Appendix 4D
Half Year Report
For the half year ended 31 March 2012

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 2012	31 March 2011

Results for announcement to the market				**$'000**
Consolidated revenue from operations	Up	8%	to	528,548
Profit for the period attributable to ordinary shareholders of DuluxGroup Limited	Down	2%	to	47,922

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

Record date for determining entitlements to the dividend:	Ordinary shares	25 May 2012
Payment date of dividend:	Ordinary shares	15 June 2012

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	25 May 2012

	Current period (Cents)	Previous corresponding period (Cents)
Net tangible asset backing per ordinary security	18.56	10.03

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.

Commentary on results for the half year

Queensland flood (current and prior period)

The consolidated financial results presented for DuluxGroup for the half year ended 31 March 2012 and 31 March 2011 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 has now been 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 during the half year ended 31 March 2012 (2011 $26,036,000), with the balance recognised during the preceding financial year ended 30 September 2011.

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.

Other impacts in the half year ended 31 March 2011 included recognition of impairment for assets damaged in the flood, increased costs of production, one off costs for clean up and repairs related to the flood, and recognition of insurance income to reimburse for costs relating to repairs and replacement of assets, increased costs of production, site cleaning costs and lost sales.

Of the amount recognised as other income, $NIL is outstanding as at 31 March 2012 (2011 $11,536,000).

Shareholders wanting analysis on the performance of the DuluxGroup business and the impact of the Queensland flood are encouraged to refer to the Profit Report dated 14 May 2012 accompanying this Half Year Report.

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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 2012 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 CEO
Stuart Boxer, CFO and Executive Director
Gaik Hean Chew
Garry Hounsell
Andrew Larke
Judith Swales

Directors were in office for the entire period unless otherwise stated. The office of Company Secretary is held by Simon Black.

Review and results of operations

A review of the operations of the consolidated entity during the half year and of the results of those operations is contained in the accompanying DuluxGroup Limited Profit Report.

Events subsequent to balance date

On 30 April 2012, DuluxGroup acquired a 19.96% interest in Alesco Corporation Limited (Alesco) for a cash consideration of $37,600,000. Subsequently, on 1 May 2012, DuluxGroup announced its intention to make an all-cash offer to acquire all of the ordinary shares that it does not already own in Alesco at a price of $2.00 per share, which is expected to cost approximately $153,000,000. DuluxGroup has negotiated a new loan facility with a limit of $270,000,000, which together with unused capacity within existing facilities, will be used to fund the proposed acquisition and subsequent refinancing of Alesco's existing debt facilities.

The offer is conditional upon, among other things, DuluxGroup acquiring a relevant interest in 90% of Alesco shares and confirmation from Alesco of earnings and liabilities.

On 14 May 2012, the directors declared an interim dividend of 7.5 cents per ordinary share, fully franked and payable on 15 June 2012. The financial effect of this interim dividend is not included in the financial statements for the half year ended 31 March 2012 and will be recognised in the 2012 annual financial statements.

The directors have not become aware of any other significant matter or circumstance that has arisen since 31 March 2012, 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 28.

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
14 May 2012

Consolidated Income Statement

For the half year ended 31 March:

	Notes	**2012 $'000**	2011 $'000
Revenue from sale of goods		**528,548**	491,188
Other income	5	**16,617**	26,624
Expenses			
Changes in inventories of finished goods and work in progress		**(2,685)**	(192)
Raw materials and consumables used and finished goods purchased for resale		**216,521**	197,200
Employee benefits expense		**110,777**	99,897
Depreciation and amortisation expense		**11,048**	9,677
Purchased services		**74,828**	73,234
Repairs and maintenance		**4,016**	3,924
Lease payments - operating leases		**15,600**	14,820
Outgoing freight		**23,045**	22,270
Other expenses		**20,742**	30,558
Share of net profit of joint venture accounted for using the equity method	10	**(974)**	(529)
		472,918	450,859
Profit from operations		**72,247**	66,953
Finance income		**346**	318
Finance expenses		**(10,971)**	(11,258)
Net finance costs		**(10,625)**	(10,940)
Profit before income tax expense		**61,622**	56,013
Income tax expense	11	**(15,321)**	(7,272)
Profit for the half year		**46,301**	48,741

Attributable to:			
Ordinary shareholders of DuluxGroup Limited		**47,922**	48,741
Non-controlling interest in controlled entities		**(1,621)**	-
Profit for the half year		**46,301**	48,741

		cents	cents
Earnings per share			
Attributable to ordinary shareholders of DuluxGroup Limited:			
Basic earnings per share	4	**13.3**	13.5
Diluted earnings per share	4	**13.0**	13.3

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	2012 $'000	2011 $'000
Profit for the half year		**46,301**	48,741
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)	**(410)**	(20)
Foreign currency translation loss on foreign operations		**(2,205)**	(2,480)
Income tax on items that may be reclassified subsequently to the income statement	11(c)	**123**	6
Total items that may be reclassified subsequently to the income statement, net of tax		**(2,492)**	(2,494)
Items that will not be reclassified to income statement			
Actuarial gains on defined benefit plan	11(c)	**1,200**	1,600
Income tax on items that will not be reclassified to the income statement	11(c)	**(360)**	(480)
Total items that will not be reclassified to the income statement, net of tax		**840**	1,120
Other comprehensive income for the half year, net of income tax		**(1,652)**	(1,374)
Total comprehensive income for the half year		**44,649**	47,367
Attributable to:			
Ordinary shareholders of DuluxGroup Limited		**46,619**	47,367
Non-controlling interest in controlled entities		**(1,970)**	-
Total comprehensive income for the half year		**44,649**	47,367

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet

As at:

	Note	**31 March 2012 $'000**	30 September 2011 $'000
Current assets			
Cash and cash equivalents		**33,811**	39,540
Trade and other receivables		**152,050**	169,723
Inventories		**137,077**	135,727
Derivative financial assets		**140**	918
Other assets		**6,182**	2,384
Total current assets		**329,260**	348,292
Non-current assets			
Trade and other receivables		**1**	4
Derivative financial assets		**50**	221
Investment accounted for using the equity method		**3,471**	2,497
Property, plant and equipment		**198,388**	196,359
Intangible assets		**97,429**	87,024
Deferred tax assets		**33,661**	33,994
Other assets		**273**	338
Total non-current assets		**333,273**	320,437
Total assets		**662,533**	668,729
Current liabilities			
Trade and other payables		**168,247**	193,380
Interest-bearing liabilities		**14,470**	15,721
Derivative financial liabilities		**1**	6
Current tax liabilities		**9,621**	8,807
Provisions		**16,786**	19,697
Total current liabilities		**209,125**	237,611
Non-current liabilities			
Trade and other payables		**496**	294
Interest-bearing liabilities		**243,002**	245,931
Deferred tax liabilities		**1,154**	986
Provisions		**22,978**	22,837
Defined benefit liability		**20,138**	22,614
Total non-current liabilities		**287,768**	292,662
Total liabilities		**496,893**	530,273
Net assets		**165,640**	138,456
Equity			
Contributed equity	8	**168,143**	175,629
Reserves		**(106,167)**	(105,232)
Retained earnings		**89,325**	68,059
Total equity attributable to ordinary shareholders of DuluxGroup Limited		**151,301**	138,456
Non-controlling interest in controlled entities		**14,339**	-
Total equity		**165,640**	138,456

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:

	Total equity attributable to ordinary shareholders of DuluxGroup Limited								
	Contributed equity $'000	Share-based payments reserve $'000	Cash flow hedging reserve $'000	Foreign currency translation reserve $'000	Common control reserve $'000	Retained earnings $'000	Total $'000	Non-controlling interest [2] $'000	Total equity $'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 income 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 2011 DuluxGroup LTEIP and ESIP plans[1]	(7,815)	-	-	-	-	-	(7,815)	-	(7,815)
Shares vested under the DuluxGroup Employee Share Investment Plan	329	(25)	-	-	-	-	304	-	304
Non-controlling interest on acquisition of a subsidiary	-	-	-	-	-	-	-	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 Long-term Executive Investment Plan (LTEIP) and Employee Share Investment Plan (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) 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 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. As described in Note 3, the accounting for this transaction remains provisional.

Consolidated Statement of Changes in Equity (continued)

For the half year ended 31 March:

	Total equity attributable to ordinary shareholders of DuluxGroup Limited								
	Contributed equity	Share-based payments reserve	Cash flow hedging reserve	Foreign currency translation reserve	Common control reserve	Retained earnings	Total	Non-controlling interest	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 October 2010	174,323	1,925	(162)	(15,088)	(97,702)	21,659	84,955	-	84,955
Profit for the half year	-	-	-	-	-	48,741	48,741	-	48,741
Other comprehensive income, net of income tax	-	-	(14)	(2,480)	-	1,120	(1,374)	-	(1,374)
Total comprehensive income for the half year	**-**	**-**	**(14)**	**(2,480)**	**-**	**49,861**	**47,367**	**-**	**47,367**
Transactions with owners, recorded directly in equity									
Total changes in contributed equity	1,258	-	-	-	-	-	1,258	-	1,258
Share-based payments expense	-	596	-	-	-	-	596	-	596
Dividends paid	-	-	-	-	-	(11,010)	(11,010)	-	(11,010)
Balance at 31 March 2011	**175,581**	**2,521**	**(176)**	**(17,568)**	**(97,702)**	**60,510**	**123,166**	**-**	**123,166**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the half year ended 31 March:

	2012 $'000	2011 $'000
Cash flows from operating activities		
Receipts from customers	**603,496**	555,581
Payments to suppliers and employees	**(556,061)**	(499,932)
Interest received	**346**	318
Interest paid	**(8,579)**	(10,208)
Income taxes paid	**(14,234)**	(12,496)
Insurance recoveries	**26,468**	14,500
Net cash inflow from operating activities	**51,436**	47,763
Cash flows from investing activities		
Payments for property, plant and equipment	**(13,232)**	(18,976)
Payments for intangible assets	**(126)**	(29)
Payments for purchase of businesses and controlled entities	**(2,053)**	(4,480)
Proceeds from sale of property, plant and equipment	**32**	5
Net cash outflow from investing activities	**(15,379)**	(23,480)
Cash flows from financing activities		
Net movement in short term financing	**(4,590)**	2,229
Net movement in long term financing	**(2,681)**	(40,000)
Proceeds from issue of ordinary shares	**-**	1,258
Payments for shares bought back as treasury shares for LTEIP and ESIP plans	**(7,815)**	-
Proceeds from employee share plan repayments	**437**	224
Dividends paid	**(27,496)**	(11,010)
Net cash outflow from financing activities	**(42,145)**	(47,299)
Net decrease in cash held	**(6,088)**	(23,016)
Cash at the beginning of the half year	**39,540**	44,681
Effects of exchange rate changes on cash	**359**	(44)
Cash at the end of the half year	**33,811**	21,621
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	**30,840**	18,817
Cash at bank - restricted[1]	**2,971**	2,804
	33,811	21,621

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.

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 2012 was approved by the Board of Directors on 14 May 2012. 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 2012 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 2011 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 2012 in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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 2011.

The standards relevant to the Group that have been early adopted during the year are:

- AASB 13 *Fair Value Measurement*
- AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13*
- *AASB 20*11-13 *Amendments to Australian Accounting Standards arising from improvements to AASB 1049.*

The adoption of these standards have had no significant impact on the financial report or have impacted disclosures only.

The standards and interpretations relevant to the Group that have not been early adopted are:

- AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* - applicable for annual reporting periods beginning on or after 1 January 2013.
- AASB 2010-7 *Amendments to Australian Accounting Standards Arising from AASB 9* - applicable for annual reporting periods beginning on or after 1 January 2013.
- AASB 9 *Financial Instruments* - applicable for annual reporting periods beginning on or after 1 January 2013.
- 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 2011-1*0 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) - applicable for annua*l 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.

Notes to the Half Year Report (continued)

1 Accounting policies (continued)

b. Comparatives

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

We draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup arising from the 2011 Queensland flood.

Notes to the Half Year Report (continued)

2 Queensland flood

The consolidated financial results presented for DuluxGroup for the half year ended 31 March 2012 and 31 March 2011 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 has now been 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 during the half year ended 31 March 2012 (2011 $26,036,000), with the balance recognised during the preceding financial year ended 30 September 2011.

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.

Other impacts in the half year ended 31 March 2011 included recognition of impairment for assets damaged in the flood, increased costs of production, one off costs for clean up and repairs related to the flood, and recognition of insurance income to reimburse for costs relating to repairs and replacement of assets, increased costs of production, site cleaning costs and lost sales.

Of the amount recognised as other income, $NIL is outstanding as at 31 March 2012 (2011 $11,536,000).

3 Businesses acquired

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). The merger is consistent with DuluxGroup's strategy of making low-risk acquisitions to further grow DuluxGroup's position in the high growth Chinese market.

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.

The acquisition accounting for this transaction is considered provisional due to the ongoing work to be carried out on the valuation of assets acquired and the valuation of DuluxGroup assets given up as part of the transaction. Finalisation is expected no later than 30 November 2012. The amounts recognised at 31 March 2012 are based on preliminary purchase price allocations of acquired net assets and valuation of net assets given up. Therefore, these amounts may be subject to change before 30 November 2012. As allowed under the relevant Australian Accounting Standards, adjustments made to these provisional numbers will be reflected in future financial periods.

Notes to the Half Year Report (continued)

3 Business acquired (continued)

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 Group at fair value	12,108	-	12,108
Cash paid and settled via loans with related entities	4,000	-	4,000
Net cash acquired	(1,947)	-	(1,947)
Total consideration	14,161	-	14,161
Net assets of controlled entities acquired			
Trade and other receivables	13,066	-	13,066
Inventories	4,961	-	4,961
Property, plant and equipment	3,097	-	3,097
Other assets	259	-	259
Trade and other payables	(11,392)	-	(11,392)
Interest-bearing liabilities	(3,571)	-	(3,571)
Other provision	(13)	-	(13)
Provision for employee entitlements	(282)	-	(282)
Net identifiable assets acquired	6,125	-	6,125
less : non-controlling interests			(4,198)
Goodwill on acquisition(1)			12,234

(1) As allowed 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 had been recognised.

Transaction costs recognised in respect to this acquisition during the half year ended 31 March 2012 were $391,000 (2011 $NIL). For the full year ended 30 September 2011 transaction costs of $1,000,000 were recognised.

Results contributed by the acquired business since acquistion date:	$'000
Revenue(1)	12,784
Loss before income tax expense(1)	(1,124)

(1) Represents the results of the acquired businesses only and not the entire DGCI Group as certain entities within this group were DuluxGroup businesses prior to the acquisition.

If the acquisition had occured on 1 October 2011, the results of the consolidated entity would have been	$'000
Revenue	537,547
Profit before income tax expense	61,080

The information on revenue and profit before income tax expense above was compiled by management based on financial information available during due diligence and assuming no material transactions between DuluxGroup and the acquired businesses. 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.

Notes to the Half Year Report (continued)

4 Earnings per share (EPS)

	For the half year ended: 31 March 2012 Cents per share	31 March 2011 Cents per share
As reported in the Consolidated Income Statement		
Total attributable to ordinary shareholders of DuluxGroup Limited		
Basic earnings per share	**13.3**	13.5
Diluted earnings per share	**13.0**	13.3
	$'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	**47,922**	48,741
	Number	Number
Weighted average number of shares used as the denominator:		
Number for basic earnings per share	**361,119,109**	362,378,403
Effect of the potential issue of shares as part of the Long Term Equity Incentive Plan and the Employee Share Investment Plan(1)	**6,167,606**	4,891,690
Number for diluted earnings per share	**367,286,715**	367,270,093

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

5 Other income

	For the half year ended: 31 March 2012 $'000	31 March 2011 $'000
Insurance recoveries(1)	**15,000**	26,036
Net foreign exchange gains	**994**	-
Royalty income	**68**	288
Other	**555**	300
	16,617	26,624

(1) Comprises recoveries from the Queensland flood (refer Note 2).

6 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 four reportable segments comprising: Paints Australia, Paints New Zealand, Selleys Yates, and Offshore and Other.

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.
Offshore and Other	China and South East Asia coatings and home improvement businesses, Papua New Guinea coatings business and the powders and industrial coatings business in Australia and New Zealand.

Notes to the Half Year Report (continued)

6 Segment report (continued)

Reportable segments 31 March 2012 $'000	Paints Australia	Paints New Zealand	Selleys Yates	Offshore and Other	Unallocated[2]	Consolidated
Revenue						
External sales	306,804	37,945	115,748	68,051	-	528,548
Inter-segment sales	3,446	14	6,366	276	(10,102)	-
Total revenue from sale of goods	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	286,676	48,354	130,212	113,504	83,787	662,533
Segment liabilities	120,215	10,089	41,460	33,926	291,203	496,893
Investment accounted for using the equity method	-	-	3,471	-	-	3,471
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 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) Unallocated largely comprises centrally managed income, costs, assets and liabilities relating to properties, tax, treasury and DuluxGroup's defined benefit pension plan.

Notes to the Half Year Report (continued)

6 Segment report (continued)

Reportable segments 31 March 2011 $'000	Paints Australia	Paints New Zealand	Selleys Yates	Offshore and Other	Unallocated[3]	Consolidated
Revenue						
External sales	281,664	39,590	116,365	53,569	-	491,188
Inter-segment sales	2,938	9,184	5,644	122	(17,888)	-
Total revenue from sale of goods	284,602	48,774	122,009	53,691	(17,888)	491,188
Other income[1]	26,134	(176)	427	518	(279)	26,624
Total revenue and other income	310,736	48,598	122,436	54,209	(18,167)	517,812
Results						
Profit/(loss) before net financing costs and income tax expense	51,428	7,801	12,873	3,103	(8,252)	66,953
Profit/(loss) from operations	51,428	7,801	12,873	3,103	(8,252)	66,953
Finance income						318
Finance expense						(11,258)
Profit before income tax expense						56,013
Income tax expense						(7,272)
Profit for the half year						48,741
Segment assets[2]	301,676	51,096	139,058	85,604	91,295	668,729
Segment liabilities[2]	141,987	14,381	48,947	26,632	298,326	530,273
Investment accounted for using the equity method[2]	-	-	2,497	-	-	2,497
Acquisitions of property, plant and equipment and intangible assets	13,378	6,443	919	1,320	472	22,532
Impairment of property, plant and equipment	6,546	153	-	-	12	6,711
Impairment of inventories	6,153	237	-	348	-	6,738
Impairment of trade and other receivables	400	22	-	122	-	544
Depreciation expense	4,275	929	1,608	1,749	190	8,751
Amortisation expense	497	38	289	102	-	926
Non-cash expenses other than depreciation and amortisation:						
Share-based payments	107	39	90	18	342	596
Share of net profit of joint venture accounted for using the equity method	-	-	529	-	-	529

(1) Includes foreign exchange gains/(losses) in various reportable segments and insurance recoveries from the Queensland flood of $26,036,000 in Paints Australia.

(2) Balance as at 30 September 2011.

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

Notes to the Half Year Report (continued)

7 Dividends

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

a) Ordinary shares

2012

On 14 November 2011, the Directors declared a fully franked final dividend of 7.5 cents per ordinary share. Dividends totalling $27,496,000 were paid on 16 December 2011.

2011

On 16 May 2011, the Directors declared a fully franked final dividend of 7.5 cents per ordinary share. Dividends totalling $27,559,000 were paid on 17 June 2011.

On 8 November 2010, Directors declared a fully franked final dividend of 3.0 cents per ordinary share. Dividends totalling $11,010,000 were paid on 10 December 2010.

b) Subsequent events

On 14 May 2012, the directors declared an interim dividend of 7.5 cents per ordinary share, fully franked and payable on 15 June 2012. The financial effect of this interim dividend is not included in the financial statements for the half year ended 31 March 2012 and will be recognised in the 2012 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 30 May 2012 to 5 June 2012 inclusive. No discount will be applied to the DRP price. Ordinary shares issued under the DRP will rank equally with all other ordinary shares.

8 Contributed equity

	As at:	
	31 March 2012 $'000	30 September 2011 $'000
Issued and fully paid		
Ordinary shares	**168,143**	175,629

Movements in fully paid ordinary shares on issue since 1 October 2010 were as follows:

Details	**Number of shares**	**Issue price $**	**$'000**
Ordinary shares			
Balance at 1 October 2010	366,992,120	-	174,323
Shares issued under the DuluxGroup dividend reinvestment plan[1]	464,139	2.71	1,258
Shares vested under the DuluxGroup 2010 ESIP plan [2,3]	-	-	48
Balance at 30 September 2011	367,456,259		175,629
Shares purchased on-market under the DuluxGroup LTEIP and ESIP plans as treasury shares [2,4,5]	-	-	(7,815)
Shares vested under the DuluxGroup 2010 ESIP plan [2,3]	-	-	9
Shares vested under the DuluxGroup 2010 LTEIP plan [2,4]	-	-	320
Balance at 31 March 2012	**367,456,259**		**168,143**

(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. In relation to the final dividend paid 10 December 2010, 464,139 new shares were issued at a price of $2.71. No new shares were issued in relation to the dividends paid on 17 June 2011 and 16 December 2011 as the required shares were purchased on-market.

(2) For details of the Long-term Executive Investment Plan (LTEIP) and the Employee Share Investment Plan (ESIP), refer to Note 9.

(3) Upon cessation of employment and settlement of amounts oustanding for their ESIP shares, 3,495 shares vested to plan participants (2011 18,940).

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

(5) DuluxGroup's 2011 Long-term Executive Investment Plan and Employee Share Investment Plan (ESIP) share issue requirements were satisfied by an on-market purchase of 2,690,652 DuluxGroup ordinary shares and reallocation of 2010 LTEIP and ESIP plan 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 subsidary of DuluxGroup Limited, these shares are accounted for as treasury shares until they vest and accordingly are accounted for as a reduction in contributed equity.

Notes to the Half Year Report (continued)

8 Contributed equity (continued)

Treasury shares

Under the DuluxGroup LTEIP and the ESIP, ordinary shares were issued to DuluxGroup (Employee Share Plans) Pty Ltd as trustee of the plans. On consolidation, the shares issued as part of these plans have been accounted for as treasury shares and accordingly are not included as part of the reported contributed equity amount. Movements in treasury shares since 1 October 2010 were as follows:

Details	Number of Treasury shares	$'000
Balance at 1 October 2010	4,891,690	12,573
Shares vested under the 2010 DuluxGroup ESIP plan(1)	(18,940)	(48)
Balance at 30 September 2011	4,872,750	12,525
Shares vested under the 2010 DuluxGroup ESIP plan(1)	(3,495)	(9)
Shares vested under the 2010 DuluxGroup LTEIP plan(2)	(124,324)	(320)
Purchase of Treasury shares for the 2011 DuluxGroup LTEIP and ESIP plans(3)	2,690,652	7,815
Balance at 31 March 2012	**7,435,583**	**20,011**

(1) Upon cessation of employment and settlement of amounts outstanding for their ESIP shares, 3,495 shares vested to plan participants (2011 18,940).

(2) In accordance with the plan rules, 124,324 shares vested under the 2010 LTEIP and proceeds of $287,292 were received as settlement.

(3) 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.

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:

	For the half year ended:	
	31 March 2012 $	31 March 2011 $
DuluxGroup Long Term Equity Incentive Plan	**619,708**	596,238
DuluxGroup Employee Share Investment Plan	**616,580**	-
	1,236,288	596,238

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 shares from the date of allocation of those DuluxGroup shares. The shares issued to the executives can be newly issued shares, purchased on market or reissued unvested shares. Shares issued 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. Shares issued under this plan are recognised as treasury shares (refer Note 8) with a share-based payments expense recognised in the income statement over the vesting period based on the fair value of the options. Shares purchased by the Company or its controlled entities on-market under the plan are recognised as a share buy-back. Settlement of share loans 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 three years, with performance tested following the announcement of annual results in the third year after a grant is made.

Notes to the Half Year Report (continued)

9 Share-based payments (continued)

a) DuluxGroup Long Term Equity Incentive Plan (LTEIP) (continued)

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

	Number at issue date	Allocation date	Issue price	Total expense[1] 31 March 2012 $	31 March 2011 $
Shares issued	3,937,778	19 July 2010	$2.57	**369,939**	557,288
Shares issued	464,072	5 August 2010	$2.57	**18,777**	38,950
Shares issued[2]	2,641,325	20 December 2011	$2.90	**230,992**	-
	7,043,175			**619,708**	596,238

(1) Represents the value calculated under AASB 2 *Share-based Payment*. 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 (2011 $NIL).

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

i) Fair value of share options granted in December 2011

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 2012 include:

	LTEIP 2011
Fair value estimate at grant date ($)	$0.94
Gateway condition[1]	EPS
Performance condition[2]	TSR ranking
Expected life of share options (years)	3.1
Expected dividend yield (%)	NIL
Expected risk-free interest rate (%)	3.22%
Expected share price volatility (%)	25.0%
Grant date[3]	2 December 2011
Grant date share price ($)	$2.88

(1) The Board has implemented a 'gateway' level of minimum performance for the DuluxGroup LTEIP below which no benefit accrues. This 'gateway' is a minimum level of acceptable performance for any of the LTEIP shares to vest. For the 2011 LTEIP grant, compound annual EPS growth over the vesting period must equal to or exceed 4% per annum.

(2) 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.

(3) While the issue and allocation of LTEIP shares to the Executive only occurred on 20 December 2011, in accordance with the requirements of Australian Accounting Standards, the 'grant date' is 2 December 2011 being the date that the Company and the Executives agreed to enter a share-based payment arrangement.

b) DuluxGroup Employee Share Investment Plan (ESIP)

In December 2011, eligible employees of the Group (with the exception of New Zealand employees) were invited to acquire DuluxGroup ordinary shares to the value of $500 (through a salary sacrifice). Eligible employees in New Zealand were offered to acquire ordinary shares to the value of NZD$390. DuluxGroup 'matched' this participation, providing shares up to the value of $500 (or NZD$390) to participating employees at no cost to the participant.

The number of DuluxGroup shares allocated was based on the market price at the time of allocation under the ESIP. 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.

Notes to the Half Year Report (continued)

9 Share-based payments (continued)

b) DuluxGroup Employee Share Investment Plan (ESIP) (continued)

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.

In accordance with AASB 2 the accounting expense to the Group for the matching is recognised in full at the time of the offer. 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 2012 $**	31 March 2011 $
Shares issued	1,306	424,105	20 December 2011	$2.90	616,580	-

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		**Contribution to net profit**	
	31 March 2012 %	31 March 2011 %	**31 March 2012 $'000**	31 March 2011 $'000
Name of entity				
DGL Camel Powder Coatings Limited (formerly DGL Camel Coatings Limited, Orica Camel Coatings Limited)[(1)]	**-**	50.0	**-**	-
Pinegro Products Pty Ltd[(2)]	**50.0**	50.0	**974**	529
			974	529

(1) Incorporated on 31 October 2003. On 30 November 2011, DuluxGroup obtained control of DGL Camel Powder Coatings Limited through an increase in its ownership interest, as well as increased Board and management representation (refer Note 3 for further details).

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

Notes to the Half Year Report (continued)

11 Income tax expense

a) Income tax expense recognised in the Consolidated Income Statement

	For the half year ended: 31 March 2012 $'000	31 March 2011 $'000
Current tax expense	**18,240**	20,353
Deferred tax expense/(benefit)	**273**	(3,922)
Over provision in prior years[1]	**(3,192)**	(9,159)
Total income tax expense in the Consolidated Income Statement	**15,321**	7,272
Deferred income tax expense/(benefit) included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets	**108**	(3,908)
Increase/(decrease) in deferred tax liabilities	**165**	(14)
	273	(3,922)
b) Reconciliation of income tax expense to prima facie tax expense		
Profit before income tax expense	**61,622**	56,013
Prima facie income tax expense calculated at 30% of profit before income tax expense	**18,487**	16,804
Tax effect of items which (decrease)/increase tax expense:		
Variation in tax rates of foreign controlled entities	**(16)**	86
Entertainment	**191**	149
Non-allowable share-based payments	**197**	179
Research and development	**(208)**	(180)
Share of net profit of joint venture accounted for using the equity method	**(292)**	(159)
Net non-deductible/non-assessable income	**(1,307)**	(1,324)
Tax consolidation adjustment[2]	**(3,229)**	(9,397)
Deferred tax restatements for overseas tax legislation change	**5**	245
Tax losses not recognised	**879**	606
Sundry items	**614**	263
Income tax expense reported in the Consolidated Income Statement	**15,321**	7,272

(1) This largely comprises an over provision arising from 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 continued to refine the tax exit calculation supported by independent valuation advice and have recognised a further deferred tax asset of $3,229,000 (2011 $9,397,000) in the half year 31 March 2012, with a corresponding credit to income tax expense. For the full year ended 30 September 2011 a deferred tax asset of $12,474,000 was recognised, with a corresponding credit to income tax expense.

Notes to the Half Year Report (continued)

11 Income tax expense (continued)

c) Income tax expense recognised in other comprehensive income

	For half year ended:					
	31 March 2012			31 March 2011		
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
	Before tax	**Tax (expense) /benefit**	**Net of tax**	Before tax	Tax (expense) /benefit	Net of tax
Effective portion of changes in fair value of cash flow hedges	**(410)**	**123**	**(287)**	(20)	6	(14)
Actuarial gains on defined benefit plan	**1,200**	**(360)**	**840**	1,600	(480)	1,120
	790	**(237)**	**553**	1,580	(474)	1,106

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 may affect prospective depreciation rates and asset carrying values.

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 cash generating unit (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, expected revenue from sales of products, the return on assets, future costs and discount rates. Subsequent changes to the CGU allocation or to the timing and quantum of cash flows may impact the carrying value of the respective assets.

Notes to the Half Year Report (continued)

12 Critical accounting estimates and judgements (continued)

d) Defined benefit superannuation fund obligations

The expected costs of providing post-retirement 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 and superannuation increases, long term price inflation and investment returns. While management believes the assumptions used are appropriate, a change in the assumptions used may impact the earnings and equity of the Group.

e) Legal proceedings

The nature of DuluxGroup's consumer products business means that the Company receives product-specific and general claims from various parties as part of the ordinary course of its business. These claims 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.

However, 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 be forced to 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.

g) 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)

h) Business acquisitions

A business acquisition requires 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.

13 Contingent liabilities and contingent assets

DuluxGroup had contingent liabilities and contingent assets at 31 March 2012 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 DuluxGroup (Nominees) Pty Ltd, 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 3), 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.

In addition, certain assets of DuluxGroup 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 DuluxGroup assets') have been segregated pending their formal transfer back to DuluxGroup. The Group and NLPP have agreed that DuluxGroup will be responsible for all costs and liabilities associated with the operation and maintenance of the excluded DuluxGroup assets as if DuluxGroup was the owner of those excluded assets from the completion of the transaction.

There are also 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.

Notes to the Half Year Report (continued)

14 Events subsequent to balance date

On 30 April 2012, DuluxGroup acquired a 19.96% interest in Alesco Corporation Limited (Alesco) for a cash consideration of $37,600,000. Subsequently, on 1 May 2012, DuluxGroup announced its intention to make an all-cash offer to acquire all of the ordinary shares that it does not already own in Alesco at a price of $2.00 per share, which is expected to cost approximately $153,000,000. DuluxGroup has negotiated a new loan facility with a limit of $270,000,000, which together with unused capacity within existing facilities, will be used to fund the proposed acquisition and subsequent refinancing of Alesco's existing debt facilities.

The offer is conditional upon, among other things, DuluxGroup acquiring a relevant interest in 90% of Alesco shares and confirmation from Alesco of earnings and liabilities.

On 14 May 2012, the directors declared an interim dividend of 7.5 cents per ordinary share, fully franked and payable on 15 June 2012. The financial effect of this interim dividend is not included in the financial statements for the half year ended 31 March 2012 and will be recognised in the 2012 annual financial statements.

The directors have not become aware of any other significant matter or circumstance that has arisen since 31 March 2012, 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 26 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 2012 and of its performance for the half year ended on that date; and

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

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Peter M. Kirby
Chairman

14 May 2012

KPMG

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 2012 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

KPMG

Alison Kitchen

Alison Kitchen
Partner

Melbourne

14 May 2012

KPMG

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

We have reviewed the accompanying half-year financial report of DuluxGroup Limited, which comprises the Consolidated Balance Sheet as at 31 March 2012, Consolidated Income Statement and Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the half-year 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 period.

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 2012 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 2012 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

14 May 2012