000,000.

On 13 May 2013, the directors declared an interim dividend of 8.0 cents per ordinary share, fully franked and payable on 14 June 2013. The financial effect of this interim dividend is not included in the financial statements for the half year ended 31 March 2013 and will be recognised in the 2013 annual financial statements.

The directors have not become aware of any other significant matter or circumstance that has arisen since 31 March 2013, that has affected or may affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent years, which has not been covered in this report.

Directors' Declaration

In the Directors' opinion:

(a) the financial statements and the notes set out on pages 5 to 30 are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair value of the consolidated entity's financial position as at 31 March 2013 and of its performance for the half year ended on that date; and

(ii) complying with 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

13 May 2013

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

To: the directors of DuluxGroup Limited:

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 March 2013 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

Alison Kitchen
Partner

Melbourne

13 May 2013

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

Report on the financial report

We have reviewed the accompanying half-year financial report of DuluxGroup Limited ("the Company"), which comprises the Consolidated Balance Sheet as at 31 March 2013, 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 14 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Consolidated Entity comprising the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity,* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Consolidated Entity's financial position as at 31 March 2013 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of DuluxGroup Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of DuluxGroup Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Consolidated Entity's financial position as at 31 March 2013 and of its performance for the half-year ended on that date; and

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

KPMG

KPMG

A. Kitchen

Alison Kitchen
Partner

Melbourne

13 May 2013