Appendix 4E
Preliminary Final Report
For the financial year ended 30 September 2011

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

Financial year ended (current period)	Financial year ended ('previous corresponding period' or 'prior period')
30 September 2011	30 September 2010

Results for announcement to the market

Consolidated revenue from operations ($'000)		Up 28% to 996,425	
Net profit for the financial year attributable to shareholders ($'000)		Up 52% to 93,237	
Dividends		Amount per security	Franked amount per security at 30% tax
Final dividend – Ordinary	Cents	7.5	7.5
Interim dividend – Ordinary	Cents	7.5	7.5
Previous corresponding period[1]			
Final dividend – Ordinary	Cents	3.0	3.0
Interim dividend – Ordinary	Cents	NIL	NIL

[1] 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.

Record date for determining entitlements to the dividend:	Ordinary shares	25 November 2011
Payment date of dividend:	Ordinary shares	16 December 2011

	Current period (Cents)	Previous corresponding period (Cents)
Net tangible asset backing per ordinary security	14.00	(1.10)

The Company's Dividend Reinvestment Plan (DRP) will operate with respect to the final dividend. The last date for receipt of election notices for participation in the final dividend under the DRP:	Ordinary shares	25 November 2011

Audit statement

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

Commentary on results

2011 - Queensland flood

On 12 January 2011, DuluxGroup Limited announced that its main Australian manufacturing plant at Rocklea in Queensland was being temporarily shutdown in light of the flood conditions, and subsequently confirmed that the production facility, distribution centre and office building located at the Rocklea facility had been subject to significant flooding. DuluxGroup has insurance arrangements in place in respect of flood damage and business interruption, which are subject to a deductible amount that is not material to the Group. Claims made under the insurance arrangements are subject to an insurance assessment and recovery process.

The consolidated financial results presented for DuluxGroup for the financial year ended 30 September 2011 include the impacts of the Queensland flood. Impacts include recognition of impairment for assets damaged in the flood, increased costs of production, one off costs for clean up and repairs related to the flood, and recognition of insurance income to reimburse for costs relating to repairs and replacement of assets, increased costs of production, site cleaning costs and lost sales. Not all amounts expected to be recovered through insurance are able to be recognised in the Income Statement and Balance Sheet of DuluxGroup at 30 September 2011 on the basis that the recognition criteria set out in the Australian Accounting Standards has not yet been satisfied. Instead these amounts are considered to be a contingent asset dependent on the outcome of the insurance assessment and recovery process.

Shareholders wanting analysis on the performance of the DuluxGroup business and the impact of the Queensland flood are encouraged to refer to the Profit Report dated 14 November 2011 accompanying the Preliminary Final Report.

2010 - Demerger

On 21 July 2008, Orica Limited announced its intention to demerge the DuluxGroup business (formerly known as the Consumer Products business). This demerger was approved by the Supreme Court of Victoria on 9 July 2010 and effective at the close of business on the same day for accounting purposes.

Owing to the activities undertaken by Orica Limited in preparation for demerger of its DuluxGroup business, the consolidated financial results presented for DuluxGroup for the financial year ended 30 September 2010 do not reflect the full year results for several operations that comprise DuluxGroup currently and at the time of the separation from Orica Limited. During the 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 on a progressive basis 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.

Shareholders wanting comparative financial information on the entire DuluxGroup business which separated from Orica Limited are encouraged to refer to the Profit Report dated 14 November 2011 accompanying the Preliminary Final Report.

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

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Consolidated Income Statement

For the financial year ended 30 September:

	Notes	2011 $'000	2010 $'000
Revenue from sale of goods		**996,425**	775,654
Other income	6	**67,542**	1,253
Expenses			
Changes in inventories of finished goods and work in progress		**(13,820)**	(3,778)
Raw materials and consumables used and finished goods purchased for resale		**417,983**	296,099
Employee benefits expense		**210,319**	160,137
Depreciation and amortisation expense	7	**19,973**	16,367
Purchased services		**147,496**	105,129
Repairs and maintenance		**12,965**	6,257
Lease payments - operating leases		**30,015**	24,154
Outgoing freight		**47,454**	32,647
Other expenses		**53,280**	41,378
Share of net profit of joint ventures accounted for using the equity method	14	**(917)**	(624)
		924,748	677,766
Profit from operations		**139,219**	99,141
Finance income		**540**	169
Finance expenses	7	**(23,618)**	(13,596)
Net finance costs		**(23,078)**	(13,427)
Profit before income tax expense		**116,141**	85,714
Income tax expense	8	**(22,904)**	(24,425)
Profit for the financial year		**93,237**	61,289

		cents	cents
Earnings per share			
Attributable to ordinary shareholders of DuluxGroup Limited:			
Basic earnings per share	4	**25.7**	16.9
Diluted earnings per share	4	**25.7**	16.9

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

Impact of Queensland flood (current period) and Demerger (prior period)

We draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup for the financial year ended 30 September 2011 arising from the Queensland flood and Note 3 describing transactions and restructuring activities undertaken in the financial year ended 30 September 2010 in preparation for a demerger from Orica Limited.

Consolidated Statement of Comprehensive Income

For the financial year ended 30 September:

	Notes	2011 $'000	2010 $'000
Profit for the financial year		**93,237**	61,289
Other comprehensive income			
Items that may be reclassified subsequently to the income statement			
Effective portion of changes in fair value of cash flow hedges	8(c)	**653**	(231)
Foreign currency translation gain/(loss) on foreign operations		**4,115**	(7,262)
Income tax on items that may be reclassified subsequently to the income statement	8(c)	**(196)**	69
Total items that may be reclassified subsequently to the income statement, net of tax		**4,572**	(7,424)
Items that will not be reclassified to income statement			
Actuarial (losses)/gains on defined benefit plan	8(c),22	**(11,811)**	569
Income tax on items that will not be reclassified to the income statement	8(c)	**3,543**	(170)
Total items that will not be reclassified to the income statement, net of tax		**(8,268)**	399
Other comprehensive income for the financial year, net of income tax		**(3,696)**	(7,025)
Total comprehensive income for the financial year		**89,541**	54,264

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

Impact of Queensland flood (current period) and Demerger (prior period)

We draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup for the financial year ended 30 September 2011 arising from the Queensland flood and Note 3 describing transactions and restructuring activities undertaken in the financial year ended 30 September 2010 in preparation for a demerger from Orica Limited.

Consolidated Balance Sheet
As at 30 September:

	Notes	2011 $'000	2010 $'000
Current assets			
Cash and cash equivalents	9	**39,540**	44,681
Trade and other receivables	10	**169,723**	140,881
Inventories	11	**135,727**	113,428
Derivative financial assets	12	**918**	58
Other assets	13	**2,384**	3,061
Total current assets		**348,292**	302,109
Non-current assets			
Trade and other receivables	10	**4**	88
Derivative financial assets	12	**221**	1,278
Investments accounted for using the equity method	14	**2,497**	2,080
Property, plant and equipment	15	**196,359**	153,890
Intangible assets	16	**87,024**	89,004
Deferred tax assets	17	**33,994**	25,432
Other assets	13	**338**	490
Total non-current assets		**320,437**	272,262
Total assets		**668,729**	574,371
Current liabilities			
Trade and other payables	18	**193,380**	178,859
Interest-bearing liabilities	19	**15,721**	12,289
Derivative financial liabilities	12	**6**	305
Current tax liabilities		**8,807**	6,419
Provisions	20	**19,697**	21,073
Total current liabilities		**237,611**	218,945
Non-current liabilities			
Trade and other payables	18	**294**	133
Interest-bearing liabilities	19	**245,931**	237,279
Deferred tax liabilities	21	**986**	745
Provisions	20	**22,837**	19,045
Defined benefit liability	22	**22,614**	13,269
Total non-current liabilities		**292,662**	270,471
Total liabilities		**530,273**	489,416
Net assets		**138,456**	84,955
Equity			
Contributed equity	23	**175,629**	174,323
Reserves	24	**(105,232)**	(111,027)
Retained earnings		**68,059**	21,659
Total equity		**138,456**	84,955

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

Impact of Queensland flood (current period) and Demerger (prior period)

We draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup for the financial year ended 30 September 2011 arising from the Queensland flood and Note 3 describing transactions and restructuring activities undertaken in the financial year ended 30 September 2010 in preparation for a demerger from Orica Limited.

Consolidated Statement of Changes in Equity

For the financial year ended 30 September:

	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 2010	174,323	1,925	(162)	(15,088)	(97,702)	21,659	84,955
Profit for the financial year	-	-	-	-	-	93,237	93,237
Other comprehensive income, net of income tax	-	-	457	4,115	-	(8,268)	(3,696)
Total comprehensive income for the financial year	**-**	**-**	**457**	**4,115**	**-**	**84,969**	**89,541**
Transactions with owners, recorded directly in equity							
Total changes in contributed equity	1,258	-	-	-	-	-	1,258
Share-based payments expense	-	1,247	-	-	-	-	1,247
Shares vested under the DuluxGroup Employee Share Investment Plan[(1)]	48	(24)	-	-	-	-	24
Dividends paid	-	-	-	-	-	(38,569)	(38,569)
Balance at 30 September 2011	**175,629**	**3,148**	**295**	**(10,973)**	**(97,702)**	**68,059**	**138,456**
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[(2)]	-	-	-	-	(97,702)	-	(97,702)
Dividends paid[(3)]	-	-	-	-	-	(40,000)	(40,000)
Balance at 30 September 2010	**174,323**	**1,925**	**(162)**	**(15,088)**	**(97,702)**	**21,659**	**84,955**

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

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

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

(3) 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.

Impact of Queensland flood (current period) and Demerger (prior period)

We draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup for the financial year ended 30 September 2011 arising from the Queensland flood and Note 3 describing transactions and restructuring activities undertaken in the financial year ended 30 September 2010 in preparation for a demerger from Orica Limited.

Consolidated Statement of Cash Flows

For the financial year ended 30 September:

	Notes	**2011 $'000**	2010 $'000
Cash flows from operating activities			
Receipts from customers		**1,085,667**	772,580
Payments to suppliers and employees		**(1,001,883)**	(727,796)
Interest received		**540**	169
Interest paid		**(26,162)**	(9,172)
Income taxes paid		**(25,638)**	(25,081)
Insurance recoveries	2	**53,532**	-
Net cash inflow from operating activities	32	**86,056**	10,700
Cash flows from investing activities			
Payments for property, plant and equipment		**(61,662)**	(29,817)
Payments for intangible assets		**(318)**	(737)
Payments for purchase of businesses and controlled entities		**(4,480)**	(310,701)
Proceeds from joint venture distributions	14	**500**	500
Proceeds from sale of property, plant and equipment		**101**	670
Net cash outflow from investing activities		**(65,859)**	(340,085)
Cash flows from financing activities			
Net movement in short term financing		**3,287**	1,872
Proceeds from long term borrowings		**7,792**	235,743
Proceeds from issue of ordinary shares		**1,258**	174,323
Dividends paid		**(38,569)**	(40,000)
Net cash (outflow)/inflow from financing activities		**(26,232)**	371,938
Net (decrease)/increase in cash held		**(6,035)**	42,553
Cash at the beginning of the financial year		**44,681**	2,532
Effects of exchange rate changes on cash		**894**	(404)
Cash at the end of the financial year		**39,540**	44,681
Reconciliation of cash			
Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:			
Cash at bank and on hand	9	**36,463**	41,871
Cash at bank - restricted[(1)]	9	**3,077**	2,810
	9	**39,540**	44,681

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.

Impact of Queensland flood (current period) and Demerger (prior period)

We draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup for the financial year ended 30 September 2011 arising from the Queensland flood and Note 3 describing transactions and restructuring activities undertaken in the financial year ended 30 September 2010 in preparation for a demerger from Orica Limited.

Notes to the Consolidated Financial Statements
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Impact of Queensland flood (current period) and Demerger (prior period)

We draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup for the financial year ended 30 September 2011 arising from the Queensland flood and Note 3 describing transactions and restructuring activities undertaken in the financial year ended 30 September 2010 in preparation for a demerger from Orica Limited.

Notes to the Consolidated Financial Statements (continued)
For the financial year ended 30 September 2011

1 Accounting policies

The significant accounting policies adopted in preparing the consolidated financial statements of DuluxGroup Limited (the Company) and of its controlled entities (collectively 'the consolidated entity' or 'the Group' or 'DuluxGroup') are stated below to assist in a general understanding of this financial report. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments and investments in financial assets (other than controlled entities and joint ventures) which have been measured at fair value. In addition, we draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup arising from the Queensland flood for the financial year ended 30 September 2011.

The consolidated financial statements were approved by the Board of Directors on 14 November 2011. 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 2010. The standards relevant to the Group that have been adopted during the year are:

- AASB 2010-3 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project.*
- Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments*

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

- AASB 1053 *Application of Tiers of Australian Accounting Standards.*
- AASB 1054 *Australian Additional Disclosures.*
- AASB 2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project.*
- AASB 2010-5 *Amendments to Australian Accounting Standards.*
- AASB 2010-6 *Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets.*
- AASB 2010-8 *Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets.*
- AASB 2011-1 *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project.*
- AASB 2011-9 *Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income*.

These standards have had no significant impact on the consolidated financial statements.

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

- AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* - applicable for annual reporting periods beginning on or after 1 January 2013.
- AASB 2010-7 *Amendments to Australian Accounting Standards Arising from AASB 9* - applicable for annual reporting periods beginning on or after 1 January 2013.
- AASB 9 *Financial Instruments* - applicable for annual reporting periods beginning on or after 1 January 2013.
- AASB 10 *Consolidated Financial Statements* - applicable for annual reporting periods beginning on or after 1 January 2013.
- AASB 11 *Joint Arrangements* - applicable for annual reporting periods beginning on or after 1 January 2013.
- AASB 12 *Disclosure of Interests in Other Entities* - applicable for annual reporting periods beginning on or after 1 January 2013.
- AASB 13 *Fair Value Measurement* - applicable for annual reporting periods beginning on or after 1 January 2013.
- AASB 119 *Employee Benefits* – applicable for annual reporting periods beginning on or after 1 January 2013.
- AASB 127 *Separate Financial Statements* - applicable for annual reporting periods beginning on or after 1 January 2013.

Impact of Queensland flood (current period) and Demerger (prior period)

We draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup for the financial year ended 30 September 2011 arising from the Queensland flood and Note 3 describing transactions and restructuring activities undertaken in the financial year ended 30 September 2010 in preparation for a demerger from Orica Limited.

1 Accounting policies (continued)

- AASB 128 *Investments in Associates and Joint Ventures* - applicable for annual reporting periods beginning on or after 1 January 2013.
- AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* – applicable for annual reporting periods on or after 1 July 2013.
- AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* – applicable for annual reporting periods beginning on or after 1 January 2013.
- AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* – applicable for annual reporting periods beginning on or after 1 January 2013.
- AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)* - applicable for annual reporting periods beginning on or after 1 January 2013.

DuluxGroup expects to adopt these standards and interpretations in the financial year ending 30 September 2012 and subsequent financial years - however they are not expected to have a significant impact on the financial results of DuluxGroup.

b) Comparatives

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

We draw your attention to Note 3 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 for the financial year ended 30 September 2010.

c) Consolidation

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

Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements. 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 common control and for consolidation purposes, the assets and liabilities acquired continue to reflect the carrying values in the accounting records of the consolidated group prior to the business combination occurring.

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 six years after the initial sale.

Impact of Queensland flood (current period) and Demerger (prior period)

We draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup for the financial year ended 30 September 2011 arising from the Queensland flood and Note 3 describing transactions and restructuring activities undertaken in the financial year ended 30 September 2010 in preparation for a demerger from Orica Limited.

1 Accounting policies (continued)

Other income

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

Dividends are recognised in the income statement when declared.

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

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

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.

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.

Impact of Queensland flood (current period) and Demerger (prior period)

We draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup for the financial year ended 30 September 2011 arising from the Queensland flood and Note 3 describing transactions and restructuring activities undertaken in the financial year ended 30 September 2010 in preparation for a demerger from Orica Limited.

1 Accounting policies (continued)

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

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

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 remain unpaid at the year end date.

Dividends

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

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.

Impact of Queensland flood (current period) and Demerger (prior period)

We draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup for the financial year ended 30 September 2011 arising from the Queensland flood and Note 3 describing transactions and restructuring activities undertaken in the financial year ended 30 September 2010 in preparation for a demerger from Orica Limited.

1 Accounting policies (continued)

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

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.

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 at least annually by a qualified actuary using the projected unit credit method.

Share-based payments

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

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

Impact of Queensland flood (current period) and Demerger (prior period)

We draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup for the financial year ended 30 September 2011 arising from the Queensland flood and Note 3 describing transactions and restructuring activities undertaken in the financial year ended 30 September 2010 in preparation for a demerger from Orica Limited.

1 Accounting policies (continued)

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 by the Company or its controlled entities are recognised as a share buy-back and deducted from contributed equity.

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

Restructuring and employee termination benefits

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

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.

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 income statement to the cash flow hedge reserve in equity.

Impact of Queensland flood (current period) and Demerger (prior period)

We draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup for the financial year ended 30 September 2011 arising from the Queensland flood and Note 3 describing transactions and restructuring activities undertaken in the financial year ended 30 September 2010 in preparation for a demerger from Orica Limited.

1 Accounting policies (continued)

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

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

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

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

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

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

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

Hedge of monetary assets and liabilities

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

Anticipated transactions

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

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

Impact of Queensland flood (current period) and Demerger (prior period)

We draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup for the financial year ended 30 September 2011 arising from the Queensland flood and Note 3 describing transactions and restructuring activities undertaken in the financial year ended 30 September 2010 in preparation for a demerger from Orica Limited.

1 Accounting policies (continued)

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

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

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

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.

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.

Impact of Queensland flood (current period) and Demerger (prior period)

We draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup for the financial year ended 30 September 2011 arising from the Queensland flood and Note 3 describing transactions and restructuring activities undertaken in the financial year ended 30 September 2010 in preparation for a demerger from Orica Limited.

1 Accounting policies (continued)

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 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.

Impact of Queensland flood (current period) and Demerger (prior period)

We draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup for the financial year ended 30 September 2011 arising from the Queensland flood and Note 3 describing transactions and restructuring activities undertaken in the financial year ended 30 September 2010 in preparation for a demerger from Orica Limited.

2 Queensland flood

On 12 January 2011, DuluxGroup announced that its main Australian manufacturing plant at Rocklea in Queensland was being temporarily shutdown in light of the flood conditions, and subsequently confirmed that the production facility, distribution centre and office building located at the Rocklea facility had been subject to significant flooding.

DuluxGroup has insurance arrangements in place, which are subject to a deductible amount that is not material to the Group. Claims made under the insurance arrangements are subject to an insurance assessment and recovery process. The insurance arrangements are designed to cover property damage and business interruption, including damage to plant and equipment; damage to other assets, including inventory; clean up and repair costs; lost profit arising from sales lost as a direct result of damage to our facilities; and increased costs of operating to replace production to maintain revenue, eg. incremental costs associated with third party tolling arrangements.

At 30 September 2011, the insurance assessment and recovery process is continuing. To the extent that the recognition criteria set out in the Australian Accounting Standards has been satisfied, management have recognised in other income insurance recoveries of $65,000,000 for damaged inventory; replacement of property, plant and equipment (assessed based on current replacement cost); lost profit arising from sales lost as a direct result of damage to our facilities; and increased operating, clean up and repair costs. During the year ended 30 September 2011, $53,532,000 of the reported insurance recoveries has been received with the balance of $11,468,000 included in other receivables.

Contingent asset from Queensland flood

Potential further insurance recoveries to be claimed pertaining to the financial year ended 30 September 2011 have not been recognised as a receivable at balance date as these amounts cannot be reliably estimated and are dependent on the insurance assessment and recovery process. The impact of this will be reported in DuluxGroup's 30 September 2012 results.

3 Businesses acquired

2011

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

Amendments to prior year acquisitions

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

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). This demerger was approved by the Supreme Court of Victoria on 9 July 2010 and effective at the close of business on the same day for accounting purposes.

Owing to the activities undertaken by Orica Limited in preparation for demerger of its DuluxGroup business, the consolidated financial results presented for DuluxGroup for the financial year ended 30 September 2010 do not reflect the full year results for several operations that comprise DuluxGroup at the time of the separation from Orica Limited. During the 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 on a progressive basis 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.

Impact of Queensland flood (current period) and Demerger (prior period)

We draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup for the financial year ended 30 September 2011 arising from the Queensland flood and Note 3 describing transactions and restructuring activities undertaken in the financial year ended 30 September 2010 in preparation for a demerger from Orica Limited.

3 Business acquired (continued)

As part of the activities undertaken by Orica Limited during the financial year ended 30 September 2010 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) Ltd on 1 April 2010;
- DGL International (Shenzhen) Co Ltd on 1 April 2010; and
- Dulux Holdings (PNG) 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 (with certain employee liabilities and other assets only acquired as at 30 June 2010);
- DuluxGroup businesses in Singapore not already trading through DGL International (Singapore) Pte Ltd on 25 January 2010; and
- Dulux Holdings (PNG) Ltd business assets and liabilities, excluding land and buildings, on 30 June 2010, being prior to the acquisition of the Dulux Holdings (PNG) Ltd legal entity on the same date.

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 prior period business combinations under common control at carrying value. As permitted by Australian Accounting Standards, certain of its subsidiaries, primarily DuluxGroup (New Zealand) Pty Ltd elected to apply purchase accounting in its own accounting books and records. On consolidation, the effect of this policy difference in relation to the valuation of the business assets and liabilities in New Zealand is reversed with the recognition of a Common Control Reserve (reported in Total Equity) to the extent that the fair value of the business assets and liabilities exceeded their carrying value at the date of acquisition.

Impact of Queensland flood (current period) and Demerger (prior period)

We draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup for the financial year ended 30 September 2011 arising from the Queensland flood and Note 3 describing transactions and restructuring activities undertaken in the financial year ended 30 September 2010 in preparation for a demerger from Orica Limited.

3 Business acquired (continued)

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

2010	$'000
Consideration	
Cash paid	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)
Other provisions	(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

Results contributed by the acquired business since acquistion date:	$'000
Revenue	741,369
Profit before income tax expense	96,453

If the acquisition had occured on 1 October 2009, the results contributed by the business acquired 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 liabilities 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.

Impact of Queensland flood (current period) and Demerger (prior period)

We draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup for the financial year ended 30 September 2011 arising from the Queensland flood and Note 3 describing transactions and restructuring activities undertaken in the financial year ended 30 September 2010 in preparation for a demerger from Orica Limited.

4 Earnings per share (EPS)

As reported in the Consolidated Income Statement	2011 Cents per share	2010 Cents per share
Total attributable to ordinary shareholders of DuluxGroup Limited		
Basic earnings per share	**25.7**	16.9
Diluted earnings per share	**25.7**	16.9

	$'000	$'000
Earnings used in the calculation of basic and diluted earnings per share		
Profit for the financial year attributable to ordinary shareholders of DuluxGroup Limited	**93,237**	61,289

	Number	Number
Weighted average number of shares used as the denominator:		
Number for basic earnings per share	**362,481,237**	362,100,430[1]
Effect of the potential issue of shares as part of the Long Term Equity Incentive Plan and the Employee Share Investment Plan[2]	**470,900**	928,611
Number for diluted earnings per share	**362,952,137**	363,029,041

[1] The weighted average number of shares for the financial year ended 30 September 2010 has been restated to reflect the change in the Company's capital structure as a result of DuluxGroup's demerger as if the change had occurred at the beginning of the financial year.

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

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

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

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

Impact of Queensland flood (current period) and Demerger (prior period)

We draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup for the financial year ended 30 September 2011 arising from the Queensland flood and Note 3 describing transactions and restructuring activities undertaken in the financial year ended 30 September 2010 in preparation for a demerger from Orica Limited.

5 Segment report (continued)

Reportable segments 2011 $'000	Paints Australia	Paints New Zealand	Selleys Yates	Offshore and Other	Unallocated[2]	Consolidated
Revenue						
External sales	575,089	70,639	237,619	113,078	-	996,425
Inter-segment sales	5,540	11,909	11,306	753	(29,508)	-
Total revenue from sale of goods	580,629	82,548	248,925	113,831	(29,508)	996,425
Other income[1]	65,101	(151)	560	2,163	(131)	67,542
Total revenue and other income	645,730	82,397	249,485	115,994	(29,639)	1,063,967
Results						
Profit/(loss) before net financing costs and income tax expense	106,896	9,725	30,491	7,656	(15,549)	139,219
Profit/(loss) from operations	106,896	9,725	30,491	7,656	(15,549)	139,219
Finance income						540
Finance expense						(23,618)
Profit before income tax expense						116,141
Income tax expense						(22,904)
Profit for the financial year						93,237
Segment assets	301,676	51,096	139,058	85,604	91,295	668,729
Segment liabilities	141,987	14,381	48,947	26,632	298,326	530,273
Investments accounted for using the equity method	-	-	2,497	-	-	2,497
Acquisitions of property, plant and equipment and intangible assets	46,006	13,467	3,583	2,793	429	66,278
Impairment of property, plant and equipment	6,546	153	-	-	12	6,711
Impairment/(reversal of impairment) of inventories	6,104	365	(99)	510	-	6,880
Impairment of trade and other receivables	854	139	-	469	-	1,462
Depreciation expense	9,031	2,227	3,093	3,400	370	18,121
Amortisation expense	976	76	597	203	-	1,852
Non-cash expenses other than depreciation and amortisation:						
Share-based payments	201	75	194	38	739	1,247
Share of net profit of joint venture accounted for using the equity method	-	-	917	-	-	917

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

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

Revenue from one of DuluxGroup's customers was approximately 30% (2010 30%) of the total DuluxGroup revenue from sale of goods during the year ended 30 September 2011. This customer operated within the Paints Australia, Paints New Zealand and Selleys Yates segments.

Impact of Queensland flood (current period) and Demerger (prior period)

We draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup for the financial year ended 30 September 2011 arising from the Queensland flood and Note 3 describing transactions and restructuring activities undertaken in the financial year ended 30 September 2010 in preparation for a demerger from Orica Limited.

5 Segment report (continued)

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 and other 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	1,128	63	193	38	503	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 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.

Impact of Queensland flood (current period) and Demerger (prior period)

We draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup for the financial year ended 30 September 2011 arising from the Queensland flood and Note 3 describing transactions and restructuring activities undertaken in the financial year ended 30 September 2010 in preparation for a demerger from Orica Limited.

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:

	2011 **$'000**	2010 $'000
Australia	**802,130**	628,455
New Zealand	**124,723**	92,432
Other countries	**69,572**	54,767
	996,425	775,654

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

	2011 **$'000**	2010 $'000
Australia	**224,988**	197,581
New Zealand	**36,547**	24,288
Other countries	**22,186**	21,515
	283,721	243,384

6 Other income

	2011 **$'000**	2010 $'000
Insurance recoveries [1]	**65,000**	-
Royalty income	**740**	404
Net foreign exchange gains	**-**	59
Other	**1,802**	790
	67,542	1,253

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

Impact of Queensland flood (current period) and Demerger (prior period)

We draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup for the financial year ended 30 September 2011 arising from the Queensland flood and Note 3 describing transactions and restructuring activities undertaken in the financial year ended 30 September 2010 in preparation for a demerger from Orica Limited.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2011

7 Expenses

Profit before income tax includes the following specific expenses:

	2011 $'000	2010 $'000
Depreciation and amortisation		
Depreciation (Note 15)		
Buildings	**1,781**	1,368
Machinery, plant and equipment	**16,340**	13,327
	18,121	14,695
Amortisation (Note 16)		
Patents, trademarks and rights	**191**	150
Brand names	**232**	239
Software	**1,429**	1,283
	1,852	1,672
Total depreciation and amortisation expense	**19,973**	16,367
Provisions - net of amounts written back (Note 20)		
Environmental provision	**-**	310
Deferred income - customer loyalty programme provision	**1,475**	(42)
Leased properties provision	**2,696**	1,821
Other provisions	**210**	4,145
	4,381	6,234
Finance expenses		
Interest and finance charges paid/payable for financial liabilities not at fair value through profit and loss	**24,252**	13,596
Provisions: unwinding of discount (Note 20)	**436**	-
Amount capitalised (Note 15)	**(1,070)**	-
	23,618	13,596
Net loss on sale of property, plant and equipment	**54**	106
Net foreign exchange losses	**161**	-
Impairment of property, plant and equipment (Note 15)	**6,711**	-
Impairment of trade and other receivables	**1,462**	1,414
Impairment of inventories	**6,880**	827
Research and development expense	**14,711**	11,045

Impact of Queensland flood (current period) and Demerger (prior period)

We draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup for the financial year ended 30 September 2011 arising from the Queensland flood and Note 3 describing transactions and restructuring activities undertaken in the financial year ended 30 September 2010 in preparation for a demerger from Orica Limited.

8 Income tax

a) Income tax expense recognised in the Consolidated Income Statement

	2011 $'000	2010 $'000
Current tax expense	**39,268**	24,876
Deferred tax benefit	**(4,903)**	(451)
Over provision in prior years[1]	**(11,461)**	-
Total income tax expense in the Consolidated Income Statement	**22,904**	24,425
Deferred income tax expense/(benefit) included in income tax expense comprises:		
Increase in deferred tax assets (Note 17)	**(5,127)**	(419)
Increase/(decrease) in deferred tax liabilities (Note 21)	**224**	(32)
	(4,903)	(451)

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

	2011 $'000	2010 $'000
Profit before income tax expense	**116,141**	85,714
Prima facie income tax expense calculated at 30% of profit before income tax expense	**34,842**	25,714
Tax effect of items which (decrease)/increase tax expense:		
Variation in tax rates of foreign controlled entities	**175**	311
Entertainment	**262**	267
Non allowable share-based payments	**374**	578
Research and development	**(360)**	(378)
Share of net profit of joint ventures accounted for using the equity method	**(275)**	(187)
Net non-deductible/non-assessable income	**(1,284)**	(2,481)
Tax consolidation adjustment[2]	**(12,474)**	-
Deferred tax restatements for overseas tax legislation change	**231**	391
Other foreign deductions	**-**	(489)
Sundry items	**1,413**	699
Income tax expense reported in the Consolidated Income Statement	**22,904**	24,425

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

(2) On forming the Australian tax consolidated group effective from 19 July 2010, management undertook an exercise to calculate the impact of tax consolidation on the recognised values of deferred tax balances in Australia. The impact of tax consolidation was reflected in the last annual report at 30 September 2010 based on management's best estimates, taking into account the time frame available to prepare the exit calculations from the demerger date. Since 30 September 2010, management has continued to refine the tax exit calculation supported by independent valuation advice and have recognised a further deferred tax asset of $12,474,000 in the financial year ended 30 September 2011, with a corresponding credit to income tax expense.

c) Income tax expense recognised in Other Comprehensive Income

	2011			2010		
	$'000	**$'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	**653**	**(196)**	**457**	(231)	69	(162)
Actuarial (losses)/gains on defined benefit plan	**(11,811)**	**3,543**	**(8,268)**	569	(170)	399
	(11,158)	**3,347**	**(7,811)**	338	(101)	237

Impact of Queensland flood (current period) and Demerger (prior period)

We draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup for the financial year ended 30 September 2011 arising from the Queensland flood and Note 3 describing transactions and restructuring activities undertaken in the financial year ended 30 September 2010 in preparation for a demerger from Orica Limited.

8 Income tax (continued)

d) Unrecognised deferred tax assets and liabilities

	2011 $'000	2010 $'000
Tax losses not recognised in China[1]	**1,753**	1,681

[1] Expiration dates between 2011 and 2016 (2010 between 2010 and 2015).

e) Unrecognised temporary differences

	2011 $'000	2010 $'000
Temporary differences relating to investments in subsidiaries for which deferred tax assets have not been recognised	**10,973**	15,088
Unrecognised deferred tax assets relating to the above temporary differences	**3,292**	4,526

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

f) Tax consolidation

DuluxGroup Limited is the head entity of the 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.

9 Cash and cash equivalents

	2011 $'000	2010 $'000
Cash at bank and on hand	**36,463**	41,871
Cash at bank - restricted[1]	**3,077**	2,810
	39,540	44,681

[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.

Impact of Queensland flood (current period) and Demerger (prior period)

We draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup for the financial year ended 30 September 2011 arising from the Queensland flood and Note 3 describing transactions and restructuring activities undertaken in the financial year ended 30 September 2010 in preparation for a demerger from Orica Limited.

10 Trade and other receivables

	2011 $'000	2010 $'000
Current		
Trade receivables	**158,994**	140,596
Less allowance for impairment	**(3,137)**	(2,763)
	155,857	137,833
Other receivables	**2,398**	3,097
Less allowance for impairment	**-**	(49)
	2,398	3,048
Insurance receivables (Note 2)	**11,468**	-
	169,723	140,881
Non-current		
Other receivables	**4**	88

a) Trade receivables

Trade receivables (current) includes $12,526,000 (2010 $12,289,000) of receivables arising from trade cards used by customers to finance trade debts that have effectively been transferred from DuluxGroup. These receivables do not qualify for derecognition due to DuluxGroup's exposure to the credit risk associated with the relevant debtors via guarantees provided to financial institutions should the debtors not pay. A corresponding liability is recognised in Note 19.

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

b) Trade receivables and allowance for impairment

	2011 Gross $'000	2011 Allowance $'000	2010 Gross $'000	2010 Allowance $'000
Not past due	**137,389**	**32**	120,517	100
Past due 0 - 30 days	**13,416**	**125**	13,056	-
Past due 31 - 60 days	**2,060**	**63**	2,512	-
Past due 61 - 90 days	**1,316**	**188**	993	151
Past due 91 - 120 days	**817**	**251**	484	255
Past 120 days	**3,996**	**2,478**	3,034	2,257
	158,994	**3,137**	140,596	2,763

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.

Impact of Queensland flood (current period) and Demerger (prior period)

We draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup for the financial year ended 30 September 2011 arising from the Queensland flood and Note 3 describing transactions and restructuring activities undertaken in the financial year ended 30 September 2010 in preparation for a demerger from Orica Limited.

10 Trade and other receivables (continued)

c) Movement in allowance for impairment of trade receivables

	2011 $'000	2010 $'000
Opening balance	**2,763**	1,386
Allowances made during the year	**1,468**	1,411
Additions through business acquisitions	**-**	2,304
Allowances utilised during the year	**(1,136)**	(2,032)
Foreign currency exchange differences	**42**	(306)
Closing balance	**3,137**	2,763

d) Movement in allowance for impairment of current other receivables

	2011 $'000	2010 $'000
Opening balance	**49**	46
Allowances made during the year	**-**	3
Allowances written back during the year	**(6)**	-
Allowances utilised during the year	**(44)**	-
Foreign currency exchange differences	**1**	-
Closing balance	**-**	49

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

	2011 $'000	2010 $'000
Raw materials	**26,935**	18,456
Work in progress	**4,480**	3,766
Finished goods	**104,312**	91,206
	135,727	113,428

The cost of goods sold recognised in the Consolidated Income Statement for the financial year ended 30 September 2011 amounted to $564,799,000 (2010 $439,236,000).

Impact of Queensland flood (current period) and Demerger (prior period)

We draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup for the financial year ended 30 September 2011 arising from the Queensland flood and Note 3 describing transactions and restructuring activities undertaken in the financial year ended 30 September 2010 in preparation for a demerger from Orica Limited.

12 Derivative financial assets and liabilities

	2011 $'000	2010 $'000
Current		
Derivative financial assets		
Foreign exchange options - cash flow hedges	**881**	35
Foreign exchange options - held for trading	**-**	23
Interest rate options - cash flow hedges	**37**	-
	918	58
Derivative financial liabilities		
Foreign exchange contracts - held for trading	**6**	-
Foreign exchange contracts - cash flow hedges	-	305
	6	305
Non-current		
Derivative financial assets		
Interest rate options - cash flow hedges	**221**	1,278
	221	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 2011 was $NIL (2010 net $305,000 loss). The fair value of foreign exchange options used as hedges of foreign exchange transactions at 30 September 2011 was $881,000 (2010 $35,000), comprising assets of $881,000 (2010 $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 2011**	**$'000 2011**	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 2011**	**$'000 2011**	Weighted average rate 2010	$'000 2010
Buy US dollars/sell Australian dollars				
Not later than one year	**1.0422**	**USD 9,224**	0.9018	USD 1,642
Buy US dollars/sell New Zealand dollars			-	-
Not later than one year	**0.8424**	**USD 372**		

Impact of Queensland flood (current period) and Demerger (prior period)

We draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup for the financial year ended 30 September 2011 arising from the Queensland flood and Note 3 describing transactions and restructuring activities undertaken in the financial year ended 30 September 2010 in preparation for a demerger from Orica Limited.

12 Derivative financial assets and liabilities (continued)

a) Foreign exchange transactions (continued)

$NIL has been recognised in the cash flow hedge reserve on foreign exchange contracts hedging anticipated purchases for the financial year ended 30 September 2011. In the financial year ended 30 September 2010, net losses of $305,000 ($214,000 net of tax) were recognised in the cash flow hedge reserve on foreign exchange contracts hedging anticipated purchases expected to be recognised within 12 months. Since inception of the foreign exchange options, recognised in the balance sheet at 30 September 2011, a net gain of $456,000 ($319,000 net of tax) (2010 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 foreign currency hedges have been negotiated to match the terms of the commitments.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. When the underlying asset or liability affects the income statement, the consolidated entity transfers the related amount deferred in the cash flow hedge reserve in equity into the income statement.

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 $258,000 (2010 $1,278,000) as at 30 September 2011.

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:

	2011 $'000	2010 $'000
Floating to fixed options		
One to five years	**175,000**	175,000
Fixed interest rate range p.a.	**4.75 % to 5.50%**	4.75% to 5.50%

Losses of $34,000 ($24,000 net of tax) (2010 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 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.

Impact of Queensland flood (current period) and Demerger (prior period)

We draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup for the financial year ended 30 September 2011 arising from the Queensland flood and Note 3 describing transactions and restructuring activities undertaken in the financial year ended 30 September 2010 in preparation for a demerger from Orica Limited.

12 Derivative financial assets and liabilities (continued)

Fair value of derivatives (continued)

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

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

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

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

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

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

13 Other assets

	2011 $'000	2010 $'000
Current		
Prepayments	**2,114**	2,987
Other	**270**	74
	2,384	3,061
Non-current		
Prepayments	**332**	481
Other	**6**	9
	338	490

Impact of Queensland flood (current period) and Demerger (prior period)

We draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup for the financial year ended 30 September 2011 arising from the Queensland flood and Note 3 describing transactions and restructuring activities undertaken in the financial year ended 30 September 2010 in preparation for a demerger from Orica Limited.

14 Investments accounted for using the equity method

The consolidated entity has an interest in the following entities:

Name of entity	Percentage of ownership interest held at end of the financial year		Contribution to net profit	
	2011 %	2010 %	**2011 $'000**	2010 $'000
DGL Camel Powder Coatings Limited (formerly DGL Camel Coatings Limited, Orica Camel Coatings Limited)[1]	**50.0**	50.0	**-**	-
Pinegro Products Pty Ltd[2]	**50.0**	50.0	**917**	624
			917	624

(1) Acquired on 30 April 2010 and incorporated on 31 October 2003.

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

There were no commitments and contingent liabilities in the joint ventures as at 30 September 2011 (2010 $NIL).

	2011 $'000	2010 $'000
Results of joint ventures		
Share of joint ventures' profit before income tax	**1,310**	891
Share of joint ventures' income tax expense	**(393)**	(267)
Share of net profit of joint ventures accounted for using the equity method	**917**	624
Movements in carrying amounts of investments		
Opening balance	**2,080**	-
Investments in joint ventures acquired during the year	**-**	1,956
Share of net profit of joint ventures accounted for using the equity method	**917**	624
Less distributions from joint ventures	**(500)**	(500)
Closing balance	**2,497**	2,080
Summary of profit and loss and balance sheets of joint ventures on a 100% basis		
The revenue, net profit after tax, assets and liabilities of joint ventures are:		
Revenue	**14,319**	10,599
Net profit after tax	**1,834**	1,248
Assets	**9,541**	8,399
Liabilities	**3,640**	3,520

Impact of Queensland flood (current period) and Demerger (prior period)

We draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup for the financial year ended 30 September 2011 arising from the Queensland flood and Note 3 describing transactions and restructuring activities undertaken in the financial year ended 30 September 2010 in preparation for a demerger from Orica Limited.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2011

15 Property, plant and equipment

	2011 $'000	2010 $'000
Land		
At cost	**28,970**	22,466
Buildings		
At cost	**60,573**	52,448
Less accumulated depreciation	**(26,666)**	(24,912)
	33,907	27,536
Machinery, plant and equipment		
At cost	**265,537**	224,174
Less accumulated depreciation	**(132,055)**	(120,286)
	133,482	103,888
Total net book value		
At cost	**355,080**	299,088
Less accumulated depreciation	**(158,721)**	(145,198)
Total net book value of property, plant and equipment	**196,359**	153,890

a) Assets under construction

Included in the above are assets under constructions at 30 September 2011 of $36,989,000 (2010 $25,822,000).

b) Capitalised borrowing costs

Included in the above is capitalised interest on qualifying assets for the financial year ended 30 September 2011 of $1,070,000 (2010 $NIL). The capitalisation rate used to determine the amount of borrowings costs to be capitalised is 7.1% (2010 Not applicable), being the weighted average interest rate applicable to the entity's outstanding borrowings during the financial year.

c) Reconciliations

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

	Land $'000	Buildings $'000	Machinery, plant and equipment $'000	Total $'000
2011				
Balance at 1 October 2010	**22,466**	**27,536**	**103,888**	**153,890**
Additions	**6,425**	**8,069**	**51,469**	**65,963**
Disposals	**-**	**-**	**(182)**	**(182)**
Depreciation expense	**-**	**(1,781)**	**(16,340)**	**(18,121)**
Impairment expense	**-**	**(23)**	**(6,688)**	**(6,711)**
Foreign currency exchange differences	**79**	**106**	**1,335**	**1,520**
Balance at 30 September 2011	**28,970**	**33,907**	**133,482**	**196,359**
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	-	(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

Impact of Queensland flood (current period) and Demerger (prior period)

We draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup for the financial year ended 30 September 2011 arising from the Queensland flood and Note 3 describing transactions and restructuring activities undertaken in the financial year ended 30 September 2010 in preparation for a demerger from Orica Limited.

16 Intangible assets

	2011 $'000	2010 $'000
Goodwill		
At cost	**43,705**	44,200
	43,705	44,200
Patents, trademarks and rights		
At cost	**4,418**	4,299
Less accumulated amortisation	**(3,439)**	(3,148)
	979	1,151
Brand names		
At cost	**41,298**	41,288
Less accumulated amortisation	**(864)**	(638)
	40,434	40,650
Software		
At cost	**19,194**	18,785
Less accumulated amortisation	**(17,288)**	(15,782)
	1,906	3,003
Total net book value		
At cost	**108,615**	108,572
Less accumulated amortisation	**(21,591)**	(19,568)
Total net book value of intangible assets	**87,024**	89,004

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
2011					
Balance at 1 October 2010	**44,200**	**1,151**	**40,650**	**3,003**	**89,004**
Additions	**-**	**-**	**-**	**315**	**315**
Adjustments for business acquisitions (Note 3)	**(1,000)**	**-**	**-**	**-**	**(1,000)**
Amortisation expense	**-**	**(191)**	**(232)**	**(1,429)**	**(1,852)**
Foreign currency exchange differences	**505**	**19**	**16**	**17**	**557**
Balance at 30 September 2011	**43,705**	**979**	**40,434** [(1)]	**1,906**	**87,024**
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	-	(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

(1) Includes an amount of $38,358,000 (2010 $38,358,000) relating to brand names with indefinite useful lives.

Impact of Queensland flood (current period) and Demerger (prior period)

We draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup for the financial year ended 30 September 2011 arising from the Queensland flood and Note 3 describing transactions and restructuring activities undertaken in the financial year ended 30 September 2010 in preparation for a demerger from Orica Limited.

16 Intangible assets (continued)

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

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

	Goodwill[1]		Brand names[2]	
	2011 $'000	2010 $'000	**2011 $'000**	2010 $'000
Paints Australia	**8,063**	9,043	**23,500**	23,500
Selleys Yates	**20,210**	20,181	**14,858**	14,858
China[3]	**15,432**	14,976	**-**	-
	43,705	44,200	**38,358**	38,358

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

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

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

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

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

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

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

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

The pre-tax discount rates applied in the discounted cash flow models range between 14% and 16% (2010 15% and 18%).

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.

At a DuluxGroup consolidated level 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 $70,000,000 (2010 $80,000,000) while a 10% change in earnings would affect value in use by $110,000,000 (2010 $130,000,000). A reduction of this magnitude would not cause the recoverable amount to be below the carrying amount of these assets.

Impact of Queensland flood (current period) and Demerger (prior period)

We draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup for the financial year ended 30 September 2011 arising from the Queensland flood and Note 3 describing transactions and restructuring activities undertaken in the financial year ended 30 September 2010 in preparation for a demerger from Orica Limited.

16 Intangible assets (continued)

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

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 2011 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 1% (2010 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

	2011 $'000	2010 $'000
The balance comprises temporary differences attributable to:		
Trade and other receivables	**655**	657
Inventories	**1,747**	1,598
Property, plant and equipment	**9,852**	1,722
Intangible assets	**2,123**	-
Trade and other payables	**4,585**	5,454
Provisions	**3,127**	3,037
Employee entitlements	**15,538**	11,861
Tax losses	**22**	23
Other	**876**	1,080
Deferred tax assets	**38,525**	25,432
Set-off of deferred tax assets pursuant to set-off provisions (Note 21)	**(4,531)**	-
Net deferred tax assets	**33,994**	25,432
Expected to be recovered within 12 months	**12,614**	14,808
Expected to be recovered after more than 12 months	**21,380**	10,624
	33,994	25,432
Movements:		
Opening balance	**25,432**	401
Additions through business acquisitions (Note 3)	**-**	25,150
Credited to profit or loss	**5,127**	419
Charged to other comprehensive income (Note 8(c))	**3,347**	(101)
Foreign currency exchange differences	**88**	(437)
Closing balance	**33,994**	25,432

Impact of Queensland flood (current period) and Demerger (prior period)

We draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup for the financial year ended 30 September 2011 arising from the Queensland flood and Note 3 describing transactions and restructuring activities undertaken in the financial year ended 30 September 2010 in preparation for a demerger from Orica Limited.

18 Trade and other payables

	2011 $'000	2010 $'000
Current		
Trade payables	**159,498**	138,029
Other payables	**33,882**	40,830
	193,380	178,859
Non-current		
Other payables	**294**	133
	294	133

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

	2011 $'000	2010 $'000
Current		
Unsecured		
Trade cards [(1)]	**12,526**	12,289
Bank loans - RMB denominated[(2)]	**3,195**	-
	15,721	12,289
Non-current		
Unsecured		
Bank loan - USD denominated[(3)]	**3,070**	-
Bank loan - NZD denominated[(4)]	**19,685**	-
Bank loan - AUD denominated[(5)]	**223,176**	237,279
	245,931	237,279

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

(2) The current RMB denominated unsecured bank loan amount comprises of RMB 20,000,000 (AUD 3,195,000) drawn under an overseas bank loan facility.

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

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

(5) The non-current AUD denominated unsecured bank loan amount comprises of $225,000,000 (2010 $240,000,000) drawn under the Group's multi-currency syndicated bank loan facility, net of unamortised prepaid establishment fees of $1,824,000 (2010 $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, Dulux Holdings Pty Ltd and DuluxGroup (PNG) Pte 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.

Impact of Queensland flood (current period) and Demerger (prior period)

We draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup for the financial year ended 30 September 2011 arising from the Queensland flood and Note 3 describing transactions and restructuring activities undertaken in the financial year ended 30 September 2010 in preparation for a demerger from Orica Limited.

20 Provisions

	2011	2010
	$'000	$'000
Current		
Employee entitlements	**13,168**	12,122
Environmental	**2,344**	3,869
Deferred income - customer loyalty programme	**1,026**	937
Leased properties	**315**	-
Other	**2,844**	4,145
	19,697	21,073
Non-current		
Employee entitlements	**16,111**	14,159
Deferred income - customer loyalty programme	**1,707**	1,543
Leased properties	**4,422**	1,821
Other	**597**	1,522
	22,837	19,045

a) Environmental

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

b) Deferred income – customer loyalty programme

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

c) Leased properties

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

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

d) Other

Other provision comprises of amounts for committed internal reorganisations, contingent liabilities arising from business acquisitions and other costs including those associated with the demerger of DuluxGroup from Orica Group.

20 Provisions (continued)

e) Reconciliations

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

Current and non-current	Environmental $'000	Deferred income - customer loyalty programme $'000	Leased properties $'000	Other $'000	Total $'000
Balance at 1 October 2010	**3,869**	**2,480**	**1,821**	**5,667**	**13,837**
Provisions made during the year	**-**	**1,595**	**3,193**	**258**	**5,046**
Provisions written back during the year	**-**	**(120)**	**(497)**	**(1,022)**	**(1,639)**
Provisions utilised during the year	**(1,536)**	**(1,438)**	**-**	**(1,510)**	**(4,484)**
Unwind of discounting	**-**	**216**	**220**	**-**	**436**
Foreign currency exchange differences	**11**	**-**	**-**	**48**	**59**
Balance at 30 September 2011	**2,344**	**2,733**	**4,737**	**3,441**	**13,255**

21 Deferred tax liabilities

	2011 $'000	2010 $'000
The balance comprises temporary differences attributable to:		
Trade and other receivables	**3,441**	-
Property, plant and equipment	**1,358**	250
Intangible assets	**312**	173
Trade and other payables	**399**	322
Other	**7**	-
Deferred tax liabilities	**5,517**	745
Set-off of deferred tax assets pursuant to set-off provisions (Note 17)	**(4,531)**	-
Net deferred tax liabilities	**986**	745
Expected to be settled within 12 months	**499**	322
Expected to be settled after more than 12 months	**487**	423
	986	745
Movements:		
Opening balance	**745**	-
Additions through business acquisitions (Note 3)	**-**	870
Charged/(credited) to profit or loss	**224**	(32)
Foreign currency exchange differences	**17**	(93)
Closing balance	**986**	745

Impact of Queensland flood (current period) and Demerger (prior period)

We draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup for the financial year ended 30 September 2011 arising from the Queensland flood and Note 3 describing transactions and restructuring activities undertaken in the financial year ended 30 September 2010 in preparation for a demerger from Orica Limited.

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 2011 was $10,800,000 (2010 $7,156,000).

c) Defined benefit pension plans

Following the demerger of DuluxGroup from Orica Limited on 9 July 2010, DuluxGroup (Australia) Pty Ltd became a sponsoring employer of the Orica Flexible Benefits Super Fund (FBSF), a defined benefit post-employment plan in Australia that provides benefits to employees upon retirement.

On 1 July 2011, a new successor fund called The DuluxGroup Super Fund (the Fund) was established. DuluxGroup (Australia) Pty Ltd is the sponsoring employer of the defined benefit post-employment section of the Fund in Australia. At 1 July 2011, the membership and benefits of all DuluxGroup employees who were members of the FBSF were transferred to the Fund under a successor fund arrangement. The impact of this transfer was $NIL, with the net defined benefit liability post the transfer equal to the net defined benefit before the transfer.

Funding for post-employment benefits is carried out in accordance with the requirements of the Trust Deed and the advice of the plan's actuarial adviser. During the financial year ended 30 September 2011, the consolidated entity made employer contributions of $5,729,000 (2010 $426,000) to defined benefit plans. DuluxGroup's external actuaries have forecast total employer contributions to defined benefit plans of $5,754,000 for the financial year ending 30 September 2012. The fund is currently closed to new members.

22 Superannuation commitments (continued)

c) Defined benefit pension plans (continued)

i) Balance sheet amounts

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

	2011 $'000	2010 $'000
Present value of the defined benefit obligations	**139,539**	127,674
Fair value of defined benefit plan assets	**(116,925)**	(114,405)
Net defined benefit liability recognised in balance sheet at the end of the financial year	**22,614**	13,269

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:

	2011	2010
Equity instruments	**40%**	45%
Fixed interest securities	**19%**	26%
Property	**14%**	12%
Cash and other assets	**27%**	17%

iii) Reconciliations

	2011 $'000	2010 $'000
Reconciliation of present value of the defined benefit obligations:		
Balance at 1 October	**127,674**	-
Additions through business acquisitions	**-**	128,030
Current service cost	**4,066**	1,014
Interest cost	**6,762**	1,646
Actuarial losses	**5,105**	2,291
Contributions by plan participants	**2,629**	348
Benefits paid	**(5,011)**	(5,390)
Distributions	**(1,686)**	(265)
Balance at 30 September	**139,539**	127,674
Reconciliation of the fair value of the plan assets:		
Balance at 1 October	**114,405**	-
Additions through business acquisitions	**-**	114,403
Expected return on plan assets	**7,565**	2,023
Actuarial (losses)/gains	**(6,706)**	2,860
Contributions by employer	**5,729**	426
Contributions by plan participants	**2,629**	348
Benefits paid	**(5,011)**	(5,390)
Distributions	**(1,686)**	(265)
Balance at 30 September	**116,925**	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 (2010 $NIL).

Impact of Queensland flood (current period) and Demerger (prior period)

We draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup for the financial year ended 30 September 2011 arising from the Queensland flood and Note 3 describing transactions and restructuring activities undertaken in the financial year ended 30 September 2010 in preparation for a demerger from Orica Limited.

22 Superannuation commitments (continued)

c) Defined benefit pension plans (continued)

iv) Amounts recognised in the Consolidated Income Statement

	2011 '000	2010 $'000
Current service cost	**4,066**	1,014
Interest cost	**6,762**	1,646
Expected return on plan assets	**(7,565)**	(2,023)
Total included in employee benefits expense	**3,263**	637

v) Principal actuarial assumptions

The principal actuarial assumptions used were as follows:

	2011	2010
Discount rate	**3.80%**	4.60%
Expected return on plan assets	**7.25%**	7.25%
Future salary increases	**3.75%**	3.75%
Future inflation	**2.75%**	2.75%

vi) Historic summary

	2011 $'000	2010 $'000
Defined benefit plan obligation	**139,539**	127,674
Plan assets	**(116,925)**	(114,405)
Deficit	**22,614**	13,269
Experience gain arising on plan liabilities	**(811)**	(764)
Experience (loss)/gain arising on plan assets	**(6,706)**	2,860
Actual return on plan assets	**859**	4,883

vii) Amounts included in the Consolidated Statement of Comprehensive Income

	2011 $'000	2010 $'000
Total actuarial (losses)/gains before tax	**(11,811)**	569
Tax on total actuarial losses/(gains)	**3,543**	(170)
Total actuarial (losses)/gains after tax	**(8,268)**	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 losses (before tax) included in the Consolidated Statement of Comprehensive Income to 30 September 2011 is $11,242,000 (2010 gain of $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

	2011 $'000	2010 $'000
Issued and fully paid		
Ordinary shares	**175,629**	174,323

Movements in fully paid ordinary shares on issue since 1 October 2009 were as follows:

Details	Number of shares	Issue price $	$'000
Ordinary shares			
Balance at 1 October 2009	6	1.00	-
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	-	-
Shares issued under the DuluxGroup LTEIP plan[3]	4,401,850	-	-
Balance at 30 September 2010	366,992,120		174,323
Shares issued under the DuluxGroup dividend reinvestment plan[4]	464,139	2.71	1,258
Shares vested under the DuluxGroup ESIP plan[2]	-	-	48
Balance at 30 September 2011	**367,456,259**		**175,629**

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

(4) The Company has established a dividend reinvestment plan (DRP) under which holders of ordinary shares may be able to elect to have all or part of their dividend entitlements satisfied by the issue of new fully paid ordinary shares. In relation to the final dividend paid on 10 December 2010, 464,139 new shares were issued at a price of $2.71.

a) Treasury shares

Under the DuluxGroup LTEIP and the ESIP, ordinary shares were issued to DuluxGroup (Employee Share Plans) Pty Ltd as trustee of the plans. On consolidation, the shares issued as part of these plans have been accounted for as treasury shares and accordingly are not included as part of the reported contributed equity amount. Movements in treasury shares since 1 October 2009 were as follows:

Details	Number of shares	$'000
Treasury shares		
Balance at 1 October 2009	-	-
Shares issued under the DuluxGroup ESIP plan[1]	489,840	1,260
Shares issued under the DuluxGroup LTEIP plan[2]	4,401,850	11,313
Balance at 30 September 2010	4,891,690	12,573
Shares vested under the DuluxGroup ESIP plan[1]	(18,940)	(48)
Balance at 30 September 2011	**4,872,750**	**12,525**

(1) Upon cessation of employment and settlement of amounts outstanding for their ESIP shares, 18,940 shares vested to plan participants. Refer to Note 26 for details of the DuluxGroup Employee Share Investment Plan.

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

Impact of Queensland flood (current period) and Demerger (prior period)

We draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup for the financial year ended 30 September 2011 arising from the Queensland flood and Note 3 describing transactions and restructuring activities undertaken in the financial year ended 30 September 2010 in preparation for a demerger from Orica Limited.

24 Reserves

	2011 **$'000**	2010 $'000
Reserves		
Share-based payments	**3,148**	1,925
Cash flow hedging	**295**	(162)
Foreign currency translation	**(10,973)**	(15,088)
Common control	**(97,702)**	(97,702)
	(105,232)	(111,027)

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

25 Dividends

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

a) Ordinary shares

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

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

On 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.

Impact of Queensland flood (current period) and Demerger (prior period)

We draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup for the financial year ended 30 September 2011 arising from the Queensland flood and Note 3 describing transactions and restructuring activities undertaken in the financial year ended 30 September 2010 in preparation for a demerger from Orica Limited.

Notes to the Consolidated Financial Statements (continued)
For the financial year ended 30 September 2011

25 Dividends (continued)

b) Subsequent events

On 14 November 2011, the Directors declared a final dividend of 7.5 cents per ordinary share, fully franked and payable on 16 December 2011.

The financial effect of the final dividend has not been brought to account in the financial report for the financial year ended 30 September 2011 and will be recognised in the financial report for the financial year ending 30 September 2012.

The Company's DRP will operate with respect to the final dividend. The DRP pricing period will be the five trading days from 30 November 2011 to 6 December 2011 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 2011 are $949,500 (2010 $1,995,730).

26 Share-based payments

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

	2011	2010
	$	$
DuluxGroup Long Term Equity Incentive Plan	**1,246,580**	282,410
DuluxGroup Employee Share Investment Plan	**-**	630,011
Orica Group Long Term Equity Incentive Plan(1)	**-**	1,012,979
	1,246,580	1,925,400

(1) 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. In addition, pursuant to the rules of the Orica Group LTEIP, loans became repayable and applicable debt waiver performance conditions were pro-rata tested in relation to the DuluxGroup participants at the time of demerger. As a result, an incremental share-based payment expense was incurred to reflect the accelerated vesting of these Orica Group LTEIP awards.

a) DuluxGroup Long Term Equity Incentive Plan

Under the DuluxGroup Long Term Equity Incentive Plan (LTEIP), there were no new grants during the financial year ended 30 September 2011.

The LTEIP was established on 9 July 2010 (following demerger from Orica Limited) to incentivise executives to generate shareholder wealth. Detailed remuneration disclosures, including further details on the link between the LTEIP and shareholder wealth, are provided in the Remuneration Report section of the Directors' Report.

Under the LTEIP, eligible executives are provided with an interest free, non-recourse loan from DuluxGroup for the sole purpose of acquiring ordinary shares in the Company. Executives may not deal with the shares while the loan remains outstanding and any dividends paid on the shares are applied (on an after-tax basis) towards repaying the loan. Executives are entitled to exercise the voting rights attaching to their DuluxGroup ordinary shares from the date of allocation of those shares. The shares issued to the executives can be newly issued shares, purchased on market or reissued unvested shares. Shares issued under this plan in conjunction with non-recourse loans are accounted for as options. As a result, the amounts receivable from employees in relation to these loans are not recognised in the financial statements. Shares issued under this plan are recognised as treasury shares (refer Note 23), with a share-based payment expense recognised in the income statement over the vesting period based on the fair value of the options. Shares purchased by the Company or its controlled entities on-market under the plan are recognised as a share buy-back. Settlement of share loans are recognised as share capital. Under the July 2010 and subsequent LTEIP executive 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.

Impact of Queensland flood (current period) and Demerger (prior period)

We draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup for the financial year ended 30 September 2011 arising from the Queensland flood and Note 3 describing transactions and restructuring activities undertaken in the financial year ended 30 September 2010 in preparation for a demerger from Orica Limited.

26 Share-based payments (continued)

a) DuluxGroup Long Term Equity Incentive Plan (continued)

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

	Number at issue date	Issue date	Issue price	Total expense[1] 2011 $	Total expense[1] 2010 $
Shares issued	3,937,778	19 July 2010	$2.57	**1,142,080**	252,636
Shares issued	464,072	5 August 2010	$2.57	**104,500**	29,774
	4,401,850			**1,246,580**	282,410

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

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

Grant date	Expiry date	Exercise price	Number outstanding at 1 October 2010	Number granted during the year	Number other changes during the year[1,2]	Number outstanding at year end	Number exercisable at year end
12 July 2010[3]	January 2014[4]	N/A	3,937,778	-	(334,330)	3,603,448	-
12 July 2010[3]	January 2014[4]	N/A	464,072	-	(87,822)	376,250	-

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

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

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

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

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.

Impact of Queensland flood (current period) and Demerger (prior period)

We draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup for the financial year ended 30 September 2011 arising from the Queensland flood and Note 3 describing transactions and restructuring activities undertaken in the financial year ended 30 September 2010 in preparation for a demerger from Orica Limited.

26 Share-based payments (continued)

a) DuluxGroup Long Term Equity Incentive Plan (continued)

The fair value inputs for share options granted the year ended 30 September 2010 include:

	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

There were no new employee share investment plans that commenced during the financial year ended 30 September 2011.

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's ordinary 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.

A participating employee is entitled to receive all cash dividends paid on their DuluxGroup shares and to exercise the voting rights attaching to those shares from the date of allocation. Employees who leave DuluxGroup must salary sacrifice any remaining amount prior to becoming entitled to the shares. A share allocated to a participating employee under the ESIP has trade restrictions attached until the earlier of the end of three years after the date of allocation and the time when the participant ceases to be employed by DuluxGroup Limited or any of its controlled entities. At the end of the restriction period, the employee will be able to sell or otherwise deal with their DuluxGroup shares. A total of 1,341 employees participated in the plan.

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

				Total expense	
	Number at issue date	Issue date	Issue price	2011 $	2010 $
Shares issued	443,430	9 August 2010	$2.56	-	567,590
Shares issued	46,410	28 September 2010	$2.69	-	62,421
	489,840			-	630,011

During the financial year ended 30 September 2011, of the 489,840 ESIP shares on issue, 18,940 shares vested due to plan participants ceasing their employment with DuluxGroup and settlement of amounts outstanding for their ESIP shares.

Impact of Queensland flood (current period) and Demerger (prior period)

We draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup for the financial year ended 30 September 2011 arising from the Queensland flood and Note 3 describing transactions and restructuring activities undertaken in the financial year ended 30 September 2010 in preparation for a demerger from Orica Limited.

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:

	2011[1] **$**	2010[1] $
Short term employee benefits	**5,178,272**	4,399,963
Other long term benefits	**93,966**	140,107
Post employment benefits	**165,597**	99,969
Share-based payments	**663,516**	1,688,789
Termination benefits	**-**	156,509
	6,101,351	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 Messrs Brezzi and Walker (2010 Mr Richardson), who are not 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.

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

The relevant interests of KMPs, including their related parties, in the share capital and options of the Company from the earlier of their date of appointment or 1 October 2010 are:

As at 30 September 2011	Balance held at date of appointment or 1 October 2010	Number acquired[1]	Net change other[2]	Number of fully paid ordinary shares held at 30 September 2011	Number of options for fully paid ordinary shares held at 30 September 2011[3]
Non-Executive Directors					
Peter Kirby	130,000	-	-	130,000	-
Gaik Hean Chew	-	49,000	-	49,000	-
Garry Hounsell	16,138	97,076	-	113,214	-
Andrew Larke	148,549	891	-	149,440	-
Judith Swales	-	-	-	-	-
Executive Directors					
Patrick Houlihan	89,322	35,000	-	124,322	1,145,655
Stuart Boxer	53,226	20,000	-	73,226	317,873
Other Executive KMP					
Graeme Doyle	41,287	-	-	41,287	307,453
Patrick Jones	12,595	469	-	13,064	128,536
Brad Hordern	14,110	1,017	-	15,127	140,026
Julia Myers	1,570[4]	40	-	1,610	58,088
Former Executive KMP					
Andrew Ingleton	22,681	-	-	22,681	-
Total	**529,478**	**203,493**	**-**	**732,971**	**2,097,631**

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

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

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

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

Impact of Queensland flood (current period) and Demerger (prior period)

We draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup for the financial year ended 30 September 2011 arising from the Queensland flood and Note 3 describing transactions and restructuring activities undertaken in the financial year ended 30 September 2010 in preparation for a demerger from Orica Limited.

27 Related party disclosures (continued)

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

As at 30 September 2010	Balance held at 12 July 2010	Number acquired[1]	Net change other[2]	Number of fully paid ordinary shares held at 30 September 2010	Number of options for fully paid ordinary shares held at 30 September 2010[3]
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] 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

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

2011

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

2010

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 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.

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.

e) Controlled entities

Interests in subsidiaries are set out in Note 35.

Impact of Queensland flood (current period) and Demerger (prior period)

We draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup for the financial year ended 30 September 2011 arising from the Queensland flood and Note 3 describing transactions and restructuring activities undertaken in the financial year ended 30 September 2010 in preparation for a demerger from Orica Limited.

27 Related party disclosures (continued)

f) Transactions with other related parties

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

	2011	2010
	$	$
Sales of goods to joint ventures	**283,326**	240,255
Purchases of goods from joint ventures	**2,517,240**	1,436,518
Distributions received from joint ventures	**500,000**	500,000
Royalty income received from joint ventures	**434,216**	82,369

g) Outstanding balances with other related parties

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

	2011	2010
	$	$
Current receivables from joint ventures	**71,912**	18,768
Current payables to joint ventures	**376,565**	512,096

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

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

28 Auditors' remuneration

	2011	2010
	$	$
Total remuneration received, or due and receivable, by the auditors of the Company for:		
Audit services - audit and review of financial reports		
KPMG Australia	**470,000**	420,000
Overseas KPMG firms [1]	**108,041**	120,401
	578,041	540,401
Other services [2]		
Other assurance services - KPMG Australia	**82,500**	55,000
	82,500	55,000

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

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

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

Impact of Queensland flood (current period) and Demerger (prior period)

We draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup for the financial year ended 30 September 2011 arising from the Queensland flood and Note 3 describing transactions and restructuring activities undertaken in the financial year ended 30 September 2010 in preparation for a demerger from Orica Limited.

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.

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.

Impact of Queensland flood (current period) and Demerger (prior period)

We draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup for the financial year ended 30 September 2011 arising from the Queensland flood and Note 3 describing transactions and restructuring activities undertaken in the financial year ended 30 September 2010 in preparation for a demerger from Orica Limited.

29 Critical accounting estimates and judgements (continued)

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) Queensland flood

The Group's insurance receivable balance attributable to the Queensland flood is recognised when the criteria specified under the Australian Accounting Standards is satisfied. The insurance claims arising from the Queensland flood cover a range of issues including material damage to inventories and property, plant and equipment, costs associated with clean up, and business interruption arising from lost sales and incremental costs of manufacturing. The claims are evaluated on a case-by-case basis considering the information and evidence available, and management necessarily applies its judgement in assessing whether the receipt should be recognised. Where the claims have been estimated by management, but do not meet the recognition criteria, they are treated as contingent assets and may qualify for recognition in the future.

g) Environmental

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

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

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

Impact of Queensland flood (current period) and Demerger (prior period)

We draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup for the financial year ended 30 September 2011 arising from the Queensland flood and Note 3 describing transactions and restructuring activities undertaken in the financial year ended 30 September 2010 in preparation for a demerger from Orica Limited.

30 Contingent liabilities and contingent assets

DuluxGroup had contingent liabilities at 30 September 2011 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.

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.

c) Contingent asset from Queensland flood

For details of contingent assets arising from the Queensland flood, refer to Note 2.

31 Commitments

a) Capital expenditure commitments

	2011 $'000	2010 $'000
Capital expenditure on property and plant and equipment contracted but not provided for and payable:		
- No later than one year	**2,886**	9,311
- Later than one, no later than five years	**47**	38
	2,933	9,349

Impact of Queensland flood (current period) and Demerger (prior period)

We draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup for the financial year ended 30 September 2011 arising from the Queensland flood and Note 3 describing transactions and restructuring activities undertaken in the financial year ended 30 September 2010 in preparation for a demerger from Orica Limited.

31 Commitments (continued)

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.

	2011 $'000	2010 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
- No later than one year	**16,122**	15,335
- Later than one, no later than five years	**34,774**	32,778
- Later than five years	**9,494**	22,916
	60,390	71,029

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.

	2011 $'000	2010 $'000
Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases	**3,300**	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.

	2011 $'000	2010 $'000
Commitments in relation to cancellable operating leases contracted for at the reporting date but not recognised as liabilities payable:		
- No later than one year	**5,238**	5,581
- Later than one, no later than five years	**5,839**	8,328
- Later than five years	**-**	15
	11,077	13,924

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 2011.

Impact of Queensland flood (current period) and Demerger (prior period)

We draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup for the financial year ended 30 September 2011 arising from the Queensland flood and Note 3 describing transactions and restructuring activities undertaken in the financial year ended 30 September 2010 in preparation for a demerger from Orica Limited.

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

	2011 $'000	2010 $'000
Profit for the financial year	**93,237**	61,289
Depreciation and amortisation	**19,973**	16,367
Share-based payment expense	**1,247**	1,925
Share of joint ventures' net profit	**(917)**	(624)
Impairment of inventories	**6,880**	827
Net loss on sale of property, plant and equipment	**54**	106
Amortisation of prepaid loan establishment fees	**897**	200
Impairment of property, plant and equipment	**6,711**	-
Changes in working capital and provisions excluding the effects of acquisitions and disposals of businesses and controlled entities		
Increase in trade and other receivables	**(28,999)**	(82,105)
Increase in inventories	**(29,179)**	(3,188)
Decrease in other assets	**829**	16,366
Decrease in deferred taxes payable	**(4,707)**	(521)
Increase in trade payables and provisions	**18,057**	193
Increase/(decrease) in current tax liabilities	**1,973**	(135)
Net cash inflow from operating activities	**86,056**	10,700

33 Deed of cross guarantee

Entities which are party to a Deed of Cross Guarantee (Closed Group), entered into in accordance with ASIC Class Order 98/1418 dated 27 September 2010, are disclosed in Note 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

	2011 $'000	2010 $'000
Profit before income tax expense	**113,045**	85,090
Income tax expense	**(19,329)**	(23,705)
Profit for the financial year	**93,716**	61,385
Retained earnings at 1 October	**21,334**	(450)
Profit for the financial year	**93,716**	-
Retained earnings of companies joining the deed	**-**	61,385
Actuarial (losses)/gains on defined benefit plan recognised directly in retained earnings (net of tax)	**(8,268)**	399
Dividends paid - ordinary shares	**(38,569)**	(40,000)
Retained earnings at 30 September	**68,213**	21,334

Impact of Queensland flood (current period) and Demerger (prior period)

We draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup for the financial year ended 30 September 2011 arising from the Queensland flood and Note 3 describing transactions and restructuring activities undertaken in the financial year ended 30 September 2010 in preparation for a demerger from Orica Limited.

33 Deed of cross guarantee (continued)

b) Consolidated Statement of Comprehensive Income

Consolidated statement of comprehensive income

	2011 $'000	2010 $'000
Profit for the financial year	**93,716**	61,385
Other comprehensive income		
Items that may be reclassified subsequently to the income statement		
Effective portion of changes in fair value of cash flow hedges	**452**	73
Foreign currency translation gain/(loss) on foreign operations	**1,545**	(146)
Income tax on items that may be reclassified subsequently to the income statment	**(136)**	69
Total items that may be reclassified subsequently to the income statement, net of tax	**1,861**	(4)
Items that will not be reclassified to the income statement		
Actuarial (losses)/gains on defined benefit plan	**(11,811)**	569
Income tax on items that will not be reclassified to the income statement	**3,543**	(170)
Total items that will not be reclassified to the income statement, net of tax	**(8,268)**	399
Other comprehensive income for the financial year, net of income tax	**(6,407)**	395
Total comprehensive income for the financial year	**87,309**	61,780

Impact of Queensland flood (current period) and Demerger (prior period)

We draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup for the financial year ended 30 September 2011 arising from the Queensland flood and Note 3 describing transactions and restructuring activities undertaken in the financial year ended 30 September 2010 in preparation for a demerger from Orica Limited.

33 Deed of cross guarantee (continued)

c) Consolidated Balance Sheet

	2011 $'000	2010 $'000
Current assets		
Cash and cash equivalents	**22,473**	35,349
Trade and other receivables	**161,208**	134,913
Inventories	**125,117**	106,895
Derivative financial assets	**918**	58
Other assets	**2,042**	2,760
Total current assets	**311,758**	279,975
Non-current assets		
Trade and other receivables	**15,605**	12,729
Derivative financial assets	**221**	1,278
Investments	**42,670**	42,253
Property, plant and equipment	**191,002**	148,844
Intangible assets	**70,218**	72,544
Deferred tax assets	**33,365**	24,439
Other assets	**315**	481
Total non-current assets	**353,396**	302,568
Total assets	**665,154**	582,543
Current liabilities		
Trade and other payables	**177,047**	166,825
Interest-bearing liabilities	**12,526**	12,289
Derivative financial liabilities	**6**	305
Current tax liabilities	**6,547**	6,188
Provisions	**19,413**	20,842
Total current liabilities	**215,539**	206,449
Non-current liabilities		
Trade and other payables	**8**	159
Interest-bearing liabilities	**245,931**	237,279
Deferred tax liabilities	**630**	601
Provisions	**22,183**	17,480
Defined benefit liability	**22,614**	13,269
Total non-current liabilities	**291,366**	268,788
Total liabilities	**506,905**	475,237
Net assets	**158,249**	107,306
Equity		
Ordinary shares	**188,154**	186,896
Reserves	**(98,118)**	(100,924)
Retained earnings	**68,213**	21,334
Total equity	**158,249**	107,306

Impact of Queensland flood (current period) and Demerger (prior period)

We draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup for the financial year ended 30 September 2011 arising from the Queensland flood and Note 3 describing transactions and restructuring activities undertaken in the financial year ended 30 September 2010 in preparation for a demerger from Orica Limited.

34 Parent entity financial information

a) Summary financial information

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

	2011 $'000	2010 $'000
Current assets	**5,302**	7,503
Non-current assets	**223,502**	223,815
Total assets	**228,804**	231,318
Current liabilities	**1,365**	13
Non-current liabilities	**37,865**	38,074
Total liabilities	**39,230**	38,087
Net assets	**189,574**	193,231
Equity		
Contributed equity[1]	**188,154**	186,896
Retained earnings	**1,420**	6,335
	189,574	193,231
Profit before income tax expense[2]	**31,549**	46,264
Income tax benefit	**2,105**	71
Profit for the financial year	**33,654**	46,335
Total comprehensive income of the parent entity	**33,654**	46,335

(1) Includes $12,525,000 (2010 $12,573,000) relating to 4,872,750 (2010 4,891,690) DuluxGroup Limited shares issued as part of the DuluxGroup LTEIP and ESIP plans and $1,258,000 (2010 $NIL) relating to 464,139 DuluxGroup Limited shares issued as part of the DRP. On consolidation, the shares issued as part of the DuluxGroup LTEIP and ESIP plans have been accounted for as treasury shares and accordingly are not recognised as part of contributed equity. Refer Note 23(a).

(2) Profit before income tax expense includes dividend income of $11,010,000 and $27,559,000 (2010 $46,500,000) declared by DuluxGroup (New Zealand) Pty Ltd on 30 November 2010 and 17 June 2011 respectively (2010 17 June 2010).

b) Guarantees

Details of guarantees entered into by the parent entity in relation to external banking facilities as at 30 September 2011 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 2011 (2010 $NIL).

d) Contingent liabilities

Refer to Note 30 for information relating to contingent liabilities and contingent assets of DuluxGroup.

Impact of Queensland flood (current period) and Demerger (prior period)

We draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup for the financial year ended 30 September 2011 arising from the Queensland flood and Note 3 describing transactions and restructuring activities undertaken in the financial year ended 30 September 2010 in preparation for a demerger from Orica Limited.

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 2011 %	Equity holding 2010 %
DuluxGroup (Investments) Pty Ltd[1]	Australia	**100**	100
DuluxGroup (Finance) Pty Ltd[1]	Australia	**100**	100
DuluxGroup (New Zealand) Pty Ltd [1]	Australia	**100**	100
DuluxGroup (Australia) Pty Ltd[1,2]	Australia	**100**	100
Dulux Holdings Pty Ltd[1,2]	Australia	**100**	100
DuluxGroup (Employee Share Plans) Pty Ltd[1,5]	Australia	**100**	100
DuluxGroup Employee Share Plan Trust[4]	Australia	**100**	100
DGL International (Shanghai) Co Ltd	China	**100**	100
DGL International (Shenzhen) Co Ltd [2]	China	**100**	100
DGL International (Hong Kong) Ltd[2]	Hong Kong	**100**	100
DGL International (Malaysia) Sdn Bhd [2]	Malaysia	**100**	100
Dulux Holdings (PNG) Ltd[2]	Papua New Guinea	**100**	100
DGL International (Singapore) Pte Ltd	Singapore	**100**	100
DuluxGroup (PNG) Pte Ltd [2]	Singapore	**100**	100
DGL International (Vietnam) Company Limited[3]	Vietnam	**100**	-
DGL Camel Coatings Limited (formerly Ego Sino Holdings Limited)[3]	Hong Kong	**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 2011.

(4) Formed in accordance with Trust Deed dated 15 July 2010.

(5) Incorporated in 2010.

Impact of Queensland flood (current period) and Demerger (prior period)

We draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup for the financial year ended 30 September 2011 arising from the Queensland flood and Note 3 describing transactions and restructuring activities undertaken in the financial year ended 30 September 2010 in preparation for a demerger from Orica Limited.

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

	2011 $'000	2010[(1)] $'000
Interest-bearing liabilities	**263,476**	252,289
Less:		
Prepaid loan establishment fees	**1,824**	2,721
Trade cards	**12,526**	12,289
Cash and cash equivalents	**39,540**	44,681
Net debt	**209,586**	192,598
Earnings before interest, tax, depreciation and amortisation	**159,192**	115,508
Net Debt to EBITDA (times)	**1.3**	1.7

The interest cover ratio is calculated as follows:

	2011 $'000	2010[(1)] $'000
Earnings before interest, tax, depreciation and amortisation	**159,192**	115,508
Net finance costs[(2)]	**22,181**	13,227
Interest cover ratio (times)	**7.2**	8.7

The accounting gearing ratio is calculated as follows:

	2011 $'000	2010[(1)] $'000
Net debt[(3)]	**209,586**	192,598
Net debt plus total equity	**348,042**	277,553
Net debt to net debt plus total equity	**60%**	69%

(1) We note that the above metrics and ratios prepared on a statutory basis are not necessarily reflective of these measures owing to the impact of the restructuring and demerger of DuluxGroup during the financial year ended 30 September 2010. For more details, refer to Note 3.

(2) Net finance costs exclude the amortisation of prepaid loan establishment fees.

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

Impact of Queensland flood (current period) and Demerger (prior period)

We draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup for the financial year ended 30 September 2011 arising from the Queensland flood and Note 3 describing transactions and restructuring activities undertaken in the financial year ended 30 September 2010 in preparation for a demerger from Orica Limited.

36 Financial and capital management (continued)

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.

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

2011	Cash and cash equivalents $'000	Loans and receivables $'000	Financial liabilities at amortised cost $'000	Derivative instruments designated as hedges $'000	Total carrying amount $'000
Financial assets					
Cash at bank and on hand	**36,463**	**-**	**-**	**-**	**36,463**
Cash at bank - restricted	**3,077**	**-**	**-**	**-**	**3,077**
Trade and other receivables (current)	**-**	**169,723**	**-**	**-**	**169,723**
Trade and other receivables (non-current)	**-**	**4**	**-**	**-**	**4**
Derivative financial assets (current)	**-**	**-**	**-**	**918**	**918**
Derivative financial assets (non-current)	**-**	**-**	**-**	**221**	**221**
	39,540	**169,727**	**-**	**1,139**	**210,406**
Financial liabilities					
Trade and other payables (current)	**-**	**-**	**193,380**	**-**	**193,380**
Trade and other payables (non-current)	**-**	**-**	**294**	**-**	**294**
Derivative financial liabilites (current)	**-**	**-**	**-**	**6**	**6**
Interest-bearing liabilities (current)	**-**	**-**	**15,721**	**-**	**15,721**
Interest-bearing liabilities (non-current)	**-**	**-**	**245,931**	**-**	**245,931**
	-	**-**	**455,326**	**6**	**455,332**
2010					
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

Impact of Queensland flood (current period) and Demerger (prior period)

We draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup for the financial year ended 30 September 2011 arising from the Queensland flood and Note 3 describing transactions and restructuring activities undertaken in the financial year ended 30 September 2010 in preparation for a demerger from Orica Limited.

36 Financial and capital management (continued)

a) Interest rate risk management

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

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

Interest rate risk on long term interest bearing liabilities is managed by adjusting the ratio of fixed interest debt to variable interest debt. This is carried out centrally by the Treasury department under the Treasury risk management policies approved by the Board through the use of interest rate options. Under the policy, a maximum of between 50% and 90% of debt with a maturity of less than five years can be fixed and a maximum 50% of debt with a maturity of five years or greater can be fixed. DuluxGroup operated within this range during the current year.

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

	Note	2011 $'000	2011 %p.a.	2010 $'000	2010 % p.a.
Cash at bank and on hand	9	36,463	2.1	41,871	3.3
Cash at bank - restricted	9	3,077	4.0	2,810	4.0
Derivative financial assets (current)	12	918	-	58	-
Derivative financial assets (non-current)	12	221	-	1,278	-
Total financial assets		40,679		46,017	
Bank loan	19	250,950	8.4 (1)	240,000	8.3(1)
Trade cards	19	12,526	10.0	12,289	10.8
Derivative financial liabilities	12	6	-	305	-
Total financial liabilities		263,482		252,594	
Net financial liabilities		222,803		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.

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.

	2011 $'000	2010(1) $'000
Increase/(decrease) in profit before income tax expense		
If interest rates were 10% higher, with all other variables held constant	(936)	(227)
If interest rates were 10% lower, with all other variables held constant	1,004	(351)
Increase/(decrease) in profit after income tax expense		
If interest rates were 10% higher, with all other variables held constant	(655)	(159)
If interest rates were 10% lower, with all other variables held constant	703	(246)
Increase/(decrease) in total equity		
If interest rates were 10% higher, with all other variables held constant	(634)	624
If interest rates were 10% lower, with all other variables held constant	703	(324)

(1) 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 total equity from this date.

Impact of Queensland flood (current period) and Demerger (prior period)

We draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup for the financial year ended 30 September 2011 arising from the Queensland flood and Note 3 describing transactions and restructuring activities undertaken in the financial year ended 30 September 2010 in preparation for a demerger from Orica Limited.

36 Financial and capital management (continued)

b) Foreign exchange risk management

Foreign exchange risk - transactional

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

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

In regard to foreign currency risk relating to purchases, strategic hedging is undertaken to protect against unfavourable foreign currency movements, however there is flexibility as to when hedging is initiated and the instrument used to hedge the risk. In determining which instrument to use, consideration is given to the ability of the Group to participate in favourable movements in exchange rates. Foreign exchange hedging is carried out or monitored centrally by the Treasury department, in accordance with the Treasury risk management policies approved by the Board. The derivative instruments used for hedging purchase exposures are vanilla option contracts and forward exchange contracts.

The currency giving rise to translational risk on purchases is primarily the United States Dollar (USD), with approximately 20% to 30% of DuluxGroup's material purchases denominated in USD or indirectly linked to USD. At year end, the effect of retranslating cash, receivables, payables and interest-bearing liabilities denominated in USD at exchange rates considered reasonably possible would not have a significant impact on profit before and after income tax expense and total 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 0.9774) (2010 AUD/USD 0.9654) with all other variables held constant would have been a decrease in total equity of $382,000 (2010 $288,000) and an increase in total equity of $656,000 (2010 $394,000) respectively. Refer Note 12 for further details. The Directors cannot nor do not seek to predict movements in exchange rates.

The currencies and balances giving rise to foreign currency risk, including both external and internal balances (eliminated on consolidation) at the reporting date is as follows (in respective local currencies):

	2011		2010	
	NZD	**USD**	NZD	USD
	$'000	**$'000**	$'000	$'000
Cash	**25,866**	**1,105**	-	393
Interest-bearing liabilities	**(25,000)**	**(3,000)**	(5,168)	(1,690)
Net exposure	**866**	**(1,895)**	(5,168)	(1,297)

At year end, the effect of retranslating receivables and payables not denominated in the functional currencies of the consolidated entity's subsidiaries is not material.

For the financial year ended 30 September 2011, there were no major exposures other than USD as detailed above. While, for the financial year ended 30 September 2010 major exposures, other than USD detailed above, for DuluxGroup was against the New Zealand Dollar (NZD).

Exchange rate sensitivity

The following table shows the effect on profit and equity of the consolidated entity if exchange rates as at 30 September 2011 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.

Impact of Queensland flood (current period) and Demerger (prior period)

We draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup for the financial year ended 30 September 2011 arising from the Queensland flood and Note 3 describing transactions and restructuring activities undertaken in the financial year ended 30 September 2010 in preparation for a demerger from Orica Limited.

36 Financial and capital management (continued)

b) Foreign exchange risk management (continued)

A 10% change in year-end rates would be as follows (against the Australian dollar):

	2011			2010		
	10% lower	**As reported**	**10% higher**	10% lower	As reported	10% higher
AUD/NZD	**1.1430**	**1.2700**	**1.3970**	1.1831	1.3145	1.4460
AUD/USD	**0.8797**	**0.9774**	**1.0751**	0.8689	0.9654	1.0619

The effect on total equity of a movement in individual exchange rates of 10% with all other variables held constant is as follows:

	2011		2010	
	-10% $'000	**+10% $'000**	-10% $'000	+10% $'000
Increase/(decrease) in profit before income tax expense				
AUD/NZD	**79**	**(64)**	(509)	416
Increase/(decrease) in profit after income tax expense				
AUD/NZD	**55**	**(45)**	(356)	291
Increase/(decrease) in total equity				
AUD/NZD	**55**	**(45)**	(434)	355
AUD/USD[1]	**656**	**(382)**	394	(288)

[1] At 30 September 2011, a net amount of $843,000 (2010 $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 0.9774) (2010 AUD/USD 0.9654) with all other variables held constant would have been a decrease in shareholders' equity of $382,000 (2010 $288,000) and an increase in shareholders' equity of $656,000 (2010 $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, PGK and RMB 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 2011, the fair value of these derivatives was $NIL (2010 $NIL).

c) Credit risk management

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

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

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

Impact of Queensland flood (current period) and Demerger (prior period)

We draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup for the financial year ended 30 September 2011 arising from the Queensland flood and Note 3 describing transactions and restructuring activities undertaken in the financial year ended 30 September 2010 in preparation for a demerger from Orica Limited.

36 Financial and capital management (continued)

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:

	2011 $'000	2010 $'000
Unsecured bank overdraft facilities		
Unsecured bank overdraft facilities available	**3,937**	7,463
Amount of facilities undrawn	**3,937**	7,463
Committed standby and loan facilities		
Committed standby and loan facilities available[(1)]	**404,792**	400,000
Amount of facilities unused	**153,842**	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. In addition the Group has a RMB 30,000,000 (AUD 4,792,000) bank loan established in China.

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, based on the financing arrangements in place at 30 September 2011 (2010 30 September 2010), are shown in the table below. The amounts shown represent the future undiscounted principal and interest cash flows:

2011	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)]	**193,674**	**193,380**	**294**	**-**	**193,674**
Trade bills and trade cards	**12,526**	**12,526**	**-**	**-**	**12,526**
Bank loan[(2)]	**249,126**	**20,510**	**161,025**	**111,777**	**293,312**
Derivative financial liabilities	**6**	**6**	**-**	**-**	**6**
	455,332	**226,422**	**161,319**	**111,777**	**499,518**
2010					
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.

(2) On 8 November 2011, DuluxGroup renewed its $400,000,000 syndicated debt facility. The contractual maturity of principal borrowed under the renewed facility falls between two and five years. The impact of this renewal, however, is not reflected in the table above.

Impact of Queensland flood (current period) and Demerger (prior period)

We draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup for the financial year ended 30 September 2011 arising from the Queensland flood and Note 3 describing transactions and restructuring activities undertaken in the financial year ended 30 September 2010 in preparation for a demerger from Orica Limited.

36 Financial and capital management (continued)

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 2011, DuluxGroup did not have any outstanding commodity contracts in relation to these inputs (2010 $NIL). Accordingly, no analysis of the impact of reasonable possible changes in commodity prices is presented.

37 Events subsequent to balance date

On 14 November 2011, the Directors declared a final dividend of 7.5 cents per ordinary share, fully franked and payable on 16 December 2011. The financial effect of this dividend is not included in the financial report for the year ended 30 September 2011 and will be recognised in the financial report for the year ending 30 September 2012.

On 2 November 2011, DuluxGroup announced the merger of its DGL International business in China and Hong Kong with Camelpaint Chemicals Company Limited (Camelpaint) to create DGL Camel International Limited (currently known as DGL Camel Coatings Limited and formerly known as Ego Sino Holdings Limited), a company incorporated in Hong Kong. DuluxGroup will hold 51% of DGL Camel International Limited. The transaction involves a payment by DuluxGroup to secure board and management control of the new company. The amount of this payment is not material to DuluxGroup as a whole. There are a number of conditions to be met before the merger becomes binding, with completion of the transaction expected to occur by the end of the 2011 calendar year.

The Directors have not become aware of any other significant matter or circumstance that has arisen since 30 September 2011 that has affected or may affect the operations, the results of those operations, or the state of affairs of DuluxGroup in subsequent years, which has not been covered in this report.

Impact of Queensland flood (current period) and Demerger (prior period)

We draw your attention to Note 2 which describes the impact on the reported results of DuluxGroup for the financial year ended 30 September 2011 arising from the Queensland flood and Note 3 describing transactions and restructuring activities undertaken in the financial year ended 30 September 2010 in preparation for a demerger from Orica Limited.

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 2011, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 37 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

Independence

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

KPMG, an Australian partnership and a member firm of the KPMG network
of independent member firms affiliated with KPMG International Cooperative
("KPMG International"), a Swiss entity.

Auditor's opinion

In our opinion:

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

- (i) giving a true and fair view of the Group's financial position as at 30 September 2011 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

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

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 September 2011. 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 2011, complies with Section 300A of the *Corporations Act 2001*.

KPMG

Alison Kitchen
Partner

Melbourne

14 November 2011