

**Appendix 4E**  
**Preliminary Final Report**  
**For the financial year ended 30 September 2014**

Name of entity:	<b>DULUXGROUP LIMITED</b>
ABN:	<b>42 133 404 065</b>

**Results for announcement to the market**

**\$'000**

Consolidated revenue from operations	Up	8.5%	to	1,611,490
Net profit for the financial year attributable to ordinary shareholders of DuluxGroup Limited	Up	39.4%	to	104,528
<b>Dividends</b>	Amount per security	Franked amount per security at 30% tax		
Final dividend – Ordinary	Cents	10.5		10.5
Interim dividend – Ordinary	Cents	10.0		10.0
Previous corresponding financial year				
Final dividend – Ordinary	Cents	9.5		9.5
Interim dividend – Ordinary	Cents	8.0		8.0

Record date for determining entitlements to the dividend:	Ordinary shares	27 November 2014
Payment date of dividend:	Ordinary shares	17 December 2014

	Current period (Cents)	Previous corresponding financial year (Cents)
Net tangible asset backing per ordinary security	17.40	(1.27)

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 2014
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**Audit statement**

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

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# Consolidated Income Statement

For the financial year ended 30 September:

		2014	2013
	Notes	\$'000	Restated <sup>(1)</sup> \$'000
Revenue		1,611,490	1,484,563
Other income	5	6,209	10,533
<b>Expenses</b>			
Changes in inventories of finished goods and work in progress		(8,727)	(4,611)
Raw materials and consumables used and finished goods purchased for resale		667,553	618,619
Employee benefits expense		367,217	334,107
Depreciation and amortisation expense	6	35,181	32,303
Purchased services		179,394	177,727
Repairs and maintenance		11,961	11,452
Lease payments - operating leases		48,510	46,175
Outgoing freight		62,707	61,076
Other expenses <sup>(2)</sup>		79,770	94,542
Share of net profit of joint venture accounted for using the equity method	13	(995)	(1,181)
		1,442,571	1,370,209
<b>Profit from operations</b>		<b>175,128</b>	<b>124,887</b>
Finance income		601	366
Finance expenses	6	(26,783)	(28,439)
<b>Net finance costs</b>		<b>(26,182)</b>	<b>(28,073)</b>
<b>Profit before income tax expense</b>		<b>148,946</b>	<b>96,814</b>
Income tax expense	9	(46,124)	(33,201)
<b>Profit for the financial year</b>		<b>102,822</b>	<b>63,613</b>
<b>Attributable to:</b>			
Ordinary shareholders of DuluxGroup Limited		104,528	74,998
Non-controlling interest in controlled entities		(1,706)	(11,385)
<b>Profit for the financial year</b>		<b>102,822</b>	<b>63,613</b>
		<b>cents</b>	<b>cents</b>
<b>Earnings per share</b>			
Attributable to ordinary shareholders of DuluxGroup Limited:			
Basic earnings per share	7	28.1	20.6
Diluted earnings per share	7	27.5	20.1

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

<sup>(1)</sup> The prior period has been restated as a result of a change in accounting standard AASB 119 Employee Benefits, refer to Note 1(e).

<sup>(2)</sup> 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:

	2014 \$'000	2013 Restated <sup>(1)</sup> \$'000
<b>Profit for the financial year</b>	<b>102,822</b>	<b>63,613</b>
<b>Other comprehensive income</b>		
<b>Items that may be reclassified subsequently to the income statement</b>		
Effective portion of changes in fair value of cash flow hedges	(1,523) <sup>(2)</sup>	97
Foreign currency translation gain on foreign operations	2,240	12,286
Income tax on items that may be reclassified subsequently to the income statement	457	(29)
<b>Total items that may be reclassified subsequently to the income statement, net of tax</b>	<b>1,174</b>	<b>12,354</b>
<b>Items that will not be reclassified to the income statement</b>		
Actuarial (losses)/gains on defined benefit plan	(6,139)	9,689
Revaluation of other financial assets at fair value through other comprehensive income	-	(940)
Income tax on items that will not be reclassified to the income statement	1,842	(2,907)
<b>Total items that will not be reclassified to the income statement, net of tax</b>	<b>(4,297)</b>	<b>5,842</b>
<b>Other comprehensive income for the financial year, net of tax</b>	<b>(3,123)</b>	<b>18,196</b>
<b>Total comprehensive income for the financial year</b>	<b>99,699</b>	<b>81,809</b>
<b>Attributable to:</b>		
Ordinary shareholders of DuluxGroup Limited	102,511	90,373
Non-controlling interest in controlled entities	(2,812)	(8,564)
<b>Total comprehensive income for the financial year</b>	<b>99,699</b>	<b>81,809</b>

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

<sup>(1)</sup> The prior period has been restated as a result of a change in accounting standard AASB 119 Employee Benefits, refer to Note 1(e).

<sup>(2)</sup> Includes, (\$1,940,000) related to the hedges associated with the United States Private Placement (USPP), refer to Note 17.

# Consolidated Balance Sheet

As at 30 September:

	Notes	2014 \$'000	2013 \$'000
<b>Current assets</b>			
Cash and cash equivalents		35,118	46,374
Trade and other receivables	10	232,969	226,666
Inventories	11	203,739	195,779
Derivative financial assets		507	298
Other assets		7,269	6,211
<b>Total current assets</b>		<b>479,602</b>	<b>475,328</b>
<b>Non-current assets</b>			
Trade and other receivables	10	30	96
Derivative financial assets		11,715	-
Investment accounted for using the equity method		5,423	4,678
Property, plant and equipment	14	261,994	263,809
Intangible assets	15	224,916	235,758
Deferred tax assets	9	48,046	48,906
Other assets		3,372	4,231
<b>Total non-current assets</b>		<b>555,496</b>	<b>557,478</b>
<b>Total assets</b>		<b>1,035,098</b>	<b>1,032,806</b>
<b>Current liabilities</b>			
Trade and other payables	12	251,282	248,401
Interest-bearing liabilities	17	14,765	15,707
Derivative financial liabilities		-	2
Current tax liabilities		10,657	14,915
Provisions	16	28,129	37,124
<b>Total current liabilities</b>		<b>304,833</b>	<b>316,149</b>
<b>Non-current liabilities</b>			
Trade and other payables	12	292	-
Interest-bearing liabilities	17	366,092	419,372
Deferred tax liabilities	9	16,972	17,802
Provisions	16	40,780	40,249
Defined benefit liability	18	14,468	8,266
<b>Total non-current liabilities</b>		<b>438,604</b>	<b>485,689</b>
<b>Total liabilities</b>		<b>743,437</b>	<b>801,838</b>
<b>Net assets</b>		<b>291,661</b>	<b>230,968</b>
<b>Equity</b>			
Contributed equity	20	228,489	193,383
Reserves	21	(91,397)	(92,717)
Retained earnings <sup>(1)</sup>		152,638	125,559
<b>Total equity attributable to ordinary shareholders of Dulux Group Limited</b>		<b>289,730</b>	<b>226,225</b>
<b>Non-controlling interest in controlled entities</b>		<b>1,931</b>	<b>4,743</b>
<b>Total equity</b>		<b>291,661</b>	<b>230,968</b>

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

<sup>(1)</sup> 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 31.

# Consolidated Statement of Changes in Equity

For the financial year ended 30 September 2014:

Total equity attributable to ordinary shareholders of DuluxGroup Limited										
Contributed equity										
	Share capital \$'000	Treasury shares \$'000	Share-based payments reserve \$'000	Cash flow hedge reserve \$'000	Foreign currency translation reserve \$'000	Common control reserve \$'000	Retained earnings \$'000	Total \$'000	Non-controlling interest \$'000	Total equity \$'000
<b>Balance at 1 October 2013</b>	201,099	(7,716)	7,514	1	(2,530)	(97,702)	125,559	226,225	4,743	230,968
Profit for the financial year	-	-	-	-	-	-	104,528	104,528	(1,706)	102,822
Other comprehensive income, net of tax	-	-	-	(1,066)	3,346	-	(4,297)	(2,017)	(1,106)	(3,123)
<b>Total comprehensive income for the financial year</b>	-	-	-	<b>(1,066)</b>	<b>3,346</b>	-	<b>100,231</b>	<b>102,511</b>	<b>(2,812)</b>	<b>99,699</b>
<b>Transactions with owners, recorded directly in equity</b>										
Shares issued under the DuluxGroup dividend reinvestment plan	24,206	-	-	-	-	-	-	24,206	-	24,206
Share-based payments	-	-	3,449	-	-	-	-	3,449	-	3,449
Shares vested under the LTEIP and ESIP	10,809	91	(4,409)	-	-	-	-	6,491	-	6,491
Dividends paid	-	-	-	-	-	-	(73,152)	(73,152)	-	(73,152)
<b>Balance at 30 September 2014</b>	<b>236,114</b>	<b>(7,625)</b>	<b>6,554</b>	<b>(1,065)</b>	<b>816</b>	<b>(97,702)</b>	<b>152,638</b>	<b>289,730</b>	<b>1,931</b>	<b>291,661</b>

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

# Consolidated Statement of Changes in Equity (continued)

For the financial year ended 30 September 2013:

	Total equity attributable to ordinary shareholders of DuluxGroup Limited											
	Contributed equity				Cash flow hedge reserve	Foreign currency translation reserve	Common control reserve	Revaluation reserve - other financial assets	Retained earnings <sup>(1)</sup>	Total <sup>(1)</sup>	Non- controlling interest	Total equity <sup>(1)</sup>
	Share Capital	Treasury shares	Share- based payments reserve									
<b>Balance at 1 October 2012</b>	180,457	(7,762)	5,176	(67)	(11,995)	(97,702)	(752)	102,538	169,893	12,959	182,852	
Impact of change in accounting policy <sup>(1)</sup>	-	-	-	-	-	-	-	1,749	1,749	-	1,749	
<b>Restated balance at 1 October 2012</b>	<b>180,457</b>	<b>(7,762)</b>	<b>5,176</b>	<b>(67)</b>	<b>(11,995)</b>	<b>(97,702)</b>	<b>(752)</b>	<b>104,287</b>	<b>171,642</b>	<b>12,959</b>	<b>184,601</b>	
Profit for the financial year	-	-	-	-	-	-	-	74,998	74,998	(11,385)	63,613	
Other comprehensive income, net of tax	-	-	-	68	9,465	-	(940)	6,782	15,375	2,821	18,196	
<b>Total comprehensive income for the financial year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>68</b>	<b>9,465</b>	<b>-</b>	<b>(940)</b>	<b>81,780</b>	<b>90,373</b>	<b>(8,564)</b>	<b>81,809</b>	
<b>Transactions with owners, recorded directly in equity</b>												
Shares issued under the DuluxGroup dividend reinvestment plan	20,584	-	-	-	-	-	-	-	20,584	-	20,584	
Share-based payments	-	-	2,381	-	-	-	-	-	2,381	-	2,381	
Shares vested under ESIP	58	46	(43)	-	-	-	-	-	61	-	61	
Transfer of reserve to retained earnings <sup>(2)</sup>	-	-	-	-	-	-	1,692	(1,692)	-	-	-	
Finalisation of non-controlling interest on acquisition of a subsidiary <sup>(3)</sup>	-	-	-	-	-	-	-	-	-	348	348	
Dividends paid	-	-	-	-	-	-	-	(58,816)	(58,816)	-	(58,816)	
<b>Balance at 30 September 2013</b>	<b>201,099</b>	<b>(7,716)</b>	<b>7,514</b>	<b>1</b>	<b>(2,530)</b>	<b>(97,702)</b>	<b>-</b>	<b>125,559</b>	<b>226,225</b>	<b>4,743</b>	<b>230,968</b>	

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

<sup>(1)</sup> The prior period has been restated as a result of a change in accounting standard AASB 119 Employee Benefits, refer to Note 1(e).

<sup>(2)</sup> The revaluation of Alesco Corporation Limited (Alesco) shares previously held at fair value was transferred to retained earnings after the successful acquisition of Alesco and its controlled entities (collectively 'Alesco Group').

<sup>(3)</sup> 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 were subsequently amended.

# Consolidated Statement of Cash Flows

For the financial year ended 30 September:

	Notes	2014 \$'000	2013 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		1,768,497	1,663,462
Payments to suppliers and employees		(1,575,029)	(1,492,657)
Interest received		601	366
Interest paid		(25,912)	(23,498)
Income taxes paid		(48,004)	(30,559)
Insurance recoveries		-	1,040
<b>Net cash inflow from operating activities</b>	4	<b>120,153</b>	118,154
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(27,468)	(25,805)
Payments for intangible assets		(3,084)	(3,137)
Payments for purchase of businesses and controlled entities, net of cash acquired		(950)	(145,369)
Proceeds from joint venture distributions		250	250
Proceeds from disposal of business		10,776	2,967
Proceeds from sale of property, plant and equipment		473	9,493
Proceeds from price adjustment on purchase of controlled entities		710	-
<b>Net cash outflow from investing activities</b>		<b>(19,293)</b>	(161,601)
<b>Cash flows from financing activities</b>			
Proceeds from short term borrowings		8,306	38,127
Repayments of short term borrowings		(9,824)	(112,172)
Proceeds from long term borrowings		5,363,565	4,130,381
Repayments of long term borrowings		(5,432,575)	(3,957,872)
Proceeds from employee share plan repayments		6,830	998
Dividends paid (net of shares issued as part of DuluxGroup's dividend reinvestment plan)		(48,946)	(38,232)
<b>Net cash (outflow)/inflow from financing activities</b>		<b>(112,644)</b>	61,230
<b>Net (decrease)/increase in cash held</b>		<b>(11,784)</b>	17,783
<b>Cash at the beginning of the financial year</b>		<b>46,374</b>	28,508
Effects of exchange rate changes on cash		528	83
<b>Cash at the end of the financial year</b>		<b>35,118</b>	46,374

## 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	35,118	43,529
Cash at bank - restricted <sup>(1)</sup>	-	2,845
	<b>35,118</b>	46,374

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

<sup>(1)</sup> DuluxGroup operates a customer loyalty programme, which was managed on behalf of DuluxGroup by a third party. Under the terms of this arrangement, DuluxGroup was 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 was contractually restricted and was therefore presented separately. During the year, management of this programme was transferred back to the DuluxGroup.



# Notes to the Consolidated Financial Statements

For the financial year ended 30 September 2014

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# Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2014

## 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 12 November 2014 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.

### b) Comparatives

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

### c) 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.

### d) 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, 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.

### e) New Accounting Standards and Interpretations

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 2013.

# Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2014

## 1 Accounting policies (continued)

### e) New Accounting Standards and Interpretations (continued)

DuluxGroup has adopted the following new and amended accounting standards.

Reference	Title	Application
AASB 10, AASB 2011-7	Consolidated financial statements	1 Oct 2013
AASB 11	Joint arrangements	1 Oct 2013
AASB 12	Disclosure of interests in other entities	1 Oct 2013
AASB 127	Separate financial statements	1 Oct 2013
AASB 128	Investments in associates and joint ventures	1 Oct 2013
AASB 2011-4	Amendments to Australian Accounting Standards to remove individual key management personnel disclosure requirements	1 Oct 2013
AASB 119, AASB 2011-10	Employee benefits	1 Oct 2013
AASB 2012-10	Amendments to Australian accounting standards - transition guidance and other amendments	1 Oct 2013
AASB CF2013 -1	Amendments to Australian Accounting Standards conceptual framework	1 Oct 2013
AASB 2013-9	Part A: conceptual framework - amendments to Australian accounting standards conceptual framework, materiality and financial instruments	1 Oct 2013
AASB 2012-9	Amendments to AASB 1048 arising from the withdrawal of Australian interpretation 1039	1 Oct 2013
AASB 2012-11	Amendments to Australian accounting standards - reduced disclosure requirements and other amendments	1 Oct 2013
AASB 2013-6	Amendments to AASB 136 - Impairment of assets	1 Oct 2013
AASB 2014-1	Amendments to Australian Accounting Standards Part A: Annual Improvements 2010-2012 and 2011-2013 Cycles	1 Oct 2013
AASB 2014-3	Amendments to Australian Accounting Standards - Accounting for acquisitions of interests in joint operations	1 Oct 2013
AASB 2014-4	Amendments to Australian Accounting Standards - Clarification of acceptable methods of depreciation and amortisation	1 Oct 2013

Other than outlined below, the adoption of these standards did not have a significant impact on the consolidated financial statements and has impacted disclosures only.

#### AASB 119 Employee Benefits

From 1 October 2013 the Group applied the revised AASB 119 Employee Benefits. Under this revised standard the defined benefit expense no longer includes the expected return on the plan's assets. This expected return is replaced by a net interest income or expense, calculated using a discount rate applied to the net defined benefit asset or liability. In addition, a gross rather than net of investment tax discount rate is used to determine the net defined benefit liability and service cost component of the defined benefit expense.

The transitional provisions of the revised standard require that it is adopted retrospectively. Accordingly adjustments to the net defined benefit liability have been recognised at the beginning of the earliest comparative period presented (1 October 2012) and the income statement and statement of comprehensive income have also been restated for the comparative period.

There is no impact on the balance sheet as at 30 September 2013 as the net defined benefit liability was already determined based on the gross discount rate at 30 September 2013.

The impact of these adjustments is summarised in the tables below. Line items that were not affected by the change are not disclosed. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

# Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2014

## 1 Accounting policies (continued)

### e) New Accounting Standards and Interpretations (continued)

#### AASB 119 Employee Benefits (continued)

	Reported 30 Sep 13 \$'000	Opening balance restatement 1 October 2012 \$'000	Impact of change \$'000	Restated 30 Sep 13 \$'000
<b>Consolidated Income Statement</b>				
Employee benefits expense	331,836	-	2,271	334,107
Finance expenses	27,956	-	483	28,439
Income tax expense	34,027	-	(826)	33,201
<b>Profit for the financial year</b>	<b>65,541</b>	-	<b>(1,928)</b>	<b>63,613</b>
<b>Consolidated statement of Comprehensive Income</b>				
Items that will not be reclassified to the income statement				
Actuarial gains on defined benefit plan	9,433	-	256	9,689
Income tax on items that will not be reclassified to the	(2,830)	-	(77)	(2,907)
<b>Total comprehensive income for the financial year</b>	<b>83,558</b>	-	<b>(1,749)</b>	<b>81,809</b>
<b>Consolidated Balance Sheet</b>				
Deferred tax assets	48,906	(749)	749	48,906
Defined benefit liability	8,266	(2,498)	2,498	8,266
<b>Net assets</b>	<b>230,968</b>	<b>(1,749)</b>	<b>1,749</b>	<b>230,968</b>
Retained earnings	125,559	(1,749)	1,749	125,559
<b>Total equity</b>	<b>230,968</b>	<b>(1,749)</b>	<b>1,749</b>	<b>230,968</b>

#### Issued but not yet effective

The following Australian Accounting Standards have recently been issued or amended but are not yet effective and have not been adopted for this annual reporting period. These standards are not expected to have a material impact on the Group's financial position and performance, however increased disclosures will be required in the Group's financial statements.

Reference	Title	Application
AASB 9	Financial Instruments	1 Jan 2017
AASB 2013-9	Amendments to Australian accounting standards Conceptual Framework, Materiality and Financial Instruments; Part B: Materiality and Part C: Financial Instruments	1 Jan 2015
AASB 2014-1	Amendments to Australian Accounting Standards Part C: Materiality	1 Jul 2015
	Part E: Financial instruments	1 Jul 2015

#### 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.

# Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2014

## 1 Accounting policies (continued)

### f) Revenue recognition (continued)

#### *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 and recognised in the income statement. 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) 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 associated tax is also recognised in other comprehensive income or directly in equity.

### i) Inventories

Inventories are valued at the lower of cost or net realisable value, 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 finished goods purchased from external suppliers, cost is net cost into store.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and selling expenses.

### j) 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.

# Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2014

## 1 Accounting policies (continued)

### j) Property, plant and equipment and depreciation (continued)

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

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

Assets under construction are not depreciated until ready for use.

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

### k) 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.

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.

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.

#### *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.

### l) 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 of disposal 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 of disposal, 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.

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 costs of disposal calculation is based on an independent external assessment of the cost of capital of a willing buyer taking into account risk specific factors to the countries in which the CGU operates.

# Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2014

## 1 Accounting policies (continued)

### l) Impairment of other assets (continued)

The pre-tax discount rates applied in the discounted cash flow models range between 10% and 16% (2013: 11% and 14%). The average sales revenue compound annual growth rates applied in the discounted cash flow models range between 0% and 9% (2013: 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.

### m) 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.

### n) 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.

### o) 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 accrued at the present value of future amounts expected to be paid.

#### *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.

#### *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 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.

# Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2014

## 1 Accounting policies (continued)

### o) Employee entitlements (continued)

#### *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.

### p) 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.

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.

#### *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.

### q) Financial instruments - classification

DuluxGroup classifies its financial assets into the following measurement categories:

#### *(i) 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 or loss.

Financial liabilities at amortised cost are classified as 'Trade and other payables' (refer Note 12) and 'Interest-bearing liabilities' (refer Note 17) in balance sheet.

#### *(ii) 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 cash flow hedge reserve in equity. On disposal, the reserve amount is transferred to retained earnings.

#### *(iii) Financial assets and liabilities at fair value through profit and loss*

A financial asset is classified as fair value through profit or loss if it is:

- held for trading; or
- designated to this classification on initial recognition.



# Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2014

## 1 Accounting policies (continued)

### q) Financial instruments – classification (continued)

#### *(iii) Financial assets and liabilities at fair value through profit and loss (continued)*

Financial assets are designated at fair value through profit or loss if the DuluxGroup manages such investments and makes purchase and sale decisions based on their fair value in accordance with the DuluxGroup's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, which take into account any dividend income, are recognised in profit or loss.

Financial assets classified as held for trading comprise short term sovereign debt securities actively managed by DuluxGroup's treasury department to address short term liquidity needs.

Financial assets designated at fair value through profit or loss comprise equity securities that otherwise would have been classified as available-for-sale.

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.

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

### r) 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. 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*.

#### *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.

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.

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 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.

Changes in the fair value of a derivative hedging instrument designated in a fair value hedge of the exposure to changes in fair value of a recognised asset, liability or unrecognised firm commitment, is recognised in profit and loss. The hedged item is also stated at fair value in respect of the risk being hedged, the gain or loss attributable to the hedged risk is recognised in profit or loss with an adjustment to the carrying amount of the hedged item.

#### *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.

#### *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.

# Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2014

## 1 Accounting policies (continued)

### r) Financial instruments – hedging (continued)

#### *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.

### s) 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.

### t) 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.

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.

### u) 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.

## 2 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 and bad or doubtful receivables. Actual expenses in future periods may be different from the provisions established and any such differences would affect future earnings of the Group.

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

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

The useful life of intangible assets are assessed to be either finite or indefinite. Brand names that have indefinite lives are not amortised. Management use judgement in determining whether an individual brand name will have a finite life or an indefinite life. Management make this determination on the basis of brand strength, expectations of continuing profitability and future business commitments to these brands. If a brand is assessed to have a finite life, management will use judgement in determining the useful life.

# Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2014

## 2 Critical accounting estimates and judgements (continued)

### c) Impairment of assets

Consistent with the impairment accounting policy assets are impaired when their carrying value exceeds their recoverable amount. The Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets are impaired. In making the assessment for impairment, assets that do not generate independent cash inflows are allocated to an appropriate CGU. The recoverable amount of those assets, or CGUs, is measured as the higher of their fair value less costs of disposal 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 of disposal. This judgement is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market based information less incremental costs for disposing of the assets.

### d) Environmental

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

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

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.

### e) Business acquisitions

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

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

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

# Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2014

## 2 Critical accounting estimates and judgements (continued)

### f) 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 and liabilities may change, resulting in an impact on the earnings of the Group.

### g) Warranty

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

## 3 Segment report

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

The consolidated entity's operating segments have been updated from those presented at 30 September 2013 to reflect the new organisational structure that came into effect from during the second half of the financial year ended 30 September 2014.

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 businesses, and net foreign exchange gains.

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

<b>Defined reportable segments</b>	<b>Products/services</b>
Paints and Coatings Australia & New Zealand (ANZ)	Manufacture and supply of paints and other surface coatings to the decorative market in Australia and New Zealand for both consumer and professional markets.
Consumer & Construction Products ANZ	Manufacture and distribution of home improvement products for both consumer and professional markets and manufacture and supply of construction chemicals, decorative concrete solutions and related equipment in Australia and New Zealand.
Garage Doors & Openers	Manufacture and supply of a range of garage doors for domestic and commercial use as well as commercial and residential automatic openers in Australia and New Zealand.
Cabinet & Architectural Hardware	Distributor of hardware and components to the cabinet making industry and window, door and glazing fabricators in Australia.
Other businesses	Yates garden care and home improvement products, China and South East Asia specialty coatings and adhesives businesses, Papua New Guinea coatings business. In 2013 the segment also included the Robinhood kitchen and laundry appliance business, which was divested during the year ended 30 September 2013.

# Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2014

## 3 Segment report (continued)

Reportable segments 2014 \$'000	Paints & Coatings ANZ	Consumer & Construction Products ANZ	Garage Doors & Openers	Cabinet & Architectural Hardware	Other businesses	Total reportable segments	Unallocated <sup>(1)</sup>	Consolidated
<b>Revenue</b>								
External revenue	817,649	257,469	169,775	159,499	207,098	1,611,490	-	1,611,490
Inter-segment revenue	3,949	8,440	-	74	582	13,045	(13,045)	-
Total revenue	821,598	265,909	169,775	159,573	207,680	1,624,535	(13,045)	1,611,490
Other income	546	3	15	(20)	3,359	3,903	2,306	6,209
Total revenue and other income	822,144	265,912	169,790	159,553	211,039	1,628,438	(10,739)	1,617,699
<b>Results</b>								
Profit/(loss) before net financing costs and income tax expense	138,882	29,838	18,212	8,944	2,979	198,855	(23,727)	175,128
<b>Profit/(loss) from operations</b>	<b>138,882</b>	<b>29,838</b>	<b>18,212</b>	<b>8,944</b>	<b>2,979</b>	<b>198,855</b>	<b>(23,727)</b>	<b>175,128</b>
Finance income								601
Finance expense								(26,783)
<b>Profit before income tax expense</b>								<b>148,946</b>
Income tax expense								(46,124)
<b>Profit for the financial year</b>								<b>102,822</b>
Segment assets	408,306	154,676	156,844	80,820	120,302	920,948	114,150	1,035,098
Segment liabilities	175,402	41,468	26,493	25,022	47,536	315,921	427,516	743,437
Investment accounted for using the equity method	-	-	-	-	5,423	5,423	-	5,423
Acquisitions of property, plant and equipment and intangible assets	20,423	2,034	3,608	1,329	3,488	30,882	-	30,882
Impairment of intangibles	-	-	-	-	9,228	9,228	-	9,228
Impairment/(reversal of impairment) of inventories	148	(383)	(127)	(135)	1,009	512	-	512
Impairment/(reversal of impairment) of trade and other receivables	1,151	259	178	(162)	1,314	2,740	-	2,740
Depreciation expense	15,871	3,417	2,900	1,107	2,867	26,162	1,526	27,688
Amortisation expense	1,772	559	3,384	1,353	417	7,485	8	7,493
Non-cash expenses other than depreciation and amortisation:								
Share-based payments	872	151	208	53	49	1,333	2,116	3,449
Share of net profit of joint venture accounted for using the equity method	-	-	-	-	995	995	-	995

<sup>(1)</sup> Comprises centrally managed income, costs, assets and liabilities relating to properties, tax, treasury, DuluxGroup's defined benefit pension plan and integration costs (\$5,345,000) associated with the Alesco acquisition and reversal of the provision for contingent liabilities from business acquisitions relating to the Option Convertible Note (OCN) tax matter (\$5,917,000).

Revenue from one of DuluxGroup's customers was approximately 23% (2013: 23%) of the total DuluxGroup revenue during the year ended 30 September 2014. This customer operated primarily within the Paints and Coatings Australia and New Zealand and the Consumer and Construction Products segments.

# Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2014

## 3 Segment report (continued)

Reportable segments 2013 \$'000	Paints & Coatings ANZ	Consumer & Construction Products ANZ	Garage Doors & Openers	Cabinet & Architectural Hardware	Other businesses	Total reportable segments	Unallocated <sup>(1)</sup>	Consolidated <sup>(2)</sup>
<b>Revenue</b>								
External revenue	771,726	233,326	130,365	117,559	231,587	1,484,563	-	1,484,563
Inter-segment revenue	2,489	9,901	-	-	726	13,116	(13,116)	-
Total revenue	774,215	243,227	130,365	117,559	232,313	1,497,679	(13,116)	1,484,563
Other income	499	134	463	333	(833)	596	9,937	10,533
Total revenue and other income	774,714	243,361	130,828	117,892	231,480	1,498,275	(3,179)	1,495,096
<b>Results</b>								
Profit/(loss) before net financing costs and income tax expense	123,925	26,235	12,310	4,132	(12,141)	154,461	(29,574)	124,887
<b>Profit/(loss) from operations</b>	123,925	26,235	12,310	4,132	(12,141)	154,461	(29,574)	124,887
Finance income								366
Finance expense								(28,439)
<b>Profit before income tax expense</b>								96,814
Income tax expense								(33,201)
<b>Profit for the financial year</b>								63,613
Segment assets	386,029	150,270	169,436	81,115	133,913	920,763	112,043	1,032,806
Segment liabilities	166,297	39,643	24,978	23,080	53,289	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	19,761	1,560	2,105	1,772	3,700	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	1,360	695	146	185	700	3,086	-	3,086
Impairment/(reversal of impairment) of trade and other receivables	1,856	212	(89)	317	535	2,831	-	2,831
Depreciation expense	15,861	3,065	2,781	720	3,461	25,888	672	26,560
Amortisation expense	813	576	2,725	1,047	571	5,732	11	5,743
Non-cash expenses other than depreciation and amortisation:								
Share-based payments	892	142	-	-	106	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) 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, defined benefit pension plan and transaction costs (\$6,305,000) and integrations costs (\$9,563,000) associated with the Alesco acquisition.

(2) The prior period has been restated as a result of a change in accounting standard AASB 119 Employee Benefits, refer to Note 1(e).

# Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2014

## 3 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:

	2014 \$'000	2013 \$'000
Australia	1,320,784	1,204,328
New Zealand	176,911	159,967
Other countries	113,795	120,268
	<b>1,611,490</b>	<b>1,484,563</b>

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

	2014 \$'000	2013 \$'000
Australia	436,785	438,948
New Zealand	43,632	44,124
Other countries	9,865	20,726
	<b>490,282</b>	<b>503,798</b>

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

	2014 \$'000	2013 Restated <sup>(1)</sup> \$'000
Profit for the financial year	102,822	63,613
Depreciation and amortisation	35,181	32,303
Share-based payment expense	3,449	2,381
Share of joint ventures' net profit	(995)	(1,181)
(Gain)/loss on disposal of business	(3,714)	1,118
Impairment of inventories	512	3,086
Impairment of trade and other receivables	2,740	2,831
Net loss/(gain) on sales of property, plant and equipment	854	(8,191)
Unrealised foreign exchange loss	(73)	153
Amortisation of prepaid loan establishment fees	2,203	1,627
Impairment of property, plant and equipment	-	140
Impairment of intangibles	9,228	18,500
Changes in working capital and provisions excluding the effects of acquisitions and disposals of businesses and controlled entities		
(Increase)/decrease in trade and other receivables	(14,692)	10,577
Increase in inventories	(9,012)	(8,207)
(Increase)/decrease in other assets	(260)	516
Increase in deferred taxes payable	3,457	962
Decrease in trade payables and provisions	(6,210)	(3,754)
(Decrease)/increase in current tax liabilities	(5,337)	1,680
<b>Net cash inflow from operating activities</b>	<b>120,153</b>	<b>118,154</b>

<sup>(1)</sup> The prior period has been restated as a result of a change in accounting standard AASB 119 Employee Benefits, refer to Note 1(e).

# Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2014

## 5 Other income

	2014 \$'000	2013 \$'000
Profit on disposal of a business <sup>(1)</sup>	3,714	-
Royalty income	747	807
Rental income	404	450
Net profit on sale of property, plant and equipment <sup>(2)</sup>	-	8,191
Other	1,344	1,085
	<b>6,209</b>	<b>10,533</b>

<sup>(1)</sup> For the year ended 30 September 2014 this includes profit from the Opel business disposal of \$3,714,000 (before restructuring costs of \$2,798,000 relating to the exit of the business).

<sup>(2)</sup> For the year ended 30 September 2013, this largely comprises a gain on disposal of the O'Connor site in Western Australia of \$8,149,000.

## 6 Expenses

Profit before income tax includes the following specific expenses:

	2014 \$'000	2013 Restated <sup>(1)</sup> \$'000
<i>Depreciation and amortisation</i>		
Depreciation	27,688	26,560
Amortisation	7,493	5,743
Total depreciation and amortisation expense	<b>35,181</b>	<b>32,303</b>
<i>Finance expenses</i>		
Interest and finance charges paid/payable for financial liabilities not at fair value through profit and loss	25,040	27,065
Provisions: unwinding of discount	1,743	1,374
	<b>26,783</b>	<b>28,439</b>
Net loss on sale of property, plant and equipment	854	-
Net foreign exchange losses	337	114
Loss on disposal of a business	-	1,118
Research and development expense	18,411	17,764
<i>Impairment</i>		
Property, plant and equipment	-	140
Intangibles	9,228	18,500
Inventories	512	3,086
Trade receivables	2,740	2,831

<sup>(1)</sup> The prior period has been restated as a result of a change in accounting standard AASB 119 Employee Benefits, refer to Note 1(e).

## 7 Earnings per share (EPS)

	2014 Cents per share	2013 Restated <sup>(1)</sup> Cents per share
<b>As reported in the consolidated income statement</b>		
<b>Total attributable to ordinary shareholders of DuluxGroup Limited</b>		
Basic earnings per share	28.1	20.6
Diluted earnings per share	27.5	20.1
	<b>\$'000</b>	<b>\$'000</b>
<b>Earnings used in the calculation of basic and diluted earnings per share</b>		
Profit for the financial year attributable to ordinary shareholders of DuluxGroup Limited	104,528	74,998
	<b>Number</b>	<b>Number</b>
<b>Weighted average number of ordinary shares outstanding used as the denominator:</b>		
<b>Number for basic earnings per share</b>	<b>372,114,217</b>	364,645,445
Effect of the potential vesting of shares under the LTEIP and ESIP <sup>(2)</sup>	8,621,717	9,317,040
<b>Number for diluted earnings per share</b>	<b>380,735,934</b>	373,962,485

<sup>(1)</sup> The prior period has been restated as a result of a change in accounting standard AASB 119 Employee Benefits, refer to Note 1(e).

<sup>(2)</sup> 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.



# Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2014

## 8 Auditors' remuneration

	2014	2013
	\$	\$
Total remuneration received, or due and receivable, by the auditors of the Company for:		
Audit services - audit and review of financial reports		
KPMG Australia	742,900	764,700
Overseas KPMG firms <sup>(1)</sup>	427,632	427,333
	<b>1,170,532</b>	<b>1,192,033</b>
Other services <sup>(2)</sup>		
Other assurance services - KPMG Australia	87,500	98,900
Other assurance services - Overseas KPMG firms	48,136	14,818
	<b>135,636</b>	<b>113,718</b>

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

<sup>(2)</sup> 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. 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.

## 9 Income tax

### a) Income tax expense recognised in the consolidated income statement

	2014	2013
	\$'000	Restated <sup>(1)</sup> \$'000
Current tax expense	46,165	32,876
Deferred tax expense	3,259	924
Over provision in prior years	(3,300)	(599)
<b>Total income tax expense in the consolidated income statement</b>	<b>46,124</b>	<b>33,201</b>
<b>Deferred tax expense/(benefit) included in income tax expense comprises:</b>		
Decrease in deferred tax assets	4,093	1,966
Decrease in deferred tax liabilities	(834)	(1,042)
	<b>3,259</b>	<b>924</b>
<b>Reconciliation of prima facie tax expense to income tax expense</b>		
Profit before income tax expense	148,946	96,814
Prima facie income tax expense calculated at 30% of profit before income tax expense	44,684	29,044
Tax effect of items which (decrease)/increase tax expense:		
Foreign tax rate differential	41	814
Non-taxable income and profits, net of non-deductible expenditure	(1,827)	(4,033)
Share of net profit of joint venture accounted for using the equity method	(299)	(354)
Impairment of intangibles	2,307	4,625
Tax losses not recognised	(97)	1,761
Sundry items	1,315	1,344
<b>Income tax expense reported in the consolidated income statement</b>	<b>46,124</b>	<b>33,201</b>

<sup>(1)</sup> The prior period has been restated as a result of a change in accounting standard AASB 119 Employee Benefits, refer to Note 1(e).

# Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2014

## 9 Income tax (continued)

### b) Deferred tax assets

	2014	2013
	Restated <sup>(1)</sup>	
	\$'000	\$'000
<b>The balance comprises temporary differences attributable to:</b>		
Trade and other receivables	860	1,140
Inventories	3,423	2,785
Property, plant and equipment	6,188	5,472
Intangible assets	4,778	5,116
Trade and other payables	7,809	8,105
Provisions	4,754	7,840
Employee entitlements	19,608	16,628
Tax losses	78	447
Other	548	1,373
<b>Deferred tax assets</b>	<b>48,046</b>	<b>48,906</b>
Expected to be recovered within 12 months	19,387	21,885
Expected to be recovered after more than 12 months	28,659	27,021
	<b>48,046</b>	<b>48,906</b>
<b>Movements:</b>		
Balance at 1 October	48,906	35,437
Additions through business acquisitions	108	-
Adjustment for prior year acquisitions	655	18,470
Reduction through business disposal	-	(532)
Charged to profit or loss	(4,093)	(1,966)
Credited/(charged) to other comprehensive income	2,299	(2,936)
Foreign currency exchange differences	171	433
<b>Balance at 30 September</b>	<b>48,046</b>	<b>48,906</b>

<sup>(1)</sup> The prior period has been restated as a result of a change in accounting standard AASB 119 Employee Benefits, refer to Note 1(e).

### c) Deferred tax liabilities

	2014	2013
	\$'000	\$'000
<b>The balance comprises temporary differences attributable to:</b>		
Property, plant and equipment	3,045	3,212
Intangible assets	13,416	14,260
Trade and other payables	63	69
Other	448	261
<b>Deferred tax liabilities</b>	<b>16,972</b>	<b>17,802</b>
Expected to be settled within 12 months	511	331
Expected to be settled after more than 12 months	16,461	17,471
	<b>16,972</b>	<b>17,802</b>
<b>Movements:</b>		
Balance at 1 October	17,802	914
Additions through business acquisitions	198	17,530
Adjustment for prior year acquisitions	-	281
Reduction through business disposal	(244)	-
Credited to profit or loss	(834)	(1,042)
Foreign currency exchange differences	50	119
<b>Balance at 30 September</b>	<b>16,972</b>	<b>17,802</b>

# Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2014

## 9 Income tax (continued)

### d) Unrecognised deferred tax assets and liabilities

	2014 \$'000	2013 \$'000
Tax losses not recognised in:		
China <sup>(1)</sup>	4,985	5,109
Hong Kong	116	107
Singapore	44	27
	<b>5,145</b>	<b>5,243</b>

<sup>(1)</sup> Expiration dates between 2014 and 2019 (2013 between 2013 and 2018).

A deferred tax liability of \$652,000 (2013: deferred tax asset of \$20,000) 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.

### e) Tax consolidation

DuluxGroup Limited is the head entity of the Australian tax consolidated group. The head entity and the members of the tax consolidated group have entered into a tax funding arrangement which sets out the funding obligations of members in respect of tax amounts. The head entity 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. Members of the tax consolidated group have also entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations.

### f) New Zealand Inland Revenue Department proceedings

On 14 February 2014, DuluxGroup announced that it had reached a settlement with the New Zealand Commissioner of Inland Revenue in relation to its OCN matter. The total provision, recognised as part of provisions for contingent liabilities from business acquisitions and current tax, immediately prior to the settlement was NZD \$15,238,000. This total liability was recognised through acquisition accounting. As a result of this settlement, the total provision has been substantially utilised, with DuluxGroup making cash payments totalling NZD \$8,931,000 (AUD \$8,452,000) and recognising a reversal of provisions of NZD \$6,307,000 (AUD \$5,917,000) (recognised as part of other expenses in the consolidated income statement).

## 10 Trade and other receivables

	2014 \$'000	2013 \$'000
<b>Current</b>		
Trade receivables	231,918	224,954
Less allowance for impairment	(4,048)	(3,079)
	<b>227,870</b>	<b>221,875</b>
Other receivables	5,099	4,791
	<b>232,969</b>	<b>226,666</b>
<b>Non-current</b>		
Other receivables	30	96

### a) Trade receivables

Current receivables is net of \$24,694,000 (2013: \$23,278,000) 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.

### b) Trade receivables and allowance for impairment

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.

# Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2014

## 10 Trade and other receivables (continued)

### b) Trade receivables and allowance for impairment (continued)

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. Trade receivables have been aged according to their due date in the ageing analysis as set out below.

	2014 Gross \$'000	2014 Allowance \$'000	2013 Gross \$'000	2013 Allowance \$'000
Not past due	202,812	123	183,996	87
Past due 0 - 30 days	14,675	40	27,984	28
Past due 31 - 60 days	3,462	128	3,823	17
Past due 61 - 90 days	2,675	135	2,456	54
Past due 91 - 120 days	3,537	940	2,886	475
Past 120 days	4,757	2,682	3,809	2,418
	<b>231,918</b>	<b>4,048</b>	224,954	3,079

### c) Movement in allowance for impairment of trade receivables

	2014 \$'000	2013 \$'000
Balance at 1 October	3,079	2,544
Allowances made (net of written back) during the year	2,740	2,831
Allowances utilised during the year	(1,849)	(2,524)
Foreign currency exchange differences	78	228
<b>Balance at 30 September</b>	<b>4,048</b>	<b>3,079</b>

## 11 Inventories

	2014 \$'000	2013 \$'000
Raw materials	32,934	33,161
Work in progress	5,209	5,606
Finished goods	165,596	157,012
	<b>203,739</b>	<b>195,779</b>

The cost of goods sold recognised in the consolidated income statement for the financial year ended 30 September 2014 amounted to \$906,916,000 (2013: \$845,611,000).

## 12 Trade and other payables

	2014 \$'000	2013 \$'000
<b>Current</b>		
Trade payables	197,384	193,299
Other payables	53,898	55,102
	<b>251,282</b>	<b>248,401</b>
<b>Non-current</b>		
Other payables	292	-
	<b>292</b>	<b>-</b>

### 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.

# Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2014

## 13 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	
	2014	2013	2014	2013
	%	%	\$'000	\$'000
Pinegro Products Pty Ltd <sup>(1)</sup>	50.0	50.0	995	1,181

<sup>(1)</sup> Acquired on 1 December 2009 and incorporated on 10 April 1979.

There were no commitments and contingent liabilities in the joint venture as at 30 September 2014 (2013: \$NIL).

## 14 Property, plant and equipment

	2014 \$'000	2013 \$'000
<b>Land</b>		
At cost	37,148	37,112
<b>Buildings and leasehold improvements</b>		
At cost	91,207	90,186
Less accumulated depreciation and impairment	(32,569)	(29,645)
	58,638	60,541
<b>Machinery, plant and equipment</b>		
At cost	346,333	327,551
Less accumulated depreciation and impairment	(180,125)	(161,395)
	166,208	166,156
<b>Total net book value</b>		
At cost	474,688	454,849
Less accumulated depreciation and impairment	(212,694)	(191,040)
<b>Total net book value of property, plant and equipment</b>	<b>261,994</b>	<b>263,809</b>

### a) Assets under construction

Included in the above are assets under construction at 30 September 2014 of \$11,877,000 (2013: \$10,850,000).

### b) 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
<b>2014</b>				
Balance at 1 October 2013	37,112	60,541	166,156	263,809
Additions	-	739	27,033	27,772
Adjustment for prior year acquisitions	-	-	(1,124)	(1,124)
Disposals	-	(68) <sup>(1)</sup>	(1,317)	(1,385)
Depreciation expense	-	(2,674)	(25,014)	(27,688)
Foreign currency exchange differences	36	100	474	610
<b>Balance at 30 September 2014</b>	<b>37,148</b>	<b>58,638</b>	<b>166,208</b>	<b>261,994</b>
<b>2013</b>				
Balance at 1 October 2012	28,989	39,126	130,941	199,056
Additions	-	2,921	22,449	25,370
Additions through business acquisitions	8,270	20,230	34,420	62,920
Disposals	(360)	(742) <sup>(1)</sup>	(226)	(1,328)
Reduction through business disposal	-	-	(464)	(464)
Depreciation expense	-	(2,590)	(23,970)	(26,560)
Impairment expense	-	-	(140)	(140)
Foreign currency exchange differences	213	1,596	3,146	4,955
<b>Balance at 30 September 2013</b>	<b>37,112</b>	<b>60,541</b>	<b>166,156</b>	<b>263,809</b>

<sup>(1)</sup> Includes an amount of \$58,000 (2013: \$26,000) relating to the reassessment of the leased properties restoration provision.

# Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2014

## 15 Intangibles

	2014 \$'000	2013 \$'000
<b>Goodwill</b>		
At cost	130,838	138,404
	<b>130,838</b>	<b>138,404</b>
<b>Patents, trademarks and rights</b>		
At cost	7,962	7,576
Less accumulated amortisation	(5,161)	(4,433)
	<b>2,801</b>	<b>3,143</b>
<b>Brand names</b>		
At cost	62,282	64,130
Less accumulated amortisation	(787)	(1,592)
	<b>61,495</b>	<b>62,538</b>
<b>Software</b>		
At cost	30,698	27,609
Less accumulated amortisation	(23,986)	(20,915)
	<b>6,712</b>	<b>6,694</b>
<b>Customer contracts and relationships</b>		
At cost	29,300	27,800
Less accumulated amortisation	(6,230)	(2,821)
	<b>23,070</b>	<b>24,979</b>
<b>Total net book value</b>		
At cost	261,080	265,519
Less accumulated amortisation	(36,164)	(29,761)
<b>Total net book value of intangible assets</b>	<b>224,916</b>	<b>235,758</b>

### a) Assets under development

Included in the above are software assets under development at 30 September 2014 of \$68,000 (2013: \$3,445,000).

### 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
<b>2014</b>						
Balance at 1 October 2013	138,404	3,143	62,538	6,694	24,979	235,758
Additions	-	-	-	3,110	-	3,110
Additions through business acquisitions	716	386	-	-	-	1,102
Adjustment for prior year acquisitions	1,601	-	-	-	1,500	3,101
Disposals	(917)	-	(981)	(13)	-	(1,911)
Amortisation expense	-	(728)	(285)	(3,071)	(3,409)	(7,493)
Impairment	(9,228)	-	-	-	-	(9,228)
Foreign currency exchange differences	262	-	223	(8)	-	477
<b>Balance at 30 September 2014</b>	<b>130,838</b>	<b>2,801</b>	<b>61,495</b>	<b>6,712</b>	<b>23,070</b>	<b>224,916</b>
<b>2013</b>						
Balance at 1 October 2012	54,136	810	40,147	1,737	-	96,830
Additions	-	-	-	3,546	-	3,546
Additions through business acquisitions	100,134	2,700	20,800	3,512	27,800	154,946
Adjustment for prior year acquisitions	(1,071)	-	1,700	-	-	629
Amortisation expense	-	(419)	(385)	(2,118)	(2,821)	(5,743)
Impairment	(18,500)	-	-	-	-	(18,500)
Foreign currency exchange differences	3,705	52	276	17	-	4,050
Balance at 30 September 2013	138,404	3,143	62,538	6,694	24,979	235,758

# Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2014

## 15 Intangibles (continued)

### 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 <sup>(1)</sup>		Brand names	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Paints Australia	21,777	8,063	23,500	23,500
Consumer and Construction Products	43,271	37,381	3,400	3,400
Yates	8,131	8,131	14,858	14,858
China <sup>(2)</sup>	-	9,882	-	-
Garage Doors and Openers	39,466	53,139	15,000	15,000
Lincoln Sentry	18,193	21,808	2,400	2,400
	<b>130,838</b>	<b>138,404</b>	<b>59,158</b>	<b>59,158</b>

<sup>(1)</sup> The acquisition accounting for the Alesco Group and associated allocation of goodwill to cash-generating units has now been finalised.

<sup>(2)</sup> Includes DuluxGroup's operations in China and Hong Kong.

### 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 2014 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 costs of disposal, and takes account of recent observable market based information. 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.

The income statement includes an impairment loss pertaining to goodwill of \$9,228,000 (\$9,228,000 net of tax). The impairment loss is included in 'Other Expense' in the income statement and is disclosed as part of 'other businesses' in the segment note.

As a result of recognising the impairment charge, the carrying value of the China CGU is at its recoverable amount and there is no longer any goodwill pertaining to the China business. Any further decline in this recoverable amount will result in further impairment losses to be recognised in future financial years.

## 16 Provisions

	2014 \$'000	2013 \$'000
<b>Current</b>		
Employee entitlements	21,629	20,511
Environmental	839	867
Deferred income - customer loyalty programme	2,018	1,023
Leased properties	821	593
Warranty	1,521	1,570
Contingent liability from business acquisitions <sup>(1)</sup>	695	8,025
Other	606	4,535
	<b>28,129</b>	<b>37,124</b>
<b>Non-current</b>		
Employee entitlements	29,760	27,075
Deferred income - customer loyalty programme	1,244	1,517
Leased properties	9,776	11,657
	<b>40,780</b>	<b>40,249</b>

<sup>(1)</sup> For the year ended 30 September 2013, this includes an amount of NZD \$7,688,000 (AUD \$6,845,000) relating to the New Zealand Inland Revenue Department Proceedings, refer to Note 9(f).

# Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2014

## 16 Provisions (continued)

### a) 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. Payments 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 certain circumstances DuluxGroup has an obligation to restore its leased premises to an acceptable condition at the end of the respective leases terms. A provision is recognised for any amounts arising from these requirements.

### b) Other

Other provision largely comprises amounts for committed internal reorganisations and sales returns.

### c) Reconciliations

Reconciliations of the carrying amounts of provisions, excluding employee entitlements, 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 2013	867	2,540	12,250	1,570	8,025	4,535	29,787
Adjustment for prior year acquisitions	-	-	-	-	2,475	(32)	2,443
Provisions made (net of amounts written back) during the year	(3)	1,699	(255)	2,718	(5,917)	1,438	(320)
Provisions utilised during the year	(25)	(1,195)	(2,954)	(2,770)	(4,484)	(5,336)	(16,764)
Unwind of discounting	-	218	1,525	-	-	-	1,743
Foreign currency exchange differences	-	-	31	3	596	1	631
<b>Balance at 30 September 2014</b>	<b>839</b>	<b>3,262</b>	<b>10,597</b>	<b>1,521</b>	<b>695</b>	<b>606</b>	<b>17,520</b>

## 17 Interest-bearing liabilities

	2014	2013
	\$'000	\$'000
<b>Current</b>		
<b>Unsecured</b>		
Trade cards	-	6,925
Bank loan - AUD denominated	6,000	-
Bank loan - RMB denominated <sup>(1)</sup>	8,175	7,213
Bank loan - HKD denominated <sup>(2)</sup>	590	1,569
	14,765	15,707
<b>Non-current</b>		
<b>Unsecured</b>		
Bank loan - AUD denominated <sup>(3)</sup>	152,598	419,372
United States Private Placement (USPP) <sup>(4)</sup>	213,494	-
	366,092	419,372

<sup>(1)</sup> The current Chinese Reminbi (RMB) unsecured bank loan amount comprises of RMB 44,106,000 (AUD \$8,175,000) (2013: RMB 41,000,000 (AUD \$7,213,000)) drawn under an overseas bank loan facility.

<sup>(2)</sup> The current Hong Kong Dollar (HKD) unsecured bank loan amount comprises of HKD 4,000,000 (AUD \$590,000) (2013: HKD 11,300,000 (AUD \$1,569,000)) drawn under an overseas bank loan facility.

<sup>(3)</sup> The non-current AUD denominated unsecured bank loan amount comprises of \$154,000,000 (2013: \$423,000,000) drawn under the Group's syndicated bank loan facilities, net of unamortised prepaid establishment fees of \$1,402,000 (2013: \$3,628,000).

<sup>(4)</sup> The non-current private placement loan amount comprises the carrying amount of the loan assessed at 30 September 2014 of AUD \$214,591,000 (2013: \$NIL), net of unamortised prepaid establishment fees of \$1,097,000 (2013: \$NIL).



# Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2014

## 17 Interest-bearing liabilities (continued)

### a) Private placement

On 18 September 2014 DuluxGroup issued USPP notes with a face value of USD \$149,500,000 and AUD \$40,000,000 across four tranches, maturing in September 2021, September 2024 and September 2026. The proceeds (approximately AUD \$201,065,000) were used to repay existing drawn debt.

The AUD/USD FX exposure on the USD \$149,500,000 principal and on all future USD coupon payments was hedged using Cross Currency Interest Rate Swap Derivative Transactions (CCIRS), which converted the USD exposure back to AUD at inception, and at the same time swapped the fixed USD interest coupon payments back to AUD floating interest rates.

Interest on the AUD \$40,000,000 direct funding component was swapped from fixed interest coupon payments to floating interest rates using Interest Rate Swap Derivatives Transactions (IRS).

The USPP debt transaction is designated for accounting purposes in a separate fair value and cash flow hedge relationship together with the associated CCIRS and IRS which provide an economic hedge of the USD exchange rate (on both the principal and interest payments), and converts the interest rate basis for the total borrowing from a fixed basis to floating.

### b) Assets pledged as security

While there were no assets pledged as security by DuluxGroup Limited and its controlled entities, entities have provided a guarantee in relation to the Group's syndicated bank loan facilities and other overseas bank facilities as outlined in Note 27.

### c) Defaults and breaches

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

## 18 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. DuluxGroup is required to contribute (to the extent required under Superannuation Guarantee legislation) to any choice fund nominated by employees, including Self-Managed Superannuation Funds.

#### *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 employing 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 employing 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. Contributions are taken to the income statement in the year in which the expense is incurred. The amount recognised as an expense for the financial year ended 30 September 2014 was \$18,955,000 (2013: \$19,140,000).

### 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. The fund is closed to new members.

# Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2014

## 18 Superannuation commitments (continued)

### c) Defined benefit pension plans (continued)

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

	2014	2013
	\$'000	\$'000
Present value of the defined benefit obligations	158,994	141,297
Fair value of defined benefit plan assets	(144,526)	(133,031)
<b>Net defined benefit liability recognised in the balance sheet at the end of the financial year</b>	<b>14,468</b>	<b>8,266</b>

The principal actuarial assumptions used to calculate the net defined benefit liability were a discount rate of 3.8% (2013: 4.7%), future salary increases of 3.8% (2013: 3.8%) and future inflation of 2.5% (2013: 2.8%). The movements in the net defined liability during the year are outlined below:

	2014	2013
	\$'000	Restated <sup>(1)</sup> \$'000
Opening balance	8,266	18,371
Actuarial losses/(gains) <sup>(2)</sup>	6,139	(9,689)
Current service cost <sup>(3)</sup>	4,082	4,724
Interest cost <sup>(3)</sup>	289	483
Employer contributions <sup>(4)</sup>	(4,308)	(5,623)
<b>Balance at 30 September</b>	<b>18,776</b>	<b>13,889</b>

<sup>(1)</sup> The prior period has been restated as a result of a change in accounting standard AASB 119 Employee Benefits, refer to Note 1(e).

<sup>(2)</sup> Actuarial losses/(gains) are recorded in other comprehensive income.

<sup>(3)</sup> Current service cost and interest cost are recorded in the consolidated income statement as part of employee costs and finance costs respectively.

<sup>(4)</sup> Employer contributions are a cash payment and are recorded as part of payments to suppliers and employees in the cash flow statement.

DuluxGroup's external actuaries have forecast total employer contributions to the Fund of \$4,824,000 for the financial year ending 30 September 2015.

The plan exposes DuluxGroup to a number of risks, asset volatility, changes in bond yields and inflation risks. Derivatives are not used to manage risk, instead investments are well diversified, such that failure of any single investment would not reasonably be expected to have a material impact on the overall level of assets. The process used to manage risk has not changed from previous periods.

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

	2014	2013
Equity instruments	42%	47%
Fixed interest securities	18%	14%
Property	14%	14%
Cash and other assets	26%	25%

## 19 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.

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 (interest-bearing liabilities less prepaid loan establishment fees, less trade cards, less cash and cash equivalents) to EBITDA. In addition, DuluxGroup monitors the accounting gearing ratio (which is calculated as net debt divided by net debt plus total equity).

# Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2014

## 19 Financial and capital management (continued)

### Capital management (continued)

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:

	2014 Restated <sup>(1)</sup>	2013
	\$'000	\$'000
Interest-bearing liabilities	<b>383,356</b>	438,707
Less:		
Prepaid loan establishment fees	<b>2,499</b>	3,628
Trade cards	<b>-</b>	6,925
Cash and cash equivalents	<b>35,118</b>	46,374
Net debt	<b>345,739</b>	381,780
Earnings before interest, tax, depreciation and amortisation	<b>210,309</b>	157,190
<b>Net Debt to EBITDA (times)</b>	<b>1.6</b>	2.4
Earnings before interest, tax, depreciation and amortisation	<b>210,309</b>	157,190
Net finance costs <sup>(2)</sup>	<b>23,979</b>	26,446
<b>Interest cover ratio (times)</b>	<b>8.8</b>	5.9
Net debt <sup>(3)</sup>	<b>345,739</b>	381,780
Net debt plus total equity	<b>637,400</b>	612,748
<b>Accounting gearing ratio</b>	<b>54%</b>	62%

<sup>(1)</sup> The prior period has been restated as a result of a change in accounting standard AASB 119 Employee Benefits, refer to Note 1(e).

<sup>(2)</sup> Net finance costs exclude the amortisation of prepaid loan establishment fees of \$2,203,000 (2013: \$1,627,000).

<sup>(3)</sup> 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. 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, interest rate swaps, foreign exchange options and forward exchange contracts.

# Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2014

## 19 Financial and capital management (continued)

### Financial risk factors (continued)

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

	Cash and cash equivalents \$'000	Financial assets at amortised cost \$'000	Financial Liabilities at instruments amortised cost \$'000	Derivative designated as hedges \$'000	Total carrying amount \$'000
<b>2014</b>					
<b>Financial assets</b>					
Cash at bank and on hand	35,118	-	-	-	35,118
Trade and other receivables (current)	-	232,969	-	-	232,969
Trade and other receivables (non-current)	-	30	-	-	30
Derivative financial assets (current)	-	-	-	507	507
Derivative financial assets (non-current)	-	-	-	11,715	11,715
	35,118	232,999	-	12,222 <sup>(1)</sup>	280,339
<b>Financial liabilities</b>					
Trade and other payables (current)	-	-	251,282	-	251,282
Trade and other payables (non-current)	-	-	292	-	292
Interest-bearing liabilities (current)	-	-	14,765	-	14,765
Interest-bearing liabilities (non-current)	-	-	366,092	-	366,092
	-	-	632,431	-	632,431
<b>2013</b>					
<b>Financial assets</b>					
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
<b>Financial liabilities</b>					
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

<sup>(1)</sup> Includes \$11,586,000 related to the hedges associated with the USPP.

### Fair value estimation

The Group's financial assets and liabilities are measured and recognised according to the fair value measurement hierarchy. The fair value measurement hierarchy consists of:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of trade and other receivables, trade and other payables and interest bearing liabilities approximates their carrying amount.

The carrying amount of the Group's USPP approximates its fair value. The fair value of the USPP is calculated at balance date using discounted future cash flow techniques, where estimated cash flows and discount rates are based on market data, in conjunction with restatement for the impact of foreign exchange.

# Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2014

## 19 Financial and capital management (continued)

### Fair value estimation (continued)

The Group only holds Level 2 derivative financial instruments which are calculated as follows:

- 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.

### 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 2014, DuluxGroup had fixed the interest rate applicable on AUD \$150,000,000 of debt to August 2017, using interest rate swap transactions.

DuluxGroup's exposure to interest rate risk as at 30 September 2014, and the weighted average effective interest rates on financial assets and liabilities for the year ended 30 September 2014 are:

	2014 \$'000	2014 % p.a.	2013 \$'000	2013 % p.a.
Cash at bank and on hand	35,118	1.5 <sup>(1)</sup>	43,529	1.1 <sup>(1)</sup>
Cash at bank - restricted	-	-	2,845	1.4
Derivative financial assets	12,222	-	298	-
<b>Total financial assets</b>	<b>47,340</b>		<b>46,672</b>	
Bank loans	383,356	4.9 <sup>(1)</sup>	431,782	5.3 <sup>(1)</sup>
Trade cards	-	-	6,925	9.2
Derivative financial liabilities	-	-	2	-
<b>Total financial liabilities</b>	<b>383,356</b>		<b>438,709</b>	
<b>Net financial liabilities</b>	<b>336,016</b>		<b>392,037</b>	

<sup>(1)</sup> 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 take account of 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.

# Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2014

## 19 Financial and capital management (continued)

### Interest rate risk management (continued)

	2014 \$'000	2013 \$'000
<b>Increase/(decrease) in profit after income tax expense</b>		
If interest rates were 10% higher, with all other variables held constant	(668)	(1,431)
If interest rates were 10% lower, with all other variables held constant	668	1,431
<b>Increase/(decrease) in total equity</b>		
If interest rates were 10% higher, with all other variables held constant	(695)	(1,431)
If interest rates were 10% lower, with all other variables held constant	695	1,431

### Foreign exchange risk management

#### a) 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 USD, NZD, RMB, HKD and 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):

	2014					2013				
	USD '000	NZD '000	RMB '000	HKD '000	EUR '000	USD '000	NZD '000	RMB '000	HKD '000	EUR '000
Cash	1,490	7,678	-	1,136	168	1,102	5,072	-	1,332	229
Trade and other receivables	2,551	10	-	-	-	5,001	817	-	773	34
Trade and other payables	(7,075)	(555)	(5,060)	(57)	(778)	(8,087)	(1,155)	(2,640)	(57)	(1,056)
Interest-bearing liabilities	(118)	(5,210)	-	-	-	(469)	(228)	-	-	-
Net exposure	(3,152)	1,923	(5,060)	1,079	(610)	(2,453)	4,506	(2,640)	2,048	(793)

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

	2014	2013
AUD/USD	0.8739	0.9287
AUD/NZD	1.1229	1.1231
AUD/RMB	5.3953	5.6844
AUD/HKD	6.7829	7.2004
AUD/EUR	0.6889	0.6883

The table below shows, the effect on 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.

# Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2014

## 19 Financial and capital management (continued)

### Foreign exchange risk management (continued)

#### a) Foreign exchange risk – transactional (continued)

	2014		2013	
	-10% \$'000	+10% \$'000	-10% \$'000	+10% \$'000
<b>Increase/(decrease) in profit after income tax expense</b>				
AUD/USD	(245)	201	(278)	80
AUD/NZD	271	(222)	350	(287)
AUD/RMB	(394)	322	(197)	114
AUD/HKD	84	(69)	159	(130)
AUD/EUR	(47)	39	50	(62)
<b>Increase/(decrease) in total equity</b>				
AUD/USD	(245)	201	(278)	80
AUD/NZD	271	(222)	350	(287)
AUD/RMB	(394)	322	(197)	114
AUD/HKD	84	(69)	159	(130)
AUD/EUR	(47)	39	50	(62)

In addition, DuluxGroup has a number of pricing arrangements with suppliers for purchases in EUR and USD 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 for these arrangements at 30 September 2014, the fluctuations of the AUD/EUR and AUD/USD exchange rate will have an impact on the amount ultimately invoiced to DuluxGroup in AUD during the year.

#### b) Foreign exchange 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 2014, the Group did not have any derivative instruments outstanding to hedge foreign currency earnings translation exposures (2013: 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 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.

#### 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.

# Notes to the Consolidated Financial Statements (continued)

## For the financial year ended 30 September 2014

### 19 Financial and capital management (continued)

#### Foreign exchange risk management (continued)

##### d) Liquidity risk management (continued)

Facilities available and the amounts drawn and undrawn as at 30 September 2014 are as follows:

	2014 \$'000	2013 \$'000
<b>Unsecured bank overdraft facilities<sup>(1)</sup></b>		
Unsecured bank overdraft and overnight borrowing facilities available	22,343	8,452
Amount of facilities undrawn	16,343	8,452
<b>Committed standby and loan facilities</b>		
Committed standby and loan facilities available <sup>(2,3)</sup>	616,461	632,824
Amount of facilities unused	252,631	201,042

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

<sup>(2)</sup> As at the 30 September 2014, the repayment dates of the committed loan facilities range from 8 November 2015 to 18 September 2026 (2013: 30 April 2015 to 8 November 2017). Following changes made on 31 October 2014 to the maturity profile of the unsecured multi-currency syndicated bank loan facility, the repayment dates of the facilities range from 8 November 2016 to 19 September 2026.

<sup>(3)</sup> Includes AUD \$400,000,000 (2013: \$400,000,000) unsecured multi-currency syndicated bank loan facility, AUD syndicated bank loan facility of \$NIL (2013: AUD \$220,000,000) and \$201,065,000 (2013: \$NIL) USPP Bond. Includes the RMB 60,000,000 (AUD \$11,121,000) (2013: RMB 50,000,000 (AUD \$8,796,000)) unsecured bank loan facility established in China and two unsecured bank loan facilities established in Hong Kong for HKD 19,000,000 (AUD \$2,801,000) (2013: HKD 19,000,000 (AUD \$2,638,000)) and HKD 10,000,000 (AUD \$1,474,000) (2013: HKD 10,000,000 (AUD \$1,390,000)) respectively. DuluxGroup has a 51% share in all three of the loan facilities established in China and Hong Kong.

The contractual maturity of DuluxGroup's fixed and floating rate financial liabilities and derivatives, based on the financing arrangements in place at 30 September 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	Over 5 years \$'000	Total \$'000
<b>2014</b>						
<i>Financial liabilities</i>						
Trade and other payables	251,574	251,282	292	-	-	251,574
Bank loan	380,857	35,295	20,210	184,858	248,704	489,067
	632,431	286,577	20,502	184,858	248,704	740,641
<b>2013</b>						
<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

#### 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. 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 indicators of lower credit risk.

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. 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 2014.



# Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2014

## 20 Contributed equity

	2014 \$'000	2013 \$'000
<b>Issued and fully paid</b>		
Ordinary shares	236,114	201,099
Less treasury shares	(7,625)	(7,716)
<b>Ordinary shares of the consolidated entity</b>	<b>228,489</b>	<b>193,383</b>

Movements in contributed equity since 1 October 2013 were as follows:

Details	Number of shares	2014 \$'000
<b>Ordinary shares</b>		
Balance at 1 October 2013	377,019,430	201,099
Shares issued under the DuluxGroup dividend reinvestment plan (DRP) <sup>(1)</sup>	4,565,323	24,206
Shares issued under the ESIP and LTEIP	1,919,189	-
Shares vested under the ESIP <sup>(2)</sup>	-	1,333
Shares vested under the LTEIP <sup>(3)</sup>	-	9,476
<b>Balance at 30 September 2014</b>	<b>383,503,942</b>	<b>236,114</b>
Less treasury shares	2,625,070	7,625
<b>Total contributed equity</b>	<b>380,878,872</b>	<b>228,489</b>

<sup>(1)</sup> 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.

<sup>(2)</sup> Upon vesting of the 2010 ESIP or cessation of employment and settlement of amounts outstanding for ESIP shares, \$1,333,000 has been recognised in contributed equity. Included in the amount recognised is \$656,000 which was transferred from the share-based payment reserve to contributed equity.

<sup>(3)</sup> In accordance with the plan rules 3,705,682 shares vested under the 2010 LTEIP and proceeds of \$5,723,000 were received as settlement, being the residual balance after applying dividends and debt forgiveness of \$3,800,000. In addition, the share-based payment reserve amount of \$3,753,000 was transferred from the share-based payment reserve to contributed equity.

### a) Shares issued to subsidiaries

DuluxGroup has formed a trust to administer the Group's employee share schemes. Dulux Group (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.

Shares held by the DuluxGroup Employee Share Plan Trust are either recognised as treasury shares if they were originally purchased on-market, or where new ordinary share capital is issued to the trust for the purpose of the employee share schemes, this ordinary share capital is not recognised in contributed equity on consolidation.

Movements in these shares since 1 October 2013 were as follows:

Details	Number of shares		
	Issued to subsidiaries	Treasury	Total
Balance at 1 October 2013	7,453,938	2,656,558	10,110,496
Shares issued under the ESIP and LTEIP	1,919,189	-	1,919,189
Shares vested under the ESIP	(477,460)	(31,488)	(508,948)
Shares vested under the LTEIP	(3,705,682)	-	(3,705,682)
<b>Balance at 30 September 2014</b>	<b>5,189,985</b>	<b>2,625,070</b>	<b>7,815,055</b>

In the event that all shares held by the trust vest in full with no debt forgiveness, the maximum outstanding proceeds expected to be received from employee share plan repayments is \$25,328,000.

## 21 Reserves

	2014 \$'000	2013 \$'000
<b>Reserves</b>		
Share-based payments	6,554	7,514
Cash flow hedge	(1,065)	1
Foreign currency translation	816	(2,530)
Common control	(97,702)	(97,702)
	<b>(91,397)</b>	<b>(92,717)</b>

# Notes to the Consolidated Financial Statements (continued)

## For the financial year ended 30 September 2014

### 21 Reserves (continued)

#### 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.

### 22 Dividends

	2014 \$'000	2013 \$'000
<b>Dividends paid</b>		
Final dividend for 2013 of 9.5 cents per share fully franked (2012: 8.0 cents per share fully franked)	35,419	29,241
Interim dividend for 2014 of 10.0 cents per share fully franked (2013: 8.0 cents per share fully franked)	37,733	29,575
	<b>73,152</b>	<b>58,816</b>
<b>Dividend franking account</b>		
Franking credits available to shareholders for subsequent financial years based on a tax rate of 30% (2013: 30%)	21,753	16,143

#### a) Dividends declared after balance date

On 12 November 2014, the Directors declared a final dividend of 10.5 cents per ordinary share, fully franked and payable on 17 December 2014.

The financial effect of the final dividend has not been brought to account in the financial report for the financial year ended 30 September 2014 and will be recognised in the financial report for the financial year ending 30 September 2015.

The Company's DRP will operate with respect to the final dividend. The DRP pricing period will be the five trading days from 1 December 2014 to 5 December 2014 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.

### 23 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:

	2014 \$	2013 \$
DuluxGroup Long Term Equity Incentive Plan <sup>(1)</sup>	2,514,125	2,381,072
DuluxGroup Employee Share Investment Plan	934,575	-
	<b>3,448,700</b>	<b>2,381,072</b>

<sup>(1)</sup> In accordance with AASB 2, 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 (2013: \$NIL).

# Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2014

## 23 Share-based payments (continued)

### 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. 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. 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. If the executive leaves DuluxGroup within the vesting period the shares allocated are returned to DuluxGroup, subject to discretion retained by the Directors.

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

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. An expected net dividend yield of nil has been adopted as participants will fully benefit from dividend receipts during the life of the investments. In addition, specific factors in relation to the likely achievement of performance hurdles and employment tenure have been taken into account. The Board has implemented a 'gateway' level of minimum performance for the DuluxGroup LTEIP below which no benefit accrues, being a Board determined compound annual EPS growth over the three year period calculated from the 30 September preceeding the grant date. The gateway for the unvested plans is 4%. This 'gateway' is a minimum level of acceptable performance for any of the LTEIP shares to vest.

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.

Details of shares issued under these plans are as follows:

Grant date	Life of share options (years)	Expiry date	Grant date	Fair value at grant date	Risk free interest rate	Share price volatility	Number of shares				
							Shares start of year	Lapsed during year	Granted during year	Exercised during year	Balance end of year
<b>LTEIP plans</b>											
12 Jul 10	3.5	Jan 14	\$2.54	\$0.98	4.7%	30.0%	3,705,682	-	-	(3,705,682)	-
2 Dec 11	3.1	Jan 15	\$2.88	\$0.94	3.2%	25.0%	2,556,604	(344,703)	-	-	2,211,901
30 Nov 12	3.1	Jan 16	\$3.50	\$0.99	2.6%	22.5%	2,366,643	(391,410)	-	-	1,975,233
28 Jun 13	3.1	Jan 16	\$4.21	\$1.26	2.8%	22.5%	330,210	(43,763)	-	-	286,447
29 Nov 13	3.1	Jan 17	\$5.45	\$1.71	3.0%	22.5%	-	(114,349)	2,191,852	-	2,077,503

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

In December 2013, eligible Australian employees of the Group were invited to acquire DuluxGroup ordinary shares to the value of \$500 (through salary sacrifice) with DuluxGroup matching this participation up to a further \$500 (December 2012: \$1,000 with no matching). Eligible employees in New Zealand were invited to acquire ordinary shares to the value of NZD \$390 (through salary sacrifice) with DuluxGroup matching this participation up to a further NZD \$390 (December 2012: NZD \$780 with no matching). In accordance with AASB 2 the accounting expense to the Group for any matching is recognised in full at the time of the offer.

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.

# Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2014

## 23 Share-based payments (continued)

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

A share allocated to a participating employee under the ESIP has trade restrictions attached until the earlier of the end of three years after the date of allocation and the time when the participant ceases to be employed by DuluxGroup Limited or any of its controlled entities. At the end of the restriction period, the employee will be able to sell or otherwise deal with their DuluxGroup shares.

Details of restricted shares issued under these plans is as follows:

<b>ESIP plans</b>	
<b>Allocation date</b>	<b>Number of shares unvested at 30 September 2014</b>
20 Dec 11	358,523
19 Dec 12	247,650
28 Jun 13	58,848
20 Dec 13	326,368

## 24 Related party disclosures

### a) Parent entity

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

### b) Controlled entities

Interests in subsidiaries are set out in Note 27.

### c) 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 table below.

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Short term employee benefits	<b>6,991,150</b>	5,736,116
Other long term benefits	<b>89,276</b>	86,227
Post employment benefits	<b>154,471</b>	144,797
Share-based payments	<b>1,220,824</b>	1,177,921
<b>Total</b>	<b>8,455,721</b>	7,145,061

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.

### d) Key Management Personnel transactions in shares and options

The total relevant interests of KMPs, including their related parties, in the share capital and options of the Company at 30 September are set out in the table below:

	<b>2014</b>	<b>2013</b>
<b>Interests held by KMP</b>	<b>Number</b>	<b>Number</b>
Number of options for fully paid ordinary shares	<b>3,042,390</b>	3,980,646
Number of fully paid ordinary shares	<b>1,518,043</b>	808,014

### e) 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. At 30 September 2014, consulting and subsidiary board fees of \$43,750 (2013: \$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 2014.

# Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2014

## 24 Related party disclosures (continued)

### 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:

	2014	2013
	\$	\$
Sales of goods to joint ventures	265,043	233,832
Purchases of goods from joint ventures	2,618,182	2,962,651
Distributions received from joint ventures	250,000	250,000

### 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:

	2014	2013
	\$	\$
Current receivables from joint ventures	17,897	34,863
Current payables to joint ventures	698,889	725,572

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.

## 25 Commitments

### a) Capital expenditure commitments

Capital expenditure as at 30 September 2014 on property and plant and equipment contracted but not provided for and payable was \$1,384,000 (2013: \$1,034,000).

### b) Lease commitments – 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.

	2014	2013
	\$'000	\$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
- No later than one year	28,722	27,664
- Later than one, no later than five years	64,007	43,270
- Later than five years	17,093	11,025
	109,822	81,959

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.

	2014	2013
	\$'000	\$'000
Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases	6,566	3,153

# Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2014

## 26 Contingent liabilities

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.

## 27 Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of DuluxGroup Limited and the following subsidiaries in accordance with the accounting policies.

Name of entity	Country of incorporation /registration	Equity holding	
		2014 %	2013 %
DuluxGroup (Investments) Pty Ltd <sup>(1,2)</sup>	Australia	100	100
DuluxGroup (Finance) Pty Ltd <sup>(1,2)</sup>	Australia	100	100
DuluxGroup (New Zealand) Pty Ltd <sup>(1,2)</sup>	Australia	100	100
DuluxGroup (Australia) Pty Ltd <sup>(1,2)</sup>	Australia	100	100
Dulux Holdings Pty Ltd <sup>(1,2)</sup>	Australia	100	100
DuluxGroup (Employee Share Plans) Pty Ltd <sup>(1)</sup>	Australia	100	100
DuluxGroup Employee Share Plan Trust	Australia	100	100
DuluxGroup (Nominees) Pty Ltd <sup>(1,2)</sup>	Australia	100	100
Alesco Corporation Limited <sup>(1,2)</sup>	Australia	100	100
Alesco Finance Pty Ltd <sup>(1,2)</sup>	Australia	100	100
Alesco Holdings Pty Ltd <sup>(1)</sup>	Australia	100	100
Alesco No. 2 Pty Ltd <sup>(1)</sup>	Australia	100	100
Alesco No. 1 Pty Ltd <sup>(1)</sup>	Australia	100	100
B&D Australia Pty Ltd <sup>(1,2)</sup>	Australia	100	100
Automatic Technology (Australia) Pty Ltd <sup>(1,2)</sup>	Australia	100	100
Parchem Construction Supplies Pty Ltd <sup>(1,2)</sup>	Australia	100	100
Robinhood Australia Pty Ltd <sup>(1)</sup>	Australia	100	100
Lincoln Sentry Group Pty Ltd <sup>(1,2)</sup>	Australia	100	100
Concrete Technologies Pty Ltd <sup>(1)</sup>	Australia	100	100
Pargone Pty Ltd <sup>(1)</sup>	Australia	100	100
ACN 009 130 858 Pty Ltd <sup>(1)</sup>	Australia	100	100
ACN 000 639 252 Pty Ltd <sup>(1)</sup>	Australia	100	100
Joinery Products Hardware Supplies Pty Ltd <sup>(1)</sup>	Australia	100	100
ATA Innovations Pty Ltd <sup>(1)</sup>	Australia	100	100
Alesco Management Share Plan Trust	Australia	100	100
DGL International (Shenzhen) Co Ltd <sup>(4)</sup>	China	100	100
DGL Camel Coatings (Shanghai) Limited <sup>(3)</sup>	China	51	51
DGL Camel Powder Coatings (Dongguan) Limited <sup>(3)</sup>	China	51	51
DGL Camel Coatings (Dongguan) Limited <sup>(3)</sup>	China	51	51
Countermast Technology (Dalian) Company Limited	China	100	100

# Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2014

## 27 Subsidiaries (continued)

Name of entity	Country of incorporation /registration	Equity holding	
		2014 %	2013 %
DGL International (Hong Kong) Ltd	Hong Kong	100	100
DGL Camel International Limited <sup>(3)</sup>	Hong Kong	51	51
DGL Camel Powder Coatings Limited <sup>(3)</sup>	Hong Kong	51	51
DGL Camel (Hong Kong) Limited <sup>(3)</sup>	Hong Kong	51	51
DGL Camel (China) Limited <sup>(3)</sup>	Hong Kong	51	51
Counter mast Limited	Hong Kong	100	100
DGL International (Malaysia) Sdn Bhd	Malaysia	100	100
Alesco New Zealand Limited	New Zealand	100	100
Alesco NZ Trustee Limited	New Zealand	100	100
B&D Doors (NZ) Limited <sup>(2)</sup>	New Zealand	100	100
Concrete Plus Limited <sup>(2)</sup>	New Zealand	100	100
Easy Iron Limited	New Zealand	100	100
Lincoln Sentry Limited	New Zealand	100	100
Robinhood Limited	New Zealand	100	100
Supertub Limited	New Zealand	100	100
Dulux Holdings (PNG) Ltd	Papua New Guinea	100	100
DGL Camel (Singapore) Pte Ltd <sup>(3)</sup>	Singapore	51	51
DuluxGroup (PNG) Pte Ltd <sup>(2)</sup>	Singapore	100	100
DGL International (Singapore) Pte Ltd	Singapore	100	100
DGL International (Vietnam) Limited Company	Vietnam	100	100

<sup>(1)</sup> 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.

<sup>(2)</sup> In addition to DuluxGroup Limited, the following controlled entities have provided a guarantee in relation to the Group's syndicated bank loan facilities and other overseas bank facilities.

<sup>(3)</sup> These entities form part of the DGL Camel International Group.

<sup>(4)</sup> Entity in the process of liquidation as at 30 September 2014.

## 28 Businesses acquired

### 2014

On 21 July 2014 Automatic Technology (Australia) Pty Ltd, a wholly owned subsidiary of DuluxGroup, acquired Smart Openers, a manufacturer and designer of garage door and gate openers. The assets recognised as a result of this acquisition are as follows:

	Fair value \$'000
<b>2014</b>	
Consideration	
Cash	950
Deferred consideration	360
<b>Total consideration</b>	<b>1,310</b>
Net assets of business acquired	
Inventories	100
Intangibles	386
Deferred tax assets	108
<b>Net identifiable assets acquired</b>	<b>594</b>
<b>Goodwill on acquisition<sup>(1)</sup></b>	<b>716</b>

<sup>(1)</sup> 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 2014

## 28 Businesses acquired (continued)

### 2013

The compulsory acquisition of the ordinary share capital of Alesco was completed on 29 January 2013. From an accounting perspective, the acquisition date is 12 December 2012, the date on which the offer was made unconditional and the ability to govern the financial and operating policies through securing Board and management control of Alesco Group was obtained. The results of the acquired businesses have been consolidated from the close of business on 11 December 2012. The acquisition accounting for this transaction has now been finalised. The assets and liabilities recognised as a result of this acquisition by the consolidated entity are as follows:

	Book value \$'000	Fair value adjustment \$'000	Fair value total \$'000
<b>2013</b>			
Consideration			
Cash payments to ordinary shareholders of Alesco <sup>(1)</sup>	145,940	-	145,940
Investment in Alesco at fair value through other comprehensive income	35,908	-	35,908
Net cash acquired	(571)	-	(571)
<b>Total consideration</b>	<b>181,277</b>	<b>-</b>	<b>181,277</b>
Net assets of controlled entities acquired			
Trade and other receivables <sup>(2)</sup>	82,714	(841)	81,873
Inventories	72,517	(7,135)	65,382
Property, plant and equipment	56,669	5,127	61,796
Intangibles including purchased goodwill <sup>(3)</sup>	333,194	(276,882)	56,312
Other assets	2,414	(61)	2,353
Deferred tax assets	13,839	5,286	19,125
Trade and other payables	(68,781)	(2,492)	(71,273)
Interest-bearing liabilities	(75,001)	-	(75,001)
Leased properties provisions	(4,642)	(4,306)	(8,948)
Contingent liabilities	-	(9,951)	(9,951)
Current income tax provision	(4,486)	(1,824)	(6,310)
Other provisions	(1,931)	(2,254)	(4,185)
Provision for employee entitlements	(12,933)	(970)	(13,903)
Deferred tax liabilities	(2,803)	(14,925)	(17,728)
<b>Net identifiable assets acquired</b>	<b>390,770</b>	<b>(311,228)</b>	<b>79,542</b>
<b>Goodwill on acquisition<sup>(4)</sup></b>			<b>101,735</b>

<sup>(1)</sup> 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.

<sup>(2)</sup> Includes an insurance receivable of NZD \$700,000 (AUD \$550,000) for recoveries from the Christchurch earthquake.

<sup>(3)</sup> Book value includes purchased goodwill of \$230,125,000.

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

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

## 29 Businesses disposed

### 2014

On 18 December 2013, DuluxGroup entered into an agreement to dispose of the Opel business in China for RMB 55,453,000 (AUD \$10,315,000), net of sales related taxes, to Nippon Paint (China) Co., Limited. This transaction was completed on 15 January 2014, with the sale proceeds received in full during the year ended 30 September 2014.

The income statement includes a profit on disposal before tax of \$3,714,000 (\$3,714,000 net of tax) after taking account of transaction costs of \$317,000, and allocation of \$917,000 for DuluxGroup's 51% share of the goodwill pertaining to the part of the China CGU disposed in this transaction. Goodwill attributable to the non-controlling interest's 49% share, has not been recognised as the merger of the Group's Hong Kong and China net assets with those of National Lacquer Paint and Products Co Ltd (NLPP) was accounted for on a proportional basis, meaning that only DuluxGroup's share of goodwill is recognised on the balance sheet. DuluxGroup's share of the profit is \$1,445,000, with the balance of \$2,269,000 attributable to non-controlling interest. The profit on disposal is included in 'Other income' in the income statement and is disclosed as part of 'Other businesses' in the segment report (refer Note 3).

In addition to DuluxGroup's 51% share of goodwill explained above, assets totalling \$5,367,000 were disposed, including: trademarks and intellectual property rights attaching to the Opel brand name of \$981,000; saleable inventory of \$640,000; receivables of \$3,746,000; as well as all customer lists and supplier contracts and the relevant know how and formulations for all products sold under the Opel brands.



# Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2014

## 29 Businesses disposed (continued)

### 2014 (continued)

As a consequence of the Opel business disposal, the Group has incurred further restructuring costs totalling \$2,798,000 relating to the exit of this business. DuluxGroup's share of these costs is \$1,427,000, with the balance of \$1,371,000 attributable to non-controlling interest. These costs include amounts for relocation of manufacturing, lease surrender, redundancies, disposal of assets (including asset write offs for remaining raw materials and work in progress inventories, excess software licenses and fixed assets), and termination of supplier arrangements. These costs are included as part of other expenses and employee benefits expense in the consolidated income statement.

Accordingly, the net impact of this transaction inclusive of restructuring costs on net profit attributable to DuluxGroup shareholders was \$18,000.

### 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 of \$461,000 received during the year ended 30 September 2014.

## 30 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 are disclosed in Note 27. 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

	2014	2013
	\$'000	Restated <sup>(1)</sup>
	\$'000	\$'000
<b>Profit before income tax expense</b>	<b>130,886</b>	89,498
Income tax expense	(40,719)	(30,123)
<b>Profit for the financial year</b>	<b>90,167</b>	59,375
<b>Retained earnings</b>		
Balance at 1 October	113,373	107,724
Profit for the financial year	90,167	59,375
Actuarial (losses)/gains on defined benefit plan (net of tax)	(4,297)	6,782
Transfers in from revaluation reserve - other financial assets	-	(1,692)
Dividends paid - ordinary shares	(73,178)	(58,816)
<b>Balance at 30 September</b>	<b>126,065</b>	113,373

<sup>(1)</sup> The prior period has been restated as a result of a change in accounting standard AASB 119 Employee Benefits, refer to Note 1(e).

### b) Consolidated statement of comprehensive income

	2014	2013
	\$'000	Restated <sup>(1)</sup>
	\$'000	\$'000
<b>Profit for the financial year</b>	<b>90,167</b>	59,375
<b>Other comprehensive income</b>		
<b>Items that may be reclassified subsequently to the income statement</b>		
Effective portion of changes in fair value of cash flow hedges	(1,523)	97
Foreign currency translation gain on foreign operations	(271)	7,454
Income tax on items that may be reclassified subsequently to the income statement	457	(29)
<b>Total items that may be reclassified subsequently to the income statement, net of tax</b>	<b>(1,337)</b>	7,522
<b>Items that will not be reclassified to the income statement</b>		
Actuarial (losses)/gains on defined benefit plan	(6,139)	9,689
Revaluation of other financial assets at fair value through other comprehensive income	-	(940)
Income tax on items that will not be reclassified to the income statement	1,842	(2,907)
<b>Total items that will not be reclassified to the income statement, net of tax</b>	<b>(4,297)</b>	5,842
<b>Other comprehensive income for the financial year, net of tax</b>	<b>(5,634)</b>	13,364
<b>Total comprehensive income for the financial year</b>	<b>84,533</b>	72,739

<sup>(1)</sup> The prior period has been restated as a result of a change in accounting standard AASB 119 Employee Benefits, refer to Note 1(e).

# Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2014

## 30 Deed of cross guarantee (continued)

### c) Consolidated balance sheet

	2014 \$'000	2013 \$'000
<b>Current assets</b>		
Cash and cash equivalents	20,372	29,493
Trade and other receivables	249,420	229,178
Inventories	181,668	174,993
Derivative financial assets	507	298
Other assets	6,544	5,324
<b>Total current assets</b>	<b>458,511</b>	<b>439,286</b>
<b>Non-current assets</b>		
Derivative financial assets	11,715	-
Investment in controlled entities	52,260	65,125
Investment accounted for using the equity method	5,423	4,678
Property, plant and equipment	256,255	254,236
Intangible assets	217,662	220,424
Deferred tax assets	45,742	45,139
Other assets	3,372	4,231
<b>Total non-current assets</b>	<b>592,429</b>	<b>593,833</b>
<b>Total assets</b>	<b>1,050,940</b>	<b>1,033,119</b>
<b>Current liabilities</b>		
Trade and other payables	239,704	221,231
Interest-bearing liabilities	5,332	7,481
Derivative financial liabilities	-	2
Current tax liabilities	9,103	7,825
Provisions	25,804	28,203
<b>Total current liabilities</b>	<b>279,943</b>	<b>264,742</b>
<b>Non-current liabilities</b>		
Trade and other payables	292	-
Interest-bearing liabilities	366,092	419,372
Deferred tax liabilities	16,338	16,839
Provisions	39,739	38,935
Defined benefit liability	14,468	8,266
<b>Total non-current liabilities</b>	<b>436,929</b>	<b>483,412</b>
<b>Total liabilities</b>	<b>716,872</b>	<b>748,154</b>
<b>Net assets</b>	<b>334,068</b>	<b>284,965</b>
<b>Equity</b>		
Contributed equity	259,910	223,702
Reserves	(51,907)	(52,110)
Retained earnings	126,065	113,373
<b>Total equity</b>	<b>334,068</b>	<b>284,965</b>

# Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2014

## 31 Parent entity financial information

### a) Summary financial information

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

	2014	2013
	\$'000	\$'000
Current assets	87,687	83,192
Non-current assets	229,273	229,260
<b>Total assets</b>	<b>316,960</b>	<b>312,452</b>
Current liabilities	395	871
Non-current liabilities	-	37,864
<b>Total liabilities</b>	<b>395</b>	<b>38,735</b>
<b>Net assets</b>	<b>316,565</b>	<b>273,717</b>
<b>Equity</b>		
Contributed equity	259,910	223,702
Profits reserve <sup>(1)</sup>	47,248	30,000
Other reserves	5,542	6,503
Retained earnings	3,865	13,512
	<b>316,565</b>	<b>273,717</b>
Profit before income tax expense <sup>(2)</sup>	78,980	58,765
Income tax benefit	1,800	1,843
<b>Profit for the financial year</b>	<b>80,780</b>	<b>60,608</b>
<b>Total comprehensive income of the parent entity</b>	<b>80,780</b>	<b>60,608</b>

(1) 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.

(2) Profit before income tax expense includes dividend income of \$85,000,000 declared by DuluxGroup (New Zealand) Pty Ltd during the financial year ended 30 September 2014 (2013: \$65,000,000).

### b) Guarantees

Details of guarantees entered into by the parent entity in relation to external banking facilities as at 30 September 2014 are set out in Note 27. In addition, the parent entity is a party to the deed of cross guarantee.

### c) Capital commitments

There were no capital commitments entered into by the parent entity as at 30 September 2014 (2013: \$NIL).

### d) Contingent liabilities

Refer to Note 26 for information relating to contingent liabilities of the parent entity.

## 32 Events subsequent to balance date

On 31 October 2014, DuluxGroup extended Tranche A (\$100,000,000) of its \$400,000,000 unsecured multi-currency syndicated bank loan facility for three years from 8 November 2015 to 8 November 2018. At the same time, DuluxGroup favourably re-priced Tranche B (\$150,000,000) and Tranche C (\$150,000,000) of the same facility. The terms and conditions of the facility remain largely unchanged.

On 12 November 2014, the Directors determined that a final dividend of 10.5 cents per ordinary share will be paid in respect of the 2014 financial year. The dividend will be fully franked and payable on 17 December 2014. The financial effect of this dividend is not included in the financial statements for the year ended 30 September 2014 and will be recognised in the 2015 financial statements.

The Directors have not become aware of any other significant matter or circumstance that has arisen since 30 September 2014, that has affected or may affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent years, which has not been covered in this report.



## 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 2014, consolidated income statement and 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 32 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 a), 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 2014 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 a).

**Report on the remuneration report**

We have audited the Remuneration Report included in the directors' report for the year ended 30 September 2014. 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 2014, complies with Section 300A of the *Corporations Act 2001*.



KPMG



Alison Kitchen  
Partner

Melbourne

12 November 2014