

Appendix 4E

Preliminary Final Report

For the financial year ended 30 September 2013

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

Results for announcement to the market

\$'000

Consolidated revenue from operations	Up	39.0%	to	1,484,563
Net profit for the financial year attributable to ordinary shareholders of DuluxGroup Limited	Down	14.0%	to	76,926
Dividends	Amount per security	Franked amount per security at 30% tax		
Final dividend – Ordinary	Cents	9.5		9.5
Interim dividend – Ordinary	Cents	8.0		8.0
Previous corresponding financial year				
Final dividend – Ordinary	Cents	8.0		8.0
Interim dividend – Ordinary	Cents	7.5		7.5

Record date for determining entitlements to the dividend:	Ordinary shares	28 November 2013
Payment date of dividend:	Ordinary shares	18 December 2013

	Current period (Cents)	Previous corresponding financial year (Cents)
Net tangible asset backing per ordinary security	(1.27)	23.31

The Company's Dividend Reinvestment Plan (DRP) will operate with respect to the final dividend. The last date for receipt of election notices for participation in the final dividend under the DRP:	Ordinary shares	28 November 2013
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Audit statement

This report is based on financial statements which have been audited.

Commentary on results

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 November 2013 accompanying this Preliminary Final 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 financial year ended 30 September 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 was recognised as other income and was received during the financial year ended 30 September 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 financial year ended 30 September 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.

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

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Consolidated Income Statement

For the financial year ended 30 September:

	Notes	2013 \$'000	2012 \$'000
Revenue		1,484,563	1,067,809
Other income	6	10,533	19,440
Expenses			
Changes in inventories of finished goods and work in progress		(4,611)	5,215
Raw materials and consumables used and finished goods purchased for resale		618,619	429,600
Employee benefits expense		331,836	221,685
Depreciation and amortisation expense	7	32,303	23,296
Purchased services		177,727	146,510
Repairs and maintenance		11,452	8,061
Lease payments - operating leases		46,175	30,848
Outgoing freight		61,076	45,016
Other expenses ⁽¹⁾		94,542	46,301
Share of net profit of joint venture accounted for using the equity method	15	(1,181)	(1,500)
		1,367,938	955,032
Profit from operations		127,158	132,217
Finance income		366	493
Finance expenses	7	(27,956)	(21,920)
Net finance costs		(27,590)	(21,427)
Profit before income tax expense		99,568	110,790
Income tax expense	8	(34,027)	(24,526)
Profit for the financial year		65,541	86,264
Attributable to:			
Ordinary shareholders of DuluxGroup Limited		76,926	89,492
Non-controlling interest in controlled entities		(11,385)	(3,228)
Profit for the financial year		65,541	86,264
		cents	cents
Earnings per share			
Attributable to ordinary shareholders of DuluxGroup Limited:			
Basic earnings per share	4	21.1	24.7
Diluted earnings per share	4	20.6	24.3

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

⁽¹⁾ Other expenses largely comprises commissions, royalties, impairment losses and other fixed and variable costs.

Consolidated Statement of Comprehensive Income

For the financial year ended 30 September:

	Notes	2013 \$'000	2012 \$'000
Profit for the financial year		65,541	86,264
Other comprehensive income			
Items that may be reclassified subsequently to the income statement			
Effective portion of changes in fair value of cash flow hedges	8(c)	97	(517)
Foreign currency translation gain/(loss) on foreign operations		12,286	(1,379)
Income tax on items that may be reclassified subsequently to the income statement	8(c)	(29)	155
Total items that may be reclassified subsequently to the income statement, net of tax		12,354	(1,741)
Items that will not be reclassified to the income statement			
Actuarial gains/(losses) on defined benefit plan	8(c)	9,433	(875)
Revaluation of other financial assets at fair value through other comprehensive income		(940)	(752)
Income tax on items that will not be reclassified to the income statement	8(c)	(2,830)	263
Total items that will not be reclassified to the income statement, net of tax		5,663	(1,364)
Other comprehensive income for the financial year, net of tax		18,017	(3,105)
Total comprehensive income for the financial year		83,558	83,159
Attributable to:			
Ordinary shareholders of DuluxGroup Limited		92,122	86,744
Non-controlling interest in controlled entities		(8,564)	(3,585)
Total comprehensive income for the financial year		83,558	83,159

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

Consolidated Balance Sheet

As at 30 September:

	Notes	2013 \$'000	2012 \$'000
Current assets			
Cash and cash equivalents	9	46,374	28,508
Trade and other receivables	10	226,666	157,717
Inventories	11	195,779	129,220
Derivative financial assets	12	298	56
Other assets	13	6,211	3,546
Total current assets		475,328	319,047
Non-current assets			
Trade and other receivables	10	96	22
Derivative financial assets	12	-	2
Investment in listed equity securities	14	-	36,848
Investment accounted for using the equity method	15	4,678	3,747
Property, plant and equipment	16	263,809	199,056
Intangible assets	17	235,758	96,830
Deferred tax assets	18	48,906	36,186
Other assets	13	4,231	4,998
Total non-current assets		557,478	377,689
Total assets		1,032,806	696,736
Current liabilities			
Trade and other payables	19	248,401	186,146
Interest-bearing liabilities	20	15,707	13,523
Derivative financial liabilities	12	2	39
Current tax liabilities		14,915	7,224
Provisions	21	37,124	17,652
Total current liabilities		316,149	224,584
Non-current liabilities			
Trade and other payables	19	-	43
Interest-bearing liabilities	20	419,372	245,237
Deferred tax liabilities	22	17,802	914
Provisions	21	40,249	22,237
Defined benefit liability	23	8,266	20,869
Total non-current liabilities		485,689	289,300
Total liabilities		801,838	513,884
Net assets		230,968	182,852
Equity			
Contributed equity	24	193,383	172,695
Reserves	25	(92,717)	(105,340)
Retained earnings ⁽¹⁾		125,559	102,538
Total equity attributable to ordinary shareholders of DuluxGroup Limited		226,225	169,893
Non-controlling interest in controlled entities		4,743	12,959
Total equity		230,968	182,852

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

⁽¹⁾ The retained earnings of the consolidated entity includes the profits reserve of the parent entity, DuluxGroup Limited. For details of the parent entity's stand alone profits reserve, refer to Note 35.

Consolidated Statement of Changes in Equity

For the financial year ended 30 September 2013:

	Total equity attributable to ordinary shareholders of DuluxGroup Limited							Total equity \$'000		
	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 ⁽¹⁾ \$'000		Non-controlling interest \$'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 financial year	-	-	-	-	-	-	76,926	76,926	(11,385)	65,541
Other comprehensive income, net of tax	-	-	68	9,465	-	(940)	6,603	15,196	2,821	18,017
Total comprehensive income for the financial year	-	-	68	9,465	-	(940)	83,529	92,122	(8,564)	83,558
Transactions with owners, recorded directly in equity										
Shares issued under the DuluxGroup dividend reinvestment plan	20,584	-	-	-	-	-	-	20,584	-	20,584
Share-based payments ⁽²⁾	-	2,381	-	-	-	-	-	2,381	-	2,381
Shares vested under the ESIP ⁽²⁾	104	(43)	-	-	-	-	-	61	-	61
Transfer of reserve to retained earnings ⁽³⁾	-	-	-	-	-	1,692	(1,692)	-	-	-
Finalisation of non-controlling interest on acquisition of a subsidiary ⁽⁴⁾	-	-	-	-	-	-	-	-	348	348
Dividends paid	-	-	-	-	-	-	(58,816)	(58,816)	-	(58,816)
Balance at 30 September 2013	193,383	7,514	1	(2,530)	(97,702)	-	125,559	226,225	4,743	230,968

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

⁽¹⁾ The retained earnings of the consolidated entity includes the profits reserve of the parent entity, DuluxGroup Limited. For details of the parent entity's stand alone profits reserve, refer to Note 35.

⁽²⁾ Refer to Note 27 for details of the DuluxGroup Long-Term Executive Investment Plan (LTEIP) and Employee Share Investment Plan (ESIP).

⁽³⁾ As permitted under Australian Accounting Standards, the revaluation of Alesco Corporation Limited (Alesco) shares previously held at fair value through other comprehensive income was transferred to retained earnings after the successful acquisition of Alesco Corporation Limited and its controlled entities (collectively 'Alesco Group').

⁽⁴⁾ 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 year ended 30 September 2013 as part of the acquisition accounting process, the fair value of shares issued in DGL Camel International Limited was subsequently amended to \$12,12,000 and NLPP's retained 49% interest in CCC Group was amended to \$4,780,000.

Consolidated Statement of Changes in Equity (continued)

For the financial year ended 30 September 2012:

	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 2011	175,629	3,148	295	(10,973)	(97,702)	-	68,059	138,456	-	138,456
Profit for the financial year	-	-	-	-	-	-	89,492	89,492	(3,228)	86,264
Other comprehensive income, net of tax	-	-	(362)	(1,022)	-	(752)	(612)	(2,748)	(357)	(3,105)
Total comprehensive income for the financial year	-	-	(362)	(1,022)	-	(752)	88,880	86,744	(3,585)	83,159
Transactions with owners, recorded directly in equity										
Shares issued under the DuluxGroup dividend reinvestment plan	4,464	-	-	-	-	-	-	4,464	-	4,464
Share-based payments ⁽¹⁾	-	2,093	-	-	-	-	-	2,093	-	2,093
Purchase of treasury shares for the LTEIP and ESIP ⁽²⁾	(7,815)	-	-	-	-	-	-	(7,815)	-	(7,815)
Shares vested under the LTEIP and ESIP ⁽¹⁾	417	(65)	-	-	-	-	-	352	-	352
Non-controlling interest on acquisition of a subsidiary ⁽³⁾	-	-	-	-	-	-	-	-	16,544	16,544
Dividends paid	-	-	-	-	-	-	(54,401)	(54,401)	-	(54,401)
Balance at 30 September 2012	172,695	5,176	(67)	(11,995)	(97,702)	(752)	102,538	169,893	12,959	182,852

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

⁽¹⁾ Refer to Note 27 for details of the DuluxGroup LTEIP and ESIP.

⁽²⁾ DuluxGroup's 2011 LTEIP and ESIP share issue requirements were largely 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.

⁽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 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 of \$4,084,000.

Consolidated Statement of Cash Flows

For the financial year ended 30 September:

	Notes	2013 \$'000	2012 \$'000
Cash flows from operating activities			
Receipts from customers		1,663,462	1,179,715
Payments to suppliers and employees		(1,492,657)	(1,044,838)
Interest received		366	493
Interest paid		(23,498)	(17,813)
Income taxes paid		(30,559)	(27,494)
Insurance recoveries		1,040	26,468
Net cash inflow from operating activities	33	118,154	116,531
Cash flows from investing activities			
Payments for property, plant and equipment		(25,805)	(26,382)
Payments for intangible assets		(3,137)	(1,221)
Payments for purchase of businesses and controlled entities, net of cash acquired	2	(145,369)	(2,053)
Payments for investment in listed equity securities		-	(37,600)
Proceeds from joint venture distributions	15	250	250
Proceeds from disposal of business	3	2,967	-
Proceeds from sale of property, plant and equipment		9,493	156
Dividends received	6	-	2,820
Net cash outflow from investing activities		(161,601)	(64,030)
Cash flows from financing activities			
Proceeds from short term borrowings		38,127	5,215
Repayments of short term borrowings		(112,172)	(10,719)
Proceeds from long term borrowings		4,130,381	3,016,253
Repayments of long term borrowings		(3,957,872)	(3,017,000)
Payments for purchase of treasury shares for the LTEIP and ESIP		-	(7,815)
Proceeds from employee share plan repayments		998	760
Dividends paid (net of shares issued as part of DuluxGroup's dividend reinvestment plan)		(38,232)	(49,937)
Net cash inflow/(outflow) from financing activities		61,230	(63,243)
Net increase/(decrease) in cash held		17,783	(10,742)
Cash at the beginning of the financial year		28,508	39,540
Effects of exchange rate changes on cash		83	(290)
Cash at the end of the financial year		46,374	28,508

Reconciliation of cash

Cash and cash equivalents at the end of the financial 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	9	43,529	25,298
Cash at bank - restricted ⁽¹⁾	9	2,845	3,210
	9	46,374	28,508

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 Consolidated Financial Statements

For the financial year ended 30 September 2013

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Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2013

1 Accounting policies

The significant accounting policies adopted in preparing the consolidated financial statements 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. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments, investments in financial assets (other than controlled entities and joint ventures) and defined benefit obligations which have been measured at fair value.

The consolidated financial statements were approved by the Board of Directors on 13 November 2013 and are presented in Australian dollars, which is DuluxGroup Limited's functional and presentation currency.

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with the requirements of applicable Australian Accounting Standards including Australian Interpretations and the *Corporations Act 2001* and comply with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board. DuluxGroup is a for-profit entity for the purpose of preparing the consolidated financial statements.

Except as described below, the accounting policies applied by DuluxGroup in these consolidated financial statements are the same as those applied by DuluxGroup Limited in its financial statements for the financial year ended 30 September 2012. The standards relevant to the Group that have been early adopted during the year are:

- AASB 2013-3 *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets*.
- AASB 2013-4 *Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting*.

Adoption of these standards did not have a significant impact on the consolidated financial statements and has impacted disclosures only.

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.

AASB 119 *Employee Benefits* and AASB 2011-10 *Amendments to Australian Accounting Standards Arising from AASB 119* will apply to DuluxGroup for financial years commencing on and after 1 October 2013. Upon adoption, these standards are applied on a fully retrospective basis. These new standards are expected to have an impact on DuluxGroup's financial statements in the following areas:

- The defined benefit expense will no longer include the expected return on the plan's assets. This expected return will be replaced by a net interest income or expense, calculated using a discount rate (based on government bonds) applied to the net defined benefit asset or liability.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2013

1 Accounting policies (continued)

- Presentation of the defined benefit cost will be disaggregated into three components: service cost to be presented in the income statement, net interest on the net defined benefit asset or liability in the income statement as part of finance costs, and actuarial gains or losses to be presented in other comprehensive income.
- Disclosure of additional information about the characteristics and risks arising from DuluxGroup's defined benefit plan.

If DuluxGroup had adopted these accounting standards from 1 October 2012, this would have reduced profit before income tax expense for the financial year ended 30 September 2013 by approximately \$2,754,000 with a corresponding increase in other comprehensive income. There would be no impact to either total comprehensive income or the statement of financial position as at 30 September 2013.

DuluxGroup expects to adopt the other standards and interpretations in the financial year ending 30 September 2014 and 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 Group, the following accounting policies have been adopted by DuluxGroup during the financial year ended 30 September 2013. The adoption of these policies does not have a significant impact on previous financial periods.

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.

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.

c) Comparatives

Where not significant, reclassifications of comparatives have been made to disclose them on the same basis as current financial year figures.

d) Consolidation

The DuluxGroup consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the Group, being the Company (the parent entity) and its subsidiaries as defined in AASB 127 *Consolidated and Separate Financial Statements*.

Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

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. In preparing the consolidated financial statements, all intercompany balances, transactions and unrealised profits arising within DuluxGroup are eliminated in full.

e) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred (including cash), the liabilities incurred and the equity interests issued by the DuluxGroup (if any). Acquisition related transaction costs are expensed as incurred.

Other than acquisitions under common control, identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed in accordance with the requirements of AASB 3 *Business Combinations*, the difference is recognised directly in profit or loss as a bargain purchase.

On an acquisition-by-acquisition basis, DuluxGroup recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

For acquisitions occurring while under common control and for consolidation purposes, the assets and liabilities acquired continue to reflect the carrying values in the accounting records of the consolidated group prior to the business combination occurring.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2013

1 Accounting policies (continued)

f) Revenue recognition

Revenue from sale of goods

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and customer rebates. External sales are recognised when the significant risks and rewards of ownership are transferred to the purchaser, recovery of the consideration is probable, the possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Customer loyalty programme

DuluxGroup operates a loyalty programme under which customers accumulate points for purchases made which they are entitled to redeem for items from a catalogue. The award points are recognised as a separately identifiable component of the initial sale transaction, by allocating the fair value of the consideration received between the award points and the other components of the sale, such that the award points are recognised at their fair value. Revenue from the award points is deferred and recognised when the points are redeemed. The amount of revenue is based on the number of points redeemed relative to the total number expected to be redeemed. Award points expire three to four years after the initial sale.

Other income

Profits and losses from sale of businesses, controlled entities and other non-current assets are recognised when there is a signed unconditional contract of sale.

Rental income is recognised in the income statement on a straight-line basis over the term of the lease.

Dividends are recognised in the income statement when declared.

Royalty income is recognised on sale of licensed product to the final customer.

g) Finance income and expenses

Finance income

Finance income includes interest income on funds invested, which is recognised in the income statement as accrued. Interest income is recognised using the effective interest method.

Finance expenses

Finance expenses include interest, unwinding of the effect of discounting on provisions, amortisation of discounts or premiums relating to borrowings and amortisation of ancillary costs incurred in connection with the arrangement of borrowings. Finance expenses are expensed as incurred unless they relate to qualifying assets.

Where funds are borrowed specifically for the production of a qualifying asset, the interest on those funds is capitalised, net of any interest earned on those borrowings. Where funds are borrowed generally, finance expenses are capitalised using a weighted average interest rate.

h) Leases

Payments made under operating leases, net of any incentives received from the lessor, are charged to the income statement on a straight-line basis over the period of the lease.

Lease income from operating leases where the Group is a lessor is recognised in the income statement on a straight-line basis over the lease term.

i) Research and development costs

Research costs are expensed as incurred.

Development costs are expensed as incurred except when it is probable that future economic benefits associated with the item will flow to the consolidated entity, in which case they are capitalised.

j) Taxation

Income tax on the profit or loss for the financial year comprises current and deferred tax and is recognised in the income statement.

Current tax is the expected tax payable or receivable on taxable income for the financial year, using tax rates enacted or substantively enacted at reporting date, and any adjustments to tax payable or receivable in respect of previous years.

Deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the balance sheet and their associated tax bases.

The amount of deferred tax provided is based on the expected manner of realisation of the asset or settlement of the liability, using tax rates enacted or substantively enacted at reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent it is no longer probable that the related tax benefit will be realised.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2013

1 Accounting policies (continued)

k) Inventories

Inventories are valued at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and selling expenses. Cost is based on the first-in, first-out or weighted average method according to the type of inventory. For manufactured goods, cost includes direct labour, direct material and fixed overheads based on normal operating capacity. For merchant goods, cost is net cost into store.

l) Trade and other receivables

Trade and other receivables are recognised at their cost less any impairment losses.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off. An impairment loss is recognised when there is objective evidence that the Group will not be able to collect amounts due according to the original terms of the receivables.

The impairment expense is reported in the income statement within other expenses.

A number of customers use bank facilities under the trade card programme that are guaranteed or partially guaranteed by DuluxGroup. As the risks and rewards relating to these facilities have not transferred to the financial institution, a receivable and the equivalent interest-bearing liability have been recognised in the balance sheet.

m) Investments accounted for using the equity method

Investments in joint ventures are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the share of the profits and losses of the joint venture is recognised in the income statement, and the share of post-acquisition movements in reserves is recognised in other comprehensive income.

n) Other financial assets

DuluxGroup's investments in financial assets other than controlled entities and joint ventures are measured at market value.

o) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the item. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the consolidated entity and that the cost of the item can be measured reliably. Property, plant and equipment, other than freehold land, is depreciated on a straight-line basis at rates calculated to allocate the cost less the estimated residual value over the estimated useful life of each asset to the consolidated entity.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at least annually including at the end of the financial year.

Estimated useful lives of each class of asset are as follows:

Buildings and improvements	25 to 40 years
Machinery, plant and equipment	3 to 10 years

Profits and losses on disposal of property, plant and equipment are recognised in the income statement.

Assets under construction are not depreciated until ready for use.

p) Intangible assets and amortisation

Identifiable intangibles

Amounts paid for the acquisition of software are capitalised at the fair value of consideration paid.

Amounts paid for the acquisition of other identifiable intangible assets (except for software) are capitalised at the fair value of consideration paid determined by reference to independent valuations.

Identifiable intangible assets with a finite life are amortised on a straight-line basis over their expected useful life to the consolidated entity as follows:

Patents, trademarks and rights	10 to 20 years
Brand names	10 to 20 years
Software	3 to 5 years
Customer contracts	5 to 10 years

Identifiable intangible assets with an indefinite life (selected brand names) are not amortised but the recoverable amount of these assets is tested for impairment at least annually as explained under impairment of assets (refer Note 1(aa)).

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2013

1 Accounting policies (continued)

Unidentifiable intangibles

Where the fair value of the consideration paid for a business acquisition exceeds the fair value of the identifiable assets, liabilities and contingent liabilities acquired, the difference is treated as goodwill. Goodwill is not amortised but the recoverable amount is tested for impairment at least annually as explained under impairment of assets (refer Note 1(aa)).

Subsequent expenditure

Subsequent expenditure on capitalised identifiable intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

q) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year, which remain unpaid at year end.

Dividends

A liability for dividends payable is recognised in the reporting period in which the dividends are declared, for the entire undistributed amount, regardless of the extent to which they will be paid in cash.

r) Interest-bearing liabilities

Interest-bearing liabilities are initially recognised at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the liabilities on an effective interest method basis.

Amortised cost is calculated by taking into account any issue costs and any discount or premium on issuance. Gains and losses are recognised in the income statement in the event that the liabilities are derecognised.

s) Provisions

A provision is recognised when there is a legal or constructive obligation as a result of a past event and it is probable that a future sacrifice of economic benefits will be required to settle the obligation and the amount can be reliably estimated. If the effect is material, a provision is determined by discounting the expected future cash flows (adjusted for expected future risks) required to settle the obligation at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

The unwinding of the effect of discounting on provisions is recognised as a finance expense.

Leased premises restoration

DuluxGroup is required to restore certain leased premises to their original condition at the end of the respective lease terms. A provision has been recognised for the present value of the estimated expenditure required to restore these premises to an acceptable condition. These costs have been capitalised as part of the cost of buildings and leasehold improvements.

Where this provision is reassessed in subsequent reporting periods, to the extent possible, an equal and offsetting adjustment is made to the corresponding asset balance. Where the reassessment results in a decrease to the provision which exceeds the carrying value of the corresponding asset, any excess is recognised in the income statement.

t) Employee entitlements

Annual leave

Liabilities for annual leave are accrued based on statutory and contractual requirements, including related on-costs. They are measured using the rates expected to be paid when the obligations are settled.

Long service leave

Liabilities for long service leave are accrued at the present value of expected future payments to be made resulting from services provided by employees. Liabilities for long service leave entitlements, which are not expected to be paid or settled within 12 months, are discounted using the rates attaching to Government fixed coupon bond yields with similar maturity terms. When discounting using Government bond yields, DuluxGroup uses an average of State Government bond yields.

Management judgment is applied in determining the following key assumptions used in the calculation of long service leave at balance date:

- future increases in wages and salaries;
- future on-cost rates; and
- experience of employee departures and period of service.

Bonuses

A liability is recognised for bonuses on the achievement of predetermined bonus targets and the benefit calculations are formally documented and determined before signing the financial report.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2013

1 Accounting policies (continued)

Superannuation

Contributions to defined contribution superannuation funds are taken to the income statement in the year in which the expense is incurred.

For the defined benefit fund, the cost of providing pensions is charged to the income statement so as to recognise current and past service costs, interest cost on defined benefit obligations, and the effect of any curtailments or settlements, net of expected returns on plan assets.

All actuarial gains and losses are recognised directly in equity.

DuluxGroup's net obligation in respect of the defined benefit fund is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The discount rate is the market yield on Government bonds that have maturity dates approximating the terms of the consolidated entity's obligation. When discounting using Government bond yields, DuluxGroup uses an average of State Government bond yields. The calculation is performed at least annually by a qualified actuary using the projected unit credit method.

Share-based payments

Shares issued under the Long Term Equity Incentive Plan (LTEIP) in conjunction with non-recourse loans are accounted for as options.

The options are externally measured at fair value at the date of grant using an option valuation model. This valuation model generates possible future share prices based on similar assumptions that underpin relevant option pricing models and reflects the fair value (as at grant date) of options granted. The assumptions underlying the options valuations are:

- (i) the exercise price of the option,
- (ii) the life of the option,
- (iii) the current price of the underlying securities,
- (iv) the expected volatility of the share price,
- (v) the dividends expected on the shares, and
- (vi) the risk-free interest rate for the life of the option.

The fair value determined at the grant date of the award is expensed in the income statement on a straight-line basis over the relevant vesting period. The amount recognised is adjusted to reflect the actual number of share options that vest, except for those that fail to vest due to market conditions not being met.

The amounts receivable from employees in relation to the non-recourse loans and any ordinary share capital issued under LTEIP are not recognised on consolidation.

Where the Company issues shares under the Employee Share Investment Plan (ESIP) at a discount, an expense for the fair value of the discount on the granted shares is recognised in the income statement.

Restructuring and employee termination benefits

Provisions for restructuring and employee termination benefits are only recognised when a detailed plan has been approved and the restructuring and/or termination has either commenced or been publicly announced or firm contracts related to the restructuring or termination benefits have been entered into. Costs related to ongoing activities are not provided for.

u) Foreign currency

Functional currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency of the entity at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement, except when they are deferred in equity as qualifying cash flow hedges.

Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are translated using the exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency of the entity at foreign exchange rates ruling at the dates the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

Foreign currency receivables and payables outstanding at balance date are translated at the exchange rates ruling at that date. Exchange gains and losses on retranslation of outstanding unhedged receivables and payables are recognised in the income statement.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2013

1 Accounting policies (continued)

Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Australian dollars at foreign exchange rates ruling at the balance sheet date.

The revenues and expenses of foreign operations are translated to Australian dollars at rates approximating the foreign exchange rates ruling at the dates of the transactions.

Foreign exchange differences arising on translation are recognised directly in other comprehensive income.

v) Financial instruments – classification

DuluxGroup classifies its financial assets in the following measurement categories:

- (i) financial assets and liabilities at amortised cost;
- (ii) financial assets at fair value through other comprehensive income; and
- (iii) financial assets and liabilities at fair value through profit and loss.

Financial assets and liabilities at amortised cost

A financial asset is classified as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model with the objective being to collect the contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

Financial assets at amortised cost are classified as 'Trade and other receivables' in the balance sheet (refer Note 10).

All financial liabilities are measured at amortised cost unless held for trading or designated as at fair value through profit and loss.

Financial liabilities at amortised cost are classified as 'Trade and other payables' (refer Note 19) and 'Interest-bearing liabilities' (refer Note 20) in the balance sheet.

Financial assets at fair value through other comprehensive income

A financial asset is classified as fair value through other comprehensive income only if both of the following criteria are met:

- the asset is not held for trading; and
- an irrevocable election is made to recognise changes in fair value through other comprehensive income rather than profit or loss.

Changes to fair values are presented in the revaluation reserve in equity. On disposal, the reserve amount is transferred to retained earnings.

Financial assets and liabilities at fair value through profit and loss

A financial asset is classified in this category if it does not qualify for recognition in any of the categories above or if it is so designated by management.

A financial liability is classified in this category if it is acquired principally for the purpose of selling in the short term (held for trading) or if it is so designated by management.

The consolidated entity uses a number of derivative instruments for economic hedging purposes under Board approved Treasury risk management policies. Those derivatives which do not meet the criteria for hedge accounting under Australian Accounting Standards are categorised as held for trading. Assets and liabilities in this category are classified as current if they are expected to be realised within 12 months of the balance sheet date. The fair value of those derivatives that meet the accounting criteria as cash flow hedges and are designated as such are transferred from the income statement to the cash flow hedge reserve in equity.

w) Financial instruments – hedging

DuluxGroup uses financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its Board approved Treasury risk management policies, DuluxGroup does not hold or issue financial instruments for trading purposes. However, financial instruments that do not qualify for hedge accounting, but remain economically effective, are accounted for as held for trading in accordance with the requirements of AASB 9 *Financial Instruments*.

Financial instruments are recognised initially at cost. Subsequent to initial recognition, financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the income statement.

Where financial instruments qualify for hedge accounting, recognition of any resulting gain or loss on remeasurement to fair value depends on the nature of the item being hedged.

Cash flow hedges

Where a financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the financial instrument is recognised in equity.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2013

1 Accounting policies (continued)

When the forecast transaction subsequently results in the recognition of a non-financial asset or liability, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, then the associated gains and losses that were recognised directly in equity are reclassified into the income statement in the same period or periods during which the asset acquired or liability assumed affects the income statement.

For cash flow hedges other than those covered by the preceding two policy statements, the associated cumulative gain or loss is removed from equity and recognised in the income statement in the same period or periods during which the hedged forecast transaction affects the income statement.

The ineffective part of any gain or loss is recognised immediately in the income statement.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs.

If the hedged transaction is no longer expected to take place, then the cumulative unrealised gain or loss recognised in equity is recognised immediately in the income statement.

Hedge of monetary assets and liabilities

When a financial instrument is used to economically hedge the foreign exchange exposure of a recognised monetary asset or liability, hedge accounting is not applied and any gain or loss on the hedging instrument is recognised in the income statement.

Anticipated transactions

Where a hedge transaction is designated as a hedge of the anticipated purchase or sale of goods or services, purchase of qualifying assets, or an anticipated interest transaction, gains and losses on the hedge, arising up to the date of the anticipated transaction, together with any costs or gains arising at the time of entering into the hedge, are deferred and included in the measurement of the anticipated transaction when the transaction has occurred as designated. Any gains or losses on the hedge transaction after that date are included in the income statement.

The net amount receivable or payable under open swaps, forward rate agreements, options and futures contracts and the associated deferred gains or losses are not recorded in the income statement until the hedged transaction matures. The net receivables or payables are then revalued using the foreign currency, interest or commodity rates current at balance date.

When the anticipated transaction is no longer expected to occur as designated, the deferred gains and losses relating to the hedged transaction are recognised immediately in the income statement.

Gains and losses that arise prior to and upon the maturity of transactions entered into under hedge strategies are deferred and included in the measurement of the hedged anticipated transaction if the transaction is still expected to occur as designated. If the anticipated transaction is no longer expected to occur as designated, the gains and losses are recognised immediately in the income statement.

x) Financial instruments – impairment

For financial assets carried at amortised cost, the amount of any loss is measured as the extent to which the asset's carrying amount exceeds the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement.

y) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand and deposits held at call that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts.

z) Contributed equity

Ordinary shares in DuluxGroup Limited are classified as contributed equity.

When share capital recognised as contributed equity is repurchased by the Company or its controlled entities, the amount of the consideration paid, including directly attributable costs is recognised as a deduction from total equity.

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

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

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2013

1 Accounting policies (continued)

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.

aa) Impairment of other assets

Goodwill and indefinite life intangible assets are tested for impairment at least annually. The carrying amount of DuluxGroup's other non-current assets, excluding any defined benefit fund assets, deferred tax assets and financial assets are reviewed at each reporting date to determine whether there are any indicators of impairment. If such indicators exist, the asset is tested for impairment by comparing its recoverable amount to its carrying amount.

The recoverable amount of an asset is determined as the higher of fair value less costs to sell and value in use.

The recoverable amount is estimated for each individual asset or where it is not possible to estimate for individual assets, it is estimated for the Cash-Generating Unit (CGU) to which the asset belongs.

A CGU is the smallest identifiable group of assets that generate cash inflows largely independent of the cash inflows of other assets or group of assets with each CGU being no larger than a reportable segment.

When determining fair value less costs to sell, DuluxGroup takes into account information from recent market transactions of a similar nature. If no such transactions can be identified, an appropriate valuation model is used. These are corroborated by other available market based information.

In calculating recoverable amount using a valuation model, estimated future cash flows based on Board approved budgets, four year business plans and related strategic reviews are discounted to their present values using a pre-tax discount rate that reflects the current market assessments of the risks specific to the asset or CGU. 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 CGUs and then translated to Australian dollars using the closing exchange rate.

Cash flows used for value in use calculations are estimated for the asset in its present condition and therefore do not include cash inflows or outflows that improve or enhance the asset's performance or that may arise from future restructuring.

The pre-tax discount 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.

The pre-tax discount rates applied in the discounted cash flow models range between 11% and 15% (2012 11% and 15%). The average sales revenue compound annual growth rates applied in the discounted cash flow models range between 0% and 10% (2012 0% and 10%).

An impairment loss is recognised whenever the carrying amount of an asset or its CGU exceeds its recoverable amount. Impairment losses are recognised in the income statement as part of 'Other expenses'. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to CGUs and then to reduce the carrying amount of the other assets in the unit.

Reversals of impairment

An impairment loss is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. An impairment loss in respect of goodwill or other indefinite life intangible assets is not reversed. An impairment loss in other circumstances is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2013

1 Accounting policies (continued)

ab) Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to the ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share is calculated by dividing the net profit attributable to the ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued upon the conversion of all dilutive potential ordinary shares into ordinary shares.

ac) Segment reporting

Operating segments are reported in a manner which is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Managing Director and Chief Executive Officer.

ad) Goods and services tax (GST)

Revenues, expenses, assets and liabilities other than receivables and payables, are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the relevant taxation authorities. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. The net amount of GST recoverable from, or payable to, the relevant taxation authorities is included as a current asset or liability in the consolidated balance sheet.

Cash flows are included in the consolidated statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the relevant taxation authorities are classified as operating cash flows.

ae) Rounding

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

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2013

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.

Refer to Note 36 for details of the entities that were acquired as part of this transaction.

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. This transfer is included as part of 'Transfer of reserve to retained earnings' in the consolidated statement of changes in equity.

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. Therefore, the amounts recognised at 30 September 2013 may be subject to change before 12 December 2013. Finalisation is expected no later than close of business on 11 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:

	Book value \$'000	Fair value adjustment \$'000	Fair value total \$'000
2013			
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	(571)	-	(571)
Total consideration	181,277	-	181,277
Net assets of controlled entities acquired			
Trade and other receivables ⁽²⁾	82,714	(860)	81,854
Inventories	72,517	(7,135)	65,382
Property, plant and equipment	56,669	6,251	62,920
Intangibles including purchased goodwill ⁽³⁾	333,194	(278,382)	54,812
Other assets	2,414	-	2,414
Deferred tax assets	13,839	4,631	18,470
Trade and other payables	(68,781)	(2,469)	(71,250)
Interest-bearing liabilities	(75,001)	-	(75,001)
Leased properties provisions	(4,642)	(4,306)	(8,948)
Contingent liabilities	-	(7,476)	(7,476)
Current income tax provision	(4,486)	(1,898)	(6,384)
Other provisions	(1,931)	(2,286)	(4,217)
Provision for employee entitlements	(12,933)	(970)	(13,903)
Deferred tax liabilities	(2,802)	(14,728)	(17,530)
Net identifiable assets acquired	390,771	(309,628)	81,143
Goodwill on acquisition⁽⁴⁾			100,134

⁽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.

⁽⁴⁾ None of the goodwill recognised is expected to be deductible for tax purposes.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2013

2 Businesses acquired (continued)

The acquired trade and other receivables comprise gross contractual amounts due of \$83,951,000 of which \$2,097,000 was expected to be unrecoverable at the acquisition date.

Transaction costs with respect of this acquisition during the year ended 30 September 2013 were \$6,305,000 (2012 \$3,596,000). These costs have been included as part of purchased services in the consolidated income statement.

Results contributed by the acquired business since acquisition date:

	\$'000
Revenue	358,503
Profit from operations	15,323

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

	\$'000
Revenue	1,571,688
Profit from operations	135,483

The information on revenue and profit from operations above was compiled by management based on financial information available 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 and the reduction in duplicated corporate costs.

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 NLPP 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;
- DGL Camel (China) Limited; and
- DGL Camel Coatings (Dongguan) Limited (formerly 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 NLPP and accordingly its share of the DuluxGroup results and equity have been recognised as non-controlling interest.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2013

2 Businesses 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:

	Book value \$'000	Fair value adjustment \$'000	Fair value total \$'000
2012			
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	-	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
<i>less: interest retained by non-controlling interests in acquired net assets</i>			(4,780)
Net identifiable assets acquired, net of non-controlling interests			2,990
Goodwill on acquisition⁽²⁾			10,465

⁽¹⁾ At 30 September 2013 the 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. None of the goodwill recognised is expected to be deductible for tax purposes.

Transaction costs recognised in respect of this acquisition during the year ended 30 September 2013 were \$11,700 (2012 \$504,000). These costs have been included as part of purchased services in the consolidated income statement.

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 Business disposed

2013

On 29 August 2013, DuluxGroup entered into an agreement to dispose the Robinhood kitchen and laundry appliance business which was acquired through the Alesco acquisition, for \$3,428,000. This transaction was completed on 16 September 2013. During the financial year ended 30 September 2013 DuluxGroup received proceeds of \$2,967,000 (exclusive of GST), with the balance recognised in trade and other receivables at 30 September 2013.

A net loss before tax of \$1,118,000 (\$1,293,000 net of tax), including transaction costs, was recognised during the financial year ended 30 September 2013 and is reported as part of employee benefits expense (\$332,000), purchased services (\$348,000) and other expenses (\$438,000). This loss is included in the 'Other businesses' segment (refer Note 5). A deferred tax asset of \$500,000 was written off as part of the disposal.

Assets disposed include inventories of \$3,944,000, property, plant and equipment of \$464,000 and deferred tax assets of \$32,000. Liabilities disposed include trade creditors of \$136,000 and provisions totalling \$846,000.

2012

No business disposals occurred during the financial year ended 30 September 2012.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2013

4 Earnings per share (EPS)

As reported in the consolidated income statement	2013 Cents per share	2012 Cents per share
Total attributable to ordinary shareholders of DuluxGroup Limited		
Basic earnings per share	21.1	24.7
Diluted earnings per share	20.6	24.3
	\$'000	\$'000
Earnings used in the calculation of basic and diluted earnings per share		
Profit for the financial year attributable to ordinary shareholders of DuluxGroup Limited	76,926	89,492
	Number	Number
Weighted average number of ordinary shares outstanding used as the denominator:		
Number for basic earnings per share	364,645,445	361,805,421
Effect of the potential vesting of shares under the LTEIP and ESIP ⁽¹⁾	9,317,040	6,691,151
Number for diluted earnings per share	373,962,485	368,496,572

⁽¹⁾ The calculation of the weighted average number of shares has been adjusted for the effect of these potential shares from the date of issue or the beginning of the financial year. For further details on the LTEIP and ESIP, refer to Note 27.

5 Segment report

As a result of the acquisition of the Alesco Group, three new reportable segments have been introduced for the financial year ended 30 September 2013. These are Garage Doors and Openers, Parchem and Lincoln Sentry. The introduction of these segments has no impact on prior year disclosures.

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

The major products and services from which DuluxGroup's 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 construction chemicals, decorative concrete solutions and related equipment.
Lincoln Sentry	Distributor of hardware and components to the cabinet making industry and window, door and glazing fabricators.
Other businesses	China and South East Asia specialty coatings and adhesives businesses, Papua New Guinea coatings business, the powders and industrial coatings business in Australia and New Zealand and the former Robinhood kitchen and laundry appliance business.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2013

5 Segment report (continued)

Reportable segments	Paints Australia	Paints New Zealand	Selleys Yates	Garage Doors and Openers	Parchem	Lincoln Sentry	Other businesses	Total reportable segments	Unallocated ⁽²⁾	Consolidated
Revenue										
External revenue	636,923	84,930	242,324	130,365	97,502	117,559	174,960	1,484,563	-	1,484,563
Inter-segment sales	6,225	538	9,911	-	-	-	716	17,390	(17,390)	-
Total revenue from sales of goods	643,148	85,468	252,235	130,365	97,502	117,559	175,676	1,501,953	(17,390)	1,484,563
Other income ⁽¹⁾	80	28	150	463	66	333	(524)	596	9,937	10,533
Total revenue and other income	643,228	85,496	252,385	130,828	97,568	117,892	175,152	1,502,549	(7,453)	1,495,096
Results										
Profit/(loss) before net financing costs and income tax expense	110,394	11,415	26,305	12,310	5,525	4,132	(15,620)	154,461	(27,303)	127,158
Profit/(loss) from operations	110,394	11,415	26,305	12,310	5,525	4,132	(15,620)	154,461	(27,303)	127,158
Finance income										366
Finance expense										(27,956)
Profit before income tax expense										99,568
Income tax expense										(34,027)
Profit for the financial year										65,541
Segment assets	297,775	51,017	133,345	169,436	87,974	81,115	100,101	920,763	112,043	1,032,806
Segment liabilities	143,711	14,211	42,895	24,978	18,699	23,080	39,713	307,287	494,551	801,838
Investment accounted for using the equity method	-	-	4,678	-	-	-	-	4,678	-	4,678
Acquisitions of property, plant and equipment and intangible assets	17,080	1,452	2,885	2,105	491	1,772	3,113	28,898	18	28,916
Impairment of property, plant and equipment	-	-	-	-	-	-	140	140	-	140
Impairment of intangibles	-	-	-	-	-	-	18,500	18,500	-	18,500
Impairment of inventories	1,206	316	783	146	266	185	184	3,086	-	3,086
Impairment/(reversal of impairment) of trade and other receivables	1,849	162	18	(89)	194	317	380	2,831	-	2,831
Depreciation expense	11,006	2,521	2,816	2,781	1,576	720	4,468	25,888	672	26,560
Amortisation expense	731	73	313	2,725	452	1,047	391	5,732	11	5,743
Non-cash expenses other than depreciation and amortisation:										
Share-based payments	754	91	221	-	-	-	74	1,140	1,241	2,381
Share of net profit of joint venture accounted for using the equity method	-	-	1,181	-	-	-	-	1,181	-	1,181

⁽¹⁾ Includes foreign exchange gains/(losses), recoveries from Christchurch earthquake of \$331,000 and profit from sale of property, plant and equipment in various reportable segments.

⁽²⁾ Unallocated largely comprises centrally managed income, costs, assets and liabilities relating to properties (including a gain on disposal of the O'Connor site in Western Australia of \$8,149,000), tax, treasury, DuluxGroup's defined benefit pension plan and transaction costs (\$6,305,000) and integration costs (\$9,563,000) associated with the acquisition of the Alesco Group.

Revenue from one of DuluxGroup's customers was approximately 23% (2012 29%) of the total DuluxGroup revenue from sale of goods during the year ended 30 September 2013. This customer operated primarily within the Paints Australia, Paints New Zealand and Selleys Yates segments.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2013

5 Segment report (continued)

Reportable segments 2012 \$'000	Paints Australia	Paints New Zealand	Selgys Yates	Other businesses	Total reportable segments	Unallocated ⁽²⁾	Consolidated
Revenue							
External revenue	607,977	72,274	233,514	154,044	1,067,809	-	1,067,809
Inter-segment sales	5,954	31	11,086	568	17,639	(17,639)	-
Total revenue from sales of goods	613,931	72,305	244,600	154,612	1,085,448	(17,639)	1,067,809
Other income ⁽¹⁾	15,430	80	(174)	883	16,219	3,221	19,440
Total revenue and other income	629,361	72,385	244,426	155,495	1,101,667	(14,418)	1,087,249
Results							
Profit/(loss) before net financing costs and income tax expense	108,759	8,087	24,911	6,680	148,437	(16,220)	132,217
Profit/(loss) from operations	108,759	8,087	24,911	6,680	148,437	(16,220)	132,217
Finance income						493	
Finance expense							(21,920)
Profit before income tax expense							110,790
Income tax expense							(24,526)
Profit for the financial year							86,264
Segment assets	282,689	50,103	134,028	111,922	578,742	117,994	696,736
Segment liabilities	128,019	12,974	46,879	34,620	222,492	291,392	513,884
Investment accounted for using the equity method			3,747	-	3,747	-	3,747
Acquisitions of property, plant and equipment and intangible assets	16,349	1,969	3,737	1,845	23,900	-	23,900
Impairment of property, plant and equipment				513	513	-	513
Impairment of inventories	73	317	280	146	816	-	816
Impairment/(reversal of impairment) of trade and other receivables	690	123	(30)	(71)	712	-	712
Depreciation expense	10,974	2,393	3,003	4,486	20,856	664	21,520
Amortisation expense	951	76	538	211	1,776	-	1,776
Non-cash expenses other than depreciation and amortisation:							
Share-based payments	1,008	102	221	63	1,394	699	2,093
Share of net profit of joint venture accounted for using the equity method			1,500	-	1,500	-	1,500

⁽¹⁾ Includes foreign exchange gains/(losses) in various reportable segments and 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, DuluxGroup's defined benefit pension plan and transaction costs (\$3,596,000) associated with the acquisition of the Alesco Group.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2013

5 Segment report (continued)

Geographical information

Revenue from external customers is attributed to geographic location based on the location of customers. The revenue from external customers by geographical location is as follows:

	2013 \$'000	2012 \$'000
Australia	1,204,328	829,457
New Zealand	159,967	125,893
Other countries	120,268	112,459
	1,484,563	1,067,809

The location of non-current assets other than financial assets, investments accounted for using the equity method, investments in listed equity securities and deferred tax assets at the end of the financial year is as follows:

	2013 \$'000	2012 \$'000
Australia	438,948	231,542
New Zealand	44,124	35,978
Other countries	20,726	33,364
	503,798	300,884

6 Other income

	2013 \$'000	2012 \$'000
Net profit on sale of property, plant and equipment	8,191 ⁽¹⁾	-
Royalty income	807	146
Rental income	450	254
Insurance recoveries ⁽²⁾	331	15,000
Dividend income from listed equity securities	-	2,820
Net foreign exchange gains	-	781
Other	754	439
	10,533	19,440

⁽¹⁾ Includes a gain on disposal of the O'Connor site in Western Australia of \$8,149,000.

⁽²⁾ For the year ended 30 September 2013, this comprises recoveries from the Christchurch earthquake. For the financial year ended 30 September 2012, this comprises recoveries from the Queensland flood.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2013

7 Expenses

Profit before income tax includes the following specific expenses:

	2013 \$'000	2012 \$'000
<i>Depreciation and amortisation</i>		
Depreciation (Note 16)		
Buildings	2,590	1,947
Machinery, plant and equipment	23,970	19,573
	26,560	21,520
<i>Amortisation (Note 17)</i>		
Patents, trademarks and rights	419	183
Brand names	385	225
Software	2,118	1,368
Customer contracts	2,821	-
	5,743	1,776
Total depreciation and amortisation expense	32,303	23,296
<i>Provisions - net of amounts written back (Note 21)</i>		
Environmental provision	-	(404)
Deferred income - customer loyalty programme provision	1,292	1,648
Leased properties provision	154	(325)
Warranty provision	2,983	1,200
Other provisions	4,016	1,509
	8,445	3,628
<i>Finance expenses</i>		
Interest and finance charges paid/payable for financial liabilities not at fair value through profit and loss	26,582	21,469
Provisions: unwinding of discount (Note 21)	1,374	531
Amount capitalised (Note 16)	-	(80)
	27,956	21,920
Net loss on sale of property, plant and equipment	-	278
Net foreign exchange losses	114	-
Loss on disposal of a business (Note 3)	1,118	-
Impairment of property, plant and equipment (Note 16)	140	513
Impairment of intangibles (Note 17)	18,500	-
Impairment of inventories	3,086	816
Impairment of trade and other receivables (Note 10(c))	2,831	712
Research and development expense	17,764	15,823

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2013

8 Income tax

a) Income tax expense recognised in the consolidated income statement

	2013 \$'000	2012 \$'000
Current tax expense	32,876	33,945
Deferred tax expense/(benefit)	1,750	(1,449)
Over provision in prior years ^(1,2)	(599)	(7,970)
Total income tax expense in the consolidated income statement	34,027	24,526
Deferred tax expense/(benefit) included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets	2,792	(1,393)
Decrease in deferred tax liabilities	(1,042)	(56)
	1,750	(1,449)

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

	2013 \$'000	2012 \$'000
Profit before income tax expense	99,568	110,790
Prima facie income tax expense calculated at 30% of profit before income tax expense	29,870	33,237
Tax effect of items which (decrease)/increase tax expense:		
Variation in tax rates of foreign controlled entities	814	13
Entertainment	359	274
Non allowable share-based payments	704	452
Research and development	(542)	(372)
Share of net profit of joint venture accounted for using the equity method	(354)	(450)
Net non-deductible/non-assessable income	(3,430)	(3,008)
Non-deductible impairment of intangibles	4,625	-
Tax consolidation adjustment ⁽²⁾	-	(6,250)
Tax offset for franked dividends	-	(846)
Tax losses not recognised	1,761	1,738
Non-assessable gain on sale of asset	(2,659)	-
Non-deductible transaction costs	1,535	-
Sundry items	1,344	(262)
Income tax expense reported in the consolidated income statement	34,027	24,526

⁽¹⁾ The over provision recognised for the financial year ended 30 September 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 financial year ended 30 September 2013 (2012 \$6,250,000).

c) Income tax expense recognised in other comprehensive income

	2013			2012		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	Before tax	Tax expense	Net of tax	Before tax	Tax benefit	Net of tax
Effective portion of changes in fair value of cash flow hedges	97	(29)	68	(517)	155	(362)
Actuarial gains/(losses) on defined benefit plan	9,433	(2,830)	6,603	(875)	263	(612)
	9,530	(2,859)	6,671	(1,392)	418	(974)

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2013

8 Income tax (continued)

d) Unrecognised deferred tax assets and liabilities

	2013 \$'000	2012 \$'000
Tax losses not recognised in:		
China ⁽¹⁾	5,109	3,441
Hong Kong	107	27
Singapore	27	23
	5,243	3,491

⁽¹⁾ Expiration dates between 2013 and 2018 (2012 between 2012 and 2017).

e) Unrecognised temporary differences

	2013 \$'000	2012 \$'000
Temporary differences relating to investments in subsidiaries for which deferred tax assets/(liabilities) have not been recognised	66	12,352
Unrecognised deferred tax assets relating to the above temporary differences	20	3,706

A deferred tax asset has not been recognised in respect of temporary differences arising as a result of the translation of the financial statements of the Company's subsidiaries. The deferred tax asset will only be realised in the event of disposal of the subsidiary and no such disposal is expected in the foreseeable future.

f) Tax consolidation

DuluxGroup Limited is the head entity of the Australian tax consolidated group. As the head entity, the Company recognises the tax effects of its own transactions and the current tax liabilities and the deferred tax assets arising from unused tax losses and unused tax credits assumed from the subsidiary entities.

g) 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. Alesco NZ has applied for and been granted leave to appeal the decision to the New Zealand Supreme Court and the hearing date has been set for 18 February 2014.

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 relates 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 and therefore also included in the amount provided.

At 30 September 2013, a total of NZD 12,718,000 (AUD 11,324,000), representing the potential total liability, has been recognised as part of provisions for contingent liability from business acquisitions (NZD 7,688,000 (AUD 6,845,000)) and current tax (NZD 5,030,000 (AUD 4,479,000)).

9 Cash and cash equivalents

	2013 \$'000	2012 \$'000
Cash at bank and on hand	43,529	25,298
Cash at bank - restricted ⁽¹⁾	2,845	3,210
	46,374	28,508

⁽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 Consolidated Financial Statements (continued)

For the financial year ended 30 September 2013

10 Trade and other receivables

	2013 \$'000	2012 \$'000
Current		
Trade receivables	224,954	157,120
Less allowance for impairment	(3,079)	(2,544)
	221,875	154,576
Other receivables	4,791	3,141
	226,666	157,717
Non-current		
Other receivables	96	22

a) Trade receivables

Current trade receivables include \$6,925,000 (2012 \$8,471,000) of receivables arising from trade cards used by customers to finance trade debts that have effectively been transferred from DuluxGroup. These receivables do not qualify for derecognition due to DuluxGroup's exposure to the credit risk associated with the relevant debtors via guarantees provided to financial institutions should the debtors not pay. A corresponding liability is recognised in interest-bearing liabilities (refer Note 20).

In addition, current receivables is net of \$23,278,000 (2012 \$24,045,000) of rebates payable. DuluxGroup has the legal right to offset such balances as they are with the same customers and it is DuluxGroup's intention to net settle any outstanding balances.

Refer to Note 28 for terms and conditions relating to related party trade receivables.

b) Trade receivables and allowance for impairment

	2013 Gross \$'000	2013 Allowance \$'000	2012 Gross \$'000	2012 Allowance \$'000
Not past due	183,996	87	131,601	18
Past due 0 - 30 days	27,984	28	15,762	99
Past due 31 - 60 days	3,823	17	2,787	92
Past due 61 - 90 days	2,456	54	2,037	129
Past due 91 - 120 days	2,886	475	1,493	180
Past 120 days	3,809	2,418	3,440	2,026
	224,954	3,079	157,120	2,544

Trade receivables have been aged according to their due date in the above ageing analysis.

Trade receivables are carried at amounts due. Receivables that are not past due and not impaired are considered recoverable. Payment terms are generally 30 days from the end of the month in which the invoice is issued. A risk assessment process is used for all accounts with a stop credit process in place for most long overdue accounts. Credit insurance cover is obtained where appropriate.

The collectability of trade receivables is assessed continuously and at balance date specific allowances are made for any doubtful trade receivables based on a review of all outstanding amounts at year end. Bad debts are written off during the year in which they are identified.

The following basis has been used to assess the allowance for doubtful trade receivables:

- a statistical approach to determine the historical allowance rate for various tranches of receivables;
- an individual account by account assessment based on past credit history; and
- prior knowledge of debtor insolvency or other credit risk.

No material security is held over trade receivables.

There are no individually significant receivables that have had renegotiated terms that would otherwise, without that renegotiation, have been past due or impaired.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2013

10 Trade and other receivables (continued)

c) Movement in allowance for impairment of trade receivables

	2013 \$'000	2012 \$'000
Balance at 1 October	2,544	3,137
Allowances made during the year	3,601	1,022
Allowances written back during the year	(770)	(310)
Allowances utilised during the year	(2,524)	(1,263)
Foreign currency exchange differences	228	(42)
Balance at 30 September	3,079	2,544

d) Fair values

The net carrying amount of trade and other receivables approximates their fair values.

e) Concentrations of credit risk

The maximum exposure to credit risk is the carrying value of receivables. No material collateral is held as security over any of the receivables.

DuluxGroup has policies in place to ensure that the supply of products and services are made to customers with appropriate credit history. Customers who wish to trade on credit terms are subject to credit verification procedures, including an assessment of their independent credit rating, financial position, past experience and industry reputation.

DuluxGroup has some major customers who represent a significant proportion of its revenue. However, the customers' size, credit rating and long term history of full debt recovery are indications of lower credit risk.

11 Inventories

	2013 \$'000	2012 \$'000
Raw materials	33,161	23,425
Work in progress	5,606	3,996
Finished goods	157,012	101,799
	195,779	129,220

The cost of goods sold recognised in the consolidated income statement for the financial year ended 30 September 2013 amounted to \$845,611,000 (2012 \$602,327,000).

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2013

12 Derivative financial assets and liabilities

	2013 \$'000	2012 \$'000
Current		
Derivative financial assets		
Foreign exchange options - cash flow hedges	298	56
	298	56
Derivative financial liabilities		
Foreign exchange contracts - held for trading	2	39
	2	39
Non-current		
Derivative financial assets		
Interest rate options - cash flow hedges	-	2
	-	2

Cash flow hedges

Cash flow hedges are used to hedge exposures relating to borrowings and ongoing business activities, where there is a highly probable sale, purchase or settlement commitment in foreign currencies.

a) Foreign exchange transactions

The hedging of foreign exchange transactions is described under foreign exchange risk management in Note 37(b).

The fair value of foreign exchange options used as hedges of foreign exchange transactions at 30 September 2013 was \$298,000 (2012 \$56,000), comprising assets of \$298,000 (2012 \$56,000).

The following table shows the maturities of the receipts/payments of derivative instruments designated as cash flow hedges:

	Weighted average rate 2013	'000 2013	Weighted average rate 2012	'000 2012
Vanilla European Option Contracts				
Buy US Dollars/sell Australian Dollars				
No later than one year	0.9107	USD 9,324	1.0047	USD 5,557
Buy Chinese Renminbi/sell Australian Dollars				
No later than one year	5.4000	RMB 45,000	-	-

The cash flow hedge reserve at 30 September 2013 includes a net gain of \$1,400 (\$1,000 net of tax) (2012 net loss of \$71,000 (\$50,000 net of tax)) on foreign exchange options which is expected to be recognised within 12 months.

The terms of the foreign currency hedges have been negotiated to match the terms of the commitments.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. Then depending on the nature of the underlying hedged item the amount deferred in the cash flow hedge reserve in equity will subsequently be transferred to either the income statement or the cost of the asset or liability. Refer Note 1(w) for further details.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2013

12 Derivative financial assets and liabilities (continued)

b) Interest rate option contracts

Interest rate options are stated at fair value and classified as cash flow hedges if they are used to transfer floating rate debt into fixed rate debt. The portion of the gain or loss on the options that is determined to be an effective hedge is recognised directly in equity, with the remainder recognised in the income statement. All options are matched directly against the appropriate loans and interest expense and as such are considered highly effective. There was a derivative asset of \$NIL (2012 \$2,000) recognised as at 30 September 2013.

The notional amounts of interest rate options as summarised below represent the contract or face values of these derivatives. The notional amounts do not represent amounts exchanged by the parties. The amounts to be net settled will be calculated with reference to the notional amounts and the interest rates determined under the terms of the derivative contracts. Each option contract involves quarterly receipt of the net amount of interest where applicable:

	2013 \$'000	2012 \$'000
Floating to fixed options		
One to two years	120,000	150,000
Fixed interest rate p.a.	5.50%	5.00% to 5.50%

The cash flow hedge reserve at 30 September 2013 includes a net gain of \$NIL (\$NIL net of tax) (2012 a net loss of \$24,000 (\$17,000 net of tax)) on interest rate options which is largely expected to be recognised within 12 months.

Derivatives not designated in a hedging relationship

Certain derivative instruments do not qualify for hedge accounting, despite being commercially valid economic hedges of the relevant risks. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement (for example, changes in the fair value of any economic hedge not qualifying for hedge accounting).

Fair value of derivatives

The carrying value of derivatives approximates their fair values. Valuation techniques include, where applicable, reference to prices quoted in active markets, discounted cash flow analysis, fair value of recent arm's length transactions involving the same instruments or other instruments that are substantially the same, and option pricing models.

The fair value of forward exchange contracts are calculated by reference to forward exchange market rates for contracts within similar maturity profiles at the time of valuation.

The fair values of interest rate options, foreign exchange option contracts and other financial liabilities measured at fair value are determined using valuation techniques which utilise data from observable markets. Assumptions are based on market conditions existing at each balance date. The fair value is calculated as the present value of the estimated future cash flows using an appropriate market based yield curve, which is independently derived and representative of DuluxGroup's cost of borrowings.

The table below presents the Group's derivative financial assets and liabilities measured and recognised according to the fair value measurement hierarchy.

	Level 1 ⁽¹⁾ \$'000	Level 2 ⁽²⁾ \$'000	Level 3 ⁽³⁾ \$'000	Total \$'000
2013				
Forward foreign exchange contracts	-	(2)	-	(2)
Foreign exchange options	-	298	-	298
	Level 1 ⁽¹⁾ \$'000	Level 2 ⁽²⁾ \$'000	Level 3 ⁽³⁾ \$'000	Total \$'000
2012				
Forward foreign exchange contracts	-	(39)	-	(39)
Interest rate options	-	2	-	2
Foreign exchange options	-	56	-	56

⁽¹⁾ Quoted prices (unadjusted) in active markets for identical assets or liabilities.

⁽²⁾ Inputs other than quoted prices included within Level 1 that are observable for the asset or liabilities, either directly (as prices) or indirectly (i.e. derived from prices).

⁽³⁾ Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2013

13 Other assets

	2013 \$'000	2012 \$'000
Current		
Prepayments	6,165	3,444
Other	46	102
	6,211	3,546
Non-current		
Prepayments	4,231	4,996
Other	-	2
	4,231	4,998

14 Investment in listed equity securities

	2013 \$'000	2012 \$'000
Equity investments at fair value through other comprehensive income		
Ordinary shares held in Alesco Corporation Limited ⁽¹⁾	-	36,848
	-	36,848

⁽¹⁾ As at 30 September 2013, this investment is eliminated in full on consolidation owing to DuluxGroup's successful takeover of Alesco. Refer to Note 2 for further details of this transaction. For the financial year ended 30 September 2012, the fair value of the ordinary shares held in Alesco is derived from quoted prices (unadjusted) from the Australian Securities Exchange.

15 Investments accounted for using the equity method

The consolidated entity has an interest in the following entity:

Name of entity	Percentage of ownership interest held at end of the financial year		Contribution to net profit	
	2013	2012	2013	2012
	%	%	\$'000	\$'000
Pinegro Products Pty Ltd ⁽¹⁾	50.0	50.0	1,181	1,500

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

There were no commitments and contingent liabilities in the joint ventures as at 30 September 2013 (2012 \$NIL).

	2013 \$'000	2012 \$'000
Results of joint venture		
Share of joint venture's profit before income tax	1,687	2,143
Share of joint venture's income tax expense	(506)	(643)
Share of net profit of joint venture accounted for using the equity method	1,181	1,500
Movements in carrying amounts of investments		
Balance at 1 October	3,747	2,497
Share of net profit of joint venture accounted for using the equity method	1,181	1,500
Less distributions from joint venture	(250)	(250)
Balance at 30 September	4,678	3,747
Summary of profit and loss of the joint venture on a 100% basis		
The revenue from sale of goods and net profit for the financial year of the joint venture is:		
Revenue from sale of goods	16,640	14,778
Net profit for the financial year	2,362	2,093
Summary of balance sheet of the joint venture on a 100% basis		
The assets and liabilities of the joint venture are:		
Current assets	5,860	4,559
Non-current assets	6,094	6,407
Total assets	11,954	10,966
Current liabilities	2,271	2,759
Non-current liabilities	327	713
Total liabilities	2,598	3,472
Net assets	9,356	7,494

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2013

16 Property, plant and equipment

	2013 \$'000	2012 \$'000
Land		
At cost	37,112	28,989
Buildings and leasehold improvements		
At cost	90,186	67,754
Less accumulated depreciation and impairment	(29,645)	(28,628)
	60,541	39,126
Machinery, plant and equipment		
At cost	327,551	270,547
Less accumulated depreciation and impairment	(161,395)	(139,606)
	166,156	130,941
Total net book value		
At cost	454,849	367,290
Less accumulated depreciation and impairment	(191,040)	(168,234)
Total net book value of property, plant and equipment	263,809	199,056

a) Assets under construction

Included in the above are assets under construction at 30 September 2013 of \$10,850,000 (2012 \$5,205,000).

b) Capitalised borrowing costs

Included in the above is interest capitalised on qualifying assets during the financial year ended 30 September 2013 of \$NIL (2012 \$80,000). For the financial year ended 30 September 2012, the capitalisation amount is the actual interest expense incurred on borrowings used specifically to fund the capital expenditure on qualifying assets.

c) Reconciliations

Reconciliations of the net book values of property, plant and equipment are set out below:

	Land \$'000	Buildings and leasehold improvements \$'000	Machinery, plant and equipment \$'000	Total \$'000
2013				
Balance at 1 October 2012	28,989	39,126	130,941	199,056
Additions	-	2,921	22,449	25,370
Additions through business acquisitions (Note 2)	8,270	20,230	34,420	62,920
Disposals	(360)	(716)	(226)	(1,302)
Reduction through business disposal (Note 3)	-	-	(464)	(464)
Offset with provisions	-	(26) ⁽¹⁾	-	(26)
Depreciation expense	-	(2,590)	(23,970)	(26,560)
Impairment expense	-	-	(140)	(140)
Foreign currency exchange differences	213	1,596	3,146	4,955
Balance at 30 September 2013	37,112	60,541	166,156	263,809
2012				
Balance at 1 October 2011	28,970	33,907	133,482	196,359
Additions	-	7,699	14,980	22,679
Additions through business acquisitions (Note 2)	-	-	2,975	2,975
Disposals	-	(31)	(403)	(434)
Offset with provisions	-	(597) ⁽¹⁾	-	(597)
Depreciation expense	-	(1,947)	(19,573)	(21,520)
Impairment expense	-	-	(513)	(513)
Foreign currency exchange differences	19	95	(7)	107
Balance at 30 September 2012	28,989	39,126	130,941	199,056

⁽¹⁾ Refer to footnote 1 of Note 21(g) for further details of this transfer.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2013

17 Intangible assets

	2013 \$'000	2012 \$'000
Goodwill		
At cost	138,404	54,136
	138,404	54,136
Patents, trademarks and rights		
At cost	7,576	4,455
Less accumulated amortisation	(4,433)	(3,645)
	3,143	810
Brand names		
At cost	64,130	41,211
Less accumulated amortisation	(1,592)	(1,064)
	62,538	40,147
Software		
At cost	27,609	20,355
Less accumulated amortisation	(20,915)	(18,618)
	6,694	1,737
Customer contracts and relationships		
At cost	27,800	-
Less accumulated amortisation	(2,821)	-
	24,979	-
Total net book value		
At cost	265,519	120,157
Less accumulated amortisation	(29,761)	(23,327)
Total net book value of intangible assets	235,758	96,830

a) Assets under development

Included in the above are software assets under development at 30 September 2013 of \$3,445,000 (2012 \$1,361,000).

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2013

17 Intangible assets (continued)

b) Reconciliations

Reconciliations of the net book values of intangible assets are set out below:

	Goodwill \$'000	Patents, trademarks and rights \$'000	Brand names \$'000	Software \$'000	Customer Contracts \$'000	Total \$'000
2013						
Balance at 1 October 2012	54,136	810	40,147	1,737	-	96,830
Additions	-	-	-	3,546	-	3,546
Additions through business acquisitions (Note 2)	100,134	2,700	20,800	3,512	27,800	154,946
Amortisation expense	-	(419)	(385)	(2,118)	(2,821)	(5,743)
Impairment of intangibles	(18,500)	-	-	-	-	(18,500)
Adjustment for prior year acquisitions	(1,071)	-	1,700	-	-	629
Foreign currency exchange differences	3,705	52	276	17	-	4,050
Balance at 30 September 2013	138,404	3,143	62,538⁽¹⁾	6,694	24,979	235,758
2012						
Balance at 1 October 2011	43,705	979	40,434	1,906	-	87,024
Additions	-	-	-	1,221	-	1,221
Additions through business acquisitions (Note 2)	11,536	-	-	-	-	11,536
Amortisation expense	-	(183)	(225)	(1,368)	-	(1,776)
Foreign currency exchange differences	(1,105)	14	(62)	(22)	-	(1,175)
Balance at 30 September 2012	54,136	810	40,147 ⁽¹⁾	1,737	-	96,830

⁽¹⁾ Includes an amount of \$59,158,000 (2012 \$38,358,000) relating to brand names with indefinite useful lives.

c) Allocation of goodwill and intangible assets with indefinite useful lives

The allocation of goodwill and brand names with indefinite lives to cash-generating units are as follows:

	Goodwill ⁽¹⁾		Brand names ⁽²⁾	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Paints Australia	8,063	8,063	23,500	23,500
Selleys Yates	20,325	20,210	14,858	14,858
China ⁽³⁾	9,882	25,863	-	-
Garage Doors and Openers ⁽⁴⁾	53,139	-	15,000	-
Parchem ⁽⁴⁾	25,187	-	3,400	-
Lincoln Sentry ⁽⁴⁾	21,808	-	2,400	-
	138,404	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.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2013

17 Intangible assets (continued)

d) Impairment testing of goodwill and intangible assets with indefinite useful lives

Other than for the China CGU as discussed below, impairment testing at 30 September 2013 did not result in impairment charges being recognised by DuluxGroup.

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. For all CGUs other than the China CGU, a reasonable possible change in these inputs would not cause the recoverable amount to be below the carrying amount.

For the China CGU, the recoverable amount has been determined based on its fair value less cost to sell, and takes account of recent observable market based information, in particular gross margin and revenue multiples for similar businesses in China. Following completion of the impairment testing on this basis, it was determined that the carrying amount of the China CGU was in excess of its recoverable amount. DuluxGroup's share of this charge was \$10,200,000.

The income statement includes an impairment loss of \$18,500,000, being DuluxGroup's share of \$10,200,000 and \$8,300,000 attributable to non-controlling interest. A further impairment loss of \$1,500,000 attributable to the non-controlling interest has not been recognised, as the remaining goodwill is attributable to the merger of the Group's Hong Kong and China net assets with those of National Lacquer Paint and Products Co Ltd (NLPP) which were accounted for on a proportional basis, meaning that only DuluxGroup's share of goodwill from this transaction is recognised (refer Note 2). The impairment loss of \$18,500,000 is included in 'Other expenses' in the income statement and is disclosed as part of 'Other businesses' in the segment report (refer Note 5).

As a result of recognising the impairment charge, the carrying value of the China CGU is at its recoverable amount. Any further decline in this recoverable amount will result in further impairment losses to be recognised in future financial years.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2013

18 Deferred tax assets

	2013 \$'000	2012 \$'000
The balance comprises temporary differences attributable to:		
Trade and other receivables	1,140	484
Inventories	2,785	1,934
Property, plant and equipment	5,472	6,094
Intangible assets	5,116	5,265
Trade and other payables	8,105	3,093
Provisions	7,840	1,972
Employee entitlements	16,628	15,723
Tax losses	447	434
Other	1,373	1,187
Deferred tax assets	48,906	36,186
Expected to be recovered within 12 months	26,344	13,814
Expected to be recovered after more than 12 months	22,562	22,372
	48,906	36,186
Movements:		
Balance at 1 October	36,186	33,994
Additions made through business acquisitions (Note 2)	18,470	396
Reduction through business disposal	(532)	-
(Charged)/credited to profit or loss	(2,792)	1,393
(Charged)/credited to other comprehensive income (Note 8(c))	(2,859)	418
Foreign currency exchange differences	433	(15)
Balance at 30 September	48,906	36,186

19 Trade and other payables

	2013 \$'000	2012 \$'000
Current		
Trade payables	193,299	151,262
Other payables	55,102	34,884
	248,401	186,146
Non-current		
Other payables	-	43
	-	43

a) Significant terms and conditions

Trade payables are normally settled within 60 days from invoice date or within the agreed payment terms with the supplier. Refer to Note 28 for terms and conditions applicable for related party trade payables.

b) Fair values

The carrying amount of trade and other payables approximate their fair values due to their short term nature.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2013

20 Interest-bearing liabilities

	2013 \$'000	2012 \$'000
Current		
Unsecured		
Trade cards ⁽¹⁾	6,925	8,471
Bank loan - RMB denominated ⁽²⁾	7,213	4,558
Bank loan - HKD denominated ⁽³⁾	1,569	494
	15,707	13,523
Non-current		
Unsecured		
Bank loan - AUD denominated ⁽⁴⁾	419,372	245,237
	419,372	245,237

(1) Trade cards used by customers to finance trade debts which are partially guaranteed by DuluxGroup. Therefore, these do not qualify for derecognition and have been included in both trade receivables (refer Note 10) and interest-bearing liabilities.

(2) The current Chinese Renminbi (RMB) unsecured bank loan amount comprises of RMB 41,000,000 (AUD 7,213,000) (2012 RMB 30,000,000 (AUD 4,558,000)) drawn under an overseas bank loan facility.

(3) The current Hong Kong Dollar (HKD) unsecured bank loan amount comprises of HKD 11,300,000 (AUD 1,569,000) (2012 HKD 4,000,000 (AUD 494,000)) drawn under an overseas bank loan facility.

(4) The non-current AUD denominated unsecured bank loan amount comprises of \$423,000,000 (2012 \$248,000,000) drawn under the Group's syndicated bank loan facilities, net of unamortised prepaid establishment fees of \$3,628,000 (2012 \$2,763,000).

a) Fair values

The carrying amounts of the Group's current and non-current interest-bearing liabilities approximate their fair values.

b) Assets pledged as security

While there were no assets pledged as security by DuluxGroup Limited and its controlled entities, the following entities have provided a guarantee in relation to the Group's syndicated bank loan facilities and other overseas bank facilities:

- DuluxGroup Limited
- DuluxGroup (Finance) Pty Ltd
- DuluxGroup (Investments) Pty Ltd
- DuluxGroup (New Zealand) Pty Ltd
- DuluxGroup (Australia) Pty Ltd
- Dulux Holdings Pty Ltd
- DuluxGroup (Nominees) Pty Ltd
- DuluxGroup (PNG) Pte Ltd
- Alesco Corporation Limited
- Alesco Finance Pty Ltd
- Automatic Technology (Australia) Pty Ltd
- B&D Australia Pty Ltd
- Lincoln Sentry Group Pty Ltd
- Parchem Construction Supplies Pty Ltd
- B&D Doors (NZ) Limited
- Concrete Plus Limited

c) Defaults and breaches

During the current and prior year, there were no defaults or breaches of covenants on any loans.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2013

21 Provisions

	2013 \$'000	2012 \$'000
Current		
Employee entitlements	20,511	15,576
Environmental	867	97
Deferred income - customer loyalty programme	1,023	1,070
Leased properties	593	395
Warranty	1,570	514
Contingent liability from business acquisitions	8,025 ⁽¹⁾	-
Other	4,535	-
	37,124	17,652
Non-current		
Employee entitlements	27,075	16,224
Deferred income - customer loyalty programme	1,517	1,763
Leased properties	11,657	3,681
Contingent liability from business acquisitions	-	568
Other	-	1
	40,249	22,237

⁽¹⁾ Includes an amount of NZD \$7,688,000 (AUD \$6,845,000) (2012 NZD \$NIL (AUD \$NIL)) relating to the New Zealand Inland Revenue Department Proceedings (refer Note 8(g)).

a) Environmental

Estimated costs for the remediation of soil and untreated waste that have arisen as a result of past events have been provided where a legal or constructive obligation exists and a reliable estimate of the liability is able to be assessed. DuluxGroup expects to settle the obligation within the next 12 months.

b) Deferred income – customer loyalty programme

DuluxGroup operates a loyalty programme under which customers accumulate points for purchases made which they are entitled to redeem for items from a catalogue. The award points are recognised as a separately identifiable component of the initial sale transaction by allocating the fair value of the consideration received between the award points and the other components of the sale such that the award points are recognised at their fair value. Revenue from the award points is deferred and recognised when the points are redeemed. This provision accounts for this deferral. DuluxGroup expects to settle these provisions over a period of up to 4 years.

c) Leased properties

The Group leases offices, warehouses, retail bulky goods and manufacturing sites under non-cancellable operating leases. The leases have varying terms, escalation clauses and renewal rights.

In accordance with the accounting policy in Note 1(h), payments to be made under leases with fixed rent escalation clauses are recognised in the income statement on a straight-line basis over the term of the lease contract. In addition, under certain circumstances DuluxGroup has an obligation to restore its leased premises to an acceptable condition at the end of the respective lease terms. A provision is recognised to account for any amounts arising from these requirements.

DuluxGroup had also identified certain leased sites that were surplus to its requirements. Where these sites have non-cancellable leasing arrangements and DuluxGroup is unable to sub-lease the sites at a rate that would allow it to recover its rental costs, a provision is recognised for the shortfall in rental income. DuluxGroup expects to settle these provisions over the life of the respective lease terms.

d) Warranty

DuluxGroup generally offers a warranty for its products. A provision is recognised for DuluxGroup's obligation to honour the warranty provided to customers. DuluxGroup expects to settle these obligations within the next 12 months.

e) Contingent liability from business acquisitions

A provision is recognised on acquisition of a business for contingent liabilities of that business. DuluxGroup expects to settle these liabilities within the next 12 months.

f) Other

Other provision comprises of amounts for committed internal reorganisations and sales returns. DuluxGroup expects to settle these provisions within the next 12 months.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2013

21 Provisions (continued)

g) Reconciliations

Reconciliations of the carrying amounts of provisions in the current financial year are set out below:

	Environmental	Deferred income - customer loyalty programme	Leased properties	Warranty	Contingent liability from business acquisition	Other	Total
Current and non-current	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 October 2012	97	2,833	4,076	514	568	1	8,089
Provisions made during the year	-	1,292	652	3,220	-	4,016	9,180
Additions through business acquisitions (Note 2)	900	-	8,948	2,369	7,476	948	20,641
Provisions written back during the year	-	-	(498)	(237)	-	-	(735)
Provisions utilised during the year	(130)	(1,831)	(2,159)	(3,563)	(903)	(430)	(9,016)
Offset with property, plant and equipment	-	-	(26) ⁽¹⁾	-	-	-	(26)
Reduction through business disposals	-	-	-	(788)	-	-	(788)
Unwind of discounting	-	246	1,128	-	-	-	1,374
Foreign currency exchange differences	-	-	129	55	884	-	1,068
Balance at 30 September 2013	867	2,540	12,250	1,570	8,025	4,535	29,787

⁽¹⁾ In accordance with DuluxGroup's accounting policy in Note 1(s), the creation of a leased property restoration provision requires recognition of an equal and offsetting asset amount as part of property, plant and equipment at inception of the lease. When this provision is reassessed in subsequent reporting periods, to the extent possible, an equal and offsetting adjustment is made to the corresponding asset balance. Where a decrease in the provision exceeds the carrying value of the corresponding asset, any excess is written off to the income statement and is included in provisions written back during the year in the table above.

22 Deferred tax liabilities

	2013 \$'000	2012 \$'000
The balance comprises temporary differences attributable to:		
Property, plant and equipment	3,212	336
Intangible assets	14,260	255
Trade and other payables	69	322
Other	261	1
Deferred tax liabilities	17,802	914
Expected to be settled within 12 months	331	324
Expected to be settled after more than 12 months	17,471	590
	17,802	914
Movements:		
Balance at 1 October	914	986
Additions through business acquisitions	17,811	-
Credited to profit or loss	(1,042)	(56)
Foreign currency exchange differences	119	(16)
Balance at 30 September	17,802	914

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2013

23 Superannuation commitments

a) Superannuation plans

DuluxGroup contributes to a number of superannuation plans that exist to provide benefits for employees and their dependants on retirement, disability or death. The superannuation plans cover company sponsored plans, other qualifying plans and multi-employer industry/union plans.

Company sponsored plans

- The principal benefits are pensions or lump sum payments for members on resignation, retirement, disability or death. The benefits are provided on either a defined benefit basis or a defined contribution basis.
- Employee contribution rates are either fixed by the rules of the plans or selected by members from time to time from a specified range of rates. The employer entities contribute the balance of the cost required to fund the defined benefits or, in the case of defined contribution plans, the amounts required by the rules of the plan.
- The contributions made by the employer entities to defined contribution plans are in accordance with the requirements of the governing rules of such plans or are required under law.

Government plans

- Some controlled entities participate in government plans on behalf of certain employees, which provide pension benefits. There exists a legally enforceable obligation on employer entities to contribute as required by legislation.

Industry plans

- Some controlled entities participate in industry plans on behalf of certain employees.
- These plans operate on an accumulation basis and provide lump sum benefits for members on resignation, retirement, disability or death.
- The employer entities have a legally enforceable obligation to contribute a regular amount for each employee member of these plans.
- The employer entities have no other legal liability to contribute to the plans.

b) Defined contribution pension plans

The consolidated entity contributes to several defined contribution pension plans on behalf of its employees. The amount recognised as an expense for the financial year ended 30 September 2013 was \$19,322,000 (2012 \$12,216,000).

c) Defined benefit pension plans

DuluxGroup (Australia) Pty Ltd is the sponsoring employer of the defined benefit post-employment section of The DuluxGroup Super Fund (the Fund) in Australia.

Funding for post-employment benefits is carried out in accordance with the requirements of the Trust Deed for the Fund and the advice of the Fund's actuarial adviser. During the financial year ended 30 September 2013, the consolidated entity made employer contributions of \$5,623,000 (2012 \$5,594,000) to the Fund. DuluxGroup's external actuaries have forecast total employer contributions to the Fund of \$4,375,000 for the financial year ending 30 September 2014. The Fund is currently closed to new members.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2013

23 Superannuation commitments (continued)

c) Defined benefit pension plans (continued)

i) Balance sheet amounts

The amounts recognised in the balance sheet are determined as follows:

	2013 \$'000	2012 \$'000
Present value of the defined benefit obligations	141,297	142,259
Fair value of defined benefit plan assets	(133,031)	(121,390)
Net defined benefit liability recognised in the balance sheet at the end of the financial year	8,266	20,869

ii) Categories of plan assets

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	2013	2012
Equity instruments	47%	41%
Fixed interest securities	14%	18%
Property	14%	14%
Cash and other assets	25%	27%

iii) Reconciliations

	2013 \$'000	2012 \$'000
Reconciliation of present value of the defined benefit obligations:		
Balance at 1 October	142,259	139,539
Current service cost	4,196	4,282
Interest cost	6,042	6,280
Actuarial (gains)/losses	(3,960)	5,387
Contributions by plan participants	1,438	1,474
Benefits paid	(7,552)	(13,576)
Distributions	(1,126)	(1,127)
Balance at 30 September	141,297	142,259
Reconciliation of the fair value of the defined benefit plan assets:		
Balance at 1 October	121,390	116,925
Expected return on plan assets	7,785	7,588
Actuarial gains	5,473	4,512
Contributions by employer	5,623	5,594
Contributions by plan participants	1,438	1,474
Benefits paid	(7,552)	(13,576)
Distributions	(1,126)	(1,127)
Balance at 30 September	133,031	121,390

The fair value of plan assets does not include any amounts relating to the DuluxGroup's own financial instruments, property occupied by, or other assets used by, the consolidated entity (2012 \$NIL).

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2013

23 Superannuation commitments (continued)

c) Defined benefit pension plans (continued)

iv) Amounts recognised in the consolidated income statement

	2013 \$'000	2012 \$'000
Current service cost	4,196	4,282
Interest cost	6,042	6,280
Expected return on plan assets	(7,785)	(7,588)
Total included in employee benefits expense	2,453	2,974

v) Principal actuarial assumptions

The principal actuarial assumptions used were as follows:

	2013	2012
Discount rate ⁽¹⁾	4.70%	3.40%
Expected return on plan assets at 1 October	7.25%	7.25%
Future salary increases	3.75%	3.75%
Future inflation	2.75%	2.75%

⁽¹⁾ The discount rate assumption used for the purposes of discounting the defined benefit obligation is determined by reference to the average yield on State Government bonds.

vi) Historic summary

	2013 \$'000	2012 \$'000	2011 \$'000	2010 \$'000
Defined benefit plan obligations	141,297	142,259	139,539	127,674
Defined benefit plan assets	(133,031)	(121,390)	(116,925)	(114,405)
Deficit	8,266	20,869	22,614	13,269
Experience loss/(gain) arising on plan liabilities	4,909	2,085	(811)	(764)
Experience gain/(loss) arising on plan assets	5,473	4,512	(6,706)	(2,860)
Actual return on plan assets	13,258	12,100	859	4,883

vii) Amounts included in the consolidated statement of comprehensive income

	2013 \$'000	2012 \$'000
Total actuarial gains/(losses) before tax	9,433	(875)
Tax (expense)/benefit on total actuarial losses	(2,830)	263
Total actuarial gains/(losses) after tax	6,603	(612)

The consolidated entity has elected under AASB 119 *Employee Benefits*, to recognise all actuarial gains/losses in the consolidated statement of comprehensive income. The cumulative amount of net actuarial loss (before tax) included in the consolidated statement of comprehensive income to 30 September 2013 is \$2,684,000 (2012 loss of \$12,117,000).

viii) Expected rate of return on assets assumption

Owing to the adoption of the revised AASB 119 *Employee Benefits* from 1 October 2013, the expected rate of return assumption is no longer applicable in the determination of the defined benefit expense to be recognised in the income statement for financial years commencing after 1 October 2013.

For the financial year ended 30 September 2012, the overall expected rate of return on assets assumption is determined by weighting the expected long term rate of return for each asset class by the target allocation of plan assets to each class. The rates of return used for each class are net of investment tax and investment fees.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2013

24 Contributed equity

	2013 \$'000	2012 \$'000
Issued and fully paid		
Ordinary shares	201,099	180,457
Less treasury shares	(7,716)	(7,762)
Ordinary shares of the consolidated entity	193,383	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 (DRP) ⁽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 30 September 2012 final DRP ⁽⁵⁾	2,976,371	3.48	10,358
Shares issued under the DuluxGroup 31 March 2013 interim DRP ⁽⁶⁾	2,303,145	4.44	10,226
Shares issued under the ESIP and the LTEIP ⁽²⁾	2,755,012	-	-
Shares vested under the ESIP ^(2,3)	-	-	58
Balance at 30 September 2013	377,019,430		201,099

⁽¹⁾ The Company has established a DRP under which holders of ordinary shares may be able to elect to have all or part of their dividend entitlements satisfied by the issue of new fully paid ordinary shares or shares purchased on-market by DuluxGroup. 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 27.

⁽³⁾ Upon cessation of employment and settlement of amounts outstanding for their ESIP shares, 35,770 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.

⁽⁶⁾ Pursuant to the DRP as described in footnote 1, 2,303,145 new shares were issued at a price of \$4.44 (net of a discount of 2.5%) for the dividend paid on 14 June 2013.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2013

24 Contributed equity (continued)

a) Shares issued to subsidiaries and treasury shares

The Company has the flexibility under the ESIP and LTEIP 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.

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

Details	Number of shares			\$'000		
	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)	(20,040)	(15,730)	(35,770)	(58)	(46)	(104)
Shares issued for the LTEIP and ESIP ^(4,5)	2,755,012	-	2,755,012	10,533	-	10,533
Balance at 30 September 2013	7,453,938	2,656,558	10,110,496	22,603	7,716	30,319

⁽¹⁾ Upon cessation of employment and settlement of amounts outstanding for their ESIP shares, 35,770 shares vested to plan participants (2012 47,824).

⁽²⁾ In accordance with the plan rules 124,324 shares vested under the 2010 LTEIP and proceeds of \$287,292 were received as settlement, being the residual balance after applying dividends and debt forgiveness of \$32,220.

⁽³⁾ DuluxGroup's 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 originally purchased on-market or were from a new share issue.

⁽⁴⁾ Refer to Note 27 for details of the DuluxGroup LTEIP and ESIP.

⁽⁵⁾ DuluxGroup's 2012 LTEIP and ESIP requirements were satisfied by an issue of 2,755,012 DuluxGroup ordinary shares and the reallocation of forfeited 2010 and 2011 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 originally purchased on-market or were from a new share issue.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2013

25 Reserves

	2013 \$'000	2012 \$'000
Reserves		
Share-based payments	7,514	5,176
Cash flow hedge	1	(67)
Foreign currency translation	(2,530)	(11,995)
Common control	(97,702)	(97,702)
Revaluation - other financial assets	-	(752)
	(92,717)	(105,340)

a) Share-based payments reserve

The amount reported in the share-based payments reserve each year represents the share-based payments expense adjusted for amounts transferred to contributed equity on vesting of shares.

b) Cash flow hedge reserve

The amount in the cash flow hedge reserve represents the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred (net of tax).

c) Foreign currency translation reserve

The foreign currency translation reserve records the foreign currency differences arising from the translation of foreign operations, the translation of transactions that hedge DuluxGroup's net investment in a foreign operation or the translation of foreign currency monetary items forming part of the net investment in a foreign operation.

d) Common control reserve

DuluxGroup Limited has elected to account for business combinations under common control at carrying value. As permitted by Australian Accounting Standards, certain of its subsidiaries, primarily DuluxGroup (New Zealand) Pty Ltd elected to apply purchase accounting in its own accounting books and records. On consolidation, the effect of this policy difference on the pre-July 2010 demerger acquisition of the business assets and liabilities in New Zealand is reversed with the recognition of a common control reserve to the extent that the fair value of the business assets and liabilities exceeded their carrying value at the date of acquisition.

e) Revaluation reserve – other financial assets

The revaluation reserve represents the cumulative net change in the fair value of listed equity investments that DuluxGroup has made an irrevocable election to revalue through other comprehensive income.

26 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 13 May 2013, the Directors declared a fully franked interim dividend of 8.0 cents per ordinary share. Dividends totalling \$29,575,000 were paid on 14 June 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 interim 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.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2013

26 Dividends (continued)

b) Subsequent events

On 13 November 2013, the Directors declared a final dividend of 9.5 cents per ordinary share, fully franked and payable on 18 December 2013.

The financial effect of the final dividend has not been brought to account in the financial report for the financial year ended 30 September 2013 and will be recognised in the financial report for the financial year ending 30 September 2014.

The Company's DRP will operate with respect to the final dividend. The DRP pricing period will be the five trading days from 2 December 2013 to 6 December 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.

c) Franking credits

Franking credits available at the 30% corporate tax rate after allowing for tax payable in respect of the current year's profit and the payment of the final dividend for 2013 is \$16,143,170 (2012 \$NIL).

27 Share-based payments

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

	2013	2012
	\$	\$
DuluxGroup Long Term Equity Incentive Plan	2,381,072	1,477,201
DuluxGroup Employee Share Investment Plan	-	615,928
	2,381,072	2,093,129

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 24). Shares purchased on-market by a wholly owned subsidiary or the Company to satisfy the requirements under this plan are accounted for as a buy-back and recognised as treasury shares on consolidation (refer Note 24). 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 contributed equity.

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.

Detailed remuneration disclosures, including the link between the LTEIP and shareholder wealth, are provided in the Remuneration Report section of the Directors' Report.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2013

27 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	Issue date	Issue price	Total expense ^(1,2)	
				2013 \$	2012 \$
2010 LTEIP grant	4,401,850	19 July 2010/5 August 2010	\$2.57	1,197,244	899,230
2011 LTEIP grant	2,641,325	20 December 2011	\$2.90	646,767	577,971
2012 LTEIP grant	2,417,231	19 December 2012	\$3.70	506,391	-
2012 LTEIP grant ⁽³⁾	330,210	9 July 2013	\$4.17	30,670	-
				2,381,072	1,477,201

(1) Represents the value calculated under AASB 2. The share-based payment expense represents the expense incurred during the financial year in respect of current incentive allocations to executives. These amounts are therefore not amounts actually received by executives during the financial 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 27(a)(ii) for details of the valuation of share options issued in accordance with AASB 2.

(3) A special grant of LTEIP shares was made to eligible Alesco and other new executives on 28 June 2013. These shares were issued on 9 July 2013.

i) Movement in the number of equity instruments held by executives during the year

Grant date	Expiry date	Exercise price	Number held at 1 October 2012	Number granted during the year	Number other changes during the year ^(1,2)	Number held at year end	Number exercisable at year end
12 July 2010 ⁽³⁾	January 2014 ⁽⁴⁾	N/A	3,819,099	-	(113,417)	3,705,682	-(5)
2 December 2011 ⁽⁶⁾	January 2015 ⁽⁷⁾	N/A	2,586,143	-	(29,539)	2,556,604	-
30 November 2012 ⁽⁸⁾	January 2016 ⁽⁹⁾	N/A	-	2,417,231	(50,588)	2,366,643	-
28 June 2013 ⁽¹⁰⁾	January 2016 ⁽⁹⁾	N/A	-	330,210	-	330,210	-

(1) Where share options are forfeited due to the executive leaving during the year, these amounts are reported as other changes during the year.

(2) The combination of shares and the non-recourse loan provided to fund those shares constitutes an option under Australian Accounting Standards. These options vest over a period of approximately three to three and a half years. Under the terms of the LTEIP, the loan must be repaid before the executives can deal with the shares. Accordingly, the exercise period of these options is the loan repayment period, which commences following the testing of the performance condition typically in November after the annual results announcement and continues through to the end of January of the following year. In the event options expire as the loan is not repaid within the repayment window these amounts are reported as other changes during the year.

(3) While the issue and allocation of LTEIP shares to the executives only occurred on either 19 July 2010 or 5 August 2010, in accordance with the requirements of Australian Accounting Standards, the 'grant date' is 12 July 2010 being the date that the Company and the executives agreed to enter a share-based payment arrangement.

(4) Expiry date is 24 January 2014 coinciding with end of the trading window following the 30 September 2013 results announcement on 13 November 2013.

(5) Since the end of the reporting period, the options relating to the 2010 LTEIP have met the applicable performance condition and vested on 13 November 2013. The restriction on trading these shares will be lifted upon repayment of the loan. The loan must be repaid during the period from 29 November 2013 to 24 January 2014.

(6) While the issue and allocation of LTEIP shares to the executives 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.

(7) Expected expiry date is January 2015 coinciding with end of the trading window following the 30 September 2014 results announcement, which is expected to be in November 2014.

(8) 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.

(9) Expected expiry date is January 2016 coinciding with end of the trading window following the 30 September 2015 results announcement, which is expected to be in November 2015.

(10) While the issue and allocation of LTEIP shares to the executives only occurred on 9 July 2013, in accordance with the requirements of Australian Accounting Standards, the 'grant date' is 28 June 2013 being the date that the Company and the executives agreed to enter a share-based payment arrangement.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2013

27 Share-based payments (continued)

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

ii) Fair value of share options granted

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 and not yet vested under the DuluxGroup LTEIP are:

	LTEIP 2012 ⁽¹⁾	LTEIP 2012	LTEIP 2011	LTEIP 2010
Grant date	28 June 2013 ⁽²⁾	30 November 2012 ⁽³⁾	2 December 2011 ⁽⁴⁾	12 July 2010 ⁽⁵⁾
Fair value estimate at grant date (\$)	\$1.26	\$0.99	\$0.94	\$0.98
Gateway condition ⁽⁶⁾	Compound annual EPS growth over the three year period from 30 September 2013 must equal or exceed 4%	Compound annual EPS growth over the three year period from 30 September 2012 must equal or exceed 4%	Compound annual EPS growth over the three year period from 30 September 2011 must equal or exceed 4%	Compound annual EPS growth over the three year period from 30 September 2010 must equal or exceed 2%
Performance condition ⁽⁷⁾	TSR ranking	TSR ranking	TSR ranking	TSR ranking
Expected life of share options (years)	3.1	3.1	3.1	3.5
Expected dividend yield (%)	NIL	NIL	NIL	NIL
Expected risk-free interest rate (%)	2.75%	2.62%	3.22%	4.70%
Expected share price volatility (%)	22.5%	22.5%	25.0%	30.0%
Grant date share price (\$)	\$4.21	\$3.50	\$2.88	\$2.54

⁽¹⁾ A special grant of LTEIP shares was made to eligible Alesco and other new executives on 28 June 2013.

⁽²⁾ While the issue and allocation of LTEIP shares to the executives only occurred on 9 July 2013, in accordance with the requirements of Australian Accounting Standards, the 'grant date' is 28 June 2013 being the date that the Company and the executives agreed to enter a share-based payment arrangement.

⁽³⁾ 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.

⁽⁴⁾ While the issue and allocation of LTEIP shares to the executives 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.

⁽⁵⁾ While the issue and allocation of LTEIP shares to the executives only occurred on either 19 July 2010 or 5 August 2010, in accordance with the requirements of Australian Accounting Standards, the 'grant date' is 12 July 2010 being the date that the Company and the executives agreed to enter a share-based payment arrangement.

⁽⁶⁾ 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.

⁽⁷⁾ 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 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.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2013

27 Share-based payments (continued)

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

In December 2012, eligible Australian employees of the Group were invited to acquire DuluxGroup ordinary shares to the value of \$1,000 (December 2011 \$500 with DuluxGroup matching this participation up to a further \$500). Eligible employees in New Zealand were invited to acquire ordinary shares to the value of NZD 780 (December 2011 NZD 390 with DuluxGroup matching this participation up to a further NZD 390).

In June 2013, a special offer was made to eligible new and former Alesco employees of the Group in Australia to acquire DuluxGroup ordinary shares to the value of \$1,000 or \$500. Eligible new and former Alesco employees in New Zealand were invited to acquire ordinary shares to the value of NZD 780 or NZD 390.

The number of DuluxGroup shares allocated was based on the volume weighted average 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.

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 during the financial year ended 30 September 2013, the associated share-based payment expense, and the number of unvested shares at 30 September 2013 is as follows:

	Number of participants	Number at issue date	Number unvested at 30 September 2013	Total expense 2013 \$	2012 \$
2010 ESIP grant ⁽¹⁾	1,311	489,840	425,330	-	-
2011 ESIP grant ⁽²⁾	1,306	424,105	390,011	-	615,928
2012 ESIP grant ⁽³⁾	1,362	341,058	334,968	-	-

(1) These shares were issued on 9 August 2010 or 28 September 2010 at an issue price of \$2.56 or \$2.69 respectively.

(2) These shares were issued on 20 December 2011 at an issue price of \$2.90.

(3) These shares were issued on 19 December 2012 or 28 June 2013 at an issue price of \$3.70 or \$4.15 respectively.

28 Related party disclosures

a) Key Management Personnel compensation summary

In accordance with the requirements of AASB 124 *Related Party Disclosures*, the Key Management Personnel (KMP) include Non-Executive Directors and members of the Group Executive Team who have authority and responsibility for planning, directing and controlling the activities of DuluxGroup. 'Executives' refers to members of the Group Executive Team identified as KMP.

A summary of KMP compensation is set out in the following table:

	2013 \$	2012 ⁽¹⁾ \$
Short term employee benefits	5,736,116	5,338,749
Other long term benefits	86,227	87,458
Post employment benefits	144,797	177,269
Share-based payments	1,177,921	971,367
Total	7,145,061	6,574,843

(1) Includes current and former KMP.

Information regarding individual Director's and Executive's compensation and some equity instruments disclosure as required by Corporation Regulation 2M.3.03 is provided in the Remuneration Report section of the Directors' Report.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2013

28 Related party disclosures (continued)

b) Key Management Personnel's transactions in shares and options

The relevant interests of KMPs, including their related parties, in the share capital and options of the Company from the earlier of their date of appointment or 1 October 2012 are:

As at 30 September 2013	Balance held at date of appointment or 1 October 2012	Number acquired ⁽¹⁾	Net change other ⁽²⁾	Number of fully paid ordinary shares held at 30 September 2013	Number of options for fully paid ordinary shares held at 30 September 2013 ⁽³⁾
Non-Executive Directors					
Peter Kirby	130,000	-	-	130,000	-
Gaik Hean Chew	68,000	12,000	-	80,000	-
Garry Hounsell	119,176	4,925	-	124,101	-
Andrew Larke	152,156	-	-	152,156	-
Judith Swales	20,000	20,000	-	40,000	-
Executive Directors					
Patrick Houlihan	144,322	-	-	144,322	2,466,419
Stuart Boxer	93,226	-	-	93,226	651,494
Other KMP					
Michael Kirkman ⁽⁴⁾	2,549	11,291	-	13,840	111,027
Brad Hordern	15,408	638	-	16,046	332,957
Patrick Jones	13,753	570	-	14,323	418,749
Total	758,590	49,424	-	808,014	3,980,646

⁽¹⁾ Includes DuluxGroup Limited shares acquired through purchases and exercise of options.

⁽²⁾ Net change other includes changes resulting from sales during the financial year.

⁽³⁾ These interests include shares acquired under a loan agreement. A general description of these agreements (LTEIP) is provided in the Remuneration Report. Under AASB 2, the LTEIP plan is deemed to be an option plan for accounting purposes and the amounts receivable from employees in relation to the underlying loans and share capital allocated under these schemes is not included in the total contributed equity amount reported by the consolidated entity.

Since the end of the reporting period, the options relating to the 2010 LTEIP have met the applicable performance condition and vested on 13 November 2013. The restriction on trading these shares will be lifted upon repayment of the loan. The loan must be repaid during the period from 29 November 2013 to 24 January 2014. Refer to the Remuneration Report for details of the number of shares vested as required by Corporation Regulation 2M.3.03.

⁽⁴⁾ Mr Kirkman was appointed to the role of General Manager, Selleys Yates on 1 October 2012 and became a KMP on that date. The opening balance in the table includes the balance of his share and option holdings at 1 October 2012.

As at 30 September 2012	Balance held at date of appointment or 1 October 2011	Number acquired ⁽¹⁾	Net change other ⁽²⁾	Number of fully paid ordinary shares held at 30 September 2012	Number of options for fully paid ordinary shares held at 30 September 2012 ⁽³⁾
Non-Executive Directors					
Peter Kirby	130,000	-	-	130,000	-
Gaik Hean Chew	49,000	19,000	-	68,000	-
Garry Hounsell	113,214	5,962	-	119,176	-
Andrew Larke	149,440	2,716	-	152,156	-
Judith Swales	-	20,000	-	20,000	-
Executive Directors					
Patrick Houlihan	124,322	20,000	-	144,322	1,854,398
Stuart Boxer	73,226	20,000	-	93,226	496,899
Other KMP					
Brad Hordern	14,636	772	-	15,408	221,930
Patrick Jones	13,064	689	-	13,753	286,079
Former KMP					
Graeme Doyle ⁽⁴⁾	41,287	-	-	41,287	464,996
Julia Myers ⁽⁵⁾	1,610	85	-	1,695	120,747
Total	709,799	89,224	-	799,023	3,445,049

⁽¹⁾ Includes DuluxGroup Limited shares acquired through purchases and exercise of options.

⁽²⁾ Net change other includes changes resulting from sales during the financial year.

⁽³⁾ These interests include shares acquired under a loan agreement. A general description of these agreements (LTEIP) is provided in the Remuneration Report. Under AASB 2, the LTEIP plan is deemed to be an option plan for accounting purposes and the amounts receivable from employees in relation to the underlying loans and share capital allocated under these schemes is not included in the total contributed equity amount reported by the consolidated entity.

⁽⁴⁾ Mr Doyle ceased to be a KMP at close of business on 30 September 2012.

⁽⁵⁾ Ms Myers was appointed to the role of General Manager, Dulux Paints New Zealand on 1 May 2011 and became a KMP on that date. The opening balance in the table includes the balance of her share and option holdings at 1 May 2011. Ms Myers ceased to be a KMP at close of business on 30 September 2012.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2013

28 Related party disclosures (continued)

c) Other transactions with Key Management Personnel

All transactions with KMPs are made on normal commercial terms and conditions and in the ordinary course of business.

2013

At 30 September 2012, consulting and subsidiary board fees of \$43,750 remain unpaid to Ms Chew.

There were no other transactions during the financial year nor balances owing to or from KMP as at 30 September 2013.

2012

At 30 September 2012, consulting and subsidiary board fees of \$7,292 remain unpaid to Ms Chew.

There were no other transactions during the financial year nor balances owing to or from KMP as at 30 September 2012.

d) Parent entity

The ultimate parent entity within the Group is DuluxGroup Limited, which is domiciled and incorporated in Australia.

e) Controlled entities

Interests in subsidiaries are set out in Note 36.

f) Transactions with other related parties

All transactions with other related parties are made on normal commercial terms and conditions and in the ordinary course of business. Transactions during the year with joint ventures were:

	2013	2012
	\$	\$
Sales of goods to joint ventures	233,832	243,631
Purchases of goods from joint ventures	2,962,651	2,822,366
Distributions received from joint ventures	250,000	250,000
Royalty income received from joint ventures	-	30,000

g) Outstanding balances with other related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties other than KMP:

	2013	2012
	\$	\$
Current receivables from joint ventures	34,863	41,875
Current payables to joint ventures	725,572	903,425

No provisions for doubtful debts have been raised against amounts receivable from other related parties.

In the normal course of business, the Group occasionally enters into transactions with various entities that have Directors in common with DuluxGroup. Transactions with these entities are made on commercial arm's-length terms and conditions. The relevant Directors do not participate in any decisions regarding these transactions.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2013

29 Auditors' remuneration

	2013	2012
	\$	\$
Total remuneration received, or due and receivable, by the auditors of the Company for:		
Audit services - audit and review of financial reports		
KPMG Australia	764,700	460,000
Overseas KPMG firms ⁽¹⁾	427,333	304,461
	1,192,033	764,461
Other services ⁽²⁾		
Other assurance services - KPMG Australia	98,900	103,300
Other assurance services - Overseas KPMG firms	14,818	60,000
	113,718	163,300

⁽¹⁾ Includes fees paid or payable for overseas subsidiaries' local statutory lodgement purposes and other regulatory compliance requirements.

⁽²⁾ Other services primarily include assurance based engagements undertaken for compliance and internal governance purposes and tax compliance. The Audit and Risk Committee must approve any non-statutory services (other services) provided by KPMG above a value of \$50,000 per assignment prior to commencement. Throughout the year, the Committee also reviews and approves other services provided by KPMG below a value of \$50,000. The protocols adopted by KPMG in relation to the provision of other services ensure their independence is not compromised.

Other services provided by KPMG to the Group are subject to appropriate corporate governance procedures encompassing the selection of service providers and the setting of their remuneration.

30 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, estimates and judgements. 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 (refer Note 11) and bad or doubtful receivables (refer Note 10). 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 (refer Note 16) and intangible assets (refer Note 17), 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 Consolidated Financial Statements (continued)

For the financial year ended 30 September 2013

30 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 (refer Note 17). 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.

Management also applies judgement when determining the recoverable amount using fair value less costs to sell. This judgement is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the 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. For details of DuluxGroup's defined benefit plan refer to Note 23.

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 (refer Note 21). 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 Consolidated Financial Statements (continued)

For the financial year ended 30 September 2013

30 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 (refer Note 2).

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 and contingent liabilities.

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 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 (refer Note 18) and liabilities (refer Note 22) 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 (refer Note 21) 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 future parts and changes in labour costs.

31 Contingent liabilities and contingent assets

DuluxGroup had contingent liabilities at 30 September 2013 in respect of:

a) Orica Separation Deed

The Separation Deed between Orica Limited (Orica) and DuluxGroup Limited, which covers the period since demerger at July 2010, 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.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2013

31 Contingent liabilities and contingent assets (continued)

b) Deed of cross guarantee

All of DuluxGroup Limited's Australian subsidiaries, excluding DuluxGroup Employee Share Plan Trust and Alesco Management Share Plan Trust, 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 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 DGC 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 Consolidated Financial Statements (continued)

For the financial year ended 30 September 2013

32 Commitments

a) Capital expenditure commitments

	2013 \$'000	2012 \$'000
Capital expenditure on property and plant and equipment contracted but not provided for and payable:		
- No later than one year	1,034	899
- Later than one, no later than five years	-	133
	1,034	1,032

b) Lease commitments

i) Non-cancellable operating leases

The Group leases offices, warehouses, retail bulky goods and manufacturing sites under non-cancellable operating leases. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated. There are no restrictions placed upon the lessee by entering into these leases. Excess space is sub-let to third parties also under non-cancellable operating leases.

	2013 \$'000	2012 \$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
- No later than one year	27,664	21,266
- Later than one, no later than five years	43,270	43,639
- Later than five years	11,025	12,703
	81,959	77,608

Not included in the above commitments are contingent rental payments which may arise as part of rental increases indexed to the Consumer Price Index (CPI) or the higher of a fixed rate or the CPI.

	2013 \$'000	2012 \$'000
Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases	3,153	3,558

ii) Cancellable operating leases

DuluxGroup also leases various plant and machinery under cancellable operating leases. Generally, DuluxGroup is required to give three months notice for termination of these leases.

	2013 \$'000	2012 \$'000
Commitments in relation to cancellable operating leases contracted for at the reporting date but not recognised as liabilities payable:		
- No later than one year	7,682	6,327
- Later than one, no later than five years	7,711	7,403
	15,393	13,730

c) Other contractual commitments

As part of the normal course of business, the Group has signed various contracts that contain a penalty for early termination of these contracts. At balance date, it is expected that the Group will fulfil the entire term of these contracts.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2013

33 Reconciliation of profit for the financial year to net cash inflow from operating activities

	2013 \$'000	2012 \$'000
Profit for the financial year	65,541	86,264
Depreciation and amortisation	32,303	23,296
Share-based payment expense	2,381	2,093
Share of joint ventures' net profit	(1,181)	(1,500)
Loss on disposal of business	1,118	-
Impairment of inventories	3,086	816
Impairment of trade and other receivables	2,831	712
Net (gain)/loss on sales of property, plant and equipment	(8,191)	278
Unrealised foreign exchange loss	153	1,071
Amortisation of prepaid loan establishment fees	1,627	1,124
Impairment of property, plant and equipment	140	513
Impairment of intangibles	18,500	-
Dividend income from listed equity securities	-	(2,820)
Changes in working capital and provisions excluding the effects of acquisitions and disposals of businesses and controlled entities		
Decrease in trade and other receivables	10,577	7,012
(Increase)/decrease in inventories	(8,207)	10,652
Decrease/(increase) in other assets	516	(63)
Increase/(decrease) in deferred taxes payable	1,788	(1,435)
Decrease in trade payables and provisions	(6,508)	(9,965)
Increase/(decrease) in current tax liabilities	1,680	(1,517)
Net cash inflow from operating activities	118,154	116,531

34 Deed of cross guarantee

Entities which are party to a Deed of Cross Guarantee (Closed Group), entered into in accordance with ASIC Class Order 98/1418 dated 27 September 2010 are disclosed in Note 36. A consolidated income statement, consolidated statement of comprehensive income and consolidated balance sheet for the Closed Group are disclosed below.

a) Consolidated income statement and retained earnings

	2013 \$'000	2012 \$'000
Profit before income tax expense	92,252	113,751
Income tax expense	(30,949)	(20,909)
Profit for the financial year	61,303	92,842
Retained earnings		
Balance at 1 October	105,975	68,213
Profit for the financial year	61,303	92,842
Actuarial gains/(losses) on defined benefit plan recognised directly in retained earnings (net of tax)	6,603	(612)
Transfers in from revaluation reserve - other financial assets	(1,692)	-
Dividends paid - ordinary shares	(58,816)	(54,468)
Balance at 30 September	113,373	105,975

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2013

34 Deed of cross guarantee (continued)

b) Consolidated statement of comprehensive income

	2013 \$'000	2012 \$'000
Profit for the financial year	61,303	92,842
Other comprehensive income		
Items that may be reclassified subsequently to the income statement		
Effective portion of changes in fair value of cash flow hedges	97	(517)
Foreign currency translation gain on foreign operations	7,454	732
Income tax on items that may be reclassified subsequently to the income statement	(29)	155
Total items that may be reclassified subsequently to the income statement, net of tax	7,522	370
Items that will not be reclassified to the income statement		
Actuarial gains/(losses) on defined benefit plan	9,433	(875)
Revaluation of other financial assets at fair value through other comprehensive income	(940)	(752)
Income tax on items that will not be reclassified to the income statement	(2,830)	263
Total items that will not be reclassified to the income statement, net of tax	5,663	(1,364)
Other comprehensive income for the financial year, net of tax	13,185	(994)
Total comprehensive income for the financial year	74,488	91,848

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2013

34 Deed of cross guarantee (continued)

c) Consolidated balance sheet

	2013 \$'000	2012 \$'000
Current assets		
Cash and cash equivalents	29,493	17,435
Trade and other receivables	229,178	159,382
Inventories	174,993	115,476
Derivative financial assets	298	56
Other assets	5,324	3,042
Total current assets	439,286	295,391
Non-current assets		
Derivative financial assets	-	2
Investment in controlled entities	65,125	55,795
Investment in listed equity securities	-	36,848
Investment accounted for using the equity method	4,678	3,747
Property, plant and equipment	254,236	192,675
Intangible assets	220,424	69,855
Deferred tax assets	45,139	34,872
Other assets	4,231	4,991
Total non-current assets	593,833	398,785
Total assets	1,033,119	694,176
Current liabilities		
Trade and other payables	221,231	166,960
Interest-bearing liabilities	7,481	15,543
Derivative financial liabilities	2	39
Current tax liabilities	7,825	4,647
Provisions	28,203	17,090
Total current liabilities	264,742	204,279
Non-current liabilities		
Interest-bearing liabilities	419,372	245,237
Deferred tax liabilities	16,839	596
Provisions	38,935	21,492
Defined benefit liability	8,266	20,869
Total non-current liabilities	483,412	288,194
Total liabilities	748,154	492,473
Net assets	284,965	201,703
Equity		
Contributed equity	223,702	192,585
Reserves	(52,110)	(96,857)
Retained earnings	113,373	105,975
Total equity	284,965	201,703

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2013

35 Parent entity financial information

a) Summary financial information

The individual financial statements for the parent entity, DuluxGroup Limited, show the following aggregate amounts:

	2013 \$'000	2012 \$'000
Current assets	83,192	77,220
Non-current assets	229,260	199,260
Total assets	312,452	276,480
Current liabilities	871	127
Non-current liabilities	37,864	37,864
Total liabilities	38,735	37,991
Net assets	273,717	238,489
Equity		
Contributed equity ^(1,2)	223,702	192,585
Profits reserve ⁽³⁾	30,000	-
Other reserves	6,503	4,163
Retained earnings	13,512	41,741
	273,717	238,489
Profit before income tax expense ⁽⁴⁾	58,765	93,055
Income tax benefit	1,843	1,734
Profit for the financial year	60,608	94,789
Total comprehensive income of the parent entity	60,608	94,789

(1) Includes \$30,319,000 (2012 \$19,890,000) relating to 10,110,496 (2012 7,391,254) DuluxGroup Limited ordinary shares issued to or purchased on-market by DuluxGroup (Employee Share Plans) Pty Ltd, as trustee for the employee share schemes (LTEIP and ESIP). On consolidation, where the shares were issued to the trust, the ordinary share capital is not recognised. On consolidation where the shares were purchased on market, the purchase is accounted for as a buy-back and the amount is deducted from contributed equity as treasury shares. Refer Note 24(a) for details of these shares.

(2) Includes \$20,584,000 (2012 \$4,464,000) relating to 5,279,516 (2012 1,528,643) DuluxGroup Limited shares issued as part of the DRP.

(3) A profits reserve has been created in DuluxGroup Limited. The reserve represents an appropriation of amounts from retained earnings for the payment of future dividends. On consolidation, this reserve is included as part of the consolidated retained earnings.

(4) Profit before income tax expense includes dividend income of \$65,000,000 declared by DuluxGroup (New Zealand) Pty Ltd during the financial year ended 30 September 2013 (2012 \$90,119,000 declared by DuluxGroup (New Zealand) Pty Ltd and \$8,754,000 declared by DuluxGroup (Investments) Pty Ltd).

b) Guarantees

Details of guarantees entered into by the parent entity in relation to external banking facilities as at 30 September 2013 are set out in Note 20(b). In addition, the parent entity is a party to the deed of cross guarantee as disclosed in Note 34.

c) Capital commitments

There were no capital commitments entered into by the parent entity as at 30 September 2013 (2012 \$NIL).

d) Contingent liabilities and contingent assets

Refer to Note 31 for information relating to contingent liabilities and contingent assets of the parent entity.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2013

36 Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of DuluxGroup Limited and the following subsidiaries in accordance with the accounting policies described in Note 1(d):

Name of entity	Country of incorporation /registration	Equity holding	
		2013 %	2012 %
DuluxGroup (Investments) Pty Ltd ⁽¹⁾	Australia	100	100
DuluxGroup (Finance) Pty Ltd ⁽¹⁾	Australia	100	100
DuluxGroup (New Zealand) Pty Ltd ⁽¹⁾	Australia	100	100
DuluxGroup (Australia) Pty Ltd ⁽¹⁾	Australia	100	100
Dulux Holdings Pty Ltd ⁽¹⁾	Australia	100	100
DuluxGroup (Employee Share Plans) Pty Ltd ⁽¹⁾	Australia	100	100
DuluxGroup Employee Share Plan Trust	Australia	100	100
DuluxGroup (Nominees) Pty Ltd ⁽¹⁾	Australia	100	100
Alesco Corporation Limited ^(2,3)	Australia	100	-
Alesco Finance Pty Ltd ^(2,3)	Australia	100	-
Alesco Holdings Pty Ltd ^(2,3)	Australia	100	-
Alesco No. 2 Pty Ltd ^(2,3)	Australia	100	-
Alesco No. 1 Pty Ltd ^(2,3)	Australia	100	-
B&D Australia Pty Ltd ^(2,3)	Australia	100	-
Automatic Technology (Australia) Pty Ltd ^(2,3)	Australia	100	-
Parchem Construction Supplies Pty Ltd ^(2,3)	Australia	100	-
Robinhood Australia Pty Ltd ^(2,3)	Australia	100	-
Lincoln Sentry Group Pty Ltd ^(2,3)	Australia	100	-
Concrete Technologies Pty Ltd ^(2,3)	Australia	100	-
Pargone Pty Ltd ^(2,3)	Australia	100	-
ACN 009 130 858 Pty Ltd ^(2,3)	Australia	100	-
ACN 000 639 252 Pty Ltd ^(2,3)	Australia	100	-
Joinery Products Hardware Supplies Pty Ltd ^(2,3)	Australia	100	-
ATA Innovations Pty Ltd ^(2,3)	Australia	100	-
Alesco Management Share Plan Trust ⁽²⁾	Australia	100	-
DGL International (Shenzhen) Co Ltd ⁽⁵⁾	China	100	100
DGL Camel Coatings (Shanghai) Limited ⁽⁴⁾	China	51	51
DGL Camel Powder Coatings (Dongguan) Limited ⁽⁴⁾	China	51	51
DGL Camel Coatings (Dongguan) Limited (formerly Dongguan Benson Paint Company Limited) ⁽⁴⁾	China	51	51
Counterast Technology (Dalian) Company Limited ⁽²⁾	China	100	-
DGL International (Hong Kong) Ltd	Hong Kong	100	100
DGL Camel International Limited ⁽⁴⁾	Hong Kong	51	51
DGL Camel Powder Coatings Limited ⁽⁴⁾	Hong Kong	51	51
DGL Camel (Hong Kong) Limited ⁽⁴⁾	Hong Kong	51	51

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2013

36 Subsidiaries (continued)

Name of entity (continued)	Country of incorporation /registration	Equity holding	
		2013 %	2012 %
DGL Camel (China) Limited ⁽⁴⁾	Hong Kong	51	51
Counter mast Limited ⁽²⁾	Hong Kong	100	-
DGL International (Malaysia) Sdn Bhd	Malaysia	100	100
Alesco New Zealand Limited ⁽²⁾	New Zealand	100	-
Alesco NZ Trustee Limited ⁽²⁾	New Zealand	100	-
B&D Doors (NZ) Limited ⁽²⁾	New Zealand	100	-
Concrete Plus Limited ⁽²⁾	New Zealand	100	-
Easy Iron Limited ⁽²⁾	New Zealand	100	-
Lincoln Sentry Limited ⁽²⁾	New Zealand	100	-
Robinhood Limited ⁽²⁾	New Zealand	100	-
Supertub Limited ⁽²⁾	New Zealand	100	-
Dulux Holdings (PNG) Ltd	Papua New Guinea	100	100
DGL Camel (Singapore) Pte Ltd ⁽⁴⁾	Singapore	51	51
DuluxGroup (PNG) Pte Ltd	Singapore	100	100
DGL International (Singapore) Pte Ltd	Singapore	100	100
DGL International (Vietnam) Limited Company	Vietnam	100	100

⁽¹⁾ These controlled entities have each entered into a Deed of Cross Guarantee with DuluxGroup Limited in respect of relief granted from specific accounting and financial reporting requirements in accordance with the ASIC Class Order 98/1418. The deed was dated 27 September 2010 and all of these controlled entities, with the exception of DuluxGroup (Nominees) Pty Ltd, have been members since inception. On 26 September 2012, DuluxGroup (Nominees) Pty Ltd acceded to the deed with effect from the date of its incorporation in 2012.

⁽²⁾ Acquired during the financial year ended 30 September 2013.

⁽³⁾ On 13 September 2013, these entities joined the Deed of Cross Guarantee with DuluxGroup Limited.

⁽⁴⁾ These entities form part of the DGL Camel International Group.

⁽⁵⁾ Entity liquidated during the financial year ended 30 September 2013.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2013

37 Financial and capital management

Capital management

DuluxGroup's objectives when managing capital (net debt and total equity) are to safeguard the consolidated entity's ability to continue as a going concern and to ensure that the capital structure enhances, protects and balances financial flexibility against minimising the cost of capital.

In order to maintain the appropriate capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, utilise a dividend reinvestment plan, return capital to shareholders or issue new equity, in addition to incurring an appropriate mix of long and short term borrowings. Currently, DuluxGroup intends to pay at least 70% of its net profit after tax (subject to satisfying the solvency test set out in the *Corporations Act 2001*) as dividends to DuluxGroup shareholders each year.

DuluxGroup monitors capital on the basis of various credit metrics, principally an interest cover ratio (earnings before interest, tax, depreciation and amortisation (EBITDA) divided by net financing costs) and Net Debt to EBITDA. In addition, DuluxGroup monitors the accounting gearing ratio (which is calculated as net debt divided by net debt plus total equity).

The key credit metrics and accounting gearing ratios calculated on a statutory basis and presented in accordance with the requirements of AASB 7 *Financial Instruments: Disclosures* are as follows:

	2013 \$'000	2012 \$'000
Interest-bearing liabilities	438,707	261,523
Less:		
Prepaid loan establishment fees	3,628	2,763
Trade cards	6,925	8,471
Cash and cash equivalents	46,374	28,508
Net debt	381,780	221,781
Earnings before interest, tax, depreciation and amortisation ⁽¹⁾	159,461	155,513
Net Debt to EBITDA (times)	2.4	1.4

The interest cover ratio is calculated as follows:

	2013 \$'000	2012 \$'000
Earnings before interest, tax, depreciation and amortisation	159,461	155,513
Net finance costs ⁽²⁾	25,963	20,303
Interest cover ratio (times)	6.1	7.7

The accounting gearing ratio is calculated as follows:

	2013 \$'000	2012 \$'000
Net debt ⁽³⁾	381,780	221,781
Net debt plus total equity	612,748	404,633
Net debt to net debt plus total equity	62%	55%

⁽¹⁾ Includes EBITDA of Alesco Group from close of business 11 December 2012 to 30 September 2013.

⁽²⁾ Net finance costs exclude the amortisation of prepaid loan establishment fees of \$1,627,000 (2012 \$1,124,000).

⁽³⁾ Refer calculation of net debt presented above for the Net Debt to EBITDA metric.

Financial risk factors

DuluxGroup has exposure to the following principle financial risks:

- Market risk (interest rate, foreign exchange and commodity price risk)
- Liquidity risk
- Credit risk

DuluxGroup's overall risk management program seeks to mitigate these risks and reduce the volatility of DuluxGroup's financial performance.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2013

37 Financial and capital management (continued)

Financial risk factors (continued)

All financial risk management is carried out or monitored centrally by the Treasury department and is undertaken in accordance with various treasury risk management policies (the Treasury Policy) approved by the Board.

DuluxGroup enters into derivative transactions for risk management purposes only. Derivative transactions are entered into to hedge financial risk relating to underlying physical exposures arising from business activities. Types of derivative financial instruments used to hedge financial risks (such as changes to interest rates and foreign currencies) include interest rate options, foreign exchange options and forward exchange contracts.

The consolidated entity held the following financial instruments as at 30 September:

	Cash and cash equivalents	Financial assets at amortised cost	Financial liabilities at amortised cost	Derivative instruments designated as hedges	Financial assets at fair value through other comprehensive income	Total carrying amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2013						
Financial assets						
Cash at bank and on hand	43,529	-	-	-	-	43,529
Cash at bank - restricted	2,845	-	-	-	-	2,845
Trade and other receivables (current)	-	226,666	-	-	-	226,666
Trade and other receivables (non-current)	-	96	-	-	-	96
Derivative financial assets (current)	-	-	-	298	-	298
	46,374	226,762	-	298	-	273,434
Financial liabilities						
Trade and other payables (current)	-	-	248,401	-	-	248,401
Derivative financial liabilities (current)	-	-	-	2	-	2
Interest-bearing liabilities (current)	-	-	15,707	-	-	15,707
Interest-bearing liabilities (non-current)	-	-	419,372	-	-	419,372
	-	-	683,480	2	-	683,482
2012						
Financial assets						
Cash at bank and on hand	25,298	-	-	-	-	25,298
Cash at bank - restricted	3,210	-	-	-	-	3,210
Trade and other receivables (current)	-	157,717	-	-	-	157,717
Trade and other receivables (non-current)	-	22	-	-	-	22
Derivative financial assets (current)	-	-	-	56	-	56
Derivative financial assets (non-current)	-	-	-	2	-	2
Investment in listed equities (non-current)	-	-	-	-	36,848	36,848
	28,508	157,739	-	58	36,848	223,153
Financial liabilities						
Trade and other payables (current)	-	-	186,146	-	-	186,146
Trade and other payables (non-current)	-	-	43	-	-	43
Derivative financial liabilities (current)	-	-	-	39	-	39
Interest-bearing liabilities (current)	-	-	13,523	-	-	13,523
Interest-bearing liabilities (non-current)	-	-	245,237	-	-	245,237
	-	-	444,949	39	-	444,988

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2013

37 Financial and capital management (continued)

a) Interest rate risk management

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates.

DuluxGroup is primarily exposed to interest rate risk on outstanding long term interest-bearing liabilities. Non-derivative financial assets are predominately short term liquid assets, such as cash at bank balances.

Interest rate risk on long term interest-bearing liabilities is managed by adjusting the ratio of fixed interest debt to variable interest debt. Under the Treasury Policy, a maximum of 90% of debt with a maturity of less than five years can be fixed and a maximum 50% of debt with a maturity of five years or greater can be fixed. DuluxGroup operated within this range during the current year.

As at 30 September 2013, DuluxGroup had no fixed interest rate long term interest-bearing liabilities.

DuluxGroup's exposure to interest rate risk and the weighted average effective interest rates on financial assets and liabilities at 30 September 2013 are:

	Note	2013 \$'000	2013 % p.a.	2012 \$'000	2012 % p.a.
Cash at bank and on hand	9	43,529	1.1	25,298	1.3
Cash at bank - restricted	9	2,845	1.4	3,210	2.5
Derivative financial assets (current)	12	298	-	56	-
Derivative financial assets (non-current)	12	-	-	2	-
Total financial assets		46,672		28,566	
Bank loan	20	431,782	5.3 ⁽¹⁾	253,052	6.4 ⁽¹⁾
Trade cards	20	6,925	9.2	8,471	9.9
Derivative financial liabilities	12	2	-	39	-
Total financial liabilities		438,709		261,562	
Net financial liabilities		392,037		232,996	

⁽¹⁾ The weighted average effective interest rate on the bank loan excludes the amortisation of the prepaid establishment fee on the loan facility.

The table below shows the effect on profit and total equity after tax if interest rates at that date had been 10% higher or lower based on the relevant interest rate yield curve applicable to the underlying currency DuluxGroup's financial assets and liabilities are denominated in with all other variables held constant, taking into account all underlying exposures and related hedges and does not include the impact of any management action that might take place if these events occurred. A sensitivity of 10% has been selected as this is considered reasonable given the current level of both short term and long term interest rates. The Directors cannot nor do not seek to predict movements in interest rates.

	2013 \$'000	2012 \$'000
Increase/(decrease) in profit before income tax expense		
If interest rates were 10% higher, with all other variables held constant	(2,045)	(916)
If interest rates were 10% lower, with all other variables held constant	2,045	916
Increase/(decrease) in profit after income tax expense		
If interest rates were 10% higher, with all other variables held constant	(1,431)	(641)
If interest rates were 10% lower, with all other variables held constant	1,431	641
Increase/(decrease) in total equity		
If interest rates were 10% higher, with all other variables held constant	(1,431)	(641)
If interest rates were 10% lower, with all other variables held constant	1,431	641

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2013

37 Financial and capital management (continued)

b) Foreign exchange risk management

Foreign exchange risk - transactional

Transactional foreign exchange risk refers to the risk that the value of a financial commitment, recognised asset or liability or cash flow will fluctuate due to changes in foreign currency rates.

DuluxGroup is exposed to foreign exchange risk primarily due to purchases and sales being denominated, either directly or indirectly in currencies other than the functional currencies of the consolidated entity's subsidiaries. Major exposures are against the United States Dollar (USD), New Zealand Dollar (NZD), Chinese Renminbi (RMB), Hong Kong Dollar (HKD) and the Euro (EUR). With regard to purchases, hedging is undertaken to protect against unfavourable foreign currency movements, however there is flexibility as to when hedging is initiated and the instrument used to hedge the risk. In determining which instrument to use, consideration is given to the ability of DuluxGroup to participate in favourable movements in exchange rates. Approximately 20% to 30% of DuluxGroup's purchases are denominated in, or are indirectly linked to a foreign currency, primarily to the USD, RMB and the EUR.

Foreign exchange hedging is carried out or monitored centrally in accordance with the Treasury Policy. The derivative instruments used for hedging purchase exposures are forward exchange options and forward exchange contracts.

The Group's exposure to foreign currency risk including external balances and internal balances (eliminated on consolidation) at the reporting date was as follows (Australian dollar equivalents):

	2013					2012				
	USD '000	NZD '000	RMB '000	HKD '000	EUR '000	USD '000	NZD '000	RMB '000	HKD '000	EUR '000
Cash	1,102	5,072	-	1,332	229	518	-	-	-	87
Trade and other receivables	5,001	817	-	773	34	839	1,351	-	-	-
Trade and other payables	(8,087)	(1,155)	(2,640)	(57)	(1,056)	(4,806)	(550)	-	-	(345)
Interest-bearing liabilities	(469)	(228)	-	-	-	-	-	-	-	-
Net exposure	(2,453)	4,506	(2,640)	2,048	(793)	(3,449)	801	-	-	(258)

The table below shows the reported exchange rates for the USD, NZD, RMB and HKD against the Australian Dollar (AUD) as at 30 September.

	2013	2012
AUD/USD	0.9287	1.0368
AUD/NZD	1.1231	1.2565
AUD/RMB	5.6844	6.5807
AUD/HKD	7.2004	8.0959
AUD/EUR	0.6883	0.8057

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2013

37 Financial and capital management (continued)

b) Foreign exchange risk management (continued)

Foreign exchange risk – transactional (continued)

The table below shows, the effect on profit before income tax expense, profit after income tax expense and total equity of retranslating cash, receivables, payables and interest-bearing liabilities denominated in USD, NZD, RMB, HKD and EUR into AUD, had the rates been 10% higher or lower than the relevant year end rate, with all other variables held constant, and taking into account all underlying exposures and related hedges. A sensitivity of 10% has been selected as this is considered reasonable taking in to account the current level of exchange rates and the volatility observed both on a historical basis and on market expectations for future movements. The Directors cannot nor do not seek to predict movements in exchange rates.

	2013		2012	
	-10% \$'000	+10% \$'000	-10% \$'000	+10% \$'000
Increase/(decrease) in profit before income tax expense				
AUD/USD	(397)	114	(570)	466
AUD/NZD	501	(410)	89	(73)
AUD/RMB	(281)	163	-	-
AUD/HKD	228	(186)	-	-
AUD/EUR	72	(88)	23	(29)
Increase/(decrease) in profit after income tax expense				
AUD/USD	(278)	80	(399)	326
AUD/NZD	350	(287)	62	(51)
AUD/RMB	(197)	114	-	-
AUD/HKD	159	(130)	-	-
AUD/EUR	50	(62)	16	(20)
Increase/(decrease) in total equity				
AUD/USD	(278)	80	(399)	326
AUD/NZD	350	(287)	62	(51)
AUD/RMB	(197)	114	-	-
AUD/HKD	159	(130)	-	-
AUD/EUR	50	(62)	16	(20)

In addition, DuluxGroup has a current pricing arrangement for purchases in the Euro (EUR) that allow DuluxGroup to be invoiced in the AUD equivalent value of these purchases. As a result, although DuluxGroup does not have a balance sheet exposure to the EUR at 30 September 2013, the fluctuations of the EUR/AUD exchange rate will have an impact on the amount ultimately invoiced to DuluxGroup in AUD.

Foreign currency risk - translational

Foreign currency earnings translation risk arises primarily as a result of earnings in NZD, PGK and RMB being translated into AUD and from the geographical location of a number of other individually minor foreign currency earnings. The Treasury Policy allows hedging of this exposure in order to reduce the volatility of full year earnings resulting from changes in exchange rates. At 30 September 2013, the Group did not have any derivative instruments outstanding to hedge foreign currency earnings translation exposures (2012 NIL).

c) Commodity price risk management

DuluxGroup is exposed to commodity price risk from a number of commodities, including titanium dioxide, tin plate, hot rolled coil steel and some petroleum based inputs, for example latex and resin. The cost of these inputs is impacted by changes in commodity prices, foreign currency movements and industry specific factors. To the extent that any increases in these costs cannot be passed through to customers in a timely manner, DuluxGroup's profit before and after income tax and shareholder's equity could be impacted adversely. Owing to the short delivery lead times for these commodities, there is no significant exposure to price movements for the Group.

As at 30 September 2013, DuluxGroup did not have any outstanding commodity contracts in relation to these inputs (2012 \$NIL). Accordingly, no analysis of the impact of reasonable possible changes in commodity prices is presented.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2013

37 Financial and capital management (continued)

d) Liquidity risk management

Liquidity risk is the risk that DuluxGroup will not be able to meet its financial obligations as and when they fall due. DuluxGroup manages liquidity risk by:

- Maintaining an adequate level of undrawn committed facilities in various currencies that can be drawn upon at short notice;
- Retaining appropriate levels of cash and cash equivalent assets;
- To the extent practicable, the spreading of the maturity dates of long term debt facilities; and
- Monitoring expected liquidity requirements on an ongoing basis taking account of forecast business performance and critical assumptions such as input costs, sales price and volumes, exchange rates and capital expenditure.

Facilities available and the amounts drawn and undrawn as at 30 September 2013 are as follows:

	2013 \$'000	2012 \$'000
Unsecured bank overdraft facilities⁽¹⁾		
Unsecured bank overdraft facilities available	8,452	3,865
Amount of facilities undrawn	8,452	3,865
Committed standby and loan facilities		
Committed standby and loan facilities available ^(2,3)	632,824	681,179
Amount of facilities unused	201,042	428,127

⁽¹⁾ The bank overdrafts are payable on demand and are subject to an annual review.

⁽²⁾ The repayment dates of the committed loan facilities range from 30 April 2015 to 8 November 2017 (2012 20 May 2013 to 8 November 2016).

⁽³⁾ Includes an AUD 400,000,000 (2012 AUD 400,000,000) multi-currency unsecured syndicated bank loan facility and an AUD 220,000,000 (2012 AUD 270,000,000) unsecured AUD syndicated bank loan facility. Refer to Note 20(b) for details of the associated guarantees.

Includes the RMB 50,000,000 (AUD 8,796,000) (2012 RMB 50,000,000 (AUD 7,598,000)) unsecured bank loan facility established in China and two unsecured bank loan facilities established in Hong Kong for HKD 19,000,000 (AUD 2,638,000) (2012 HKD 19,000,000 (AUD 2,346,000)) and HKD 10,000,000 (AUD 1,390,000) (2012 HKD 10,000,000 (AUD 1,235,000)) respectively. DuluxGroup has a 51% share in all three of these facilities.

The contractual maturity of DuluxGroup's fixed and floating rate financial liabilities and derivatives, based on the financing arrangements in place at 30 September 2013 (2012 30 September 2012), are shown in the table below. The amounts shown represent the future undiscounted principal and interest cash flows:

	Carrying amount \$'000	Less than 1 year \$'000	1 to 2 years \$'000	2 to 5 years \$'000	Total \$'000
2013					
<i>Financial liabilities</i>					
Trade and other payables	248,401	248,401	-	-	248,401
Trade bills and trade cards	6,925	6,925	-	-	6,925
Bank loan	428,154	33,471	41,903	421,293	496,667
	683,480	288,797	41,903	421,293	751,993
2012					
<i>Financial liabilities</i>					
Trade and other payables	186,189	186,146	43	-	186,189
Trade bills and trade cards	8,471	8,471	-	-	8,471
Bank loan ⁽¹⁾	250,289	21,938	16,430	273,104	311,472
Derivative financial liabilities	39	39	-	-	39
	444,988	216,594	16,473	273,104	506,171

⁽¹⁾ On 5 October 2012, DuluxGroup exercised its option to extend Tranche A (AUD 100,000,000) of its AUD 400,000,000 unsecured syndicated bank loan facility for a further three years from 8 November 2012 to 8 November 2015. The contractual maturity of principal borrowed under the extended Tranche falls between two and five years. The impact of this renewal is reflected in the table above.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2013

37 Financial and capital management (continued)

e) Credit risk management

Credit risk is the risk of financial loss to DuluxGroup if a customer or counterparty to a financial asset fails to meet its contractual obligations. Credit risk arises principally from DuluxGroup's receivables from customer sales and derivative financial instruments.

For the Group's maximum exposure to credit risk on receivables (without taking into account the value of any collateral obtained) and discussion on how this risk is managed, refer to Note 10.

In regards to credit risk arising from derivative financial instruments and cash, this is the credit exposure to financial institutions that are counterparties to cash deposits and derivative financial contracts with a positive fair value (i.e. derivative financial assets) from DuluxGroup's perspective (refer Notes 9 and 12 respectively for the Group's maximum exposure).

To manage this risk, DuluxGroup restricts dealings to highly rated counterparties approved within its credit limit policy. The higher the credit rating of the counterparty, the higher DuluxGroup's allowable exposure is to that counterparty under the Treasury Policy. The consolidated entity does not hold any credit derivatives or collateral to offset its credit exposures.

Given the high credit ratings of DuluxGroup's counterparties, the Company does not expect any counterparty to fail to meet its obligations with respect to any derivative financial assets as at 30 September 2013.

38 Events subsequent to balance date

On 13 November 2013, the Directors declared a final dividend of 9.5 cents per ordinary share, fully franked and payable on 18 December 2013. The financial effect of the final dividend has not been brought to account in the financial report for the financial year ended 30 September 2013 and will be recognised in the financial report for the financial year ending 30 September 2014.

The Directors have not become aware of any other significant matter or circumstance that has arisen since 30 September 2013 that has affected or may affect the operations, the results of those operations, or the state of affairs of DuluxGroup in subsequent years, which has not been covered in this report.



Independent auditor's report to the members of DuluxGroup Limited

Report on the financial report

We have audited the accompanying financial report of DuluxGroup Limited (the company), which comprises the consolidated balance sheet as at 30 September 2013, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 38 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the 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 financial report that is free from material misstatement whether due to fraud or error. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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



Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 September 2013 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 September 2013. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of DuluxGroup Limited for the year ended 30 September 2013, complies with Section 300A of the *Corporations Act 2001*.


KPMG



Alison Kitchen
Partner

Melbourne

13 November 2013