DuluxGroup

2010 ANNUAL REPORT

Imagine a better place

Effective 9 July 2010, DuluxGroup Limited (the Company) ceased to be a subsidiary of Orica Limited and became a separately listed entity on the Australian Securities Exchange (ASX) on 12 July 2010. As required for statutory reporting purposes, the Consolidated Financial Statements for the Company and its controlled entities (collectively 'the consolidated entity' or 'the Group' or 'DuluxGroup') have been presented for the financial year ended 30 September 2010 and the comparative period from the date of incorporation on 24 September 2008 to 30 September 2009.

The consolidated financial results presented for DuluxGroup for the financial year ended 30 September 2010 do not reflect the full 12 month results for several operations that comprise DuluxGroup. Upon incorporation, DuluxGroup Limited contained no material assets until the acquisition of Sopel, a decorative coatings business in China, in November 2008. The results as presented for the 2009 comparative year, therefore, include only this business from the date of acquisition. During the current 2010 financial year, as part of the preparation for the demerger, significant operating assets and liabilities owned by other entities within the Orica Group were legally acquired by DuluxGroup Limited. These include the assets and liabilities of Paints Australia, Paints New Zealand and Selleys Yates on 1 December 2009, the Malaysian operation on 1 March 2010, the Hong Kong operation on 1 April 2010 and the Papua New Guinea operation on

30 June 2010. The results of these operations have only been included in the Consolidated Financial Statements from the date of acquisition by the Company, as required by applicable Australian Accounting Standards.

In addition, the results of DuluxGroup presented in the Consolidated Financial Statements include the impact of the various financial transactions between Orica Limited and DuluxGroup Limited to effect the demerger itself.

Where necessary, these transactions have been highlighted in this report.

Shareholders wanting comparative financial information on the entire DuluxGroup which separated from Orica Limited are encouraged to refer to the Review of Operations and Financial Performance and Review of Pro Forma Business Segment Performance as set out on pages 22 to 29, which compares the pro forma financial results for the year ended 30 September 2010 with the pro forma financial results for the financial year ended 30 September 2009.

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


Dulux
Wash & Wear
Kitchen & Bathroom
Yates
Thrive Concentrate
Houseplant Food
Selleys
Wet Area Speedseal
Silicone
Selleys
No More Gaps


Yates
Artisan Classic Pot
Yates
Herb Potting Mix


Yates
Anti Rot
Dulux
Weathershield
Selleys
Special Putty
Cabots
Timber Shades


Dulux
Ferreko No. 3
Dulux
Durepon FRX

Highlights

Strong earnings growth underpinned by strict financial discipline while continuing to invest for long-term growth in key markets.

– Successful demerger from Orica in July 2010.

CONSISTENT EARNINGS GROWTH

$963.9m

Pro forma sales revenue increased 2% to $963.9 million*

$61.3m

Statutory net profit after tax (NPAT) of $61.3 million.

$136.5m

Pro forma EBIT increased 6% to a record $136.5 million*

$71.5m

Pro forma NPAT of $71.5 million, before one-off demerger costs.**

INVESTMENT FOR GROWTH

- Reinforced and built upon DuluxGroup's market leading positions
- Continued year on year increases in marketing investment
- Continued to invest in capability and business development in China
- Ongoing renewal of operating assets

FINANCIAL DISCIPLINE

$162.3m

Pro forma operating cash flow improved by 7% to $162.3 million*

DIVIDEND

3.0cps

Final Dividend of 3.0 cents per share fully franked

* On a like-for-like comparison with 2009 (that is, before one-off demerger costs and the new costs associated with becoming a stand-alone listed company.)

** 2010 pro forma net profit after tax has been calculated to reflect management's estimate of what DuluxGroup's result would have been if DuluxGroup was operating as a stand-alone listed company for the full 12 months of 2010.

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About DuluxGroup

DuluxGroup is a marketer and manufacturer of premium branded products that enhance, protect and maintain the places and spaces in which people live and work.

From household rooms transformed by the latest designer colours, to the ripe tomatoes in the garden, to the coatings that protect landmarks, such as the Sydney Harbour Bridge; DuluxGroup products are at work. Our brands have been woven into the fabric of the communities where we operate, helping consumers to live better and more comfortable lives.

Consisting of four business segments, DuluxGroup employs approximately 2,500 people in Australia, New Zealand, Papua New Guinea, South-East Asia and China.

OUR BUSINESSES

Paints Australia

Australia's leading marketer and manufacturer of premium branded decorative paints, texture, protective and woodcare coatings products.

Paints New Zealand

New Zealand's leading marketer and manufacturer of premium branded decorative paints, texture and woodcare coatings products.

Selleys Yates

Australia and New Zealand's leading marketer and manufacturer of home improvement and garden care products.

Offshore and other

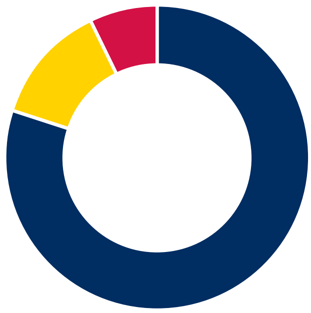
Comprises Australia and New Zealand's leading marketer and manufacturer of powder and industrial coatings, Dulux paints in Papua New Guinea and DuluxGroup's China and South-East Asia businesses known as DGL International.

Our Locations

DuluxGroup has 12 main manufacturing sites and a comprehensive supply chain network that spans Australia, New Zealand, PNG, China and South-East Asia.

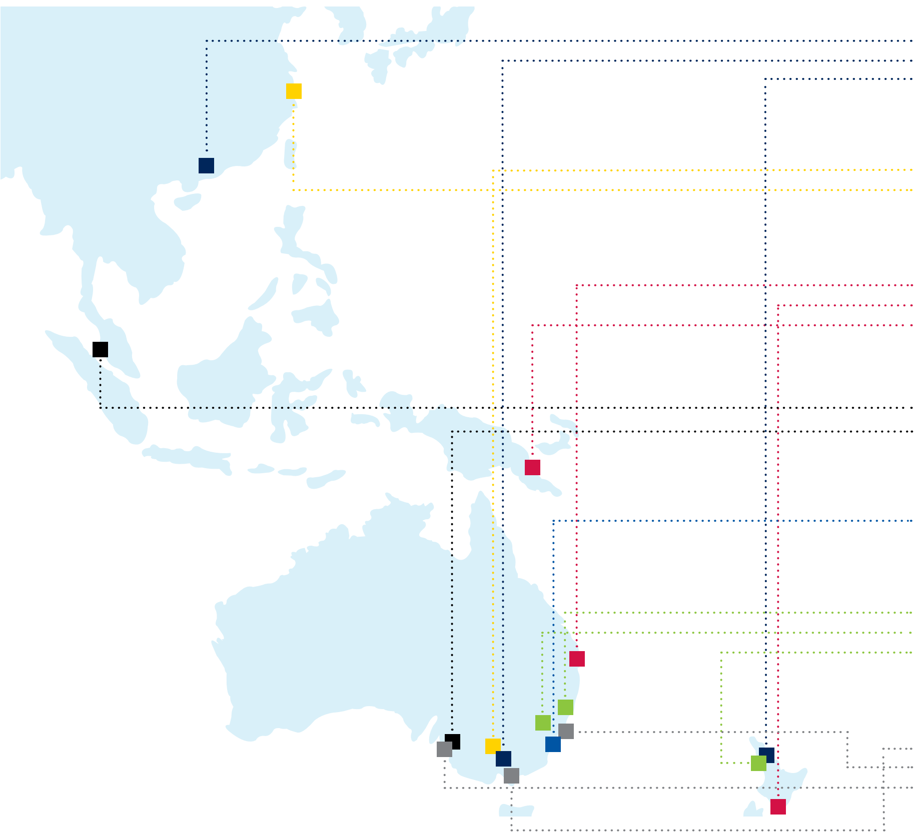
- 12 Main Manufacturing Sites
- 13 Distribution Centres
- 71 Dulux Trade Centres

Sales By Geography



- **80%** Australia
- **13%** New Zealand
- **7%** Asia/PNG

DuluxGroup holds market leading positions in Australia, New Zealand and PNG, with exposure to the higher growth regions of Asia.



Powder Coatings
Guangdong Province, China – JV
Dandenong, Victoria, Australia
Glenfield, Auckland, New Zealand

Woodcare
Dandenong, Victoria, Australia
Shanghai, China (Opel)

Decorative Paints
Rocklea, Queensland, Australia
Gracefield, Wellington, New Zealand
Lae, Papua New Guinea

Texture Coatings
Shah Alam, Selangor, Malaysia
Beverley, South Australia

Selleys
Padstow, New South Wales, Australia

Yates
Wyee, New South Wales, Australia
Mt Druitt, New South Wales, Australia
Auckland, New Zealand

Innovation & Technology Centres
Clayton, Victoria, Australia
Padstow, New South Wales, Australia
Beverley, South Australia.

OUR CORE PURPOSE

At DuluxGroup we help our consumers to imagine and create better places and spaces in which to live and work. We do this by applying knowledge, quality, innovation and inspiration.

OUR STRENGTHS

DuluxGroup has established market leading positions by building a strong relationship with consumers who trust our brands.

Our world class research and technology centres take inspiration from consumers and our own global knowledge base to develop product innovations that surprise and delight. We invest in large scale manufacturing plants, where those innovations are brought to life in products which are rigorously tested to ensure they are worthy of bearing the badge of our iconic brands.

Our sales force – the biggest and most effective in the business – supports an enviable network of trade professionals and our important retail customers in meeting the needs of our consumers in store.

All of those elements work seamlessly, to ensure not only a strong and sustainable competitive advantage and stable earnings, but also a platform for compelling growth options.

Premium Brands and Marketing

DuluxGroup is home to a remarkable portfolio that includes some of Australia and New Zealand's most recognised and trusted brands, including Dulux, Selleys, Yates and Cabot's. They are complemented by other well established DuluxGroup brands, including Berger, British Paints, Walpamur, Feast Watson, Intergrain, AcraTex, Rota Cota, Poly, Turtle Wax, Levene, Hortico, Thrive, Zero and Dynamic Lifter; and Opel in China.

DuluxGroup's successful track record of building brands has come from focussing on the needs of consumers, whether it be for riper tomatoes, an easier way to clean the barbeque, or a living room transformed by colour and texture.

The heritage of our brands dates back generations, with Yates having commenced operations in 1883. As custodians of those brands we protect and build on that heritage by investing strongly in marketing, innovation and technology.

Throughout DuluxGroup's long and successful history we have continuously invested in consumer research, marketing skills and a strong media presence to build market-leading brands with high consumer awareness and demand. DuluxGroup's record of being first-to-market with new products and ranges is driven by our focus on

"BY DELIVERING OUR CORE PURPOSE WE ENHANCE OUR CONSUMERS' LIVES, GROW OUR CUSTOMERS' BUSINESSES, DELIVER SHAREHOLDER RETURNS, ENGAGE OUR EMPLOYEES AND STRENGTHEN THE COMMUNITIES WITHIN WHICH WE OPERATE."

Patrick Houlihan
Managing Director and CEO.

1918 Creation of BALM in Sydney, Australia. Acquisition of the Australasian United Paint Company (based in South Australia).

1933 Acquisition of Australian ownership of the registered Dulux Trade Mark and access to the newly developed paint technology from E.I. Du Pont de Nemours.

1939 BALM commences manufacturing paint in Wellington, New Zealand.

1946 Acquisition of 57% of BALM by ICI Australia.

1948 Termination of association with Du Pont, although ownership of the Dulux registered trade mark retained.

1955 Increase in ICI plc holding in BALM to 70%

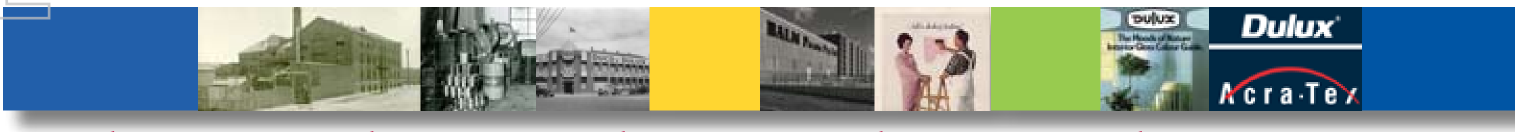
1964 Change in BALM status to a public company and name change to BALM Paints Ltd.

1969 Acquisition of The Walpamur Co. Ltd.

1971 Change of BALM Paints name to Dulux Australia Ltd.

1986 Acquisition of 100% ownership of Dulux Australia Ltd. by ICI Australia

1987 Acquisition of AcraTex Materials Pty. Ltd



engaging directly with consumers to ensure that we anticipate evolving lifestyle trends and consumer needs.

Innovation and Technology

DuluxGroup's premium brand positions are supported by a strong track record of innovation and new product development.

DuluxGroup is an industry leader in new product development in its market segments. Our innovations are driven by a range of factors, including technical advancements in product design, environmental trends and changing consumer preferences.

We have dedicated research and development facilities and alliances with international and local technology partners.

DuluxGroup employs approximately 120 chemists and technologists.

Our world class coatings research facility at Clayton in Victoria is complemented by our Yates and Selleys research centre at Padstow in New South Wales. In addition, the Powder Coatings, Texture Coatings, New Zealand and China businesses have on-site chemists to support their market segments and manufacturing sites.

Broad product portfolio

DuluxGroup's diverse range of high quality products includes retail paints, stains and varnishes, protective coatings, powder coatings, automotive refinish coatings, fillers, adhesives, sealants, paint brushes and rollers, specialised household cleaners, seeds, fertilisers, pesticides and potting mixes.

Product Sectors

- **30%** Retail Paints
- **30%** Trade Paints
- **15%** Other Coatings
- **15%** Preparation and Home Care
- **10%** Garden Care

1988 Acquisition of Berger Group's operations in Australia, New Zealand, PNG and Fiji. Adding Berger Paints, British Paints and Selleys to the Company.

1993 Acquisition of assets of Kenbrook Group Pty Ltd including Cabot's woodcare licence.

1996 Combination of the Dulux business (Dulux, British Paints, Berger, Walpamur and Cabots) and Selleys to Form the Consumer Products Division of ICI Australia.

1997 Sale of shareholding in ICI Australia by ICI plc.

1998 Change of name of ICI Australia to Orica Limited and establishment of the Orica Consumer Products Group. Sale of Consumer Products Technical Markets division to PPG Industries.

1999 Acquisition of Rota Cota.

2004 Acquisition of Yates Garden Care business.

2006 Commissioning of Woodcare manufacturing facility in Dandenong, Melbourne.

2007 Opening of Orica Consumer Products corporate office in Clayton, Melbourne. Acquisition of the Cabot's brand.

2008 Commissioning of Powder Coatings manufacturing facility in Dandenong. Melbourne. Acquisition of Sopel, Shanghai, China.

2010 Demerger of Consumer Products from Orica.

Comprehensive distribution and customer relationships

DuluxGroup supplies a broad range of retail and trade distribution channels. Our products are sold through more than 5,000 retail outlets and 230 trade distribution outlets, including more than 70 Dulux Trade Centres throughout Australia and New Zealand.

Across the retail and trade sectors, DuluxGroup has more than 35,000 customers, with more than 26,000 in Australia, 8,400 in New Zealand, 700 in China and 300 in Asia and PNG.

DuluxGroup has relationships ranging from the largest retail outlets to the smallest owner operators. It has developed an enviable network of customer relationships within the architectural, project specifier, interior design and project management professions in both the commercial and residential development markets.

Leading customer satisfaction

We support the high consumer awareness and demand for our premium brands by providing industry leading service to our extensive network of retail and trade customers; working in partnership with them to meet the expectations of our consumers.

Through a strong focus on sales force effectiveness and supply chain management, DuluxGroup ranks in the top 3% of Australian and New Zealand consumer goods companies for Delivery in Full and on Time (DIFOT) performance.

DuluxGroup's strong commitment to customer service has been recognised through a number of significant customer service awards over the past decade and is reflected in a long-standing, loyal and growing customer base.

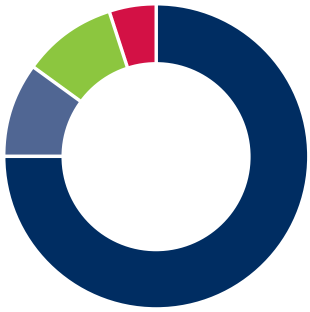
DuluxGroup operates training academies in each state of Australia and in New Zealand to educate employees of our retail customers about the features of DuluxGroup's products. Each year more than 6,000 people are trained at these academies and, in late 2010, an academy was opened in Shanghai to support DGL International's growing base of customers in China.

Our People

DuluxGroup employs approximately 2,500 people around the world. Individually and collectively, they continue to finder smarter, market leading solutions for our end consumers and our retail and trade customers. This ceaseless quest to improve – our standards, our products, our services – is underpinned by an entrenched culture of operating with integrity, strong financial discipline, and a commitment to care for the safety of colleagues and the communities within which we operate.

Sales Split By Distribution

Sales By End Market



DULUXGROUP SUPPLIES A BROAD RANGE OF RETAIL AND TRADE DISTRIBUTION CHANNELS. OUR PRODUCTS ARE SOLD THROUGH MORE THAN 5,000 RETAIL OUTLETS AND 230 TRADE DISTRIBUTION OUTLETS, INCLUDING MORE THAN 70 DULUX TRADE CENTRES THROUGHOUT AUSTRALIA AND NEW ZEALAND.

Strategy and growth

DuluxGroup has market leadership positions in Australia, New Zealand and Papua New Guinea (PNG) and niche positions in targeted segments of high growth Asian markets.

CONTINUE TO GROW LEADING POSITIONS IN DOMESTIC MARKETS

In Australia, New Zealand and PNG, DuluxGroup has built strong leadership positions in carefully chosen premium segments of the market, which offer resilient earnings growth and stable operating margins through economic cycles.

We have deliberately pursued and achieved profitable volume and market share growth, and by doing so have consistently outperformed the market. Our capabilities and market positions provide strong foundations for growth.

Our growth strategy is clear.

- We seek leadership positions in premium, higher margin segments.
- We build those positions by continually developing our key capabilities to ensure sustainable competitive advantage.
- We maintain a relentless focus on financial discipline and productivity improvement.
- We continue to reinvest for growth:
  - in our key capabilities – brands, innovation, customer service and marketing initiatives which stimulate consumer demand
  - in our asset base, including the recent commissioning of a new centralised distribution facility in Western Australia and a new powder coatings plant in Victoria. In 2011 we will commission a significant upgrade to our paints factory in Wellington, New Zealand and a new Protective Coatings plant in Victoria.
- We continue to pursue both organic and acquisitive growth in close-to-the-core, adjacent premium product categories where we can leverage our key capabilities and achieve cost synergies.

CONTINUE MEASURED GROWTH IN TARGETED SEGMENTS OF ASIA

In tandem with our domestic market growth strategy, DuluxGroup will continue to develop its strong foothold in targeted segments of high growth markets in Asia – for the medium to long term.

DuluxGroup has had more than a decade of experience in Asia through the manufacture and marketing of the Selleys and AcraTex brands. DuluxGroup acquired SOPEL, in China, in 2008. SOPEL manufactures Opel, which is a market leading brand in timber coatings in eastern China and provides DuluxGroup with more than 750 distribution outlets. DuluxGroup is exploiting measured growth opportunities in China by focussing on building and maintenance products (Selleys), timber coatings (Opel), texture coatings (AcraTex) and premium decorative coatings (Levene).

Relatively high GDP growth rates, an increasing level of urbanisation, a growing middle class and a gradual consumer trend towards more premium products, all play to DuluxGroup's strengths.

We have a clear and measured medium to long-term growth strategy:

- Step change, measured growth in markets where we know our technology, brand marketing and customer relationship management provide a sustainable competitive advantage.
- Target new business opportunities, including acquisitions that:
  - are strategically sound, allowing DuluxGroup to leverage its existing capabilities and expertise;
  - continue to build on the existing platform; and
  - meet strict financial criteria.

Chairman's report

Dear Shareholder,

I am extremely pleased to present the 2010 DuluxGroup Annual Report to our shareholders after our successful demerger from Orica to become an independent, Australian Securities Exchange listed, public company.

DuluxGroup may be a new company but its iconic brands have been developed over nearly a century to give them clear market-leading positions in Australia, New Zealand and Papua New Guinea, and strong footholds in targeted segments in high growth Asian markets.

In 2010 our Company continued its strong record of consistent earnings growth. On a pro forma basis, DuluxGroup delivered net profit after tax (NPAT) before one-off demerger costs of $71.5 million for the full year ended 30 September 2010.

Accounting for one-off demerger costs of $2.8 million (after tax), pro forma NPAT was $68.7 million.

On a pro forma basis, sales revenue increased 2% to $963.9 million and earnings before interest and tax (EBIT), before stand-alone costs, increased 6% to a record $136.5 million.

The Board has declared a final dividend of 3.0 cents per share, fully franked, representing a 70% payout ratio on pro forma NPAT before one-off demerger costs, pro-rated to reflect the 2.7 months of operations following demerger from Orica Limited to 30 September 2010.

DuluxGroup is one of the few coatings and related products companies globally to have grown earnings in developed markets through the global financial crisis. In past years, large global competitors have entered the Australian and New Zealand market and a number have subsequently exited. Our Company has a proud record of world class technical and marketing innovation within ICI Paints internationally until 1997, and in Orica, until the demerger in July 2010. We have also heavily focussed on providing world-leading customer satisfaction and service for more than 20 years and have built a highly efficient supply chain to delight our customers. We are confident we can retain our strong position.

A new Board has been established with members who have deep operational and functional experience gathered over many years across broad geographies and industries, allowing each of them to contribute unique skills and perspectives. One additional independent board member is still to be appointed.

In June 2010, a new $5m sales and distribution centre at Welshpool in Western Australia was completed. A significant re-development of the water-based paint plant in Wellington, New Zealand is progressing to plan and is due for completion in September 2011. A new protective coatings plant at Dandenong in Victoria is also due to open in 2011 and is being built alongside the new Powder Coatings plant completed in late 2008.

In addition to capital investment in operating assets, we continue to re-invest in research and development, in marketing and in business growth initiatives including in offshore markets. In 2008, DuluxGroup acquired the Sopel wood coating manufacturing business in Shanghai, China, and is developing it to become a full range coating manufacturer and marketer. The business is being shaped for long-term growth, and a team experienced in Asian business development has been established to grow Sopel and to focus on sensible, small scale growth opportunities in China and other parts of Asia. Growth opportunities are also being sought elsewhere, including in Australia. We plan to grow our businesses profitably in a measured, low risk manner.

Our balance sheet contains a conservative level of debt with bank facilities that are multi-currency, flexible and have an average term of approximately three years, and which provide a sound level of confidence in the Company's liquidity and ability to fund prudent growth projects.

The Board intends to maintain a progressive dividend policy and, subject to the availability of retained earnings, intends to pay at least 70% of its net profit after tax (excluding individually material items) as dividends, franked to the maximum extent practicable.

With some refinement, the Board has continued the Orica executive remuneration structure which has worked well for shareholders, is transparent and is understood by management. The Board has calibrated an individual executive's fixed annual salary with reference to the median level of a peer group of companies. Together with short-term and long-term incentives, the executive has the potential to earn up to the 75th percentile of the peer group if stretch objectives are achieved. These objectives are approved by the Board each year.

On behalf of the Board and our shareholders, I would like to thank the senior management team and DuluxGroup employees for their contribution to yet another successful year. Our employees span many different geographies and operational areas as diverse as chemistry, finance, materials handling, horticulture and colour trends – yet they are each united by a strong commitment to do their best for customers, shareholders, their colleagues and the communities within which we operate. The greatest testimony to this is that, throughout the demerger process and the establishment of DuluxGroup, the business did not miss a beat in continuing to provide outstanding service to customers. As evidence of this strong commitment, 75% of our Australian employees and 55% of New Zealand employees are DuluxGroup shareholders.

The Company and our employees continue to help improve communities we serve through activities ranging from rubbish cleanups to volunteering with community organisations and by supporting groups including Landcare and Habitat for Humanity.

Finally, I wish to thank you, our shareholders for your support for this promising new listed company, DuluxGroup.

"IN 2010 OUR COMPANY CONTINUED ITS STRONG RECORD OF CONSISTENT EARNINGS GROWTH. ON A PRO FORMA BASIS, DULUXGROUP DELIVERED NET PROFIT AFTER TAX (NPAT) BEFORE ONE-OFF DEMERGER COSTS OF $71.5 MILLION FOR THE FULL YEAR ENDED 30 SEPTEMBER 2010."

Peter Kirby
Chairman

Managing Director's report

Dear Shareholder,

Since commencing operations in Sydney in 1918, DuluxGroup has helped millions of consumers throughout Australia, New Zealand, Papua New Guinea and more recently, parts of Asia, to imagine and create a better place. And by doing so, we have built and reinforced leading positions in our chosen markets and delivered consistent earnings growth.

I am pleased to report that this year, in DuluxGroup's first year of reporting to shareholders in our own right, your Company has once again outperformed the markets in which we compete and delivered record earnings. Our earnings growth was underpinned by strong financial discipline which saw a 7% improvement in pro forma operating cash flow to $162.3 million.

Our largest operating segment, the Australian Paints business, achieved a record result with pro forma sales up 5% and pro forma earnings up 6% to $91.9 million, underpinned by further profitable market share gains in a modestly improving market. This strong performance reflects the diversity in the business' product and channel portfolio combined with an ongoing focus on brands, innovation and customer service.

While pro forma earnings declined in the New Zealand Paints business to $10.3 million, down $1.1 million or 9.6%; this was largely due to the adverse impact of the strong Australian dollar and one-off expenses associated with the significant upgrade of the 70 year old paints factory in Wellington. Excluding these factors, pro forma earnings increased 4% reflecting, in part, full year productivity benefits from a significant cost restructuring program undertaken in 2009.

The Selleys Yates business delivered record pro forma earnings of $28.9 million, up $1 million or 3.6%, reflecting further investment in its many brands, strong customer focus and benefits from ongoing productivity initiatives. Selleys grew sales and market share in relatively flat Australian and New Zealand markets, through a continued focus on effective marketing, new product development and expansion into adjacent categories. Yates Garden Care revenue continued to be impacted by soft market conditions, particularly in New Zealand.

DuluxGroup's Offshore and Other business segment – comprising Dulux Powder and Industrial Coatings, Dulux Papua New Guinea (PNG), and the South-East Asian and China businesses (known as DGL International) – achieved pro forma earnings of $9.9 million, up 3.1%, despite the adverse impact of the strong Australian dollar. Excluding foreign exchange translation impacts, earnings increased 17%. This reflects volume growth in the Dulux Powder and Industrial Coatings business and the Dulux PNG business, combined with overall productivity improvements. During 2010, we continued to invest in business development in Asia as an important part of our medium to long-term growth strategy.

Although this is DuluxGroup's first result as a stand-alone company, the capabilities that have underpinned our success to date have not changed. Investing in premium branded products, innovation and technology and industry leading customer service is fundamental to our resilient business model. This is reflected in our proven track record of consistent profitable growth through economic cycles and significant customer and competitor changes.

Our strategy is clear:

- continue to grow our domestic market leading positions in Australia, New Zealand and PNG; and
- build on our current footholds in high growth Asian markets with a targeted approach.

Of course, delivery of this strategy relies heavily on the experience, knowledge and talent of our dedicated employees. Our 2,500 DuluxGroup employees have stayed focussed on delivering superior results for our consumers, customers and shareholders during this year of significant transition. During 2010 our employees continued to demonstrate strict financial discipline throughout our businesses, thereby positioning the Company well to respond to market challenges and growth opportunities as they arise.

Our employees also share a strong commitment to caring for the safety and sustainability of our operations and the communities within which we work, which is encapsulated by our vision of 'A Future without Harm'. This involves focussing on the four key improvement areas of personal safety, process safety, fatality prevention and sustainability.

I would like to thank all DuluxGroup employees who have contributed to this year's result, particularly noting the very significant efforts by all those involved in seamlessly enacting the demerger itself.

I would also like to thank the DuluxGroup Board for their support during this year of significant transition. We are very fortunate to have a Board of considerable experience led by our Chairman Peter Kirby, who was Managing Director of our business from 1989–1995, prior to leading ICI Dulux Paints worldwide.

DuluxGroup has continued to profitably outperform in its core markets. The strategic leadership position it has carved out and continues to build upon, supported by a performance driven culture, provides a solid foundation for ongoing profitable growth.

"I AM PLEASED TO REPORT THAT THIS YEAR, IN DULUXGROUP'S FIRST YEAR OF REPORTING TO SHAREHOLDERS IN OUR OWN RIGHT, YOUR COMPANY HAS ONCE AGAIN OUTPERFORMED THE MARKET AND DELIVERED RECORD EARNINGS."

Patrick Houlihan
Managing Director and CEO

Paints Australia

Paints Australia comprises the Dulux Decorative Australia business, including the retail paint, trade paint, Cabot's woodcare, Protective Coatings and Texture Coatings businesses.

Paints Australia includes iconic brands such as Dulux, Berger, British Paints, Walpamur, Cabot's, Intergrain, Feast Watson and AcraTex. It is the number one choice for home owners, renovators and trade professionals throughout Australia. Strong investment in key brands through marketing and new product innovation is reflected in industry high brand recognition.

Readily identifiable with creating better homes, less obvious is Paints Australia's critical role in protecting and improving the spaces and infrastructure we see everyday, from the protective coatings on the Sydney Harbour Bridge and cable poles on the Adelaide CBD tramline to the AcraTex coating on Melbourne's landmark Flinders Street Station.

The brands have the largest retail distribution in the market, with a prominent presence throughout Australia, from the largest retail chains to the smallest owner operated hardware stores. However, approximately half of Paints Australia sales come from its extensive network of architects, specifiers, professional painters, interior designers and commercial construction professionals. The business supports its brand investment with a strong focus on excellent customer relationships and service and industry leading supply chain management.

Dulux Protective Coatings at work.

YEAR IN REVIEW

- Record result with pro forma sales up 5% and pro forma earnings up 6%, reflecting modest market recovery, further profitable market share gains and some benefit from a stronger Australian dollar.
  - Strong performance, particularly in the trade sector.
  - Continued focus on innovation saw a number of new products launched and heavily marketed, including 'Dulux Wash and Wear Kitchen and Bathroom', 'Intergrain Floating Floor Finish' and the new 'Dulux Design' range which captures the high end fashion elements of interior design.
  - Dulux's 'InfraCOOL Heat Reflective Coatings' product; new technology that reflects more solar radiation and reduces cooling costs, won the 'DesignEx 2010 New Product Award for Building & Construction Systems'.
  - Strong investment in integrated media campaigns for both consumer and trade media including: launch of the Dulux 'Painting Season' campaign; the Cabot's 'Clever Deck' campaign; and the 'Dulux Design' magazine campaign to stimulate the fashion and design sector of the market.
  - Launched the 'Designers for Dulux' initiative in collaboration with fashion designer Kirrily Johnston.

GENERAL MARKET CONDITIONS

The market showed modest recovery during 2010, following a decline in 2009 during the global financial crisis. Above trend growth in the trade segment was offset by a slight decline in the consumer retail segment. In 2011, further moderate growth is expected as a result of increased investment by major retailers and, GDP recovery supporting new housing and renovation activity.

STRATEGY AND FUTURE DIRECTION

- The new Protective Coatings plant will be completed in 2011, providing productivity gains, greater capacity and even better customer service for a growing sector of the Paints Australia business.
- Growth will be driven by investing in our proven capabilities that stimulate market activity including: technology driven new product innovation, colour tools that cater to emerging fashion and lifestyle trends; increasing presence in new digital and social media for direct engagement with consumers; and strategically timed integrated advertising and marketing campaigns.
- Brand investment will be underpinned by excellent customer relationships, service and supply chain management.

"THE STRENGTH OF OUR BRAND PORTFOLIO COUPLED WITH EXCELLENT SERVICE PROVIDED BY OUR RETAIL CUSTOMERS AND TRADE DISTRIBUTION PARTNERS HAS UNDERPINNED RECORD SALES AND PROFIT DELIVERY THIS YEAR. THIS COMBINATION PROVIDES A STRONG PLATFORM FOR FURTHER GROWTH."

Andrew Ingleton, General Manager,
Dulux Paints Australia

Paints New Zealand

Paints New Zealand is the Dulux Decorative New Zealand business which comprises the Retail Paint, Trade Paint, Cabot's woodcare, Protective Coatings and Texture Coatings businesses. Manufacturing in Wellington since 1935, the business leads the market with such household names as Dulux, British Paints, Berger, Levene and Cabot's.

For the last 20 years it has also been leaving its mark with the AcraTex range of texture coatings, which adorn such landmark buildings as Auckland's Ponsonby Post Office and the Princess Wharf building on Auckland Harbour.

The business has a strong history in manufacturing excellence. It has leading research and technology capability and a strong ongoing investment in its iconic brands through marketing. It supports its leading retail market positions with a consolidated marketing program, a well resourced sales force, and a specialist Training Academy to assist our retail customers in meeting the needs of consumers in their stores. It also reaches and supports its extensive network of trade professionals through dedicated trade painter and commercial sales forces, and provides broad distribution through 18 Dulux Trade Centres and an additional 53 trade agents located across New Zealand. The business employs close to 250 of the 400 people employed by DuluxGroup throughout New Zealand.

YEAR IN REVIEW

Pro forma earnings declined 9.6% due largely to the adverse impact of a strong Australian dollar and the one-off expense associated with the significant upgrade of the Gracefield site in Wellington. Excluding these factors, pro forma earnings increased 4%, partly reflecting full year productivity benefits from a significant cost restructuring program undertaken in 2009.

- Continued investment in brands with the launch of a number of new integrated advertising and promotional campaigns combined with an increasing presence in new digital media.
- Developed a new colour range for the relaunch of Cabot's exterior woodcare.
- Underpinned brand investment with initiatives to support key retail customers including new point of sale material in major retailers
- Opened a new Dulux Trade Centre in Auckland City to expand our Trade distribution footprint
- Made significant progress on the upgrade of the Wellington paint manufacturing site which is due for completion in 2011.
- Received ISO 14001 accreditation for 'Sustainable Business Practices', the first decorative paint company in the southern hemisphere to achieve this.

GENERAL MARKET CONDITIONS

After two years of market decline, architectural and decorative paint markets levelled out in 2010 and remained flat throughout the year. It is expected that the retail market will continue to face subdued conditions in 2011. However, the overall market is expected to return to modest growth based on increased trade activity.

STRATEGY AND FUTURE DIRECTION

- Organic growth will be driven by a number of new product launches and relaunches of the existing product range in both the paints and woodcare sectors
- The commissioning of the major upgrade of the Wellington paint manufacturing site is expected to deliver productivity benefits, increased supply chain efficiencies and provide additional manufacturing capacity for long-term growth
- A new Dulux Trade Centre is planned for Christchurch to further extend our distribution to trade professionals
- Tight management of costs, cash and productivity, will remain a focus.

"ONGOING INVESTMENT IN OUR BRANDS AND A FOCUS ON CONTINUALLY IMPROVING OUR EXCELLENT CUSTOMER RELATIONSHIPS, COMBINED WITH VERY DISCIPLINED MANAGEMENT OF COSTS AND PRODUCTIVITY, HAS DELIVERED A RELATIVELY GOOD RESULT, DESPITE FLAT MARKETS. THE BUSINESS IS WELL PLACED TO CAPTURE GROWTH AS MARKETS SLOWLY RECOVER."

Patrick Jones, General Manager, Dulux Paints New Zealand

Selleys Yates

The Selleys Yates segment consists of the Selleys home improvement business and the Yates garden care business in Australia and New Zealand. With origins dating back to the establishment of the Yates garden seeds business in the late 1800s, Selleys Yates boasts an array of brands that have become household names including Selleys, Yates, Rota Cota, Polyglaze, Liquid Nails, No More Gaps, Spakfilla, Hortico, Watkins, Dynamic Lifter, Zero, and Ratsak.

From Selleys Silicone in the bathroom to Dynamic Lifter in the vegetable patch and Polyglaze Sparkling Car Wash on the family car, millions of people rely on Selleys Yates products to create better homes and gardens.

Selleys Yates products have become an integral part of improving the daily lives of people throughout Australia and New Zealand. Much of that success rests on the business' ability to adapt to changes in lifestyle and to continue meeting the needs of gardeners, trade professionals and do-it-yourself home improvers in each new generation.

YEAR IN REVIEW

- Record pro forma earnings reflecting investment in brands through marketing and new product development, customer relationship management and the benefits of ongoing productivity initiatives.
- Profitable market share increases in key categories.
- More than one third of Selleys and Yates' 2010 sales were generated from products launched in the last three years. New products launched during the year included, Selleys Wet Area Speed Seal and Yates BuffaloPro.
- Marketing initiatives included an increased focus on integrated campaigns incorporating new digital media and in-store touch screens to help Selleys' do-it-yourself customers select the best product solution.
- Yates New Zealand won six marketing awards presented by the NZ Nursery and Garden Industry Association.
- Excellent customer service continued to underpin the investment in brands and was recognised with Yates Australia winning the Nursery and Garden Industry Association National Supplier of the Year award.
- The Selleys product range increased its presence in major retail customer channels.
- Yates continued to support a number of gardening-related properties and causes, including Landcare, the Victorian Schools Garden Awards, Community Gardens program run by the Sydney Royal Botanic Gardens and Trees for Survival in New Zealand.

GENERAL MARKET CONDITIONS

Record earnings were achieved despite relatively flat conditions, particularly in New Zealand. A strong Australian dollar improved input costs in some areas.

STRATEGY AND FUTURE DIRECTION

- The business will continue to focus on stimulating consumer demand and growing market share through new product development and adjacent category growth.
- Productivity, tight management of costs and ongoing improvements in its core new product development and supply chain processes will continue to underpin the growth strategy.
- The Yates business is expected to benefit from further easing of water restrictions in Australia.

"THE BUSINESS HAS PROFITABLY GROWN MARKET SHARE IN KEY CATEGORIES DURING THE YEAR AND DELIVERED RECORD EARNINGS IN SUBDUED MARKETS. NEW PRODUCT INNOVATIONS, EFFECTIVE MARKETING, AND INDUSTRY LEADING CUSTOMER SERVICE AND SUPPLY CHAIN MANAGEMENT HAVE CONTINUED TO DRIVE OUR SUCCESS."

Graeme Doyle, General Manager, Selleys Yates

Offshore and other

This comprises Dulux Powder and Industrial Coatings Australia and New Zealand, the Dulux Papua New Guinea (PNG) business and the South-East Asian and China businesses known as DGL International.

Dulux Powder and Industrial Coatings is the largest supplier of powder coatings in Australia and New Zealand. Its products include premium architectural coating solutions for both residential and commercial developments. These products are used extensively in applications such as aluminium windows, curtain walls, balustrades, fencing, and interior fit out items. The business also markets a range of Auto Refinish and Industrial coatings.

Dulux is a leading paint manufacturer and marketer in PNG where it has been manufacturing since 1968. The business has grown by supporting a strong investment in marketing with excellent customer relationships and service.

DuluxGroup has more than a decade of experience in Asia and China. DGL International is home to brands including Opel timber coatings, Selleys, Levene Paints and AcraTex. Opel products are manufactured in Shanghai and are sold through more than 750 outlets.

YEAR IN REVIEW

Increased pro forma earnings by 3.1% despite the adverse impact on translation of the strong Australian dollar. Excluding the foreign exchange translation, earnings increased 17%. This reflects volume growth in the Dulux Powder and Industrial Coatings Segment and the Dulux PNG business, combined with overall productivity improvements.

- Dulux Powder and Industrial Coatings:
  - Continued to invest in new product innovations which have driven volume growth; e.g. Duralloy XT, which is a highly durable coating for aluminium doors, windows, balustrades and fences in the residential market.
  - Expanded its geographic footprint with Duratec architectural aluminium coatings selected for landmark projects in Singapore. Flouroset FP aluminium coatings product chosen for major project in Tel Aviv.
  - Benefited from productivity and supply chain management improvements from its new manufacturing facility at Dandenong South.
- Dulux PNG:
  - Volumes increased as market growth was assisted by increased local investment in construction associated with the ExxonMobil LNG project.
  - Dulux AcraTex won several new contracts for the increasing number of commercial high rise developments under way in Port Moresby.
  - Strengthened customer relationships through a capable sales force, expansion of the Trade Depot model and increased in-store-support for key customers.
  - Sales driven by continued investment in the Dulux brand including the launch of a new TV campaign.
- DGL International:
  - In China, Selleys expanded its market presence from southern China into the east of China. AcraTex expanded its presence inland, establishing a service centre in Chongqing.

GENERAL MARKET CONDITIONS

Further market growth is expected across most markets in this segment in 2011, however, earnings growth is expected to be tempered as DuluxGroup continues to invest in Asia to secure long-term growth.

STRATEGY AND FUTURE DIRECTION

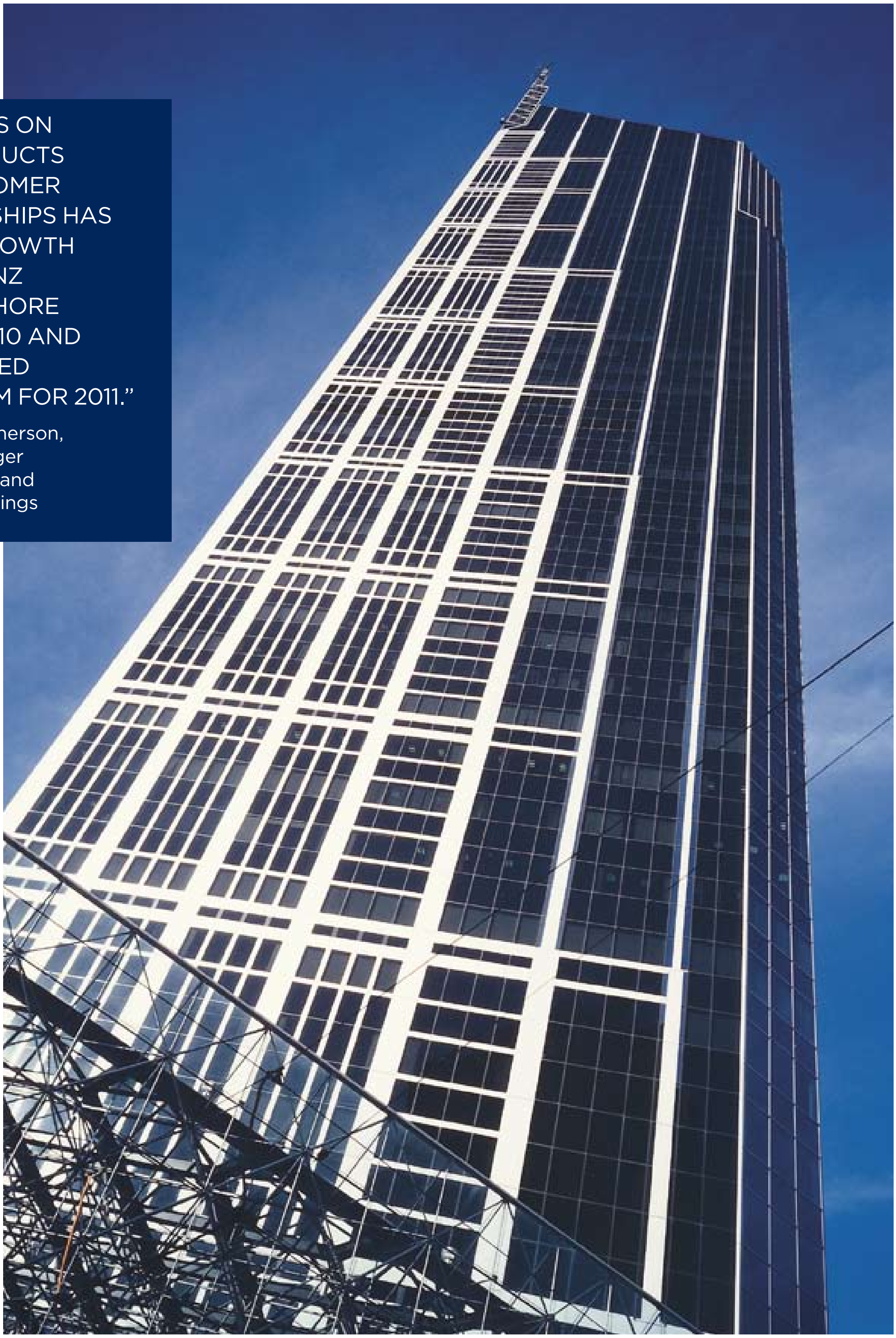
- Continue to invest in new product development and technology driven innovation to drive volume growth in the Powder and Industrial Coatings sector.
- Continue to invest in developing customer relationships and service to capitalise on the growth in construction activity in PNG.
- Continue to invest in targeted niche positions in China. Drive growth by harnessing the product and service experience and expertise developed in Australia and New Zealand, and using it as a point of difference with customers and consumers in China.
- Increase investment in the Opel brand to build on its existing solid platform.

"THIS YEAR WE'VE FURTHER DEVELOPED OUR POSITION IN TARGETED SEGMENTS OF THE CHINESE MARKET OFFERING HIGH GROWTH. WE WILL CONTINUE TO INVEST IN THE CAPABILITIES TO CAPTURE THE LONG TERM GROWTH IN THESE MARKETS."

Anthony Richardson,
General Manager DGL International China

"OUR FOCUS ON NEW PRODUCTS AND CUSTOMER RELATIONSHIPS HAS DRIVEN GROWTH ACROSS ANZ AND OFFSHORE DURING 2010 AND ESTABLISHED MOMENTUM FOR 2011."

Cameron McPherson,
General Manager
Dulux Powder and
Industrial Coatings



Dulux Powder and Industrial Coatings at work.

Review of operations and financial performance

As a result of the progressive restructure of DuluxGroup within Orica and subsequent implementation of the demerger, the consolidated financial results presented for DuluxGroup for the financial year ended 30 September 2010 do not reflect the full 12 month results for several operations that comprise DuluxGroup.

As a result the following information is focussed on pro forma figures, which do reflect 12 months' results. Selected statutory results, however, are also shown.

FINANCIAL HIGHLIGHTS

- Statutory net profit after tax (NPAT) of $61.3 million
- Pro forma NPAT of $71.5m, before one-off demerger costs.
- Accounting for one-off demerger costs of $2.8 million (after tax), pro forma NPAT was $68.7 million.
- Pro forma Sales revenue of $963.9m, an increase of $19.2m (+2.0%) on prior year (+4.0% excluding adverse translational foreign exchange movements).
- Pro forma EBIT of $136.5m increased by $7.6m (+5.9%) on the prior year.
- Pro forma Operating Cash Flow (before tax, interest and dividends) of $162.3m, an increase of $11.1m (+7.3%).
- Final Dividend of 3.0 cents per share fully franked, reflecting a pro-rated 70% payout ratio.
- Year end Net Debt at $204.9m, down from $245.0m at demerger, reflecting the typical strong seasonal trading since demerger and some beneficial timing impacts.

Outlook

DuluxGroup expects 2011 net profit after tax (before individually material items) to be higher than $71.5 million, being the 2010 pro forma net profit after tax before one-off demerger costs, subject to economic conditions.

PRO FORMA PROFIT AND LOSS

Sales revenue of $963.9m increased by $19.2m (+2.0%) on last year. Excluding adverse foreign exchange (FX) movements of $19.0m related to the translation of non-Australian revenues (approximately 20% of Group revenue), underlying sales were up 4.0%.

The sales result was driven by:

- Volume growth from a modest improvement in Australian markets, particularly in trade paint;
- Continued profitable share growth in Paints Australia and Selleys businesses; and
- Contribution from price relating primarily to a continued focus on premium product mix supported via new product development and targeted marketing and sales initiatives.

Partly offset by:

- Flat market conditions in New Zealand;
- Soft Garden Care market conditions in both Australia and New Zealand; and
- Adverse foreign exchange translation impact.

EBIT (before ongoing stand-alone costs) of $136.5m increased by $7.6m (+5.9%) on the previous year, due to:

- Flow through effects of increased sales revenue;
- A recovery in gross margin from a below trend low in 2009, supported by the favourable movement of the Australian dollar and complemented by a continued focus on premium product mix; and
- Ongoing productivity initiatives.

Partly offset by:

- Ongoing investment in marketing, innovation and sales initiatives;
- One-off costs associated with the New Zealand paint factory upgrade project;

Pro Forma result summary

Results	Year ended 30 September		
A$m	2010 Pro forma	2009 Pro forma	% Change
Sales revenue	963.9	944.7	2.0
EBITDA	156.0	146.2	6.7
EBIT before ongoing stand-alone costs	**136.5**	**128.9**	**5.9**
Pro forma ongoing stand-alone cost	(13.0)	*	*
EBIT after ongoing stand-alone costs	**123.5**	*	*
Pro forma net interest expense	(22.1)	*	*
Pro forma tax expense	(29.9)	*	*
Pro forma NPAT before one-off demerger costs	**71.5**	*	*
One-off demerger costs (net to tax)	(2.8)	*	*
Pro forma NPAT after one-off demerger costs	**68.7**	*	*
Operating cash flow, excl. tax and interest	162.3	151.2	7.3
Cash conversion (%)	92.9%	94.2%	(1.3%)
Net debt (closing)	204.9	*	*
Diluted pro forma earnings per ordinary share (cents)	19.7	*	*
Final dividend per share (cents)	3.0	*	*
Dividend payout ratio (pro-rated) (%)	70.0%	*	*

* Not calculated for 2009.

- Further investment in longer term business development options, particularly in China; and
- Adverse foreign exchange translation impact.

Pro forma NPAT before one-off demerger costs of $71.5m

Given that this is the first result for DuluxGroup as a stand-alone Company, this pro forma NPAT has been calculated to reflect management's view of what DuluxGroup's NPAT would have been if the Company had been operating as a stand-alone company for the full 12 months ended 30 September 2010. It has been calculated based on the full 12 months operating EBIT, less the full annualised $13.0m of ongoing stand-alone costs, an estimate of pro forma net interest expense (based on underlying cash flows) and an estimate of pro forma income tax expense (based on a 29.5% effective tax rate).

Given the above pro forma adjustments, a comparative NPAT result for the year ended 30 September 2009 is not presented.

One-off Demerger Costs for the year of $2.8m after tax ($4.0m before tax)

These relate to one-off transition costs relating to re-branding and separation activities resulting from the demerger. This is consistent with the amount outlined in the demerger Scheme Booklet, per section 14.8.

EPS

EPS has been calculated on a diluted basis using pro forma NPAT before one-off demerger costs.

Final Dividend

The final dividend of 3.0 cents per share fully franked, representing a 70% payout ratio on pro forma NPAT before one-off demerger costs, pro-rated to reflect the 2.7 months of operation since demerger.

BALANCE SHEET

Due to the demerger from Orica, certain balance sheet items are new; such as taxation balances (deferred tax assets, income tax provision, deferred tax liabilities), defined benefit superannuation fund liability, net external debt and shareholders' equity. There is no comparative year information provided for these items, as they did not exist in the prior year within DuluxGroup.

Key movements in the Balance Sheet since September 2009 (see table on page 25) are:

- **Trade working capital** (TWC) has increased by $0.6m compared to last year, which when measured as a percentage of sales, reflects a year on year improvement from 12.2% to 12.0%. Rolling TWC to rolling sales improved from 12.9% at September 2009 to 11.6% at September 2010, demonstrating a sustained improvement in trade working capital management.
- **Net property, plant and equipment** increased by $11.9m from last year, largely due to spend on renewal/growth projects ($16.3m) and sustenance capital ($17.3m); partly offset by depreciation ($17.5m). Refer to cash flow for further information.
- **Intangible assets** reduced by $3.1m mainly due to FX translation impacts ($2.4m).
- **Non trade creditors** remained at a similar level to the prior year.
- **Provisions** increased by $8.1m from last year, predominantly due to various demerger-related items and an increase in employee entitlement provisions.
- **Net other assets** are at a similar level to 2009.

Pro forma segment revenue and EBIT results are shown below:

Segment results	Year ended 30 September		
A$m	2010 Pro forma	2009 Pro forma	% Change
SALES REVENUE			
Paints Australia	556.5	530.5	4.9
Paints New Zealand	79.4	81.0	(2.0)
Selleys Yates	230.8	233.6	(1.2)
Offshore and Other	123.5	123.5	0.0
Unallocated/eliminations	(26.3)	(23.9)	(10.0)
Total sales revenue	**963.9**	**944.7**	**2.0**
EBIT			
Paints Australia	91.9	87.0	5.6
Paints New Zealand	10.3	11.4	(9.6)
Selleys Yates	28.9	27.9	3.6
Offshore and Other	9.9	9.6	3.1
Corporate costs	(4.6)	(6.9)	33.3
Total EBIT before ongoing stand-alone costs	**136.5**	**128.9**	**5.9**

Net debt has reduced from $245.0m at demerger to a year end balance of $204.9m, due to the typical strong seasonal trading in the last quarter of 2010, and a number of one-off timing benefits, including the absence of tax and dividend payments in the period since demerger.

PRO FORMA CASH FLOW

Net operating cash flows before interest and tax payments, and excluding one-off demerger cost and stand-alone costs, increased by 7.3% due to the increase in EBITDA, and ongoing working capital management

Investing cash outflows decreased by $9.8m

- $3.8m increase in sustenance capital expenditure (which remained below total depreciation and amortisation)
- $10.8m increase in renewal/growth capital expenditure to $16.3m, of which $11.2m related to the New Zealand factory upgrade and a new protective coatings factory in Melbourne (which are both on track for completion in 2011 within the combined $38m budget) and the remainder related largely to a new distribution centre and sales office in Western Australia
- no spend on acquisitions in 2010 (2009 included the acquisition of SOPEL in China and Hillmark in Australia)

Cash conversion remained high at 92.9%, though below the prior year level of 94.2%, due to sustenance capital expenditure increasing.

OTHER ITEMS

Ongoing stand-alone costs for the 2010 year reflect the costs associated with DuluxGroup being listed on the ASX and no longer being a division within Orica.

Following the demerger from Orica, DuluxGroup became a stand-alone entity listed on the ASX, and is now incurring additional corporate operating costs relative to its position as a division of Orica. These costs include share registry costs, company secretariat costs and the costs of maintaining a separate board of directors. DuluxGroup has also incurred costs associated with certain services and internal management systems that had previously been provided by or in conjunction with Orica, such as information technology, insurance, accounting, treasury, legal and taxation services. Additionally, FX gains and losses on cash deposits and borrowings is an item that was previously recognised by Orica, and is now incurred by DuluxGroup. Overall, it is estimated that these additional costs will be approximately $13.0m per year, as outlined in the Scheme Booklet, section 6.2.

Net interest expense reflects interest costs associated with the Group's debt facilities. Pro forma interest cost for the year has been estimated at approximately $22.1m, based on management's analysis of what DuluxGroup's cash flows would have been if DuluxGroup had been operating as a stand-alone listed company for the full 12 months of 2010. This analysis included assumed dividend and tax payments and also took account of the full $13.0m of ongoing stand-alone costs.

The analysis showed that the average daily debt balance for the year was approximately $40.0m higher than the simple average of the opening and closing balances. The drivers of this difference are intra-month working capital movements (timing of receipts and payments) and seasonality of cash flows across the year.

Net interest expense was modelled to reflect the commercial terms of DuluxGroup's current debt facility and trade card facility. The analysis resulted in an average net interest rate of approximately 8.5%.

Income tax expense reflects an effective tax rate of 29.5% in the pro forma calculations. The effective tax rate per the Consolidated Financial Report is 28.5%, which reflects some additional one-off items in 2010.

NET DEBT HAS REDUCED FROM $245.0M AT DEMERGER TO A YEAR END BALANCE OF $204.9M, DUE TO THE TYPICAL STRONG SEASONAL TRADING IN THE LAST QUARTER OF 2010, AND A NUMBER OF ONE-OFF TIMING BENEFITS INCLUDING THE ABSENCE OF TAX AND DIVIDEND PAYMENTS IN THE PERIOD SINCE DEMERGER.

Balance Sheet

A$m	Year ended 30 September 2010 FINANCIAL REPORT	2009 PRO FORMA
Inventories	113.4	107.9
Trade debtors	137.8	139.2
Trade creditors	(135.4)	(131.7)
Total trade working capital	115.9	115.3
Net Property, plant and equipment	153.9	142.0
Intangible assets	89.0	92.1
Non trade creditors	(44.0)	(43.4)
Provisions (excluding tax)	(40.1)	(32.0)
Net other assets	10.2	10.9
Net Assets – before demerger items	**284.9**	**284.9**
Tax Balances (DTA, ITP and DTL)	18.3	
Defined benefit fund liability	(13.3)	
Non Assets before net bebt	**289.9**	
Net debt	(204.9)	
Net Assets	**85.0**	
Shareholders Equity	**85.0**	

Due to the demerger from Orica, certain balance sheet items are new, such as taxation balances (deferred tax assets, income tax provision, deferred tax liabilities), defined benefit superannuation fund liability, net external debt and shareholders' equity. There is no comparative year information provided for these items, as they did not exist in the prior year within DuluxGroup.

Pro forma cash flow

Abridged statement of cash flows* A$m	Year ended 30 September 2010 PRO FORMA	2009 PRO FORMA
NET OPERATING CASH FLOWS (excl. tax and interest)		
EBIT	136.5	128.9
Add: Depreciation	17.5	15.6
Add: Amortisation	2.0	1.7
EBITDA	156.0	146.2
Trade working capital movement	(0.6)	(0.1)
Non trade working capital movement	5.4	5.4
Other non cash	1.5	(0.3)
Operating cash flows	**162.3**	**151.2**
NET INVESTING CASH FLOWS		
Sustenance capital	(17.3)	(13.5)
Renewal/Growth capital	(16.3)	(5.5)
Acquisitions	–	(24.6)
Dividends from associates	0.5	0.7
Investing cash flows	**(33.1)**	**(42.9)**
Cash conversion[1]	**92.9%**	**94.2%**

* Includes operating items only. Excludes one-off demerger costs and ongoing stand-alone costs. Excludes interest, tax and all funding.

1 Cash conversion is calculated as EBITDA add/less movement in working capital and other non cash, less sustenance capital spend, as a percentage of EBITDA.

Note: The above abridged pro forma cash flow has been prepared for 2010 and 2009 to reflect the underlying cash flows of the businesses as if DuluxGroup Limited owned all of its businesses for the full 12 months. The cash flows have been derived based on management accounts. Given this, interest, tax, dividends and debt funding have not been included. Further, to enable like-for-like comparison between years, one-off demerger costs and ongoing stand-alone costs have also been excluded.

THE FINAL DIVIDEND OF 3.0 CENTS PER SHARE FULLY FRANKED, REPRESENTING A 70% PAYOUT RATIO ON PRO FORMA NPAT BEFORE ONE-OFF DEMERGER COSTS, PRO-RATED TO REFLECT THE 2.7 MONTHS OF OPERATION SINCE DEMERGER.

COMPARISON BETWEEN FINANCIAL REPORT AND PRO FORMA FIGURES

The tables below are provided to compare key line items between the statutory profit and loss and cash flow in the Consolidated Financial Report and the pro forma profit and loss and cash flow.

As stated earlier, the 2010 results in the Consolidated Financial Report include the progressive transfer of DuluxGroup's operations into the DuluxGroup Limited ownership structure, and therefore, do not reflect a full 12 month operating result. The Australian and New Zealand businesses were transferred on 1 December 2009 and the others were progressively transferred over the remainder of the year, as outlined at the front of this report. Therefore, for revenue and EBIT, the variation between Consolidated Financial Report numbers and the pro forma numbers is predominantly due to the trading results before the businesses were transferred (e.g. October and November results for Australian and New Zealand businesses). In relation to net interest expense, the Consolidated Financial Report numbers include a blend of inter-company interest (pre-demerger) and external interest (post-demerger). The pro forma figures reflect management's estimate of the net external interest expense that would have been incurred if DuluxGroup had been a stand-alone listed company with external borrowings for the full 12 months. Consolidated Financial Report tax expense reflects the lower income (for the reasons outlined above) plus various demerger related one-off adjustments. The effective tax rate per the Consolidated Financial Report is 28.5%. Pro forma Tax has been calculated using an effective tax rate of 29.5%.

The abbreviated pro forma cash flow has been based on the underlying operating figures of the DuluxGroup businesses as if they were owned by DuluxGroup Limited for the full 12 months. However, the pro forma cash flow has not been adjusted to reflect the impact of a 'capital structure'. Therefore, interest, tax, debt and equity movements (including dividends) have not been included. In addition, one-off demerger costs and ongoing stand-alone costs have been excluded. For any other items where there is a value in the Consolidated Financial Report cash flow and no corresponding value in the pro forma cash flow, this typically reflects demerger related transactions.

The EBITDA difference is due to the same drivers as outlined in the profit and loss comparison on page 22. The significant adverse trade working capital movement in the statutory cash flow reflects the structuring within the demerger itself, predominantly relating to the transfer of working capital balances for the Australian businesses in December 2009.

For all other items where there is a comparison, the differences primarily relate to the progressive transfer of the assets from Orica to DuluxGroup.

Comparison between Financial Report and pro forma figures

2010 Profit and loss comparison

	Financial report	Pro forma	%
Revenue	775.7	963.9	80.5
EBIT before stand-alone costs	105.3	136.5	77.2
Stand-alone costs	(2.2)	(13.0)	16.9
EBIT post stand-alone costs	103.1	123.5	83.5
Net Interest	(13.4)	(22.1)	60.8
Tax expense (pre one-off demerger costs)	(25.6)	(29.9)	85.7
NPAT pre one-off demerger costs	64.1	71.5	89.6
One-off demerger costs (net of tax)	(2.8)	(2.8)	100.0
NPAT post one-off demerger costs	61.3	68.7	89.2

Comparison between Financial Report and pro forma figures

2010 Cash flow comparison

	Financial report	Pro forma
CASH FLOWS FROM OPERATING ACTIVITIES		
EBITDA	119.5	156.0
Movement in trade working capital	(81.9)	(0.6)
Movement in non-trade working capital	7.1	5.4
Interest received	0.2	*
Interest paid	(9.2)	*
Income taxes paid	(25.1)	*
Other	0.0	1.5
Net cash inflow from operating activities	**10.7**	**162.3**
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(29.8)	(33.6)
Payments for intangibles	(0.7)	*
Payments for purchase of businesses and controlled entities	(310.7)	*
Proceeds from joint venture distributions	0.5	0.5
Proceeds from sale of property, plant and equipment	0.7	*
Net cash outflow from investing activities	**(340.1)**	**(33.1)**
Net cash inflow from financing activities	**371.9**	*

* Not calculated in 2010 for pro forma.

Review of pro forma business segment performance

PAINTS AUSTRALIA

Paints Australia EBIT up 5.6% to $91.9m

Revenue and profit growth outperforming in a mildly improving market

Paints AUS	Year ended 30 September		
A$m	2010 Pro forma	2009 Pro forma	% Change
Sales revenue	556.5	530.5	4.9
EBIT	91.9	87.0	5.6

Sales revenue up $26.0m (+4.9%)

- Driven primarily by volume growth from both market and share increases.
- Modest recovery in the Australian Architectural & Decorative Paint Market with approximately 1.0% volume growth, following a decline in 2009 during the financial crisis.
  - The trade paint market experienced above trend growth supported by government related infrastructure spending and some recovery in new residential housing.
  - The retail paint market experienced a slight market decline led by a negative second half, primarily, resulting from the removal of government consumer stimulus and more recently, exacerbated by adverse un-seasonal weather conditions.
  - The woodcare sector grew at above trend rates supported by market stimulation activity, such as, Cabot's 'Clever Deck' marketing campaign.
- Further profitable market share gains, with particular strength in the trade related businesses.
- Modest contribution from price increase.

EBIT growth up $4.9m (+5.6%)

- A recovery in gross margin, post 2009 low, supported by the favourable movement of the Australian dollar, procurement effectiveness and complemented by a continued focus on premium product mix.
- Continued focus on underlying productivity to support ongoing reinvestment in key business fundamentals: brand investment and marketing effectiveness, innovation and technology supporting new product development, sales-force effectiveness and supply chain excellence.

Paints Australia — Outlook

- Further moderate market growth expected, driven by GDP recovery supporting new housing and renovation activity, and increased investment by key retailers.
- Changing competitive landscape post Nippon Paints exit from Australia and the acquisition of Wattyl by Valspar.
- Continued focus on managing operating gross margins in an environment of increasing pressure on input costs associated with global demand for certain key raw materials, such as, Titanium Dioxide, the need to manage pricing within the changing competitive and customer landscape, and currency fluctuation.
- Construction and commissioning of the new protective coatings factory to be completed during 2011.
- Business priorities in 2011 include focus on:
  - strength of brand portfolio;
  - continued investment in innovation;
  - retail brand-channel management in a changing landscape;
  - leveraging the trade distribution network; and
  - continued supply chain excellence.

Segment revenue (sales by segment)

- 56% Paints Australia
- 8% Paints New Zealand
- 23% Selleys Yates
- 13% Offshore and Other

Australia and New Zealand scale
Exposure to Asia and PNG

PAINTS NEW ZEALAND

Paints New Zealand EBIT down 9.6% to $10.3m

Profit growth in a flat market, offset by adverse FX and site upgrade costs

Paints NZ	Year ended 30 September		
A$m	2010 Pro forma	2009 Pro forma	% Change
Sales revenue	79.4	81.0	(2.0)
EBIT	10.3	11.4	(9.6)

Sales revenue down $1.6m (-2.0%)

- Impacted adversely by the foreign exchange translation effects of a strong Australian dollar. On a constant currency basis, sales were at $82.1m, up 1.3% on the previous period.
- The New Zealand Architectural & Decorative Paint Market remained flat and appears to have bottomed after an approximate 20% cumulative decline over the previous two years in a recessionary environment.
- Modest market share gains were made for the year, predominantly driven by strong activity in the trade segment and continued growth focus on commercial projects.

EBIT decline of $1.1m (-9.6%)

- Adversely impacted by the translation effects of the strong Australian dollar by $0.4m and expenses of $1.1m relating to the significant upgrade of the New Zealand paint factory.
- On a constant currency basis and excluding the upgrade-related expenses, EBIT was up 3.5% on the previous year, reflecting full year productivity benefits derived from a significant cost restructuring program undertaken in 2009.

Paints New Zealand — Outlook

- Expectations are that the New Zealand market will return to growth within the next year, despite a degree of uncertainty hanging over future market conditions as households continue to reduce debt. While the retail market faces subdued conditions, the overall market should be underpinned by increased trade activity as a result of increased levels of building work.
- As per the Paints Australia outlook, input costs are expected to come under pressure as global demand increases.
- Investment in the New Zealand paint factory is progressing to plan. Completion is due by September 2011.

SELLEYS YATES

Selleys Yates EBIT up 3.6% to $28.9m

EBIT growth despite revenue decline due to soft Garden Care market

Selleys Yates	Year ended 30 September		
A$m	2010 Pro forma	2009 Pro forma	% Change
Sales revenue	230.8	233.6	(1.2)
EBIT	28.9	27.9	3.6

Sales revenue down $2.8m (-1.2%)

- Sales revenue for Selleys grew in relatively flat Australian and New Zealand markets, led by profitable market share increases resulting from continued focus on marketing effectiveness, new product development and continued expansion into adjacent product segments.
- Yates revenue declined due to softer conditions in the Garden Care market, particularly in New Zealand. Revenues in the first half were adversely impacted by lower than expected consumer demand in the prior spring season resulting in lower refill sales to customer channels. While second half sales improved, they remained lower than last year, reflecting the general soft retail environment in the absence of prior year government stimulus, and unfavourable weather conditions in New Zealand.

EBIT growth up $1.0m (+3.6%)

- Profit improvement was achieved through Selleys sales growth and ongoing productivity initiatives, together, with the flow-on effect of Yates Australia's prior year restructuring and business integration initiatives.
- The strengthening Australian dollar improved input costs in some areas.

Selleys Yates — Outlook

- Consistent with the Paints segment outlook, further moderate market growth is expected.
- The Australian Garden Care market is experiencing favourable conditions with the continued easing of water restrictions for most major capital cities which is expected to have a positive impact on volumes for Yates.
- Focus will remain on stimulating consumer market demand and growing market share through new product development and adjacent category growth.
- Business performance will continue to be underpinned by industry leading customer service through sales force effectiveness and supply chain excellence.

"OUR CAPABLITIES AND MARKET POSITIONS PROVIDE STRONG FOUNDATIONS FOR GROWTH."

Patrick Houlihan, Managing Director and CEO.

OFFSHORE AND OTHER

Offshore and Other EBIT up 3.1% to $9.9m

Profit growth diluted by adverse FX impacts

Offshore and other	Year ended 30 September		
A$m	2010 Pro forma	2009 Pro forma	% Change
Sales revenue	123.5	123.5	0.0
EBIT	9.9	9.6	3.1

The 'Offshore and Other' segment consists of the Dulux Powder and Industrial Coatings Australia and New Zealand business, the Dulux Papua New Guinea business and the South-East Asian and China businesses (known as DGL International).

Sales revenue in line with the previous year

- Adversely affected by FX translational impacts of a stronger Australian dollar equating to $14.9m. Excluding this, sales increased by 12.1% from 2009.

EBIT growth of $0.3m (+3.1%)

- Reflecting productivity improvements, which more than offset adverse FX translation impacts. Underlying EBIT growth of $1.6m or approximately 17%.
- The **Dulux Powder and Industrial Coatings** business benefited from recovering Australian housing related sectors, along with new product launches, which drove volume increases. Productivity improvements associated with the new manufacturing facility in Dandenong, Victoria, have also assisted this business.
- The **Dulux Papua New Guinea** business increased volumes as market growth was assisted by local investment associated with the ExxonMobil LNG project. However, the deterioration of the Kina against the Australian dollar has adversely impacted the translation of these earnings.
- The performance of the **DGL International** business in China was slightly lower than the previous year, despite revenue increases, as the business continued to invest to establish a platform for the medium to long term.

Offshore and Other — Outlook

- Volumes to increase, as further market growth is expected across most markets in this segment in 2011.
- Earnings growth is expected to be tempered as we continue to invest in Asia to secure long-term growth.

DuluxGroup Safety and Sustainability Report 2010

Welcome to the first DuluxGroup Limited Safety and Sustainability Report. Throughout the year at DuluxGroup we focussed on key safety and sustainability improvement strategies which saw sound improvement in a number of areas.

The demerger of DuluxGroup from Orica took place in early July 2010. It should be noted that due to the timing of the demerger there are components reported herewith which will also be included in the Orica Limited Sustainability Report.

Following demerger, a DuluxGroup Safety and Sustainability Policy, which is aligned with our business core purpose of helping consumers to imagine and create a better place, was developed. The policy outlines our commitment to sustainable management of financial, environmental and social impacts, as being fundamental to the success and well-being of both our business and our stakeholders. This is further articulated in our safety and sustainability vision of 'A Future Without Harm'.

SAFETY AND SUSTAINABILITY STRATEGY

All DuluxGroup businesses operate to a common safety and sustainability strategic framework that comprises an integrated approach to management of risks associated with the activities and impacts of our People, Operations and Products. This is achieved via focus on:

- Plant – equipment and materials that are fit for purpose,
- Procedures – a management system to facilitate effective processes, and
- People – behaviours that promote leadership and personal responsibility.

This focus is linked to a continuous improvement culture driven via the Company's governance structure, with a focus on targeted improvement plans and measurable performance indicators.

Achievement of our Safety and Sustainability Vision of 'A Future Without Harm' is supported by four specific improvement strategies to drive effective significant risk management:

- Personal Safety Improvement Strategy: focussed on management of common workplace risks that can result in recordable injuries (e.g. strains, cuts) such as slips, trips and falls, manual handling, and sharp objects.
- Process Safety Improvement Strategy: focussed on management of manufacturing plant process hazards (i.e. dangerous goods and hazardous substances) that could result in low probability, high consequence incidents (e.g. major fire).
- Fatality Prevention Strategy: focussed on management of significant risks that are known common causes of single fatality incidents across many industries (e.g. forklifts, vehicles).
- Sustainability Strategy: focussed on management of significant social or environmental risks associated with all business activities (e.g. post consumer product waste to landfill, consumer safety during product use, waste generation by operating sites).

SAFETY AND SUSTAINABILITY GOVERNANCE

Safety and Sustainability governance across DuluxGroup is achieved via a combination of regular management reviews and established due diligence processes. The key elements include:

- A Safety and Sustainability Board Committee. The committee meets quarterly to review performance, objectives and strategies.
- A Safety and Sustainability Council comprising Group Executive representatives, together, with the Group Safety and Sustainability Manager. The Council meets quarterly to review performance, approve strategy, monitor implementation, and review findings.

ALL DULUXGROUP BUSINESSES OPERATE TO A COMMON SAFETY AND SUSTAINABILITY STRATEGIC FRAMEWORK THAT COMPRISES AN INTEGRATED APPROACH TO MANAGEMENT OF RISKS ASSOCIATED WITH THE ACTIVITIES AND IMPACTS OF OUR PEOPLE, OPERATIONS AND PRODUCTS.

- An annual Safety and Sustainability Letter of Assurance (LoA) process whereby all sites and businesses report to the Board and Group Executive on performance against Company standards. This self-assessment process also helps sites identify required improvements.
- A corporate audit program involving independent auditing of sites and businesses to assess compliance with Company standards.

This governance structure provides clear direction, alignment and review across DuluxGroup.

SAFETY AND SUSTAINABILITY PERFORMANCE

DuluxGroup made good progress in 2010 against a number of initiatives and performance measures to reduce the safety and sustainability impacts associated with our People, Operations and Products, however, not all areas improved and this reflects the need for continued focus in 2011.

1. People

Safety

The Recordable Case Rate (number of workplace injuries and illnesses per 200,000 hours worked; US OSHA system) remained flat at 1.81 compared to 1.78 in 2009. This represented a total of 51 employees and contractors receiving injuries that required time off work, restricted duties, or medical treatment. Analysis of these recordable cases for 2010 shows that 50% were strains associated with manual handling, 13% were fractures, mostly from trips and falls, and 10% were cuts, typically to hands.

Total General Learning Incidents (near misses) reported per employee increased from 0.63 in 2009 to 1.32. This significant improvement in proactive reporting reflected the strong focus on identifying hazards that could cause injury or other types of incidents (e.g. fire, spill, etc.) before harm occurs.

Hygiene monitoring programs to measure employee exposure to hazardous substances were fully completed to plan, and 99.7% of results were below the relevant exposure limit (OEL). Health assessment monitoring programs to monitor employees working with particular hazardous substances or agents were fully completed to plan.

Community Relationships

DuluxGroup continued to maintain a number of diverse community relationships during 2010. These included Dulux and Selleys providing assistance to Habitat for Humanity, an organisation that aims to eliminate homelessness by building basic housing; Clayton site employees volunteering at a market garden that supplies the Sacred Heart Mission Meal Programs that help disadvantaged members of the community; and Padstow site employees participating in the local area Clean Up Australia Program for the 11th consecutive year. DuluxGroup also supports a number of other programs, such as the Breast Cancer Society and Landcare.

2. Operations

Safety

Focus on improved process safety management continued during 2010, with successful completion of Periodic Hazard Studies at the Selleys Padstow and the Yates Wyee manufacturing sites. Periodic Hazard Studies result in an updated risk profile for management of process safety hazards (e.g. flammable solvents) and a review of the effectiveness of relevant risk controls at the site.

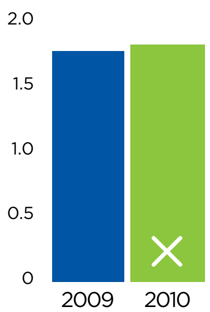
Resource Efficiency

Energy consumption (gigajoules per tonne of production) decreased by 2.5%, from 0.80 GJ/t in 2009 to 0.78 GJ/t. Carbon dioxide emissions (tonnes per tonne of production) remained unchanged at 0.16 t/t in 2010.

DuluxGroup meets the criteria for reporting under the Australian National Greenhouse and Energy Reporting System (NGERS). For 2009–10, DuluxGroup has reported as part of Orica Limited's NGERS report. Total greenhouse gas emissions (Scope 1 and 2) from DuluxGroup's

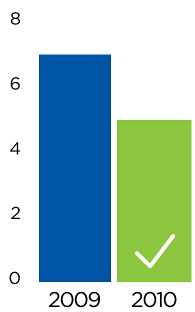
SAFETY AND SUSTAINABILITY KEY PERFORMANCE INDICATORS

Recordable Case Rate



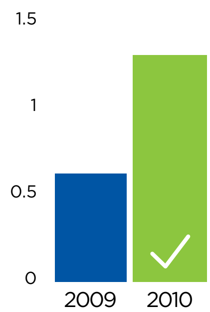
The Recordable Case Rate is the number of injuries and illnesses resulting in lost time, restricted duties, or medical treatment, per 200,000 hours worked (US OSHA system), which is equivalent to the hours worked by 100 people in a year. The Recordable Case Rate includes both DuluxGroup employees and contractors. The Recordable Case Rate for 2010 was 1.81 compared with 1.78 in 2009.

Distribution Incidents (Category 2+)



Category 2+ Distribution Incidents are serious incidents during distribution of product to customers. There were 5 incidents in 2010 compared with 7 in 2009.

Total General Learning Incidents (per employee, per year)



General Learning Incidents are near miss incidents that allow the company to identify and correct potential hazards before harm occurs. Total General Learning Incidents reported per employee were 1.32 in 2010 compared with 0.63 in 2009.

WASTE GENERATION (KILOGRAMS PER TONNE OF PRODUCTION) DECREASED BY 12.6% FROM 19.0 KG/T IN 2009 TO 16.6 KG/T. IMPROVEMENTS IN WASTE REDUCTION WERE ACHIEVED AT A NUMBER OF SITES, INCLUDING POWDERS DANDENONG (-44%), DULUX GRACEFIELD (-37%) AND DULUX ROCKLEA (-10%).

Australian sites and business activities were 27,263 tonnes (CO_2-e or equivalent carbon dioxide emissions). Total energy consumed was 837,590 GJ. No energy was produced.

Water consumption (kilolitres per tonne of production) decreased 3.5% from 0.57 kL/t in 2009 to 0.55 kL/t. Although a modest Improvement for DuluxGroup, significant improvements were achieved on some sites, including Powders Dandenong (-61%) and Yates Mt Druitt (-21%).

Waste generation (kilograms per tonne of production) decreased by 12.6% from 19.0 kg/t in 2009 to 16.6 kg/t. Improvements in waste reduction were achieved at a number of sites, including Powders Dandenong (-44%), Dulux Gracefield (-37%) and Dulux Rocklea (-10%).

Environmental Compliance
DuluxGroup had two breaches of environmental licence conditions in the past 12 months.

Yates Wyee received a $1,500 penalty infringement notice in November 2009 for offensive odour outside the site's boundary in July 2009. The site has continued to implement a number of odour control improvements (e.g. thermographic imaging to help identify odour release locations) and continues to liaise with the regulatory authority (NSW DECCW) on the issue.

Dulux Rocklea exceeded its Total Organic Compound (TOC) atmospheric emission licence limits in March 2010 during annual monitoring. The site has continued work on reducing emissions (e.g. new mixer seals) and has successfully worked with the regulatory authority (Queensland DERM) to establish new licence limits. This work also included monitoring and modelling of emissions to confirm that there are no adverse offsite impacts.

Legacy Issues
The Company is committed to managing site legacy issues (e.g. soil contamination) as a result of past operations. Surveys have been undertaken at several sites and during 2010 a review of all known contamination issues was completed to help prioritise future investigation and management activities.

The Selleys Padstow site has an identified area of polychlorinated biphenyl (PCB) soil contamination. The contamination is contained and poses no identifiable risks during continued site use. An Environmental Management Plan is in place.

3. Products

Distribution Safety
Category 2+ Distribution Incidents (serious incidents during distribution of product to customers) decreased from 7 in 2009 to 5 in 2010. One member of the public was injured during an incident when their car collided with an oncoming truck carrying DuluxGroup product.

Product Stewardship
DuluxGroup's product development to reduce potential harm to people and the environment continued during 2010. Some examples include:

- Dulux designed and released an improved 15 litre plastic pail onto the trade market which offers ergonomic improvements for users, is lighter than tinplate packaging, is fully recyclable, and does not dent or rust.
- Selleys developed the *envirOK* brand to help consumers identify products with less harmful impacts. Products that are lower toxicity (e.g. isocyanate free), have less odour, and lower VOC content than traditional alternatives will carry the brand.
- Yates extended their Nature's Way product range into the New Zealand market. The range is based on naturally sourced ingredients with lower toxicity (e.g. insecticide active ingredients derived from bacteria).

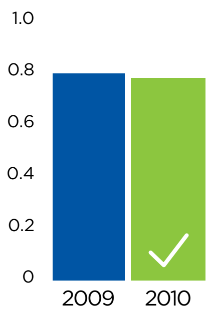
Emergency Response Service
The Company's Emergency Response Service responded to 296 calls during 2010 involving incidents with our products (e.g. exposures, spills), compared with 208 calls in 2009. The increase was due to introduction of the emergency number onto Ratsak rodenticide packaging. This change has allowed monitoring of exposures to assist future product development.

SAFETY AND SUSTAINABILITY KEY FOCUS AREAS 2011

While we did make good progress in a number of areas during the last year, more remains to be done, and this focus will be maintained during 2011 to ensure we successfully work towards our DuluxGroup Safety and Sustainability Vision of 'A Future Without Harm'. The key priorities will therefore be, to deliver continued improvement in our management of risks and reduction in associated business impacts for People, Operations and Products. This will be achieved via the ongoing development and implementation of our four key improvement strategies, Personal Safety, Process Safety, Fatality Prevention and Sustainability.

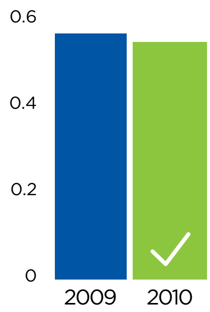
SAFETY AND SUSTAINABILITY KEY PERFORMANCE INDICATORS (CONTINUED)

Energy Consumption (GJ/t)



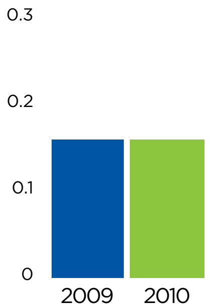
Energy consumption (gigajoules per tonne of production) across company operating sites decreased to 0.78 GJ/t in 2010 from 0.80 GJ/t in 2009.

Water Consumption (kL/t)



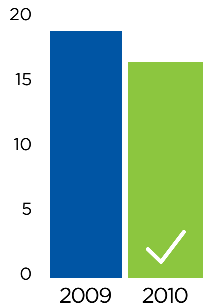
Water consumption (kilolitres per tonne of production) across company operating sites decreased to 0.55 kL/t in 2010 from 0.57 kL/t in 2009.

Carbon Dioxide Emissions (t/t)



Carbon dioxide emissions (tonnes per tonne of production) from company operating sites remained unchanged at 0.16 t/t in 2010 compared with 0.16 t/t in 2009.

Waste Generation (kg/t)



Waste generation to landfill (kilograms per tonne of production) across company operating sites decreased to 16.6 kg/t in 2010 from 19.0 kg/t in 2009.

SELLEYS DEVELOPED THE *ENVIROK* BRAND TO HELP CONSUMERS IDENTIFY PRODUCTS WITH LESS HARMFUL IMPACTS. PRODUCTS THAT ARE LOWER TOXICITY (E.G. ISOCYANATE FREE), HAVE LESS ODOUR, AND LOWER VOC CONTENT THAN TRADITIONAL ALTERNATIVES WILL CARRY THE BRAND.

Board members

Non-Executive Director since July 2010. Chair of the Audit and Risk Committee and member of the Remuneration and Nominations Committee.

Chairman of PanAust Limited since July 2008 and a director of Qantas Airways Limited since January 2005, Nufarm Limited since October 2004 and Orica Limited since September 2004. Garry was a director of Mitchell Communication Group Limited from 2006 until 2010 and is a former Senior Partner of Ernst & Young and Chief Executive Officer and Country Managing Partner of Arthur Andersen.

Garry Hounsell
BBus (Accounting) FCA, CPA, FAICD

Chairman and Non-Executive Director since July 2010. Chair of the Remuneration and Nominations Committee and member of the Audit and Risk Committee.

Director of Macquarie Group Limited since August 2007 (and of Macquarie Bank since June 2003). Former director of Orica Limited from July 2003 to July 2010, Managing Director and Chief Executive Officer of CSR Limited from 1998 to March 2003, member of the Board of the Business Council of Australia from 2001 to 2003 and former Chairman/CEO of ICI Paints and member of the Executive Board of ICI plc. Peter is also a director of the Beacon Foundation.

Peter Kirby
BEc (Hons), MA (Econ), MBA

Non-Executive Director since August 2010. Chair of the Safety and Sustainability Committee, member of the Audit and Risk Committee and member of the Remuneration and Nominations Committee.

Director of CPS Color Group of Finland and KCA International. Gaik Hean has more than 30 years experience in the paints and chemicals sectors, most recently as Chief Executive of ICI Paints Asia from 1995 until 2008 and also as the former Managing Director of ICI Singapore.

Gaik Hean Chew
BPharm (Hons)

Managing Director and Chief Executive Officer since July 2010. Member of the Safety and Sustainability Committee.

Former CEO of Orica Limited's DuluxGroup division and member of Orica Limited's Group Executive from February 2007 to July 2010. Patrick is also the former Yates General Manager, Dulux Marketing Director and Selleys Sales Director. Employee of DuluxGroup since 1989.

Patrick Houlihan
BSc (Hons) MBA

Chief Financial Officer and Executive Director since July 2010.

Former CFO and General Manager Strategy of Orica Limited's DuluxGroup division from October 2008 to July 2010. Stuart is also former CFO of Southern Cross Broadcasting (Australia) Limited and held various senior strategy and finance roles at Village Roadshow Limited and LEK Consulting.

Stuart Boxer
BEng (Hons)

Non-Executive Director since October 2010.

Andrew has spent more than 18 years in corporate strategy, mergers, acquisitions, legal and commercial roles in global companies including Orica Limited, where he is currently General Manager, Merger and Acquisitions, Strategy and Technology. Previously, Andrew was General Manager, Mergers, Acquisitions and Strategy at North Limited.

Andrew Larke
LLB, BCom, Grad Dip (Corporations & Securities Law)

General Counsel and Company Secretary since July 2010.

Former Senior Legal Counsel at Orica Limited's DuluxGroup division from January 2006 to July 2010. Former Senior Legal Counsel for Orica Limited's Chemicals division from October 2004 to January 2006 and former Senior Legal and Business Affairs Adviser at Universal Pictures International, London, United Kingdom.

Simon Black
LLB, BCom, Cert Gov (Admin), CSA (Cert)

Group Executive team

Andrew Ingleton
General Manager – Dulux Paints Australia
BSc (Hons)

Andrew joined the DuluxGroup business in 1999 as General Manager of Cabot's. After completing the Advanced Management Program at Harvard Business School in 2003, Andrew moved to become Business Development Manager for Orica Limited and then Managing Director for Orica Limited's Chemicals business in Latin America before returning to DuluxGroup in his current role in 2007. Prior to joining DuluxGroup, Andrew held a number of senior roles including Supply Chain Manager for ICI Chlor-Chemicals in the United Kingdom.

Cameron McPherson
General Manager – Dulux Powder and Industrial Coatings
BBus, MBA, FCA

Cameron was appointed to his current role in June 2007. Prior to his appointment, Cameron held various senior management positions including Strategic Market Planning Manager for DuluxGroup, Director of Strategy and Development for Mildara Blass (Foster's Group) and General Manager for Vinpac International.

Brad Hordern
Group General Manager – Supply Chain
BEng (Hons)

Brad was appointed to his current role in November 2006. Before joining DuluxGroup, Brad held a number of senior operational roles including Group Manufacturing Manager for SCA Australasia, Logistics Director for Campbell's Arnott's Australia and National Operations Manager for Snack Brands Australia (previously Frito-Lay Australia).

Patrick Jones
General Manager – Dulux Paints New Zealand
BBus (Hons), CPA

Patrick joined DuluxGroup in 1999 and has undertaken a variety of commercial and business management roles including State Sales Manager, Independents Business Manager, Bunnings Business Manager and National Retail Manager for Dulux Paints Australia. Patrick then moved to New Zealand when he was appointed to his current role in May 2008. Prior to joining DuluxGroup, Patrick worked for Orica Limited as a business accountant and accumulated experience in Orica's Chemicals Group and Orica's Corporate Head Office.

Patrick Houlihan
Managing Director – and Chief Executive Officer
BSc (Hons), MBA

Patrick joined the DuluxGroup business in 1989 as a research chemist and has since progressed through a succession of technical, commercial and senior leadership roles including Dulux Marketing Director, Selleys Sales Director and Yates General Manager. Patrick was appointed CEO of Orica Limited's DuluxGroup division and a member of the Orica Group Executive in February 2007. Patrick was appointed to his current role upon the demerger of the DuluxGroup division from Orica Limited in July 2010.

Stuart joined the DuluxGroup business in October 2008 as CFO and General Manager Strategy. Prior to joining DuluxGroup, Stuart held a number of senior positions including CFO of Southern Cross Broadcasting (Australia) Limited and various senior strategy and finance roles at Village Roadshow Limited and LEK Consulting. Stuart was appointed to his current role upon the demerger of the DuluxGroup division from Orica Limited in July 2010.

Stuart Boxer
Executive Director - and Chief Financial Officer

BEng (Hons)

Graeme joined the Berger British business in 1983 which became part of DuluxGroup in 1988. Graeme has performed various senior roles including Business Manager for the Industrial Coatings business of Dulux Paints Australia before being seconded to the UK to become the International Planning Manager for the ICI Paints global business. Graeme then left the business and became the General Manager for CSR PGH Bricks & Pavers and then Executive General Manager for CSR Gyprock, Fibre Cement & Hebel. Graeme rejoined the business in 2005 as General Manager Selleys and was appointed to his current role in 2007.

Graeme Doyle
General Manager – Selleys Yates

BEc, LLB, MBA

Rob joined Orica Limited in 1989 and has held a number of key human resources roles within the DuluxGroup business over the past 14 years, initially as Corporate Employee Relations Manager, followed by his appointment as Human Resources Manager for Dulux Australia. Rob has more than 30 years experience in human resources, predominantly in the manufacturing, building and construction, plastics, chemicals and consumer sectors. Rob was appointed to his current role in 1999.

Rob Weaver
Group General Manager – Human Resources

Anthony joined DuluxGroup in 2005 and held various senior roles, including Yates Marketing Director, before being appointed to his current position in November 2008. Anthony has extensive international business experience, including as Regional Channel Manager for ICI Paints in Singapore and China, and Senior Consultant for IF Consulting based in UK, Singapore and Australia.

Anthony Richardson
General Manager – DGL International China

BBus, MBA

Corporate Governance Statement

DuluxGroup's directors and management are committed to conducting the Company's business ethically and in accordance with high standards of corporate governance.

The Board has established a corporate governance framework documented through a number of policies and charters under which the Company operates. These charters and policies can be viewed on the Company's website at www.duluxgroup.com.au.

This corporate governance statement outlines DuluxGroup's corporate governance practices for the reporting period commencing on 12 July 2010 (being the date of the Company's listing on the Australian Securities Exchange (**ASX**)) and ending on 30 September 2010, and as at the date of this Annual Report. The Board believes, and is committed to ensure, that DuluxGroup's governance policies and practices are consistent in all substantial respects with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (**ASX Principles**) except as otherwise set out in this Statement.

The Company acknowledges that, on 30 June 2010, the ASX Corporate Governance Council released amendments to the ASX Principles against which DuluxGroup will be required to comprehensively report in its 2012 Annual Report. The Board is committed to developing an appropriate diversity policy that is consistent with the ASX Corporate Governance Council recommendations and also the requirements of its business within this timeframe. The Board also recognises the need to balance this policy with the need to always identify the best people with the necessary qualifications and skill sets for the relevant positions.

1. ROLE AND COMPOSITION OF THE BOARD

Role

The Board of DuluxGroup Limited sees its primary role as the protection and enhancement of long-term shareholder value, taking into account the interests of other stakeholders, including employees, customers, suppliers and the wider community. The Board is accountable to shareholders for the performance of the Company. It directs and monitors the business and affairs of the Company on behalf of shareholders and is responsible for the Company's overall corporate governance.

Charters have been established for the Board, the Chairman and the Managing Director which clearly describe their respective functions and responsibilities.

The Board's responsibilities include appointing the Managing Director and succession planning, approving major strategic plans, monitoring the integrity and consistency of management's control of risk, agreeing business plans and budgets, approving major capital expenditure, acquisitions and divestments, approving funding plans and capital raisings, agreeing corporate goals and reviewing performance against approved plans.

Responsibility for managing, directing and promoting the profitable operation and development of the Company, consistent with the primary objective of enhancing long-term shareholder value, is delegated to the Managing Director who is accountable to the Board.

Composition

Since the Company's listing on 12 July 2010, the Board has focussed on building the composition of the Board and identifying new directors with appropriate experience and skill sets to complement the strategic aims of DuluxGroup.

The Board appointed Ms Gaik Hean Chew as a Non-Executive Director with effect from 2 August 2010 and Mr Stuart Boxer was also appointed as an executive director at that time. Additionally, with effect from 1 October 2010, the Board appointed Mr Andrew Larke as a Non-Executive Director.

Accordingly, the Board is currently comprised of six directors with four Non-Executive Directors (including the Chairman) and two Executive Directors. The Board intends to appoint one additional Non-Executive Director in due course.

Ms Chew, Mr Boxer and Mr Larke will offer themselves for election at the Company's 2011 Annual General Meeting.

Details of the skills, experience and expertise of each Director (as well as the period for which each Director has held office) are set out on pages 34 and 35 of this Annual Report.

Independence

Directors are expected to bring independent views and judgment to the Board's deliberations. The Board recognises the special responsibility of Non-Executive Directors for monitoring executive management and providing independent views.

Under the Board Charter, the Board must maintain a majority of Non-Executive Directors and have a non-executive independent Chairman (with different persons filling the roles of Chairman and Managing Director).

The Chairman and all Non-Executive Directors are independent of executive management and free of any business or other relationship that could materially interfere with the exercise of unfettered and independent judgment or compromise their ability to act in the best interests of the Company.

As noted above, the Board appointed Andrew Larke with effect from 1 October 2010. Although Mr Larke has had exposure to DuluxGroup as part of his executive role within Orica Limited, Mr Larke has not had any direct managerial responsibility for DuluxGroup nor its strategic direction. While DuluxGroup was owned by Orica, Mr Larke's role as Orica's Group General Manager of Strategy was primarily focussed on the strategy for Orica's core mining services and related businesses. In addition, the ongoing commercial relationship between the parties is limited to transitional arrangements and a small number of immaterial commercial transactions. Accordingly, the Board considers that he is an independent director.

The independence of each Director is considered on a case by case basis from the perspective of both the Company and the Director. Materiality is assessed by reference to each Director's individual circumstances, rather than by applying general materiality thresholds. Each director is obliged to immediately inform the Company of any fact or circumstance which may affect the Director's independence.

The Board assessed the independence of its new directors upon appointment and will review all directors' independence annually and otherwise as appropriate.

Selection and Appointment of Directors

The directors are conscious of the need for Board members to possess the diversity of skills and experience required to fulfil the obligations of the Board. In considering membership of the Board, directors take into account the appropriate characteristics needed by the Board to maximise its effectiveness and the blend of skills, knowledge and experience necessary for the present and future needs of the Company.

Future nominations for appointment to the Board will be considered by the Remuneration and Nominations Committee and approved by the Board as a whole. Directors (other than the Managing Director) appointed by the Board must stand for election at the Annual General Meeting following their appointment and Non-Executive Directors are subject to shareholder re-election by rotation at least every three years.

Re-appointment of Non-Executive Directors to the Board at the conclusion of their three year term is not automatic; prior to the Board endorsing a Director for re-election, the individual's performance as a Director, together with the performance of the Board as a whole, will be reviewed in accordance with processes agreed by the Board from time to time.

All directors must obtain the Chairman's prior approval before accepting directorships or other significant appointments.

Induction of new directors

New directors are provided with a formal letter of appointment which sets out the key terms and conditions of appointment, including duties, rights and responsibilities, the time commitment envisaged and the Board's expectations regarding involvement with committee work.

The Board's induction program includes site visits, one-on-one meetings with relevant members of management, as appropriate, and provision of relevant policies, charters and other materials. Prior to, and immediately after, her appointment in August, Ms Chew undertook site visits to various Company sites, including Rocklea and China. The Board, as a whole, intends to conduct further site visits during 2011.

2. OPERATION OF THE BOARD

Board Meetings

The Board has at least ten meetings scheduled for 2011, one of which is of two days' duration. Additional meetings will be held as the business of the Company may require. Directors receive comprehensive Board papers in advance of the Board meetings. As well as holding regular Board meetings, the Board sets aside a two day meeting annually to comprehensively review business plans and Company strategy. Directors also receive regular updates in relation to DuluxGroup's businesses and the major regulatory controls relevant to the Company. As noted above, the Board calendar also includes site visits to a range of DuluxGroup operations to meet with employees, customers and other stakeholders.

In those months that the Board does not meet, directors will receive financial and safety & sustainability reports and an update from the Managing Director on the performance of the Company and any issues that have arisen since the last Board meeting.

The Board recognises the importance of the Non-Executive Directors meeting without the presence of management to discuss Company matters and the Non-Executive Directors intend to meet separately either in conjunction with, or in addition to, the scheduled Board meetings.

Board and Executive Performance

The Board is committed to a performance culture and to ensuring that a range of formal processes are in place to evaluate the performance of the Board, Board Committees and executives.

In light of the Company's newly listed status, Board and Committee performance evaluations were not undertaken during the period between listing and the end of the Company's 2010 financial year. However, the Board intends that the first evaluation process for the Board and the Committees will occur during the first full financial year for the Company as a listed entity (which will end on 30 September 2011).

The Non-Executive Directors are responsible for regularly evaluating the performance of the Managing Director based on specific criteria including the Company's business performance, short and long-term strategic objectives and the achievement of personal objectives agreed annually with the Managing Director.

All DuluxGroup executives are subject to an annual performance review. The review involves an executive being evaluated by their immediate superior by reference to their specific performance contract for the year, including the completion of key performance indicators and contribution to specific business and Company plans.

Directors Fees and Executive Remuneration

The Remuneration Report on page 51 sets out details regarding the Company's remuneration policy, fees paid to directors and specific details of executive remuneration.

3. BOARD COMMITTEES

The Board has established the following standing committees to advise and assist the Board in the effective discharge of its responsibilities:

- Audit and Risk Committee;
- Remuneration and Nominations Committee; and
- Safety and Sustainability Committee.

These committees, generally, review matters on behalf of the Board and refer matters to the Board for decision with a recommendation from the committee.

The Board intends to conduct an annual review of the Charter for each committee, together with the objectives set for each committee.

The materials and the minutes of committee meetings are circulated to the Board members. Additionally, any Director is welcome to attend any committee meeting, and the committee chair periodically reports to the Board as required.

Details of the membership, composition and responsibilities of each committee are set out in the table on page 41.

4. BOARD GOVERNANCE POLICIES

Access to Information and Independent Advice

All Directors have unrestricted access to employees of DuluxGroup and, subject to the law, access to all relevant Company records and information held by DuluxGroup employees and external advisers.

Subject to prior consultation with the Chairman, each Director may seek independent professional advice at the Company's expense to assist the Director in the proper exercise of powers and discharge of duties as a Director or as a member of a Board committee.

Pursuant to a deed executed by the Company and each Director, a Director also has the right to have access to all documents which have been presented to meetings or made available to the Board or any committee whilst in office, including materials referred to in those documents, for a term of ten years after ceasing to be a Director or such longer period as is necessary to determine relevant legal proceedings that commenced during this term.

Conflicts of Interest

Directors are required to avoid conflicts of interest and immediately inform their fellow directors should a conflict of interest arise. Directors are also required to advise the Company of any relevant interest that may result in a conflict.

The Board has adopted the use of formal standing notices in which directors disclose any material personal interests and the relationship of these interests to the affairs of the Company. A Director is required to notify the Company of any new material personal interest or if there is any change in the nature or extent of a previously disclosed interest.

Where a matter in which a Director has a material personal interest is being considered by the Board, that Director must not be present when the matter is being considered or vote on the matter unless all of the directors have passed a resolution to enable that Director to do so or the matter comes within a statutory exception.

5. DULUXGROUP GOVERNANCE POLICIES

Code of Conduct

The Board acknowledges the need for directors, executives, employees and contractors to observe the highest ethical standards of corporate and business behaviour. DuluxGroup has adopted a Code of Conduct which applies to its employees in all countries in which DuluxGroup operates. The Code of Conduct sets out the standards of business conduct required of all employees and contractors of the Company. It is aimed at ensuring the Company maximises its good reputation and that its business is conducted with integrity and in an environment of openness.

The Code of Conduct provides clear direction and guidance with regard to expected standards of behaviour and conduct in relation to various matters, including conflicts of interest, protection of Company information and prevention of fraud. The Code of Conduct can be viewed in detail on the Company's website at www.duluxgroup.com.au.

The Board intends to review the Code of Conduct annually and otherwise as appropriate.

A Speak Up Line has been established to enable employees to report (on an anonymous basis) breaches of the Code of Conduct. If a report is made, it is escalated as appropriate for investigation and action. A management committee including the General Manager Human Resources, the

Board Committees

	Audit and Risk Committee	Remuneration and Nominations Committee	Safety and Sustainability Committee
Members	Mr Garry Hounsell (Chair) Mr Peter Kirby Ms Gaik Hean Chew	Mr Peter Kirby (Chair) Mr Garry Hounsell Ms Gaik Hean Chew	Ms Gaik Hean Chew (Chair) Mr Patrick Houlihan
	Details of qualifications and experience of each member are set out on pages 34 and 35 of this Annual Report.		
Composition	The committee is to comprise of three Non-Executive Directors, all of whom satisfy the criteria for independence and who have relevant financial, commercial and risk management experience. **Note:** As foreshadowed in the Scheme Booklet, the Audit and Risk Committee was established on 10 August 2010 following the appointment of Ms Chew as the third independent Non-Executive Director.	The committee is to comprise of at least three Non-Executive Directors, all of whom satisfy the criteria for independence.	The committee is to comprise at least two Directors including at least one Non-Executive Director and the Managing Director.

Key responsibilities	– Reviewing the financial reports of the Group which require approval of the Board
	– Monitoring and assessing the adequacy of the systems for financial and operating controls, risk management and legal compliance
	– Reviewing and assessing external and internal audits (including audit programs, independence of external auditor, and auditor performance)
	– Reviewing and assessing non-audit services to be provided by the external auditor
	– Reviewing the accounting policies and practices of the Group, as an integral part of reviewing the financial accounts of the Group
	– Making recommendations to the Board on the appointment, performance and remuneration of the external auditor
		– Reviewing and making recommendations to the Board on:
		  - the total level of remuneration of Non-Executive Directors (including individual fees, travel and other benefits)
		  - the remuneration arrangements of Executive Directors and direct reports to the Managing Director (including short-term and long-term incentive arrangements and performance targets)
		– Establishing the policies and structure of the remuneration of other senior executives
		– Establishing and reviewing the Group's policies on recruitment, organisational and people development; succession planning, and reviewing workplace capabilities
		– Reviewing Board and committee composition and recommending new appointments (or the removal of members) to the Board and the committees
		– Ensuring an effective induction program for directors and reviewing succession plans for the Board and senior executives
			– Considering safety and sustainability issues that may have strategic, financial and reputational implications for the Group (including identifying key risks and appropriate mitigation strategies)
			– Reviewing the effectiveness of the Group's safety and sustainability objectives, targets and strategies
			– Monitoring compliance with legal and regulatory safety and sustainability requirements
			– Reviewing significant safety incident reports and making recommendations to the Board on necessary changes to procedures
			– Ensuring the Board is periodically updated in relation to compliance with best practice safety standards

Attendance	Details of meeting attendance for members of each committee are set out in the Directors' Report on page 47 of this Annual Report.		

General Counsel & Company Secretary and the General Manager Supply Chain monitor and review the effectiveness of the Speak Up Line on a periodic basis.

Share Trading by Directors and Employees

The Company's Share Trading Policy reinforces the requirements of the *Corporations Act 2001* in relation to the prohibition against insider trading. The policy states that all directors, employees, contractors and consultants of the Company (and their associates) are prohibited from trading in the Company's securities if they are in possession of 'inside information'.

Under the policy, directors and employees are permitted to buy and sell DuluxGroup shares during the Company's 'trading windows' provided they are not in possession of 'inside information'.

Directors and employees must seek the consent of the Chairman or Company Secretary, respectively, for any proposed dealing in DuluxGroup shares outside of a trading window. The policy also sets 'blackout periods' prior to the periodic results announcements during which consent will not ordinarily be given.

Directors and employees must not deal in DuluxGroup securities on a short-term basis or enter into short-term derivative arrangements except in circumstances of special hardship with the approval of the Chairman.

Directors and other participants in the Company's long-term equity incentive plan are prohibited from entering into any margin lending or other security arrangement in relation to shares which are unvested. Other employees are also prohibited from entering into any margin lending arrangements in relation to DuluxGroup securities without the prior consent of the Company Secretary.

Executives were provided with guidance shortly before the Company's demerger from Orica in relation to avoiding dealing in DuluxGroup shares whilst in possession of 'inside information'.

Continuous Disclosure and Keeping Shareholders Informed

As a newly listed entity, the Company is committed to ensuring it provides relevant and timely information to its shareholders and to fulfilling its obligations to the broader market for continuous disclosure and enabling equal access to material information about the Company.

To this end, the Board has approved a Continuous Disclosure Policy which establishes detailed procedures for identifying and disclosing material and price sensitive information in accordance with the *Corporations Act 2001* and the ASX Listing Rules.

Under the policy, the Company Secretary will, in consultation with the Executive Directors, and other members of the Group Executive as appropriate, assess any information which may be regarded as 'price sensitive' and determine whether an announcement to the ASX is required.

Information provided to, and discussions with, analysts are also subject to the Continuous Disclosure Policy.

Shortly prior to listing, members of the Group Executive undertook specific training in relation to how the continuous disclosure obligations apply to DuluxGroup, including consideration of materiality guidelines relevant to the Company. Advice in relation to the Company's continuous disclosure obligations was also cascaded to the broader management team shortly after listing and various training sessions for management have been undertaken since listing.

DuluxGroup has adopted a Shareholder Communication Policy that sets out the Company's commitment to communicating with shareholders in a way that enables them to exercise their rights as shareholders in an informed manner.

In addition to the Company's obligations to disclose information to the ASX and to distribute information to shareholders, the Company proposes to publish its Annual Reports, annual and half-year results presentations, media releases and other investor relations publications on its website.

Integrity of Reporting

The Board and management have established controls which are designed to safeguard the Company's interests and the integrity of its reporting. These include accounting, financial reporting, safety and sustainability and other internal control policies and procedures, which are directed at monitoring whether the Company complies with regulatory requirements and community standards.

In accordance with the Company's system of internal sign offs, both the Chief Executive Officer and Chief Financial Officer have provided assurances to the Board that, having made appropriate enquiries, they have formed the opinion that:

- the Company's financial reports represent a true and fair view of the Group's financial condition and operational results and are in accordance with relevant accounting standards; and
- these statements are founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

These assurances are based on a financial letter of assurance that cascades down through management and includes sign-off by business general managers and business finance managers.

Comprehensive practices have been adopted to monitor:

- that capital expenditure and revenue commitments above a certain size obtain prior Board approval;
- safety and sustainability standards and management systems to achieve high standards of performance and compliance; and
- that business transactions are properly authorised and executed.

The Company has appointed a Risk Manager who is responsible for reviewing and recommending improvements to controls, processes and procedures used by the Company across its corporate and business activities. The Risk Manager is supported by an independent external firm of accountants in conducting a specific internal audit program.

The Company's financial statements are subject to an annual audit by an independent, professional auditor who will also review the Company's half-yearly financial statements. The Audit and Risk Committee oversees this process on behalf of the Board.

Risk Identification and Management

The Board believes that effective risk management will support the Company's ability to grow. In particular, the Board recognises the importance of risk management practices across all businesses and operations and also acknowledges that effective risk management provides a framework to achieve and deliver the company's strategy.

The Board has established policies for the oversight and management of material business risks and internal control. The Audit and Risk Committee oversees the internal controls, policies and procedures which the Company will use to identify business risks and ensure compliance with relevant regulatory and legal requirements.

The design and implementation of the risk management and internal control systems to manage the Company's material business risks is the responsibility of management.

The Board has adopted the following key elements for the oversight and management of material business risks:

- material financial and non-financial business risks are systematically and formally identified and assessed by the Board and Group Executive on (at least) an annual basis;
- risk assessments are also performed for individual material projects, capital expenditure, products and country risks;
- internal controls are identified and where appropriate, management plans are established for each significant identified risk outlining the mitigation strategy and tasks, and the management responsible for the action; and
- formal risk reporting is provided to the Board on an ongoing basis including information in relation to whether material business risks are being managed effectively – this includes information relating to risk profiles and progress against plans.

The Chief Executive Officer and Chief Financial Officer have provided assurances to the Board that the risk management and internal control systems have been designed and implemented to manage the Company's material business risks, and management has reported to the Board as to the effectiveness of the Company's and consolidated entity's management of its material business risks.

An independent external firm of accountants assists in ensuring compliance with internal controls and risk management programs by regularly reviewing the effectiveness of the risk management and internal control systems and periodically provides assistance and input when undertaking risk assessments.

Safety and Sustainability

The Board and management are committed to ensuring that its operations reflect sustainable business practices. As part of Orica, the Company had a strong heritage of continuous improvement in sustainability impacts and the Board acknowledges that management of DuluxGroup's financial, environmental and social impacts is fundamental to the success and wellbeing of the business and its stakeholders. The Company therefore aspires to deliver on its safety and sustainability vision of 'A Future Without Harm'.

The Board has instituted a process whereby the directors receive a report on current safety and sustainability issues and performance in the Group at each Board meeting. The Safety and Sustainability Committee is responsible for reviewing and monitoring environmental issues at Board level. The actions being undertaken by the Company to continuously improve its environmental and safety performance is further detailed on pages 30 to 33 of this Annual Report.

DuluxGroup Financials

Financial Report

Effective 9 July 2010, DuluxGroup Limited (the Company) ceased to be a subsidiary of Orica Limited and became a separately listed entity on the Australian Securities Exchange (ASX) on 12 July 2010. As required for statutory reporting purposes, the consolidated financial statements for the Company and its controlled entities (collectively ‘the consolidated entity’ or ‘the Group’ or ‘DuluxGroup’) has been presented for the financial year ended 30 September 2010 and the comparative period from the date of incorporation on 24 September 2008 to 30 September 2009.

The consolidated financial results presented for DuluxGroup for the financial year ended 30 September 2010 do not reflect the full 12 month results for several operations that comprise DuluxGroup. Upon incorporation, DuluxGroup Limited contained no material assets until the acquisition of Sopel, a decorative coatings business in China, in November 2008. The results as presented for the 2009 comparative year, therefore, include only this business from the date of acquisition. During the current 2010 financial year, as part of the preparation for the demerger, significant operating assets and liabilities owned by other entities within the Orica Group were legally acquired by DuluxGroup Limited. These include the assets and liabilities of Paints Australia, Paints New Zealand and Selleys Yates on 1 December 2009, the Malaysian operation on 1 March 2010, the Hong Kong operation on 1 April 2010 and the Papua New Guinea operation on 30 June 2010. The results of these operations have only been included in the consolidated financial statements from the date of acquisition by the Company, as required by applicable Australian Accounting Standards.

In addition, the results of DuluxGroup presented in the consolidated financial statements include the impact of the various financial transactions between Orica Limited and DuluxGroup Limited to effect the demerger itself. Where necessary, these transactions have been highlighted in this report.

Shareholders wanting comparative financial information on the entire DuluxGroup which separated from Orica Limited are encouraged to refer to the Review of Operations and Financial Performance and Review of pro forma Business Segment Performance as set out on pages 22 to 29, which compares the pro forma 12 month financial results for the year ended 30 September 2010 with the pro forma financial results for the financial year ended 30 September 2009.

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Directors' Report

The Directors of DuluxGroup Limited (the Company) present the financial report for the Company and its controlled entities (collectively 'the consolidated entity' or 'the Group' or 'DuluxGroup') for the financial year ended 30 September 2010 and the auditor's report thereon.

Demerger of DuluxGroup from Orica Limited

The 2010 year marked a significant milestone in the evolution of DuluxGroup. Effective 9 July 2010, DuluxGroup Limited ceased to be a wholly owned subsidiary of Orica Limited and became a separately listed entity on the Australian Securities Exchange (ASX) on 12 July 2010. Accordingly the Directors' Report of DuluxGroup for the financial year ended 30 September 2010 covers two distinct periods:

- the period from 1 October 2009 to close of business on 9 July 2010 as a subsidiary of Orica Limited (Orica Period); and
- the period from 10 July 2010 to 30 September 2010 as an independent entity (DuluxGroup Period).

Directors

The Directors of the Company during the financial year and up to the date of this report are:

	Appointment Date	Resignation Date
Adrian Muculj	24 September 2008	8 July 2010
Ross McKean	24 September 2008	8 July 2010
Peter Hader	27 April 2009	8 July 2010
Patrick Houlihan, Managing Director and Chief Executive Officer	29 April 2010	-
Peter Kirby, Chairman	8 July 2010	-
Garry Hounsell	8 July 2010	-
Stuart Boxer, Chief Financial Officer and Executive Director	2 August 2010	-
Gaik Hean Chew	2 August 2010	-
Andrew Larke	1 October 2010	-

Particulars of the current Directors' and the Company Secretary's qualifications, experience and special responsibilities are detailed on pages 34 to 35 of the Annual Report.

Directors' meetings

The number of Directors' meetings (including meetings of committees of Directors) and number of meetings attended by each of the Directors of the Company during the financial year are listed below:

Orica Period

Director	Board Meetings[1]	
	Held	Attended
Peter Hader	6	5
Adrian Muculj	6	4
Ross McKean	6	4
Patrick Houlihan	5	5
Peter Kirby	1	1
Garry Hounsell	1	1

DuluxGroup Period

Director	Scheduled Board Meetings[1]		Audit and Risk Committee[1]		Remuneration and Nominations Committee[1]		Safety and Sustainability Committee[1]	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Peter Kirby	3	3	2	2	1	1	-	-
Garry Hounsell	3	3	2	2	1	1	-	-
Gaik Hean Chew	2	2	2	2	1	1	1	1
Patrick Houlihan	3	3	-	-	-	-	1	1
Stuart Boxer	2	2	-	-	-	-	-	-

[1] Shows the number of meetings held and attended by each Director during the period the Director was a member of the Board or Committee.

Directors' Report (continued)

Directors' interests in share capital

The relevant interest of each Director in the share capital of the Company as at the date of this report is disclosed in note 27. Directors' interests shown in this note are as at 30 September 2010. Since 30 September 2010 and up to the date of this report, Mr Hounsell has increased his direct and indirect interest in the share capital of the Company from 16,138 shares to 70,138, and Ms Chew has increased her direct and indirect interest in the share capital of the Company from NIL shares to 8,000 shares.

At the date of his appointment and up to the date of this report, Mr Larke held a direct and indirect interest in the share capital of the Company of 148,549 shares.

Principal activities

The principal activities of the consolidated entity in the course of the financial year were the manufacture, marketing, sale and distribution of consumer products and services including coatings, home improvement products and garden care products.

Likely developments

Likely developments in the operations of the consolidated entity and the expected results of those operations are covered generally in the Review of Operations and Financial Performance and Review of pro forma Business Segment Performance on pages 22 to 29 of the Annual Report. Further information as to likely developments in the operations of the consolidated entity and the expected results of those operations in subsequent financial years has not been included in this report because, in the opinion of the Directors, disclosure would be likely to result in unreasonable prejudice to the consolidated entity.

Review and results of operations

A review of the operations of the consolidated entity during the financial year and of the results of those operations is contained on pages 22 to 29 of the Annual Report.

Dividends

On 17 June 2010, whilst a wholly owned subsidiary of Orica Group (comprising Orica Limited and its controlled entities), the Directors of DuluxGroup Limited declared a dividend to Orica Nominees Pty Ltd, a related entity, of $40,000,000 which was settled on 30 June 2010.

Since the end of the financial year, the Directors have declared a final dividend to be paid at the rate of 3.0 cents per share, details of which are set out on page 49.

Changes in the state of affairs

Particulars of significant changes in the state of affairs of the consolidated entity during the year ended 30 September 2010 are as follows.

Effective 9 July 2010, DuluxGroup Limited ceased to be a subsidiary of Orica Limited and became a separately listed entity on the ASX on 12 July 2010. As required for statutory reporting purposes, the consolidated financial statements for the Company and its controlled entities has been presented for the financial year ended 30 September 2010 and the comparative period from the date of incorporation on 24 September 2008 to 30 September 2009.

The consolidated financial results presented for DuluxGroup for the financial year ended 30 September 2010 do not reflect the full 12 month results for several operations that comprise DuluxGroup. Upon incorporation, DuluxGroup Limited contained no material assets until the acquisition of Sopel, a decorative coatings business in China, in November 2008. The results as presented for the 2009 comparative year, therefore, include only this business from the date of acquisition. During the current 2010 financial year, as part of the preparation for the demerger, significant operating assets and liabilities owned by other entities within the Orica Group were legally acquired by DuluxGroup Limited. These include the assets and liabilities of Paints Australia, Paints New Zealand and Selleys Yates on 1 December 2009, the Malaysian operation on 1 March 2010, the Hong Kong operation on 1 April 2010 and the Papua New Guinea operation on 30 June 2010. The results of these operations have only been included in the consolidated financial statements from the date of acquisition by the Company, as required by applicable Australian Accounting Standards.

In addition, the results of DuluxGroup presented in the consolidated financial statements include the impact of the various financial transactions between Orica Limited and DuluxGroup Limited to effect the demerger itself. Where necessary, these transactions have been highlighted in this report.

Shareholders wanting comparative financial information on the entire DuluxGroup which separated from Orica Limited are encouraged to refer to the Review of Operations and Financial Performance and Review of pro forma Business Segment Performance as set out on pages 22 to 29, which compares the pro forma financial results for the year ended 30 September 2010 with the pro forma financial results for the financial year ended 30 September 2009.

Directors' Report (continued)

Events subsequent to balance date

On 8 November 2010, the Directors declared a final dividend of 3.0 cents per ordinary share, fully franked and payable on 10 December 2010. The financial effect of this dividend is not included in the financial statements for the year ended 30 September 2010 and will be recognised in the 2011 financial statements.

The Directors have not become aware of any other significant matter or circumstance that has arisen since 30 September 2010, that has affected or may affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent years, which has not been covered in this report.

Environmental regulations

The Company recognises that commitment to sustainable management of our financial, environmental and social impacts is fundamental to the success and well-being of both our business and our stakeholders. More specific details about the Company's safety and sustainability initiatives and performance can be found at the Company's website: www.duluxgroup.com.au.

The activities of the Company are subject to environmental regulations in the jurisdictions in which it operates. Where applicable, manufacturing licences and consents are in place in respect of each DuluxGroup site. The Board has oversight of the Company's environmental practices and performance.

From time to time, the Company receives notices from relevant authorities pursuant to local environmental legislation and in relation to the Company's environmental licences (some of which were referred to in the Scheme Booklet released by Orica Limited in relation to the demerger). On receiving such notices, the Company investigates to determine the cause and ensure the risk of recurrence is minimised, and works with appropriate authorities to address any issues arising, which may include ongoing reporting obligations and/or development of an environmental management plan.

Indemnification of officers

The Company's Constitution requires the Company to indemnify any person who is, or has been, an officer of the Company, including the Directors, the Company Secretary and other executive officers, against liabilities incurred whilst acting as such officers to the extent permitted by law.

In accordance with the Company's Constitution, the Company has entered into a Deed of Indemnity, Insurance and Access with each of the Company's Directors and in a few cases specific indemnities have been provided to officers of the Company. No Director or officer of the Company has received benefits under an indemnity from the Company during or since the end of the year.

The Company has paid a premium in respect of a contract insuring officers of the Company and of controlled entities against all liabilities that they may incur as an officer of the Company, including liability for costs and expenses incurred by them in defending civil or criminal proceedings involving them as such officers, with some exceptions. Due to confidentiality obligations and undertakings of the policy, no further details in respect of the premium or the policy can be disclosed.

Non-audit services

During the year, KPMG, the Company's auditor, has performed certain other services in addition to its audit responsibilities.

The Board is satisfied that the provision of non-audit services during the year by the auditor is compatable with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company to ensure that they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided did not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants* as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity of the Company, acting as an advocate of the Company or jointly sharing risks or rewards.

No officer of the Company was a partner or director of KPMG. A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is contained on page 68 of the Annual Report and forms part of this Directors' Report.

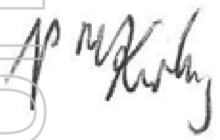
Details of the amounts paid to KPMG and its related practices for audit and non-audit services provided during the year are disclosed in note 28.

Directors' Report (continued)

Rounding

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

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



Peter M. Kirby
Chairman

6 December 2010

Directors' Report
Remuneration Report (Audited)

Contents

Directors' Report

Remuneration Report (Audited) (continued)

The Directors of DuluxGroup Limited (the Company) present the Remuneration Report for the Company and its controlled entities (collectively 'the consolidated entity' or 'the Group' or 'DuluxGroup') for the financial year ended 30 September 2010 prepared in accordance with the requirements of the *Corporations Act 2001* and its regulations.

The 2010 year marked a significant milestone in the evolution of DuluxGroup. Effective 9 July 2010, DuluxGroup Limited ceased to be a wholly owned subsidiary of Orica Limited and became a separately listed entity on the Australian Securities Exchange (ASX) on 12 July 2010. Accordingly the Remuneration Report of DuluxGroup for the financial year ended 30 September 2010 covers two distinct periods:

- the period from 1 October 2009 to close of business on 9 July 2010 as a subsidiary of Orica Limited; and
- the period from 10 July 2010 to 30 September 2010 as an independent entity.

This report focuses on the remuneration arrangements of DuluxGroup as a separately listed entity, with arrangements as part of the Orica Group covered to the extent that they affect reported remuneration outcomes.

A. Remuneration Report Summary

A.1 Remuneration strategy

The demerger of DuluxGroup required development of a remuneration structure for the 'new' DuluxGroup which:

- provided arrangements to employees transferring across from the Orica Group that were no less favourable than those made available by Orica Group; and
- were appropriate for the strategic needs of DuluxGroup as a separately listed entity of a different size and scale from Orica Group.

During the financial year ended 30 September 2010, a detailed review of remuneration arrangements for executives was undertaken by the Board. Remuneration advice was provided by PricewaterhouseCoopers (PwC) to assist the Board in its review of these arrangements. The outcomes of this review resulted in some tailoring of the existing Orica Group framework and policies, in particular the long term incentives where a threshold EPS gateway measure was introduced and a relative TSR performance condition adopted.

The review also established the following key strategic aims for the setting of remuneration arrangements for DuluxGroup executives:

- To encourage a strong focus on performance and support the delivery of outstanding returns to DuluxGroup shareholders.
- To attract, retain and motivate appropriately qualified and experienced individuals who will contribute to DuluxGroup's financial and operational performance.
- To motivate executives to deliver outstanding business results with short and long term horizons.
- To align executive and stakeholder interests through share ownership.

A.2 Overview of elements of remuneration

The Key Management Personnel (KMP) of DuluxGroup include the Non-Executive Directors and members of the Group Executive Team (including Executive Directors) who have authority and responsibility for planning, directing and controlling the activities of DuluxGroup.

In this report, 'Executives' refers to Group executives identified as KMP and any other Group executives who comprise the five most highly remunerated executives in the Group.

The following summarises the key elements of remuneration arrangements for the Non-Executive Directors and Executives:

Table 1

	Elements of remuneration	Directors		Other Executives	Discussion in Remuneration Report
		Non-Executive	Executive		
Fixed remuneration	Fees	✓	×	×	B.1
	Salary	×	✓	✓	C.3
	Compulsory Statutory Superannuation	✓	✓	✓	B.1/C.3
	Other benefits	✓	✓	✓	B.1/B.2/E
At-risk remuneration	Short Term Incentive (STI)	×	✓	✓	C.4/D.2/E
	Long Term Equity Incentive Plan (LTEIP)	×	✓	✓	C.5/D.3/D.4/E
Post-employment	Service Agreements	×	✓	✓	F

Directors' Report

Remuneration Report (Audited) (continued)

Non-Executive Directors

Non-Executive Directors' fees are benchmarked externally and set at levels which reflect the responsibilities and time commitments required of Non-Executive Directors to discharge their duties. In order to maintain independence and impartiality, these fees are not linked to the performance of DuluxGroup.

Executives and other senior managers

Senior manager (including Executives) remuneration comprises both a fixed and an at-risk component. Fixed remuneration provides a guaranteed level of reward based on the senior manager's role, skills, knowledge, experience, individual performance and the comparative employment market. At-risk remuneration rewards senior managers for achieving financial and business targets and increasing shareholder value. The mix between fixed and at-risk remuneration depends on the level of seniority of the senior manager. Fixed annual remuneration is set with reference to the market median with the ability to earn total remuneration at the 75th percentile relative to the market based on achievement of clear short and long term stretch performance targets.

A.3 Non-Executive Directors and Executives

The Non-Executive Directors and Executives to whom this report applies are set out in Table 2. The Executives, apart from Mr Richardson, are included in Table 2 by virtue of the fact that they became KMP on 1 December 2009, being the date on which the significant operating assets and liabilities owned by other entities within the Orica Group were legally acquired by DuluxGroup Limited. For the purpose of this report, given the ongoing role of these executives in leading their respective businesses both pre and post the legal acquisition of their businesses by DuluxGroup Limited, remuneration details for these Executives are voluntarily presented for the full financial year ended 30 September 2010.

In addition, the remuneration details for Mr Richardson (currently on an international assignment in China) are disclosed in this report in accordance with the requirements of the *Corporations Act 2001* as he is among the five most highly remunerated executives in the Group.

Table 2

Name	Role
Non-Executive Directors	
Current	
Peter Kirby	Non-Executive Chairman – appointed 8 July 2010
Garry Hounsell	Non-Executive Director – appointed 8 July 2010
Gaik Hean Chew	Non-Executive Director – appointed 2 August 2010
Former	
Peter Hader(1)	Non-Executive Director – resigned 8 July 2010
Ross McKean(1)	Non-Executive Director – resigned 8 July 2010
Adrian Muculj(1)	Non-Executive Director – resigned 8 July 2010
Executive Directors	
Patrick Houlihan	Managing Director and Chief Executive Officer – appointed director on 29 April 2010
Stuart Boxer	Chief Financial Officer – appointed director on 2 August 2010
Other Executives	
Graeme Doyle	General Manager, Selleys Yates
Brad Hordern	General Manager, Supply Chain
Andrew Ingleton	General Manager, Dulux Paints Australia
Patrick Jones	General Manager, Dulux Paints New Zealand
Anthony Richardson	General Manager, DGL International China

(1) Messrs Hader, McKean and Muculj were Orica Group executives serving on the Board of DuluxGroup Limited. They were not separately remunerated for this role and are therefore not listed in the remuneration tables in this report.

Directors' Report

Remuneration Report (Audited) (continued)

A.4 Summary of remuneration outcomes for the year

In terms of remuneration outcomes, the following key aspects are noted:

- Successful transmission of employment and remuneration arrangements from employees of a subsidiary of Orica Limited to employees of the separately listed DuluxGroup Limited, including mitigation of potential risk of loss of talent and exposure to redundancy.
- Close out of historical Orica Group remuneration arrangements, including long term incentive plans pertaining to DuluxGroup executives.
- Completion of a review of pre-demerger remuneration arrangements to ensure adoption of a suitable executive remuneration framework and policy post demerger, including the design and establishment of a tailored DuluxGroup long term equity incentive plan (LTEIP).
- Benchmarking of executive remuneration against the market following the demerger, with appropriate and commensurate changes made to fixed and at-risk remuneration to reflect the broadened scope and increased responsibility in some roles.
- Granting of a one-off additional 'demerger' award to executives as part of the 2010 DuluxGroup LTEIP which encourages immediate alignment of shareholder and executive interests, and to facilitate retention of key management through the demerger and over the first three years as a standalone company.
- The Board approved short term incentive outcomes for the year that reflected DuluxGroup's strong performance against financial objectives and other targets.

This Remuneration Report is signed in accordance with a resolution of the directors of DuluxGroup Limited.

Peter M. Kirby
Chairman

6 December 2010

Directors' Report

Remuneration Report (Audited) (continued)

B. Non-Executive Directors' Remuneration

B.1 Policy and approach to setting fees

The initial Non-Executive Directors' fees (inclusive of superannuation) have been set by the Board within the maximum aggregate amount of $1,500,000 per annum approved by DuluxGroup's sole shareholder, Orica Nominees Pty Ltd, on 5 July 2010 (immediately prior to the demerger).

In setting the initial level of Non-Executive Directors' fees, the Board has formulated a remuneration policy based on external professional advice to pay fees that are competitive with comparable companies (those with a similar market capitalisation), at a level to attract and retain directors of the appropriate calibre and recognising the anticipated time commitments and responsibilities of directors. Remuneration advice was provided by PwC to assist the Board's review of Non-Executive Directors' fees. In order to maintain independence and impartiality, Non-Executive Directors are not entitled to any form of incentive payments and the level of their fees is not set with reference to measures of Company performance.

Non-Executive Directors receive a base fee in relation to their service as a director of the Board, and an additional fee for membership of or for chairing a committee. The Chairman, taking into account the greater time commitment required, receives a higher fee but does not receive any additional payment for service on the respective committees.

Table 3

Base fees		
Non-Executive Chairman	$324,000	
Non-Executive Director	$120,000	
Committee fees	**Committee chair**	**Committee member**
Audit and Risk Committee	$20,000	$10,000
Remuneration and Nominations Committee	$15,000	$7,500
Safety and Sustainability Committee	$15,000	$7,500

In addition, Non-Executive Directors are paid a travel allowance of $5,000 per return trip for international travel where the journey includes a one way international trip in excess of 6 hours. The Directors also receive the statutory superannuation contribution of 9% of their base fees and committee fees, but do not receive any retirement allowances.

B.2 Remuneration

Details of Non-Executive Director remuneration for the period from date of appointment to 30 September 2010 are set out in the following table:

Table 4

	Fees	**Super-annuation**	**Other benefits**(1)	**Total**
	$	$	$	$
Peter Kirby – appointed 8 July 2010(2)	74,863	6,738	-	81,601
Garry Hounsell – appointed 8 July 2010(2)	34,081	3,067	-	37,148
Gaik Hean Chew – appointed 2 August 2010(3)	25,417	2,288	10,000	37,705
Total Non-Executive Director Remuneration	**134,361**	**12,093**	**10,000**	**156,454**

(1) This benefit represents the travel allowance of $5,000 per return trip for international travel.

(2) In addition to the amounts presented in the above table, prior to their appointment as Directors of DuluxGroup Limited, Messrs Kirby and Hounsell received payments of $50,000 and $40,000 respectively from Orica Limited for the additional workload involved in the demerger of DuluxGroup. Mr Hounsell received a further payment of $50,000 from Orica Limited for his role as Chairman of the demerger Due Diligence Committee.

(3) In addition to the amounts presented in the table above, Ms Chew was paid a fee of $40,000 in relation to consulting services rendered prior to her appointment as a Non-Executive Director on 2 August 2010.

Directors' Report

Remuneration Report (Audited) (continued)

C. Executive Remuneration – Driving a Performance Culture

C.1 Policy and approach to setting remuneration

Details of the composition and responsibilities of the Remuneration and Nominations Committee (the Committee) are set out on page 41. In the context of the remuneration arrangements that had previously been made available by Orica Group to senior managers, and the need for DuluxGroup to offer terms that were no less favourable as part of the transfer of employment upon demerger, the Committee had a key role in setting DuluxGroup's remuneration framework and policy going forward. In carrying out this role, the Committee sought advice from external advisors, including PwC and Johnson Winter & Slattery.

The Committee considers it desirable for remuneration packages of senior managers, including the Executives, to include both a *fixed* component and an *at-risk* or *performance-related* component (comprising both short term and long term incentives). The Committee attributes the at-risk component as an essential driver of DuluxGroup's high performance culture. The mix between fixed remuneration and at-risk remuneration is designed to reflect market conditions at each job and seniority level.

Fixed annual remuneration of senior managers is set with reference to the market median, with the ability to earn total remuneration at the 75th percentile relative to the market based on the achievement of clear short and long term stretch performance targets. For the purposes of setting market competitive remuneration, 'market' is considered to include both ASX listed companies of a comparable market capitalisation and our key industry competitors.

The remainder of section C focuses more specifically on the fixed and at-risk remuneration arrangements for Executives.

C.2 Summary of remuneration mix

The actual remuneration mix for Executives will vary depending on the level of performance achieved at a Group, business unit and individual level. The relatively high weighting of at-risk remuneration reflects the Board's commitment to performance-based reward. The table below summarises the remuneration mix policy effective from 12 July 2010 (being the first working day post demerger).

Table 5

		% of Fixed Annual Remuneration		
		Short term Incentive		Long term incentive
Name	Fixed annual remuneration $	Assuming a 'Target' level of performance is achieved	Assuming a 'Stretch' level of performance is achieved	
Executive Directors				
Patrick Houlihan(1)	850,000	50%	90%	90%
Stuart Boxer(2)	465,000	30%	60%	40%
Other Executives				
Graeme Doyle(2)	425,000	30%	60%	40%
Brad Hordern(3)	325,000	20%	40%	25%
Andrew Ingleton(2)	425,000	30%	60%	40%
Patrick Jones(2)	310,000	20%	40%	25%
Anthony Richardson(2)	250,000	20%	40%	25%

(1) Target STI is broadly set at 55% of the 'Stretch' STI. The CEO may achieve greater than 100% of 'Stretch' STI as there is an uncapped STI for selected significant critical performance items such as EBIT before ongoing standalone and one-off demerger costs in the year ended 30 September 2010.

(2) Target STI is set at 50% of the 'Stretch' STI. Executives may achieve greater than 100% of 'Stretch' STI as there is an uncapped STI for selected significant critical performance items.

(3) Target STI is set at 50% of the 'Stretch' STI.

C.3 Fixed remuneration

All Executives receive a fixed remuneration component. In general, this is expressed as a total amount of salary and other benefits (including statutory superannuation contributions) that may be taken in an agreed form. Fixed remuneration is reviewed annually and is determined by reference to the scope of an individual's role, their level of knowledge, skills and experience, individual performance and market benchmarking. There are no guaranteed increases in fixed remuneration.

Directors' Report

Remuneration Report (Audited) (continued)

C.4 At-risk remuneration - Short Term Incentive Plan (STI)

The DuluxGroup STI is the Company's short term incentive component of the remuneration mix for senior managers. STI arrangements are summarised below in question and answer form.

Table 6

<table>
<tr><td colspan="2">Form and purpose of the plan</td></tr>
<tr><td>What is the STI?</td><td>An annual cash incentive plan linked to specific performance conditions (which are predominantly financial).</td></tr>
<tr><td>Who participates in the STI?</td><td>All senior managers, including Executives.</td></tr>
<tr><td>Why does the Board consider the STI an appropriate incentive?</td><td>The STI is designed to put a large proportion of senior manager remuneration at-risk to be determined based on the achievement of targets linked to DuluxGroup's annual business objectives.</td></tr>
<tr><td colspan="2">Governance</td></tr>
<tr><td>Who assesses the performance of the Chief Executive Officer?</td><td>The Board of Directors, on recommendation from the Remuneration and Nominations Committee, approves the targets and assesses the performance and incentive outcomes of the Chief Executive Officer.</td></tr>
<tr><td>Who assesses the performance of the Chief Financial Officer and Other Executives?</td><td>The Board of Directors, on recommendation from the Remuneration and Nominations Committee, approves the targets and assesses the performance and incentive outcomes of the Chief Financial Officer and Other Executives. The recommendations from the Remuneration and Nominations Committee are formed taking into consideration advice from the Chief Executive Officer.</td></tr>
<tr><td>When are targets set and reviewed?</td><td>Targets are set at the beginning of each financial year, while performance against these targets is reviewed at the end of the financial year. With respect to review of performance against targets and outcomes, the Board has retained discretion to adjust STI outcomes and make any changes deemed appropriate.</td></tr>
<tr><td colspan="2">Performance conditions</td></tr>
<tr><td>What are the STI performance conditions?</td><td>The performance conditions comprise financial targets and non-financial targets relating to:
<table>
<tr><th>Financial</th><th>Non-financial</th></tr>
<tr><td>Group earnings</td><td>Safety & sustainability</td></tr>
<tr><td>Business/Region EBIT (where appropriate)</td><td>Personal objectives</td></tr>
<tr><td>Cash flow</td><td></td></tr>
<tr><td>Trade working capital</td><td></td></tr>
</table>
For most senior managers, financial outcomes represent at least 70% of the available STI target.
For the financial year ended 30 September 2010, the performance conditions established at the start of the year for STI in relation to Group earnings were linked to Orica Group Economic Profit. Post demerger, in the absence of a meaningful measure for full year cost of capital, interest and tax, the Directors have replaced this performance condition with DuluxGroup EBIT before ongoing standalone and one-off demerger costs.
Performance conditions are set at both a DuluxGroup level and an individual business level. Accordingly achievement of individual business level performance conditions may vary.</td></tr>
<tr><td>Why were these conditions chosen?</td><td>Overall the targets are set to reinforce and drive business strategy, align with the Group's annual budget and four year plan and are intended to improve financial performance which results in greater shareholder wealth.</td></tr>
<tr><td>Are STIs awarded where performance falls below a minimum threshold performance level?</td><td>In the ordinary course of business, no STI is awarded if minimum performance across DuluxGroup does not satisfy the EBIT performance condition.</td></tr>
</table>

Directors' Report

Remuneration Report (Audited) (continued)

Reward opportunity	
What level of reward can be earned under the plan?	The STI opportunities able to be earned under the plan are derived as a percentage of fixed annual remuneration. Refer section C.2 for further details.
Can STI be greater than 100% of the available STI at 'Stretch'?	Yes. Selected senior managers may achieve greater than 100% of stretch STI as there is an uncapped benefit available for delivery of selected significant critical performance items such as EBIT before ongoing standalone and one-off demerger costs.
Cessation of employment or a change of control	
If the individual ceases employment during the year, will they receive a payment?	The individual will not be eligible for a payment if terminated due to misconduct or poor performance nor in general, if they resign. In certain appropriate circumstances (such as redundancy), the Board may consider eligibility for a pro-rata payment.
How would a change of control impact on STI entitlements?	The STI will be considered to have been met at target for the full performance year, notwithstanding the date of change of control, unless the Board determines otherwise.

C.5 At-risk remuneration - Long Term Equity Incentive Plan (LTEIP)

The DuluxGroup LTEIP is the Company's long term incentive component of the remuneration mix for senior managers. LTEIP arrangements are summarised below in question and answer form.

Table 7

Purpose of plan	
What are the key features of the LTEIP?	Under the LTEIP, eligible senior managers are provided with a non-recourse loan from DuluxGroup for the sole purpose of acquiring shares in the Company. The shares are restricted until the end of the vesting/performance period and while the loan remains outstanding. Any dividends paid on the shares are applied (on an after-tax basis) towards repaying the loan. In order to reward superior performance, and subject to satisfaction of an earnings 'gateway', part of the loan may be forgiven at the end of the vesting period subject to the achievement of a specified performance condition. The remaining loan must be repaid following testing of the performance condition after the vesting period.
Why does the Board consider the structure of the LTEIP appropriate?	The LTEIP facilitates immediate share ownership by the senior managers and links a significant proportion of their 'at-risk' remuneration to DuluxGroup Limited's ongoing share price and returns to shareholders over the applicable performance period. It is designed to encourage senior managers to focus on the key performance drivers which underpin sustainable growth in shareholder value. The Board believes the LTEIP, which has both an earnings 'gateway' that must be achieved before any shares vest and a total shareholder return performance condition, promotes behaviour that will achieve superior performance over the long term.
Why was an additional demerger component granted this year?	In order to ensure the senior management team have a reasonable level of exposure to the DuluxGroup Limited share price and an element of retention following demerger from Orica Group, a one-off additional 'demerger' component was included in the 2010 DuluxGroup LTEIP grants.
Structure of awards (including how loan operates)	
How does a senior manager derive value from LTEIP?	A senior manager can derive value from LTEIP in two ways: through share price appreciation or through loan forgiveness of a portion of the loan as a reward for superior performance.
Why use a loan based plan?	The Board approved the design of the LTEIP (as a loan based plan) after consideration of its relative merits against other performance share-based equity plans in the market. The Board considers the LTEIP to be a cost effective plan aligned to the creation of shareholder value.
How was the amount of the loan determined?	The amount of the loan offered to each participant is based on the relevant long term incentive component target amount of their remuneration multiplied by an externally determined 'value' (calculated using an adjusted Black-Scholes option pricing valuation model).
Is the loan 'interest free'?	The loan is 'interest-free' in that there is no annual interest charge to the senior manager on the loan. An interest component, however, is taken into account in determining the level of performance based debt forgiveness benefit that may be awarded to participants.

Directors' Report
Remuneration Report (Audited) (continued)

As the loans are non-recourse do senior managers have to repay their loans?	Yes, the senior managers must repay their loan. Following the end of the vesting period, the senior managers can either repay the loan directly or sell some or all of their shares and apply the proceeds to repay the loan. Shares remain restricted until the loan is repaid. If the value of the shares is less than the outstanding loan balance at the end of the performance period, the senior manager surrenders and forfeits the shares to the Company in full settlement of the loan balance and no benefit accrues to the senior manager. This is known as a 'non-recourse loan'.
Why is a non-recourse loan provided?	The Board has structured the remuneration policy for senior managers to include a significant proportion of 'at-risk' pay under the LTEIP. Accordingly, where the outstanding loan at the end of the performance period exceeds the value of the shares, the Board believes the loss of any remuneration value from the LTEIP in these circumstances is a sufficient penalty to the senior managers.
Are senior managers able to limit their exposure to unvested awards granted under the LTEIP?	The Company has a policy that prohibits senior managers from entering into an arrangement to limit the risk attached to (i.e. hedging) LTEIP shares prior to vesting (i.e. prior to the relevant performance conditions being met) or while they continue to be subject to restrictions under the LTEIP. DuluxGroup treats compliance with this policy as a serious issue and takes appropriate measures to ensure the policy is adhered to. Executives will be required to sign an annual declaration confirming their compliance with this policy.
What is the vesting/ performance period?	Typically the vesting/performance period is three years, with the performance condition tested following the announcement of annual results in the third year after a grant is made. For the grant made under the DuluxGroup LTEIP during the financial year ended 30 September 2010, a period of approximately three and a half years will apply, with testing expected to occur in November 2013.
How are shares acquired for allocation to Executive Directors under the LTEIP?	The Company has the flexibility under the LTEIP Rules to acquire shares on-market, issue new shares, or reallocate forfeited shares to participants in the Plan. On 19 July 2010, following the listing of DuluxGroup Limited on the ASX on 12 July 2010, and in accordance with the terms of the demerger Scheme Booklet approved by shareholders on 8 July 2010, the Chief Executive Officer and Chief Financial Officer were issued and allocated with new shares under the DuluxGroup LTEIP.
Reward opportunity	
Is there a minimum level of performance required before any benefit accrues?	Yes, the Board has implemented a 'gateway' level of minimum performance for the DuluxGroup below which no benefit accrues. This 'gateway' is a minimum level of acceptable performance for any of the LTEIP shares to vest. For the grant made during the year ended 30 September 2010, compound annual EPS growth over the vesting period from 30 September 2010 to 30 September 2013 must equal or exceed 2% per annum. This minimum level of EPS growth was set to reflect the challenges immediately following demerger. The baseline 2010 EPS will necessarily be measured from a set of pro forma accounts prepared as at 30 September 2010. This pro forma EPS measure will be before one-off demerger costs, adjusted for the full annualised ongoing standalone costs and take into account the complete results of DuluxGroup Limited which separated from Orica Limited, including the results of significant DuluxGroup operating assets and liabilities owned for part of the year by other entities within the Orica Group, such as the assets and liabilities of Paints Australia, Paints New Zealand and Selleys Yates transferred on 1 December 2009, the Malaysian operation transferred on 1 March 2010, the Hong Kong operation transferred on 1 April 2010 and the Papua New Guinea operation transferred on 30 June 2010. For accounting purposes the results of these operations have only been included from the date of acquisition. The Board anticipates this gateway being 4% for future grants.
What level of reward is available to senior managers if the minimum level of performance is achieved?	Where the EPS gateway is met at the end of the performance period, there is potentially value to senior managers if the value of the LTEIP shares is greater than the outstanding LTEIP loan balance that must be repaid.
What is EPS and how is it calculated?	EPS stands for Earnings per Share and is calculated by dividing DuluxGroup's Net Profit After Tax by the weighted average number of ordinary shares on issue during the relevant period. EPS growth measures the growth in earnings on a per share basis. The Board has retained discretion to adjust EPS for individually material items on a case by case basis when determining whether the EPS performance gateway condition has been met.

Directors' Report

Remuneration Report (Audited) (continued)

Performance condition	
How is the relative TSR performance hurdle applied to the plan?	The relative Total Shareholder Return (TSR) performance hurdle is used to determine the level of loan forgiveness under the plan (the forgiveness amount).
What is TSR?	Broadly, TSR measures the increase in the Company's share price over the performance period, plus the value of dividends paid being treated as if they were reinvested in DuluxGroup shares.
How is the forgiveness amount determined?	There is no loan forgiveness amount if DuluxGroup's relative TSR is below the 51st percentile against a comparator group. If DuluxGroup Limited's relative TSR is greater than or equal to the 51st percentile, a proportion of the initial loan balance (up to a maximum of 30%) is forgiven on a 'sliding scale' as shown below.

2010 Financial Year Offers	
Relative TSR ranking	**Loan forgiveness**
Less than 51st percentile	0 %
51st percentile	10%
Between 51st percentile and 75th percentile	Percentage of loan forgiveness increases on a straight line basis between 10% and 30%
75th percentile or above	30%

Why did the Board select relative TSR as the performance condition?	The LTEIP is designed to align the interests of management with shareholders. In doing so, the Board considered it appropriate to compare the relative share price and dividend performance of DuluxGroup to that of a comparator group over the performance period to determine the amount of benefit to be awarded to participants.
Who is the relative TSR comparator group?	The comparator group comprises peer companies in the ASX 200, at the date of grant, which remain in this index throughout the vesting period. The Board has approved the exclusion of companies who operate in very different markets (mining, financial services and listed property trusts) from the peer group. These approved exclusions from the comparator group enables the performance of DuluxGroup to be compared to those companies that truly compete with DuluxGroup for capital, that is Australian industrial, retail, manufacturing and distribution businesses included in the ASX200.
Is the performance condition re-tested?	No, the performance condition is only tested once at the end of the performance period.
Cessation of employment or a change of control	
What happens if a LTEIP participant ceases employment prior to vesting and repayment of the loan?	If a participant resigns from the Group or is terminated for cause during the loan period, the shares are forfeited and surrendered to the Group (in full repayment of the loan) and the individual has no further interest in the shares.
What happens to 'good leavers'?	In general, all shares are forfeited and surrendered if a participant ceases employment prior to the end of the performance period. The Board, however, has absolute discretion in appropriate circumstances to determine that some or all of a participant's LTEIP shares may vest, and that some or all of the loan forgiveness amount be granted.
How would a change of control impact on LTEIP entitlements?	The LTEIP rules provide that the loan becomes immediately repayable upon a change of control, with the outstanding loan balance reduced by the forgiveness amount at target, except where the Board determines otherwise. The Board's current intention is that it would not exercise its discretion to vary this default position in the event of an actual change of control.

Directors' Report

Remuneration Report (Audited) (continued)

Illustrative example of how LTEIP works

The following example is based on an executive resident in Australia and assumes that:

- Initial share price at grant date is $3 and 20,000 shares are allocated (i.e. initial loan of $60,000).
- Dividends paid of $6,000 per annum, less 46.5% to cover the participants' individual tax obligations.
- Case A – EPS gateway achieved and relative TSR ranks at the 60th percentile (i.e. 17.5% loan forgiveness), share price at the vesting date is $6.
- Case B – EPS gateway achieved but relative TSR ranks below the 51st percentile (i.e. no loan forgiveness), share price at vesting date is $3.30.
- Case C – EPS gateway not achieved and relative TSR ranks above the 75th percentile, share price at the vesting date is $6.

	Case A $	Case B $	Case C $
Initial loan	60,000	60,000	60,000
Less net dividends	(3,210)	(3,210)	(3,210)
Less loan forgiveness[1,2]	(10,500)	-	-
Outstanding loan balance	46,290	56,790	56,790
Value of shares awarded at vesting	120,000	66,000	NIL
Less outstanding loan balance	(46,290)	(56,790)	N/A
Value of LTEIP to the executive	73,710	9,210	NIL

(1) This amount is determined net of interest charges.

(2) In addition the Company incurs fringe benefits tax on the loan forgiveness.

Refer D.4 for details of the legacy long term equity incentive plans offered to DuluxGroup executives by Orica Group prior to demerger date and the close out of these arrangements.

D. Company Performance – The Link to Reward

The statutory requirement is to present a five year discussion of the link between performance and reward. As DuluxGroup has only been listed since July 2010, it is not possible to present five years of financial data, instead this report describes the performance and reward linkage to shareholder value and discusses reward outcomes for the 2010 financial year.

D.1 Overview of the link between reward and performance

As described in section C.1, the key principles applied in the design of the executive remuneration framework and policy relate directly to aligning the interests of executives and shareholders, with all of the at-risk component of executives remuneration tied to performance.

D.2 Short term incentives

Short term incentives are paid annually in cash and are discussed in detail in section C.4.

For the short term incentives relating to the financial year ended 30 September 2010, the performance conditions were established pre-demerger under Orica Group ownership. The performance conditions set for DuluxGroup senior managers related solely to the performance of DuluxGroup with the only reference to the broader Orica Group being an Orica Economic Profit gateway. The Board, however, replaced the Orica Group Economic Profit performance gateway with a DuluxGroup EBIT before ongoing standalone and one-off demerger costs performance gateway, which was met. The STI payments made for the current financial year are set out in Table 9 of section E.2 and reflect the extent to which performance agreement conditions established by the Orica Group were achieved.

D.3 Long term incentives

The DuluxGroup LTEIP grants were made following demerger and are subject to a 'gateway' condition at 30 September 2013 and a performance condition over a period of approximately three and a half years, with testing expected to occur in November 2013. As such no awards have yet been tested or have vested.

D.4 Legacy Orica Group long term incentives

During the financial year ended 30 September 2010, the Orica Group LTEIP awards (which had a similar structure to the DuluxGroup LTEIP described in section C.5 above) granted on 20 November 2006 vested with no loan forgiveness applied. In addition, at the time of demerger, in accordance with the relevant Plan rules, all outstanding Orica Group LTEIP loans (relating to the 2007, 2008 and 2009 LTEIP offers) became repayable for DuluxGroup Executives. Orica Group also tested the performance conditions applicable to each award on a pro-rata basis at the time of the demerger. All costs attaching to the accelerated pro-rata award of debt forgiveness or the forfeiture and surrender of outstanding Orica Group LTEIP shares in satisfaction of outstanding loans on demerger have been borne by Orica Group. While these costs have not been recognised in the books of DuluxGroup, any accounting expense attributable to Executives calculated in accordance with AASB 2 *Share-based Payments* has been recognised in Table 8 detailing the remuneration received by Executives for the financial year ended 30 September 2010.

Directors' Report

Remuneration Report (Audited) (continued)

E Details of Executive Remuneration

E.1 Executive Remuneration

Details of the remuneration of Executives of DuluxGroup for the financial year are included in the table below:

Table 8

For the financial year ended 30 September 2010		Short term employee benefits: Fixed remuneration[1] $	Short term employee benefits: STI payment[2] $	Short term employee benefits: Other benefits[3] $	Post employment benefits: Super-annuation benefits $	Termination benefits[4] $	Other long term benefits[5] $	Total excluding Share-based payment expense $	Share-based payment expense[6] $	Total $	% performance related remuneration	% of remuneration consisting of options
Executive Directors												
Patrick Houlihan	Orica Group[7]	104,925	88,443	(2,466)	2,410	-	3,376	196,688	14,565	211,253		
	Orica Group[8]	386,736	309,549	117,145	8,839		11,813	834,082	661,530[12]	1,495,612		
	DuluxGroup[9]	189,786	138,742	30,904	3,397	-	69,871	432,700	73,502	506,202		
	Total	**681,447**	**536,734**	**145,583**	**14,646**	**-**	**85,060**	**1,463,470**	**749,597**	**2,213,067**	**58%**	**34%**
Stuart Boxer	Orica Group[7]	62,590	39,600	442	2,410	-	1,175	106,217	-	106,217		
	Orica Group[8]	232,259	138,600	51,190	8,839	-	4,414	435,302	204,202[12]	639,504		
	DuluxGroup[9]	100,746	61,553	4,146	3,397	-	3,346	173,188	20,394	193,582		
	Total	**395,595**	**239,753**	**55,778**	**14,646**	**-**	**8,935**	**714,707**	**224,596**	**939,303**	**49%**	**24%**
Other Executives[13]												
Graeme Doyle	Orica Group[7]	62,590	13,351	3,886	2,410	-	1,327	83,564	5,296	88,860		
	Orica Group[8]	232,258	46,729	52,837	8,839	-	4,935	345,598	234,567[12]	580,165		
	DuluxGroup[9]	91,657	91,712	6,549	3,397	-	3,375	196,690	19,725	216,415		
	Total	**386,505**	**151,792**	**63,272**	**14,646**	**-**	**9,637**	**625,852**	**259,588**	**885,440**	**46%**	**29%**
Brad Hordern	Orica Group[7]	42,590	16,432	2,957	2,410	-	1,515	65,904	2,175	68,079		
	Orica Group[8]	198,549	57,512	30,057	8,839	-	5,324	300,281	100,095[12]	400,376		
	DuluxGroup[9]	69,216	46,306	46	3,397	-	1,220	120,185	8,984	129,169		
	Total	**310,355**	**120,250**	**33,060**	**14,646**	**-**	**8,059**	**486,370**	**111,254**	**597,624**	**39%**	**19%**
Andrew Ingleton	Orica Group[7]	62,591	44,239	(3,078)	2,410	-	1,995	108,157	4,918	113,075		
	Orica Group[8]	232,260	154,835	34,173	8,839	156,509	7,843	594,459	227,841[12]	822,300		
	DuluxGroup[9]	91,655	47,882	1,456	3,397	-	8,631	153,021	19,549	172,570		
	Total	**386,506**	**246,956**	**32,551**	**14,646**	**156,509**	**18,469**	**855,637**	**252,308**	**1,107,945**	**45%**	**23%**
Patrick Jones	Orica Group[7]	44,779	12,116	12,436	2,410	-	727	72,468	1,203	73,671		
	Orica Group[8]	164,021	42,407	68,067	8,839	-	3,200	286,534	81,997[12]	368,531		
	DuluxGroup[9]	64,012	40,582	21,045	3,397	-	6,020	135,056	8,246	143,302		
	Total	**272,812**	**95,105**	**101,548**	**14,646**	**-**	**9,947**	**494,058**	**91,446**	**585,504**	**32%**	**16%**
Anthony Richardson[14]	Orica Group[10]	169,501	43,729	164,995	11,249	-	50,605[15]	440,079	60,921[12]	501,000		
	DuluxGroup[11]	52,251	13,097	40,607	3,397	-	1,937	111,289	5,634	116,923		
	Total	**221,752**	**56,826**	**205,602**	**14,646**	**-**	**52,542**	**551,368**	**66,555**	**617,923**	**20%**	**11%**
Total Remuneration		**2,654,972**	**1,447,416**	**637,394**	**102,522**	**156,509**	**192,649**	**5,191,462**	**1,755,344**	**6,946,806**		

Directors' Report
Remuneration Report (Audited)

(1) Fixed salary includes any salary sacrifice arrangements implemented by the Executives, including additional superannuation contributions.

(2) STI payment includes payments relating to 2010 performance accrued but not paid. The split between Orica Group and DuluxGroup has been determined based on the accounting expense charged pre and post demerger to accrue the STI payable.

(3) These benefits include relocation costs, medical costs, costs associated with international assignment, movement in annual leave accrual, spousal travel and costs associated with services related to employment (inclusive of any applicable fringe benefits tax).

(4) On termination of the service agreement governing Mr Ingleton's employment with the Orica Group of companies, Mr Ingleton was paid a termination payment of $156,509 recognising that part of his termination entitlement under that contract could not be assumed by DuluxGroup pursuant to recent amendments to the *Corporations Act 2001*.

(5) This benefit includes the movement in long service leave accrual.

(6) Includes the value calculated under AASB 2 *Share-based Payment*. The share-based payment expense represents the charge incurred during the year in respect of current and past incentive allocations to Executives. These amounts are therefore not amounts actually received by Executives during the year. Whether Executives receive any value from the allocation of long term incentives in the future will depend on the performance of the Company's shares. The mechanism which determines whether or not long term incentives vest in the future is described in section C.5.

(7) For the period from 1 October 2009 to 30 November 2009, prior to the Executive becoming a KMP of DuluxGroup Limited as a subsidiary of Orica Limited.

(8) For the period from 1 December 2009 to 9 July 2010 during which the Executive was a KMP of DuluxGroup Limited as a subsidiary of Orica Limited.

(9) For the period from 10 July 2010 to 30 September 2010 during which the Executive was a KMP of DuluxGroup Limited as an independent entity.

(10) For the period from 1 October 2009 to 9 July 2010 during which the Executive was an employee of DuluxGroup Limited as a subsidiary of Orica Limited.

(11) For the period from 10 July 2010 to 30 September 2010 during which the Executive was an employee of DuluxGroup Limited as an independent entity.

(12) At the time of demerger, in accordance with the relevant Plan rules, all outstanding Orica Group LTEIP loans (relating to the 2007, 2008 and 2009 LTEIP offers) became repayable for DuluxGroup Executives. Orica Group tested the performance conditions applicable to each award on a pro-rata basis at the time of the demerger. All costs attaching to the accelerated pro-rata award of debt forgiveness or the forfeiture and surrender of outstanding Orica Group LTEIP shares in satisfaction of outstanding loans on demerger have been borne by Orica Group. While these costs have not been recognised in the books of DuluxGroup, any accounting expense attributable to Executives calculated in accordance with AASB 2 *Share-based Payment* has been recognised in Table 8 detailing the remuneration received by Executives for the financial year ended 30 September 2010.

(13) Denotes the five most highly remunerated executives of the Group, as required to be disclosed under the *Corporations Act 2001*.

(14) Mr Richardson is currently on an international assignment in China and as such secondment costs associated with the assignment are included in his remuneration summary.

(15) Mr Richardson's prior year remuneration arrangements included a deferred component of $44,611 which was conditional upon Mr Richardson remaining in employment until 1 October 2010. This amount has been included as 'other long term benefits' and was accrued for accounting purposes during the year ended 30 September 2010.

Directors' Report
Remuneration Report (Audited)

E.2 Short term incentives

The Board believes that the largest component of an Executive's STI payment should be affected by the financial performance of the Company. The actual STI payments reflect the strong financial performance at the Group level, as well as the financial performance of individual business units (which had the most significant impact on the variation of STI outcomes between Executives). Individual outcomes from non-financial objectives further differentiated Executive STI outcomes. The short term incentive payments shown below reflect the performance for Executives in the current financial year.

Table 9

For the financial year ended 30 September 2010	2010 STI award $[1]	STI payable assuming a 'Stretch' level of performance is achieved $[2]	Actual STI payment as % of 'Stretch' STI	% of 'Stretch' STI payment forfeited
Executive Directors[3]				
Patrick Houlihan	536,734	577,007	93%	7%
Stuart Boxer	239,753	246,275	97%	3%
Other Executives				
Graeme Doyle[3]	151,792	240,736	63%	37%
Brad Hordern	120,250	130,000	93%	7%
Andrew Ingleton[3]	246,956	240,736	103%	NIL%
Patrick Jones[3]	95,105	115,674	82%	18%
Anthony Richardson[3]	56,826	94,589	60%	40%

(1) STI constitutes a cash incentive earned during 2010, which is expected to be paid in December 2010.

(2) The STI payable assuming a 'Stretch' level of performance is achieved has been calculated based on the actual fixed remuneration received by Executives during the financial year ended 30 September 2010.

(3) Executives may achieve greater than 100% of 'Stretch' STI as there is an uncapped STI component for selected significant critical performance items such as EBIT before ongoing standalone and one-off demerger costs.

E.3 DuluxGroup equity instruments granted to Executives

Executives acquire shares in DuluxGroup Limited funded by a loan from DuluxGroup under the LTEIP. While shares are acquired under the plan for legal and taxation purposes, Australian Accounting Standards require they be treated as options for accounting purposes. Details of the loans made during the year are set out in Table 11.

The value of the notional options granted during the year to DuluxGroup Executives under the LTEIP is set out below. No options over DuluxGroup Limited shares were exercised during the year.

Table 10

For the financial year ended 30 September 2010	Grant date	Number granted during the year	Number exercised during the year[2]	Number lapsed during the year	Number outstanding at year end	Exercise price $	Value of options at grant date[3,4] $	Value of options included in compensation for the year[5]
Executive Directors								
Patrick Houlihan	(1)	1,145,655	-	-	1,145,655	N/A	1,122,742	73,502
Stuart Boxer	(1)	317,873	-	-	317,873	N/A	311,516	20,394
Other Executives								
Graeme Doyle	(1)	307,453	-	-	307,453	N/A	301,304	19,725
Brad Hordern	(1)	140,026	-	-	140,026	N/A	137,225	8,984
Andrew Ingleton	(1)	304,701	-	-	304,701	N/A	298,607	19,549
Patrick Jones	(1)	128,536	-	-	128,536	N/A	125,965	8,246
Anthony Richardson	(1)	87,822	-	-	87,822	N/A	86,066	5,634

(1) 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.

(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 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. The options expire if the loan is not repaid within the repayment window.

(3) The option valuation is determined having regard to valuation advice from PwC. The valuation methodology utilises an adjusted form of the Black-Scholes option pricing model and reflects the value (as at grant date) of options held at 30 September 2010.

(4) The grants made to Executives under the LTEIP constitute 100% of the grants available for the 2010 financial year. The minimum potential future value of grants under LTEIP is $NIL.

(5) The amortised value for accounting purposes.

Directors' Report

Remuneration Report (Audited) (continued)

E.4 Loans to Executives under DuluxGroup long term incentive plans

Table 11

For the financial year ended 30 September 2010	Opening balance $	Advances during the year[1] $	Repayments during the year $	Closing balance $	Interest free value $	Highest indebtedness $
Executive Directors						
Patrick Houlihan	-	2,944,334	-	2,944,334	47,158	2,944,334
Stuart Boxer	-	816,934	-	816,934	13,084	816,934
Other Executives						
Graeme Doyle	-	790,157	-	790,157	12,656	790,157
Brad Hordern	-	359,868	-	359,868	5,764	359,868
Andrew Ingleton	-	783,082	-	783,082	12,542	783,082
Patrick Jones	-	330,340	-	330,340	4,075	330,340
Anthony Richardson	-	225,705	-	225,705	2,785	225,705
Total	-	6,250,420	-	6,250,420	98,064	6,250,420

(1) Under the DuluxGroup LTEIP, eligible Executives are provided with a non-recourse loan from DuluxGroup for the sole purpose of acquiring shares in DuluxGroup Limited. Executives must apply net cash dividends to the repayment of the loan balance, and Executives may not deal with the shares while the loan remains outstanding. Australian Accounting Standards require that shares issued under employee incentive share plans in conjunction with non-recourse loans are to be accounted for as options. As a result, the amounts receivable from employees in relation to these loans have not been recognised in the financial statements.

E.5 Equity instruments held by executives

The number of option (DuluxGroup LTEIP) issues, values and related loan information in relation to DuluxGroup senior managers as at 30 September 2010 is shown in the following table.

Table 12

Grant date	Number of options issued	Number of options held at 30 Sep	Number of participants at 30 Sep	Total loan at grant date $	Total loan at 30 Sep $	Maximum loan waiver opportunity over full loan period $	Loan repayments through dividends during year $	Value of options at grant date[2] $
(1)	4,401,850	4,401,850	40	11,312,817	11,312,817	3,393,845	NIL	0.98

(1) 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.

(2) The assumptions underlying the options valuations are:

Table 13

Price of DuluxGroup Limited shares at grant date	Expected volatility in share price	Dividends expected on shares	Risk free interest rate	Average value per option $
$2.54	30%	NIL	4.70%	0.98

The terms of the DuluxGroup LTEIP apply equally to Executives and other eligible senior managers of the Company.

As required by Australian Accounting Standards, shares allocated under LTEIP that are purchased with non-recourse loans are accounted for as options. As a result, the amounts receivable from Executives in relation to these loans are not recognised in the financial statements. Shares issued under LTEIP are recognised as treasury shares with a share-based payment expense recognised in the income statement over the vesting period. Repayments of share loans are recognised as share capital.

The share-based payment expense is measured at fair value at the grant date using an option valuation model. The valuation model used generates possible future share prices based on similar assumptions that underpin the Black-Scholes option pricing model. The assumptions underlying the options valuations are: (a) the exercise price of the option, (b) the life of the option, (c) the current price of the underlying securities, (d) the expected volatility of the share price, (e) the dividends expected on the shares, and (f) the risk-free interest rate for the life of the option. LTEIP is administered by Computershare Limited.

Directors' Report

Remuneration Report (Audited) (continued)

E.6 Orica Group equity instruments granted to and exercised by Executives

Orica Group operates a long term equity incentive plan (Orica Group LTEIP) under which it provides loans to Executives to acquire shares. The Executives participated in this plan prior to the demerger. While the plan deals with the allocation of shares, in accordance with the requirements of Australian Accounting Standards, they are treated as options.

Pursuant to the rules of the Orica Group LTEIP, loans became repayable and the applicable debt waiver performance conditions were pro-rata tested in relation to the DuluxGroup participants at the time of demerger on 9 July 2010.

As a result, an incremental share-based payment expense was incurred by Orica Group to reflect the accelerated vesting of the Orica Group LTEIP awards. This expense has been determined by Orica Group, utilising valuations of the LTEIP options assessed by PwC under the original terms of issue and under the modified terms of issue.

The assumptions underlying the options incremental valuations are:

Table 14

Grant date	Number of options held at 9 July 2010	Expected volatility in share price	Dividends expected on shares	Risk free interest rate	Incremental value per option $
18 Dec 2007	97,095	30%	NIL	4.40%	-
19 Dec 2008	235,721	30%	NIL	4.40%	3.05
21 Dec 2009	170,949	30%	NIL	4.40%	0.15

The value of options granted during the year and the value of any options granted in previous years that were exercised during the year for the Executives is set out below. The value of the options granted, as valued by PwC, is the fair value calculated at grant date using an adjusted form of the Black-Scholes option pricing model.

Table 15

For the financial year ended 30 September 2010	Grant date	Number granted during the year	Number exercised during the year[1,2]	Number lapsed during the year	Number outstanding at year end	Exercise price $	Value of options at grant date[3,4] $	Value of options included in compensation for the year[5] $
Executive Directors								
Patrick Houlihan	20 Nov 06	-	10,349	-	-	N/A	59,610	-
	18 Dec 07	-	-	24,850	-	N/A	262,168	109,236
	19 Dec 08	-	52,044	-	-	N/A	201,410	230,425
	21 Dec 09	37,278	37,278	-	-	N/A	331,774	336,434
Stuart Boxer	19 Dec 08	-	19,826	-	-	N/A	76,727	87,780
	21 Dec 09	12,900	12,900	-	-	N/A	114,810	116,422
Other Executives								
Graeme Doyle	20 Nov 06	-	6,683	-	-	N/A	38,494	-
	18 Dec 07	-	-	9,036	-	N/A	95,330	39,720
	19 Dec 08	-	18,909	-	-	N/A	73,178	83,720
	21 Dec 09	12,900	12,900	-	-	N/A	114,810	116,423
Brad Hordern	18 Dec 07	-	-	3,711	-	N/A	39,151	16,313
	19 Dec 08	-	8,038	-	-	N/A	31,107	35,588
	21 Dec 09	5,581	5,581	-	-	N/A	49,671	50,369
Andrew Ingleton	20 Nov 06	-	11,396	-	-	N/A	65,641	-
	18 Dec 07	-	-	8,391	-	N/A	88,525	36,884
	19 Dec 08	-	17,945	-	-	N/A	69,447	79,452
	21 Dec 09	12,900	12,900	-	-	N/A	114,810	116,423
Patrick Jones	20 Nov 06	-	2,085	-	-	N/A	12,010	-
	18 Dec 07	-	-	2,052	-	N/A	21,649	9,020
	19 Dec 08	-	4,956	-	-	N/A	19,180	21,943
	21 Dec 09	5,788	5,788	-	-	N/A	51,513	52,237
Anthony Richardson	20 Nov 06	-	2,069	-	-	N/A	11,917	-
	18 Dec 07	-	-	1,783	-	N/A	18,811	7,837
	19 Dec 08	-	3,634	-	-	N/A	14,064	16,090
	21 Dec 09	4,099	4,099	-	-	N/A	36,481	36,994

(1) Related to the Orica Group LTEIP. The combination of shares, and the loan provided to fund those shares constitutes an option under Australian Accounting Standards. At grant date, these options were expected to vest over three years. Pursuant to the rules of the Orica Group LTEIP, at the time of demerger on 9 July 2010, the loans became repayable and the applicable debt waiver performance conditions were pro-rata tested.

(2) There were no amounts outstanding on shares issued as a result of the exercise of the options.

(3) The option valuation prepared by PwC uses methodologies consistent with assumptions that apply under an adjusted form of the Black-Scholes option pricing model and reflects the value (as at grant date) of options held at 30 September 2010.

(4) The grants made to Executives under the LTEIP during the financial year constituted 100% of the grants available. At the grant date, the minimum potential future value of grants under LTEIP is $NIL.

(5) The amortised value for accounting purposes.

Directors' Report

Remuneration Report (Audited) (continued)

E.7 Loans to Executives under Orica Group long term incentive plans

Table 16

For the financial year ended 30 September 2010	Opening balance $	Advances during the year[(1)] $	Other repayments during the year[(2)] $	Cash repayments during the year[(3)] $	Closing balance $	Interest free value $	Highest indebtedness $
Executive Directors							
Patrick Houlihan	1,832,388	924,122	908,097	1,848,413	-	152,418	2,730,899
Stuart Boxer	315,709	319,791	56,591	578,909	-	34,676	629,680
Other Executives							
Graeme Doyle	729,790	319,791	329,876	719,705	-	55,088	1,039,445
Brad Hordern	243,298	138,353	136,372	245,279	-	22,630	378,202
Andrew Ingleton	801,442	319,791	307,695	813,538	-	55,689	1,110,157
Patrick Jones	189,325	143.485	76,868	255,942	-	17,259	330,141
Anthony Richardson	159,558	101,614	64,872	196,300	-	12,905	258,974
Total	4,271,510	2,266,947	1,880,371	4,658,086	-	350,665	6,477,498

(1) Under the Orica Group LTEIP, eligible Executives are provided with an interest free, non-recourse loan from Orica Group for the sole purpose of acquiring shares in Orica Limited. Executives must apply net cash dividends to the repayment of the loan balance, and Executives may not deal with the shares while the loan remains outstanding. Australian Accounting Standards require that shares issued under employee incentive share plans in conjunction with non-recourse loans are to be accounted for as options. As a result, the amounts receivable from employees in relation to these loans have not been recognised in the financial statements.

(2) Constitutes forfeiture of Orica Group LTEIP options and loan forgiveness.

(3) Constitutes reduction of the loan for after tax dividends paid on the shares and cash repayments at the end of the loan, determined after any applicable loan forgiveness.

F. Summary of Executive Service Agreements

Remuneration and other terms of employment for the Executives are formalised in service agreements. Specific information relating to the terms of the service agreements of the current Executives are set out in the table below:

Table 17

Name	Term of agreement	Notice period by Executive	Notice and termination benefits[(1)]
Executive Directors			
Patrick Houlihan	Open	6 months	12 months fixed annual remuneration
Stuart Boxer	Open	6 months	12 months fixed annual remuneration
Other Executives			
Graeme Doyle	Open	6 months	12 months fixed annual remuneration
Brad Hordern	Open	6 months	12 months fixed annual remuneration
Andrew Ingleton	Open	6 months	12 months fixed annual remuneration
Patrick Jones	Open	6 months	12 months fixed annual remuneration
Anthony Richardson	Open	6 months	9 months fixed annual remuneration

(1) Maximum termination payment (inclusive of any payment in lieu of notice) if DuluxGroup terminates the Executive's employment other than for cause. The Company may, at its discretion, require the Executive to work all, or any part of the applicable notice period.

Each of the Executives has agreed to restraints as part of their service agreements, which will apply upon cessation of their employment to protect the legitimate business interests of DuluxGroup. No separate amount is payable, over and above the contractual entitlements outlined above, in relation to these restraints.

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

To: the directors of DuluxGroup Limited:

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 September 2010 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Alison Kitchen

Alison Kitchen
Partner

Melbourne

6 December 2010

Consolidated Income Statement
For the financial year ended 30 September 2010

	Notes	2010 $'000	2009 $'000
Revenue from sale of goods		**775,654**	35,658
Other income	6	**1,253**	-
Expenses			
Changes in inventories of finished goods and work in progress		**(3,778)**	3,651
Raw materials and consumables used and finished goods purchased for resale		**296,099**	17,990
Employee benefits expense		**163,472**	3,958
Depreciation and amortisation expense	7	**16,367**	850
Purchased services		**102,556**	602
Repairs and maintenance		**6,257**	-
Lease payments - operating leases		**20,670**	566
Outgoing freight		**32,647**	726
Other expenses		**44,100**	6,383
Share of net profit of joint ventures accounted for using the equity method	14	**(624)**	-
		677,766	34,726
Profit from operations		**99,141**	932
Finance income		**169**	11
Finance expenses	7	**(13,596)**	(1,066)
Net finance costs		**(13,427)**	(1,055)
Profit / (loss) before income tax expense / (benefit)		**85,714**	(123)
Income tax expense / (benefit)	8	**24,425**	(94)
Profit / (loss) for the financial year		**61,289**	(29)

		cents	cents
Earnings per share			
Attributable to ordinary shareholders of DuluxGroup Limited:			
Basic earnings per share	4	**16.9**	-
Diluted earnings per share	4	**16.9**	-

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

Significantly, we draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup arising from the transactions and restructuring activities undertaken as part of the demerger from Orica Limited.

Consolidated Statement of Comprehensive Income
For the financial year ended 30 September 2010

	Notes	2010 $'000	2009 $'000
Profit / (loss) for the financial year		**61,289**	(29)
Other comprehensive income			
Effective portion of changes in fair value of cash flow hedges	8(c)	**(231)**	-
Foreign currency translation losses on foreign operations		**(7,262)**	(7,826)
Actuarial gain on defined benefit plan	22,8(c)	**569**	-
Income tax on other comprehensive income	8(c)	**(101)**	-
Other comprehensive income for the financial year, net of income tax		**(7,025)**	(7,826)
Total comprehensive income for the financial year		**54,264**	(7,855)

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

Significantly, we draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup arising from the transactions and restructuring activities undertaken as part of the demerger from Orica Limited.

Consolidated Balance Sheet
As at 30 September 2010

	Notes	2010 $'000	2009 $'000
Current assets			
Cash and cash equivalents	9	**44,681**	2,532
Trade and other receivables	10	**140,881**	8,385
Inventories	11	**113,428**	3,866
Derivative financial assets	12	**58**	-
Other assets	13	**3,061**	108
Total current assets		**302,109**	14,891
Non-current assets			
Trade and other receivables	10	**88**	-
Derivative financial assets	12	**1,278**	-
Investments accounted for using the equity method	14	**2,080**	-
Property, plant and equipment	15	**153,890**	3,921
Intangible assets	16	**89,004**	18,456
Deferred tax assets	17	**25,432**	401
Other assets	13	**490**	14
Total non-current assets		**272,262**	22,792
Total assets		**574,371**	37,683
Current liabilities			
Trade and other payables	18	**178,859**	16,292
Interest-bearing liabilities	19	**12,289**	21,925
Derivative financial liabilities	12	**305**	-
Current tax liabilities		**6,419**	310
Provisions	20	**21,073**	-
Total current liabilities		**218,945**	38,527
Non-current liabilities			
Trade and other payables	18	**133**	5,376
Interest-bearing liabilities	19	**237,279**	-
Deferred tax liabilities	21	**745**	-
Provisions	20	**19,045**	1,635
Defined benefit liability	22	**13,269**	-
Total non-current liabilities		**270,471**	7,011
Total liabilities		**489,416**	45,538
Net assets		**84,955**	(7,855)
Equity			
Contributed equity	23	**174,323**	-
Reserves	24	**(111,027)**	(7,826)
Retained earnings		**21,659**	(29)
Total equity		**84,955**	(7,855)

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes.

Significantly, we draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup arising from the transactions and restructuring activities undertaken as part of the demerger from Orica Limited.

Consolidated Statement of Changes in Equity

For the financial year ended 30 September 2010

	Contributed equity $'000	Share-based payments reserve $'000	Cash flow hedging reserve $'000	Foreign currency translation reserve $'000	Common control reserve $'000	Retained earnings $'000	Total $'000
Balance at 1 October 2009	-	-	-	(7,826)	-	(29)	(7,855)
Profit for the financial year	-	-	-	-	-	61,289	61,289
Other comprehensive income, net of income tax	-	-	(162)	(7,262)	-	399	(7,025)
Total comprehensive income for the financial year	**-**	**-**	**(162)**	**(7,262)**	**-**	**61,688**	**54,264**
Transactions with owners, recorded directly in equity							
Total changes in contributed equity	174,323	-	-	-	-	-	174,323
Share-based payments expense	-	1,925	-	-	-	-	1,925
Policy difference within Group for common control transactions[1]	-	-	-	-	(97,702)	-	(97,702)
Dividends paid[2]	-	-	-	-	-	(40,000)	(40,000)
Balance at 30 September 2010	**174,323**	**1,925**	**(162)**	**(15,088)**	**(97,702)**	**21,659**	**84,955**
Balance at 24 September 2008	-	-	-	-	-	-	-
Loss for the financial year	-	-	-	-	-	(29)	(29)
Other comprehensive income, net of income tax	-	-	-	(7,826)	-	-	(7,826)
Total comprehensive income for the financial year	**-**	**-**	**-**	**(7,826)**	**-**	**(29)**	**(7,855)**
Balance at 30 September 2009	**-**	**-**	**-**	**(7,826)**	**-**	**(29)**	**(7,855)**

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

(1) DuluxGroup Limited elected to account for business combinations under common control at carrying value. As permitted by accounting standards certain of its subsidiaries, primarily DuluxGroup (New Zealand) Pty Ltd has elected to apply purchase accounting in its own accounting books and records. On consolidation, the effect of this policy difference in relation to the valuation of the business assets and liabilities in New Zealand is 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.

(2) On 17 June 2010, whilst a wholly owned subsidiary of Orica Group (comprising Orica Limited and its controlled entities), the Directors of DuluxGroup Limited declared a dividend to Orica Nominees Pty Ltd, a related entity, of $40,000,000 which was settled on 30 June 2010.

Significantly, we draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup arising from the transactions and restructuring activities undertaken as part of the demerger from Orica Limited.

Consolidated Statement of Cash Flows

For the financial year ended 30 September 2010

	Notes	2010 $'000	2009 $'000
Cash flows from operating activities			
Receipts from customers		**693,388**	34,459
Payments to suppliers and employees		**(648,604)**	(29,674)
Interest received		**169**	11
Interest paid		**(9,172)**	(1,066)
Income taxes paid		**(25,081)**	3
Net cash inflow from operating activities	32	**10,700**	3,733
Cash flows from investing activities			
Payments for property, plant and equipment		**(29,817)**	(1,295)
Payments for intangible assets		**(737)**	(79)
Payments for purchase of businesses and controlled entities		**(310,701)**	(21,637)
Proceeds from joint venture distributions		**500**	-
Proceeds from sale of intangible assets		**-**	4
Proceeds from sale of property, plant and equipment		**670**	47
Net cash outflow from investing activities		**(340,085)**	(22,960)
Cash flows from financing activities			
Net movement in short term financing		**1,872**	-
Proceeds from long term borrowings		**235,743**	21,925
Proceeds from issue of ordinary shares		**174,323**	-
Dividends paid		**(40,000)**	-
Net cash inflow from financing activities		**371,938**	21,925
Net increase in cash held		**42,553**	2,698
Cash at the beginning of the period		**2,532**	-
Effects of exchange rate changes on cash		**(404)**	(166)
Cash at the end of the financial year		**44,681**	2,532
Reconciliation of cash			
Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:			
Cash at bank and on hand		**41,871**	3
Cash at bank - restricted[1]		**2,810**	-
Funding - Orica Limited[2]		**-**	2,529
	9	**44,681**	2,532

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.

(2) DuluxGroup was part of Orica Limited until demerger at close of business on 9 July 2010. Prior to this date, transactional banking facilities for the operations of DuluxGroup were largely provided through a centralised treasury function within the Orica Group and as such receipts and payments were recorded through intra-group loans. Such transactions, which took place prior to demerger, have been treated as cash flows as the transactions would have resulted in actual cash flows if DuluxGroup had maintained its own banking facilities.

Significantly, we draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup arising from the transactions and restructuring activities undertaken as part of the demerger from Orica Limited.

Notes to the Consolidated Financial Statements

For the financial year ended 30 September 2010

Significantly, we draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup arising from the transactions and restructuring activities undertaken as part of the demerger from Orica Limited.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2010

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 transactions and restructuring activities undertaken as part of the demerger from Orica Limited.

The consolidated financial statements were approved by the Board of Directors on 6 December 2010. 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.

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 2009. The standards relevant to the Group that have been adopted during the year are:

- AASB 8 *Operating Segments*.
- AASB 2007-3 *Amendments to Australian Accounting Standards arising from AASB 8*. These amendments arise from the issuance of AASB 8 *Operating Segments*.
- AASB 101 *Presentation of Financial Statements*.
- AASB 2007-8 *Amendments to Australian Accounting Standards arising from AASB 101*.
- AASB 2007-10 *Further Amendments to Australian Accounting Standards arising from AASB 101*.
- AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127*.
- AASB 3 *Business Combinations and AASB 127 Consolidated and Separate Financial Statements*.
- AASB 2008-13 *Amendments to Australian Accounting Standards arising from AASB Interpretation 17 – Distributions of Non-cash Assets to Owners*.
- AASB Interpretation 17 *Distribution of Non-cash Assets to Owners*.
- AASB 2009-2 *Amendments to Australian Accounting Standards Improving Disclosures about Financial Instruments*.
- AASB 2009-6 *Amendments to Australian Accounting Standards*.
- AASB Interpretation 18 *Transfer of Assets from Customers*.

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

- AASB 2009-8 *Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions*.
- Revised AASB 124 *Related Party Disclosures* and AASB 2009-12 *Amendments to Australian Accounting Standards arising from AASB 124*.
- AASB 2009-14 *Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement*.

These standards have had no significant impact on the financial report.

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

- AASB 2010-3 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project* - applicable for annual reporting periods beginning on or after 1 July 2010.
- AASB 2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* - applicable for annual reporting periods beginning on or after 1 January 2011.
- AASB 2010-5 *Amendments to Australian Accounting Standards* – applicable for annual reporting periods beginning on or after 1 January 2011.
- AASB 2010-6 *Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets* – applicable for annual reporting periods beginning on or after 1 January 2011.

Significantly, we draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup arising from the transactions and restructuring activities undertaken as part of the demerger from Orica Limited.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2010

1 Accounting policies (continued)

- AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* - applicable for annual reporting periods beginning on or after 1 January 2013.
- AASB 9 *Financial Instruments* - applicable for annual reporting periods beginning on or after 1 January 2013.

DuluxGroup expects to adopt these standards and interpretations in the financial year ending 30 September 2011 and subsequent financial years - however they are not expected to have a significant impact on the financial results of DuluxGroup.

b) Comparatives

DuluxGroup Limited was incorporated on 24 September 2008 and as such the previous corresponding financial year presented in this financial report is from this date until 30 September 2009 (referred to as the financial year ended 30 September 2009).

Significantly, we draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup arising from the transactions and restructuring activities undertaken as part of the demerger from Orica Limited.

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 report. On acquisition, the assets, liabilities and provision for contingent liabilities of a subsidiary, other than acquisitions under common control, are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceed the cost of acquisition, the excess is credited to the Income Statement in the period of acquisition.

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.

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

d) 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 seven years after the initial sale.

Other income

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

Dividends are recognised in the Income Statement when declared.

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

e) 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.

Significantly, we draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup arising from the transactions and restructuring activities undertaken as part of the demerger from Orica Limited.

Notes to the Consolidated Financial Statements (continued)
For the financial year ended 30 September 2010

1 Accounting policies (continued)

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.

f) 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.

g) 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.

h) Taxation

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

Current tax is the expected tax payable 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.

i) 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.

j) Trade and other receivables

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

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

The impairment expense is reported in the Income Statement within Other Expenses.

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

k) 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.

l) Other financial assets

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

Significantly, we draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup arising from the transactions and restructuring activities undertaken as part of the demerger from Orica Limited.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2010

1 Accounting policies (continued)

m) 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 each financial year end.

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.

n) 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 16(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 16(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.

o) 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 are unpaid.

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.

p) Interest-bearing liabilities

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

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

q) 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.

r) 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.

Significantly, we draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup arising from the transactions and restructuring activities undertaken as part of the demerger from Orica Limited.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2010

1 Accounting policies (continued)

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 up to balance date. 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.

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. The calculation is performed annually by a qualified actuary using the projected unit credit method.

Share-based payments

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

The options are externally measured at fair value at the date of grant using an option valuation model. This valuation model generates possible future share prices based on similar assumptions that underpin relevant option pricing models and reflects the 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 share capital issued under LTEIP are not recognised and any shares purchased on-market are recognised as a share buy-back and deducted from shareholders 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.

s) 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.

Significantly, we draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup arising from the transactions and restructuring activities undertaken as part of the demerger from Orica Limited.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2010

1 Accounting policies (continued)

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.

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

t) Financial instruments - classification

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.

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 Consolidated 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 (refer 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 (refer note 18) and its interest bearing liabilities (refer note 19).

u) 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.

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 forecasted transaction, the effective part of any gain or loss on the financial instrument is recognised in equity.

Significantly, we draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup arising from the transactions and restructuring activities undertaken as part of the demerger from Orica Limited.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2010

1 Accounting policies (continued)

When the forecasted 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 forecasted 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 and futures contracts and the associated deferred gains or losses are not recorded in the Income Statement until the hedged transaction matures. The net receivables or payables are then revalued using the foreign currency, interest or commodity rates current at balance date.

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

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

v) Cash and cash equivalents

Cash includes cash at bank, cash on hand and deposits at call which are readily convertible to cash on hand and which are used in the cash management function and are disclosed for the purposes of the Consolidated Statement of Cash Flows, net of bank overdrafts.

w) Contributed equity

Ordinary shares in DuluxGroup Limited are classified as equity.

When share capital recognised as contributed equity is repurchased, 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.

Shares held by DuluxGroup Employee Share Trust are disclosed as treasury shares and deducted from contributed equity.

x) Impairment of assets

The carrying amount of the DuluxGroup's non-current assets, excluding any defined benefit fund assets, deferred tax assets, goodwill 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.

Significantly, we draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup arising from the transactions and restructuring activities undertaken as part of the demerger from Orica Limited.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2010

1 Accounting policies (continued)

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 to which the asset belongs.

A cash generating unit 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 cash generating unit 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 cash generating unit.

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 cash generating unit exceeds its recoverable amount.

Impairment losses are recognised in the Income Statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash generating units 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.

y) Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to the ordinary equity holders 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 equity holders 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.

z) Segment reporting

Operating segments are reported in a manner which is materially 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.

aa) Goods and services tax

Revenues, expenses, assets and liabilities other than receivables and payables, are recognised net of the amount of goods and services tax (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.

ab) Rounding

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

Significantly, we draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup arising from the transactions and restructuring activities undertaken as part of the demerger from Orica Limited.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2010

2 DuluxGroup demerger

Effective 9 July 2010, DuluxGroup Limited (the Company) ceased to be a subsidiary of Orica Limited and became a separately listed entity on the ASX on 12 July 2010. As required for statutory reporting purposes, the consolidated financial statements for the Group has been presented for the financial year ended 30 September 2010 and the comparative period from the date of incorporation on 24 September 2008 to 30 September 2009.

The consolidated financial results presented for DuluxGroup for the financial year ended 30 September 2010 do not reflect the full 12 month results for several operations that comprise DuluxGroup. Upon incorporation, DuluxGroup Limited contained no material assets until the acquisition of Sopel, a decorative coatings business in China, in November 2008. The results as presented for the 2009 comparative year, therefore, include only this business from the date of acquisition. During the current 2010 financial year, as part of the preparation for the demerger, significant operating assets and liabilities owned by other entities within the Orica Group were legally acquired by DuluxGroup Limited. These include the assets and liabilities of Paints Australia, Paints New Zealand and Selleys Yates on 1 December 2009, the Malaysian operation on 1 March 2010, the Hong Kong operation on 1 April 2010 and the Papua New Guinea operation on 30 June 2010. The results of these operations have only been included in the consolidated financial statements from the date of acquisition by the Company, as required by applicable Australian Accounting Standards.

In addition, the results of DuluxGroup presented in the consolidated financial statements include the impact of the various financial transactions between Orica Limited and DuluxGroup Limited to effect the demerger itself. Where necessary, these transactions have been highlighted in this report.

For further details of the demerger history and associated restructuring activities, refer note 3.

3 Businesses acquired

2010

Demerger of DuluxGroup Limited and its controlled entities from Orica Limited

On 21 July 2008, Orica Limited announced its intention to demerge the DuluxGroup business (formerly known as the Consumer Products business). In preparation for the demerger, DuluxGroup Limited was incorporated on 24 September 2008 to be the holding company for the demerged DuluxGroup business. While this plan was deferred indefinitely by Orica Limited on 7 November 2008 in light of extreme volatility in equity and financial markets, during the 2009 and 2010 financial year Orica Limited continued to prepare its business in anticipation of a demerger. On 3 May 2010, Orica Limited again announced its intention to demerge its DuluxGroup business, with the demerger approved by the courts on 9 July 2010 and effective at the close of business the same day for accounting purposes.

As part of the activities undertaken by Orica Limited during the financial year to prepare the DuluxGroup business for demerger, DuluxGroup acquired the following legal entities (100% unless otherwise stated):

- DuluxGroup (Australia) Pty Ltd on 1 December 2009;
- Dulux Holdings Pty Ltd on 1 December 2009;
- DGL International (Malaysia) Sdn Bhd on 1 March 2010;
- DGL International (Hong Kong) Limited on 1 April 2010;
- DGL International (Shenzhen) Co Ltd on 1 April 2010; and
- Dulux Holdings (PNG) Pte Ltd on 30 June 2010.

Also as part of the activities undertaken by Orica Limited to prepare the DuluxGroup business for demerger, DuluxGroup acquired the following business assets and liabilities:

- DuluxGroup business in New Zealand on 1 December 2009;
- DuluxGroup businesses in Australia not trading through DuluxGroup (Australia) Pty Ltd on 1 December 2009;
- DuluxGroup business in Singapore not already trading through DGL International (Singapore) Pte Ltd on 25 January 2010; and
- Dulux Holdings (PNG) Pte Ltd business assets and liabilities, excluding land and buildings, on 30 June 2010, being prior to the acquisition of the Dulux Holdings (PNG) Pte Ltd legal entity on the same date.

Significantly, we draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup arising from the transactions and restructuring activities undertaken as part of the demerger from Orica Limited.

Notes to the Consolidated Financial Statements (continued)
For the financial year ended 30 September 2010

3 Businesses acquired (continued)

These transactions occurred while under the common control of Orica Limited and for consolidation purposes have been accounted for as business combinations under common control at carrying value by DuluxGroup Limited. Consequently no acquisition accounting in the form of a purchase price allocation has been undertaken and therefore the assets and liabilities have not been remeasured to fair value nor has any goodwill arisen. Accordingly, in the books of DuluxGroup, all assets and liabilities continue to reflect their carrying values in the Orica Limited consolidated accounting records immediately prior to transfer to DuluxGroup using Orica Limited's accounting policies prior to the business combinations occurring.

DuluxGroup Limited elected to account for business combinations under common control at carrying value. As permitted by accounting standards, certain of its subsidiaries, primarily DuluxGroup (New Zealand) Pty Ltd has elected to apply purchase accounting in its own accounting books and records. On consolidation, the effect of this policy difference in relation to the valuation of the business assets and liabilities in New Zealand is the recognition of a common control reserve (reported in Shareholders' Equity) to the extent that the fair value of the business assets and liabilities exceeded their carrying value at the date of acquisition.

In addition, DuluxGroup purchased the Yates Intellectual Property from Orica International IP Holdings Inc., USA at fair value whist under the common control of Orica Limited. Consistent with the accounting policy for transactions under common control, an adjustment was recorded to the common control reserve on consolidation to restate the intangible asset to the book value as recorded in the books of Orica International IP Holdings Inc., USA immediately prior to the transaction occurring.

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

2010	**$'000**
Consideration	
Cash paid and settled via loans with related entities	**315,451**
Net cash acquired	**(4,750)**
Total consideration	**310,701**
Book value of net assets of businesses / controlled entities acquired	
Trade and other receivables	**89,850**
Inventories	**107,201**
Investments accounted for using the equity method	**1,956**
Property, plant and equipment	**134,696**
Intangible assets including purchased goodwill	**73,365**
Deferred tax assets	**25,150**
Other assets	**19,795**
Trade and other payables	**(168,747)**
Interest-bearing liabilities	**(16,082)**
Current tax liabilities	**(6,244)**
Provision for employee entitlements	**(24,899)**
Provision for restructuring and rationalisation	**(1,920)**
Deferred income - customer loyalty programme	**(2,907)**
Environmental provisions	**(4,025)**
Deferred tax liabilities	**(563)**
Defined benefit liability	**(13,627)**
	212,999
Common control reserve	**97,702**

Significantly, we draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup arising from the transactions and restructuring activities undertaken as part of the demerger from Orica Limited.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2010

3 Businesses acquired (continued)

Results contributed by entities or businesses acquired through business combinations under common control since acquisition date:	**$'000**
Revenue	**741,369**
Profit before income tax expense	**96,453**

If the acquisitions had occured on 1 October 2009, the results contributed by entities or businesses acquired through business combinations under common control would have been:	**$'000**
Revenue	**928,799**
Profit before income tax expense	**125,963**

The information on revenue and profit before income tax expense above was compiled by DuluxGroup management based on historical DuluxGroup management information.

Amendments to prior year acquisitions

All fair value adjustments associated with the acquisition of DGL International (Singapore) Pte Ltd were finalised during the financial year ended 30 September 2010. The result of this is a reduction of $813,000 which has been recognised in goodwill during the financial year ended 30 September 2010 with a corresponding decrease to creditors of $1,120,000 and an increase to the deferred tax liability of $307,000. These adjustments reflect a reduction in the deferred consideration arising from an earn-out arrangement and recognition of future tax consequences attaching to the acquired brand names.

2009

Acquisition of businesses and controlled entities

The consolidated entity acquired the following businesses and entities (100% unless stated otherwise):

On 7 November 2008, whilst a wholly owned subsidiary of Orica Group, DuluxGroup acquired DGL International (Singapore) Pte Ltd which owns a decorative coatings business, trading through DGL International (Shanghai) Co Ltd.

2009	Book value $'000	Fair value adjustment $'000	Total $'000
Consideration			
Cash paid	21,297	-	21,297
Contingent consideration	5,377	-	5,377
Net overdraft acquired	340	-	340
Total consideration	27,014	-	27,014
Net assets of businesses / controlled entities acquired			
Trade and other receivables	7,305	-	7,305
Inventories	5,862	-	5,862
Property, plant and equipment	4,428	-	4,428
Intangible assets	49	2,477	2,526
Other assets	55	-	55
Payables and interest-bearing liabilities	(13,015)	-	(13,015)
Provisions	(177)	-	(177)
Contingent liabilities	-	(2,255)	(2,255)
	4,507	222	4,729
Goodwill on acquisition			22,285

Significantly, we draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup arising from the transactions and restructuring activities undertaken as part of the demerger from Orica Limited.

Notes to the Consolidated Financial Statements (continued)
For the financial year ended 30 September 2010

3 Businesses acquired (continued)

Results contributed by acquired entities since acquisition date:	$'000
Revenue	35,658
Profit before income tax expense	2,200

If the acquisition had occured on 24 September 2008, the results contributed by entities acquired would have been:	$'000
Revenue	42,258
Profit before income tax expense	1,600

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.

4 Earnings per share (EPS)

As reported in Consolidated Income Statement	**2010 Cents per share**	2009 Cents per share
Total attributable to ordinary shareholders of DuluxGroup Limited		
Basic earnings per share	**16.9**	-
Diluted earnings per share	**16.9**	-
	Number	Number
Weighted average number of shares used as the denominator:		
Number for basic earnings per share(1)	**362,100,430**	362,100,430
Effect of the potential issue of shares as part of the Long Term Equity Incentive Plan and the Employee Share Investment Plan(2)	**928,611**	-
Number for diluted earnings per share	**363,029,041**	362,100,430

(1) The weighted average number of shares has been restated to reflect the change in the Company's capital structure as a result of DuluxGroup's demerger from the Orica Group as if the change had occurred at the beginning of the comparative period.

(2) The calculation of the weighted average number of shares has been adjusted for the effect of these potential shares from the date of issue.

5 Segment report

Segment information is presented in respect of the consolidated entity's reportable segments. The Chief Operating Decision Maker (CODM) for the Group has been assessed as the Group's Managing Director and Chief Executive Officer. DuluxGroup's operations have been 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 royalties, profit on sale of property, plant and equipment, and net foreign exchange gains.

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

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

Significantly, we draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup arising from the transactions and restructuring activities undertaken as part of the demerger from Orica Limited.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2010

5 Segment report (continued)

In the prior year, DuluxGroup was only organised into one reportable operating segment consisting of the newly acquired decorative coating business in China. Accordingly it is not possible to present segment information in the prior year on a comparable basis.

Reportable segments 2010 $'000	Paints Australia	Paints New Zealand	Selleys Yates	Offshore and Other	Unallocated (3)	Consolidated
Revenue						
External sales	**446,969**	**59,269**	**180,483**	**88,933**	**-**	**775,654**
Inter-segment sales	**7,608**	**7,219**	**9,423**	**556**	**(24,806)**	**-**
Total revenue from sale of goods	**454,577**	**66,488**	**189,906**	**89,489**	**(24,806)**	**775,654**
Other income (1)	**(336)**	**46**	**529**	**427**	**587**	**1,253**
Total revenue and other income	**454,241**	**66,534**	**190,435**	**89,916**	**(24,219)**	**776,907**
Results						
Profit / (loss) before demerger costs, net financing costs and income tax expense	**75,741**	**8,378**	**22,395**	**3,321**	**(6,694)**	**103,141**
Demerger costs (2)	**-**	**-**	**-**	**-**	**(4,000)**	**(4,000)**
Profit / (loss) from operations	**75,741**	**8,378**	**22,395**	**3,321**	**(10,694)**	**99,141**
Finance income						**169**
Finance expense						**(13,596)**
Profit before income tax expense						**85,714**
Income tax expense						**24,425**
Profit for the financial year						**61,289**
Segment assets	**238,989**	**37,377**	**129,634**	**80,807**	**87,564**	**574,371**
Segment liabilities	**121,846**	**16,655**	**45,346**	**24,047**	**281,522**	**489,416**
Investments accounted for using the equity method	**-**	**-**	**2,080**	**-**	**-**	**2,080**
Acquisitions of property, plant and equipment and intangible assets	**16,140**	**10,727**	**5,148**	**660**	**-**	**32,675**
Impairment / (reversal of impairment) of inventories	**571**	**(10)**	**-**	**266**	**-**	**827**
Impairment of trade receivables	**1,032**	**101**	**-**	**281**	**-**	**1,414**
Depreciation expense	**7,121**	**1,590**	**2,567**	**3,133**	**284**	**14,695**
Amortisation expense	**829**	**74**	**559**	**210**	**-**	**1,672**
Non-cash expenses other than depreciation and amortisation:						
Share-based payments	**1,668**	**63**	**193**	**1**	**-**	**1,925**
Share of net profit of joint venture accounted for using the equity method	**-**	**-**	**624**	**-**	**-**	**624**

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

(2) DuluxGroup has incurred $4,000,000 (pre-tax) of transaction costs ($2,800,000 after tax) related to rebranding and separation activities resulting from the demerger.

(3) 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 30% of the total DuluxGroup revenue from sale of goods during the year ended 30 September 2010. This customer operated within the Paints Australia, Paints New Zealand and Selleys Yates segments.

Significantly, we draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup arising from the transactions and restructuring activities undertaken as part of the demerger from Orica Limited.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2010

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:

	2010 $'000
Australia	**628,455**
New Zealand	**92,432**
Other countries	**54,767**
	775,654

The location of non-current assets other than financial instruments and deferred tax assets at balance date is as follows:

	2010 $'000
Australia	**197,581**
New Zealand	**24,288**
Other countries	**21,515**
	243,384

6 Other income

	2010 $'000	2009 $'000
Royalty income	**404**	-
Net foreign exchange gains	**59**	-
Other	**790**	-
	1,253	-

7 Expenses

Profit before income tax includes the following specific expenses:

	2010 $'000	2009 $'000
Depreciation and amortisation		
Depreciation (note 15)		
Buildings	**1,368**	-
Machinery, plant and equipment	**13,327**	670
	14,695	670
Amortisation (note 16)		
Patents, trademarks and rights	**150**	-
Brand names	**239**	174
Software	**1,283**	6
	1,672	180
Total depreciation and amortisation expense	**16,367**	850
Provisions (note 20)		
Demerger costs	**4,000**	-
Environmental provision	**310**	-
Deferred income - customer loyalty programme provision	**288**	-
Fixed rent escalation provision	**1,821**	-
Restructuring and rationalisation provision	**145**	-
	6,564	-

Significantly, we draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup arising from the transactions and restructuring activities undertaken as part of the demerger from Orica Limited.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2010

7 Expenses (continued)

	2010 $'000	2009 $'000
Finance expenses		
Interest and finance charges paid / payable for financial liabilities not at fair value through profit and loss	**13,583**	1,066
Exchange losses on foreign currency borrowings	**13**	-
	13,596	1,066
Net loss on sale of property, plant and equipment	**106**	48
Impairment losses - trade and other receivables	**1,414**	119
Inventory net realisable value write-down expense	**827**	410
Research and development expense	**11,045**	59

8 Income tax

a) Income tax expense/(benefit) recognised in the Consolidated Income Statement

	2010 $'000	2009 $'000
Current tax expense	**24,876**	307
Deferred tax expense	**(451)**	(401)
Total income tax expense / (benefit) in the Consolidated Income Statement	**24,425**	(94)
Deferred income tax expense / (benefit) included in income tax expense / (benefit) comprises:		
Increase in deferred tax asset (note 17)	**(419)**	(401)
Decrease in deferred tax liabilities (note 21)	**(32)**	-
	(451)	(401)

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

	2010 $'000	2009 $'000
Profit / (loss) before income tax expense / (benefit)	**85,714**	(123)
Prima facie income tax expense / (benefit) calculated at 30% of profit / (loss) before income tax expense / (benefit)	**25,714**	(37)
Tax effect of items which (decrease) / increase tax expense:		
Variation in tax rates of foreign controlled entities	**311**	(67)
Entertainment	**267**	-
Non allowable share-based payments	**578**	-
Research and development	**(378)**	-
Share of net profit of joint ventures accounted for using the equity method	**(187)**	-
Non-assessable income	**(2,481)**	-
Deferred tax restatements for New Zealand tax legislation change	**391**	-
Tax losses not recognised	**736**	-
Other foreign deductions	**(489)**	8
Sundry items	**(37)**	2
Income tax expense / (benefit) reported in the Consolidated Income Statement	**24,425**	(94)

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2010

8 Income tax (continued)

c) Income tax expense recognised in Other Comprehensive Income

	2010			2009		
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
	Before Tax	**Tax (expense) / benefit**	**Net of tax**	Before Tax	Tax (expense) / benefit	Net of tax
Effective portion of changes in fair value of cash flow hedges	**(231)**	**69**	**(162)**	-	-	-
Actuarial gains on defined benefit plan	**569**	**(170)**	**399**	-	-	-
	338	**(101)**	**237**	-	-	-

d) Unrecognised deferred tax assets and liabilities

	2010	2009
	$'000	$'000
Tax losses not recognised in China(1)	**1,681**	-

(1) Expiration dates between 2010 and 2015.

e) Unrecognised temporary differences

	2010	2009
	$'000	$'000
Temporary differences relating to investments in subsidiaries for which deferred tax assets have not been recognised	**15,088**	7,826
Unrecognised deferred tax assets relating to the above temporary differences	**4,526**	2,348

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 consolidated entity'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 and its wholly-owned Australian controlled entities elected to form a tax consolidated group effective from 19 July 2010. On forming the tax consolidated group, management undertook an exercise to calculate the impact of tax consolidation on the recognised values of deferred tax balances in Australia. The impact of tax consolidation has been reflected in the financial statements and has been based on management's best estimates, taking into account the time frame available to prepare the exit calculations since the demerger date. Management is continuing to refine the tax exit calculations and expects to reflect any changes in the financial statements for the year ended 30 September 2011.

DuluxGroup Limited is the head entity of the tax consolidated group. As the parent 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.

Current tax benefit/expense, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax consolidated group are recognised in the separate financial statements of the members of the tax consolidated group using the group allocation approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation. The subsidiary entities are compensated for the assets and liabilities assumed by the parent entity as intercompany receivables and payables and for amounts which equal the amounts initially recognised by the subsidiary entities. Consequently, there is no adjustment for tax consolidation contribution by (or distribution to) equity participants.

Notes to the Consolidated Financial Statements (continued)
For the financial year ended 30 September 2010

9 Cash and cash equivalents

	2010 $'000	2009 $'000
Cash at bank and on hand	**41,871**	3
Cash at bank - restricted[(1)]	**2,810**	-
Funding - Orica Limited[(2)]	**-**	2,529
	44,681	2,532

(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.

(2) DuluxGroup was part of Orica Limited until demerger at close of business on 9 July 2010. Prior to this date, transactional banking facilities for the operations of DuluxGroup were largely provided through a centralised treasury function within the Orica Group and as such receipts and payments were recorded through intra-group loans. Such transactions, which took place prior to demerger, have been treated as cash flows as the transactions would have resulted in actual cash flows if DuluxGroup had maintained its own banking facilities.

10 Trade and other receivables

	2010 $'000	2009 $'000
Current		
Trade receivables	**140,596**	5,193
Less allowance for impairment	**(2,763)**	(1,386)
	137,833	3,807
Other receivables	**3,097**	4,624
Less allowance for impairment	**(49)**	(46)
	3,048	4,578
	140,881	8,385
Non-current		
Other receivables	**88**	-

a) Trade receivables

Trade receivables (current) includes $12,289,000 (2009 $NIL) 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 the DuluxGroup's exposure to the relevant debtors via guarantees provided to financial institutions should the debtors not pay. A corresponding liability is recognised in note 19.

Refer to note 27 for terms and conditions relating to related party trade receivables.

Significantly, we draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup arising from the transactions and restructuring activities undertaken as part of the demerger from Orica Limited.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2010

10 Trade and other receivables (continued)

b) Trade receivables and allowance for impairment

The ageing of trade receivables and allowance for impairment is detailed below:

	2010 Gross $'000	**2010 Allowance $'000**	2009 Gross $'000	2009 Allowance $'000
Not past due	**120,517**	**100**	2,200	-
Past due 0 - 30 days	**13,056**	**-**	954	-
Past due 31 - 60 days	**2,512**	**-**	359	-
Past due 61 - 90 days	**993**	**151**	163	-
Past due 91 - 120 days	**484**	**255**	196	65
Past 120 days	**3,034**	**2,257**	1,321	1,321
	140,596	**2,763**	5,193	1,386

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 end of month of invoice date. 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.

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

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

c) Movement in allowance for impairment of trade receivables

The movement in the allowance for impairment in respect of current other receivables is detailed below:

	2010 $'000	2009 $'000
Opening balance	**1,386**	-
Allowances made during the year	**1,411**	73
Additions through business acquisitions	**2,304**	1,765
Allowances utilised during the year	**(2,032)**	-
Foreign currency exchange differences	**(306)**	(452)
Closing balance	**2,763**	1,386

Significantly, we draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup arising from the transactions and restructuring activities undertaken as part of the demerger from Orica Limited.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2010

10 Trade and other receivables (continued)

d) Movement in allowance for impairment of current other receivables

The movement in the allowance for impairment in respect of current other receivables is detailed below:

	2010	2009
	$'000	$'000
Opening balance	**46**	-
Allowances made during the year	**3**	46
Closing balance	**49**	46

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

	2010	2009
	$'000	$'000
Raw materials	**18,456**	1,655
Work in progress	**3,766**	215
Finished goods	**91,206**	1,996
	113,428	3,866

The cost of goods sold recognised in the Consolidated Income Statement for the financial year ended 30 September 2010 amounted to $439,236,000 (2009 $24,290,000).

Significantly, we draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup arising from the transactions and restructuring activities undertaken as part of the demerger from Orica Limited.

Notes to the Consolidated Financial Statements (continued)
For the financial year ended 30 September 2010

12 Derivative financial assets and liabilities

	2010 $'000	2009 $'000
Current		
Derivative financial assets		
Foreign exchange options - cash flow hedges	35	-
Foreign exchange options - held for trading	23	
	58	-
Derivative financial liabilities		
Forward foreign exchange contracts - cash flow hedges	305	-
	305	-
Non-current		
Derivative financial assets		
Interest rate options - cash flow hedges	1,278	-
	1,278	-

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 36.

The fair value of forward exchange contracts used as hedges of foreign exchange transactions at 30 September 2010 was a net $305,000 loss, comprising liabilities of $305,000. The fair value of currency options used as hedges of foreign exchange transactions at 30 September 2010 was $35,000, comprising assets of $35,000.

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

Foreign exchange contracts	Weighted average rate 2010	$'000 2010
Buy US dollars/sell Australian dollars		
Not later than one year	0.8831	USD 4,094
Buy US dollars/sell New Zealand dollars		
Not later than one year	0.7193	USD 505

Vanilla European Option Contracts	Weighted average rate 2010	$'000 2010
Buy US dollars/sell Australian dollars		
Not later than one year	0.9018	USD 1,642

Net losses of $305,000 ($214,000 net of tax) recognised in the cash flow hedge reserve on foreign currency hedges of anticipated purchases are expected to be recognised within 12 months. Since inception of the currency options used as hedges of foreign exchange transactions, recognised in the balance sheet at 30 September 2010, a net loss of $40,000 ($28,000 net of tax) has been recognised in the cash flow hedge reserve and is expected to be recognised within 12 months.

The terms of the forward exchange contracts 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. When the underlying asset or liability affects the Consolidated Income Statement, the consolidated entity transfers the related amount deferred in the cash flow hedge reserve in equity into the Consolidated Income Statement.

Significantly, we draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup arising from the transactions and restructuring activities undertaken as part of the demerger from Orica Limited.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2010

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 $1,278,000 as at 30 September 2010.

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:

	2010 **$'000**
Floating to fixed options	
One to five years	**175,000**
Fixed interest rate range p.a.	**4.75% to 5.50%**

Gains of $114,000 ($80,000 net of tax) recognised in the cash flow hedge reserve on interest rate options are 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 Consolidated 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.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2010

12 Derivative financial assets and liabilities (continued)

Fair value of derivatives (continued)

As of 1 October 2009, the Group has adopted the amendment to AASB 7 *Financial Instruments: Disclosures* which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy.

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (i.e. derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The table below presents the Group's financial assets and financial liabilities measured and recognised at fair value at 30 September 2010. Comparative information has not been provided as permitted by the transitional provisions of the new rules.

30 September 2010	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Forward foreign exchange contracts	-	(305)	-	(305)
Interest rate options	-	1,278	-	1,278
Foreign exchange options	-	58	-	58

13 Other assets

	2010 $'000	2009 $'000
Current		
Prepayments	**2,987**	-
Other	**74**	108
	3,061	108
Non-current		
Prepayments	**481**	-
Other	**9**	14
	490	14

14 Investments accounted for using the equity method

The consolidated entity has an interest in the following entities:

	Percentage of ownership interest held at end of the financial year		**Contribution to net profit**	
	2010	2009	**2010**	2009
Name of entity	**%**	%	**$'000**	$'000
Orica Camel Coatings Ltd(1)	**50.0**	-	**-**	-
Pinegro Products Pty Ltd(2)	**50.0**	-	**624**	-
			624	-

(1) Acquired in 2010 and incorporated on 31 October 2003.

(2) Acquired in 2010 and incorporated on 10 April 1979.

There were no commitments and contingent liabilities in the joint ventures as at 30 September 2010.

Significantly, we draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup arising from the transactions and restructuring activities undertaken as part of the demerger from Orica Limited.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2010

14 Investments accounted for using the equity method (continued)

	2010 $'000	2009 $'000
Results of joint ventures		
Share of joint ventures' profit before income tax	**891**	-
Share of joint ventures' income tax expense	**(267)**	-
Share of net profit of joint ventures accounted for using the equity method	**624**	-
Movements in carrying amounts of investments		
Opening balance	**-**	-
Investments in joint ventures acquired during the year	**1,956**	-
Share of net profit of joint ventures accounted for using the equity method	**624**	-
Less dividends from joint ventures	**(500)**	-
Closing balance	**2,080**	-
Summary of profit and loss and balance sheets of joint ventures on a 100% basis		
The net profit, assets and liabilities of joint ventures are:		
Revenue	**10,599**	-
Net profit after tax	**1,248**	-
Assets	**8,399**	-
Liabilities	**3,520**	-

15 Property, plant and equipment

	2010 $'000	2009 $'000
Land		
At cost	**22,466**	-
Buildings		
At cost	**52,448**	-
Less accumulated depreciation	**(24,912)**	-
	27,536	-
Machinery, plant and equipment		
At cost	**224,174**	4,513
Less accumulated depreciation	**(120,286)**	(592)
	103,888	3,921
Total net book value		
At cost	**299,088**	4,513
Less accumulated depreciation	**(145,198)**	(592)
Total net book value of property, plant and equipment	**153,890**	3,921

a) Assets under construction

The cost of each of the asset classes above include amounts capitalised for assets under construction.

Significantly, we draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup arising from the transactions and restructuring activities undertaken as part of the demerger from Orica Limited.

Notes to the Consolidated Financial Statements (continued)
For the financial year ended 30 September 2010

15 Property, plant and equipment (continued)

b) Reconciliations

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

	Land $'000	Buildings $'000	Machinery, plant and equipment $'000	Total $'000
2010				
Balance at 1 October 2009	**-**	**-**	**3,921**	**3,921**
Additions	**-**	**872**	**31,066**	**31,938**
Disposals	**-**	**-**	**(776)**	**(776)**
Additions through business acquisitions (note 3)	**22,528**	**28,104**	**84,064**	**134,696**
Depreciation expense (note 7)	**-**	**(1,368)**	**(13,327)**	**(14,695)**
Foreign currency exchange differences	**(62)**	**(72)**	**(1,060)**	**(1,194)**
Balance at 30 September 2010	**22,466**	**27,536**	**103,888**	**153,890**
2009				
Balance at 24 September 2008	-	-	-	-
Additions	-	-	1,295	1,295
Disposals	-	-	(95)	(95)
Additions through business acquisitions (note 3)	-	-	4,428	4,428
Depreciation expense (note 7)	-	-	(670)	(670)
Foreign currency exchange differences	-	-	(1,037)	(1,037)
Balance at 30 September 2009	-	-	3,921	3,921

16 Intangible assets

	2010 $'000	2009 $'000
Goodwill		
At cost	**44,200**	16,682
Patents, trademarks and rights		
At cost	**4,299**	-
Less accumulated amortisation	**(3,148)**	-
	1,151	-
Brand names		
At cost	**41,288**	1,838
Less accumulated amortisation	**(638)**	(155)
	40,650	1,683
Software		
At cost	**18,785**	128
Less accumulated amortisation	**(15,782)**	(37)
	3,003	91
Total net book value		
At cost	**108,572**	18,648
Less accumulated amortisation	**(19,568)**	(192)
Total net book value of intangible assets	**89,004**	18,456

Significantly, we draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup arising from the transactions and restructuring activities undertaken as part of the demerger from Orica Limited.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2010

16 Intangible assets (continued)

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
2010					
Balance at 1 October 2009	**16,682**	**-**	**1,683**	**91**	**18,456**
Additions	**-**	**-**	**46**	**691**	**737**
Additions through business acquisitions (note 3)	**28,458**	**970**	**39,895**	**3,229**	**72,552**
Amortisation expense (note 7)	**-**	**(150)**	**(239)**	**(1,283)**	**(1,672)**
Foreign currency exchange differences	**(940)**	**331**	**(735)**	**275**	**(1,069)**
Balance at 30 September 2010	**44,200**	**1,151**	**40,650**[1]	**3,003**	**89,004**
2009					
Balance at 24 September 2008	-	-	-	-	-
Additions	-	-	-	79	79
Additions through business acquisitions (note 3)	22,285	-	2,477	49	24,811
Disposals	-	-	-	(4)	(4)
Amortisation expense (note 7)	-	-	(174)	(6)	(180)
Foreign currency exchange differences	(5,603)	-	(620)	(27)	(6,250)
Balance at 30 September 2009	16,682	-	1,683[1]	91	18,456

(1) Includes an amount of $38,358,000 (2009 $NIL) relating to brand names with indefinite useful lives.

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]	
	2010 $'000	2009 $'000	**2010 $'000**	2009 $'000
Paints Australia	**9,043**	-	**23,500**	**-**
Selleys Yates	**20,181**	-	**14,858**	**-**
China[3]	**14,976**	16,682	**-**	**-**
	44,200	16,682	**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 15% and 18% (2009 13%).

Significantly, we draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup arising from the transactions and restructuring activities undertaken as part of the demerger from Orica Limited.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2010

16 Intangible assets (continued)

The calculation of recoverable amount for DuluxGroup is sensitive to changes in interest rates and earnings varying from the assumptions and forecast data used in the impairment testing. As such, sensitivity analysis was undertaken to examine the effect of a change in a variable on each CGU.

For DuluxGroup CGUs assessed using a value in use model to determine recoverable amount, a one percentage point change in discount rates would affect overall value in use by an estimated $80,000,000 while a 10% change in earnings would affect value in use by $130,000,000. A reduction of this magnitude would not cause the recoverable amount to be below the carrying amount of these assets.

DuluxGroup's Asian presence (through Selleys, Texture Coatings and Powder Coatings) was enhanced by the acquisition of Sopel, a China-based coatings business, in November 2008. 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. Consistent with this strategy for growth in China, the recoverable amount of the China CGU was assessed for the year ended 30 September 2010 using fair value less cost to sell, with the recoverable amount of the CGU exceeding the carrying value of its net assets. This excess in recoverable amount could be reduced should changes in the following key assumptions occur:

- Trading results – Trading results reflect the benefits of leveraging the distribution network acquired as part of the Sopel acquisition in November 2008 and the anticipated growth opportunities in this market. Notwithstanding this, should such an improvement from leveraging the distribution network not eventuate, then the impact on cash flows could result in a reduction of the carrying amount below recoverable amount.
- Discount rates – An increase in the discount rate of over 5% would result in a reduction of the recoverable amount to below its carrying amount.

Other key assumptions include sales, gross margin percentage, working capital and other capital requirements. These assumptions are based on a mix of historical experience, external sources of information and management projections.

17 Deferred tax assets

	2010 $'000	2009 $'000
The balance comprises temporary differences attributable to:		
Trade and other receivables	**657**	-
Inventories	**1,598**	-
Property, plant and equipment	**1,722**	-
Trade and other payables	**5,454**	-
Provisions	**3,037**	-
Employee entitlements	**11,861**	-
Tax losses	**23**	-
Other	**1,080**	401
Deferred tax assets	**25,432**	**401**
Expected to be recovered within 12 months	**14,808**	401
Expected to be recovered after more than 12 months	**10,624**	-
	25,432	401
Movements:		
Opening balance	**401**	-
Additions through business acquisitions (note 3)	**25,150**	-
Credited to profit or loss	**419**	401
Charged to other comprehensive income (note 8(c))	**(101)**	-
Foreign currency exchange differences	**(437)**	-
Closing balance	**25,432**	401

Significantly, we draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup arising from the transactions and restructuring activities undertaken as part of the demerger from Orica Limited.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2010

18 Trade and other payables

	2010 $'000	2009 $'000
Current		
Trade payables	**139,573**	6,147
Other payables	**39,286**	10,145
	178,859	16,292
Non-current		
Other payables	**133**	5,376
	133	5,376

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 27 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.

19 Interest-bearing liabilities

	2010 $'000	2009 $'000
Current		
Unsecured		
Other short term borrowings (1)	**-**	21,925
Trade cards (2)	**12,289**	-
	12,289	21,925
Non-current		
Unsecured		
Bank loan (3)	**237,279**	-
	237,279	-

(1) Other short term borrowings include borrowing provided through the centralised treasury function within the Orica Group.

(2) 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.

(3) The unsecured bank loan amount comprises of $240,000,000 drawn under the syndicated bank loan facility, net of unamortised prepaid establishment fees of $2,721,000.

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 and Dulux Holdings Pty Ltd have provided a guarantee in relation to the Group’s syndicated bank loan facility 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.

Significantly, we draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup arising from the transactions and restructuring activities undertaken as part of the demerger from Orica Limited.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2010

20 Provisions

	2010 $'000	2009 $'000
Current		
Employee entitlements	**12,122**	-
Demerger	**4,000**	-
Environmental	**3,869**	-
Restructuring and rationalisation	**145**	-
Deferred income - customer loyalty programme	**937**	-
	21,073	-
Non-current		
Employee entitlements	**14,159**	-
Contingent liabilities on acquisition of controlled entities	**1,522**	1,635
Deferred income - customer loyalty programme	**1,543**	-
Fixed rent escalation	**1,821**	-
	19,045	1,635

a) Demerger

A provision is recognised for the costs incurred associated with the demerger of DuluxGroup Limited from Orica Limited.

b) 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.

c) Restructuring and rationalisation

The restructuring and rationalisation provision reflects a range of internal reorganisations. All redundancies are expected to take effect within 12 months of the reporting date.

d) 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.

e) Contingent liabilities on acquisition of controlled entities

A provision is recognised on acquisition of a business for contingent liabilities of that business.

f) Fixed rent escalation

The straight-lining of fixed rent escalation creates a provision to be recognised over the term of the lease contract.

Significantly, we draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup arising from the transactions and restructuring activities undertaken as part of the demerger from Orica Limited.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2010

20 Provisions (continued)

g) Reconciliations

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

Current and non-current	Demerger $'000	Environmental $'000	Contingent liabilities on acquisition of contolled entities $'000	Deferred income - customer loyalty programme $'000	Fixed rent escalation $'000	Restructuring and rationalisation $'000	Total $'000
Balance at 1 October 2009	-	-	1,635	-	-	-	**1,635**
Additions through business acquisitions (note 3)	-	4,025	-	2,907	-	1,920	**8,852**
Provisions made during the year	4,000	310	-	288	1,821	145	**6,564**
Provisions written back during the year	-	-	-	(330)	-	-	**(330)**
Provisions utilised during the year	-	(466)	-	(385)	-	(1,919)	**(2,770)**
Foreign currency exchange differences	-	-	(113)	-	-	(1)	**(114)**
Balance at 30 September 2010	**4,000**	**3,869**	**1,522**	**2,480**	**1,821**	**145**	**13,837**

21 Deferred tax liabilities

	2010 $'000	2009 $'000
The balance comprises temporary differences attributable to:		
Property, plant and equipment	**250**	-
Intangible assets	**173**	-
Other	**322**	-
Deferred tax liabilities	**745**	-
Movements:		
Opening balance	**-**	-
Additions through business acquisitions (note 3)	**870**	-
Credited to profit or loss	**(32)**	-
Foreign currency exchange differences	**(93)**	-
Closing balance	**745**	-

Significantly, we draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup arising from the transactions and restructuring activities undertaken as part of the demerger from Orica Limited.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2010

22 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 2010 was $7,156,000.

c) Defined benefit pension plans

Following the demerger from Orica Limited, the Group became a sponsoring employer of the Orica Flexible Benefits Super Fund, a defined benefit post-employment plan in Australia that provides benefits to employees upon retirement. Plan funding is carried out in accordance with the requirements of the Trust Deed and the advice of the plan's actuarial adviser. Post demerger, the consolidated entity made employer contributions of $426,000 to defined benefit plans. DuluxGroup's external actuaries have forecast total employer contributions to defined benefit plans of $3,263,000 for the financial year ending 30 September 2011. The fund is currently closed to new members.

As the Australian entities within DuluxGroup were only acquired in the current financial year, no comparative amounts for the defined benefit funds are shown.

i) Balance sheet amounts

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

	2010 $'000	2009 $'000
Present value of the defined benefit obligations	**127,674**	-
Fair value of defined benefit plan assets	**(114,405)**	-
Net defined benefit liability recognised in balance sheet at the end of the financial year	**13,269**	-

Significantly, we draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup arising from the transactions and restructuring activities undertaken as part of the demerger from Orica Limited.

Notes to the Consolidated Financial Statements (continued)
For the financial year ended 30 September 2010

22 Superannuation commitments (continued)

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:

	2010 %
Equity instruments	45
Fixed interest securities	26
Property	12
Cash and other assets	17

iii) Reconciliations

	2010 $'000
Reconciliation of present value of the defined benefit obligations:	
Balance at 1 October 2009	-
Additions through business acquisitions	128,030
Current service cost	1,014
Interest cost	1,646
Actuarial losses	2,291
Contributions by plan participants	348
Benefits paid	(5,390)
Distributions	(265)
Balance at 30 September 2010	127,674
Reconciliation of the fair value of the plan assets:	
Balance at 1 October 2009	-
Additions through business acquisitions	114,403
Expected return on plan assets	2,023
Actuarial gains	2,860
Contributions by employer	426
Contributions by plan participants	348
Benefits paid	(5,390)
Distributions	(265)
Balance at 30 September 2010	114,405

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.

iv) Amounts recognised in the Consolidated Income Statement

	2010 $'000
Current service cost	1,014
Interest cost	1,646
Expected return on plan assets	(2,023)
Total included in employee benefits expense	637

v) Principal actuarial assumptions

The principal actuarial assumptions used were as follows:

	2010
Discount rate	4.60%
Expected return on plan assets	7.25%
Future salary increases	3.75%
Future inflation	2.75%

Significantly, we draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup arising from the transactions and restructuring activities undertaken as part of the demerger from Orica Limited.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2010

22 Superannuation commitments (continued)

vi) Historic summary

A historic summary of the plan's defined benefit obligation, assets, net deficit, actuarial experience and returns has been presented for the financial year ended 30 September 2010 only as the consolidated entity only became a plan sponsor following demerger on 9 July 2010.

	2010 $'000
Defined benefit plan obligation	**127,674**
Plan assets	**(114,405)**
Deficit	**13,269**
Experience gain arising on plan liabilities	**(764)**
Experience gain arising on plan assets	**2,860**
Actual return on plan assets	**4,883**

vii) Amounts included in the Consolidated Statement of Comprehensive Income

	2010 $'000
Total actuarial gain	**569**
Tax on total gain	**(170)**
Total gain after tax	**399**

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 gains (before tax) included in the Consolidated Statement of Comprehensive Income as at 30 September 2010 is $569,000.

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.

23 Contributed equity

	2010 $'000	2009 $'000
Issued and fully paid		
Ordinary shares	**174,323**	-

Movements in fully paid ordinary shares on issue since 24 September 2008 were as follows:

Details	Number of shares	Issue price $	$'000
Ordinary shares			
Balance at 24 September 2008	6	1.00	-
Balance at 30 September 2009	**6**		-
Shares issued under the Orica Demerger Scheme (1)	362,100,424	0.48	174,323
Shares issued under the DuluxGroup ESIP plan (2)	489,840	-	**-**
Share movements under the DuluxGroup LTEIP plan (3)	4,401,850	-	**-**
Balance at 30 September 2010	**366,992,120**		174,323

(1) Under the Orica Demerger Scheme one DuluxGroup Limited ordinary share was issued for each Orica Limited ordinary share held at the Record Date for the demerger being 16 July 2010.

(2) Refer to Note 26 for details of the DuluxGroup Employee Share Investment Plan.

(3) Refer to Note 26 for details of the DuluxGroup Long Term Equity Incentive Plan.

a) Dividend Reinvestment Plan (DRP)

The Company has established a DRP under which holders of DuluxGroup Limited ordinary shares are able to elect to have all or part of their dividend entitlements satisfied by the issue of new fully paid ordinary shares.

Significantly, we draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup arising from the transactions and restructuring activities undertaken as part of the demerger from Orica Limited.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2010

23 Contributed equity (continued)

b) Treasury shares

As part of the DuluxGroup Long Term Equity Incentive Plan and the Employee Share Investment Plan, a total of 4,891,690 shares have been issued to DuluxGroup (Employee Share Plans) Pty Ltd as trustee of the plans. These have been accounted for as treasury shares and therefore not reported as part of contributed equity.

24 Reserves

	2010 $'000	2009 $'000
Reserves		
Share-based payments	**1,925**	-
Cash flow hedging	**(162)**	-
Foreign currency translation	**(15,088)**	(7,826)
Common control	**(97,702)**	-
	(111,027)	(7,826)

a) Share-based payments reserve

The amount charged to the share-based payments reserve each year represents the share-based payments expense.

b) Cash flow hedging reserve

The amount in the cash flow hedging 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 the Company'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 elected to account for business combinations under common control at carrying value. As permitted by accounting standards, certain of its subsidiaries, primarily DuluxGroup (New Zealand) Pty Ltd has elected to apply purchase accounting in its own accounting books and records. On consolidation, the effect of this policy difference on the pre-demerger acquisition of the business assets and liabilities in New Zealand is 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.

25 Dividends

Dividends paid or declared in respect of the year ended 30 September were:

a) Ordinary shares

On 17 June 2010, whilst a wholly owned subsidiary of Orica Group, the Directors of DuluxGroup Limited declared a dividend to Orica Nominees Pty Ltd, a related entity, of $40,000,000 ($6,666,667 per ordinary share) which was settled on 30 June 2010.

The declaration of dividends is subject to the Company satisfying the 'solvency test' requirements of the *Corporations Act 2001*, which took effect from 28 June 2010 (previously paid out of retained profits).

Significantly, we draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup arising from the transactions and restructuring activities undertaken as part of the demerger from Orica Limited.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2010

25 Dividends (continued)

b) Subsequent events

On 8 November 2010, the Directors declared a final dividend of 3.0 cents per ordinary share, fully franked and payable on 10 December 2010.

The financial effect of the final dividend has not been brought to account in the financial report for the year ended 30 September 2010 and will be recognised in the financial report for the financial year ending 30 September 2011.

The Company's DRP will operate with respect to the final dividend. The DRP pricing period was the five trading days from 23 November 2010 to 29 November 2010 inclusive. No discount 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 2010 are $1,995,730 (2009 $NIL).

26 Share-based payments

a) DuluxGroup Long Term Equity Incentive Plan

Following demerger of DuluxGroup Limited from the Orica Group on 9 July 2010, trading of DuluxGroup Limited shares commenced on the ASX on 12 July 2010. The DuluxGroup Long Term Equity Incentive Plan (LTEIP) has been established to incentivise executives to generate shareholder wealth. For further details on the link between LTEIP and shareholder wealth, refer to the 30 September 2010 Remuneration Report set out on pages 51 to 67.

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 Limited shares from the date of allocation of those DuluxGroup Limited shares. The shares in DuluxGroup Limited issued to the executives can be newly issued shares, purchased on market or reissued unvested shares. Shares issued under this plan in conjunction with non-recourse loans are accounted for as options. As a result, the amounts receivable from employees in relation to these loans are not recognised in the Group's financial statements. Shares issued under this plan are recognised as treasury shares (refer note 23), with a share-based payment expense recognised in the income statement over the vesting period based on the fair value of the options. Repayments of share loans are recognised as share capital. Under the July 2010 and subsequent LTEIP allocations, the shares are returned to DuluxGroup, subject to discretion retained by the Directors, if the executives leave DuluxGroup within the vesting period. Typically, the vesting period is three years, with performance tested following the announcement of annual results in the third year after a grant is made. For the grant made under the 2010 DuluxGroup LTEIP, a period of approximately three and a half years will apply, with testing expected to occur in November 2013.

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

2010	Issue Date	Issue Price	Total Expense[1] $
Shares issued	19 July 2010	$2.57	252,636
Shares issued	5 August 2010	$2.57	29,774
			282,410

(1) Represents the value calculated under AASB 2 *Share-based Payment*. The share-based payment expense represents the expense incurred during the year in respect of current incentive allocations to executives. These amounts are therefore not amounts actually received by executives during the 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.

Significantly, we draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup arising from the transactions and restructuring activities undertaken as part of the demerger from Orica Limited.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2010

26 Share-based payments (continued)

i) Movement of share options during the year

Grant date	Expiry date	Exercise price	Number granted during the year	Number exercised during the year[1]	Number lapsed during the year	Number outstanding at year end	Number exercisable at year end
(2)	January 2014[3]	N/A	3,937,778	-	-	3,937,778	-
(2)	January 2014[3]	N/A	464,072	-	-	464,072	-

(1) 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 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. The options expire if the loan is not repaid within the repayment window.

(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) 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.

ii) Fair value of share options granted

The assessed fair value at grant date of share options granted during the year ended 30 September 2010 is detailed below. The fair value at grant date is independently determined using an adjusted form of the Black-Scholes option pricing model. Standard option pricing inputs include underlying share price, exercise price, expected dividends, expected risk-free interest rates and expected share price volatility. In addition, specific factors in relation to the likely achievement of performance hurdles and employment tenure have been taken into account.

The fair value inputs for share options granted during the years ended 30 September 2010 included:

	LTEIP 2010
Fair value estimate at grant date ($)	$0.98
Gateway condition[1]	EPS
Performance condition[2]	TSR ranking
Expected life of share options (years)	3.5
Expected dividend yield (%)	NIL
Expected risk-free interest rate (%)	4.70%
Expected share price volatility (%)	30.0%
Grant date share price ($)	$2.54

(1) The Board has implemented a 'gateway' level of minimum performance for the DuluxGroup LTEIP below which no benefit accrues. This 'gateway' is a minimum level of acceptable performance for any of the LTEIP shares to vest. For the grant made during the year ended 30 September 2010, compound annual EPS growth over the vesting period from 30 September 2010 to 30 September 2013 must equal or exceed 2% per annum.

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

b) DuluxGroup Employee Share Investment Plan

Under the 2010 Employee Share Investment Plan (ESIP), eligible employees of the Group (with the exception of New Zealand employees) were invited to acquire DuluxGroup Limited 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 NZ$390. DuluxGroup 'matched' this participation, providing shares up to the value of $500 (or NZ$390) to participating employees at no cost to the participant. In accordance with AASB 2, the accounting charge to the Company for the matching was expensed in full during the financial year ended 30 September 2010.

The number of DuluxGroup Limited's shares allocated was based on the market price at the time of allocation under the ESIP with 489,840 new shares issued. 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 2010 ESIP offer and specifically excluded members of the senior management team.

Significantly, we draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup arising from the transactions and restructuring activities undertaken as part of the demerger from Orica Limited.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2010

26 Share-based payments (continued)

A participating employee is entitled to receive all cash dividends paid on their DuluxGroup Limited 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 prior to becoming entitled. 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 Limited shares. A total of 1,311 employees are participating in the plan.

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

2010	Issue date	Issue price	Total expense $
Shares issued	9 August 2010	$2.56	567,590
Shares issued	28 September 2010	$2.69	62,421
			630,011

c) Orica Group Long Term Equity Incentive Plan

Prior to demerger from the Orica Group at the close of business on 9 July 2010, eligible DuluxGroup executives participated in the Orica Group long term equity incentive plans. During the financial year ended 30 September 2010, a total of $1,012,979 was recorded as share-based payment expense under this plan. For details of these plans, please refer to Section E.6 of the 30 September 2010 Remuneration Report.

d) Total expenses arising from share-based payment transactions

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

	2010 $	2009 $
DuluxGroup Long Term Equity Incentive Plan	**282,410**	-
DuluxGroup Employee Share Investment Plan	**630,011**	-
Orica Group Long Term Equity Incentive Plan	**1,012,979**	-
	1,925,400	-

27 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. 'Executive KMP' refers to executives identified as KMP of DuluxGroup.

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

	2010[(1)] $	2009 $
Short term employee benefits	**4,399,963**	-
Other long term benefits	**140,107**	-
Post employment benefits	**99,969**	-
Share-based payments	**1,688,789**	-
Termination benefits	**156,509**	-
	6,485,337	-

(1) The remuneration disclosure in this table is different to the disclosure in the Remuneration Report as this table excludes the remuneration of Mr Richardson, who is not a KMP under the requirements of AASB 124.

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.

Significantly, we draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup arising from the transactions and restructuring activities undertaken as part of the demerger from Orica Limited.

Notes to the Consolidated Financial Statements (continued)
For the financial year ended 30 September 2010

27 Related party disclosures (continued)

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

DuluxGroup Limited's shares commenced trading on the ASX on 12 July 2010. The relevant interests of KMPs, including their related parties, in the share capital and options from the listing date of the Company are:

As at 30 September 2010	Balance 12 July 2010	Number acquired(1)	Net change other(2)	Number of fully paid ordinary shares held at 30 September 2010(3)	Number of options for fully paid ordinary shares held at 30 September 2010(4)
Non-Executive Directors					
Peter Kirby	-	130,000	-	130,000	-
Garry Hounsell	-	16,138	-	16,138	-
Gaik Hean Chew	-	-	-	-	-
Executive Directors					
Patrick Houlihan	-	89,322	-	89,322	1,145,655
Stuart Boxer	-	53,226	-	53,226	317,873
Other Executive KMP					
Graeme Doyle	-	41,287	-	41,287	307,453
Brad Hordern	-	14,110	-	14,110	140,026
Andrew Ingleton	-	22,681	-	22,681	304,701
Patrick Jones	-	12,595	-	12,595	128,536
Total	-	**379,359**	-	**379,359**	**2,344,244**

(1) Includes DuluxGroup Limited shares acquired through purchases, exercise of options and those acquired as part of the one-for-one share issue under the DuluxGroup demerger scheme of arrangement.

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

(3) Includes trust shares for Executive KMP.

(4) 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 issued under these schemes are not recognised by the consolidated entity.

c) Other transactions with Key Management Personnel

Prior to their appointment as Directors of DuluxGroup Limited, Messrs Kirby and Hounsell received payments of $50,000 and $40,000 respectively from Orica Limited for the additional workload involved in the demerger of DuluxGroup. Mr Hounsell received a further payment of $50,000 from Orica Limited for his role as Chairman of the demerger Due Diligence Committee.

In addition, prior to her appointment as a Non-Executive Director on 2 August 2010, Ms Chew was paid a fee of $40,000 in relation to consulting services rendered. This amount was outstanding at the date of her appointment.

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

There were no other transactions during the financial year nor balances owing to or from KMP as at 30 September 2010.

d) Parent entity

The ultimate parent entity within the Group is DuluxGroup Limited, which is domiciled and incorporated in Australia. Prior to the demerger and subsequent independent listing of DuluxGroup Limited on the ASX, the ultimate parent entity of DuluxGroup Limited was Orica Limited.

e) Controlled entities

Interests in subsidiaries are set out in note 35.

Significantly, we draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup arising from the transactions and restructuring activities undertaken as part of the demerger from Orica Limited.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2010

27 Related party disclosures (continued)

f) Transactions with controlled entities

Transactions between DuluxGroup Limited and entities in the Group during the year included:

- rental revenue received by DuluxGroup Limited for the use of land and buildings;
- management fees received and paid by DuluxGroup Limited for accounting and administrative assistance;
- purchases and sales of products and services;
- indemnity fees paid to DuluxGroup Limited;
- interest revenue received and paid by DuluxGroup Limited for money deposited with or borrowed; and
- dividends received by DuluxGroup Limited.

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

Amounts owed by controlled entities total $19,072,778 and the parent entity owes $38,087,200 to its controlled entities.

g) Transactions with Orica Group

Transactions between entities within DuluxGroup, whilst a wholly owned subsidiary of Orica Group (comprising Orica Limited and its controlled entities), and Orica Group during the year included:

- management fees paid by DuluxGroup for accounting and administrative assistance;
- purchases and sales of products and services;
- indemnity fees paid by DuluxGroup;
- interest revenue received and paid by DuluxGroup for money deposited with or borrowed;
- transfer of tax related balances for tax consolidation purposes;
- dividends paid by DuluxGroup (refer note 25);
- acquisitions whilst under common control (refer note 3);
- provision of transactional banking facilities on behalf of DuluxGroup, including both collecting receipts from customers and paying creditors; and
- acting as employer for many of DuluxGroup's employees, including responsibilities for payroll and superannuation.

h) 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:

	2010 $	2009 $
Sales of goods to joint ventures	**240,255**	-
Purchases of goods from joint ventures	**1,436,518**	-
Dividend income received from joint ventures	**500,000**	-
Royalty income received from joint ventures	**82,369**	-

i) 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:

	2010 $	2009 $
Current receivables from joint ventures	**18,768**	-
Current payables to joint ventures	**512,096**	-

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

During the financial year, DuluxGroup purchased goods and services from various Director related entities totalling $434,652. This amount represents purchases made since demerger date. These transactions are made on normal commercial terms and conditions and in the ordinary course of business.

Significantly, we draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup arising from the transactions and restructuring activities undertaken as part of the demerger from Orica Limited.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2010

28 Auditors' remuneration

	2010 $	2009 $
Total remuneration received, or due and receivable, by the auditors of the Company for:		
Audit services - audit and review of financial reports		
KPMG Australia	**420,000**	-[1]
Overseas KPMG firms[2]	**120,401**	35,772
	540,401	35,772
Other services[3]		
Other assurance services - KPMG Australia	**55,000**	-
	55,000	-

(1) Audit fees for the financial year ended 30 September 2009 were paid by Orica Group.

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

(3) 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.

29 Critical accounting estimates and judgements

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

a) Provisions against current assets

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

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

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

c) Impairment of assets

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

The determination of recoverable amount requires the estimation and discounting of future cashflows. The estimation of cashflows considers all information available at balance date which may deviate from actual developments. This includes, amongst other things, expected revenue from sales of products, the return on assets, future costs and discount rates. Subsequent changes to the CGU allocation or to the timing and quantum of cash flows may impact the carrying value of the respective assets.

Significantly, we draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup arising from the transactions and restructuring activities undertaken as part of the demerger from Orica Limited.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2010

29 Critical accounting estimates and judgements (continued)

d) Defined benefit superannuation fund obligations

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

e) Legal proceedings

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

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

f) Tax consolidation

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. The impact of tax consolidation has been reflected in the financial statements and has been based on management's best estimates, taking into account the time frame available to prepare the exit calculations since the demerger date. Management is continuing to refine the tax exit calculations and expects to reflect any changes in the financial statements for the year ended 30 September 2011.

30 Contingent liabilities and contingent assets

DuluxGroup had contingent liabilities at 30 September 2010 in respect of:

a) Orica Separation Deed

The Separation Deed between Orica Limited and DuluxGroup Limited deals with certain commercial, transitional and legal issues arising in connection with the legal and economic separation of DuluxGroup from Orica Group. 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 Group will have the entire economic benefit, commercial risk and liabilities of all businesses to be conducted by Orica Group 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 Group had always owned and operated those businesses. To support this principle, DuluxGroup and Orica Group 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. Further details can be found in section 3.9.3 of the demerger Scheme Booklet released to the ASX by Orica Limited on 31 May 2010.

Significantly, we draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup arising from the transactions and restructuring activities undertaken as part of the demerger from Orica Limited.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2010

30 Contingent liabilities and contingent assets (continued)

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. DuluxGroup (Australia) Pty Ltd ACN 000 049 427 was also a party to Orica Limited's Deed of Cross Guarantee and remained a party to that Deed from the effective date of the demerger of DuluxGroup Limited from Orica Limited until November 2010.

31 Commitments

	2010 $'000	2009 $'000
a) Capital expenditure commitments		
Capital expenditure on property and plant and equipment contracted but not provided for and payable:		
- No later than one year	**9,311**	1,406
- Later than one, no later than five years	**38**	-
	9,349	1,406

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.

	2010 $'000	2009 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
- No later than one year	**15,335**	260
- Later than one, no later than five years	**32,778**	493
- Later than five years	**22,916**	-
	71,029	753

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.

	2010 $'000	2009 $'000
Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases	**5,507**	-

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.

	2010 $'000	2009 $'000
Commitments in relation to cancellable operating leases contracted for at the		
- No later than one year	**5,581**	45
- Later than one, no later than five years	**8,328**	11
- Later than five years	**15**	-
	13,924	56

Significantly, we draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup arising from the transactions and restructuring activities undertaken as part of the demerger from Orica Limited.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2010

31 Commitments (continued)

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 2010.

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

	2010 $'000	2009 $'000
Profit / (loss) for the financial year	**61,289**	(29)
Depreciation and amortisation	**16,367**	850
Share-based payment expense	**1,925**	-
Share of joint ventures' net profit	**(624)**	-
Impairment of inventories	**827**	410
Net loss on sale of property, plant and equipment	**106**	48
Other	**200**	1
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	**(82,105)**	(1,080)
Decrease (increase) in inventories	**(3,188)**	1,586
Decrease (increase) in other assets	**16,366**	(67)
(Decrease) increase in deferred taxes payable	**(521)**	(401)
(Decrease) increase in trade payables and provisions	**193**	2,105
(Decrease) increase in current tax liabilities	**(135)**	310
Net cash inflow from operating activities	**10,700**	3,733

33 Deed of cross guarantee

Entities which are party to a Deed of Cross Guarantee, entered into in accordance with ASIC Class Order 98/1418 dated 27 September 2010, are disclosed in note 35. 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

	2010 $'000
Profit before income tax expense	**85,090**
Income tax expense	**(23,705)**
Profit for the financial year	**61,385**
Retained earnings at 1 October 2009	**(450)**
Retained earnings of companies joining the deed	**61,385**
Actuarial gain on defined benefit plan recognised directly in retained earnings (net of tax)	**399**
Dividends paid - ordinary shares	**(40,000)**
Retained earnings at 30 September 2010	**21,334**

b) Consolidated statement of comprehensive income

	2010 $'000
Profit for the financial year	**61,385**
Other comprehensive income	
Effective portion of changes in fair value of cash flow hedges	**73**
Foreign currency translation differences on foreign operations	**(146)**
Actuarial gain on defined benefit plan	**569**
Income tax on other comprehensive income	**(101)**
Other comprehensive income for the financial year, net of income tax	**395**
Total comprehensive income for the financial year	**61,780**

Significantly, we draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup arising from the transactions and restructuring activities undertaken as part of the demerger from Orica Limited.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2010

33 Deed of cross guarantee (continued)

c) Consolidated balance sheet

	2010 $'000
Current assets	
Cash and cash equivalents	**35,349**
Trade and other receivables	**132,203**
Inventories	**106,895**
Derivative financial assets	**58**
Other assets	**2,760**
Total current assets	**277,265**
Non-current assets	
Trade and other receivables	**156**
Derivative financial assets	**1,278**
Investments	**42,253**
Property, plant and equipment	**148,844**
Intangible assets	**72,544**
Deferred tax assets	**24,439**
Other assets	**481**
Total non-current assets	**289,995**
Total assets	**567,260**
Current liabilities	
Trade and other payables	**166,825**
Interest-bearing liabilities	**9,579**
Derivative financial liabilities	**305**
Current tax liabilities	**6,188**
Provisions	**20,842**
Total current liabilities	**203,739**
Non-current liabilities	
Trade and other payables	**159**
Interest-bearing liabilities	**237,279**
Deferred tax liabilities	**601**
Provisions	**17,480**
Defined benefit liability	**13,269**
Total non-current liabilities	**268,788**
Total liabilities	**472,527**
Net assets	**94,733**
Equity	
Ordinary shares	**174,323**
Reserves	**(100,924)**
Retained earnings	**21,334**
Total equity	**94,733**

Significantly, we draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup arising from the transactions and restructuring activities undertaken as part of the demerger from Orica Limited.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2010

34 Parent entity financial information

a) Summary financial information

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

	2010 $'000	2009 $'000
Current assets	**7,503**	-
Non-current assets	**223,815**	
Total assets	**231,318**	-
Total liabilities	**38,087**	-
Net assets	**193,231**	
Equity		
Contributed equity	**186,896**[1]	-
Retained earnings	**6,335**	-
	193,231	**-**
Profit before income tax expense	**46,264**[2]	-
Income tax benefit	**71**	-
Profit for the financial year	**46,335**	-
Total comprehensive income of the parent entity	**46,335**	-

(1) Includes $12,573,000 relating to 4,891,690 DuluxGroup Limited shares issued as part of the DuluxGroup LTEIP and ESIP plans. On consolidation, these shares have been accounted for as treasury shares and accordingly are not recognised as part of contributed equity.

(2) Profit before income tax expense includes $46,500,000 dividend declared by DuluxGroup (New Zealand) Pty Ltd on 17 June 2010.

b) Guarantees

Details of guarantees entered into by the parent entity in relation to external banking facilities as at 30 September 2010 are set out in note 19(b). In addition, the parent entity is a party to the deed of cross guarantee as disclosed in note 33.

c) Capital commitments

There were no capital commitments entered into by the parent entity as at 30 September 2010.

d) Contingent liabilities

Refer to note 30 for information relating to contingent liabilities of DuluxGroup.

Significantly, we draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup arising from the transactions and restructuring activities undertaken as part of the demerger from Orica Limited.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2010

35 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 2010 %	2009 %
DuluxGroup (Investments) Pty Ltd (formerly Orica CP Investments Pty Ltd)[1]	Australia	**100**	100
DuluxGroup (Finance) Pty Ltd (formerly Orica CP Finance Pty Ltd)[1]	Australia	**100**	100
DuluxGroup (New Zealand) Pty Ltd (formerly Orica CP Holdings Pty Ltd)[1]	Australia	**100**	100
DuluxGroup (Australia) Pty Ltd (formerly Selleys Pty Limited)[1,2]	Australia	**100**	-
Dulux Holdings Pty Ltd[1,2]	Australia	**100**	-
DuluxGroup (Employee Share Plans) Pty Ltd[1,3]	Australia	**100**	-
DuluxGroup Employee Share Plan Trust[4]	Australia	**100**	-
DGL International (Shanghai) Co Ltd (formerly Orica Coatings (Shanghai) Co Ltd)	China	**100**	100
DGL International (Shenzhen) Co Ltd (formerly Orica Coatings (Shenzhen) Co Ltd)[2]	China	**100**	-
DGL International (Hong Kong) Ltd (formerly Orica Hong Kong Ltd)[2]	Hong Kong	**100**	-
DGL International (Malaysia) Sdn Bhd (formerly Orica Malaysia Sdn Bhd)[2]	Malaysia	**100**	-
Dulux Holdings (PNG) Ltd (formerly Orica Papua New Guinea Ltd)[2]	Papua New Guinea	**100**	-
DGL International (Singapore) Pte Ltd (formerly Opel Chemical (Singapore) Pte Ltd)	Singapore	**100**	100
DuluxGroup (PNG) Pte Ltd (formerly Orica Consumer Products (Singapore) Pte Ltd)[2]	Singapore	**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.

(2) Acquired in 2010.

(3) Incorporated in 2010.

(4) Formed in accordance with Trust Deed dated 15 July 2010.

Significantly, we draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup arising from the transactions and restructuring activities undertaken as part of the demerger from Orica Limited.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2010

36 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 shareholders' equity). The key credit metrics and accounting gearing ratios calculated on a statutory basis are as follows:

	2010 $'000
Interest-bearing liabilities	**252,289**
Less:	
Prepaid loan establishment fees	**2,721**
Cash and cash equivalents	**44,681**
Net debt	**204,887**
Earnings before interest, tax, depreciation and amortisation	**115,508**
Net Debt to EBITDA (times)	**1.8**

The interest cover ratio is calculated as follows:

	2010 $'000
Earnings before interest, tax, depreciation and amortisation	**115,508**
Net finance costs	**13,427**
Interest cover ratio (times)	**8.6**

The accounting gearing ratio is calculated as follows:

	2010 $'000
Net debt	**204,887**
Net debt plus shareholders' equity	**289,842**
Net debt to net debt plus shareholders' equity	**71%**

We note that the above metrics and ratios prepared on a statutory basis are not necessarily reflective of these measures going forward owing to the impact of the restructuring and demerger of DuluxGroup during the financial year ended 30 September 2010. For more details, refer to notes 2 and 3.

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 seeks to mitigate these risks and reduce 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 European option contracts.

Significantly, we draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup arising from the transactions and restructuring activities undertaken as part of the demerger from Orica Limited.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2010

36 Financial and capital management (continued)

The consolidated entity held the following financial instruments as at 30 September 2010:

2010	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	41,871	-	-	-	41,871
Cash at bank - restricted	2,810	-	-	-	2,810
Trade and other receivables (current)	-	140,881	-	-	140,881
Trade and other receivables (non-current)	-	88	-	-	88
Derivative financial assets (current)	-	-	-	58	58
Derivative financial assets (non-current)	-	-	-	1,278	1,278
	44,681	140,969	-	1,336	186,986
Financial liabilities					
Trade and other payables (current)	-	-	178,859	-	178,859
Trade and other payables (non-current)	-	-	133	-	133
Derivative financial liabilites (current)	-	-	-	305	305
Interest-bearing liabilities (current)	-	-	12,289	-	12,289
Interest-bearing liabilities (non-current)	-	-	237,279	-	237,279
	-	-	428,560	305	428,865

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 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 between five and ten years 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 balance date are:

	Note	2010 $'000	2010 %p.a.
Cash at bank and on hand	9	41,871	3.3
Cash at bank - restricted	9	2,810	4.0
Derivative financial assets (current)	12	58	-
Derivative financial assets (non-current)	12	1,278	-
Total financial assets		46,017	
Bank loan	19	240,000	8.3[(1)]
Trade cards	19	12,289	10.8
Derivative financial liabilities	12	305	-
Total financial liabilities		252,594	
Net financial liabilities		206,577	

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

Significantly, we draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup arising from the transactions and restructuring activities undertaken as part of the demerger from Orica Limited.

Notes to the Consolidated Financial Statements (continued)
For the financial year ended 30 September 2010

36 Financial and capital management (continued)

a) Interest rate risk management (continued)

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.

	2010 $'000
Increase / (decrease) in profit before income tax expense	
If interest rates were 10% higher, with all other variables held constant	**(227)**
If interest rates were 10% lower, with all other variables held constant	**(351)**
Increase / (decrease) in profit after income tax expense	
If interest rates were 10% higher, with all other variables held constant	**(159)**
If interest rates were 10% lower, with all other variables held constant	**(246)**
Increase / (decrease) in shareholders' equity	
If interest rates were 10% higher, with all other variables held constant	**624**
If interest rates were 10% lower, with all other variables held constant	**(324)**

DuluxGroup's external debt facilities were drawn on 12 July 2010. Accordingly, the interest rate sensitivities presented above shows the impact on profit before and after income tax expense and shareholders' equity from this date.

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. The derivative instruments used for hedging purchase exposures are vanilla option contracts and forward exchange contracts. The currency giving rise to this risk 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 at exchange rates considered reasonably possible would not have a significant impact on profit before and after income tax expense and shareholders' equity as presented. While, 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 0.9654) with all other variables held constant would have been a decrease in shareholders' equity of $288,000 and an increase in shareholders' equity of $394,000 respectively. Refer page 123 for further details. The Directors cannot nor do not seek to predict movements in exchange rates.

The table below shows the effect on profit and equity of the consolidated entity if exchange rates as at 30 September 2010 had been 10% higher or lower with all other variables held constant, taking into account all underlying exposures and related hedges and does not include the impact of any management actions that might take place if these events occurred. A sensitivity of 10% has been selected, as this is considered reasonably possible given the current level of exchange rates and the volatility of exchange rates based on an historical DuluxGroup analysis. The Directors cannot nor do not seek to predict movements in exchange rates. However, it should be noted that it is extremely unlikely that all currencies would move in the same direction and by the same percentage. Major exposures, other than USD detailed above, for DuluxGroup are against the New Zealand Dollar (NZD) and the Papua New Guinea Kina (PGK).

Significantly, we draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup arising from the transactions and restructuring activities undertaken as part of the demerger from Orica Limited.

Notes to the Consolidated Financial Statements (continued)
For the financial year ended 30 September 2010

36 Financial and capital management (continued)

Foreign exchange risk – transactional (continued)

The consolidated entity's exposure to foreign currency risk including both external balances and internal balances (eliminated on consolidation) at the reporting date was as follows (in respective local currencies):

	2010	
	NZD $'000	**PGK $'000**
Cash	**6,084**	**13,228**
Trade and other receivables	**20,686**	**9,892**
Trade and other payables	**(32,909)**	**(4,313)**
Interest-bearing liabilities	**(801)**	**(4,103)**
Net exposure	**(6,940)**	**14,704**

A 10% change in year-end rates would be as follows (against the Australian Dollar):

	2010		
	10% lower	**As reported**	**10% higher**
AUD/NZD	**1.1831**	**1.3145**	**1.4460**
AUD/PGK	**2.3936**	**2.6595**	**2.9255**
AUD/USD	**0.8689**	**0.9654**	**1.0619**

The effect on profit from operations, net profit after tax and shareholders' equity of a movement in individual exchange rates of 10% with all other variables held constant is as follows:

	2010	
	-10% $'000	**+10% $'000**
Increase / (decrease) in profit before income tax expense		
AUD/NZD	**(509)**	**416**
AUD/PGK	**-**	**-**
Increase / (decrease) in profit after income tax expense		
AUD/NZD	**(356)**	**291**
AUD/PGK	**-**	**-**
Increase / (decrease) in shareholders' equity		
AUD/NZD	**(434)**	**355**
AUD/PGK	**621**	**(508)**
AUD/USD(1)	**394**	**(288)**

(1) At 30 September 2010, a net amount of $247,000 relating to hedges of future USD denominated purchases was reported in the Consolidated Balance Sheet. The effect of retranslating these hedges into AUD had the rates been 10% higher or lower than the year end rate (AUD/USD 0.9654) with all other variables held constant would have been a decrease in shareholders' equity of $288,000 and an increase in shareholders' equity of $394,000 respectively. The effect of retranslating other USD denominated balances would not have a material impact on reported profit or shareholders' equity.

Foreign currency risk - translational

Foreign currency earnings translation risk arises primarily as a result of earnings in NZD and PGK being translated into AUD and from the location of a number of other individually minor foreign currency earnings. Derivative contracts to hedge earnings exposures do not qualify for hedge accounting under Australian Accounting Standards. However, Board approved policy allows hedging of this exposure in order to reduce the volatility of full year earnings resulting from changes in exchange rates. At 30 September 2010, the fair value of these derivatives was $NIL (2009 $NIL).

Significantly, we draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup arising from the transactions and restructuring activities undertaken as part of the demerger from Orica Limited.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2010

36 Financial and capital management (continued)

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.

d) Liquidity risk management

Liquidity risk arises from the possibility that there will be insufficient funds available to make payment 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:

	2010 $'000
Unsecured bank overdraft facilities	
Unsecured bank overdraft facilities available	**7,463**
Amount of facilities undrawn	**7,463**
Committed standby and loan facilities	
Committed standby and loan facilities available[1]	**400,000**
Amount of facilities unused	**160,000**

[1] The syndicated bank loan facility is an unsecured USD, AUD and NZD revolving cash facility, with $300,000,000 maturing on 30 April 2013 and a further $100,000,000 maturing on 30 April 2015. Refer note 19(b) for details of the related guarantee.

Significantly, we draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup arising from the transactions and restructuring activities undertaken as part of the demerger from Orica Limited.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2010

36 Financial and capital management (continued)

d) Liquidity risk management (continued)

The bank overdrafts are payable on demand and are subject to an annual review. The repayment dates of the committed loan facilities range from 30 April 2013 to 30 April 2015. The contractual maturity of DuluxGroup's fixed and floating rate financial liabilities and derivatives are shown in the table below. The amounts shown represent the future undiscounted principal and interest cash flows:

	2010				
	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]	**178,992**	**178,859**	**133**	**-**	**178,992**
Trade bills and trade cards	**12,289**	**12,289**	**-**	**-**	**12,289**
Bank loan	**237,279**	**17,729**	**17,777**	**250,249**	**285,755**
Derivative financial liabilities	**305**	**305**	**-**	**-**	**305**
	428,865	**209,182**	**17,910**	**250,249**	**477,341**

(1) Excludes derivative financial instruments.

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 2010, DuluxGroup did not have any outstanding commodity contracts in relation to these inputs. Accordingly, no analysis of the impact of reasonable possible changes in commodity prices is presented.

37 Events subsequent to balance date

On 8 November 2010, the Directors declared a final dividend of 3.0 cents per ordinary share, fully franked and payable on 10 December 2010. The financial effect of this dividend is not included in the financial report for the year ended 30 September 2010 and will be recognised in the financial report for the year ending 30 September 2011.

The Directors have not become aware of any other significant matter or circumstance that has arisen since 30 September 2010 that has affected or may affect the operations, results or state of affairs of DuluxGroup in subsequent years, which has not been covered in this report.

Significantly, we draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup arising from the transactions and restructuring activities undertaken as part of the demerger from Orica Limited.

Directors' Declaration
For the financial year ended 30 September 2010

In the directors' opinion:

(a) the financial statements and notes, and the remuneration report in the Directors' report, set out on pages 51 to 125, are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 September 2010 and of their performance for the financial year ended on that date; and

(ii) complying with Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

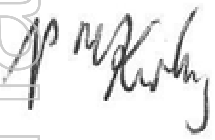
(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 35 will be able to meet any obligations or liabilities to which they are, or may become, subject to by virtue of the deed of cross guarantee described in note 33; and

(d) the financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001* for the financial year ended 30 September 2010.

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



Peter M. Kirby
Chairman

Melbourne
6 December 2010

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 2010, and Consolidated Income Statement and Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the year ended on that date, notes 1 to 37 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Consolidated Entity comprising the Company and the entities it controlled at the 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 Consolidated Entity 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 Consolidated Entity'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 Consolidated Entity is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Consolidated Entity's financial position as at 30 September 2010 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.

KPMG

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 September 2010. 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 2010, complies with Section 300A of the *Corporations Act 2001*.

KPMG

Alison Kitchen
Partner

Melbourne

6 December 2010

Shareholder Statistics

As at 22 November 2010

Distribution of ordinary shareholders and shareholdings

Size of holding	Number of holders		Number of shares	
1 – 1,000	34,484	63.30%	13,869,644	3.78
1,001 – 5,000	17,065	31.32%	35,159,252	9.58
5,001 – 10,000	1,881	3.45%	13,127,736	3.58
10,001 – 100,000	974	1.79%	19,909,804	5.43
100,001 and over	76	0.14%	284,925,684	77.64
Rounding				-0.01
Total	**54,480**	**100%**	**366,992,120**	**100.00**

Included in the above total are 9,475 shareholders holding less than a marketable parcel of 182 shares.

The holdings of the 20 largest holders of fully paid ordinary shares represent 71.58% of that class of shares.

Twenty largest ordinary fully paid shareholders

Name	Shares	% of total
JP Morgan Nominees Australia Limited	59,693,735	16.27
HSBC Custody Nominees (Australia) Limited	55,066,681	15.00
National Nominees Limited	37,455,309	10.21
Citicorp Nominees Pty Limited	26,586,641	7.24
RBC Dexia Investor Services Australia Nominees Pty Limited <Pipooled A/C>	22,699,277	6.19
RBC Dexia Investor Services Australia Nominees Pty Limited <Bkcust A/C>	11,724,749	3.19
Cogent Nominees Pty Limited	10,616,654	2.89
AMP Life Limited	5,291,203	1.44
Pacific Custodians Pty Limited <Orica Emp LTEIP Holding A/C>	5,015,607	1.37
JP Morgan Nominees Australia Limited <Cash Income A/C>	4,414,983	1.20
DuluxGroup (Employee Share Plan) Pty Ltd <LTA Control Account>	3,937,778	1.07
Citicorp Nominees Pty Limited <CFSIL Cwlth Aust Shs 4 A/C>	3,272,887	0.89
Perpetual Trustee Company Limited	2,998,350	0.82
RBC Dexia Investor Services Australia Nominees Pty Limited <PIIC A/C>	2,664,498	0.73
Australian Foundation Investment Company Limited	2,509,072	0.68
Argo Investments Limited	2,064,698	0.56
UBS Wealth Management Australia Nominees Pty Ltd	1,833,764	0.50
Citicorp Nominees Pty Limited <CFSIL Cwlth Small Co 7 A/C>	1,782,000	0.49
UBS Nominees Pty Ltd	1,757,272	0.48
Queensland Investment Corporation	1,291,496	0.35
Total	**262,676,654**	**71.58**

Register of substantial shareholders

The names of substantial shareholders in the Company, and the number of fully paid ordinary shares in which each has an interest, as disclosed in substantial shareholder notices to the Company on the respective dates are as follows:

Date	Name	Shares	% of total
8 October 2010	Schroder Investment Management Australia Limited	29,028,880	7.90
29 September 2010	Commonwealth Bank Of Australia And Subsidiaries	26,793,239	7.30
26 July 2010	Perpetual Limited And Subsidiaries	50,582,537	13.97

VOTING RIGHTS

Voting rights as governed by the Constitution of the Company provide that each ordinary shareholder present in person or by proxy at a meeting shall have:

– on a show of hands, one vote only; and

– on a poll, one vote for every fully paid ordinary share held.

Shareholder information

Annual General Meeting
10.30am Tuesday, 8 February 2011
Details are to be set out in the Notice of Meeting and on the Company's website at www.duluxgroup.com.au.

STOCK EXCHANGE LISTING
DuluxGroup Limited's shares are listed on the Australian Securities Exchange (ASX) and are traded under the code DLX.

DULUXGROUP SHARE REGISTRY
Computershare Investor Services Pty Limited

452 Johnston Street
Abbotsford, Victoria 3067, Australia

Telephone (within Australia):
1300 090 835

Telephone (international):
+61 3 9415 4183

Facsimile: +61 3 9473 2500
Website: www.computershare.com.au

TAX AND DIVIDEND PAYMENTS
For Australian registered shareholders who have not quoted their Tax File Number (TFN) or Australian Business Number (ABN), the company is obliged to deduct tax at the top marginal rate plus Medicare levy from unfranked and/or partially franked dividends. If you have not already quoted your TFN/ABN, you may do so by contacting our Share Registry (see above for contact details).

DIVIDEND PAYMENTS
Your dividends will be paid in Australian dollars by cheque mailed to the address recorded on the share register, unless you have elected to be paid by direct credit or are a full participant in the Dividend Reinvestment Plan (DRP). If you have not elected to be paid by direct credit or fully participate in the DRP, why not have us bank your dividend payments for you so you can have immediate access to your dividend payment? Your dividend payments can be credited directly into any nominated bank, building society or credit union account in Australia.

Dividends paid by direct credit appear in your account as cleared funds, thus allowing you to access them on payment date. You may elect to receive your dividends by way of direct credit by going to our Share Registry's website www.computershare.com.au.

DIVIDEND REINVESTMENT PLAN (DRP)
The DRP enables DuluxGroup's fully paid ordinary shareholders (having a registered address or being resident in Australia or New Zealand) to reinvest all or part of their dividends in additional DuluxGroup Limited fully paid ordinary shares. Applications are available by going to our Share Registry website www.computershare.com.au.

CONSOLIDATION OF MULTIPLE HOLDINGS
If you have multiple issuer sponsored holdings that you wish to consolidate into a single account, please notify the Share Registry in writing, quoting your full registered name and Securityholder Reference Number (SRN) for these accounts and nominating the account to which the holdings are to be consolidated.

CHANGE OF NAME AND/OR ADDRESS
For issuer sponsored holdings: please notify the Share Registry in writing if you change your name and/or address (please supply details of your new/previous name, your new/previous address and your SRN), or change the details online by going to our Share Registry website www.computershare.com.au.
For CHESS holdings: please notify your sponsor (usually your broker) in writing if you change your name and/or address.

SHARE ENQUIRIES
Shareholders seeking information about their shareholding or dividends should contact the DuluxGroup's Share Registry, Computershare Investor Services Pty Limited. Contact details are above. Callers can obtain information on their investments with DuluxGroup by calling the Investor Line on 1300 090 835 (international 61 3 9415 4183). This is a 24 hour, seven day a week service. Before you call, make sure you have your SRN or Holder Identification Number (HIN) handy. You can do so much more online via the internet by visiting our Share Registry website www.computershare.com.au.
You can access a wide variety of holding information and make some changes online or download forms including:

- Check your current and previous holding balances.
- Choose your preferred annual report option.
- Update your address details (Issuer Sponsored holdings).
- Update your bank details.
- Confirm whether you have lodged your TFN or ABN or exemption.
- Register your TFN/ABN/exemption.
- Check transaction and dividend history.
- Enter your email address.
- Check share prices and graphs.
- Download a variety of instruction forms.
- Subscribe to email announcements.

You can access this information via a security login using your SRN or HIN as well as your surname (or company name) and postcode/Country code (must be the postcode/Country code recorded for that holding).

DULUXGROUP COMMUNICATIONS

DuluxGroup's website www.duluxgroup.com.au offers shareholders details of the latest share price, announcements to the ASX, investor and analyst presentations, webcasts and the Chairman's and Managing Director's AGM addresses. The website also provides further information about the Company and offers insights into DuluxGroup's businesses.

DuluxGroup's printed communications include the Annual Report, however, we can now provide all communications electronically including dividend statements, notices of meeting and proxy forms. Electronic transmission enhances shareholder communication, results in significant cost savings for the Company and is more environmentally friendly. Shareholders wishing to receive all communications electronically should visit the Share Registry website www.computershare.com.au to register their preference.

Shareholders may elect to receive a copy of the Annual Report or notification by email when the Annual Report is available online at www.duluxgroup.com.au. If you do not make an Annual Report election you will not receive a copy of the Annual Report. If you wish to change your Annual Report election, you may do so at any time, please go to www.computershare.com.au or contact our Share Registry.

Copies of reports are available on request.

Telephone:
+61 3 9263 5678

Facsimile:
+61 3 9263 5030

Email:
companyinfo@duluxgroup.com.au

AUDITORS
KPMG

DULUXGROUP LIMITED
ABN 42 133 404 065

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1956 Dandenong Road
Clayton, Victoria 3168
Australia

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INVESTOR RELATIONS
Telephone:
+61 3 9263 5678
Email:
companyinfo@duluxgroup.com.au

Shareholder Timetable

8 February 2011	DuluxGroup 2010 Annual General Meeting
31 March 2011	DuluxGroup 2011 Half Year End
30 September 2011	DuluxGroup 2011 Year End
December 2011*	DuluxGroup 2011 Annual General Meeting

* Timing of event is subject to change

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DuluxGroup brands include:

- DuluxGroup
- Dulux
- Selleys
- Yates
- Cabot's
- OPEL
- DGL International
- 蓝蔚 Levene
- Berger Premium
- Blitzem!
- British Paints
- Dulux Acra-Tex
- Dulux Auto Refinish Coatings
- Dulux enviroSOLUTIONS™
- Dulux Powder Coatings
- Dulux Protective Coatings
- Dynamic Lifter
- Feast Watson
- Hillmark
- Hortico
- Intergrain
- Nature's Way
- Polyfilla
- Polyglaze
- Double Strength Ratsak
- Rota Cota
- Thrive
- Walpamur
- Waterwise
- Zero

2010 ANNUAL REPORT

DuluxGroup Limited
1956 Dandenong Rd
Clayton Victoria 3168
Australia