Appendix 4E
Preliminary Final Report
For the financial year ended 30 September 2012

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

Results for announcement to the market					**$'000**
Consolidated revenue from operations		Up	7%	to	1,067,809
Net profit for the financial year attributable to ordinary shareholders of DuluxGroup Limited		Down	4%	to	89,492
Dividends		Amount per security		Franked amount per security at 30% tax	
Final dividend – Ordinary	Cents	8.0		8.0	
Interim dividend – Ordinary	Cents	7.5		7.5	
Previous corresponding financial year					
Final dividend – Ordinary[(1)]	Cents	7.5		7.5	
Interim dividend – Ordinary	Cents	7.5		7.5	

Record date for determining entitlements to the dividend:	Ordinary shares	30 November 2012
Payment date of dividend:	Ordinary shares	17 December 2012

	Current period (Cents)	Previous corresponding financial year (Cents)
Net tangible asset backing per ordinary security	23.31	14.00

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	30 November 2012

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

Commentary on results

Takeover offer for Alesco Corporation Limited (current period)

On 30 April 2012, DuluxGroup acquired 19.96% of the shares in Alesco Corporation Limited (Alesco) for a cash consideration of $37,600,000. The interest was acquired preceding the Group's off-market takeover offer for the remaining shares in Alesco announced on 1 May 2012.

Transaction costs of $3,596,000 associated with this takeover offer are included in the results of DuluxGroup for the financial year ended 30 September 2012. These costs are primarily related to consulting and legal fees.

The Group's results also include fully-franked dividend income of $2,820,000 from the Group's 19.96% interest in Alesco and incremental interest cost due to the $37,600,000 consideration paid to acquire the Alesco shareholding.

Queensland flood (current and prior period)

The consolidated financial results presented for DuluxGroup for the financial year ended 30 September 2012 and 30 September 2011 include accounting for the impacts arising from the Queensland flood which caused plant damage and closure to the Group's main Australian manufacturing facility at Rocklea in January 2011. The insurance claim has now been finalised and settled in full with the Group's insurers for a total compensation of $80,000,000. $15,000,000 of this claim has been recognised as other income during the full year ended 30 September 2012 (2011 $65,000,000). Of the amount recognised as other income, $NIL is outstanding as at 30 September 2012 (2011 $11,468,000).

Impacts in the financial year ended 30 September 2012 include the cost of asset repairs, costs to rework damaged stock, stock disposal costs and claim preparation costs, and recognition of insurance income to reimburse for these costs, costs relating to replacement of assets and increased costs of production.

Impacts in the financial year ended 30 September 2011 include recognition of impairment for assets damaged in the flood, increased costs of production, one off costs for clean up and repairs related to the flood, and recognition of insurance income to reimburse for costs relating to repairs and replacement of assets, increased costs of production, site cleaning costs and lost sales.

Shareholders wanting analysis on the performance of the DuluxGroup business and the impact of the Queensland flood are encouraged to refer to the investor presentation dated 14 November 2012 accompanying the Preliminary Final Report. We note that this investor presentation has not been subject to review or audit.

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Consolidated Income Statement

For the financial year ended 30 September:

	Notes	2012 $'000	2011 $'000
Revenue from sale of goods		**1,067,809**	996,425
Other income	6	**20,159**	67,218
Expenses			
Changes in inventories of finished goods and work in progress		**5,215**	(13,820)
Raw materials and consumables used and finished goods purchased for resale		**429,600**	417,983
Employee benefits expense		**221,685**	210,319
Depreciation and amortisation expense	7	**23,296**	19,973
Purchased services		**146,510**	147,496
Repairs and maintenance		**8,061**	12,965
Lease payments - operating leases		**30,848**	30,015
Outgoing freight		**45,016**	47,454
Other expenses		**47,020**	52,956
Share of net profit of joint venture accounted for using the equity method	15	**(1,500)**	(917)
		955,751	924,424
Profit from operations		**132,217**	139,219
Finance income		**493**	540
Finance expenses	7	**(21,920)**	(23,618)
Net finance costs		**(21,427)**	(23,078)
Profit before income tax expense		**110,790**	116,141
Income tax expense	8	**(24,526)**	(22,904)
Profit for the financial year		**86,264**	93,237

Attributable to:			
Ordinary shareholders of DuluxGroup Limited		**89,492**	93,237
Non-controlling interest in controlled entities		**(3,228)**	-
Profit for the financial year		**86,264**	93,237

		cents	cents
Earnings per share			
Attributable to ordinary shareholders of DuluxGroup Limited:			
Basic earnings per share	4	**24.7**	25.7
Diluted earnings per share	4	**24.3**	25.7

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

Consolidated Statement of Comprehensive Income

For the financial year ended 30 September:

	Notes	2012 $'000	2011 $'000
Profit for the financial year		**86,264**	93,237
Other comprehensive income			
Items that may be reclassified subsequently to the income statement			
Effective portion of changes in fair value of cash flow hedges	8(c)	**(517)**	653
Foreign currency translation (loss)/gain on foreign operations		**(1,379)**	4,115
Income tax on items that may be reclassified subsequently to the income statement	8(c)	**155**	(196)
Total items that may be reclassified subsequently to the income statement, net of tax		**(1,741)**	4,572
Items that will not be reclassified to the income statement			
Actuarial losses on defined benefit plan	8(c),23	**(875)**	(11,811)
Revaluation of other financial assets at fair value through other comprehensive income		**(752)**	-
Income tax on items that will not be reclassified to the income statement	8(c),23	**263**	3,543
Total items that will not be reclassified to the income statement, net of tax		**(1,364)**	(8,268)
Other comprehensive income for the financial year, net of tax		**(3,105)**	(3,696)
Total comprehensive income for the financial year		**83,159**	89,541
Attributable to:			
Ordinary shareholders of DuluxGroup Limited		**86,744**	89,541
Non-controlling interest in controlled entities		**(3,585)**	-
Total comprehensive income for the financial year		**83,159**	89,541

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

Consolidated Balance Sheet
As at 30 September:

	Notes	2012 $'000	2011 $'000
Current assets			
Cash and cash equivalents	9	**28,508**	39,540
Trade and other receivables	10	**170,741**	169,723
Inventories	11	**129,220**	135,727
Derivative financial assets	12	**56**	918
Other assets	13	**3,546**	2,384
Total current assets		**332,071**	348,292
Non-current assets			
Trade and other receivables	10	**22**	4
Derivative financial assets	12	**2**	221
Investment in listed equity securities	14	**36,848**	-
Investment accounted for using the equity method	15	**3,747**	2,497
Property, plant and equipment	16	**199,056**	196,359
Intangible assets	17	**96,830**	87,024
Deferred tax assets	18	**36,186**	33,994
Other assets	13	**4,998**	338
Total non-current assets		**377,689**	320,437
Total assets		**709,760**	668,729
Current liabilities			
Trade and other payables	19	**199,684**	193,380
Interest-bearing liabilities	20	**13,523**	15,721
Derivative financial liabilities	12	**39**	6
Current tax liabilities		**7,224**	8,807
Provisions	21	**17,138**	19,697
Total current liabilities		**237,608**	237,611
Non-current liabilities			
Trade and other payables	19	**43**	294
Interest-bearing liabilities	20	**245,237**	245,931
Deferred tax liabilities	22	**914**	986
Provisions	21	**22,237**	22,837
Defined benefit liability	23	**20,869**	22,614
Total non-current liabilities		**289,300**	292,662
Total liabilities		**526,908**	530,273
Net assets		**182,852**	138,456
Equity			
Contributed equity	24	**172,695**	175,629
Reserves	25	**(105,340)**	(105,232)
Retained earnings		**102,538**	68,059
Total equity attributable to ordinary shareholders of DuluxGroup Limited		**169,893**	138,456
Non-controlling interest in controlled entities		**12,959**	-
Total equity		**182,852**	138,456

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

Consolidated Statement of Changes in Equity

For the financial year ended 30 September:

	Total equity attributable to ordinary shareholders of DuluxGroup Limited									
	Contributed equity $'000	Share-based payments reserve $'000	Cash flow hedge reserve $'000	Foreign currency translation reserve $'000	Common control reserve $'000	Revaluation reserve - other financial assets $'000	Retained earnings $'000	Total $'000	Non-controlling interest [1] $'000	Total equity $'000
Balance at 1 October 2011	175,629	3,148	295	(10,973)	(97,702)	-	68,059	138,456	-	138,456
Profit for the financial year	-	-	-	-	-	-	89,492	89,492	(3,228)	86,264
Other comprehensive income, net of tax	-	-	(362)	(1,022)	-	(752)	(612)	(2,748)	(357)	(3,105)
Total comprehensive income for the financial year	**-**	**-**	**(362)**	**(1,022)**	**-**	**(752)**	**88,880**	**86,744**	**(3,585)**	**83,159**
Transactions with owners, recorded directly in equity										
Shares issued under the DuluxGroup dividend reinvestment plan	4,464	-	-	-	-	-	-	4,464	-	4,464
Share-based payments expense	-	2,093	-	-	-	-	-	2,093		2,093
Purchase of treasury shares for the LTEIP and ESIP[2]	(7,815)	-	-	-	-	-	-	(7,815)	-	(7,815)
Shares vested under the LTEIP and ESIP[3]	417	(65)	-	-	-	-	-	352	-	352
Non-controlling interest on acquisition of a subsidiary	-	-	-	-	-	-	-	-	16,544	16,544
Dividends paid	-	-	-	-	-	-	(54,401)	(54,401)	-	(54,401)
Balance at 30 September 2012	**172,695**	**5,176**	**(67)**	**(11,995)**	**(97,702)**	**(752)**	**102,538**	**169,893**	**12,959**	**182,852**

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

(1) Non-controlling interest on acquisition of a subsidiary relates to the merger of DuluxGroup's DGL International entities in Hong Kong and China with the Hong Kong and China operations of National Lacquer Paint and Products Co Ltd (NLPP). Under the terms of the merger arrangement, DuluxGroup holds 51% of the issued capital in the parent entity of the merged group DGL Camel International Limited. Non-controlling interest on acquisition comprises shares issued in DuluxGroup's wholly owned subsidiary, DGL Camel International Limited, with a fair value of $12,460,000 and NLPP's retained 49% interest in Camelpaint Chemicals Company Limited and its wholly owned subsidiaries of $4,084,000. As described in Note 3, the accounting for this transaction remains provisional.

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

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

Consolidated Statement of Changes in Equity (continued)

For the financial year ended 30 September:

	Total equity attributable to ordinary shareholders of DuluxGroup Limited									
	Contributed equity $'000	Share-based payments reserve $'000	Cash flow hedge reserve $'000	Foreign currency translation reserve $'000	Common control reserve $'000	Revaluation reserve - other financial assets $'000	Retained earnings $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 October 2010	174,323	1,925	(162)	(15,088)	(97,702)	-	21,659	84,955	-	84,955
Profit for the financial year	-	-	-	-	-	-	93,237	93,237	-	93,237
Other comprehensive income, net of tax	-	-	457	4,115	-	-	(8,268)	(3,696)	-	(3,696)
Total comprehensive income for the financial year	**-**	**-**	**457**	**4,115**	**-**	**-**	**84,969**	**89,541**	**-**	**89,541**
Transactions with owners, recorded directly in equity										
Shares issued under the DuluxGroup dividend reinvestment plan	1,258	-	-	-	-	-	-	1,258	-	1,258
Share-based payments expense	-	1,247	-	-	-	-	-	1,247	-	1,247
Shares vested under the ESIP[1]	48	(24)	-	-	-	-	-	24		24
Dividends paid	-	-	-	-	-	-	(38,569)	(38,569)	-	(38,569)
Balance at 30 September 2011	**175,629**	**3,148**	**295**	**(10,973)**	**(97,702)**	**-**	**68,059**	**138,456**	**-**	**138,456**

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

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

Consolidated Statement of Cash Flows

For the financial year ended 30 September:

	Notes	2012 $'000	2011 $'000
Cash flows from operating activities			
Receipts from customers		**1,179,715**	1,085,667
Payments to suppliers and employees		**(1,044,838)**	(1,002,503)
Interest received		**493**	540
Interest paid		**(17,813)**	(26,162)
Income taxes paid		**(27,494)**	(25,638)
Insurance recoveries	2	**26,468**	53,532
Net cash inflow from operating activities	33	**116,531**	85,436
Cash flows from investing activities			
Payments for property, plant and equipment		**(26,382)**	(61,662)
Payments for intangible assets		**(1,221)**	(318)
Payments for purchase of businesses and controlled entities	3	**(2,053)**	(4,480)
Payments for investment in listed equity securites		**(37,600)**	-
Proceeds from joint venture distributions	15	**250**	500
Proceeds from sale of property, plant and equipment		**156**	101
Dividends received	6	**2,820**	-
Net cash outflow from investing activities		**(64,030)**	(65,859)
Cash flows from financing activities			
Net proceeds from short term borrowings		**(5,504)**	3,287
Net proceeds from long term borrowings		**(747)**	7,792
Proceeds from issue of ordinary shares		**4,464**	1,258
Payments for purchase of treasury shares for the LTEIP and ESIP		**(7,815)**	-
Proceeds from employee share plan repayments		**760**	620
Dividends paid		**(54,401)**	(38,569)
Net cash outflow from financing activities		**(63,243)**	(25,612)
Net decrease in cash held		**(10,742)**	(6,035)
Cash at the beginning of the financial year		**39,540**	44,681
Effects of exchange rate changes on cash		**(290)**	894
Cash at the end of the financial year		**28,508**	39,540

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:

	Notes	2012 $'000	2011 $'000
Cash at bank and on hand	9	**25,298**	36,463
Cash at bank - restricted[1]	9	**3,210**	3,077
	9	**28,508**	39,540

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

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

Notes to the Consolidated Financial Statements

For the financial year ended 30 September 2012

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 and investments in financial assets (other than controlled entities and joint ventures) which have been measured at fair value. In addition, we draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup arising from the Queensland flood for the financial year ended 30 September 2012.

The consolidated financial statements were approved by the Board of Directors on 14 November 2012. The consolidated financial statements are presented in Australian dollars, which is DuluxGroup Limited's functional and presentation currency.

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

Except as described below, the accounting policies applied by DuluxGroup in these consolidated financial statements are the same as those applied by DuluxGroup Limited in its financial statements for the financial year ended 30 September 2011. The standards relevant to the Group that have been early adopted during the year are:

- AASB 9 *Financial Instruments*
- AASB 13 *Fair Value Measurement*
- AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9*
- AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)*
- AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13*
- AASB 2012-2 *Amendments to Australian Accounting Standards – Disclosures – Offsetting financial assets and financial liabilities*
- AASB 2012-3 *Amendments to Australian Accounting Standards – Offsetting financial assets and financial liabilities*
- AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 cycle*
- AASB 2012-6 *Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures*

For details of the impact of adopting AASB 9, AASB 2009-11 and AASB 2009-7, refer to Note 1(v). Adoption of the other standards did not have a significant impact on the consolidated financial statements or has impacted disclosures only.

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

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

1 Accounting policies (continued)

DuluxGroup expects to adopt these standards and interpretations in the financial year ending 30 September 2013 and subsequent financial years - however they are not expected to have a significant impact on the financial results of DuluxGroup.

b) Comparatives

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

We draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup arising from the Queensland flood for the financial year ended 30 September 2011.

As permitted under the transitional provisions of AASB 9 *Financial Instruments*, the comparatives impacted by the early adoption of this standard have not been restated and therefore continue to comply with the requirements of AASB 139 *Financial Instruments: Recognition and Measurement*, which was applicable up to the financial year ended 30 September 2011. Refer to Note 1(v) for further details.

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 and the measurement of all amounts has been reviewed in accordance with the requirements of AASB 3 *Business Combinations*, the difference is recognised directly in profit or loss as a bargain purchase.

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

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

e) Revenue recognition

Sales revenue

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

Customer loyalty programme

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

1 Accounting policies (continued)

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.

Dividends are recognised in the income statement when declared.

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

Insurance recoveries are recognised in the income statement to the extent that the virtually certain recognition criteria set out in the Australian Accounting Standards has been satisfied.

f) Finance income and expenses

Finance income

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

Finance expenses

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

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

g) Leases

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

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

h) Research and development costs

Research costs are expensed as incurred.

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

i) 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 on taxable income for the financial year, using tax rates enacted or substantively enacted at reporting date, and any adjustments to tax payable 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. Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

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.

j) Inventories

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

k) Trade and other receivables

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

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

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

1 Accounting policies (continued)

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

l) Investments accounted for using the equity method

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

m) Other financial assets

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

n) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment. 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 the cost of the item can be measured reliably. Property, plant and equipment, other than freehold land, is depreciated on a straight-line basis at rates calculated to allocate the cost less the estimated residual value over the estimated useful life of each asset to the consolidated entity.

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

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

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

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

Assets under construction are not depreciated until ready for use.

o) Intangible assets and amortisation

Identifiable intangibles

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

Identifiable intangible assets with a finite life (customer contracts, patents, software, brand names, trademarks and rights) are amortised on a straight-line basis over their expected useful life to the consolidated entity, being up to thirty years.

Identifiable intangible assets with an indefinite life (selected brand names) are not amortised but the recoverable amount of these assets is tested for impairment at least annually as explained under impairment of assets (Note 17(c)).

Unidentifiable intangibles

Where the fair value of the consideration paid for a business acquisition exceeds the fair value of the identifiable assets, liabilities and contingent liabilities acquired, the difference is treated as goodwill. Goodwill is not amortised but the recoverable amount is tested for impairment at least annually as explained under impairment of assets (Note 17(c)).

Subsequent expenditure

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

p) Trade and other payables

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

Dividends

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

q) 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.

1 Accounting policies (continued)

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.

r) 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 has been 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 written off to the income statement.

s) Employee entitlements

Annual leave

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

Long service leave

Liabilities for long service leave are accrued at the present value of expected future payments to be made resulting from services provided by employees. Liabilities for long service leave entitlements, which are not expected to be paid or settled within 12 months, are discounted using the rates attaching to Government fixed coupon bond rates with similar maturity terms. When discounting using Government bond yields, DuluxGroup now uses an average of State Government bond yields rather than Commonwealth Government bond yields. The impact for the financial year ended 30 September 2012 of this change to State Government bond yields is a decrease to the provision of $913,000 and a corresponding benefit to the income statement.

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

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

Bonuses

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

Superannuation

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

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

All actuarial gains and losses are recognised directly in equity.

DuluxGroup's net obligation in respect of the defined benefit fund is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The discount rate is the market yield on Government bonds that have maturity dates approximating the terms of the consolidated entity's obligation. When discounting using Government bond yields, DuluxGroup now uses an average of State Government bond yields rather than Commonwealth Government bond yields. The impact for the financial year ended 30 September 2012 of this change to State Government bond yields is a decrease in the net obligation of $9,345,000 and a commensurate increase to other comprehensive income. The calculation is performed at least annually by a qualified actuary using the projected unit credit method.

1 Accounting policies (continued)

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 value (as at grant date) of options granted. The assumptions underlying the options valuations are:

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

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

The amounts receivable from employees in relation to the non-recourse loans and any ordinary share capital issued under LTEIP are not recognised on consolidation. Any shares purchased on-market by the Company or its controlled entities are recognised as a share buy-back and deducted from contributed equity.

Where the company issues shares under the employee share investment plan at a discount, an expense for the fair value of the discount on the granted shares is recognised.

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.

t) Foreign currency

Functional currency

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

Foreign currency transactions

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

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

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

u) Financial instruments – classification (prior to 1 October 2011)

DuluxGroup's principal financial instruments comprise cash and cash equivalents, receivables, payables, interest-bearing liabilities and derivatives.

For measurement purposes DuluxGroup classifies financial assets and financial liabilities into the following categories:

(i) financial assets and liabilities at fair value through profit and loss;
(ii) loans and receivables; and
(iii) financial liabilities at amortised cost.

The consolidated entity has no financial assets categorised as held-to-maturity or as available-for-sale.

1 Accounting policies (continued)

Financial assets and liabilities at fair value through profit and loss

This category combines financial assets and liabilities that are held for trading and those designated at fair value through profit and loss at inception. A financial asset or liability is classified in this category if it is acquired principally for the purpose of selling in the short term or if it is so designated by management. The consolidated entity uses a number of derivative instruments for economic hedging purposes under Board approved Treasury risk management policies, which do not meet the criteria for hedge accounting under Australian Accounting Standards. These derivatives are required to be categorised as held for trading. Assets and liabilities in this category are classified as current if they are either held for trading or are expected to be realised within 12 months of the balance sheet date. The fair value of those derivatives that meet the accounting criteria as cash flow hedges and are designated as such are transferred from the income statement to the cash flow hedge reserve in equity.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except where maturities are greater than 12 months after the balance sheet date when they are classified as non-current. Loans and receivables are classified as 'Trade and other receivables' in the balance sheet (Note 10).

Financial liabilities at amortised cost

Financial liabilities measured in this category are initially recognised at their fair value and are then subsequently re-measured at amortised cost using the effective interest rate method. This includes DuluxGroup's short term non-derivative financial liabilities (Note 19) and its interest-bearing liabilities (Note 20).

v) Financial instruments – classification (from 1 October 2011)

From 1 October 2011, DuluxGroup classifies its financial assets in the following measurement categories:

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

Financial assets and liabilities at amortised cost

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

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

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

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

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

Financial assets at fair value through other comprehensive income

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

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

Changes to fair values are presented in the revaluation reserve in equity.

Financial assets and liabilities at fair value through profit and loss

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

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

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

1 Accounting policies (continued)

Change in accounting policy

With the adoption of AASB 9 *Financial Instruments*, there were no changes to the measurement of financial assets and liabilities held by DuluxGroup.

All financial assets that were previously classified as 'loans and receivables' (Note 37) have now been classified as 'financial assets at amortised cost'. Other than as disclosed, there were no other impact on the classification of financial assets and liabilities.

w) Financial instruments – hedging

DuluxGroup uses financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its Board approved Treasury risk management policies, DuluxGroup does not hold or issue financial instruments for trading purposes. However, financial instruments that do not qualify for hedge accounting, but remain economically effective, are accounted for as held for trading instruments in accordance with the requirements of both AASB 139 *Financial Instruments: Recognition and Measurement* and AASB 9 *Financial Instruments*.

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

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

Cash flow hedges

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

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

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

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

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

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

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

Hedge of monetary assets and liabilities

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

Anticipated transactions

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

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

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

1 Accounting policies (continued)

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

x) Financial instruments – impairment

For loans and receivables (prior to 1 October 2011) and financial assets carried at amortised cost (from 1 October 2011), the amount of any loss is measured as the extent to which the asset's carrying amount exceeds the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement.

y) Cash and cash equivalents

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

z) Contributed equity

Ordinary shares in DuluxGroup Limited are classified as contributed equity.

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

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

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

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

aa) Impairment of other assets

The carrying amount of the DuluxGroup's non-current assets, excluding any defined benefit fund assets, deferred tax assets, goodwill, financial assets and indefinite life intangible assets, is 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. Goodwill and indefinite life intangible assets are tested for impairment at least annually.

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

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

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

In calculating recoverable amount, the estimated future cash flows 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 flows 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.

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. 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 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.

1 Accounting policies (continued)

ab) Earnings per share

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

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

ac) Segment reporting

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

ad) Goods and services tax (GST)

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

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

ae) Rounding

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

2 Queensland flood

The consolidated financial results presented for DuluxGroup for the financial year ended 30 September 2012 and 30 September 2011 include accounting for the impacts arising from the Queensland flood which caused plant damage and closure to the Group's main Australian manufacturing facility at Rocklea in January 2011. The insurance claim has now been finalised and settled in full with the Group's insurers for a total compensation of $80,000,000. $15,000,000 of this claim has been recognised as other income during the financial year ended 30 September 2012 (2011 $65,000,000). Of the amount recognised as other income, $NIL is outstanding as at 30 September 2012 (2011 $11,468,000).

Impacts in the financial year ended 30 September 2012 include the cost of asset repairs, costs to rework damaged stock, stock disposal costs and claim preparation costs, and recognition of insurance income to reimburse for these costs, costs relating to replacement of assets and increased costs of production.

Impacts in the financial year ended 30 September 2011 include recognition of impairment for assets damaged in the flood, increased costs of production, one off costs for clean up and repairs related to the flood, and recognition of insurance income to reimburse for costs relating to repairs and replacement of assets, increased costs of production, site cleaning costs and lost sales.

3 Businesses acquired

2012

On 30 November 2011, DuluxGroup Limited merged its DGL International entities in Hong Kong and China with the Hong Kong and China operations of National Lacquer Paint and Products Co Ltd to create the DGL Camel International Group (DGCI Group). The merger is consistent with DuluxGroup's strategy of making low-risk acquisitions to further grow DuluxGroup's position in the high growth Chinese market.

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

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

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

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

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

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

3 Businesses acquired (continued)

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

2012	Book value $'000	Fair value adjustment $'000	Fair value total $'000
Consideration			
Shares issued in DGCI at fair value	12,460	-	12,460
Cash paid and settled via loans with related entities	4,000	-	4,000
Purchase price adjustment	(710)	-	(710)
Net cash acquired	(1,947)	-	(1,947)
Total consideration	13,803	-	13,803
Net assets of controlled entities acquired			
Trade and other receivables	13,066	-	13,066
Inventories	4,961	-	4,961
Property, plant and equipment	2,975	-	2,975
Other assets	259	-	259
Deferred tax assets	-	396	396
Trade and other payables	(11,429)	-	(11,429)
Interest-bearing liabilities	(3,571)	-	(3,571)
Other provision	(24)	-	(24)
Provision for employee entitlements	(282)	-	(282)
Net identifiable assets acquired	5,955	396	6,351
less: interest retained by non-controlling interests in acquired net assets			(4,084)
Net identifiable assets acquired, net of non-controlling interests			2,267
Goodwill on acquisition (1)			11,536

(1) As allowed by Australian Accounting Standards, DuluxGroup have elected to recognise acquired goodwill on a proportional basis. Therefore, only DuluxGroup's 51% share of goodwill arising from this transaction had been recognised.

Transaction costs recognised as an expense in respect of this acquisition during the financial year ended 30 September 2012 were $504,000 (2011 $1,000,000).

Results contributed by the acquired business since acquistion date:

	$'000
Revenue(1)	37,899
Loss before income tax expense(1)	(1,406)

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

If the acquisition had occured on 1 October 2011, the results of the consolidated entity would have been:

	$'000
Revenue	1,076,808
Profit before income tax expense	110,654

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

2011

There were no material business combinations entered into during the financial year ended 30 September 2011.

Amendments to prior year acquisitions

The purchase accounting adjustments associated with the acquisition of the EnviroSolutions business acquired in 2008 were finalised during the year ended 30 September 2011. This resulted in a decrease to goodwill of $1,000,000 during the financial year ended 30 September 2011 with a corresponding decrease to creditors. This adjustment reflects a reduction in the contingent consideration arising from an earn-out arrangement which was settled for $4,480,000 during the year.

4 Earnings per share (EPS)

As reported in the consolidated income statement	2012 Cents per share	2011 Cents per share
Total attributable to ordinary shareholders of DuluxGroup Limited		
Basic earnings per share	**24.7**	25.7
Diluted earnings per share	**24.3**	25.7
	$'000	$'000
Earnings used in the calculation of basic and diluted earnings per share		
Profit for the financial year attributable to ordinary shareholders of DuluxGroup Limited	**89,492**	93,237
	Number	Number
Weighted average number of ordinary shares outstanding used as the denominator:		
Number for basic earnings per share	**361,805,421**	362,481,237
Effect of the potential vesting of shares under the LTEIP and ESIP[1]	**6,691,151**	470,900
Number for diluted earnings per share	**368,496,572**	362,952,137

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

5 Segment report

The consolidated entity's operations are divided into four reportable segments comprising: Paints Australia, Paints New Zealand, Selleys Yates and Offshore and Other.

The consolidated entity's policy is to transfer products internally at negotiated commercial prices. Other income includes insurance recoveries, dividend income, royalties, and net foreign exchange gains.

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

Defined reportable segments	Products/services
Paints Australia	Manufacture and supply of paints and other surface coatings to the decorative market in Australia for both consumer and professional markets.
Paints New Zealand	Manufacture and supply of paints and other surface coatings to the decorative market in New Zealand for both consumer and professional markets.
Selleys Yates	Manufacture and distribution of home improvement and garden care products in Australia and New Zealand for both consumer and professional markets.
Offshore and Other	China and South East Asia coatings and home improvement businesses, Papua New Guinea coatings business and the powders and industrial coatings business in Australia and New Zealand.

5 Segment report (continued)

Reportable segments 2012 $'000	Paints Australia	Paints New Zealand	Selleys Yates	Offshore and Other	Unallocated [2]	Consolidated
Revenue						
External sales	607,977	72,274	233,514	154,044	-	1,067,809
Inter-segment sales	5,954	31	11,086	568	(17,639)	-
Total revenue from sale of goods	613,931	72,305	244,600	154,612	(17,639)	1,067,809
Other income[1]	15,430	80	(174)	1,602	3,221	20,159
Total revenue and other income	629,361	72,385	244,426	156,214	(14,418)	1,087,968
Results						
Profit/(loss) before net financing costs and income tax expense	108,759	8,087	24,911	6,680	(16,220)	132,217
Profit/(loss) from operations	108,759	8,087	24,911	6,680	(16,220)	132,217
Finance income						493
Finance expense						(21,920)
Profit before income tax expense						110,790
Income tax expense						(24,526)
Profit for the financial year						86,264
Segment assets	292,361	51,533	135,950	111,922	117,994	709,760
Segment liabilities	137,691	14,404	48,801	34,620	291,392	526,908
Investment accounted for using the equity method	-	-	3,747	-	-	3,747
Acquisitions of property, plant and equipment and intangible assets	16,349	1,969	3,737	1,845	-	23,900
Impairment of property, plant and equipment	-	-	-	513	-	513
Impairment/(reversal of impairment) of inventories	73	317	(212)	146	-	324
Impairment/(reversal of impairment) of trade and other receivables	690	123	(30)	(71)	-	712
Depreciation expense	10,974	2,393	3,003	4,486	664	21,520
Amortisation expense	951	76	538	211	-	1,776
Non-cash expenses other than depreciation and amortisation:						
Share-based payments	1,008	102	221	63	699	2,093
Share of net profit of joint venture accounted for using the equity method	-	-	1,500	-	-	1,500

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

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

Revenue from one of DuluxGroup's customers was approximately 29% (2011 30%) of the total DuluxGroup revenue from sale of goods during the year ended 30 September 2012. This customer operated within the Paints Australia, Paints New Zealand and Selleys Yates segments.

5 Segment report (continued)

Reportable segments 2011 $'000	Paints Australia	Paints New Zealand	Selleys Yates	Offshore and Other	Unallocated [2]	Consolidated
Revenue						
External sales	575,089	70,639	237,619	113,078	-	996,425
Inter-segment sales	5,540	11,909	11,306	753	(29,508)	-
Total revenue from sale of goods	580,629	82,548	248,925	113,831	(29,508)	996,425
Other income[1]	64,777	(151)	560	2,163	(131)	67,218
Total revenue and other income	645,406	82,397	249,485	115,994	(29,639)	1,063,643
Results						
Profit/(loss) before net financing costs and income tax expense	106,896	9,725	30,491	7,656	(15,549)	139,219
Profit/(loss) from operations	106,896	9,725	30,491	7,656	(15,549)	139,219
Finance income						540
Finance expense						(23,618)
Profit before income tax expense						116,141
Income tax expense						(22,904)
Profit for the financial year						93,237
Segment assets	301,676	51,096	139,058	85,604	91,295	668,729
Segment liabilities	141,987	14,381	48,947	26,632	298,326	530,273
Investment accounted for using the equity method	-	-	2,497	-	-	2,497
Acquisitions of property, plant and equipment and intangible assets	46,006	13,467	3,583	2,793	429	66,278
Impairment of property, plant and equipment	6,546	153	-	-	12	6,711
Impairment/(reversal of impairment) of inventories	6,104	365	(99)	510	-	6,880
Impairment of trade and other receivables	854	139	-	469	-	1,462
Depreciation expense	8,692	2,227	3,093	3,547	562	18,121
Amortisation expense	976	76	597	203	-	1,852
Non-cash expenses other than depreciation and amortisation:						
Share-based payments	201	75	194	38	739	1,247
Share of net profit of joint venture accounted for using the equity method	-	-	917	-	-	917

(1) Includes foreign exchange gains/(losses) in various reportable segments and recoveries from the Queensland flood of $65,000,000 in Paints Australia.

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

5 Segment report (continued)

Geographical information

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

	2012 $'000	2011 $'000
Australia	**829,457**	802,130
New Zealand	**125,893**	124,723
Other countries	**112,459**	69,572
	1,067,809	996,425

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:

	2012 $'000	2011 $'000
Australia	**231,542**	224,988
New Zealand	**35,978**	36,547
Other countries	**33,364**	22,186
	300,884	283,721

6 Other income

	2012 $'000	2011 $'000
Insurance recoveries [(1)]	**15,000**	65,000
Dividend income from listed equity securities	**2,820**	-
Net foreign exchange gains	**781**	-
Royalty income	**146**	416
Other	**1,412**	1,802
	20,159	67,218

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

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2012

7 Expenses

Profit before income tax includes the following specific expenses:

	2012 $'000	2011 $'000
Depreciation and amortisation		
Depreciation (Note 16)		
Buildings	**1,947**	1,781
Machinery, plant and equipment	**19,573**	16,340
	21,520	18,121
Amortisation (Note 17)		
Patents, trademarks and rights	**183**	191
Brand names	**225**	232
Software	**1,368**	1,429
	1,776	1,852
Total depreciation and amortisation expense	**23,296**	19,973
Provisions - net of amounts written back (Note 21)		
Environmental provision	**(404)**	-
Deferred income - customer loyalty programme provision	**1,648**	1,475
Leased properties provision	**(325)**	2,696
Other provisions	**1,509**	210
	2,428	4,381
Finance expenses		
Interest and finance charges paid/payable for financial liabilities not at fair value through profit and loss	**21,469**	24,252
Provisions: unwinding of discount (Note 21)	**531**	436
Amount capitalised (Note 16)	**(80)**	(1,070)
	21,920	23,618
Net loss on sale of property, plant and equipment	**278**	54
Net foreign exchange losses	**-**	161
Impairment of property, plant and equipment (Note 16)	**513**	6,711
Impairment of trade and other receivables	**712**	1,462
Impairment of inventories	**324**	6,880
Research and development expense	**14,816**	14,711

8 Income tax

a) Income tax expense recognised in the consolidated income statement

	2012 **$'000**	2011 $'000
Current tax expense	**33,945**	39,268
Deferred tax benefit	**(1,449)**	(4,903)
Over provision in prior years [1,2]	**(7,970)**	(11,461)
Total income tax expense in the consolidated income statement	**24,526**	22,904
Deferred income tax expense/(benefit) included in income tax expense comprises:		
Increase in deferred tax assets (Note 18)	**(1,393)**	(5,127)
(Decrease)/increase in deferred tax liabilities (Note 22)	**(56)**	224
	(1,449)	(4,903)

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

	2012 **$'000**	2011 $'000
Profit before income tax expense	**110,790**	116,141
Prima facie income tax expense calculated at 30% of profit before income tax expense	**33,237**	34,842
Tax effect of items which (decrease)/increase tax expense:		
Variation in tax rates of foreign controlled entities	**13**	175
Entertainment	**274**	262
Non allowable share-based payments	**452**	374
Research and development	**(372)**	(360)
Share of net profit of joint venture accounted for using the equity method	**(450)**	(275)
Net non-deductible/non-assessable income	**(3,008)**	(2,298)
Tax consolidation adjustment [2]	**(6,250)**	(12,474)
Deferred tax restatements for overseas tax legislation change	**5**	231
Tax offset for franked dividends	**(846)**	-
Tax losses not recognised	**1,738**	1,540
Sundry items	**(267)**	887
Income tax expense reported in the consolidated income statement	**24,526**	22,904

(1) This largely comprises of an over provision arising from changes to the tax consolidation adjustment recognised for the financial year ended 30 September 2010. Refer to footnote 2 below for further details.

(2) On forming the Australian tax consolidated group effective from 19 July 2010, management undertook an exercise to calculate the impact of tax consolidation on the recognised values of deferred tax balances in Australia. Management has continued to refine the tax exit calculation supported by independent valuation advice and have recognised a further deferred tax asset of $6,250,000 (2011 $12,474,000) in the year ended 30 September 2012, with a corresponding credit to income tax expense.

c) Income tax expense recognised in other comprehensive income

		2012			2011	
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
	Before tax	**Tax benefit**	**Net of tax**	Before tax	Tax (expense) /benefit	Net of tax
Effective portion of changes in fair value of cash flow hedges	**(517)**	**155**	**(362)**	653	(196)	457
Actuarial losses on defined benefit plan	**(875)**	**263**	**(612)**	(11,811)	3,543	(8,268)
	(1,392)	**418**	**(974)**	(11,158)	3,347	(7,811)

8 Income tax (continued)

d) Unrecognised deferred tax assets and liabilities

	2012 $'000	2011 $'000
Tax losses not recognised in:		
China[1]	**3,441**	1,753
Hong Kong	**27**	-
Singapore	**23**	-
	3,491	1,753

[1] Expiration dates between 2012 and 2017 (2011 between 2011 and 2016).

e) Unrecognised temporary differences

	2012 $'000	2011 $'000
Temporary differences relating to investments in subsidiaries for which deferred tax assets have not been recognised	**12,352**	10,973
Unrecognised deferred tax assets relating to the above temporary differences	**3,706**	3,292

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

f) Tax consolidation

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

9 Cash and cash equivalents

	2012 $'000	2011 $'000
Cash at bank and on hand	**25,298**	36,463
Cash at bank - restricted[1]	**3,210**	3,077
	28,508	39,540

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

10 Trade and other receivables

	2012 $'000	2011 $'000
Current		
Trade receivables	**170,144**	158,994
Less allowance for impairment	**(2,544)**	(3,137)
	167,600	155,857
Other receivables	**3,141**	2,398
Insurance receivables (Note 2)	**-**	11,468
	170,741	169,723
Non-current		
Other receivables	**22**	4

a) Trade receivables

Current trade receivables include $8,471,000 (2011 $12,526,000) of receivables arising from trade cards used by customers to finance trade debts that have effectively been transferred from DuluxGroup. These receivables do not qualify for derecognition due to DuluxGroup's exposure to the credit risk associated with the relevant debtors via guarantees provided to financial institutions should the debtors not pay. A corresponding liability is recognised in Note 20.

In addition, current receivables is net of $14,183,000 (2011 $9,508,000) of rebates payable that is offset against related receivables. DulxGroup has the legal right to offset such balances as they are with the same customers and it is DuluxGroup’s intention to net settle any outstanding balances.

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

b) Trade receivables and allowance for impairment

	2012 Gross $'000	2012 Allowance $'000	2011 Gross $'000	2011 Allowance $'000
Not past due	**144,625**	**18**	137,389	32
Past due 0 - 30 days	**15,762**	**99**	13,416	125
Past due 31 - 60 days	**2,787**	**92**	2,060	63
Past due 61 - 90 days	**2,037**	**129**	1,316	188
Past due 91 - 120 days	**1,493**	**180**	817	251
Past 120 days	**3,440**	**2,026**	3,996	2,478
	170,144	**2,544**	158,994	3,137

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

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

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

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

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

No material security is held over trade receivables.

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

10 Trade and other receivables (continued)

c) Movement in allowance for impairment of trade receivables

	2012 $'000	2011 $'000
Balance at 1 October	**3,137**	2,763
Allowances made during the year	**1,022**	1,468
Allowances written back during the year	**(310)**	-
Allowances utilised during the year	**(1,263)**	(1,136)
Foreign currency exchange differences	**(42)**	42
Balance at 30 September	**2,544**	3,137

d) Movement in allowance for impairment of current other receivables

	2012 $'000	2011 $'000
Balance at 1 October	**-**	49
Allowances written back during the year	**-**	(6)
Allowances utilised during the year	**-**	(44)
Foreign currency exchange differences	**-**	1
Balance at 30 September	**-**	-

e) Fair values

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

f) Concentrations of credit risk

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

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

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

11 Inventories

	2012 $'000	2011 $'000
Raw materials	**23,425**	26,935
Work in progress	**3,996**	4,480
Finished goods	**101,799**	104,312
	129,220	135,727

The cost of goods sold recognised in the consolidated income statement for the financial year ended 30 September 2012 amounted to $602,327,000 (2011 $564,799,000).

12 Derivative financial assets and liabilities

	2012 $'000	2011 $'000
Current		
Derivative financial assets		
Foreign exchange options - cash flow hedges	**56**	881
Interest rate options - cash flow hedges	**-**	37
	56	918
Derivative financial liabilities		
Foreign exchange contracts - held for trading	**39**	6
	39	6
Non-current		
Derivative financial assets		
Interest rate options - cash flow hedges	**2**	221
	2	221

Cash flow hedges

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

a) Foreign exchange transactions

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

The fair value of foreign exchange options used as hedges of foreign exchange transactions at 30 September 2012 was $56,000 (2011 $881,000), comprising assets of $56,000 (2011 $881,000).

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

Vanilla European Option Contracts	**Weighted average rate 2012**	**$'000 2012**	Weighted average rate 2011	$'000 2011
Buy US dollars/sell Australian dollars				
Not later than one year	**1.0047**	**USD 5,557**	1.0422	USD 9,224
Buy US dollars/sell New Zealand dollars				
Not later than one year	**-**	**-**	0.8424	USD 372

The cash flow hedge reserve at 30 September 2012 includes a net loss of $71,000 ($50,000 net of tax) (2011 net gain of $456,000 ($319,000 net of tax)) on foreign exchange options which is expected to be recognised within 12 months.

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

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

12 Derivative financial assets and liabilities (continued)

b) Interest rate option contracts

Interest rate options are classified as cash flow hedges if they are used to transfer floating rate debt into fixed rate debt and are stated at fair value. The portion of the gain or loss on the options that is determined to be an effective hedge is recognised directly in equity, with the remainder recognised in the income statement. All options are matched directly against the appropriate loans and interest expense and as such are considered highly effective. There was a derivative asset of $2,000 (2011 $258,000) as at 30 September 2012.

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

	2012 **$'000**	2011 $'000
Floating to fixed options		
One to five years	**150,000**	175,000
Fixed interest rate range p.a.	**5.00% to 5.50%**	4.75% to 5.50%

The cash flow hedge reserve at 30 September 2012 includes a net loss of $24,000 ($17,000 net of tax) (2011 losses of $34,000 ($24,000 net of tax)) on interest rate options which is largely expected to be recognised within 12 months.

Derivatives not designated in a hedging relationship

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

Fair value of derivatives

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

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

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

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

2012	**Level 1[1] $'000**	**Level 2[2] $'000**	**Level 3[3] $'000**	**Total $'000**
Forward foreign exchange contracts	**-**	**(39)**	**-**	**(39)**
Interest rate options	**-**	**2**	**-**	**2**
Foreign exchange options	**-**	**56**	**-**	**56**

2011	Level 1[1] $'000	Level 2[2] $'000	Level 3[3] $'000	Total $'000
Forward foreign exchange contracts	-	(6)	-	(6)
Interest rate options	-	258	-	258
Foreign exchange options	-	881	-	881

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

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

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

13 Other assets

	2012 $'000	2011 $'000
Current		
Prepayments	**3,444**	2,114
Other	**102**	270
	3,546	2,384
Non-current		
Prepayments	**4,996**	332
Other	**2**	6
	4,998	338

14 Investment in listed equity securities

	2012 $'000	2011 $'000
Equity investments at fair value through other comprehensive income		
Ordinary shares held in Alesco Corporation Limited(1)	**36,848**	-
	36,848	**-**

(1) On 30 April 2012, DuluxGroup, through its wholly owned subsidiary, DuluxGroup (Nominees) Pty Ltd, acquired 19.96% of the shares in Alesco Corporation Limited (Alesco) for $37,600,000. The interest was acquired preceding the Group's off-market takeover offer for the remaining shares in Alesco announced on 1 May 2012. Details of this offer are set out in Note 31(d). The 19.96% interest does not provide DuluxGroup with either control or significant influence over Alesco as DuluxGroup is not represented on the Board or management of Alesco. DuluxGroup is also not involved in the financial and operating activities of Alesco.

Transaction costs of $3,596,000 associated with this takeover offer are included in the results of DuluxGroup for the financial year ended 30 September 2012. These costs are primarily related to consulting and legal fees.

Fair value of the ordinary shares held in Alesco is derived from quoted prices (unadjusted) from the Australian Securities Exchange at 30 September 2012.

15 Investments accounted for using the equity method

The consolidated entity has an interest in the following entities:

Name of entity	Percentage of ownership interest held at end of the financial year 2012 %	2011 %	Contribution to net profit 2012 $'000	2011 $'000
DGL Camel Powder Coatings Limited (formerly DGL Camel Coatings Limited, Orica Camel Coatings Limited)[1]	**-**	50.0	**-**	-
Pinegro Products Pty Ltd[2]	**50.0**	50.0	**1,500**	917
			1,500	917

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

[2] Acquired on 1 December 2009 and incorporated on 10 April 1979.

There were no commitments and contingent liabilities in the joint ventures as at 30 September 2012 (2011 $NIL).

	2012 $'000	2011 $'000
Results of joint venture		
Share of joint venture's profit before income tax	**2,143**	1,310
Share of joint venture's income tax expense	**(643)**	(393)
Share of net profit of joint venture accounted for using the equity method	**1,500**	917
Movements in carrying amounts of investments		
Balance at 1 October	**2,497**	2,080
Share of net profit of joint venture accounted for using the equity method	**1,500**	917
Less distributions from joint venture	**(250)**	(500)
Balance at 30 September	**3,747**	2,497
Summary of profit and loss of the joint venture on a 100% basis		
The revenue and net profit after tax of the joint venture is:		
Revenue	**14,778**	14,319
Net profit after tax	**2,093**	1,834
Summary of balance sheet of the joint venture on a 100% basis		
The assets and liabilities of the joint venture is:		
Current assets	**4,559**	3,410
Non-current assets	**6,407**	6,131
Total assets	**10,966**	9,541
Current liabilities	**2,759**	2,622
Non-current liabilities	**713**	1,018
Total liabilities	**3,472**	3,640
Net assets	**7,494**	5,901

16 Property, plant and equipment

	2012 $'000	2011 $'000
Land		
At cost	**28,989**	28,970
Buildings and leasehold improvements		
At cost	**67,754**	60,573
Less accumulated depreciation and impairment	**(28,628)**	(26,666)
	39,126	33,907
Machinery, plant and equipment		
At cost	**270,547**	265,537
Less accumulated depreciation and impairment	**(139,606)**	(132,055)
	130,941	133,482
Total net book value		
At cost	**367,290**	355,080
Less accumulated depreciation and impairment	**(168,234)**	(158,721)
Total net book value of property, plant and equipment	**199,056**	196,359

a) Assets under construction

Included in the above are assets under construction at 30 September 2012 of $6,566,000 (2011 $36,989,000).

b) Capitalised borrowing costs

Included in the above is capitalised interest on qualifying assets for the financial year ended 30 September 2012 of $80,000 (2011 $1,070,000). For the financial year ended 30 September 2012, the capitalisation amount is the actual interest expense incurred on borrowings used specifically to fund the capital expenditure on qualifying assets.

For the financial year ended 30 September 2011, the capitalisation rate used to determine the amount of borrowings costs to be capitalised is 7.1%, being the weighted average interest rate applicable to the entity's outstanding borrowings during the financial year.

c) Reconciliations

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

	Land $'000	Buildings and leasehold improvements $'000	Machinery, plant and equipment $'000	Total $'000
2012				
Balance at 1 October 2011	**28,970**	**33,907**	**133,482**	**196,359**
Additions	**-**	**7,699**	**14,980**	**22,679**
Additions through business acquisitions (Note 3)	**-**	**-**	**2,975**	**2,975**
Disposals	**-**	**(31)**	**(403)**	**(434)**
Offset with provisions	**-**	**(597)**[1]	**-**	**(597)**
Depreciation expense	**-**	**(1,947)**	**(19,573)**	**(21,520)**
Impairment expense	**-**	**-**	**(513)**	**(513)**
Foreign currency exchange differences	**19**	**95**	**(7)**	**107**
Balance at 30 September 2012	**28,989**	**39,126**	**130,941**	**199,056**
2011				
Balance at 1 October 2010	22,466	27,536	103,888	153,890
Additions	6,425	8,069	51,469	65,963
Disposals	-	-	(182)	(182)
Depreciation expense	-	(1,781)	(16,340)	(18,121)
Impairment expense	-	(23)	(6,688)	(6,711)
Foreign currency exchange differences	79	106	1,335	1,520
Balance at 30 September 2011	28,970	33,907	133,482	196,359

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

17 Intangible assets

	2012 $'000	2011 $'000
Goodwill		
At cost	**54,136**	43,705
	54,136	43,705
Patents, trademarks and rights		
At cost	**4,455**	4,418
Less accumulated amortisation	**(3,645)**	(3,439)
	810	979
Brand names		
At cost	**41,211**	41,298
Less accumulated amortisation	**(1,064)**	(864)
	40,147	40,434
Software		
At cost	**20,355**	19,194
Less accumulated amortisation	**(18,618)**	(17,288)
	1,737	1,906
Total net book value		
At cost	**120,157**	108,615
Less accumulated amortisation	**(23,327)**	(21,591)
Total net book value of intangible assets	**96,830**	87,024

a) 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	Total $'000
2012					
Balance at 1 October 2011	**43,705**	**979**	**40,434**	**1,906**	**87,024**
Additions	**-**	**-**	**-**	**1,221**	**1,221**
Additions through business acquisitions (Note 3)	**11,536**	**-**	**-**	**-**	**11,536**
Amortisation expense	**-**	**(183)**	**(225)**	**(1,368)**	**(1,776)**
Foreign currency exchange differences	**(1,105)**	**14**	**(62)**	**(22)**	**(1,175)**
Balance at 30 September 2012	**54,136**	**810**	**40,147** [1]	**1,737**	**96,830**
2011					
Balance at 1 October 2010	44,200	1,151	40,650	3,003	89,004
Additions	-	-	-	315	315
Adjustments for business acquisitions (Note 3)	(1,000)	-	-	-	(1,000)
Amortisation expense	-	(191)	(232)	(1,429)	(1,852)
Foreign currency exchange differences	505	19	16	17	557
Balance at 30 September 2011	43,705	979	40,434 [1]	1,906	87,024

(1) Includes an amount of $38,358,000 (2011 $38,358,000) relating to brand names with indefinite useful lives.

17 Intangible assets (continued)

b) Allocation of goodwill and intangible assets with indefinite useful lives to cash-generating units

The allocation of goodwill and brand names with indefinite lives are as follows:

	Goodwill[1]		Brand names[2]	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Paints Australia	**8,063**	8,063	**23,500**	23,500
Selleys Yates	**20,210**	20,210	**14,858**	14,858
China[3]	**25,863**	15,432	**-**	-
	54,136	43,705	**38,358**	38,358

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

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

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

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

For the purpose of impairment testing, the recoverable amount of both goodwill and brand names with indefinite lives is assessed based on the higher of value in use and fair value less costs to sell.

The recoverable amount of the CGUs are determined using cash flow projections based on DuluxGroup's Board approved budgets, four year business plans and related strategic reviews. Cash flow projections beyond the four year period are extrapolated using estimated growth rates, which are not expected to exceed the long term average growth rates in the applicable markets. Foreign currency cash flows are discounted using the functional currency of the CGUs and then translated to Australian dollars using the closing exchange rate.

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

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

The pre-tax discount rates applied in the discounted cash flow models range between 11% and 15% (2011 14% and 16%).

As at 30 September 2012, results of the impairment testing for goodwill and intangible assets with indefinite useful lives did not result in any impairment being identified.

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

17 Intangible assets (continued)

c) Impairment testing of goodwill and intangible assets with indefinite useful lives (continued)

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

The acquisition of Sopel provided DuluxGroup with access to over 750 distribution outlets and a market leading position in woodcare coatings in the Shanghai region. DuluxGroup's strategy in acquiring Sopel is to leverage the acquired distribution channels by overlaying DuluxGroup's broad product range. The acquisition of the Camelpaint business provided DuluxGroup with additional skills and technical talent in the region. Consistent with the Group's stated strategy for growth in China, the recoverable amount of the China CGU was assessed for the year ended 30 September 2012 using fair value less cost to sell, with the recoverable amount of the CGU exceeding the carrying value of its net assets. The recoverable amount as determined by fair value less cost to sell is sensitive to sales revenue growth rate in the forecast period, terminal value growth rate applied into perpetuity and the discount rate applied. The assumptions applied are as follows:

10 year sales revenue compound annual growth rate	9.4%
Terminal value growth rate	4%
Pre-tax discount rate	15.3% for entities based in China
	11.3% for entities based in Hong Kong

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

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

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

No comparative sensitivity analysis is presented for the financial year ended 30 September 2011 owing to the structural change in the China CGU following the acquisition of Camelpaint business in the current financial year.

18 Deferred tax assets

	2012 $'000	2011 $'000
The balance comprises temporary differences attributable to:		
Trade and other receivables	**484**	655
Inventories	**1,934**	1,747
Property, plant and equipment	**6,094**	9,852
Intangible assets	**5,265**	2,123
Trade and other payables	**3,093**	4,585
Provisions	**1,972**	3,127
Employee entitlements	**15,723**	15,538
Tax losses	**434**	22
Other	**1,187**	876
Deferred tax assets	**36,186**	38,525
Set-off of deferred tax assets pursuant to set-off provisions (Note 22)	**-**	(4,531)
Net deferred tax assets	**36,186**	33,994
Expected to be recovered within 12 months	**13,814**	12,614
Expected to be recovered after more than 12 months	**22,372**	21,380
	36,186	33,994
Movements:		
Balance at 1 October	**33,994**	25,432
Additions through business acquisitions (Note 3)	**396**	-
Credited to profit or loss	**1,393**	5,127
Charged to other comprehensive income (Note 8(c))	**418**	3,347
Foreign currency exchange differences	**(15)**	88
Balance at 30 September	**36,186**	33,994

19 Trade and other payables

	2012 $'000	2011 $'000
Current		
Trade payables	**164,286**	159,498
Other payables	**35,398**	33,882
	199,684	193,380
Non-current		
Other payables	**43**	294
	43	294

a) Significant terms and conditions

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

b) Fair values

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

20 Interest-bearing liabilities

	2012 $'000	2011 $'000
Current		
Unsecured		
Trade cards[1]	**8,471**	12,526
Bank loan - RMB denominated[2]	**4,558**	3,195
Bank loan - HKD denominated[3]	**494**	-
	13,523	15,721
Non-current		
Unsecured		
Bank loan - USD denominated[4]	**-**	3,070
Bank loan - NZD denominated[5]	**-**	19,685
Bank loan - AUD denominated[6]	**245,237**	223,176
	245,237	245,931

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

(2) The current Chinese Renminbi (RMB) unsecured bank loan amount comprises of RMB 30,000,000 (AUD 4,558,000) (2011 RMB 20,000,000 (AUD 3,195,000)) drawn under an overseas bank loan facility.

(3) The current Hong Kong Dollar (HKD) unsecured bank loan amount comprises of HKD 4,000,000 (AUD 494,000) (2011 HKD NIL) drawn under an overseas bank loan facility.

(4) The non-current USD denominated unsecured bank loan amount comprises of USD NIL (2011 USD 3,000,000 (AUD 3,070,000)) drawn under the Group's multi-currency syndicated bank loan facility.

(5) The non-current NZD denominated unsecured bank loan amount comprises of NZD NIL (2011 NZD 25,000,000 (AUD 19,685,000)) drawn under the Group's multi-currency syndicated bank loan facility.

(6) The non-current AUD denominated unsecured bank loan amount comprises of $248,000,000 (2011 $225,000,000) drawn under the Group's multi-currency syndicated bank loan facility, net of unamortised prepaid establishment fees of $2,763,000 (2011 $1,824,000).

a) Fair values

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

b) Assets pledged as security

While there were no assets pledged as security by DuluxGroup Limited and its controlled entities, DuluxGroup Limited, DuluxGroup (Finance) Pty Ltd, DuluxGroup (Investments) Pty Ltd, DuluxGroup (New Zealand) Pty Ltd, DuluxGroup (Australia) Pty Ltd, Dulux Holdings Pty Ltd, DuluxGroup (Nominees) Pty Ltd and DuluxGroup (PNG) Pte Ltd have provided a guarantee in relation to the Group's syndicated bank loan facilities and other overseas bank facilities.

c) Defaults and breaches

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

21 Provisions

	2012 $'000	2011 $'000
Current		
Employee entitlements	**15,576**	13,168
Environmental	**97**	2,344
Deferred income - customer loyalty programme	**1,070**	1,026
Leased properties	**395**	315
Other	**-**	2,844
	17,138	19,697
Non-current		
Employee entitlements	**16,224**	16,111
Deferred income - customer loyalty programme	**1,763**	1,707
Leased properties	**3,681**	4,422
Other	**569**	597
	22,237	22,837

a) Environmental

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

b) Deferred income – customer loyalty programme

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

c) Leased properties

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

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

d) Other

Other provision comprises of amounts for committed internal reorganisations and contingent liabilities arising from business acquisitions. In the financial year ended 30 September 2011, this includes other costs associated with the demerger of DuluxGroup from Orica Group.

21 Provisions (continued)

e) Reconciliations

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

Current and non-current	Environmental $'000	Deferred income - customer loyalty programme $'000	Leased properties $'000	Other $'000	Total $'000
Balance at 1 October 2011	**2,344**	**2,733**	**4,737**	**3,441**	**13,255**
Provisions made during the year	**-**	**1,648**	**68**	**2,249**	**3,965**
Additions through business acquisitions (Note 3)	**-**	**-**	**-**	**24**	**24**
Provisions written back during the year	**(404)**	**-**	**(393)**[1]	**(740)**	**(1,537)**
Offset with property, plant and equipment	**-**	**-**	**(597)**[1]	**-**	**(597)**
Provisions utilised during the year	**(1,843)**	**(1,785)**	**(35)**	**(4,364)**	**(8,027)**
Unwind of discounting	**-**	**237**	**294**	**-**	**531**
Foreign currency exchange differences	**-**	**-**	**2**	**(41)**	**(39)**
Balance at 30 September 2012	**97**	**2,833**	**4,076**	**569**	**7,575**

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

22 Deferred tax liabilities

	2012 $'000	2011 $'000
The balance comprises temporary differences attributable to:		
Trade and other receivables	**-**	3,441
Property, plant and equipment	**336**	1,358
Intangible assets	**255**	312
Trade and other payables	**322**	399
Other	**1**	7
Deferred tax liabilities	**914**	5,517
Set-off of deferred tax assets pursuant to set-off provisions (Note 18)	**-**	(4,531)
Net deferred tax liabilities	**914**	986
Expected to be settled within 12 months	**324**	499
Expected to be settled after more than 12 months	**590**	487
	914	986
Movements:		
Balance at 1 October	**986**	745
Charged to profit or loss	**(56)**	224
Foreign currency exchange differences	**(16)**	17
Balance at 30 September	**914**	986

23 Superannuation commitments

a) Superannuation plans

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

Company sponsored plans

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

Government plans

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

Industry plans

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

b) Defined contribution pension plans

The consolidated entity contributes to several defined contribution pension plans on behalf of its employees. The amount recognised as an expense for the financial year ended 30 September 2012 was $11,560,000 (2011 $10,800,000).

c) Defined benefit pension plans

On 1 July 2011, DuluxGroup (Australia) Pty Ltd became the sponsoring employer of the defined benefit post-employment section of The DuluxGroup Super Fund (the Fund) in Australia.

Funding for post-employment benefits is carried out in accordance with the requirements of the Trust Deed for the Fund and the advice of the Fund's actuarial adviser. During the financial year ended 30 September 2012, the consolidated entity made employer contributions of $5,594,000 (2011 $5,729,000) to the Fund. DuluxGroup's external actuaries have forecast total employer contributions to the Fund of $5,741,000 for the financial year ending 30 September 2013. The Fund is currently closed to new members.

23 Superannuation commitments (continued)

c) Defined benefit pension plans (continued)

i) Balance sheet amounts

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

	2012 $'000	2011 $'000
Present value of the defined benefit obligations	**142,259**	139,539
Fair value of defined benefit plan assets	**(121,390)**	(116,925)
Net defined benefit liability recognised in the balance sheet at the end of the financial year	**20,869**	22,614

ii) Categories of plan assets

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

	2012	2011
Equity instruments	**41%**	40%
Fixed interest securities	**18%**	19%
Property	**14%**	14%
Cash and other assets	**27%**	27%

iii) Reconciliations

	2012 $'000	2011 $'000
Reconciliation of present value of the defined benefit obligations:		
Balance at 1 October	**139,539**	127,674
Current service cost	**4,282**	4,066
Interest cost	**6,280**	6,762
Actuarial losses	**5,387**	5,105
Contributions by plan participants	**1,474**	2,629
Benefits paid	**(13,576)**	(5,011)
Distributions	**(1,127)**	(1,686)
Balance at 30 September	**142,259**	139,539
Reconciliation of the fair value of the defined benefit plan assets:		
Balance at 1 October	**116,925**	114,405
Expected return on plan assets	**7,588**	7,565
Actuarial gains/(losses)	**4,512**	(6,706)
Contributions by employer	**5,594**	5,729
Contributions by plan participants	**1,474**	2,629
Benefits paid	**(13,576)**	(5,011)
Distributions	**(1,127)**	(1,686)
Balance at 30 September	**121,390**	116,925

The fair value of plan assets does not include any amounts relating to the DuluxGroup's own financial instruments, property occupied by, or other assets used by, the consolidated entity (2011 $NIL).

23 Superannuation commitments (continued)

c) Defined benefit pension plans (continued)

iv) Amounts recognised in the consolidated income statement

	2012 $'000	2011 $'000
Current service cost	**4,282**	4,066
Interest cost	**6,280**	6,762
Expected return on plan assets	**(7,588)**	(7,565)
Total included in employee benefits expense	**2,974**	3,263

v) Principal actuarial assumptions

The principal actuarial assumptions used were as follows:

	2012	2011
Discount rate	**3.40%**[(1)]	3.80%
Expected return on plan assets	**7.25%**	7.25%
Future salary increases	**3.75%**	3.75%
Future inflation	**2.75%**	2.75%

(1) The discount rate assumption used for the purposes of discounting the defined benefit obligation is determined by reference to the average yield on State Government bonds (2011 Commonwealth Government bonds)

vi) Historic summary

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

vii) Amounts included in the consolidated statement of comprehensive income

	2012 $'000	2011 $'000
Total actuarial losses before tax	**(875)**	(11,811)
Tax benefit on total actuarial losses	**263**	3,543
Total actuarial losses after tax	**(612)**	(8,268)

The consolidated entity has elected under AASB 119 *Employee Benefits*, to recognise all actuarial gains/losses in the consolidated statement of comprehensive income. The cumulative amount of net actuarial loss (before tax) included in the consolidated statement of comprehensive income to 30 September 2012 is $12,117,000 (2011 loss of $11,242,000).

viii) Expected rate of return on assets assumption

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

24 Contributed equity

	2012 $'000	2011 $'000
Issued and fully paid		
Ordinary shares	**180,457**	175,629
Less treasury shares	**(7,762)**	-
Ordinary shares of the consolidated entity	**172,695**	175,629

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

Details	**Number of shares**	**Issue price $**	**$'000**
Ordinary shares			
Balance at 1 October 2010	366,992,120	-	174,323
Shares issued under the DuluxGroup dividend reinvestment plan(1)	464,139	2.71	1,258
Shares vested under the ESIP(2,3)	-	-	48
Balance at 30 September 2011	367,456,259		175,629
Shares issued under the DuluxGroup dividend reinvestment plan(4)	1,528,643	2.92	4,464
Shares vested under the ESIP(2,3)	-	-	77
Shares vested under the LTEIP(2,5)	-	-	287
Balance at 30 September 2012	**368,984,902**		**180,457**

(1) The Company has established a dividend reinvestment plan (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 fully paid ordinary shares. In relation to the final dividend paid on 10 December 2010, 464,139 new shares were issued at a price of $2.71. No new shares were issued in relation to the dividends paid on 17 June 2011 as the required shares were purchased on-market.

(2) For details of the LTEIP and the ESIP, refer to Note 27.

(3) Upon cessation of employment and settlement of amounts outstanding for their ESIP shares, 47,824 shares vested to plan participants (2011 18,940).

(4) Pursuant to the DRP as described in footnote 1, 1,528,643 new shares were issued at a price of $2.92 for the interim dividend paid on 15 June 2012. No new shares were issued in relation to the dividends paid on 16 December 2011 as the required shares were purchased on-market.

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

24 Contributed equity (continued)

a) Shares issued to subsidiaries and treasury shares

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

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

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

Movements in these shares since 1 October 2010 were as follows:

	Number of shares			$'000		
Details	**Issued to subsidiaries**	**Treasury**	**Total**	**Issued to subsidiaries**	**Treasury**	**Total**
Balance at 1 October 2010	4,891,690	-	4,891,690	12,573	-	12,573
Shares vested under the ESIP[1]	(18,940)	-	(18,940)	(48)	-	(48)
Balance at 30 September 2011	4,872,750	-	4,872,750	12,525	-	12,525
Shares vested under the ESIP[1]	(29,460)	(18,364)	(47,824)	(77)	(53)	(130)
Shares vested under the LTEIP[2]	(124,324)	-	(124,324)	(320)	-	(320)
Purchase of shares for the LTEIP and ESIP[3]	-	2,690,652	2,690,652	-	7,815	7,815
Balance at 30 September 2012	**4,718,966**	**2,672,288**	**7,391,254**	**12,128**	**7,762**	**19,890**

(1) Upon cessation of employment and settlement of amounts outstanding for their ESIP shares, 47,824 shares vested to plan participants (2011 18,940).

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

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

25 Reserves

	2012 **$'000**	2011 $'000
Reserves		
Share-based payments	**5,176**	3,148
Cash flow hedge	**(67)**	295
Foreign currency translation	**(11,995)**	(10,973)
Common control	**(97,702)**	(97,702)
Revaluation - other financial assets	**(752)**	-
	(105,340)	(105,232)

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.

c) Foreign currency translation reserve

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

d) Common control reserve

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

e) Revaluation reserve – other financial assets

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

26 Dividends

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

a) Ordinary shares

2012

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

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

2011

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

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

26 Dividends (continued)

b) Subsequent events

On 14 November 2012, the Directors declared a final dividend of 8.0 cents per ordinary share, fully franked and payable on 17 December 2012.

The financial effect of the final dividend has not been brought to account in the financial report for the financial year ended 30 September 2012 and will be recognised in the financial report for the financial year ending 30 September 2013.

The Company's DRP will operate with respect to the final dividend. The DRP pricing period will be the five trading days from 4 December 2012 to 10 December 2012 inclusive. A discount of 2.5% will be applied to the DRP price. Ordinary shares issued under the DRP will rank equally with all other ordinary shares.

c) Franking credits

Franking credits available at the 30% corporate tax rate after allowing for tax payable in respect of the current year's profit and the payment of the final dividend for 2012 is $NIL (2011 $949,500).

27 Share-based payments

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

	2012	2011
	$	$
DuluxGroup Long Term Equity Incentive Plan	**1,477,201**	1,246,580
DuluxGroup Employee Share Investment Plan	**615,928**	-
	2,093,129	1,246,580

a) DuluxGroup Long Term Equity Incentive Plan (LTEIP)

The LTEIP has been established to incentivise executives to generate shareholder wealth. Under the LTEIP, eligible executives are provided with an interest free, non-recourse loan from DuluxGroup for the sole purpose of acquiring shares in the Company. Executives may not deal with the shares while the loan remains outstanding and any dividends paid on the shares are applied (on an after-tax basis) towards repaying the loan. Executives are entitled to exercise the voting rights attaching to their DuluxGroup ordinary shares from the date of allocation of those shares. The shares issued to the executives can be newly issued shares, purchased on-market or reallocated forfeited shares. Shares allocated under this plan in conjunction with non-recourse loans are accounted for as options. As a result, the amounts receivable from employees in relation to these loans are not recognised in the financial statements. New shares issued to a wholly owned subsidiary to satisfy the requirements under this plan are not recognised on consolidation (refer Note 24). Shares purchased on-market by a wholly owned subsidiary to satisfy the requirements under this plan are accounted for as a buy-back and recognised as treasury shares on consolidation (refer Note 24). Shares purchased by the Company on-market under the plan are recognised as a share buy-back. In accordance with the requirements of AASB 2 *Share-based Payment*, a share-based payments expense is recognised in the income statement over the vesting period based on the fair value of the options. Settlement of share loans upon vesting are recognised as share capital.

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

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

27 Share-based payments (continued)

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

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

	Number at issue date	Issue date	Issue price	Total expense[1,2] 2012 $	2011 $
2010 LTEIP grant	4,401,850	19 July 2010/5 August 2010	$2.57	**899,230**	1,246,580
2011 LTEIP grant	2,641,325	20 December 2011	$2.90	**577,971**	-
				1,477,201	1,246,580

(1) Represents the value calculated under AASB 2. The share-based payment expense represents the expense incurred during the financial year in respect of current incentive allocations to executives. These amounts are therefore not amounts actually received by executives during the financial year. Whether an executive receives any value from the allocation of long term incentives in the future will depend on the performance of the Company's shares. The minimum potential future value of grants under LTEIP is $NIL (2011 $NIL).

(2) Refer to Note 27(a)(ii) for details of the valuation of share options issued in accordance with AASB 2.

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

Grant date	Expiry date	Exercise price	Number outstanding at 1 October 2011	Number granted during the year	Number other changes during the year[1,2]	Number outstanding at year end	Number exercisable at year end
12 July 2010[3]	January 2014[4]	N/A	3,603,448	-	(124,324)[5]	3,479,124	-
12 July 2010[3]	January 2014[4]	N/A	376,250	-	(36,275)	339,975	-
2 December 2011[6]	January 2015[7]	N/A	-	2,641,325	(55,182)	2,586,143	-

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

(2) The combination of shares and the non-recourse loan provided to fund those shares constitutes an option under Australian Accounting Standards. These options vest over a period of approximately three to three and a half years. Under the terms of the LTEIP, the loan must be repaid before the executives can deal with the shares. Accordingly, the exercise period of these options is the loan repayment period, which commences following the testing of the performance condition typically in November after the annual results announcement and continues through to 31 January of the following year. In the event options expire as the loan is not repaid within the repayment window these amounts are reported as other changes during the year.

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

(4) Expected expiry date is January 2014 coinciding with end of the trading window following the 30 September 2013 results announcement, which is expected to be in November 2013.

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

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

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

27 Share-based payments (continued)

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

ii) Fair value of share options granted

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

The fair value inputs for share options granted and not yet vested under the DuluxGroup LTEIP are:

	LTEIP 2011	**LTEIP 2010**
Grant date	2 December 2011[(1)]	12 July 2010[(2)]
Fair value estimate at grant date ($)	$0.94	$0.98
Gateway condition[(3)]	Compound annual EPS growth over the three year period from 30 September 2011 must equal or exceed 4%	Compound annual EPS growth over the three year period from 30 September 2010 must equal or exceed 2%
Performance condition[(4)]	TSR ranking	TSR ranking
Expected life of share options (years)	3.1	3.5
Expected dividend yield (%)	NIL	NIL
Expected risk-free interest rate (%)	3.22%	4.70%
Expected share price volatility (%)	25.0%	30.0%
Grant date share price ($)	$2.88	$2.54

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

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

(3) The Board has implemented a 'gateway' level of minimum performance for the DuluxGroup LTEIP below which no benefit accrues. This 'gateway' is a minimum level of acceptable performance for any of the LTEIP shares to vest.

(4) 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.

b) DuluxGroup Employee Share Investment Plan (ESIP)

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

The number of DuluxGroup shares allocated was based on the market price at the time of allocation under the ESIP. The offer was only open to full time and permanent part time employees who had been continuously employed within the DuluxGroup business for a period of three months prior to the date of the offers and specifically excluded members of the senior management team and directors.

A participating employee is entitled to receive all cash dividends paid on their DuluxGroup shares and to exercise the voting rights attaching to those shares from the date of allocation. Employees who leave DuluxGroup must salary sacrifice any remaining amount owed prior to becoming entitled to the shares. A share allocated to a participating employee under the ESIP has trade restrictions attached until the earlier of the end of three years after the date of allocation and the time when the participant ceases to be employed by DuluxGroup Limited or any of its controlled entities. At the end of the restriction period, the employee will be able to sell or otherwise deal with their DuluxGroup shares. A total of 1,306 employees (2011 NIL employees) participated in the plan.

27 Share-based payments (continued)

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

In accordance with AASB 2 the accounting expense to the Group for the matching is recognised in full at the time of the offer. Details of shares issued during the financial year ended 30 September 2012 and the associated share-based payment expense is as follows:

	Number at issue date	Issue date	Issue price	Total expense 2012 $	2011 $
2011 ESIP grant	424,105	20 December 2011	$2.90	**615,928**	-

In addition, at 30 September 2012, there are 439,280 (2011 468,740) and 405,741 unvested shares under the 2010 and 2011 ESIP respectively.

28 Related party disclosures

a) Key Management Personnel compensation summary

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

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

	2012 $	2011 $
Short term employee benefits	**5,338,749**	5,178,272
Other long term benefits	**87,458**	93,966
Post employment benefits	**177,269**	165,597
Share-based payments	**971,367**	663,516
Termination benefits	**-**	-
	6,574,843	6,101,351

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.

28 Related party disclosures (continued)

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

The relevant interests of KMPs, including their related parties, in the share capital and options of the Company from the earlier of their date of appointment or 1 October 2011 are:

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

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

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

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

As at 30 September 2011	Balance held at date of appointment or 1 October 2010	Number acquired[1]	Net change other[2]	Number of fully paid ordinary shares held at 30 September 2011	Number of options for fully paid ordinary shares held at 30 September 2011[3]
Non-Executive Directors					
Peter Kirby	130,000	-	-	130,000	-
Gaik Hean Chew	-	49,000	-	49,000	-
Garry Hounsell	16,138	97,076	-	113,214	-
Andrew Larke	148,549	891	-	149,440	-
Judith Swales	-	-	-	-	-
Executive Directors					
Patrick Houlihan	89,322	35,000	-	124,322	1,145,655
Stuart Boxer	53,226	20,000	-	73,226	317,873
Other KMP					
Graeme Doyle	41,287	-	-	41,287	307,453
Brad Hordern	14,110	526[4]	-	14,636[4]	140,026
Patrick Jones	12,595	469	-	13,064	128,536
Julia Myers	1,570[5]	40	-	1,610	58,088
Former KMP					
Andrew Ingleton	22,681	-	-	22,681	-
Total	**529,478**	**203,002**	**-**	**732,480**	**2,097,631**

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

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

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

(4) The number of shares acquired by Mr Hordern was incorrectly reported in the 30 September 2011 financial statements as 1,017. This has been restated to the correct number as shown. As a result, the number of shares held by Mr Hordern at 30 September 2011 has been restated from 15,127 as previously disclosed to 14,636. This restatement does not impact the value of the shares held by Mr Hordern.

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

28 Related party disclosures (continued)

c) Other transactions with Key Management Personnel

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

2012

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

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

2011

There were no other transactions during the financial year nor balances owing to or from KMP as at 30 September 2011.

d) Parent entity

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

e) Controlled entities

Interests in subsidiaries are set out in Note 36.

f) Transactions with other related parties

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

	2012	2011
	$	$
Sales of goods to joint ventures	**243,631**	283,326
Purchases of goods from joint ventures	**2,822,366**	2,517,240
Distributions received from joint ventures	**250,000**	500,000
Royalty income received from joint ventures	**30,000**	434,216

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:

	2012	2011
	$	$
Current receivables from joint ventures	**41,875**	71,912
Current payables to joint ventures	**903,425**	376,565

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.

29 Auditors' remuneration

	2012 $	2011 $
Total remuneration received, or due and receivable, by the auditors of the Company for:		
Audit services - audit and review of financial reports		
KPMG Australia	**460,000**	470,000
Overseas KPMG firms (1)	**304,461**	108,041
	764,461	578,041
Other services (2)		
Other assurance services - KPMG Australia	**103,300**	82,500
Other assurance services - Overseas KPMG firms	**60,000**	-
	163,300	82,500

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

(2) The Audit and Risk Committee must approve any non-statutory services (other services) provided by KPMG above a value of $50,000 per assignment. Throughout the year, the Committee also reviews and approves other services provided by KPMG below a value of $50,000. The protocols adopted by KPMG in relation to the provision of other services ensure their independence is not compromised.

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

30 Critical accounting estimates and judgements

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

a) Provisions against current assets

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

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

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

c) Impairment of assets

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

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

30 Critical accounting estimates and judgements (continued)

d) Defined benefit superannuation fund obligations

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

e) Legal proceedings

The nature of DuluxGroup's consumer products business and its geographic diversity means that the Company receives a range of claims from various parties. These claims are evaluated on a case-by-case basis considering the information and evidence available as well as specialist advice as required to assess the appropriate outcome.

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.

f) Environmental

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

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

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

30 Critical accounting estimates and judgements (continued)

g) 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.

h) Taxation

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

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

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

31 Contingent liabilities and contingent assets

DuluxGroup had contingent liabilities at 30 September 2012 in respect of:

a) Orica Separation Deed

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

b) Deed of cross guarantee

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

31 Contingent liabilities and contingent assets (continued)

c) Camelpaint warranties

As part of the acquisition of the Camelpaint business (Note 3), DuluxGroup and National Lacquer Paint and Products Co Ltd (NLPP) agreed to provide general warranties to each other in respect of matters that were not disclosed during the due diligence process. In addition, the parties agreed to provide each other with indemnities in relation to environmental, tax and other specific matters in respect of the period prior to the acquisition. The warranties and indemnities are subject to certain limitations as to the period during which claims can be made and maximum claim amounts.

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

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

d) Alesco takeover offer

On 30 April 2012, DuluxGroup, through its wholly owned subsidiary, DuluxGroup (Nominees) Pty Ltd, acquired 19.96% of the shares in Alesco Corporation Limited (Alesco) for $37,600,000. The interest was acquired preceding the Group's subsequent off-market takeover offer for the remaining shares of Alesco announced on 1 May 2012.

DuluxGroup's offer is for $2.05 per Alesco share, which is expected to cost a further $143,000,000 being $1.90 cash per share after deducting the $0.15 per share of dividends already paid to Alesco shareholders who were Alesco shareholders on the dividend record date of 17 August 2012. DuluxGroup has extended the offer until 7 December 2012 (unless further extended).

Under the terms of the offer, DuluxGroup will allow Alesco to exercise its discretion to determine an additional fully franked special dividend of up to $0.27 per share provided that this dividend is paid before 31 December 2012. Alesco's payment of the additional dividend is currently conditional on certain matters, including obtaining a favourable tax ruling from the Australian Tax Office and also DuluxGroup obtaining a 90% interest in Alesco. For the purpose of determining satisfaction of the minimum 90% interest in Alesco, the interest will include the Group's existing 19.96% direct holding in Alesco shares, shares accepted into the takeover offer, shares subject to acceptance instructions under the DuluxGroup Institutional Acceptance Facility (IAF) plus shares held by selected index funds (as agreed with Alesco). In the event that a special dividend of up to $0.27 is determined and paid, a commensurate decrease will be applied to the remaining cash payable per share of $1.90.

As part of DuluxGroup's takeover offer for Alesco, the Group has entered into arrangements with its advisers whereby further fees may become payable dependent on the outcome of the offer. The amount payable is typical for transactions of similar size and complexity and is not material to the results of the Group.

In addition, upon completion of the takeover, DuluxGroup will assume the liabilities of Alesco including any contingent liabilities and interest-bearing liabilities.

e) Australian Competition & Consumer Commission (ACCC) investigation

During the financial year, the ACCC commenced an investigation into particular marketing claims made by DuluxGroup in relation to selected DuluxGroup coatings products. The ACCC has indicated that it is likely to commence proceedings against DuluxGroup in relation to the alleged misleading nature of the claims under investigation. As at the date of this report, no such proceedings have been commenced and the ACCC has not yet informed DuluxGroup of the details of the specific claims that it intends to make. As there is currently insufficient information available to DuluxGroup to reliably assess the nature, extent and amount of remedies that will be sought by the ACCC, no provision has been raised as at 30 September 2012 for this matter.

32 Commitments

a) Capital expenditure commitments

	2012 $'000	2011 $'000
Capital expenditure on property and plant and equipment contracted but not provided for and payable:		
- No later than one year	**899**	2,886
- Later than one, no later than five years	**133**	47
	1,032	2,933

b) Lease commitments

i) Non-cancellable operating leases

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

	2012 $'000	2011 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
- No later than one year	**21,266**	16,122
- Later than one, no later than five years	**43,639**	34,774
- Later than five years	**12,703**	9,494
	77,608	60,390

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.

	2012 $'000	2011 $'000
Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases	**3,558**	3,300

ii) Cancellable operating leases

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

	2012 $'000	2011 $'000
Commitments in relation to cancellable operating leases contracted for at the reporting date but not recognised as liabilities payable:		
- No later than one year	**6,327**	5,238
- Later than one, no later than five years	**7,403**	5,839
	13,730	11,077

c) Other contractual commitments

As part of the normal course of business, the Group has signed various contracts that contain a penalty for early termination of these contracts. At balance date, it is expected that the Group will fulfil the entire term of these contracts. Therefore, no provisions have been raised as at 30 September 2012 (2011 $NIL).

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

	2012 $'000	2011 $'000
Profit for the financial year	**86,264**	93,237
Depreciation and amortisation	**23,296**	19,973
Share-based payment expense	**2,093**	1,247
Share of joint ventures' net profit	**(1,500)**	(917)
Impairment of inventories	**324**	6,880
Impairment of trade and other receivables	**712**	1,462
Net loss on sale of property, plant and equipment	**278**	54
Amortisation of prepaid loan establishment fees	**1,124**	897
Impairment of property, plant and equipment	**513**	6,711
Dividend income from listed equity securities	**(2,820)**	-
Changes in working capital and provisions excluding the effects of acquisitions and disposals of businesses and controlled entities		
Decrease/(increase) in trade and other receivables	**8,083**	(30,461)
Decrease/(increase) in inventories	**11,144**	(29,179)
(Increase)/decrease in other assets	**(63)**	829
Decrease in deferred taxes payable	**(1,435)**	(4,707)
(Decrease)/increase in trade payables and provisions	**(9,965)**	17,437
(Decrease)/increase in current tax liabilities	**(1,517)**	1,973
Net cash inflow from operating activities	**116,531**	85,436

34 Deed of cross guarantee

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

a) Consolidated income statement and retained earnings

	2012 $'000	2011 $'000
Profit before income tax expense	**113,751**	113,045
Income tax expense	**(20,909)**	(19,329)
Profit for the financial year	**92,842**	93,716
Retained earnings		
Balance at 1 October	**68,213**	21,334
Profit for the financial year	**92,842**	93,716
Actuarial losses on defined benefit plan recognised directly in retained earnings (net of tax)	**(612)**	(8,268)
Dividends paid - ordinary shares	**(54,468)**	(38,569)
Balance at 30 September	**105,975**	68,213

34 Deed of cross guarantee (continued)

b) Consolidated statement of comprehensive income

	2012 $'000	2011 $'000
Profit for the financial year	**92,842**	93,716
Other comprehensive income		
Items that may be reclassified subsequently to the income statement		
Effective portion of changes in fair value of cash flow hedges	**(517)**	452
Foreign currency translation gain on foreign operations	**732**	1,545
Income tax on items that may be reclassified subsequently to the income statement	**155**	(136)
Total items that may be reclassified subsequently to the income statement, net of tax	**370**	1,861
Items that will not be reclassified to the income statement		
Actuarial losses on defined benefit plan	**(875)**	(11,811)
Revaluation of other financial assets at fair value through other comprehensive income	**(752)**	-
Income tax on items that will not be reclassified to the income statement	**263**	3,543
Total items that will not be reclassified to the income statement, net of tax	**(1,364)**	(8,268)
Other comprehensive income for the financial year, net of tax	**(994)**	(6,407)
Total comprehensive income for the financial year	**91,848**	87,309

34 Deed of cross guarantee (continued)

c) Consolidated balance sheet

	2012 $'000	2011 $'000
Current assets		
Cash and cash equivalents	**17,435**	22,473
Trade and other receivables	**172,406**	172,521
Inventories	**115,476**	125,117
Derivative financial assets	**56**	918
Other assets	**3,042**	2,042
Total current assets	**308,415**	323,071
Non-current assets		
Trade and other receivables	**-**	4,512
Derivative financial assets	**2**	221
Investment in controlled entities	**55,795**	40,173
Investment in listed equity securities	**36,848**	-
Investment accounted for using the equity method	**3,747**	2,497
Property, plant and equipment	**192,675**	191,002
Intangible assets	**69,855**	70,218
Deferred tax assets	**34,872**	33,365
Other assets	**4,991**	315
Total non-current assets	**398,785**	342,303
Total assets	**707,200**	665,374
Current liabilities		
Trade and other payables	**180,498**	177,267
Interest-bearing liabilities	**15,543**	12,526
Derivative financial liabilities	**39**	6
Current tax liabilities	**4,647**	6,547
Provisions	**16,576**	19,413
Total current liabilities	**217,303**	215,759
Non-current liabilities		
Trade and other payables	**-**	8
Interest-bearing liabilities	**245,237**	245,931
Deferred tax liabilities	**596**	630
Provisions	**21,492**	22,183
Defined benefit liability	**20,869**	22,614
Total non-current liabilities	**288,194**	291,366
Total liabilities	**505,497**	507,125
Net assets	**201,703**	158,249
Equity		
Contributed equity	**192,585**	188,154
Reserves	**(96,857)**	(98,118)
Retained earnings	**105,975**	68,213
Total equity	**201,703**	158,249

35 Parent entity financial information

a) Summary financial information

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

	2012 $'000	2011 $'000
Current assets	**77,220**	18,750
Non-current assets	**199,260**	212,189
Total assets	**276,480**	230,939
Current liabilities	**127**	1,365
Non-current liabilities	**37,864**	37,865
Total liabilities	**37,991**	39,230
Net assets	**238,489**	191,709
Equity		
Contributed equity [1,2]	**192,585**	188,154
Reserves	**4,163**	2,135
Retained earnings	**41,741**	1,420
	238,489	191,709
Profit before income tax expense [3]	**93,055**	31,549
Income tax benefit	**1,734**	2,105
Profit for the financial year	**94,789**	33,654
Total comprehensive income of the parent entity	**94,789**	33,654

(1) Includes $19,890,000 (2011 $12,525,000) relating to 7,391,254 (2011 4,872,750) DuluxGroup Limited ordinary shares issued to or purchased on-market by DuluxGroup (Employee Share Plans) Pty Ltd, as trustee for the employee share schemes (LTEIP and ESIP). On consolidation, where the shares were issued to the trust, the ordinary share capital is not recognised. On consolidation where the shares were purchased on market, the purchase is accounted for as a buy-back and the amount is deducted from contributed equity as treasury shares. Refer Note 24(a).

(2) Includes $4,464,000 (2011 $1,258,000) relating to 1,528,643 (2011 464,139) DuluxGroup Limited shares issued as part of the DRP.

(3) Profit before income tax expense includes dividend income of $90,119,000 and $8,754,000 (2011 $38,569,000) declared by DuluxGroup (New Zealand) Pty Ltd and DuluxGroup (Investments) Pty Ltd respectively during the financial year ended 30 September 2012 (2011 DuluxGroup (New Zealand) Pty Ltd).

b) Guarantees

Details of guarantees entered into by the parent entity in relation to external banking facilities as at 30 September 2012 are set out in Note 20(b). In addition, the parent entity is a party to the deed of cross guarantee as disclosed in Note 34.

c) Capital commitments

There were no capital commitments entered into by the parent entity as at 30 September 2012 (2011 $NIL).

d) Contingent liabilities and contingent assets

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

36 Subsidiaries

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

Name of entity	Country of incorporation /registration	Equity holding 2012 %	Equity holding 2011 %
DuluxGroup (Investments) Pty Ltd[1]	Australia	**100**	100
DuluxGroup (Finance) Pty Ltd[1]	Australia	**100**	100
DuluxGroup (New Zealand) Pty Ltd[1]	Australia	**100**	100
DuluxGroup (Australia) Pty Ltd[1]	Australia	**100**	100
Dulux Holdings Pty Ltd[1]	Australia	**100**	100
DuluxGroup (Employee Share Plans) Pty Ltd[1]	Australia	**100**	100
DuluxGroup Employee Share Plan Trust	Australia	**100**	100
DuluxGroup (Nominees) Pty Ltd[1,2]	Australia	**100**	-
DGL International (Shenzhen) Co Ltd	China	**100**	100
DGL Camel Coatings (Shanghai) Limited (formerly known as DGL International (Shanghai) Co Ltd)[4]	China	**51**	100
DGL Camel Powder Coatings (Dongguan) Limited[3,4]	China	**51**	50
Dongguan Benson Paint Company Limited[3,4]	China	**51**	-
DGL International (Hong Kong) Ltd	Hong Kong	**100**	100
DGL Camel Powder Coatings Limited (formerly known as DGL Camel Coatings Limited)[3,4]	Hong Kong	**51**	50
DGL Camel International Limited (formerly DGL Camel Coatings Limited)[4]	Hong Kong	**51**	100
DGL Camel (Hong Kong) Limited (formerly known as Camelpaint Chemicals Company Limited)[3,4]	Hong Kong	**51**	-
DGL Camel (China) Limited (formerly known as Camelpaint (China) Company Limited)[3,4]	Hong Kong	**51**	-
DGL International (Malaysia) Sdn Bhd	Malaysia	**100**	100
Dulux Holdings (PNG) Ltd	Papua New Guinea	**100**	100
DGL Camel (Singapore) Pte Ltd (formerly known as DGL International (Singapore) Pte Ltd)[4]	Singapore	**51**	100
DuluxGroup (PNG) Pte Ltd	Singapore	**100**	100
DGL International (Singapore) Pte Ltd (formerly known as DGL International (Singapore NewCo) Pte Ltd) [2]	Singapore	**100**	-
DGL International (Vietnam) Limited Company	Vietnam	**100**	100

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

(2) Incorporated during the financial year ended 30 September 2012.

(3) Acquired during the financial year ended 30 September 2012.

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

37 Financial and capital management

Capital management

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

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

DuluxGroup monitors capital on the basis of various credit metrics, principally an interest cover ratio (earnings before interest, tax, depreciation and amortisation (EBITDA) divided by net financing costs) and Net Debt to EBITDA. In addition, DuluxGroup monitors the accounting gearing ratio (which is calculated as net debt divided by net debt plus total equity). The key credit metrics and accounting gearing ratios calculated on a statutory basis and presented in accordance with the requirements of AASB 7 *Financial Instruments: Disclosures* are as follows:

	2012 $'000	2011 $'000
Interest-bearing liabilities	**261,523**	263,476
Less:		
Prepaid loan establishment fees	**2,763**	1,824
Trade cards	**8,471**	12,526
Cash and cash equivalents	**28,508**	39,540
Net debt	**221,781**	209,586
Earnings before interest, tax, depreciation and amortisation	**155,513**	159,192
Net Debt to EBITDA (times)	**1.4**	1.3

The interest cover ratio is calculated as follows:

	2012 $'000	2011 $'000
Earnings before interest, tax, depreciation and amortisation	**155,513**	159,192
Net finance costs(1)	**20,303**	22,181
Interest cover ratio (times)	**7.7**	7.2

The accounting gearing ratio is calculated as follows:

	2012 $'000	2011 $'000
Net debt(2)	**221,781**	209,586
Net debt plus total equity	**404,633**	348,042
Net debt to net debt plus total equity	**55%**	60%

(1) Net finance costs exclude the amortisation of prepaid loan establishment fee of $1,124,000 (2011 $897,000).

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

Financial risk factors

The consolidated entity's principal financial risks are associated with foreign exchange, interest rate, liquidity, commodity pricing and credit risk. The consolidated entity and the Company's overall risk management program seek to mitigate these risks and reduce the volatility of DuluxGroup's financial performance. Financial risk management is carried out centrally by the Treasury department under Treasury risk management policies approved by the Board of Directors. These policies provide written principles for overall risk management covering specific areas, such as foreign exchange, interest rate, liquidity, commodity pricing and credit risk as well as the use of derivative and non-derivative financial instruments and the investment of excess liquidity. DuluxGroup enters into derivative instruments for risk management purposes only. Derivative transactions are entered into to hedge the risks relating to underlying physical positions arising from business activities. Derivative transactions to hedge risks such as interest rate and foreign currency movements principally include interest rate options, forward exchange contracts and vanilla option contracts.

37 Financial and capital management (continued)

Financial risk factors (continued)

During the financial year ended 30 September 2012, DuluxGroup adopted AASB 9 *Financial Instruments*. As permitted under the transitional provisions of this standard, the comparatives presented below have not been restated and therefore continues to comply with the requirements of AASB 139 *Financial Instruments: Recognition and Measurement*. Refer to Note 1(v) for an explanation regarding this change of accounting policy. The consolidated entity held the following financial instruments as at 30 September:

2012	**Cash and cash equivalents $'000**	**Financial assets at amortised cost $'000**	**Financial liabilities at amortised cost $'000**	**Derivative instruments designated as hedges $'000**	**Financial assets at fair value through other comprehensive income $'000**	**Total carrying amount $'000**
Financial assets						
Cash at bank and on hand	**25,298**	**-**	**-**	**-**	**-**	**25,298**
Cash at bank - restricted	**3,210**	**-**	**-**	**-**	**-**	**3,210**
Trade and other receivables (current)	**-**	**170,741**	**-**	**-**	**-**	**170,741**
Trade and other receivables (non-current)	**-**	**22**	**-**	**-**	**-**	**22**
Derivative financial assets (current)	**-**	**-**	**-**	**56**	**-**	**56**
Derivative financial assets (non-current)	**-**	**-**	**-**	**2**	**-**	**2**
Investment in listed equities (non-current)	**-**	**-**	**-**	**-**	**36,848**	**36,848**
	28,508	**170,763**	**-**	**58**	**36,848**	**236,177**
Financial liabilities						
Trade and other payables (current)	**-**	**-**	**199,684**	**-**	**-**	**199,684**
Trade and other payables (non-current)	**-**	**-**	**43**	**-**	**-**	**43**
Derivative financial liabilites (current)	**-**	**-**	**-**	**39**	**-**	**39**
Interest-bearing liabilities (current)	**-**	**-**	**13,523**	**-**	**-**	**13,523**
Interest-bearing liabilities (non-current)	**-**	**-**	**245,237**	**-**	**-**	**245,237**
	-	**-**	**458,487**	**39**	**-**	**458,526**

2011	Cash and cash equivalents $'000	Loans and receivables $'000	Financial liabilities at amortised cost $'000	Derivative instruments designated as hedges $'000	Total carrying amount $'000
Financial assets					
Cash at bank and on hand	36,463	-	-	-	36,463
Cash at bank - restricted	3,077	-	-	-	3,077
Trade and other receivables (current)	-	169,723	-	-	169,723
Trade and other receivables (non-current)	-	4	-	-	4
Derivative financial assets (current)	-	-	-	918	918
Derivative financial assets (non-current)	-	-	-	221	221
	39,540	169,727	-	1,139	210,406
Financial liabilities					
Trade and other payables (current)	-	-	193,380	-	193,380
Trade and other payables (non-current)	-	-	294	-	294
Derivative financial liabilites (current)	-	-	-	6	6
Interest-bearing liabilities (current)	-	-	15,721	-	15,721
Interest-bearing liabilities (non-current)	-	-	245,931	-	245,931
	-	-	455,326	6	455,332

37 Financial and capital management (continued)

a) Interest rate risk management

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

DuluxGroup is primarily exposed to interest rate risk on outstanding interest-bearing liabilities. Non-derivative interest-bearing assets are predominately short term liquid assets, such as cash at bank balances. Interest-bearing liabilities issued at fixed rates expose the consolidated entity to fair value interest rate risk while borrowings issued at a variable rate give rise to cash flow interest rate risk.

Interest rate risk on long term interest-bearing liabilities is managed by adjusting the ratio of fixed interest debt to variable interest debt. This is carried out centrally by the Treasury department under the Treasury risk management policies approved by the Board through the use of interest rate options. Under the policy, a maximum of between 50% and 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.

DuluxGroup's exposure to interest rate risk and the weighted average effective interest rates on financial assets and liabilities at 30 September 2012 (2011 30 September 2011) are:

	Note	**2012 $'000**	**2012 %p.a.**	2011 $'000	2011 % p.a.
Cash at bank and on hand	**9**	**25,298**	**1.3**	36,463	2.1
Cash at bank - restricted	**9**	**3,210**	**2.5**	3,077	4.0
Derivative financial assets (current)	**12**	**56**	**-**	918	-
Derivative financial assets (non-current)	**12**	**2**	**-**	221	-
Total financial assets		**28,566**		40,679	
Bank loan	**20**	**253,052**	**6.4**[1]	250,950	8.4[1]
Trade cards	**20**	**8,471**	**9.9**	12,526	10.0
Derivative financial liabilities	**12**	**39**	**-**	6	-
Total financial liabilities		**261,562**		263,482	
Net financial liabilities		**232,996**		222,803	

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

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

	2012 $'000	2011 $'000
Increase/(decrease) in profit before income tax expense		
If interest rates were 10% higher, with all other variables held constant	**(916)**	(936)
If interest rates were 10% lower, with all other variables held constant	**916**	1,004
Increase/(decrease) in profit after income tax expense		
If interest rates were 10% higher, with all other variables held constant	**(641)**	(655)
If interest rates were 10% lower, with all other variables held constant	**641**	703
Increase/(decrease) in total equity		
If interest rates were 10% higher, with all other variables held constant	**(641)**	(634)
If interest rates were 10% lower, with all other variables held constant	**641**	703

37 Financial and capital management (continued)

b) Foreign exchange risk management

Foreign exchange risk - 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.

The consolidated entity is exposed to foreign exchange risk primarily due to significant purchases and/or sales denominated, either directly or indirectly, in currencies other than the functional currencies of the consolidated entity's subsidiaries.

In regard to foreign currency risk relating to purchases, strategic 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 the Group to participate in favourable movements in exchange rates. Foreign exchange hedging is carried out or monitored centrally by the Treasury department, in accordance with the Treasury risk management policies approved by the Board. The derivative instruments used for hedging purchase exposures are forward exchange contracts and vanilla option contracts.

The currency giving rise to translational risk on purchases is primarily the United States Dollar (USD), with approximately 20% to 30% of DuluxGroup's material purchases denominated in USD or indirectly linked to USD. At year end, the effect of retranslating cash, receivables, payables and interest-bearing liabilities denominated in USD into Australian Dollar (AUD) had the rates been 10% higher or lower than the year end rate of AUD/USD 1.0368 (2011 AUD/USD 0.9774) with all other variables held constant would increase or decrease in profit before income tax expense of $466,000 ($326,000 net of tax) (2011 $217,000 or $152,000 net of tax) and $570,000 ($399,000 net of tax) (2011 $266,000 or $186,000 net of tax) respectively with a corresponding movement in total equity. The Directors cannot nor do not seek to predict movements in exchange rates.

In addition, the effect of retranslating hedges of future USD denominated purchases into AUD had the rates been 10% higher or lower than the year end rate AUD/USD 1.0368 (2011 AUD/USD 0.9774) with all other variables held constant would have been a decrease in total equity of $36,000 (2011 $382,000) and an increase in total equity of $228,000 (2011 $656,000) respectively. Refer Note 12 for further details. The Directors cannot nor do not seek to predict movements in exchange rates.

Foreign currency risk - translational

Foreign currency earnings translation risk arises primarily as a result of earnings in NZD, PGK and RMB being translated into AUD and from the location of a number of other individually minor foreign currency earnings. The Board approved policies allow hedging of this exposure in order to reduce the volatility of full year earnings resulting from changes in exchange rates. At 30 September 2012, the Group did not have any derivative contracts to hedge foreign currency earnings translation exposures (2011 NIL).

c) Credit risk management

Credit risk represents the loss that would be recognised if counterparties failed to meet their obligations at maturity under a contract or arrangement. DuluxGroup have exposure to credit risk on all financial assets included within the balance sheets.

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

In regards to credit risk arising from derivatives and cash, this is the credit exposure to financial institutions that are counterparties to cash deposits and derivative contracts with a positive fair value (i.e. derivative financial assets) from DuluxGroup's perspective (refer Notes 9 and 12 respectively for the Group's maximum exposure). To manage this risk, DuluxGroup restricts dealings to highly rated counterparties approved within its credit limit policy. The higher the credit rating of the counterparty, the higher DuluxGroup's allowable exposure is to that counterparty under the policy. The consolidated entity does not hold any credit derivatives or collateral to offset its credit exposures.

37 Financial and capital management (continued)

d) Liquidity risk management

Liquidity risk arises from the possibility that there will be insufficient funds available to make payments as and when required. The consolidated entity manages this risk via:

- Maintaining an adequate level of undrawn committed facilities in various currencies that can be drawn upon at short notice;
- Generally uses instruments that are readily tradeable in the financial markets;
- Retaining appropriate levels of cash and cash equivalent assets;
- Monitors duration of long term debt;
- Spreads, to the extent practicable, the maturity dates of long term debt facilities; and
- A comprehensive analysis of all inflows and outflows that relate to financial assets and liabilities.

Facilities available and the amounts drawn and undrawn are as follows:

	2012 $'000	2011 $'000
Unsecured bank overdraft facilities[1]		
Unsecured bank overdraft facilities available	**3,865**	3,937
Amount of facilities undrawn	**3,865**	3,937
Committed standby and loan facilities		
Committed standby and loan facilities available[2,3]	**681,303**	404,792
Amount of facilities unused	**428,251**	153,842

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

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

(3) Includes the AUD 400,000,000 unsecured syndicated bank loan facility, which is a multi-currency (USD, NZD, AUD) revolving cash facility. Refer Note 20(b) for details of the related guarantee.

Includes the AUD 270,000,000 unsecured syndicated loan facility established on 30 April 2012 to fund the acquisition of Alesco. This facility comprises of two tranches, AUD 50,000,000 maturing on 31 October 2013 and AUD 220,000,000 maturing on 30 April 2015. The facility is only available to fund the acquisition of Alesco. Refer Note 20(b) for details of the related guarantee.

Includes the RMB 50,000,000 (AUD 7,598,000) unsecured bank loan facility established in China and two unsecured bank loan facilities established in Hong Kong for HKD 20,000,000 (AUD 2,470,000) and HKD 10,000,000 (AUD 1,235,000) respectively. DuluxGroup has a 51% share in all three of these facilities.

37 Financial and capital management (continued)

d) Liquidity risk management (continued)

The contractual maturity of DuluxGroup's fixed and floating rate financial liabilities and derivatives, based on the financing arrangements in place at 30 September 2012 (2011 30 September 2011), are shown in the table below. The amounts shown represent the future undiscounted principal and interest cash flows:

2012	Carrying amount $'000	Less than 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	Total $'000
Financial liabilities					
Trade and other payables[1]	**199,727**	**199,684**	**43**	**-**	**199,727**
Trade bills and trade cards	**8,471**	**8,471**	**-**	**-**	**8,471**
Bank loan	**250,289**	**21,938**	**16,430**	**273,104**[3]	**311,472**
Derivative financial liabilities	**39**	**39**	**-**	**-**	**39**
	458,526	**230,132**	**16,473**	**273,104**	**519,709**
2011					
Financial liabilities					
Trade and other payables[1]	193,674	193,380	294	-	193,674
Trade bills and trade cards	12,526	12,526	-	-	12,526
Bank loan[2]	249,126	19,502	16,781	143,036	179,319
Derivative financial liabilities	6	6	-	-	6
	455,332	225,414	17,075	143,036	385,525

(1) Excludes derivative financial instruments.

(2) On 8 November 2011, DuluxGroup renewed its $400,000,000 unsecured syndicated bank loan facility. The contractual maturity of principal borrowed under the renewed facility falls between two and five years. The impact of this renewal is reflected in the table above.

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

e) Commodity price risk

DuluxGroup is exposed to commodity price risk from a number of commodities, including titanium dioxide, latex and resin. The cost of these inputs is impacted by changes in oil and other commodity prices, foreign currency movements and industry specific factors. To the extent that any increases in these costs cannot be passed through to customers in a timely manner, DuluxGroup's profit before and after income tax and shareholder's equity could be impacted adversely.

As at 30 September 2012, DuluxGroup did not have any outstanding commodity contracts in relation to these inputs (2011 $NIL). Accordingly, no analysis of the impact of reasonable possible changes in commodity prices is presented.

38 Events subsequent to balance date

On 5 October 2012, DuluxGroup exercised its option to extend Tranche A (AUD 100,000,000) of its AUD 400,000,000 unsecured multi-currency syndicated bank loan facility for a further three years from 8 November 2012 to 8 November 2015.

At close of business on 13 November 2012, DuluxGroup's direct ownership of Alesco shares remains unchanged from the 19.96% held immediately preceding the off-market takeover offer for Alesco on 1 May 2012 and at 30 September 2012. The support for DuluxGroup's offer as at 12 November 2012 is 78.41% including DuluxGroup's 19.96% direct holding, acceptances under the takeover offer and acceptance instructions under DuluxGroup's Institutional Acceptance Facility. DuluxGroup's offer currently remains subject to certain conditions and is scheduled to close at 7.00pm (Melbourne time) on 7 December 2012 (unless extended). For full details of the terms and conditions of the takeover offer, refer to DuluxGroup's bidder's statement as supplemented by various supplementary bidder's statements available on the ASX.

On 14 November 2012, the Directors declared a final dividend of 8.0 cents per ordinary share, fully franked and payable on 17 December 2012. The financial effect of this dividend is not included in the financial report for the year ended 30 September 2012 and will be recognised in the financial report for the year ending 30 September 2013.

The Directors have not become aware of any other significant matter or circumstance that has arisen since 30 September 2012 that has affected or may affect the operations, the results of those operations, or the state of affairs of DuluxGroup in subsequent years, which has not been covered in this report.

Independent auditor's report to the members of DuluxGroup Limited

Report on the financial report

We have audited the accompanying financial report of DuluxGroup Limited (the company), which comprises the consolidated balance sheet as at 30 September 2012, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 38 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

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

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

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

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

Independence

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

Auditor's opinion

In our opinion:

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

(i) giving a true and fair view of the Group's financial position as at 30 September 2012 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

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

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 September 2012. 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 2012, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Alison Kitchen
Partner

Melbourne

14 November 2012