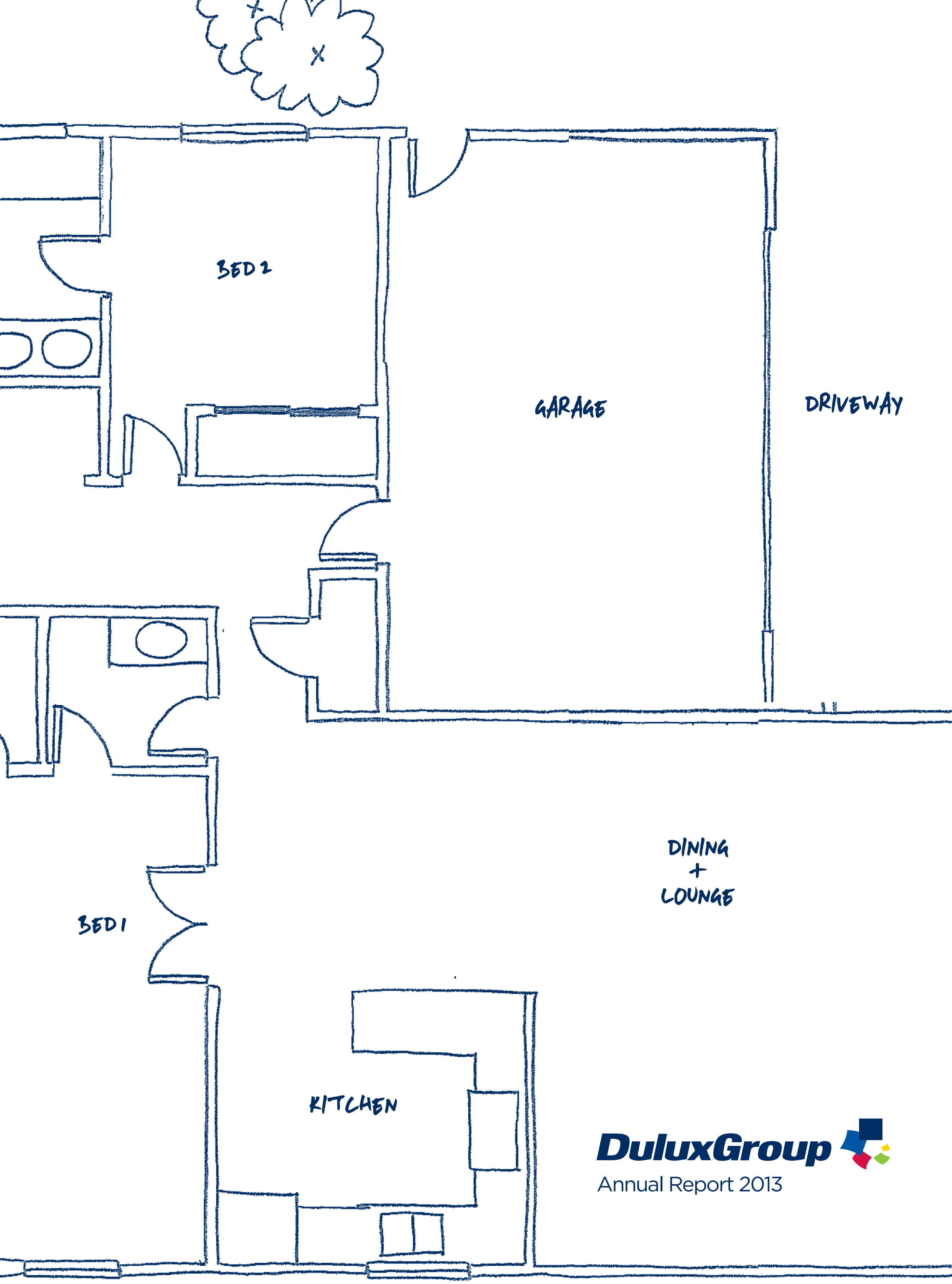


DuluxGroup

Annual Report 2013

ABN 42 133 404 065

2013 Highlights

A strong operating result in generally weak markets was underpinned by profitable market share growth in core segments, solid input cost control and good cash management.

Strengthened market leadership positions and continued investment in key capabilities and longer term growth options have developed solid foundations for the future.

NPAT, before non-recurring items

$94.1M

↑ 18.2%

NPAT, before non-recurring items, of $94.1 million, an increase of 18.2% over the 2012 equivalent NPAT of $79.6 million.*

Earnings before interest and tax (EBIT) excluding non-recurring items*

$156.2M

↑ 24.7%

Sales revenue growth

$1.485B

↑ 39.0%

Heritage DuluxGroup businesses grew 5.5% in generally flat markets, due largely to market share gains, with the remainder of the growth due to the addition of the former Alesco businesses, which were acquired in December 2012.

Strong cash generation, with net debt to EBITDA

1.95x

Strong cash generation, with net debt to EBITDA at 1.95x, post the Alesco acquisition.

Final dividend

9.5cents

Final dividend of 9.5 cents per share fully franked, taking the full year dividend to 17.5 cents, which represents a 70% payout ratio on NPAT, before non-recurring items.

Resilience and financial discipline

- Strong underlying profit growth
- Grew revenue despite generally flat markets
- Profitable market share gains in core markets
- Good input cost control and strong cash generation
- Alesco corporate cost synergies delivered ahead of schedule

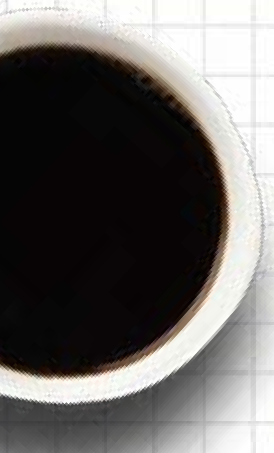
Investing for growth

- Continued to invest in the fundamentals of brands, innovation and customer service to build on our premium branded, market leading positions in core markets
- Progressed the integration of the new businesses – Parchem Construction Chemicals and Equipment, B&D Garage Doors and Openers, and Lincoln Sentry Cabinet and Architectural Hardware
- Invested in sales and marketing capability in our new businesses to capitalise on their market leading positions and premium brands
- Shaped the China business to capitalise on growth opportunities for Selleys, AcraTex and paints.

* Details of non-recurring items can be found on page 31.

Products, Customers and End Markets

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



A broad portfolio of products and markets.

Our Products

Whether you are sitting in a family room brought to life through your own choice of colour and texture, relaxing on your garden deck coated to seamlessly blend with the indoors, enjoying a back garden brimming with spring vegetables or marvelling at the ease with which your garage door silently glides up to reveal a beautifully matched driveway, DuluxGroup products are at work.

From the specialty coatings that protect landmarks such as the Sydney Harbour Bridge and Auckland's iconic Princess Wharf building to concrete products for community infrastructure such as the new Royal Adelaide Hospital, DuluxGroup products are at work.

Our products are woven into the fabric of our communities, helping us live better and more comfortable lives.

Sales by Business Sectors

- Retail Paints 21%
- Trade Paints 23%
- Specialty Coatings 13%
- Parchem Construction Chemicals and Equipment 8%
- Garage Doors and Openers 10%
- Cabinet and Architectural Hardware 9%
- Yates Garden Care 7%
- Selleys Home Care 9%

Our Customer Channels

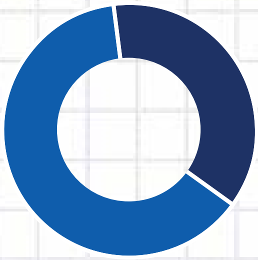
Almost two thirds of DuluxGroup's business is delivered via trade channels, comprising an extensive network of customers including painters, specifiers, architects, engineers, designers, builders, concreters, cabinet makers, garage door dealers, project and facilities managers.

In addition to our own extensive company store network, DuluxGroup's products are sold through thousands of retail customer outlets ranging from large national home improvement and grocery retailers to specialist paint and decorating and smaller family-owned hardware stores.

DuluxGroup invests in its iconic brands and focuses on providing innovative product solutions to drive growth and success through our retail and trade customers.

Sales by Channel

- Retail 37%
- Trade 63%



Our End Markets

Approximately two thirds of DuluxGroup's business is focused on the maintenance and improvement of existing homes. Throughout economic cycles consumers have continued to invest in making their homes 'a better place', whether it be through do-it-yourself (DIY) projects or engaging a trade professional.

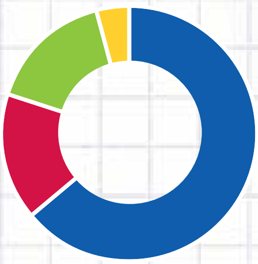
DuluxGroup also has some focus on new housing, with a bias towards the premium end of the market where consumer choice of brands plays a greater role. When consumers are deciding which products to use in their own living spaces – whether it be in an existing or a new home – they seek out brands they know and trust.

Approximately one-fifth of DuluxGroup's business comes from commercial construction, infrastructure and industrial markets.

DuluxGroup's primary focus is on residential markets, with a strong bias towards existing homes. This is complemented by a presence in commercial and industrial markets.

Sales by End-market

- Maintenance and Home Improvement 64%
- New Housing 16%
- Commercial Infrastructure 16%
- Industrial 4%



Business Fundamentals

Our Core Purpose

At DuluxGroup we help our consumers to imagine and create better places and spaces in which to live and work. We call this ‘Imagine a Better Place’.

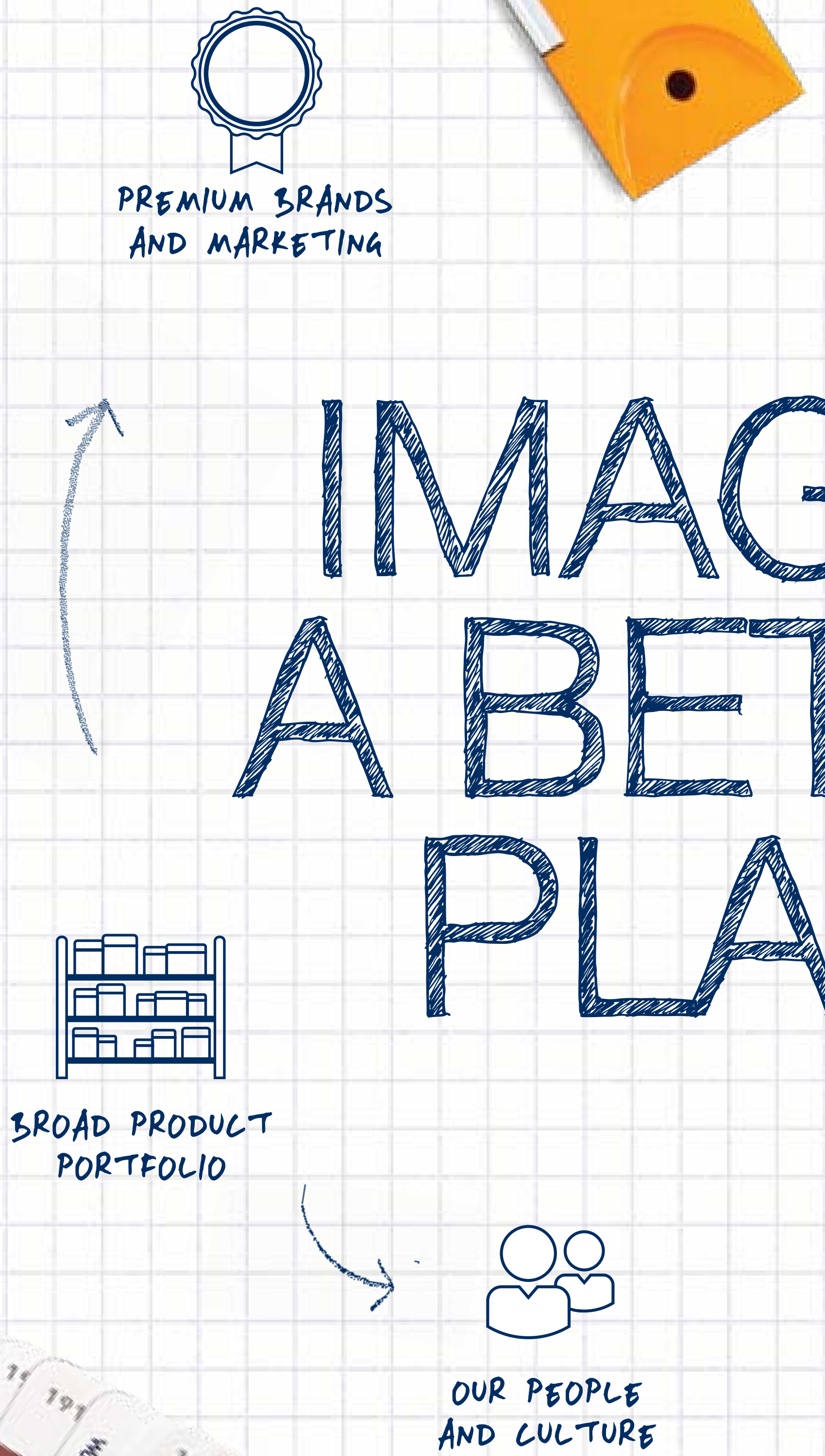
Our Strengths

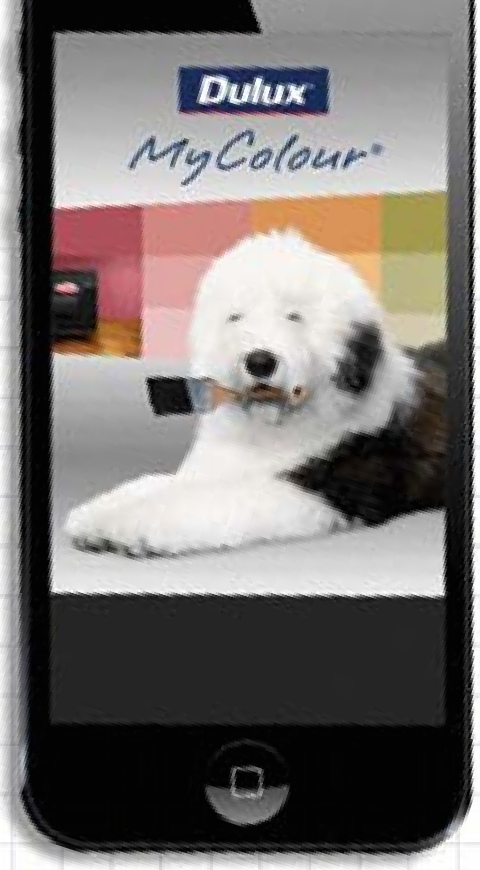
Our People and Culture
DuluxGroup’s people span many geographies and cultural backgrounds. They have developed industry-leading expertise and deep experience in areas as diverse as marketing, chemistry, colour trends, finance, horticulture, sales, engineering and materials handling. They have united to develop a common set of values that guide them in delivering our core purpose.

Those values, which underpin DuluxGroup’s success, are:

- BE CUSTOMER FOCUSED AND CONSUMER DRIVEN
- INNOVATE AND GROW – UNLEASH OUR POTENTIAL
- VALUE PEOPLE, WORK SAFELY AND RESPECT THE ENVIRONMENT
- RUN THE BUSINESS AS YOUR OWN

Driven by these values, DuluxGroup people continue to finder smarter, market-leading solutions for consumers and our retail and trade customers. This quest to improve – our standards, our products, our services – is supported by an entrenched culture of operating with integrity, strong financial discipline and a commitment to care for the safety of colleagues and the communities within which we operate.





COMPREHENSIVE DISTRIBUTION
AND CUSTOMER RELATIONSHIPS
ACROSS TRADE AND
RETAIL CHANNELS

GINE
TER
ACE

INNOVATION
AND TECHNOLOGY

FINANCIAL DISCIPLINE

LEADING
CUSTOMER SERVICE

Proven Business Fundamentals

DuluxGroup maintains and develops market-leading positions by building strong relationships with consumers who know and trust our brands.

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

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

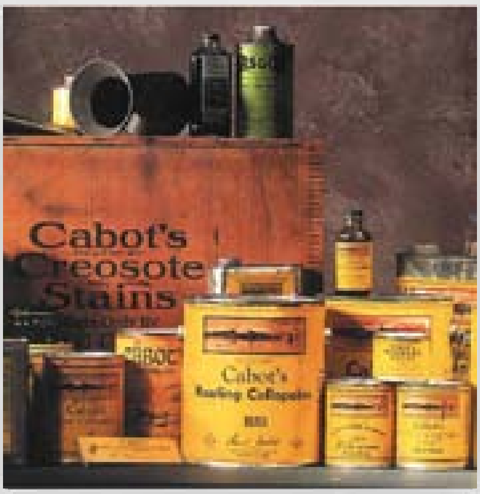
All of those elements work to ensure a strong and sustainable competitive advantage, a stable earnings profile and provide a platform for compelling growth options.

- **We seek leadership positions in premium, higher-margin segments.**
- **We build those positions by investing in our key capabilities to ensure sustainable competitive advantage and to stimulate growth.**
- **We maintain a relentless focus on financial discipline and productivity improvement.**
- **We continue to reinvest in the right assets to enable growth.**

Our Brands and History

DuluxGroup's brands are trusted and relied upon for their quality. This reputation is built on 100 years of history, rigorous attention to detail, product innovation and marketing investment.

Brands such as Dulux, Selleys, Yates, Cabot's and B&D are household names with the highest consumer awareness in their respective markets.



Our Locations

AUTOMATIC OPENERS
Dalian, China

GARAGE DOORS
Hornby, Christchurch, New Zealand
East Tamaki, Auckland, New Zealand
Revesby, New South Wales, Australia
Clontarf, Queensland, Australia
Kilsyth, Victoria, Australia
Malaga, Western Australia

CONSTRUCTION CHEMICALS AND EQUIPMENT
Wyong, New South Wales, Australia
Brunswick, Victoria, Australia

POWDER COATINGS
Guangdong Province, China
Dandenong, Victoria, Australia
Auckland, New Zealand

WOODCARE
Dandenong, Victoria, Australia

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

DECORATIVE PAINTS
Rocklea, Queensland, Australia
Gracefield, Wellington, New Zealand
Guangdong Province, China
Lae, Papua New Guinea

TEXTURE COATINGS
Beverley, South Australia
Shah Alam, Selangor, Malaysia

SELLEYS
Padstow, New South Wales, Australia

INNOVATION AND TECHNOLOGY CENTRES
Clayton, Victoria, Australia
(DuluxGroup Head Office)
Padstow, New South Wales, Australia
Beverley, South Australia.

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

DuluxGroup employs approximately 4000 people in Australia, New Zealand, Papua New Guinea, South East Asia and China, and has a comprehensive, world-class, scalable manufacturing base and supply chain.

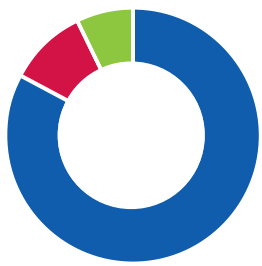
21 Main Manufacturing Sites

21 Distribution Centres

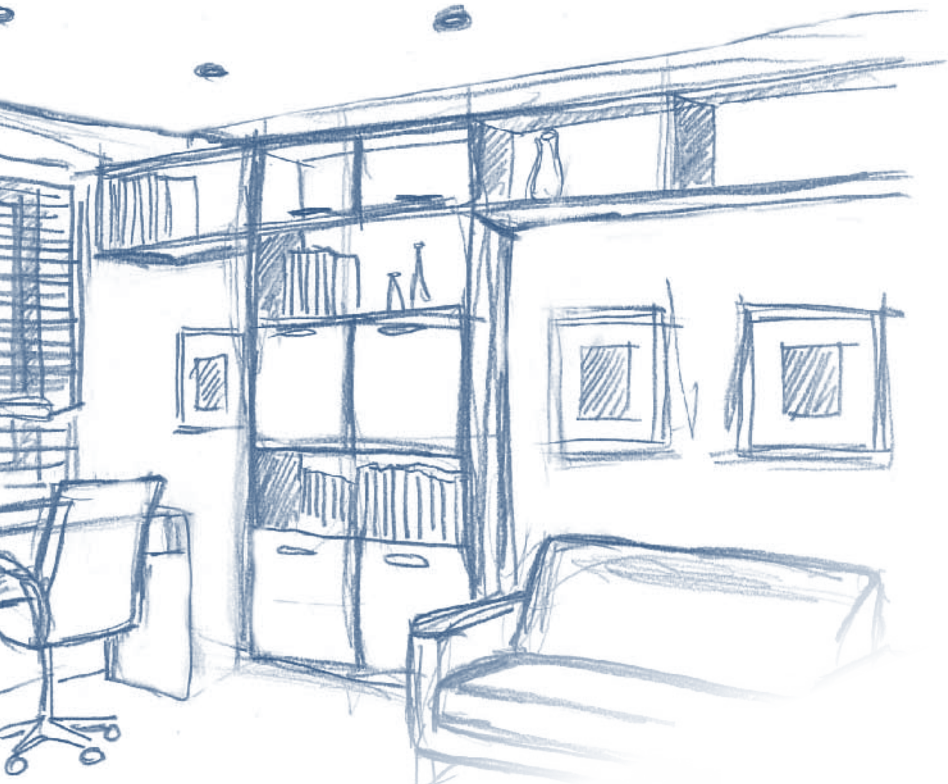
120+ Company-Owned Trade Outlets

Sales by Geography

- Australia 83%
- New Zealand 10%
- Asia/PNG 7%



Chairman's Report



This year DuluxGroup has continued to grow and deliver very strong results, despite generally subdued conditions in most of our core markets.

Dear fellow shareholders

This year DuluxGroup has continued to grow and deliver very strong results, despite generally subdued conditions in most of our core markets. At the same time, we have further strengthened the company's platform for ongoing growth. Profitable market share gains in our core Australian and New Zealand business segments, the successful acquisition and integration of the Alesco businesses, further refinement of our position in China and Hong Kong for medium to longer term growth, and the disposal of the non-core Robinhood business, have DuluxGroup well placed for ongoing success.

Today DuluxGroup has evolved into a broader paints, home improvement and building products business. In doing so, we have sought market leadership positions in well structured, defendable markets that have proven to offer relatively resilient earnings streams throughout economic cycles.

The relative weakness in Australian construction markets has continued in 2013, with some early indications of very modest growth in 2014. New Zealand housing construction markets returned to growth in 2013 following a prolonged period of decline. Those parts of DuluxGroup that have greater exposure to these more challenging commercial and industrial construction markets generally performed well, with most achieving modest increases in sales and market share. However, the majority of DuluxGroup's business is not derived from the more cyclical new construction markets. Following the addition of the Alesco businesses, DuluxGroup remains predominantly focused on premium branded products for the maintenance and improvement of existing residential homes, though with a wider product range. Almost two-thirds of group revenue comes from this sector and, once again, it has held up well amidst difficult times for the overall housing and construction market.

An 18.2% increase in net profit after tax (NPAT), before non-recurring items, was driven by a particularly strong performance and profitable growth from DuluxGroup's heritage business. This combined with a solid contribution from the newly acquired Alesco businesses, which delivered proforma earnings ahead of last year in very weak markets.

The result has been underpinned by strong cash generation, which has assisted our net debt to EBITDA ratio reduce from 2.3x, following the Alesco acquisition in December last year, to 1.95x. We are comfortable with this conservative debt level, which provides the flexibility to respond judiciously to value enhancing opportunities at the right time.

The Board has declared a final dividend of 9.5 cents per share, fully franked, taking the total dividend for the year to 17.5 cents per share, which represents a 70% payout ratio on NPAT before non-recurring items. The record date for the final dividend is 28 November 2013 and the dividend payment date is 18 December 2013. DuluxGroup's Dividend Reinvestment Plan (DRP) will operate in respect of the final dividend, and a discount of 2.5% will apply to shares subscribed for under the DRP for the final dividend.

It is now three years since DuluxGroup emerged as an independent, publicly listed company. Over that time, DuluxGroup's total shareholder return (TSR) has grown 127.8% (up until 30 September 2013).

Throughout, DuluxGroup has continued to focus on stimulating organic growth across its existing core market leadership positions in Australia and New Zealand. In addition, we have invested to broaden DuluxGroup's end market and product focus where we can leverage DuluxGroup's existing capabilities – as expert marketers and innovators of premium branded products distributed through extensive retail and trade channels.

> "We are very pleased with the overall contribution from the new businesses in their first ten months of ownership. Their integration has been largely completed and Alesco cost synergies have been delivered ahead of schedule."

The successful acquisition of the Alesco businesses is the most recent example of DuluxGroup's expansion into adjacent product categories where we have the skills to add value. As a result, DuluxGroup now has a greater presence in commercial and infrastructure construction markets, which provides further options for growth.

We have undertaken an extensive review of the Alesco businesses and more closely assessed the near and longer term growth opportunities they present. This has reinforced our view that the purchase was well timed and favourably priced. In particular, there are compelling opportunities to further leverage our expertise in marketing directly to a growing network of trade customers, which now contributes more than 60% of overall group revenue. Following the review, the decision was taken to retain the Lincoln Sentry Cabinet and Architectural Hardware business. This is largely a trade distribution business with premium branded home improvement products, which plays to DuluxGroup's strengths and experience.

We are very pleased with the overall contribution from the new businesses in their first ten months of ownership. Their integration has been largely completed and Alesco cost synergies have been delivered ahead of schedule. The non-core, loss-making Robinhood business has now been sold.

DuluxGroup remains committed to building a profitable business in China over the medium to long term. The performance of the business has been assessed against expectations and external value benchmarking of similar businesses. Based on those factors, an impairment charge has been recognised against the intangible assets relating to our China joint venture. DuluxGroup's equity share of the impairment is $10.2 million (before and after tax), which represents approximately 50% of the total China goodwill. During the year we have taken a number of steps to put the business on a stronger footing from which to grow. We have reshaped the business to focus on Selleys, AcraTex and paint, reducing our focus on the retail woodcare market.

DuluxGroup now employs approximately 4000 people in Australia, New Zealand, Papua New Guinea, South East Asia and China. Our operations now include manufacturing sites, distribution centres and company-owned trade stores in hundreds of locations across these regions. An important focus for the Board and DuluxGroup management is ensuring that we are welcome and positive participants in our communities. In 2013 DuluxGroup made excellent progress towards its safety and sustainability vision of 'a future without harm' and delivered its best recordable case rate performance for the second consecutive year. Significant improvements were made in reducing the level of waste generated to landfill, on a site-for-site basis. Energy and water consumption were also well managed during the year.

During the year the Board undertook a comprehensive review of the company's remuneration structure, which is a combination of fixed salary, short and long term incentives. This model was found to work well, successfully driving performance. Additionally, immediate restricted share ownership has proven effective in aligning the interests of our senior executives with those of our shareholders. However we have recognised opportunities to improve our explanation of how each of the components works. For example, we have provided more clarity around short and long term incentives for key management personnel, particularly in relation to the mix between financial, safety and personal targets and their relative weighting. This is outlined in section 5.3 of the Remuneration Report.

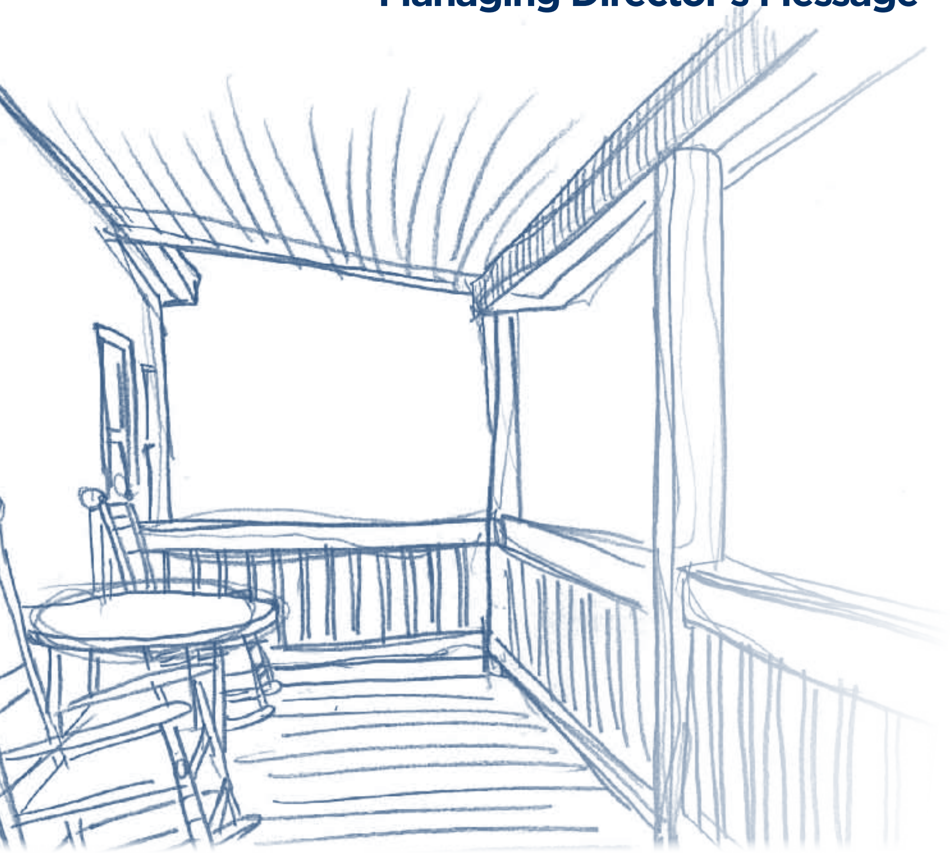
On behalf of the Board and shareholders, I would like to thank Patrick Houlihan, his management team and all employees for their contribution to a very successful year at DuluxGroup.

On behalf of Board members, I would like to thank our shareholders for your continued support.

This year DuluxGroup has delivered very strong results while investing to ensure ongoing profitable growth options for 2014 and beyond. I look forward to the next opportunity to update you on your company's performance.

Peter Kirby
13 November 2013

Managing Director's Message



As part of the Alesco acquisition we have welcomed approximately 1500 new employees to DuluxGroup.

Dear shareholders

I am pleased to report that this year DuluxGroup has continued to perform well and deliver further profit growth.

Net profit after tax (NPAT) for 2013, before non-recurring items, was $94.1 million, an increase of 18.2% over the 2012 equivalent of $79.6 million. This excluded a net charge of $17.2 million, after tax, relating to non-recurring items, which included $15.1 million of costs associated with the acquisition and integration of the Alesco businesses, a $10.2 million non-cash impairment charge (DuluxGroup's share) against the DGL Camel joint venture in China, and an $8.1 million gain from the sale of a site in Western Australia following changes to our warehouse and logistics footprint.

Earnings before interest and tax (EBIT) decreased by 3.8% to $127.2 million. Excluding non-recurring items, EBIT increased by 24.7% to $156.2 million.

Sales revenue increased by $416.8 million or 39%.

The result was underpinned by continued investment in marketing, innovation and customer service to support and grow our market leadership positions and reflects solid input cost management and excellent cash control.

The heritage DuluxGroup businesses performed very well, growing revenue by 5.5%, and EBIT by 7.9%. This result was driven by profitable market share gains in weak but improving markets in Australia, where our largest operating segment, Paints Australia, was particularly strong. Selleys Yates delivered solid earnings growth in Australia and New Zealand. Our Paints New Zealand businesses delivered profitable share gains in markets that have returned to growth. New Zealand earnings also benefited from currency translation. Our Papua New Guinea and China businesses continued to be impacted by soft market conditions.

The Alesco businesses also performed well in generally weak markets. On a 12-month pro forma basis, the continuing Alesco businesses delivered EBIT of $31.2 million, an increase of 3.7%, on flat sales in generally adverse markets. This result excludes Robinhood, which has been divested. This result reflected modest share gains and disciplined cost control. At the same time, we invested to grow these businesses, with a greater focus on marketing and sales effectiveness. Alesco corporate cost synergies were also delivered ahead of schedule.

Overall this has been a very successful year, in which our heritage businesses have grown profits, generally outperformed the market and strengthened their market leadership positions, while the new businesses have delivered solid proforma earnings growth.

At the same time we have largely integrated the new businesses and invested to capitalise on the growth options offered by what is now DuluxGroup's broader paints, home improvement and building products business.

We have been focussed on developing and leveraging group capability across key areas, including retail channel management, trade distribution and store management, brand marketing and consumer engagement. We have developed a stronger platform from which to grow the Parchem, Selleys Trade and Dulux Protective Coatings position in commercial and infrastructure construction markets.

> One of the most pleasing aspects of DuluxGroup's performance this year has been the excellent progress in ensuring that we continue to improve our efforts to value people, work safely and respect the environment.

One of the most important elements of the integration has been introducing our new employees to DuluxGroup's Values and Behaviours. These were collectively developed and agreed upon by our employees. They are designed to guide all of our employees around the world, regardless of geography, job role or seniority, and ensure that we achieve our strategic goals while behaving with integrity and according to the trust placed in us by our colleagues, customers, shareholders and our communities.

These are our values:

- Be customer focused and consumer driven
- Innovate and grow – unleash our potential
- Value people, work safely and respect the environment
- Run the business as your own

As part of the Alesco acquisition we have welcomed approximately 1500 new employees to DuluxGroup. During the year, I have had the pleasure of visiting a number of our new employees at various operational sites, and the enthusiasm with which they have embraced these Values and adopted them in their own day-to-day decisions and judgements has been terrific to see.

One of the most pleasing aspects of DuluxGroup's performance this year has been the excellent progress in ensuring that we continue to improve our efforts to value people, work safely and respect the environment. For the second consecutive year there was a significant reduction in injury rates for employees across all businesses. We continue to encourage our employees to speak up about potential hazards that have the potential to cause significant injury or worse, and I am pleased that there has been ongoing improvement in the level of reporting in this area.

We also encourage our employees to play an active role in our communities and 'strive to leave our environment better than we found it'. A range of company initiatives during the year provided opportunities to help in our local communities, sometimes working with trade customers such as our Dulux accredited painters. Dulux Australia's program which offers to paint every Surf Life Saving Club across Australia, Dulux New Zealand's program to supply paint and wood coatings to protect and promote the iconic Department of Conservation hiking trail huts throughout the country, Dulux PNG's support for local youth rugby teams, and support for the State Emergency Services across Australia by Dulux and B&D are some examples of such programs.

I am also proud of the numerous instances throughout the year when our employees took their own initiative and volunteered to contribute to local communities. Painting a playground for children with disabilities, participating in 'Clean-up Australia Day' or organising a 'blood drive' are just some of the examples during the year of our employees making a positive difference to improve the wellbeing of others.

An important element of ensuring DuluxGroup continues to grow is ensuring we have the leadership structure to deliver on our strategic imperatives and fully maximise the opportunities from our strengthened growth platform. With the addition of the new businesses, there were some changes to the DuluxGroup Executive team. We welcomed Tony Bova to lead the B&D Garage Doors business and Stephen Cox to lead the Parchem Construction Chemicals and Equipment business. Tony brings more than 15 years' experience in senior leadership roles at DuluxGroup, while Stephen has successfully led the Parchem business for almost 10 years.

Our employees at all levels have made a significant contribution to another year of profitable growth at DuluxGroup and I would like to thank each of them for their efforts.

I would like to thank the DuluxGroup Board for its ongoing guidance during the year.

Finally, I thank you, our shareholders, for your continued support for DuluxGroup.

Patrick Houlihan
13 November 2013

Strategy and Growth

DuluxGroup has evolved over nearly 100 years from its original heritage in decorative paint for Australian and New Zealand homes. Today, DuluxGroup remains predominantly focused on premium, branded products for residential home improvement, but with a broader product range.

Paint, specialty coatings and adhesives remain the largest proportion of DuluxGroup revenue, with Australia, New Zealand and Papua New Guinea remaining our largest markets.

Over the last decade or more, DuluxGroup has generated profit growth through an unrelenting focus on growing profitable market share, maintaining operating margins and generating fixed cost productivity. As a custodian of many leading brands in our categories, we fundamentally believe that continued innovation and marketing investment, underpinned by superior customer service, are necessary to support and grow our market leadership positions.

Additional revenue and profit growth have been generated by broadening our end market and product focus, though we have remained anchored around our Core Purpose: 'Imagine a Better Place'.

Importantly, this growth has been strategically focussed around market leadership in well-structured, premium branded home improvement categories, where DuluxGroup can leverage its marketing and sales capabilities to be the "natural owner".

Our assessment of natural ownership goes well beyond product, and focuses on the degree to which DuluxGroup's capabilities can be utilised to generate sustainable growth. These capabilities include retail channel management (particularly in hardware), trade distribution and store management, brand marketing and consumer engagement.

Longer term growth options continue to be seeded through DuluxGroup's investment in China and other parts of Asia, where DuluxGroup has operated for more than 20 years.

In December 2012, DuluxGroup successfully acquired all of Alesco Corporation Limited (Alesco). This included the Parchem construction chemicals, decorative concrete and equipment business, the B&D garage doors and openers business and the Lincoln Sentry cabinet and architectural hardware distribution business.

These businesses share many of the characteristics that have driven DuluxGroup's success, such as leadership positions in their chosen markets, premium brands, local manufacturing expertise and extensive trade networks including company-owned trade stores. However, they also present complementary opportunities to grow and extend our core market leading Australian and New Zealand positions.

DuluxGroup remains predominantly an Australasian paints, specialty coatings and adhesives company, and almost two thirds of DuluxGroup's business continues to be exposed to the relatively stable markets of the renovation and maintenance of existing homes.

Looking forward, DuluxGroup aims to deliver solid growth and strong cash flows from its existing businesses and develop further options for growth in a measured, low risk manner.

To this end we are focused on our five key strategic imperatives outlined below:

- **Extend our market leadership positions.**
- **Deliver on Alesco upside.**
- **Lock down medium term growth opportunities.**
- **Address performance hot spots.**
- **Maximise organisational leverage.**

Further detail on these imperatives is outlined in the table below:

Extend market leadership	• **Continuing to invest in our business fundamentals of marketing and innovation, sales and distribution effectiveness and customer service to earn greater profitable market share.** • **Cost and pricing discipline to maintain margins.**
Alesco upside delivery	• **Achieve cost synergies and integrate within budget.** • **Lock down growth priorities, structure businesses appropriately, step up marketing, sales and systems investment.**
Lock down medium term growth	• **Execute next phase of Construction Chemicals growth.** • **Granular growth at SBU level supported by strategic M&A where appropriate.** • **Continue to develop China and Asia for the longer term.**
Address performance hot spots	• **Margin improvement projects (e.g. Yates).** • **Maintain appropriate balance between short term profit pressures and required investment (e.g. China).**
Maximise organisational leverage	• **Particular focus on effectively sharing group capabilities (e.g. consumer engagement, retail hardware channel management, trade distribution optimisation) whilst maintaining business autonomy.** • **Continued 'fit for purpose' approach to processes, systems and costs.**

Good progress has been achieved in 2013 across all imperatives. In particular:

- The achievement of further market share gains in paints, adhesives and garden care businesses, whilst maintaining margins, was an excellent achievement in subdued markets;
- The integration of the Alesco businesses is well progressed, and we are on track to meet or exceed the synergy target of $9M, with approximately $5M achieved in 2013. We remain pleased with the opportunity for further growth in these newly acquired businesses;
- The acquisition of Alesco has augmented our medium term growth options. In particular, building a stronger position in the Construction Chemicals market, particularly in Australia, is a clear opportunity and objective. In China, we are focusing our energies on growth of Selleys, Acratex and paint, and successfully achieved local Chinese manufacture of key products during the year;
- Whilst the margin improvement program in Yates will take a number of years to complete, the business did achieve an improved profit and margin in the second half of 2013. Other projects are also progressing well; and
- With a broader base of businesses, we have established a central team to further build organisational capability in several key areas of strategic marketing and sales effectiveness.

Further detail on specific achievements within individual businesses is included later in this report.

Material Business Risks

DuluxGroup maintains a risk management framework that includes the development and maintenance of risk registers within each business and at a consolidated group level for the most material risks.

The Board reviews this consolidated risk register annually, and individual risks are discussed by the Group Executive on a rotating basis across the year.

The material business risks that have the potential to impact the achievement of the company's future financial prospects and strategic imperatives are outlined below, together with mitigating actions undertaken to minimise these risks.

The risks outlined are not in any particular order and do not include generic risks that affect all companies (e.g. execution risk, key person risk) or macro risks such as significant changes in economic growth, inflation, interest rates, employment, consumer sentiment or business confidence which could have a material impact on the future performance of the company.

Risk	Nature of risk	Action/plans to mitigate
Key customer relationships	DuluxGroup's largest retail customers represent a significant portion of total revenue. Loss of revenue from key customers could impact the group's profitability.	• Ongoing investment in iconic brands (marketing & innovation) to drive consumer activity into our key retail channels and assist our customers to succeed. • Continued focus on providing superior customer service. • Broad base of retail and trade customers.
Catastrophic event/hazard in manufacturing and distribution operations	DuluxGroup's operations could be impacted by accidents, natural disasters or other catastrophic events that could materially disrupt its operations. DuluxGroup has a concentrated manufacturing approach across many of its products, including decorative paint.	• Disaster recovery plans are in place for all major sites. Disaster recovery plans for decorative paint in Australia were utilised successfully following the Queensland floods in January 2011. • Increased safety and hazard identification, audits and prevention systems at key sites. • Significant investment in hazard prevention and safety improvement projects. • Insurance policies including business interruption cover.
Competitive threats	There is a risk that DuluxGroup's existing or future multinational competitors could bring new levels of innovation or lower cost to the Australian market, threatening DuluxGroup's market share and/or operating margins.	• Strong, established brands supported by ongoing marketing investment. • Use of multinational suppliers for key decorative paint raw materials to reduce potential technology exposure. • Active international research program to monitor market developments and benchmark product costs in key markets (e.g. US, UK). • Significant investment in local innovation and product formulation capability to ensure products and services are well-suited to our markets.

Risk	Nature of risk	Action/plans to mitigate
Erosion of brand equity	DuluxGroup's portfolio of iconic brands are relied upon for their quality and premium performance. A significant loss of brand equity could have a material adverse effect on revenue and profit.	• Active product stewardship focus. • Systematic quality assurance and testing process. • Investment in product innovation. • Investment in brands.
Product liability or other litigation	Litigation relating to product liability, regulatory controls or environmental practices could result in a materially adverse financial impact.	• Investment in quality assurance and governance practices. • Well developed customer service and complaints response processes. • Insurance policies.
Raw material supply	Supply disruption and/or non-availability of key input materials could impact revenue and/or price volatility could impact operating margins.	• Utilisation of a range of suppliers. • Robust supplier selection processes. • Contingency supply arrangements. • Insurance policies including business interruption. • Active raw material cost and gross margin forecasting processes.
Regulatory – safety	A death or major injury in the workplace would be devastating for employees and families and could jeopardise the group's reputation as a first-choice employer.	• Heavy focus on process safety, fatality prevention and personal safety. • Significant investment in safety resources, training and audits. • *Refer to the Safety and Sustainability Report for further information.*
Inability to access debt and/or equity markets	Failure to replace existing funding as it matures and/or secure additional funding for growth initiatives may inhibit future growth and restrict the group's business prospects.	• Existing debt financing arrangements are with a syndicate of Australian and international banks and have a staggered maturity profile. • Debt levels are well within established banking covenants. • Active bank and investor relations program.

Result Summary

- **Sales revenue** of $1,484.6M increased by $416.8M (+39.0%) on the prior year corresponding period ('pcp'). Of this sales growth, $358.5M relates to ten months' sales from the Alesco Corporation Limited (Alesco) businesses acquired in December 2012. Excluding this amount, sales from the heritage DuluxGroup businesses (heritage DuluxGroup) grew 5.5%, driven by strong performance in subdued markets.
- **EBIT**[3] of $127.2M, decreased by 3.8%. Excluding non-recurring items, EBIT increased by $30.9M (+24.7%) on the pcp. Heritage DuluxGroup EBIT increased by 7.9%, largely due to revenue growth, with the remainder due to the addition of the Alesco businesses for ten months.
- **Net profit after tax (NPAT)**[5] was $76.9M, a decrease of 14.1%. NPAT before non-recurring items[6] was $94.1M, an increase of 18.2% over the pcp equivalent of $79.6M.
- **Operating cash flow before non-recurring items**[7] of $133.8M increased by $32.2M with earnings growth before non-recurring items the key driver, including the contribution from Alesco.
- **Net debt to EBITDA**[8,9] ended the year at 1.95 times, which represents an improvement from 2.3 times at half year, due to strong cash flow in the second half. This brings the ratio to below our post Alesco objective of 2.0 times.

Results[1]		**Year ended 30 September**	
A$M	**2013 Actual**	**2012 Actual**	**% change**
Sales revenue	1,484.6	1,067.8	39.0%
EBITDA[2]	159.5	155.5	2.6%
EBIT[3]	**127.2**	**132.2**	**(3.8%)**
EBIT before non-recurring items[4]	***156.2***	***125.3***	***24.7%***
Net interest expense	(27.6)	(21.4)	(29.0%)
Tax expense	(34.0)	(24.5)	(38.8%)
Non-controlling interests	11.4	3.2	256.3%
Net profit after tax (NPAT)[5]	**76.9**	**89.5**	**(14.1%)**
NPAT before non-recurring items[6]	***94.1***	***79.6***	***18.2%***
Operating cash flow	118.2	116.5	1.5%
Operating cash flow before non-recurring items[7]	***133.8***	***101.7***	***31.6%***
Net debt[8] (closing)	388.7	230.3	(68.8%)
Net debt to EBITDA[9]	1.95	1.55	(25.8%)
Diluted earnings per ordinary share (EPS) (cents)	20.6	24.3	(15.2%)
Diluted EPS before non-recurring items (cents)	***25.2***	***21.6***	***16.7%***
Final dividend per share (cents)	9.5	7.5	26.7%
Total dividend per share (cents)	17.5	15.0	16.7%

1. Other than as indicated in subsequent footnotes, the financial information contained in this document is directly extracted or calculated from the Financial Statements included in the Financial Report which has been subject to audit.
2. EBITDA – represents 'profit from operations' plus 'depreciation and amortisation expense' per the Financial Report.
3. EBIT – the equivalent of 'Profit from operations' per the Financial Report.
4. EBIT before non-recurring items – represents 'profit from operations', excluding the non-recurring items outlined on page 31. Directors believe that the result excluding these items provides a better basis for comparison from period to period.
5. Net profit after tax (NPAT) – represents 'Profit for the year attributable to ordinary shareholders of DuluxGroup Limited'.
6. NPAT before non-recurring items – represents NPAT, excluding the non-recurring items per page 31. Directors believe that the result excluding these items provides a better basis for comparison from period to period.
7. Operating cash flow before non-recurring items – the equivalent of 'Net cash inflow from operating activities' per the Financial Report, less the cash component of the non-recurring items outlined on page 31.
8. Net debt – represents 'interest bearing liabilities' less 'cash and cash equivalents'.
9. Net debt to EBITDA – is calculated by taking closing net debt as a percentage of EBITDA before non-recurring items. For 2013, this has been calculated on a proforma basis (i.e., taking a full 12 months EBITDA from the Alesco businesses).

Financial Performance

Sales and EBIT for the period have three main components:

- Heritage DuluxGroup, which relates to the DuluxGroup businesses before the addition of the Alesco businesses;
- Alesco, being the result for the Alesco businesses, which are only included in the financial results from December 2012 (i.e. ten months); and
- Non-recurring items (refer following page for detail).

The split of sales and EBIT between these components is detailed below. NPAT is split between continuing business and non-recurring items.

Components of Sales, EBIT and NPAT	Year ended 30 September		
A$M	2013 Actual	2012 Actual	% change
Sales revenue			
Heritage DuluxGroup	1,126.1	1,067.8	5.5%
Alesco (10 mths in 2013)	358.5	-	
Total	**1,484.6**	**1,067.8**	**39.0%**
EBIT			
Heritage DuluxGroup	135.2	125.3	7.9%
Alesco (10 mths in 2013)	21.0	-	
Non-recurring items	(29.0)	7.0	
Total	**127.2**	**132.2**	**(3.8%)**
NPAT[5]			
NPAT before non-recurring items	94.1	79.6	18.2%
Non-recurring items	(17.2)	9.9	
Total	**76.9**	**89.5**	**(14.1%)**

Proforma Results for Alesco Businesses

Given that the statutory results include only ten months of operating performance for the Alesco businesses in the current period, **proforma** results for 2013 and 2012 are presented below to provide 12 months' operating performance and a prior year comparison. The figures are based on unaudited management accounts and exclude non-recurring items.

Proforma Results – Alesco (excl. Robinhood)	Year ended 30 September		
A$M	2013	2012	% change
Sales	428.9	428.4	0.1%
EBIT	31.2	30.1	3.7%

Sale of Robinhood

The Robinhood business was divested in September 2013. The business was loss-making during the year (refer 'Other Businesses' segment performance). Given this, and given Robinhood was classified as 'non-core' in March 2013, we have excluded it from the proforma analysis above and throughout this report, to enable like for like performance comparisons for the remaining Alesco businesses. The loss on sale has been included as a non-recurring item, per page 31.

Financial Performance continued

Key Drivers of the Result
For Heritage DuluxGroup:

- Sales growth of $58.3M (+5.5%). Continued outperformance in core markets. Driven by profitable market share gains in weak but improving markets in Australia, market growth, share gains and positive foreign exchange translation in New Zealand, partly offset by market weakness in PNG; and
- EBIT growth of $9.9M (+7.9%). Flow-through of the sales growth plus margin improvement due to disciplined cost control, some input cost relief from the highs of 2012, offset by an increase in Corporate costs (refer later in this report).

For Alesco (on a proforma basis excluding Robinhood):

- Proforma sales were in line with the pcp (+0.1%), in weak but improving markets, driven by modest share gains; and
- Proforma EBIT improved $1.1M (+3.7%), due to the benefits flowing from cost improvement programs and faster achievement of corporate cost synergies, and despite additional investment in marketing and sales.

Non-recurring Items
Non-recurring items for 2013 (a net cost) and 2012 (a net gain) are detailed later in this report. The major items are:

2013: Adverse movement of $29.0M pre-tax ($20.7M DuluxGroup share); $17.2M post-tax
- The profit on sale of the O'Connor site in Western Australia following a reconfiguration of DuluxGroup's state warehouse footprint ($8.1M pre-tax);
- A non-cash impairment charge of $18.5M ($10.2M DuluxGroup equity share) relating to our investment in China. This impairment largely reflects continued soft trading performance for this business (refer later); and
- Alesco acquisition related costs: transaction and integration costs totalling $15.9M (pre-tax), purchase price allocation (PPA) adjustments of $1.7M (pre-tax) and a loss on sale of Robinhood of $1.1M (pre-tax).

2012: Favourable movement of $7.0M pre-tax; $9.9M post-tax
- An insurance uplift (gain) of $7.7M pre-tax, which refers to the difference between insurance income and flood-related profit and loss expenses;
- Alesco acquisition related items: transaction costs totalling $3.6M (pre-tax), estimated interest of $1.8M (pre-tax) on the capital outlay to acquire the initial 19.96% shareholding in Alesco and dividend income of $2.8M relating to the fully franked dividend received from DuluxGroup's 19.96% shareholding in Alesco; and
- A tax consolidation benefit of $6.3M (post-tax), which relates to the tax effect of recognising a deferred tax asset on the formation of the Australian tax consolidated group upon demerger.

Other Items
Net interest expense[1] of $27.6M reflects an average cost of debt of 5.9%. Interest expense was $6.2M higher than the pcp largely due to the increase in debt associated with the acquisition of Alesco, partly offset by lower prevailing interest rates.

Income tax expense of $34.0M. Excluding non-recurring items, the effective tax rate was 29.2%, in line with our expected range of 29–30%.

Final dividend of 9.5 cents per share fully franked, which represents a 70.1% payout ratio based on NPAT before non-recurring items.

1. Net interest expense – represents 'net finance costs' per the Financial Report.

Segment Revenue and EBIT – Blended Proforma Basis

The following table shows segment sales and EBIT results before non-recurring items. Heritage DuluxGroup results are shown on an **actual** basis and Alesco results on a **proforma** basis, excluding Robinhood. These are further discussed later in this report.

Segment Revenue and EBIT – Blended Proforma Basis	Year ended 30 September		
A$M	**2013 Actual/ Proforma**	**2012 Actual/ Proforma**	**% change**
Sales revenue			
Paints Australia	643.1	613.9	4.8%
Paints New Zealand	85.5	72.3	18.3%
Selleys Yates	252.2	244.6	3.1%
Other businesses (Heritage DuluxGroup only)	162.6	154.6	5.2%
Eliminations	(17.4)	(17.6)	1.1%
Heritage DuluxGroup	**1,126.1**	**1,067.8**	**5.5%**
Garage Doors and Openers (proforma)	160.5	157.3	2.0%
Parchem (proforma)	121.3	120.0	1.1%
Lincoln Sentry (proforma)	147.1	151.0	(2.6%)
Proforma Alesco (excl. Robinhood)	**428.9**	**428.4**	**0.1%**
Total Proforma sales (excl. Robinhood)	**1,555.0**	**1,496.2**	**3.9%**
EBIT			
Paints Australia	110.4	101.0	9.3%
Paints New Zealand	11.4	8.1	40.7%
Selleys Yates	26.3	24.9	5.6%
Other businesses (Heritage DuluxGroup only)	5.7	6.7	(14.9%)
Corporate – DuluxGroup	(18.6)	(15.4)	(20.8%)
Heritage DuluxGroup	**135.2**	**125.3**	**7.9%**
Garage Doors and Openers (proforma)	17.4	17.8	(2.2%)
Parchem (proforma)	8.2	7.7	6.5%
Lincoln Sentry (proforma)	7.1	7.4	(4.1%)
Corporate – Alesco (proforma)	(1.6)	(2.8)	42.9%
Proforma Alesco (excl. Robinhood)	**31.2**	**30.1**	**3.7%**
Total Proforma EBIT (pre non-recurring items & excl. Robinhood)	**166.3**	**155.4**	**7.0%**

Financial Performance continued

Balance Sheet

Given the significant impact the Alesco acquisition has had on the Group's balance sheet, movement analysis has been conducted on significant underlying movements, rather than headline movements.

- **Trade working capital**[1] (TWC) increased by $91.9M from September 2012, predominantly due to the acquisition of Alesco. The movement in TWC for heritage DuluxGroup businesses was an increase of $7.6M, which reflected the increased level of sales for the year, and resulted in the year end percentage to sales remaining at 12.4%.
- **Rolling TWC to rolling sales**[2,3] increased from 13.3% in September 2012 to 15.0% (proforma), driven by the addition of Alesco, which operates at over 20%. Heritage DuluxGroup rolling TWC to rolling sales improved to 12.8%.
- **Intangible assets in total** increased by $139.0M from September 2012, largely due to the acquisition of Alesco, partly offset by the write down in DGL Camel due to impairment.
- **Investments** reduced by $35.9M from September 2012, as the initial 19.96% interest in Alesco acquired on 30 April 2012 was reversed upon completion of the Alesco acquisition.
- The **defined benefit fund liability** decreased by $12.6M from September 2012 due to actuarial reassessment of the fund liability at September 2013, as investment returns improved.
- **Provisions** excluding tax have increased by $37.5M mainly due to Alesco provisions acquired.
- **Net debt** increased due to the acquisition of Alesco, partly offset by the strong cash flow generated throughout the year. Please refer to the cash flow commentary for further detail.

Balance Sheet	**Year ended 30 September**	
A$M	**Sept 2013 Actual**	**Sept 2012 Actual**
Inventories	195.8	129.2
Trade debtors	221.9	154.7
Trade creditors	(193.3)	(151.4)
Total trade working capital[1]	224.4	132.5
Non-trade debtors[4]	15.3	11.7
Tax balances (net)	16.2	28.1
Property, plant and equipment	263.8	199.1
Intangible assets	235.8	96.8
Investments	4.7	40.6
Non trade creditors[5]	(55.1)	(34.8)
Defined benefit fund liability	(8.3)	(20.9)
Provisions (excluding tax)	(77.4)	(39.9)
Net debt	(388.7)	(230.3)
Net other assets	0.3	-
Net assets	**231.0**	**182.9**
Total equity attributable to ordinary shareholders of DuluxGroup Limited	226.3	169.9
Non-controlling interest in controlled entities	4.7	13.0
Total shareholders' equity	**231.0**	**182.9**

1. Trade working capital (TWC) – 'trade receivables' plus 'inventory', less 'trade payables', per the Financial Report.
2. Rolling TWC – the 12-month rolling average of month end TWC balances.
3. Rolling TWC to rolling sales – calculated as the rolling TWC (above) divided by the most recent 12 months sales revenue. This figure is not directly extracted from the Financial Report.
4. Non trade debtors – represents the 'other receivables' portion of 'trade and other receivables', and 'other assets' per the Financial Report.
5. Non trade creditors – represents the 'other payables' portion of 'trade and other payables', per the Financial Report.

Cash Flow

The operating cash flow in the current year was adversely impacted by non-recurring items relating to the acquisition of Alesco (transaction and integration costs). In 2012, the operating cash flow was positively impacted by insurance receipts relating to the Queensland flood in 2011, offset partly by transaction costs relating to the Alesco acquisition.

Other non cash includes DGL Camel impairment ($18.5M), share based payment expense ($2.4M) and non-recurring PPA items ($1.7M).

The table below isolates the non-recurring items in 2013 and 2012 and shows that operating cash flow before non-recurring items increased for the period.

Statement of Cash Flows	**Year ended 30 September**		
A$M	**2013 Actual**	**2012 Actual**	**% change**
Net operating cash flows			
EBIT	127.2	132.2	(3.8%)
less: Profit on sale of major assets (investing)	(8.2)	-	nm
add: Loss on sale of Robinhood (investing)	1.1	-	nm
Add: Depreciation	26.6	21.5	23.7%
Add: Amortisation	5.7	1.8	216.7%
EBITDA	152.4	155.5	(2.0%)
Trade working capital movement	(1.9)	6.6	nm
Non trade working capital movement	(5.3)	0.6	nm
Other non cash	26.5	(1.5)	nm
Income taxes paid	(30.6)	(27.5)	(11.3%)
Net interest paid	(23.1)	(17.2)	(34.3%)
Operating cash flow	**118.2**	**116.5**	**1.5%**
Investing cash flow	**(161.6)**	**(64.0)**	**nm**
Financing cash flow before debt movement	**(37.2)**	**(57.0)**	**34.7%**
Total cash flow before debt movement	**(80.7)**	**(4.5)**	**nm**
Cash conversion[1]	**84%**	**86%**	

1. Cash conversion is calculated as adjusted EBITDA, add/less movement in working capital and other non-cash, less minor capital spend (excluding flood related capital spend), as a percentage of adjusted EBITDA. Adjusted EBITDA excludes non-recurring items.

nm = not meaningful

Financial Performance continued

Key drivers of the remainder of the cash flow are below:

- Investing cash outflows increased by $97.6M, due largely to the acquisition of Alesco in December 2012, offset partly by the disposal of the O'Connor site and Robinhood business, which collectively generated $12.7M; and
- Financing cash outflows decreased by $19.8M as share capital was issued in 2013 to satisfy the Dividend Reinvestment Plan for both final and interim dividends paid, whereas in 2012 shares were bought back on market for the final dividend of 2011 (paid in 2012).

Operating Cash Flow		**Year ended 30 September**	
A$M	**2013 Actual**	**2012 Actual**	**% change**
Cash flow before non-recurring items	**133.8**	**101.7**	**31.6%**
Non-recurring Alesco costs	(15.7)	-	
Non-recurring flood impacts	-	14.8	
Operating cash flow	**118.2**	**116.5**	**1.5%**

Paints Australia

A market leader which comprises the retail paint, trade paint, woodcare, protective coatings and texture coatings businesses.

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

2013 Performance

EBIT of $110.4M, up 9.3% (before prior year flood insurance uplift).

Strong revenue and profit growth, outperforming in a flat market.

Paints Australia		**Year ended 30 September**	
A$M	**2013 Actual**	**2012 Actual**	**% change**
Sales revenue	643.1	613.9	4.8%
EBITDA before flood insurance uplift	122.1	112.9	8.1%
EBIT	110.4	108.8	1.5%
EBIT before flood insurance uplift	110.4	101.0	9.3%
*EBIT % sales**	*17.2%*	*16.5%*	

* EBIT % sales for 2012 has been calculated by taking the EBIT before insurance uplift, divided by sales revenue. This provides a more accurate assessment of underlying margin performance because it removes the distortion effect of flood insurance accounting.

Sales Revenue up $29.2M (+4.8%)

- The Australian decorative paint market was flat in volume terms. The trade channel declined over the year though showed marginal growth in the second half, while the retail channel experienced growth as market drivers improved and hardware retailer investment continued.
- Revenue growth was driven by continued profitable share gains in the decorative paint businesses and pricing discipline.

EBIT Increase of $9.4M (+9.3%) Before Flood Insurance Uplift in 2012

- Margins improved due to good cost control, a full year of benefits from 2012 internal efficiency programs and some short term input cost relief.
- This earnings growth was achieved while the business continued its investment in marketing and future growth initiatives.

2013 Achievements

- New products released during the year included 'Dulux Wash & Wear Plus' stain, mould and bacteria resistant paint, 'Dulux Metalshield', 'Dulux Fence & Gate', 'British Paints Clean & Protect', 'Feast Watson Wet Look' decking oil, a new tank lining coating for the petrochemical industry, a high corrosion-resistant coating for marine locations, and a new roof membrane product, which has greater durability and gloss retention.
- The Dulux Shop Online was launched allowing consumers to purchase colour swatches, sample pots and room transparencies online so they can test the best colour combinations to help them to 'imagine a better place'.
- To assist local communities, Dulux's sponsorship of Surf Life Saving Australia helped to restore and protect Australia's Surf Club buildings around the nation and Berger partnered with Legacy to launch 'Berger Paint for a Mate' which aims to paint more than 40 homes a year to help families of war service people who are experiencing hardship.
- The Trade business has continued to upgrade its store layout and operational model to provide an industry leading in-store environment for the professional painter, with a flagship store situated in Springvale, Victoria.

Segment Detail continued

Paints New Zealand

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

Manufacturing in New Zealand since 1939, the business leads the market with such household names as Dulux, British Paints, Levene and Cabot's.

2013 Performance

Paints New Zealand EBIT of $11.4M, up 40.7%.

A strong result driven by robust market conditions and share gains.

Paints New Zealand			Year ended 30 September
A$M	2013 Actual	2012 Actual	% change
Sales revenue	85.5	72.3	18.3%
EBITDA	14.0	10.6	32.1%
EBIT	11.4	8.1	40.7%
EBIT % sales	*13.3%*	*11.2%*	

Sales Revenue up $13.2M (+18.3%)

- The New Zealand decorative paint market grew by approximately 8% during the year, driven by increased building activity, renovation activity, housing churn and Christchurch reconstruction related activity. Excluding the impact of Christchurch activity, the market grew by approximately 5%.
- Profitable market share gains were achieved in both Retail and Trade businesses.
- Approximately 6.5% of the revenue growth was attributable to a stronger New Zealand dollar.

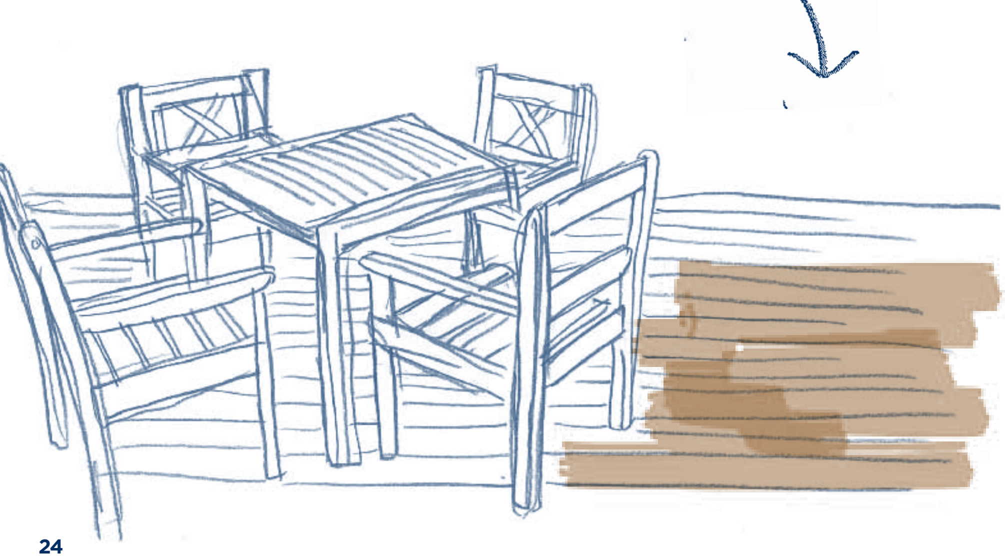
EBIT Growth of $3.3M (+40.7%)

- EBIT margin expansion due to fixed cost leverage and some short term input cost relief, underpinned by pricing discipline.
- Approximately 6% of the EBIT growth was attributable to a stronger New Zealand dollar.

2013 Achievements

- Further investment was undertaken to promote the successful 'Dulux Colours of New Zealand' range, including the launch of the mobile 'Dulux Colour Hut' initiative to showcase the range at high profile events.
- New product launches for 2013 included new woodcare products which have been tailored for the New Zealand market, the Dulux Wash & Wear Plus range, a market first, all-in-one, machine primed weatherboard with Dulux Weathershield colour options and a full range of metal protection products targeted at 'do-it-yourself' consumers.
- The team worked with Environment Canterbury (ECAN) to develop an approved paint waste disposal system, 'Envirowash', which helps our trade customers meet their environmental obligations.
- Upgraded the flagship Dulux Trade Centre in Christchurch, with new ergonomic tint lines and automatic tint machines to improve customer service, while also launching a convenient advance order and pick-up system for trade painters which will be rolled out across all Dulux Trade Centres.

CABOT'S DECK & EXTERIOR STAIN



Selleys Yates

Selleys is Australia and New Zealand's leading manufacturer and marketer of adhesives, fillers, sealants and other products for the home improvement market.

Selleys has a heritage dating back to 1939 and markets a strong array of brands that are relied upon by homeowners and tradesmen, including Selleys, Rota Cota, Polyglaze, Liquid Nails, No More Gaps, Spakfilla, and BBQ Wipes.

Yates is Australia and New Zealand's leading manufacturer and marketer of products for home gardening and small scale commercial horticulture. Products include seeds, pest and disease control, lawn care, fertilisers, pots, potting mix and organic gardening products.

With origins dating back to the establishment of the Yates garden seeds business in the late 1800s, Yates boasts an array of brands that have become household names including Yates, Hortico, Watkins, Nature's Way, Dynamic Lifter, Zero, Ratsak and Blitzem.

2013 Performance

Selleys Yates EBIT of $26.3M, up 5.6%.

Growth driven by improvement in Selleys, with Yates also improving in the second half.

Selleys Yates		**Year ended 30 September**	
A$M	**2013 Actual**	**2012 Actual**	**% change**
Sales revenue	252.2	244.6	3.1%
EBITDA	29.4	28.5	3.2%
EBIT	26.3	24.9	5.6%
EBIT % sales	*10.4%*	*10.2%*	

Sales Revenue up $7.6M (+3.1%)

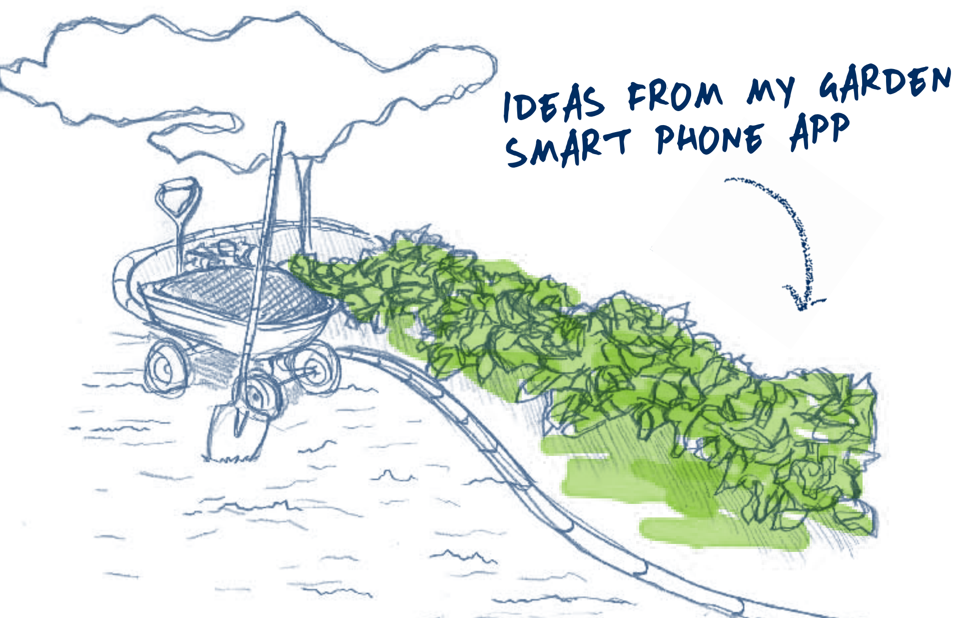
- Selleys sales improved due to both market and share growth. Growth in New Zealand was also boosted on translation by the strong New Zealand dollar.
- Yates sales grew in modestly growing markets.

EBIT Growth of $1.4M (+5.6%)

- In the second half, both Selleys and Yates grew profit over pcp.
- The result was driven by the sales growth, together with margin and cost control.

2013 Achievements

- New products launched in Selleys during the year include 'Selleys No More Gaps Multipurpose' and 'Selleys Liquid Nails Fast'. Yates launched a number of new products including the 'Yates Lawn Master Liquid Hose On Lawn Food' range, 'Concentrated Lawn Food' and innovative seed range extensions.
- Selleys rolled out upgraded touch screen units in selected stores nationally, allowing consumers to better understand and select the right product in-store and launched the 'Handyman House' through its website, allowing consumers to easily find 'how to' videos that make common household DIY tasks easy.
- Yates leads the industry with its direct consumer engagement programs, including a Garden Club which has more than 100,000 members throughout Australia and New Zealand. Yates has also led the way in the digital space, with the launch of the 'My Garden' smart phone app.



Garage Doors and Openers

This business is Australia and New Zealand's leading manufacturer of garage doors and openers. Its product range includes garage doors and automatic openers for residential, commercial and industrial markets.

Its portfolio of iconic brands includes B&D, Garador, Dominator and Automatic Technology Australia.

The business's heritage dates back to the unveiling of the first B&D Roll-A-Door in Sydney in 1956, which has grown to become an Australian icon and a consistent feature of Australian urban streetscapes.

2013 Performance

Garage Doors and Openers proforma EBIT of $17.4M, down 2.2%.

Revenue improving in a flat market; business investing in a market showing the first signs of recovery.

Garage Doors and Openers A$M	2013	Year ended 30 September 2012	% change
Statutory (10 months in 2013)			
Sales revenue	130.4	-	
EBITDA	17.8	-	
EBIT	12.3	-	
EBIT % sales	*9.4%*	-	
Proforma (12 months in 2013 & 2012)			
Sales revenue	160.5	157.3	2.0%
EBITDA	24.0	24.1	(0.4%)
EBIT	17.4	17.8	(2.2%)
EBIT % sales	*10.8%*	*11.3%*	

Proforma Sales Revenue up $3.2M (+2.0%)

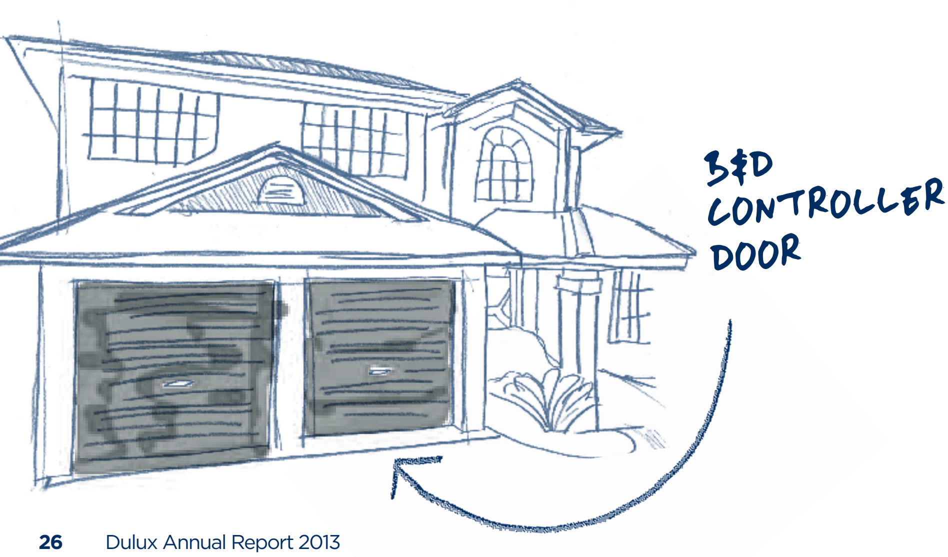
- Market growth in New Zealand was offset by an Australian market that retreated slightly.
- Share outcomes were mildly positive, with largest gains in the openers business, driven by a strong service offering, and B&D Australia in its core residential renovations market through its strong dealer network.

Proforma EBIT Decline of $0.4M (-2.2%)

- EBITDA was marginally below prior year.
- Costs were well controlled, enabling an increased investment of approximately $1.5M in sales capability and marketing.
- Both current and prior years were favourably impacted by net insurance gains resulting from the Christchurch earthquake, of A$0.7M and $0.5M respectively.
- Depreciation and amortisation increased by $0.3M predominantly as a result of acquisition accounting impacts.

2013 Achievements

- B&D has led the market in providing a variety of wind-resistant doors fully tested and certified to meet recently revised standards in cyclone-prone areas of Queensland, Western Australia and Northern Territory.
- Other product launches in 2013 included the B&D Smooth panel sectional garage doors range now being available in the Dulux paint colour range, a range of industrial and commercial doors offering an increased size range and a new transmitter platform for ATA, providing a generational leap forward in security for end users.
- The B&D Doors Australia website now includes an interactive Design Centre that allows customers to virtually model garage doors by uploading a photo of an existing home.
- The B&D brand featured in a national advertising campaign in August to stimulate the market and entice homeowners to update their garage doors.



Parchem

Parchem Construction Chemicals and Equipment is a leading manufacturer and supplier of construction chemicals, decorative concrete products and related equipment for the Australian and New Zealand civil engineering, industrial, commercial, infrastructure, mining and residential construction markets.

Its leading position reflects more than 50 years of unmatched experience and technical expertise, and the quality of its trusted brands, which include Emer-Clad, Durafloor, Fosroc, Vandex, Corkjoint, Sewpercoat, Index and Flextool.

2013 Performance

Parchem proforma EBIT of $8.2M, up 6.5%.

Solid result given a challenging Australian market.

Parchem		**Year ended 30 September**	
A$M	**2013**	**2012**	**% change**
Statutory (10 months in 2013)			
Sales revenue	97.5	-	
EBITDA	7.6	-	
EBIT	5.5	-	
EBIT % sales	*5.6%*	-	
Proforma (12 months in 2013 & 2012)			
Sales revenue	121.3	120.0	1.1%
EBITDA	10.8	10.5	2.9%
EBIT	8.2	7.7	6.5%
EBIT % sales	*6.8%*	*6.4%*	

Proforma Sales Revenue up $1.3M (+1.1%)

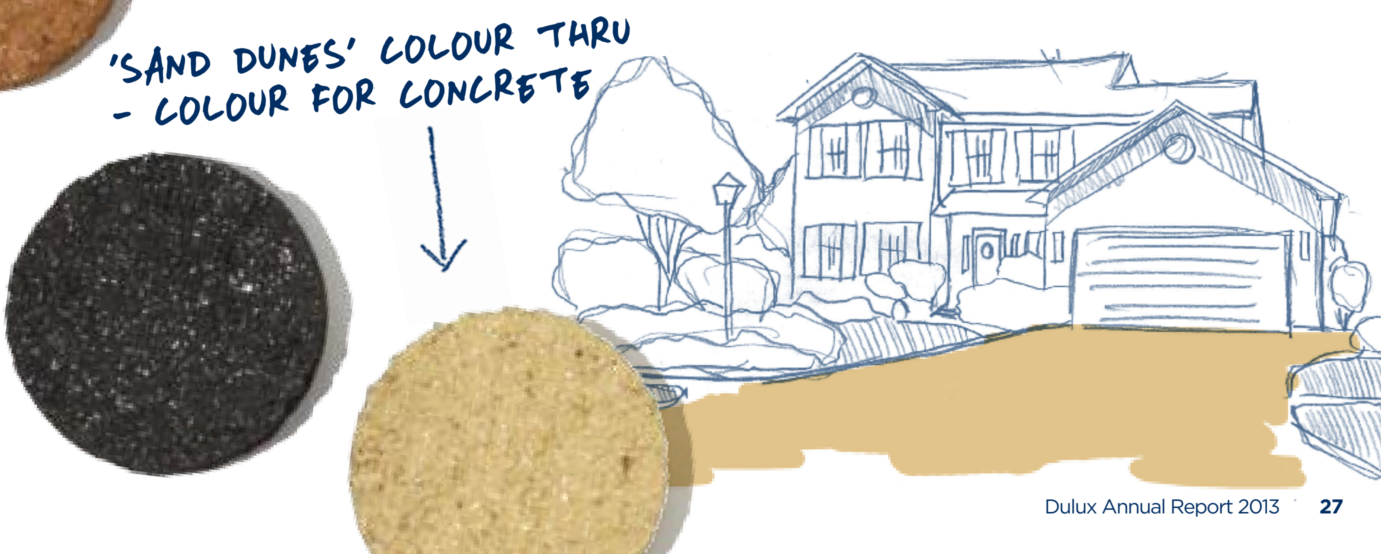
- The Australian core construction market declined slightly, with growth in WA offset by subdued conditions elsewhere. The New Zealand market experienced solid growth, underpinned by Christchurch rebuilding activity.
- Core Construction Chemicals revenue performed strongly, growing approximately 7%. Decorative Concrete was flat and Equipment was down 11%. These latter two businesses represent less than half of Parchem's revenue.

Proforma EBIT up $0.5M (+6.5%)

- EBITDA grew marginally, driven by procurement initiatives and tight control of costs, despite higher trade store costs following prior year store refurbishments.
- Depreciation decreased $0.2M as a result of acquisition accounting impacts.

2013 Achievements

- A number of new products were launched during the year, including Durafloor X, a heavy-duty polyurethane resin floor system for use by customers in industrial settings such as chemical processing, manufacturing and food preparation, and a new liquid waterproofing system which makes installation of waterproof membranes quicker and easier for applicators, and in turn gives a more robust waterproof job for the end user.
- The new Parchem website was launched to make it easier for commercial customers, trade professionals and consumers to find the products and solutions they need.



Lincoln Sentry

Lincoln Sentry is the leading distributor of hardware and components to the cabinet making industry and window, door and glazing fabricators.

Products include: drawer systems and hinges; furniture handles and knobs; decorative lighting; sinks and basins; office, shop and wardrobe systems; sealants, adhesives and fasteners; window and door hardware; security products; glass and glazing products; and tools and accessories.

Its distributed brands include Blum, Hera, SecureView, Dow Corning, Whitco and Breezway.

2013 Performance

Lincoln Sentry proforma EBIT of $7.1M, down 4.1%.

Flat EBITDA, second half revenue growth.

Lincoln Sentry		**Year ended 30 September**	
A$M	**2013**	**2012**	**% change**
Statutory (10 months in 2013)			
Sales revenue	117.6	-	
EBITDA	5.9	-	
EBIT	4.1	-	
EBIT % sales	*3.5%*	-	
Proforma (12 months in 2013 & 2012)			
Sales revenue	147.1	151.0	(2.6%)
EBITDA	9.2	9.2	0.0%
EBIT	7.1	7.4	(4.1%)
EBIT % sales	*4.8%*	*4.9%*	

Proforma Sales Revenue Down $3.9M (-2.6%)

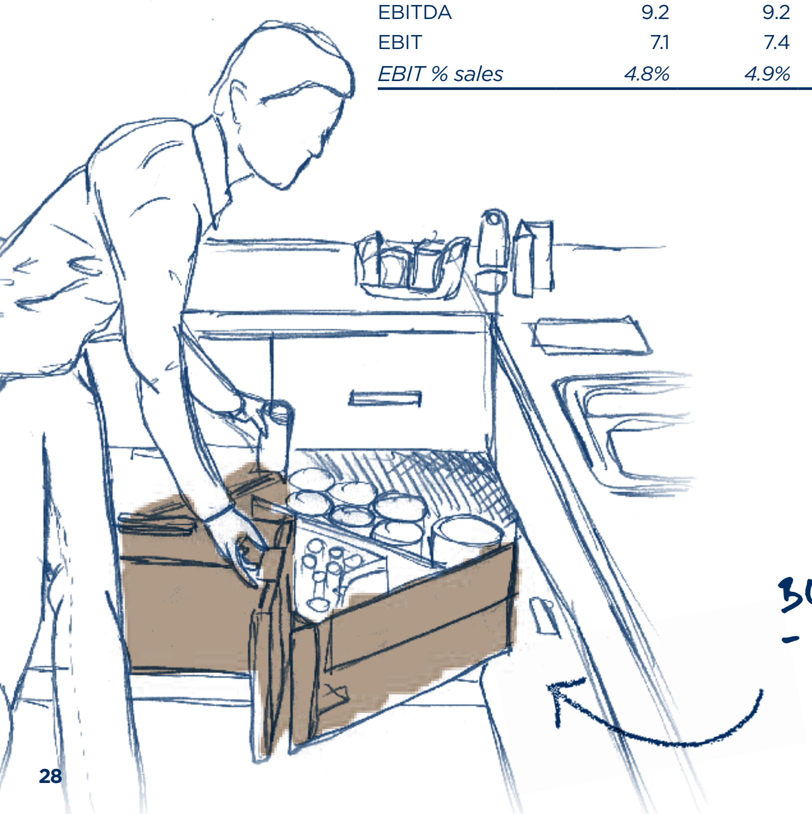
- Whilst full year revenues were adversely impacted by continued subdued levels in the key renovation and new housing markets, 2.8% revenue growth was achieved in the second half of the year, driven by modest market improvement and market share gains.
- A range of product, sales and distribution strategy initiatives drove these share gains.

Proforma EBIT Down $0.3M (-4.1%)

- EBITDA was flat, due to lower fixed costs driven by the April 2012 cost reduction program and ongoing cost discipline, and despite margin pressure due to a weaker Australian dollar against the euro and US dollar, and increased investment in marketing.
- Depreciation and amortisation increased $0.2M due to acquisition accounting impacts.

2013 Achievements

- Lincoln Sentry launched the first stage of a new online strategy to directly engage with end consumers to assist them in specifying Lincoln Sentry products in their new or existing homes. An interactive website allows consumers to visualise Lincoln Sentry products at work in various parts of their own home.
- The business released a number of new products including an 'in kitchen' waste management program, and also launched an industry-first loyalty program, direct to trade customers, to increase awareness of the broader product package and to reward customer loyalty.
- New Design and Selection Showrooms were launched at Alexandria in Sydney, Albury, Sunshine Coast and Canberra, targeted to be a selection centre for our trade customers and their clients alongside the specification and design community.



BLUM CORNER SOLUTIONS
- SPACE CORNER WITH SERVO-DRIVE

Other Businesses

Comprises the China and South East Asia coatings and home improvement businesses (known as DGL Camel International and DGL International respectively), the Papua New Guinea coatings business and the Powders, Refinish and Industrial Coatings business in Australia and New Zealand. During 2013 this segment also included the Robinhood appliances business, which has subsequently been divested.

2013 Performance

EBIT (equity share excluding Robinhood and non-recurring items) down 14.3%.

Decline due to market softness in PNG.

Other Businesses		**Year ended 30 September**	
A$M	**2013**	**2012**	**% change**
Statutory (includes 10 months of Robinhood in 2013)			
Sales revenue	175.7	154.6	13.6%
EBITDA	(10.8)	11.4	nm
EBIT	(15.6)	6.7	nm
EBIT % sales	*(8.9%)*	*4.3%*	
Equity share of EBIT[1]	(4.6)	9.8	nm
Excluding Robinhood and China impairment			
Sales revenue	162.6	154.6	5.2%
EBITDA	10.3	11.4	(9.6%)
EBIT	5.7	6.7	(14.9%)
EBIT % sales	*3.5%*	*4.3%*	
Equity share of EBIT[1]	8.4	9.8	(14.3%)
Robinhood and China impairment			
Robinhood EBIT	(1.7)	-	nm
Robinhood loss on sale	(1.1)	-	nm
China impairment – 100%	(18.5)	-	nm
China impairment – equity share	(10.2)	-	nm

1. Equity share represents the Group's share in the Other businesses segment, after accounting for the 49% non-controlling interest in DGL Camel International.

The Other businesses segment consists of DGL Camel in China and Hong Kong, the Papua New Guinea business, the Dulux Powder, Refinish and Industrial Coatings Australia and New Zealand business (Powder Coatings), the South East Asian business, and the recently disposed of Robinhood appliance business (acquired as part of Alesco).

- **Statutory results** for this segment were impacted by the inclusion of ten months of results from Robinhood, which was disposed of on 16 September 2013, and the recognition of an impairment expense in relation to the intangible assets of the DGL Camel business.
- **DGL Camel** revenue grew $6.8M, partly due to the December 2011 timing of the DGL Camel merger, with 2013 being the first full year, and $4.8M of foreign exchange benefits. Underlying revenue performance was adversely impacted by market contraction in both Mainland China and Hong Kong markets. Earnings for DGL Camel improved on the pcp, partly due to the timing of the DGL Camel merger, and partly due to improved margins driven by the localisation of Selleys production and reformulation savings.
- **Powder Coatings** revenue grew moderately. The relatively weak manufacturing and construction markets in Australia were more than offset by strong performances from its New Zealand Powder and Industrial arms. Powder Coatings EBIT increased, led by a strong result in New Zealand.
- Sales in **Papua New Guinea** were lower than the pcp due to a slowdown in the local economy as the construction phase of the ExxonMobil LNG project nears completion. Papua New Guinea EBIT also declined due to lower sales, combined with the impact of a significant devaluation of the local currency (Kina) in the second half of the year.

2013 Achievements

- DGL Camel launched a number of new products into the market, including AcraTex texture coatings products, 'Selleys Liquid Nails', and powder coatings products for the industrial containers market.
- Powder Coatings continued to build on its 2012 launch of Dulux Electro. It also launched Dulux RapidCure, a product designed to save customers on their energy costs through lower temperature curing than conventional powder coatings.
- Dulux PNG continued to develop its consumer retail promotions in support of its market leading decorative paints position in PNG and relaunched a tailored offer of Cabot's woodcare into the PNG market.

Other Businesses continued

China Impairment
An impairment charge has been recognised against the intangible assets relating to our China business. DuluxGroup's equity share[1] of this charge is $10.2M.

The impairment represents around 50% of DuluxGroup's share of the goodwill that arose from the original Opel investment in 2008 and the subsequent merger with Camel in 2011. Following this impairment, DuluxGroup retains goodwill associated with DGL Camel of $9.9M.

The impairment follows an assessment of business performance against expectations, together with external benchmarking of fair value against similar businesses. Considerations leading to the impairment charge are as follows:

- Despite an improved profit outcome in 2013, the financial performance of the business continues to be below expectations, with ongoing weakness in the retail woodcare market a key driver;
- Our assessment at the March half year left very little headroom against internal forecasts – these forecasts were not met in the second half; and
- Our assessment of possible fair value (based on transaction multiples for similar businesses) was revisited to take account of recent observable market based information.

Since the acquisition of the Opel woodcare business in 2008, DuluxGroup has been focussed on building sustainable niche positions in Selleys, Acratex and paint. The merger with Camel in 2011 assisted in providing greater product breadth, a stronger position in southern China and Hong Kong, synergy benefits and deeper local knowledge. DuluxGroup remains committed to the China business, and continues to focus on growth opportunities in Selleys, Acratex and decorative paint.

Progress was made during the year in Selleys in particular, establishing successful local manufacturing of Liquid Nails products for both Hong Kong and China (which replaces product that was previously imported from Australia).

Corporate Costs

2013 Performance

Proforma Corporate costs of $20.2M, up 11.0%.
Increases in Heritage DuluxGroup costs and favourable non-recurring items in the prior period, partially offset by synergies in Alesco.

Corporate Costs		Year ended 30 September	
A$M	2013 Actual/ Proforma	2012 Actual/ Proforma	% change
Heritage DuluxGroup – Actual	(18.6)	(15.4)	(20.8%)
Alesco – Proforma	(1.6)	(2.8)	42.9%
Total Corporate costs	**(20.2)**	**(18.2)**	**(11.0%)**

Heritage DuluxGroup costs up 20.8%
- Increased to $18.6M, broadly in line with previous guidance of $18M, due to higher incentive accruals as a result of the strong operating performance of the Group and an increase in business development resources. The prior period also included a foreign exchange gain of $1.1M.
- Changes in accounting standards impacting the movements in DuluxGroup's defined benefit superannuation scheme take effect in 2014 and will also be applied retrospectively to the 2013 year. This will result in a further charge of approximately $2.8M to the 2013 comparative in results for 2014. The fringe benefits tax relating to any debt forgiveness associated with the pending close-out of the 2010 Long Term Incentive Scheme will be in addition to this (up to $1.5M). Aside from these items, Corporate costs are expected to increase broadly in line with inflation.

Proforma Alesco costs down 42.9%
- The prior year figure of $2.8M included some favourable non-recurring items and largely excluded stranded costs following the divestiture by Alesco of Parbury and Dekorform in March 2012. Given this, we estimated (per our March 2013 update) that baseline Alesco Corporate costs were approximately $7M.
- The 2013 result of $1.6M reflects the realisation of synergies against this $7M base.
- We remain comfortable with our prior guidance of $9M of Alesco cost synergies, the majority of which will be realised by the end of 2014.
- Alesco Corporate costs will not be separately identified from 2014 onwards.

1. Equity share of EBIT represents the Group's share in the Other businesses segment, after accounting for the 49% non-controlling interest in DGL Camel International.

Non-recurring Items

The non-recurring items are detailed below:

Non-recurring Items	Year ended 30 September	
A$M	**EBIT**	**NPAT**
2013		
Non-recurring Alesco PPA adjustments	(1.7)	(1.2)
Alesco transaction costs	(6.3)	(5.9)
Alesco integration costs	(9.6)	(6.7)
Robinhood loss on sale	(1.1)	(1.3)
Gain on sale of O'Connor site, net of disposal costs	8.1	8.1
China impairment – equity share	(10.2)	(10.2)
China impairment – non-controlling interests share	(8.3)	-
Total	**(29.0)**	**(17.2)**
Total – equity share	**(20.7)**	**(17.2)**
2012		
Alesco transaction costs	(3.6)	(3.3)
Alesco dividend	2.8	2.8
Interest on Alesco stake (est.)	–	(1.3)
Insurance uplift	7.7	5.4
Tax consolidation adjustment	–	6.3
Total	**7.0**	**9.9**

Non-recurring Alesco PPA adjustments refer to the non-recurring component of the Purchase Price Allocation adjustments that have been made as part of the Alesco acquisition accounting process. These primarily relate to the fair value adjustment to finished goods inventory sold in the period.

Alesco transaction costs refer to the transaction costs associated with the acquisition of Alesco. These costs total $9.9M over 2012 and 2013, within the previously supplied guidance of $9M to $10M. No further costs will be incurred.

Alesco integration costs refer to the costs associated with integrating the Alesco businesses into DuluxGroup. Further integration costs ($4M – $5M) are anticipated to be spent during 2014. Total integration costs will be below our previously supplied guidance of up to $15M.

The **Robinhood loss on sale** largely relates to adviser costs, site exit costs and redundancy payments associated with the sale of this business.

The **gain on sale of the O'Connor site** refers to the profit made upon disposal of the O'Connor site in Western Australia.

The **China impairment** relates to the impairment charge against the intangible assets of the DGL Camel business.

Alesco dividend in 2012 refers to the fully franked dividend income from DuluxGroup's 19.96% shareholding in Alesco, prior to the full acquisition.

Interest on Alesco stake in 2012 refers to the estimated incremental interest expense due to the $37.6M capital outlay in May 2012 to acquire the Alesco shareholding.

The **insurance uplift** amount in 2012 relates to the last of the insurance proceeds following the 2011 flood at the decorative paint manufacturing site in Rocklea, Queensland. The figure refers to the difference between insurance income of $15.0M and the flood-related profit and loss expenses of $7.3M. There was no impact relating to this item in the current period.

Tax consolidation adjustment refers to the tax effect of recognising a deferred tax asset (associated with the revaluation of certain non-current assets for tax purposes) on the formation of the Australian tax consolidated group upon demerger.

Future Financial Prospects

DuluxGroup considers a range of external indicators in assessing outlook. These include the market performance, raw material prices and other cost drivers.

Market

Overall, DuluxGroup's end market exposure is biased to the existing home, with 64% of revenue relating to residential renovation and improvement. DuluxGroup also has a meaningful exposure to new construction, with 16% of revenue relating to new residential housing and 16% relating to commercial and infrastructure construction. The remaining 4% of revenue relates to industrial markets. From a geographic perspective, Australia represents 83% of revenue, New Zealand 10%, with the remaining 7% relating to China, Papua New Guinea and South East Asia.

Renovation and improvement to existing homes in Australia tends to be impacted by factors such as interest rates, house prices and consumer confidence. Renovation statistics themselves are less relevant, as many of the projects relevant to DuluxGroup are below any recordable threshold.

In general, all of these factors have improved over the last half in Australia and there is no immediate sign of any adverse change.

Preliminary indications for new housing in Australia are also positive, with new housing approvals starting to show more consistent increases over the prior year.

Given this, our expectation overall is most of our markets in Australia will show modest growth, though given most of DuluxGroup's new residential housing business occurs at the tail end of construction, a flow through of any recovery to DuluxGroup from this sector is still some time away.

In New Zealand, market growth is also expected to continue, given underlying growth in housing and other construction, underpinned by continued rebuilding activity in Christchurch, which is expected to continue for a number of years.

The Papua New Guinea market declined in the second half of 2013 and some short term pressure is expected to continue. Medium term this market is expected to continue to grow, supported by expected future investment in energy and mining projects.

In China the longer term outlook remains positive, supported by GDP growth projections. In the shorter term, restrictions on the development of residential housing have continued to put pressure on the specific markets in which DGL Camel operates. It is not clear when this pressure will ease.

Revenue Growth

DuluxGroup has a history of outperforming the markets in which it operates, whilst maintaining profitability, and will continue to seek to do this across all businesses.

For the newly acquired B&D, Parchem and Lincoln Sentry businesses, we expect to invest additional sales and marketing resources to assist these businesses in achieving revenue growth ahead of the market over the medium-term.

Raw Materials and other costs

DuluxGroup has a wide range of raw materials. The two largest are latex resin and titanium dioxide, both of which are key ingredients in paint. There is potential for upward pressure on raw material prices, particularly in the second half of the financial year, driven by supply/demand characteristics and the A$/US$ exchange rate.

Approximately 20–30% of input costs have a direct or indirect link to other currencies, such as the US$ and the Euro. If there is a material weakening of the A$ during the year, then input costs may be adversely affected.

In general, and over a number of years, DuluxGroup has mitigated input cost variation through a number of cost and price-related mechanisms. DuluxGroup will endeavour to continue to achieve this outcome in future.

DuluxGroup has a strong history of continuing to invest in marketing and innovation. We aim to continue to invest in marketing in line with top line growth.

Overall Outlook

Subject to economic conditions and excluding non-recurring items, we expect 2014 net profit after tax to be higher than 2013 net profit after tax, excluding non-recurring items, of $94.1M.

Safety and Sustainability Report

Welcome to the 2013 DuluxGroup Safety and Sustainability Report. Excellent progress was made in many areas throughout the year and we achieved our best performance for the second consecutive year. We continued our focus on improving management of significant risks, together with integration of the new Garage Doors and Openers, Parchem and Lincoln Sentry businesses.

STRATEGY

An integrated approach to management of risk means that all DuluxGroup businesses operate within a common safety and sustainability strategic framework. In order to achieve DuluxGroup's vision of 'A Future Without Harm', our priorities are focused on the following material aspects:

- People: fatality prevention, personal safety, health and well-being, and community engagement.
- Operations: process safety, waste generation, and water consumption.
- Products: solvents (VOCs), chemicals of concern, non-renewable resources, carbon footprint and post-consumer waste.

Although we have a strong history of improvement, we recognise that our risk profile is constantly changing as our business changes and therefore our management of those risks needs to continually evolve. Achievement of our vision is currently enabled by four targeted strategies that recognise management of high consequence risks:

- Process Safety: prevention of major disasters (with potential for multiple fatalities) in our factories handling chemical process hazards such as flammable solvents.
- Fatality Prevention: prevention of fatalities from common significant hazards across all businesses such as forklifts, working at height and driving.
- Personal Safety: prevention of injuries from everyday workplace hazards such as manual handling and sharp objects.
- Sustainability: prevention of community and environmental harm from all business activities.

This differentiated strategic approach recognises that a singular management focus on everyday injuries does not prevent high-consequence events such as major fires, fatalities or environmental legacies. These strategies are underpinned by a focus on risk management basics (e.g., incident reporting and investigation, management of change) and most importantly, leadership and culture. The strategies are linked to a continuous improvement focus, reinforced by targeted improvement plans and measurable performance indicators.

GOVERNANCE

Safety and sustainability governance across DuluxGroup is achieved via regular management reviews and due diligence processes. This includes:

- a Board Safety and Sustainability Committee. The Committee meets quarterly to review performance, objectives and strategies;
- a Group Executive Safety and Sustainability Council. The Council meets quarterly to review performance, develop and approve strategy, monitor implementation, and review findings;
- an annual safety and sustainability assurance process whereby all businesses report on performance and improvement progress;
- an ongoing safety and sustainability audit program of all businesses to assess effectiveness of risk management.

All line managers are responsible for managing safety and sustainability risks, supported by a number of dedicated specialists. Senior management remuneration is linked to safety and sustainability performance, including leading improvement activities (e.g., fatality prevention protocol and product stewardship implementation) and lagging performance (e.g., injury rates).

PERFORMANCE

1. PEOPLE

Fatality Prevention

During 2013 we continued our focus on continually improving management of common fatality risks in order to protect our people and ensure we sustain our current fatality-free performance of more than 19 years. While this excellent performance is particularly pleasing, benchmarking with a diverse range of organisations in recent years has clearly shown that many are having fatalities irrespective of good or improving injury performance, and that we need to constantly challenge our management of these common risks. The foundations of our fatality prevention strategy remain near-miss reporting, significant risk auditing, risk management basics (e.g., permit to work, management of change), and development of protocols that prescribe higher levels of mandatory risk controls than traditional standards.

A major improvement activity during the year involved rigorous analysis of mandatory three-metre separation of pedestrians and forklifts across our Dulux, Selleys and Yates operating sites as part of the forklifts protocol implementation. This work successfully challenged a number of our accepted operating practices and identified significant risk reduction opportunities through both changes to tasks and capital improvements (e.g., barriers, workplace layout changes). The business has committed to spending approximately $3 million in capital improvements, and a number of identified projects at sites such as Dulux Rocklea, Dulux Dandenong, Selleys Moorebank and Yates Auckland have already been implemented. We also verified the 2012 implementation of our driver safety protocol to ensure the improvement actions are being completed and sustained.

Safety and Sustainability Report continued

Across the new Garage Doors and Openers, Parchem and Lincoln Sentry businesses, a key focus was completion of significant risk audits and development of prioritised action plans at all factories and warehouses to deliver improved control of high-consequence risks. A number of these actions have already been implemented including examples such as installation of forklift–pedestrian segregation barriers at B&D Revesby and traffic management speed controls at Lincoln Sentry Prestons.

Our levels of serious near miss incidents associated with fatality hazards across the heritage businesses remained more than 37% lower than two years ago. Meanwhile our total near miss reporting levels continued to improve for the fifth consecutive year, with a 15% increase over 2012. It was also pleasing to see the new businesses starting to identify and report serious near misses, while building on their hazard reporting program implemented in recent years. DGL Camel launched a near miss reporting program during the year to encourage active identification and reporting by all employees.

Personal Safety
We achieved excellent improvement in injury rates across all businesses during the year, resulting in fewer employees experiencing common injuries such as slips and falls, cuts and strains. It was particularly pleasing to observe that a significant improvement was also achieved in the more serious injuries.

During 2013 we maintained our focus on key activities introduced in recent years including ergonomic risk reduction, risk assessment and training, together with near miss reporting. Investment to reduce risk was undertaken at a number of sites, including a significant upgrade to dust extraction systems at Dulux Rocklea to improve workplace hygiene and continued installation of pneumatic hook lifts to reduce manual handling in Dulux Trade Centres, with 27 stores now completed. Focusing on basics such as housekeeping through lean manufacturing programs and training through task based risk assessments continued across many of our sites during the year, including Selleys Padstow, Yates Mt Druitt, Parchem Wyong and B&D Kilsyth.

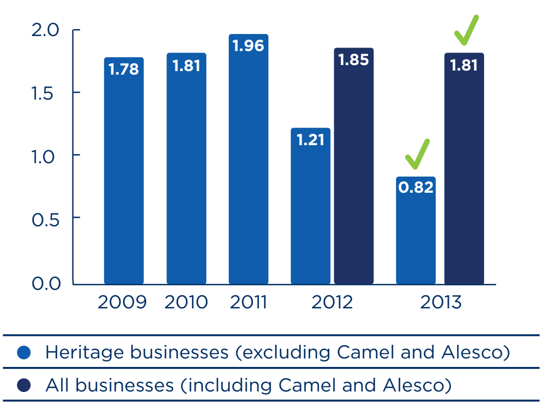
Our heritage businesses, excluding Camel Paints and the new Garage Doors and Openers, Parchem and Lincoln Sentry businesses, achieved a 56% reduction in the Lost Workday Case Rate (per 200,000 hours) to 0.28 and a 32% reduction in the total Recordable Case Rate (per 200,000 hours) to 0.82. This outstanding result is the best ever performance achieved by these businesses for the second consecutive year and represents greater than 60% reduction in injury levels from three years ago. From benchmarking against international decorative coatings businesses in the US and UK/Europe completed in recent years, we also know that this result is considered best practice. Including Camel Paints and the new businesses, the group's Lost Workday Case Rate (per 200,000 hours) was 0.48 and the total Recordable Case Rate (per 200,000 hours) was 1.81.

Health and Wellbeing
Protecting employee health and wellbeing remained an important priority during the year. Monitoring programs to measure potential hazardous substances exposure were conducted at our Dulux, Selleys and Yates manufacturing sites, with 100% of results below the occupational exposure limits. Health assessment monitoring programs to proactively monitor employees working with hazardous substances or in high-risk activities (e.g., driving forklifts) were fully completed. Introduction of these programs to the new businesses will be completed during 2014.

Consistent with prior years, a number of wellbeing initiatives were conducted across the businesses during the year. These included 182 employees from several businesses across Australia and New Zealand participating in the 16-week Global Corporate Challenge and walking the equivalent of 141,000 kilometres; more than 330 Victorian employees participating in the government-funded WorkHealth checks program; and multiple sites and businesses participating in R U OK? Day to encourage regular conversations and support for people who may be experiencing difficulties.

Recordable Case Rate

The Recordable Case Rate is the number of recordable injuries and illnesses (requiring time off work, restricted duties or medical treatment) per 200,000 hours worked (US OSHA system), which is equivalent to the percentage of employees and contractors injured. The majority of our recordable injuries are strain injuries from manual handling, cuts and injuries from slips, trips and falls. The group Recordable Case Rate for 2013 was 1.81 compared with 1.85 in 2012. Excluding the Alesco and Camel businesses acquired in 2013 and 2012 respectively, the result for our heritage businesses was 0.82 compared with 1.21 in 2012.



Leadership Development

Continuing to develop the safety and sustainability leadership capability of our managers remained a key focus during the year. This focus recognises that management actions and behaviours at all organisational levels create our culture and thereby determine the ultimate success of any improvement strategies and processes. During 2013 we launched the operations stream of our new Safety and Sustainability Management Program that provides managers with the contemporary understanding of how to apply our strategies and processes in order to manage risk effectively. We also continued the rollout of our Safety and Sustainability Leadership Program that focuses on enhancing development of critical safety leadership skills (e.g., communication, leading by example), with a further 35 managers completing the program during the year.

Community Engagement

The company formally adopted a community participation program during 2012 whereby all employees can undertake half a day per year of volunteer work supported by the company. This volunteer work complements the community support activities undertaken by a number of our businesses. Some examples of community engagement activities during 2013 include the following:

- Dulux Australia continued their three-year partnership with Surf Life Saving Clubs Australia to paint every surf life saving club across the country, with 75 clubs (24%) painted to date and 144 clubs (47%) preparing to paint.
- Dulux New Zealand announced a three-year conservation partnership with the Department of Conservation to paint and protect 973 lodges and huts across the country.
- Dulux New Zealand continued to work with Habitat for Humanity and provided paint for 53 community housing projects.
- Yates employees in Western Australia worked with Landcare to plant 2200 plants along Bannister Creek in Ferndale.
- B&D donated roller doors to the NSW State Emergency Service Hunters Hill unit to help securely store rescue equipment.
- Dulux PNG worked with Port Moresby authorities on the launch of a community campaign to encourage creation of artwork and prevent graffiti on local buildings and fences.
- DuluxGroup donated resources and employees volunteered to assist a number of community organisations, including Mental Illness Fellowship Respite House, Glenallen Specialist School, Minda Crisis Centre and Malvern Early Learning Community Center.
- Selleys, Yates and Dulux employees from Padstow participated in the Clean Up Australia program for the 14th consecutive year, while Dulux Rocklea employees participated in a local community event to clean up Stable Swamp Creek at Coopers Plains.

2. OPERATIONS

Process Safety

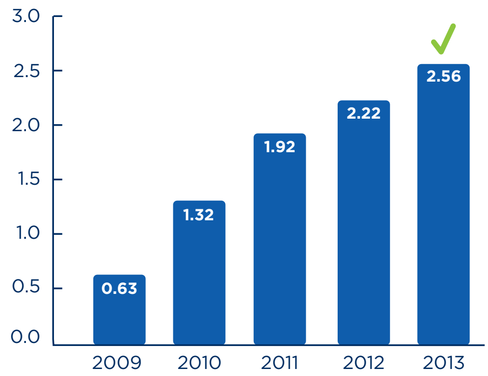
Our critical focus on prevention of high consequence incidents such as a major fire or explosion from chemical process hazards in our factories (e.g., flammable solvents, combustible dusts) remained a high priority during the year.

The key improvement activity in this area, our in-depth Periodic Hazard Study process that involves a deep multi-month analysis of high consequence risks and identification of the critical controls, was completed at two more sites (DGL Camel Shanghai, Dulux Lae) during the year. This brings to seven the number of factories where this has now been completed. All sites continued to make good progress towards completing the identified improvement actions (e.g. capital projects, improving rigour of operating procedures, training and competency) to ensure effective critical risk controls are sustained. We also introduced our new process safety lead indicator scorecard to help these sites monitor and track their progress in management of these major risks. Following completion of a significant risks audit shortly after acquisition, Parchem Wyong commenced implementation of a number of improvement actions to improve management of flammable solvent risks.

There were no serious process safety incidents (e.g., significant chemical fires or spills) across the group during the year. It is also pleasing to note that

Total General Learning Incidents (per employee, per year)

We encourage our employees to report incidents that have the potential to cause harm. General Learning Incidents are near miss incidents and hazards that allow the company to identify and correct potential hazards before harm occurs. Total General Learning Incidents reported per employee across our heritage businesses (excluding Camel and Alesco) increased to 2.56 during 2013. Near miss reporting from the new businesses will be included in 2014.



● Heritage businesses (excluding Camel and Alesco) there have now been no such incidents across our Dulux, Selleys and Yates factories for three years, which represents substantial improvement over historic performance levels.

Acquisition Integration
Integration of acquisitions, especially the former Alesco businesses acquired in December 2012, was a major focus during the year. A targeted integration approach was developed in order to deliver short term improved control of high consequence risks (e.g. process safety, fatality prevention), together with medium term alignment of standards, processes and culture. This included:

- Significant risk audits of all factories and distribution centres, plus a selection of stores, followed by development of prioritised action plans.
- Gap analysis of critical standards and processes, together with identification of required improvement actions.
- Desktop environmental review of all operating sites to identify potential soil and groundwater contamination issues and any required management actions.
- Resources and structure review to ensure adequate support during the integration process and alignment of structures, including both support resources and management review mechanisms.

Progress against the identified improvement actions is being monitored regularly and reviewed by the Board Safety and Sustainability Committee and the Group Executive Safety and Sustainability Council.

The DGL Camel Dongguan manufacturing sites continued to make good progress on implementation of integration improvement actions following completion of significant risk audits in 2012.

Resources and Environment
Water consumption (kilolitres per tonne of production), excluding the new businesses, increased significantly from 0.49 kL/t in 2012 to 0.78 kL/t, due to the inclusion of Camel Dongguan sites for the first time. Excluding Dongguan, water consumption across the heritage businesses remained static at 0.49 kL/t.

Waste generation (kilograms per tonne of production), excluding the new businesses, decreased from 13.8 kg/t in 2012 to a historically low level of 11.8 kg/t. Excluding the Camel Dongguan sites that reported for the first time during 2013, waste generation across the heritage sites decreased to 12.4 kg/t primarily due to continued efficiency improvements at Yates Mt Druitt and Dulux Powders Dandenong. During the year we continued to progress development of a multi-year reduction plan, following completion of waste audits at our five largest waste generating sites in 2012.

Total energy consumption (gigajoules per tonne of production), excluding the new businesses, decreased from 0.74 GJ/t to 0.71 GJ/t. Excluding the Camel Dongguan sites that reported for the first time during 2013, energy consumption across the heritage sites decreased to a historically low level of 0.69 GJ/t, primarily due to product mix variation.

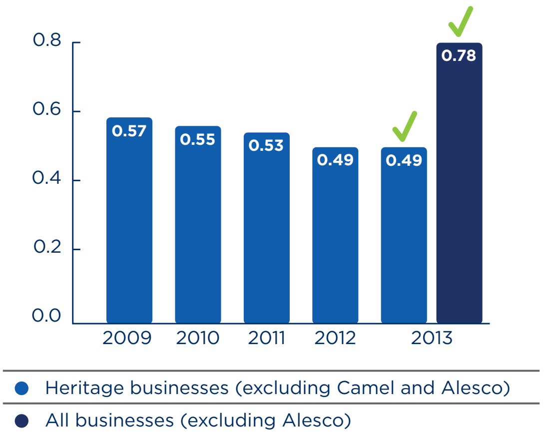
The new Garage Doors and Openers, Parchem and Lincoln Sentry businesses will commence reporting of water, waste and energy in 2014.

DuluxGroup meets the Australian National Greenhouse and Energy Reporting System (NGERS) reporting criteria, primarily due to use of solvents as raw materials. Excluding raw material use, the operational energy consumption and greenhouse gas emissions from our Australian sites and businesses are both below the NGERS reporting and carbon tax thresholds. The total greenhouse gas emissions (Scope 1 and 2) from our Australian sites and business activities were 32,432 tonnes (CO_2-e or equivalent carbon dioxide emissions), 20% higher than 2012. Total energy consumed was 517,829 GJ, 14% higher than 2012. These increases were due to inclusion of the new businesses.

Regulatory Compliance
There were no regulatory prosecutions, prohibition notices or penalty infringement notices received during the year, however there was one regulatory warning for late submission of an EPA annual return by Parchem Wyong. This compares with two penalty infringement notices during 2012.

Water Consumption (kL/t)

Water consumption (kiloliters per tonne of production) across company operating sites increased to 0.78kL/t in 2013 from 0.49 kL/t in 2012, due to inclusion of Camel Dongguan sites for the first time. Excluding Camel, water consumption across our heritage sites remained static at 0.49kL/t. Water consumption from former Alesco sites will be included in 2014.



Legacy Issues

The company has undertaken a number of investigations in prior years to ensure potential soil and groundwater contamination issues are identified and managed. Further investigative work was completed during the year, including a desktop review of all former Alesco sites, and no serious issues were identified.

3. PRODUCTS

Product Stewardship

Our long-standing product stewardship focus continued during the year, with all businesses continuing to apply the new product risk assessment and improvement planning processes that were implemented in 2012. These new processes have improved our ability to identify and action product improvements that further reduce the potential for harm. Some examples implemented during the year include:

- Post Consumer Waste: Dulux Australia participated in the PaintCare trial program, a collaboration of Sustainability Victoria and the Australian Paint Manufacturers' Federation, that provided collection, treatment and disposal of more than 120 tonnes of waste paint from trade painters over a six-month period. Dulux New Zealand introduced waste paint hardener and paint stirring sticks manufactured from 50% recycled paint pail plastic into the local market.
- VOC (Solvents): Dulux Australia completed reformulation of Enviro2 interior paint to improve application performance and thereby encourage further trade market adoption of low-VOC products.
- Chemicals of Concern: DGL Camel China completed reformulation of all wood coating products to remove a hazardous solvent commonly used in the local market.
- Consumer Safety: Selleys reformulated another sealant product (Maxi Clear) to eliminate a solvent that can be used for deliberate vapour inhalation. Yates voluntarily withdrew two products containing organophosphate insecticides from the market, recommending use of less-hazardous alternatives in consumer markets.
- Carbon: Dulux Powder Coatings introduced the Rapidcure range of products that enable customers to use less energy (e.g., lower oven temperatures) during the curing process.

Community Safety

The company's emergency response service responded to 599 calls during the year, compared with 587 calls in the prior year. This service provides emergency support 24 hours a day, with more than 98% of calls involving minor human and animal exposures to products during consumer use. None of the calls received during 2013 involved serious harm or damage. Increased calls to the service in recent years reflect increased use of the emergency response contact number on our packaging labels as part of our product stewardship focus.

There was one serious distribution incident involving a raw material delivery to one of our factories during the year, compared with no such incidents in 2012. The incident was fully contained and there were no environmental or community impacts. A full investigation has been completed, including corrective action follow-up with the supplier.

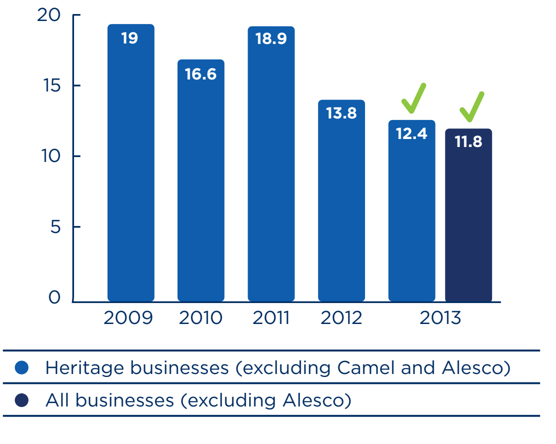
KEY FOCUS AREAS 2014

DuluxGroup's key priorities during 2014 will be the continued implementation of our four primary improvement strategies and full integration of the new Garage Doors and Openers, Parchem and Lincoln Sentry businesses. Significant planned actions include:

- Process Safety: Completion of periodic hazard studies at additional sites, together with verification audits of our process safety protocols for flammable solvents and combustible dusts.
- Fatality Prevention: Completion of significant risk audit actions across the new businesses and continued implementation and development of fatality prevention protocols across all businesses.
- Personal Safety: Continued focus on manual handling risk reduction projects, hazard (near miss) identification and basics such as housekeeping, together with improved management of workers compensation and return to work programs.
- Sustainability: Continued implementation of product stewardship and waste reduction plans.
- Leadership: Continued delivery of our leadership and management programs to ensure the ongoing development of our safety and sustainability culture and behaviours across all levels of the business.

Waste Generation (kg/t)

Waste generation to landfill (kilograms per tonne of production) across company operating sites decreased to 11.8kg/t in 2013 from 13.8 kg/t in 2012, due to improvements across the heritage sites and inclusion of Camel Dongguan sites for the first time. Excluding Camel, waste generation decreased to 12.4 kg/t. Waste generation from former Alesco sites will be included in 2014.



Board Members

Patrick Houlihan

BSc (Hons), MBA

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

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

Andrew Larke

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

Non-Executive Director since October 2010. Member of the Audit and Risk Committee and the Remuneration and Nominations Committee.

Andrew has spent more than 20 years in corporate strategy, mergers, acquisitions, legal and commercial roles in global companies including Orica Limited, where he is currently Global Head – Chemicals & Strategy. Previously, Andrew was General Manager, Mergers, Acquisitions and Strategy at North Limited.

Judith Swales

BSc Microbiology and Virology

Non-Executive Director since April 2011. Member of the Audit and Risk Committee and the Safety and Sustainability Committee.

Managing Director of Australia for Fonterra Co-operative Limited and former Director of Foster's Group Limited from May 2011 to December 2011. Judith has more than 21 years' experience in high-profile, global, consumer facing companies. Previous roles include Managing Director of Heinz Australia and Chief Executive Officer and Managing Director for Goodyear & Dunlop Tyres ANZ. Judith was also the Managing Director of Angus & Robertson and held positions at UK retailers WH Smith plc and Marks & Spencer plc.

Peter Kirby

BEc (Hons), MA (Econ), MBA

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

Director of Macquarie Group Limited since August 2007 (and of Macquarie Bank since June 2003). Former Director of Orica Limited from July 2003 to July 2010, Managing Director and Chief Executive Officer of CSR Limited from 1998 to March 2003, Chairman and Director of Medibank Private Limited and member of the Board of the Business Council of Australia. Peter was also the Chairman/CEO of ICI Paints and a member of the Executive Board of ICI PLC.

Garry Hounsell

BBus (Accounting)
FCA, CPA

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

Chairman of PanAust Limited since July 2008 and a Director of Qantas Airways Limited since January 2005 and Treasury Wine Estates since 1 September 2012. Garry was a Director of Orica Limited from 2004 until 2013, Director of Mitchell Communication Group Limited from 2006 until 2010, Director of Nufarm Limited from 2004 until 2012, and is a former Senior Partner of Ernst & Young and Chief Executive Officer and Country Managing Partner of Arthur Andersen.

Stuart Boxer

BEng (Hons)

Chief Financial Officer and Executive Director since July 2010.

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

Gaik Hean Chew

BPharm (Hons)

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

Director of CPS Color Group of Finland and KCA International. Gaik Hean has more than 32 years' experience in the paints and chemicals sectors, most recently as Chief Executive of ICI Paints Asia from 1995 until 2008 and also as the former Managing Director of ICI Singapore.

Simon Black

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

General Counsel and Company Secretary since July 2010.

Former Senior Legal Counsel at Orica Limited's DuluxGroup division from January 2006 to July 2010. Simon was also a Senior Legal Counsel for Orica Limited's Chemicals division from October 2004 to January 2006 and a Senior Legal and Business Affairs Adviser at Universal Pictures International, London, UK.

Group Executive

Alan Preston

BBus (Marketing), MBA

General Manager – DGL International Asia

Alan has over 16 years' paints industry experience and has held a number of domestic and international roles with the DuluxGroup business including General Manager of Paints New Zealand, Cabot's General Manager, CEO of ICI Paints Philippines and General Manger of Sales, Marketing and R&D for ICI Paints Asia. Alan left the business in 2004 to pursue other business interests and then rejoined DuluxGroup in his current role in February 2011. Prior to joining DuluxGroup, Alan had various roles in fast-moving consumer goods with Bowater Scott and Rexona.

Patrick Jones

BBus (Hons), CPA

General Manager – Dulux Paints Australia

Patrick joined DuluxGroup in 1999 and was appointed to his current position in May 2011. Patrick has undertaken a variety of commercial and business management roles including General Manager of the Paints New Zealand business from May 2008. Other roles previously held by Patrick include National Retail Manager for Dulux Paints Australia, Bunnings Business Manager, Independents Business Manager and State Sales Manager.

Stephen Cox

BBus (Marketing)

General Manager – Parchem Construction Chemicals and Equipment

Stephen joined DuluxGroup in his current role in December 2012, coming to the business via the Alesco acquisition. Stephen has been General Manager of the Parchem business since 2003 and, before this role, was Sales and Marketing Manager for the Swedish based company, ITT Flygt. Stephen has previously held a variety of technical, commercial and business management roles in industrial and business-to-business organisations.

Mike Kirkman

BSc, Dip Ed, BBus(Accounting)

General Manager – Selleys Yates

Mike joined DuluxGroup in his current role in October 2012. Prior to joining DuluxGroup, Mike was General Manager of Climate Systems at GWA Australia. For nine years, Mike held senior executive positions at Stanley Black & Decker including Sales Director and then Managing Director for the Australian and New Zealand businesses. Prior to that, he was State Manager (Victoria, Tasmania and New South Wales) for Ausco Building Systems. Mike has extensive senior leadership experience across sales, marketing, operations and business development.

Tony Bova

BCom (Accounting & Management), CPA

General Manager – B&D Garage Doors

Tony was appointed to his current role in April 2013. Prior to that, Tony was DuluxGroup Manager of Growth and Business Development including working on the Alesco acquisition and integration. During his 15 years at DuluxGroup, Tony has held various commercial roles, including as Business Manager of Selleys ANZ. Prior to joining DuluxGroup, Tony held various finance and planning roles at BHP Billiton.

Patrick Houlihan

BSc (Hons), MBA

Managing Director and Chief Executive Officer

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

Stuart Boxer

BEng (Hons)

Executive Director and Chief Financial Officer

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

Julia Myers

BSc (Hons)

General Manager – Dulux Paints New Zealand

Julia joined DuluxGroup in 1990 as a business analyst based in Slough, UK. Since then, Julia has undertaken a variety of functional, commercial and business management roles including Group IT Manager, Sales Force Effectiveness Manager, Dulux Independents Business Manager and Cabot's Business Manager. Julia was appointed to her current role in May 2011.

Brad Hordern

BEng (Hons)

General Manager – DuluxGroup Supply Chain

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

Michael McMullen

BA (Economics, Industrial Relations)

General Manager – DuluxGroup Human Resources

Michael joined DuluxGroup in October 2011. Prior to joining DuluxGroup, Michael held a number of senior strategic human resources roles including Group General Manager Human Resources for AWB and Agrium Inc. Michael has also performed a number of human resources management roles within various divisions of BHP Billiton including Group Functions, Development, Commercial, BHP Minerals and as Human Resources Manager for various mine sites in Australia.

Corporate Governance Statement

At DuluxGroup, we help our consumers to imagine and create better places and spaces in which to live and work. We do this by manufacturing and marketing a wide range of products that protect, maintain and enhance those places and spaces. We recognise that the way we do business is critical in order for us to earn and maintain the respect and trust of all stakeholders including our employees, customers, suppliers, shareholders and the community.

DuluxGroup's Directors and management are committed to conducting business in an ethical, fair and transparent manner in accordance with high standards of corporate governance in the countries in which we operate.

As a Board, we believe that a strong corporate governance framework – with a focus on transparency, both internally and externally, and on continuous improvement – translates to a strong company.

We, together with the management team, lead by example. We are confident that we have a best practice framework in place. We are committed to ensuring that it is respected and that, as an organisation, we act in accordance with the spirit of good governance. Our governance framework (details of which can be found on our website at www.duluxgroup.com.au) is consistent in all substantial respects with the recommendations in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Principles).

Governance Snapshot – 2013 Financial Year

The Board works to keep our governance framework 'alive'.

Each year, the Board agrees a calendar of activities and initiatives aimed at enhancing the Board's effectiveness and its organisational oversight. These are considered and agreed having regard to factors including the company's strategic plan and its current risk profile.

This year, we have sought to provide more meaningful disclosure in relation to these activities by providing the following 'snapshot' in respect of the 2013 financial year. Details of the company's broader governance framework are set out on pages 44 to 51.

2013 Snapshot

The Board

Composition

- The Board is currently comprised of seven Directors with five Non-Executive Directors (including the Chairman) and the Managing Director and Chief Financial Officer as Executive Directors.
- Details of the length of tenure, skills, experience and expertise of each Director (as well as the period that each Director has held office and their independent status) are set out on pages 38 to 39 of this annual report.

Enhancing Effectiveness – Board Review

- During 2013, the Board undertook a comprehensive review of its performance and of individual Directors. This performance review was externally facilitated and included feedback from Directors and senior management.
- This review confirmed that the Board comprises Directors with an effective mix of skills and experience. It also highlighted strong working relationships amongst Directors and a boardroom environment that promotes robust discussion and effective decision-making.
- As part of the review, the Board recognised (among other things) the importance of addressing the issue of Board succession in the medium term, continued oversight of the key risks facing the business and tapping into broader market perspectives relevant to the company.

Continuous Development Activities

- The Board has an active continuing education program in place which comprises internal presentations, discussions with key external subject matter experts, customers and/or suppliers as well as visits to DuluxGroup sites and other places of interest.
- During 2013, this program included, among other things:
  - a specific session at each Board meeting focussing on a topical issue facing one or more of the business units;
  - a tour of the Rocklea manufacturing site and key new sites acquired as part of the company's acquisition of Alesco Corporation Limited;
  - a tour of the United States to give the Board insight into the core markets of our key coatings competitors;
  - a presentation from an expert in macro-economics; and
  - discussions with key suppliers.

Organisational Oversight

Strategy

- In 2013, the Board continued to focus on ensuring DuluxGroup delivered solid growth and strong cash flows from its existing businesses while developing further options for growth in a measured, low-risk manner. Further details of the company's strategy and 2013 initiatives can be found on pages 12 to 13 of this annual report.
- Key Board activities during the year included an in-depth strategy planning session, an extensive analysis of the newly acquired Alesco businesses and ongoing monitoring of the integration of those new businesses.

Leadership and Culture

- We recognise that our people are what make our company. Accordingly, development and succession planning is an important consideration at Board level. Our Board also recognises that our people may be attractive to others in the market given the company's strong performance since listing.
- As a company, we address this through our culture, development opportunities that we provide our people and also through our remuneration framework.
- Key activities and initiatives during the 2013 financial year included:
  - a comprehensive review of the remuneration structures within the company (see pages 57 to 77 for further details);
  - dedicated focus on the successful integration of the Alesco businesses including a roll out of the company's 'Values and Behaviours' program and alignment of our long term share incentive plan and our broader employee share plan;
  - a Board review of the performance of the CEO and CFO as well as review and evaluation of the performance agreements for the executive management team;
  - a workshop for our senior executives who hold positions on our subsidiary boards among other employee training activities;
  - implementation of the key learnings from the company-wide culture survey conducted in August 2012; and
  - continued commitment to promoting diversity within the company (see pages 48 to 49 for further details of our progress during the year).
- The Board is planning a focused talent review session in respect of the senior executives during the 2014 financial year.

Risk

- The Board believes that effective risk management will support the company's ability to grow. In particular, the Board recognises the importance of risk management practices across all businesses and operations and also acknowledges that effective risk management provides a framework to achieve and deliver the company's strategy and key objectives.
- We take risk oversight seriously and we have robust crisis management and disaster recovery plans in place, which was most recently demonstrated by our response to the Queensland floods in 2011.
- In addition to its usual oversight of risk management and internal control processes, during the 2013 financial year:
  - the Board's Audit and Risk Committee met with company's IT Director as well as the finance managers of various business units to discuss risk management processes within their function or business;
  - the executive team and the Board separately reviewed and updated the company's Risk Register;
  - we regularly monitored the key risks on the company's Risk Register including the status of key actions targeted at mitigating those risks; and
  - we carried out a theoretical and company-specific crisis management exercise with the assistance of external consultants to test our crisis management and disaster recovery plans.

Corporate Governance Statement continued

1. An effective Board – role and composition

Role

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

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

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

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

Composition and Planning for Succession

The Directors are conscious of the need for Board members to possess the diversity of skills and experience required to fulfil the obligations of the Board and of importance of addressing the issue of Board succession in the medium term.

In considering membership of the Board, Directors take into account the appropriate characteristics needed by the Board to maximise its effectiveness and the blend of skills, knowledge and experience necessary for the present and future needs of the company.

The Remuneration and Nominations Committee has primary responsibility for conducting assessments of the current mix of skills and experience of existing Directors, the business and strategic needs of the company, as well as broader succession planning issues, to determine if it is necessary to recruit any additional Directors. Feedback on planning for succession was also specifically requested as part of the Board review undertaken during the year.

Where a future need is identified or arises, including as part of the Board's succession planning, the Remuneration and Nominations Committee intends to undertake a search process (with the assistance of professional consultants as necessary) to select potential candidates based on the skills required by the Board and the qualities and experience of the candidates. Shortlisted candidates will then be interviewed by the Chairman and other Directors before being recommended to the full Board for appointment. Nominations for appointment to the Board are considered by the Remuneration and Nominations Committee and approved by the Board as a whole.

Directors (other than the Managing Director) appointed by the Board must stand for election at the Annual General Meeting following their appointment and are subject to shareholder re-election by rotation at least every three years. Further, re-appointment of Non-Executive Directors to the Board at the conclusion of their three-year term is not automatic. Prior to the Board endorsing a Director for re-election, the individual's performance as a Director, together with the performance of the Board as a whole, is reviewed in accordance with processes agreed by the Board from time to time.

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

Induction of New Directors

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

New Directors also participate in a formal induction program which includes site visits, one-on-one meetings with relevant members of management and provision of relevant policies, charters and other materials.

Independence

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

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

The Board has determined that, in respect of the 2013 financial year, the Chairman and all non-executive Directors are independent of executive management and free of any business or other relationship that could materially interfere with the exercise of unfettered and independent judgement or compromise their ability to act in the best interests of the company.

The Board has adopted guidelines based on the factors set out in the ASX Principles in assessing the independent status of a Director. In summary, the test of whether a relationship could, or could be perceived to, materially interfere with the independent exercise of a Director's judgement is based on the nature of the relationship and the circumstances of that Director. The independence of each Director is considered on a case-by-case basis from the perspective of both the company and the Director. Materiality is assessed by reference to each Director's individual circumstances, rather than by applying general materiality thresholds. Each Director is obliged to immediately inform the company of any fact or circumstance which may affect the Director's independence.

The Board assesses the independence of its new Directors upon appointment and will review all Directors' independence as appropriate.

2. Maximising effectiveness in the Boardroom

Board Meetings

Directors receive comprehensive Board papers in advance of the Board meetings. As well as holding regular Board meetings, the Board sets aside a two-day meeting annually to comprehensively review company strategy. Directors also receive regular updates in relation to key issues facing DuluxGroup's businesses from time to time. The Board calendar also includes site visits to a range of DuluxGroup operations to meet with employees, customers and other stakeholders. Details for 2013 are set out in the Governance Snapshot on page 43.

The Board recognises the importance of the Non-Executive Directors meeting without the presence of management to discuss company matters and it is the Board's practice that the Non-Executive Directors meet separately either in conjunction with, or in addition to, the scheduled Board meetings.

The Board typically holds at least eight meetings per year, unless the business of the company requires additional meetings. For example, one additional meeting of the full Board was held during the 2013 financial year (further to the additional 27 meetings held during the 2012 financial year to consider and effect the Alesco takeover).

Board and Executive Performance

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

The Board has approved a formal Board Evaluation Policy, under which it carries out an evaluation of its performance against agreed Board objectives each year. This process is overseen by the Chairman. It is the Board's general practice that this is externally facilitated every third year. As noted in the Snapshot, the Board undertook a comprehensive review of its performance during the year, which was externally facilitated.

Corporate Governance Statement continued

Each Board committee also reviews its performance annually against the responsibilities set out in the committee's charter and against its annual objectives. As appropriate, the Board may also provide feedback from time to time as to the effectiveness with which it considers the Board committees assist the Board in the discharge of its functions.

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

All DuluxGroup executives are subject to an annual performance review. The review involves an executive being evaluated by their immediate superior by reference to their specific performance contract for the year, including the completion of key performance indicators and contribution to specific business and company plans. This review is aligned to the company's remuneration framework and is considered for, among other things, the purposes of determining any increases to fixed remuneration and outcomes under the short term incentive plan.

The Board also evaluated the performance of Mr Andrew Larke and Ms Gaik Hean Chew, who are standing for re-election at the company's 2013 annual general meeting, prior to the Board endorsing their nomination for re-election.

In addition to reviewing the skills, knowledge and experience that Mr Larke and Ms Chew bring to the Board, the Board also considered their overall performance, their attendances and participation at Board and Committee meetings, and their contributions to matters discussed.

In particular, the review confirmed that Mr Larke's strategic and M&A experience was highly valued by the Board during the Alesco takeover. Similarly, Ms Chew's knowledge of, and experience in, Asian markets is highly regarded.

Directors Fees and Executive Remuneration
The Remuneration Report on page 57 sets out details regarding the company's remuneration policy, fees paid to Directors and specific details of executive remuneration. Other than statutory superannuation contributions, the company does not operate any schemes for the payment of retirement benefits to Non-Executive Directors.

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

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

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

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

In October each year, the Board reviews the Charter for each standing committee together with the objectives set for each committee.

Details of the membership composition and responsibilities of each commitee are as follows:

	Audit and Risk Committee	Remuneration and Nominations Committee	Safety and Sustainability Committee
Members	Mr Garry Hounsell (Chair) Mr Peter Kirby Ms Judith Swales Mr Andrew Larke (from 1 October 2013)	Mr Peter Kirby (Chair) Mr Garry Hounsell Ms Gaik Hean Chew Mr Andrew Larke (from 1 October 2013)	Ms Gaik Hean Chew (Chair) Mr Patrick Houlihan Ms Judith Swales
	Details of qualifications and experience of each member are set out on pages 38 to 39 of this annual report.		
Composition and key responsibilities	The committee is to comprise of at least three non-executive Directors, all of whom satisfy the criteria for independence and who have relevant financial, commercial and risk management experience.	The committee is to comprise of at least three non-executive Directors, all of whom satisfy the criteria for independence.	The committee is to comprise of at least two Directors including at least one non-executive Director and the Managing Director.
	Full details of requirements for composition and key responsibilities are set out in the Committees' Charters which are available at www.duluxgroup.com.au.		
Key activities during 2013	• Reviewed the full year and half year financial reports of the group, including review of the accounting policies and practices of the group. • Monitored and assessed the adequacy of the systems for financial and operating controls, risk management and legal compliance. • Oversaw the scope and conduct of external and internal audits (including internal and external audit programs, independence of external auditor, and auditor performance). • Reviewed and assessed non-audit services provided by the external auditor. • Made recommendations to the Board on the appointment, performance and remuneration of the external auditor.	• The Committee undertook a comprehensive review of executive remuneration arrangements during the year, details of which are set out in the Remuneration Report on pages 57 to 77. • As part of the review, the Committee recommended that a minimum shareholding policy for executives be implemented and this policy was subsequently adopted by the Board. • Reviewed and made recommendations to the Board on: – the total level of remuneration of non-executive Directors – the remuneration arrangements of executive Directors and direct reports to the Managing Director (including short term and long-term incentive arrangements and performance targets). • Considered the Group organisational strategy, including in the context of the Alesco acquisition, and reviewed the plan for senior leadership succession. • Oversaw measurement of performance against agreed diversity objectives.	• Considered safety and sustainability issues that may have strategic, financial and reputational implications for the group (including identifying key risks and appropriate mitigation strategies). • Reviewed the effectiveness of the group's safety and sustainability objectives, targets and strategies. • Oversaw compliance with legal and regulatory safety and sustainability requirements. • Reviewed significant safety incident reports and made recommendations to the Board on necessary changes to procedures. • Ensured the Board is periodically updated in relation to compliance with best practice safety standards.
Attendance	Details of meeting attendance for members of each committee are set out in the Directors' Report on page 53 of this Annual Report.		

Corporate Governance Statement continued

In addition to the standing committees, the Board may also establish special or ad hoc committees to oversee or implement significant projects as they arise. For example the Board established a special committee during the 2012 financial year to assist the Board with the company's takeover bid for Alesco Corporation Limited (Alesco). This Committee was wound up following completion of the Alesco takeover in December, 2012.

Access to Information and Independent Advice
All Directors have unrestricted access to employees of DuluxGroup and, subject to the law, access to all relevant company records and information held by DuluxGroup employees and external advisers.

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

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

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

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

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

3. Maximising effectiveness in the workplace

One of our core values is to value people, work safely and respect the environment.

Both the Board and management are committed to providing an environment to our people that is inclusive and promotes diversity of backgrounds and thought – and one where they feel safe.

About DuluxGroup's Approach to Diversity
During the 2013 financial year, DuluxGroup has progressed its diversity agenda through focussing on a number of key initiatives. The Diversity Council and the Human Resources team continued the program designed in 2012 with clear goals and priority actions against each of those goals.

2013 – 2014 Measurable Objectives and Progress
The measurable objectives with respect to gender are:

1. Increase the number of women in DuluxGroup
2. Increase the number of women in leadership positions in DuluxGroup; and
3. Build awareness of the business case for diversity.

In many job families and functions within the 'heritage' DuluxGroup businesses, women make up about half of the workforce. In three main areas, being Sales, Dulux Trade Centres and Supply Chain, the percentage of women is lower but is in line with industry benchmarks. Our diversity plan is focused on these three areas that are traditionally more male dominated. Our diversity plan also extends to the new businesses acquired as part of the Alesco acquisition. Increasing the number of women in leadership has significant ongoing focus.

Progress during 2013
The Diversity Council (chaired by the CEO) meets quarterly and reviews progress against the goals and actions. Much of the activity is pro-active. This includes working on ensuring we attract a diverse range of candidates into DuluxGroup.

Attraction
During 2013, we have improved our profile as a strong employer of women. This has been achieved through actively publicising some of our senior women and improvements in our job ads to make them more gender neutral (among other things). We have also reviewed our family leave and flexible work policies to ensure we are competitive in the labour market. We support women returning to work following family leave with coaching to ensure they are ready to return to work with confidence. These are issues of concern to many candidates when enquiring about employment with DuluxGroup.

Talent Management and Retention
When managing our talent internally (including succession planning), we highlight women and ensure their development is being managed appropriately. Whilst we have not set targets or quotas for appointments to senior roles, we work hard to ensure we have balanced short lists and that hiring managers consider a wide range of candidates. Similarly, when reviewing nominations for leadership development programs, we actively ensure a strong female representation.

Communication
The internal communication of our diversity messages has been broad-based and is making an impact. During 2013, we ran an event on International Women's Day highlighting the careers of some senior women. This event was well attended and demonstrated that there is an interest in such events within the business.

Training
Our compulsory Appropriate Workplace Behaviour training program has been updated and is being rolled out across the business. This training (which covers all employees) highlights the link between DuluxGroup's Values and Behaviours and the expectation that we have for all employees that they can work in an environment free of harassment, discrimination and any form of inappropriate behaviour.

Diversity is a topic for discussion within personal development programs for graduates, operational leaders and senior managers.

External Benchmarking
The DuluxGroup Diversity Council constantly surveys the market to benchmark our efforts. DuluxGroup is a member of the Diversity Council of Australia (DCA), the National Association of Women in Operations (NAWO) and the Equal Employment Opportunity Trust (EEO Trust) in New Zealand. DuluxGroup also complies with the Workplace Gender Equality Agency (WGEA) requirements for reporting annually.

This activity continues to positively contribute to our engaged and enabled culture.

Diversity Statistics

Percentage of women	2011	2012	2013
Board	28.6%	28.6%	28.6%
Leadership (defined by those in senior graded roles reporting to the Managing Director or Executives)	7%	8.7%	5.7%*
Organisation	35%	36%	33%*

* The decrease from 2012 to 2013 is due to the Alesco acquisition which reduced the proportion of women both overall and in leadership positions. Excluding the Alesco acquisition, the diversity statistics for 2013 are broadly in line with 2012.

Safety and Sustainability
The Board and management are committed to ensuring that its operations reflect sustainable business practices. The company has a strong heritage of continuous improvement in sustainability impacts and the Board acknowledges that management of DuluxGroup's financial, environmental and social impacts is fundamental to the success and wellbeing of the business and its stakeholders.

The company therefore aspires to deliver on its safety and sustainability vision of 'A Future Without Harm'.

This is supported by our remuneration framework, which links at least 10% of senior executive short term incentive award opportunities to the achievement of challenging safety and sustainability hurdles.

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

The Board is pleased that, during the 2013 financial year, our heritage businesses achieved their best-ever recordable case rate performance for the second consecutive year with a 32% improvement on 2012.

Corporate Governance Statement continued

4. Risk Management

Integrity of Reporting

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

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

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

These assurances are based on a financial letter of assurance that cascades down through management and includes sign-off by business general managers and business finance managers who are responsible for implementing, maintaining and reporting on the effectiveness of the systems.

Comprehensive practices have been adopted to monitor that:

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

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

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

Risk Identification and Management

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

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

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

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

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

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

The Chairman met with a number of governance bodies and major investors during the year to discuss our governance and remuneration practices, including in the context of the broader remuneration review during the year (details of which are set out in the Remuneration Report on pages 57 to 77).

The Board was pleased with the overall sentiment from these meetings, and has taken specific feedback into consideration, particularly in relation to the way in which we can continue to provide our stakeholders with meaningful communication.

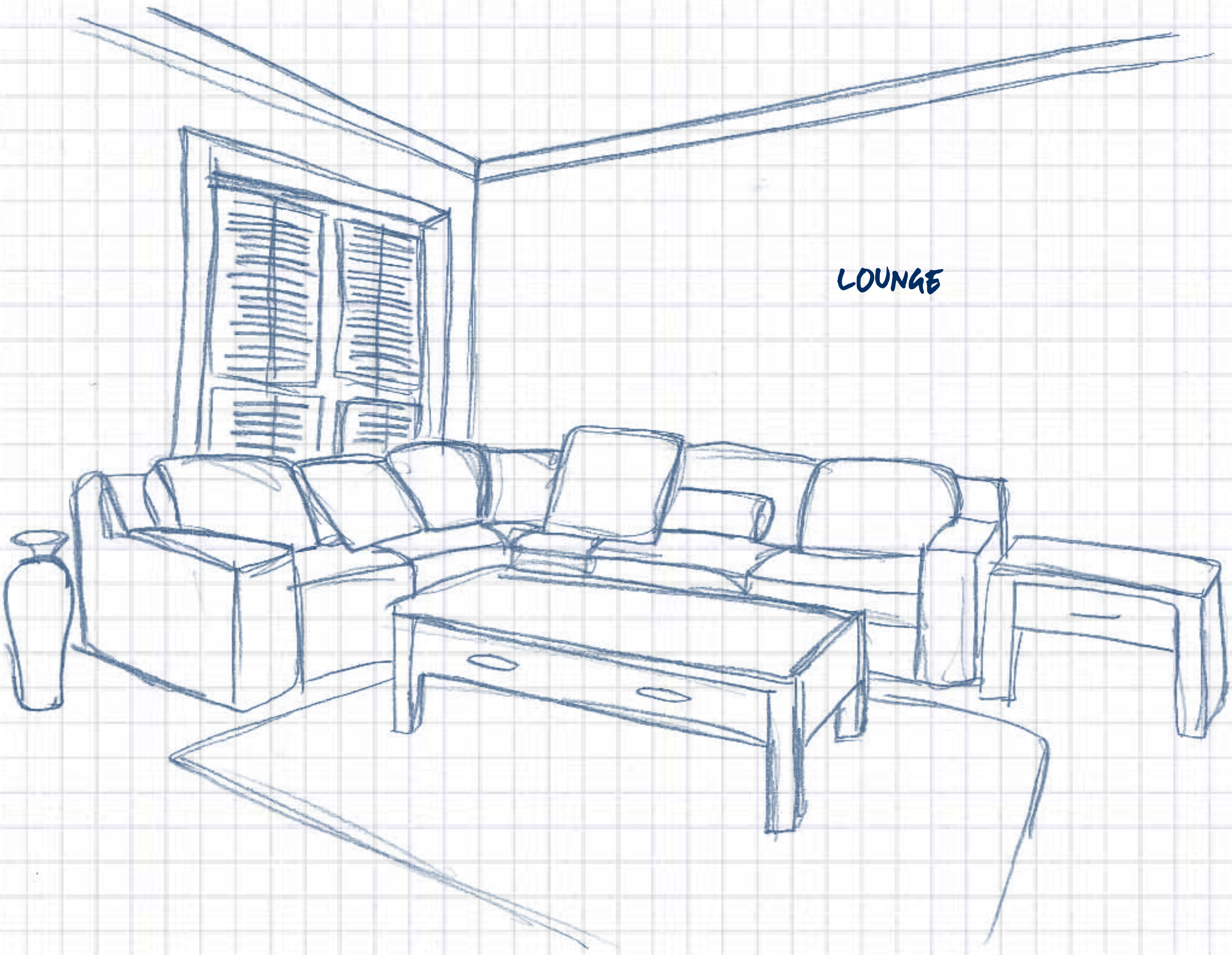
5. DuluxGroup Governance Policies

The Board acknowledges the need for Directors, executives, employees and contractors to observe the highest ethical standards of corporate and business behaviour.

DuluxGroup has adopted what the Board considers to be a 'best practice' framework, which includes the following policies, full details of which can be viewed in detail on the company's website at www.duluxgroup.com.au. The policies are consistent with the recommendations set out in the ASX Principles:

- **Code of Conduct**, which sets out the standards of business conduct required of all employees and contractors of the company. A Speak Up line has been established to enable employees to report (on an anonymous basis) breaches of the Code of Conduct. If a report is made, it is escalated as appropriate for investigation and action. A management committee monitors and reviews the effectiveness of the Speak Up line on a periodic basis. A report is also prepared for review by the company's Remuneration and Nominations Committee on a quarterly basis.
- **Share Trading Policy**, which reinforces the requirements of the *Corporations Act 2001* in relation to the prohibition against insider trading. Outside of the trading windows set out in the Policy and as determined by the Board from time to time, Directors and senior executives must obtain consent to trade in DuluxGroup shares.
- **Continuous Disclosure**, which establishes detailed procedures for identifying and disclosing material and price-sensitive information in accordance with the *Corporations Act 2001* and the ASX Listing Rules. During the year, training was provided for senior managers to ensure appropriate awareness of how the continuous disclosure obligations apply to DuluxGroup, including consideration of materiality guidelines relevant to the company. Advice in relation to the company's continuous disclosure obligations is also cascaded to the broader organisation on a periodic basis.
- **Shareholder Communications Policy**, which sets out the company's commitment to communicating with shareholders in a way that enables them to exercise their rights as shareholders in an informed manner.

Financial contents



Directors' Report

The Directors of DuluxGroup Limited (the Company) present the financial report for the Company and its controlled entities (collectively 'the consolidated entity' or 'the Group' or 'DuluxGroup') for the financial year ended 30 September 2013 and the auditor's report thereon.

The information referred to below forms part of and is to be read in conjunction with this Directors' Report:

- the Remuneration Report appearing on pages 57 to 77;
- Review of Operations and Financial Performance and Review of Business Segment Performance on pages 16 to 30;
- details of the current Directors and the Company Secretary on pages 38 to 39; and
- Note 28 to the financial statements accompanying this Report.

Directors

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

Peter Kirby, Chairman
Patrick Houlihan, Managing Director and Chief Executive Officer
Stuart Boxer, Chief Financial Officer and Executive Director
Gaik Hean Chew
Garry Hounsell
Andrew Larke
Judith Swales

Particulars of the current Directors' and the Company Secretary's qualifications, experience and special responsibilities are detailed on pages 38 to 39 of the Annual Report.

Company Secretary

Simon Black is the Company Secretary and General Counsel.

Directors' meetings

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

Director	Scheduled Board Meetings(1)(2)		Audit and Risk Committee(1)		Remuneration and Nominations Committee(1)		Safety and Sustainability Committee(1)	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Peter Kirby	9	9	4	4	5	5	-	-
Patrick Houlihan	9	9	-	-	-	-	4	4
Stuart Boxer	9	9	-	-	-	-	-	-
Gaik Hean Chew	9	9	-	-	5	5	4	4
Garry Hounsell	9	9	4	4	5	5	-	-
Andrew Larke	9	9	-	-	-	-	-	-
Judith Swales	9	9	4	4	-	-	4	4

(1) Shows the number of meetings held and attended by each Director during the period the Director was a member of the Board or Committee. The Scheduled Board Meetings include the 2012 Annual General Meeting.
(2) In addition to the Scheduled Board Meetings above, a special Board meeting was convened in relation to the takeover of Alesco Corporation Limited (**Alesco**) and was attended by all Directors.

Directors' Report

Directors' interests in share capital

The relevant interest of each Director in the share capital of the Company as at the date of this Directors' Report is set out below:

	Number of fully paid ordinary shares(1)	Number of shares held pursuant to the 2010 DuluxGroup Long Term Equity Incentive Plan Offer (2)	Number of shares held pursuant to the 2011 and 2012 DuluxGroup Long Term Equity Incentive Plan Offers (3)
Peter Kirby	130,000	-	-
Gaik Hean Chew	80,000	-	-
Garry Hounsell	124,101	-	-
Andrew Larke	152,156	-	-
Judith Swales	40,000	-	-
Patrick Houlihan	144,322	1,145,655	1,320,764
Stuart Boxer	93,226	317,873	333,621

(1) Unrestricted shares beneficially held in own name or held indirectly including in the name of a trust, superannuation fund, nominee company or private company.
(2) Since the end of the reporting period, these shares have met the applicable performance condition and vested on 13 November 2013. The restriction on trading these shares will be lifted upon repayment of the loan. The loan must be repaid during the period from 29 November 2013 to 24 January 2014.
(3) These shares are held pursuant to the terms of the DuluxGroup Long Term Equity Incentive Plan (details of which are set out in the Remuneration Report) and are subject to a restriction on trading until the relevant performance condition is met and the loans have been repaid.

Principal activities

The principal activities of the consolidated entity in the course of the financial year were the manufacture, marketing, sale and distribution of premium branded paint, coatings, adhesives, garden care and other building products to the residential home improvement, commercial and infrastructure markets across Australia, New Zealand and Papua New Guinea, with niche positions in China and South East Asia.

Likely developments

Likely developments in the operations of the consolidated entity and the expected results of those operations are covered generally in the Review of Operations and Financial Performance and Review of Business Segment Performance on pages 16 to 30 of the Annual Report.

Review and results of operations

A review of the operations of the consolidated entity during the financial year and of the results of those operations is contained on pages 16 to 30 of the Annual Report.

Dividends paid in the year ended 30 September 2013

In respect of the 2012 financial year, a fully franked final dividend of 8 cents per ordinary share was paid on 17 December 2012. The financial effect of this dividend has been included in the financial statements for the year ended 30 September 2013.

In respect of the 2013 financial year, a fully franked interim dividend of 8 cents per ordinary share was paid on 14 June 2013. The financial effect of this dividend has been included in the financial statements for the year ended 30 September 2013.

Since the end of the financial year, the Directors have determined a final dividend to be paid at the rate of 9.5 cents per share, details of which are set out in the section below entitled "Events subsequent to balance date".

Changes in the state of affairs

Particulars of significant changes in the state of affairs of the consolidated entity during the year ended 30 September 2013 are as follows:

- Total assets of $1,033.2 million increased by $336.4 million on the prior year.
- Year end net debt of $389.5 million increased by $159.3 million on the prior year.
- Total equity attributable to the ordinary shareholders of DuluxGroup Limited of $226.2 million increased by $56.3 million on the prior year.

- The Company, through its wholly owned subsidiary DuluxGroup (Nominees) Pty Ltd, acquired 100% of the shares in Alesco Corporation Limited. The new Alesco businesses have made a pleasing contribution to DuluxGroup. The integration activities have been largely completed and cost synergies are on track to be delivered ahead of the original target. The non-core, loss making, Robinhood business has been sold. As a result of this successful acquisition, DuluxGroup now has a greater presence in commercial and industrial construction markets which provides new opportunities for growth.

Events subsequent to balance date

On 13 November 2013, the Directors determined that a final dividend of 9.5 cents per ordinary share will be paid in respect of the 2013 financial year. The dividend will be fully franked and payable on 18 December 2013. The financial effect of this dividend is not included in the financial statements for the year ended 30 September 2013 and will be recognised in the 2014 financial statements.

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

Environmental regulations

The Company recognises that commitment to sustainable management of our financial, environmental and social impacts is fundamental to the success and well-being of both our business and our stakeholders. More specific details about the Company's safety and sustainability initiatives and performance can be found in the Safety and Sustainability Report on pages 33 to 37 and at the Company's website: www.duluxgroup.com.au.

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

From time to time, the Company receives notices from relevant authorities pursuant to local environmental legislation and in relation to the Company's environmental licences. On receiving such notices, the Company investigates to determine the cause and ensure the risk of recurrence is minimised, and works with appropriate authorities to address any issues arising, which may include ongoing reporting obligations and/or development of an environmental management plan. At the date of this Report, any costs associated with remediation or changes to comply with regulations in the jurisdictions in which Group entities operate are not considered material.

The Directors are not aware of any material breaches of Australian or international environmental regulations during the year.

Indemnification of officers

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

In accordance with the Company's Constitution, the Company has entered into a Deed of Indemnity, Insurance and Access with each of the Company's Directors. No Director or officer of the Company has received benefits under an indemnity from the Company during or since the end of the year.

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

Non-audit services and auditor's independence

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

Directors' Report

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

- all non-audit services were subject to the corporate governance procedures adopted by the Company to ensure that they do not impact the integrity and objectivity of the auditor; and

- the non-audit services provided did not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants* as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity of the Company, acting as an advocate of the Company or jointly sharing risks or rewards.

No officer of the Company was a partner or director of KPMG. A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is contained on page 78 and forms part of this Directors' Report.

Details of the amounts paid to KPMG and its related practices for audit and non-audit services provided during the year are disclosed in note 29 of the financial statements.

Rounding

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

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

Peter M. Kirby
Chairman
13 November 2013

Directors' Report
Remuneration Report (Audited)

Dear Shareholder

On behalf of the Board, I am pleased to present DuluxGroup's 2013 Remuneration Report.

2013 has been another year of strong performance for the Company. There have been further improvements in key financial metrics and market share, building on our consistent growth and performance over the past few years. Our long term shareholders have been the beneficiaries of this success. Since we listed on the ASX in 2010:

- our share price has increased from $2.50 in July 2010, to $5.28 as at 30 September 2013;
- we have achieved 127.8% Total Shareholder Return (TSR) growth over the period; and
- the compound growth in earnings per share (before non-recurring items) to 30 September 2013 has been 8.5%

Consistent with this performance over the long term, awards under the 2010 Long Term Equity Incentive Plan (LTEIP) were tested for the first time. The EPS gateway was met and the LTEIP shares have vested. The relative TSR performance is being tested during the trading window after the release of the 2013 full year results for the purpose of determining the loan forgiveness amount (and will be communicated at the AGM).

In the past 12 months DuluxGroup has performed strongly. Our NPAT (excluding non-recurring items) increased from $79.6M in 2012 to $94.1M in 2013 and we recorded our best ever safety results. This performance reflects in the short term incentive (STI) payments for KMP, which range from 59.1% to 88.9% of their potential maximum.

DuluxGroup enjoys a true ownership culture. One of our core values is to *run the business as your own.* In this context, since listing we have made annual offers under our Employee Share Investment Plan (ESIP), including a mid year offer this year to employees who have joined us since the 2012 offer, (through our acquisition of the Alesco businesses). As a result approximately 63% of our eligible Australian and New Zealand (ANZ) employees are also shareholders of our Company. This percentage is above 70% for the 'heritage' DuluxGroup businesses.

In addition to the minimum shareholding guideline that we introduced for Non-Executive directors last year, this year we also introduced a minimum shareholding guideline for executives and senior managers. The Board believes that the executive team should be fully aligned with shareholder interests.

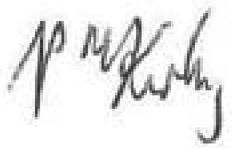
During the year the Board, through the Remuneration and Nomination Committee (RNC), undertook a comprehensive review of the Company's remuneration arrangements. A key focus of this review was our remuneration philosophy and objectives and whether our remuneration framework is in fact working to achieve those objectives.

While details of the review are set out in the Report, in general, the Board confirmed that it is comfortable that our remuneration framework is indeed driving performance – our focus on earnings growth as a key deliverable of our business strategy is reflected over the short term (through a large component of the STI being subject to profit targets) and longer term (through the 'gateway' that applies to the long term incentive plan, which must be met in order for executives to receive any benefit under the plan). In addition, as a result of the immediate restricted share ownership, we believe our senior management group behave like shareholders.

While the Board is pleased with the way that our remuneration practices and communication of those practices have been received (over 97% of shareholders have voted in favour of each report since we listed), we remain committed to ensuring that we continue to report to you as clearly as possible, including to demonstrate how our performance translates to remuneration outcomes. Therefore, as part of this year's reporting process we have reviewed and implemented changes to the way that we communicate our remuneration arrangements.

I hope you, our shareholders, will find our 2013 Remuneration Report provides a clear and simple explanation of our remuneration policies and practices and the remuneration outcomes for our executive team for the 2013 financial year.

Yours faithfully



Peter M. Kirby
Chairman

1. INTRODUCTION

The Directors of DuluxGroup Limited (the Company) present the Remuneration Report for the Company and its controlled entities (collectively 'the Group' or 'DuluxGroup') for the financial year ended 30 September 2013 prepared in accordance with the requirements of the *Corporations Act 2001* and its regulations.

The Report outlines the remuneration arrangements in place for the Key Management Personnel (KMP) of DuluxGroup which comprises all directors (Executive and Non-Executive) and those Executives who have authority and responsibility for planning, directing and controlling the activities of the Group. In this report, 'Executives' refers to members of the Group Executive Team identified as KMP.

The following were KMP during the 2013 financial year, all of whom were KMP for the entire year.

Table 1

Name	Role
Non-Executive Directors	
Peter Kirby	Non-Executive Chairman
Gaik Hean Chew	Non-Executive Director
Garry Hounsell	Non-Executive Director
Andrew Larke	Non-Executive Director
Judith Swales	Non-Executive Director
Executive Directors	
Patrick Houlihan	Managing Director and Chief Executive Officer (CEO)
Stuart Boxer	Chief Financial Officer and Executive Director (CFO)
Other KMP	
Patrick Jones	General Manager Dulux Paints Australia
Brad Hordern	General Manager DuluxGroup Supply Chain
Mike Kirkman	General Manager Selleys Yates

2. REMUNERATION STRATEGY

In determining remuneration arrangements for executives within the Group's remuneration framework and policies, the Board has the following stated key strategic aims, which it reviewed and confirmed during the 2013 financial year:

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

During 2013 a remuneration review was undertaken by the RNC to ensure the structures in place achieve the key strategic aims. Fixed remuneration, STI and LTEIP were reviewed and considered to be appropriate. As such no significant changes to the remuneration structures were considered necessary. The following diagram provides the linkage between the components of remuneration for executives, the performance measures used to determine the outcomes and the strategic objectives of DuluxGroup these are designed to achieve.

Component	Performance measure	Strategic objective
Fixed remuneration	**Considerations:** ▪ Scope of individual's role ▪ Individual's level of knowledge, skills & expertise ▪ Individual performance ▪ Market benchmarking	▪ Set to attract, retain and motivate the right talent to deliver on our strategy ▪ For executives who are new to their roles, is to set fixed remuneration at relatively modest levels compared to their peers and to progressively increase as they prove themselves in their roles (i.e. performance based)
+		
Short-term incentive **(STI)** **Delivered through cash**	**NPAT 'gateway' - minimum threshold performance level** **Financial Measures (generally at least 70% of available STI)** ▪ Group NPAT[(1)] ▪ Group EBIT ▪ Business / Region EBIT (where appropriate) ▪ Cash flow ▪ Trade working capital **Non-financial Measures (generally a maximum of 30% of the available STI)** ▪ Safety & Sustainability ▪ Personal objectives aligned to the strategic objectives of the company	▪ Minimum threshold NPAT ensures a minimum acceptable level of group profit before executives receive any STI reward ▪ Performance conditions designed to support the financial and strategic direction of the company (the achievement of which are intended to translate through to shareholder return) ▪ Large proportion subject to earnings targets - Group or business unit, depending on the role of the executive to ensure line of sight ▪ Other financial targets to ensure strong discipline maintained ▪ Outcomes reviewed by way of "agreed upon procedure" by independent auditors to maintain the integrity of the award
+		

Long-term equity incentive plan
(LTEIP)
Delivered through DuluxGroup shares – allocated upfront, pursuant to company loan
	'Gateway' EPS condition:
	The EPS gateway must be met before any shares will vest. This gateway is currently 4%* compound annual EPS growth over the three year performance period. (*2% in 2010).
	Once shares vest, the loan needs to be repaid
	Total Shareholder Return (TSR) performance condition:
	▪ A portion of the loan may be forgiven at the end of the performance period, based on relative TSR performance against the comparator group. The portion of loan forgiven will increase as the company outperforms the peer group. Refer section 5.4 for further details
		▪ Allocation of shares upfront encourages executives to 'behave like shareholders' from grant date
		▪ Designed to encourage executives to focus on the key performance drivers which underpin sustainable growth in shareholder value
		▪ Key benefits to participants under the plan are:
		  ▪ capital appreciation in DuluxGroup shares consistent with shareholder interest
		  ▪ the value of after tax dividends applied towards repaying the loan thereby increasing equity over the loan period
		  ▪ potential partial loan forgiveness (on a sliding scale to a maximum of 30%) if our TSR outperforms our comparator group
		▪ EPS gateway provides a 'counterbalance' to the relative TSR performance condition, designed to ensure the quality of the share price growth is supported by company earnings performance, not just market buoyancy

=		
Total remuneration	The total remuneration mix is designed to attract, retain and motivate appropriately qualified and experienced individuals, encourage a strong focus on performance, support the delivery of outstanding returns to DuluxGroup shareholders over the short and long term and to align executive and stakeholder interests through share ownership	

(1) The Board retains discretion to adjust NPAT for non-recurring items

3. COMPANY PERFORMANCE AND REMUNERATION OUTCOMES FOR 2013

3.1 Company performance

As described in section 2, the key principles applied in the design of the executive remuneration framework and policy relate directly to aligning the interests of executives and shareholders, with at-risk components of executives remuneration designed to drive performance against the strategic objectives and performance of the Company.

The table below provides Company performance information since listing on the ASX on 12 July 2010 that is relevant in considering shareholder return.

Table 2

	2010 (1)	2011	2012	2013
NPAT attributable to ordinary shareholders of DuluxGroup Limited ($m)	61.3	93.2	89.5	76.9
NPAT before non-recurring items ($m) (2)	71.5	77.6	79.6	94.1
Diluted EPS (cents)	16.9	25.7	24.3	20.6
Diluted EPS before non-recurring items (cents) (2)	19.7	21.2	21.6	25.2
Dividends paid per share (cents)	-	10.5	15.0	16.0
Opening share price at 1 October ($)	2.50 (3)	2.73	2.52	3.30
Closing share price at 30 September ($)	2.73	2.52	3.30	5.28
TSR % – DuluxGroup(4)	9.2%	(3.8%)	36.9%	64.8%
Recordable case rate (RCR)(5)	1.81	1.96	1.21/1.85	0.82/1.81

Definitions NPAT - Net profit afer Tax, EPS – Earnings Per Share, TSR – Total Shareholder Return

(1) As DuluxGroup has only been listed since July 2010, it is not possible to present five years of financial data.

(2) Earnings excluding non-recurring income and expenses considered by the Board to be a better basis for comparison from period to period as well as more comparable with future performance. They are also the primary measure of earnings considered by management in operating the business and by the Board in determining dividends. Non-recurring items that were excluded were positive in 2011 ($15.6m) and 2012 ($9.9m), and negative in 2013 ($17.2m). Details of non-recurring items in respect of 2013 are set out in section 3.2.

(3) Opening listing share price on 12 July 2010 for DuluxGroup Limited shares following the demerger from Orica Limited.

(4) TSR % has been calculated as the change in the share price for the period, plus dividends paid, divided by the opening share price.

(5) The RCR is the number of injuries and illnesses resulting in lost time, restricted duties, or medical treatment per 200,000 hours worked (US OHSA system), which is equivalent to the hours worked by 100 people in a year. The RCR includes both DuluxGroup employees and contractors. 2013 RCR was 0.82 (2012 1.21) excluding the former Alesco businesses and the Camelpaint business. It was 1.81 (2012 1.85) for the total Group including the Camelpaint and former Alesco businesses.

3.2 Key developments and outcomes for 2013

During 2013 a remuneration review was undertaken by the RNC to ensure the structures in place achieve the key strategic aims (see section 2). Fixed remuneration, STI and LTEIP were reviewed and considered to be appropriate. As such no significant changes to the remuneration structures were considered necessary.

The NPAT used for the 2013 STI gateway and 2010 LTEIP EPS growth calculations is NPAT before non-recurring items of $94.1M. In 2013, the Board has exercised its discretion to exclude non-recurring items, which include Alesco integration and transaction costs, the profit on sale of O'Connor site and the China impairment. Dividend payments to shareholders have also been calculated using the same approach.

Fixed remuneration	
2013 changes	The Board determined to increase fixed remuneration of the CEO and CFO by approximately 7% and 9% respectively. At the time of demerger, the Company set fixed remuneration for these Executives at relatively modest levels compared to their peers in recognition that they were new to their roles in the listed DuluxGroup environment. The Board approved the increases based on the outcomes of the performance review program, and noting that since demerger the Company has grown from a market capitalisation of $905M to approximately $2B (at 30 September 2013), has performed strongly in its heritage businesses, and has grown its international reach and new market opportunities. The Board also had reference to independent benchmark data provided by PricewaterhouseCoopers (PwC). Fixed remuneration changes for other Executives is between 3.8 and 5.9%.
Short term incentive	
Structure of STI	As part of the review of DuluxGroup's remuneration arrangements during the year, the Board considered the structure and operation of the STI. The Board confirmed that it considers the STI as it currently operates to be appropriate in driving the achievement of DuluxGroup's business objectives. The Board also considered whether DuluxGroup's STI arrangements should incorporate a deferred equity component. In light of the immediate share ownership that executives acquire through LTEIP, and the minimum shareholding guidelines adopted this year, the Board considers that KMP, executives and senior managers' are sufficiently aligned to those of our shareholders. Accordingly, the Board determined that it is not necessary to introduce a deferred component at this time.
Integration of Alesco executives	Significant effort has been undertaken during the year to bring eligible executives who joined the Group following the acquisition of the Alesco businesses onto DuluxGroup's short term incentive arrangements, with performance targets relevant to their role and the business in which they work.
2013 outcomes	The profit gateway, which requires a minimum level of NPAT growth before STI awards can vest, was exceeded. In respect of the 2013 STI, this gateway was the 2012 NPAT before non-recurring items of $79.6M. The 2013 NPAT before non-recurring items was $94.1M. As a result of performance during the year, in general: • EBIT results were generally ahead of target • Our safety performance was significantly ahead of targets resulting in Executives achieving 'stretch goals' for this performance condition • Key Alesco integration objectives were met Accordingly, STI awards for Executives vested in the range of 59.1% to 88.9% of their potential maximum. The Board has exercised its discretion to award two Executives an additional discretionary amount (less than 5% of the Executives' FAR). The details of the STI awards are outlined in section 5.3.
Long term incentive	
Structure of LTEIP	The Board undertook a comprehensive review of DuluxGroup's LTEIP during the year. Having reviewed the relative merits of the LTEIP, and a number of alternative designs (including performance rights plans), the Board confirmed that it considers it desirable that the long term incentive component of executives' remuneration be delivered through the LTEIP in its current form. As part of the review, the Board considered the benefits to executives, the Company and shareholders. In particular: • the immediate share ownership aligns participants' interests with those of shareholders from the outset (and annual grants, subject to a three year performance period mean that executives hold a significant number of shares)

	• participants benefit from share price appreciation over the loan period, and the value of after tax dividends which are applied towards repaying the loan (therefore increasing their equity over the loan period). Accordingly, participants behave like shareholders throughout the loan period – the greater shareholder returns, the greater the returns to participants • provides equivalent benefit to executives for a lower cost to the Company than alternative schemes such as performance rights. In Australia, these shares are taxed under the capital gains tax regime rather than the income tax deferral provisions that relate to the other types of schemes. Accordingly, concessional capital gains tax treatment is available once the shares have been held for 12 months (and they must be held for 3 years under the LTEIP). While the Company is required to pay fringe benefits tax in relation to any loan forgiveness under the TSR performance condition, this cost has been factored into the level of the forgiveness granted (such that the true 'cost' is effectively borne by the participant).
Integration of Alesco executives	In order to align the interests of eligible executives who joined the Group following the acquisition of the Alesco businesses with other Group executives and those of our shareholders as soon as possible, we made a mid year offer under our 2012 long term incentive plan in July 2013. The allocation of shares under the mid year offer was on the same terms as for other executives (other than the allocation price of the shares), including the vesting and performance conditions that apply in respect of the 2012 grant under LTEIP.
2013 outcomes	The 2010 grant under LTEIP was tested for vesting. The 2010 grant was made at the time of demerger (i.e. July 2010), and also included a one-off demerger grant to ensure that executives had an immediate reasonable level of exposure and to provide an element of retention. The EPS growth gateway, which in light of the challenges immediately following demerger was set at 2% compound annual growth over the loan period (and has been increased to 4%, in respect of subsequent offers) was tested utilising 30 September 2013 as the end date and was exceeded. Accordingly LTEIP shares under the 2010 grant vested on 13 November 2013. DuluxGroup's compound annual EPS growth over the period, calculated using EPS before non-recurring items, was 8.5%. The Company's relative TSR against the comparator group is being tested by Ernst and Young during the trading window after the release of the 2013 results. The relative TSR performance will determine the percentage of loans to be forgiven. Executives will be required to repay loans totalling $8,700,900 (before loan forgiveness) to the Company.
Shareholder alignment	
Minimum shareholding guidelines for executives	A core value of DuluxGroup is to *run the business as your own*. The Board believes that the executive team should be exposed to share price fluctuations, further promoting the alignment of executive and shareholder interests. While the LTEIP achieves this in part (in that, over time, executives generally acquire a 'rolling' 3 years' worth of shares under the LTEIP), the Board considers that executives should also maintain a direct holding. Accordingly, in addition to the minimum shareholding guidelines introduced for Non-Executive Directors last year, this year we also introduced minimum shareholding guidelines for executives and senior managers. The guidelines encourage executives to acquire a minimum shareholding over a period of 5 years. The level of shareholding relative to the executives' fixed annual remuneration is determined based on their level of seniority. This level is set at 1 times fixed annual remuneration for the CEO and CFO.
Non-Executive Director fees	
Review	A review of Non-Executive director fees was undertaken early in the 2013 financial year utilising benchmark data provided by PwC. Within the shareholder approved maximum aggregate fee amount, the Board approved an increase of 3% to the fees for Non-Executive Directors so as to ensure these fees remain competitive with comparable companies, and reflect the calibre, time commitment and responsibilities of the Directors.

4. REMUNERATION GOVERNANCE – ROLE OF THE REMUNERATION AND NOMINATIONS COMMITTEE (RNC)

The Board RNC is responsible for ensuring that the Group's executive remuneration strategy aligns with the Company's short and longer term business objectives.

The Committee reviews and makes recommendations to the Board on the remuneration arrangements for the directors, the CEO and the Executive team. Details of the composition and responsibilities of the RNC are set out on page 47.

To assist in performing its duties, and making recommendations to the Board, the Committee seeks independent advice from external consultants on various remuneration related matters.

The Board has appointed PwC as remuneration consultants to the Board and the RNC. Prior to their appointment, the Board and the RNC considered the nature and quantum of work to be provided to DuluxGroup and developed a protocol for the provision of remuneration advice and recommendations so as to ensure such recommendations are free from undue influence by members of the KMP to whom the recommendations may relate.

During the financial year ended 30 September 2013, the RNC engaged PwC to provide the Company with insights on remuneration trends, regulatory updates, and market data in relation to Non-Executive Directors, the CEO and other Executive remuneration. No remuneration recommendations as defined in section 9B of the *Corporations Act 2001* were provided during the financial year ended 30 September 2013.

5. EXECUTIVE REMUNERATION – DRIVING A PERFORMANCE CULTURE

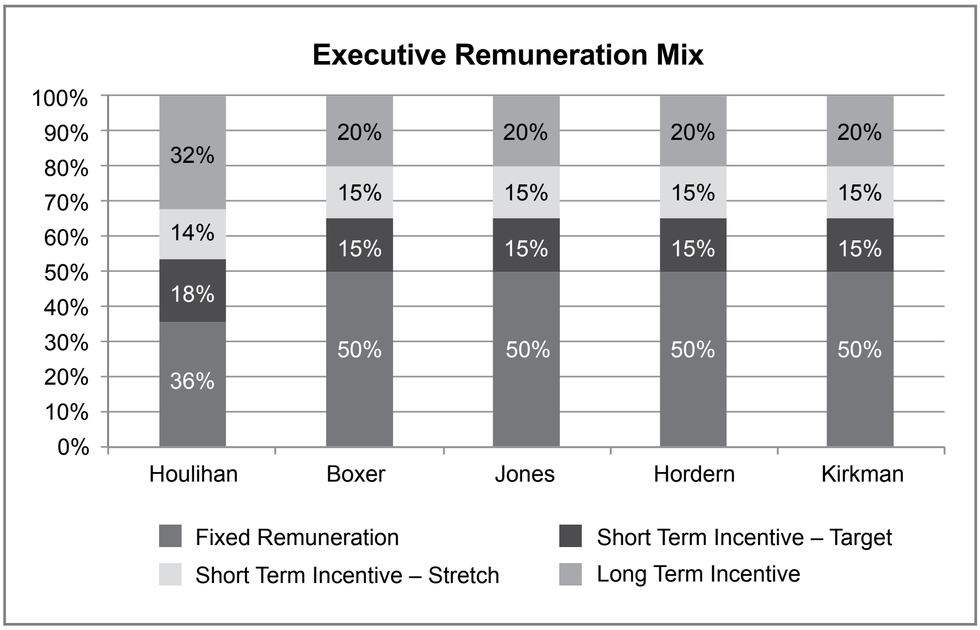
5.1 Policy and approach to setting remuneration – remuneration mix

As described in Section 2 the Board believes that remuneration packages of senior managers, including the Executives, should include both a *fixed* component and an *at-risk* or *performance-related* component (comprising both short term and long term incentives). Actual remuneration outcomes for executives vary depending on the level of performance achieved at a Group, business unit and individual level. The weighting of at-risk remuneration reflects the Board's commitment to performance-based reward. The table below summarises the remuneration mix policy applicable for the financial year ended 30 September 2013.

Table 3

		% of Fixed Annual Remuneration		
		Short term Incentive		Long term incentive
Name	**Fixed annual remuneration (FAR) $**	**Assuming a 'Target' level of performance is achieved**	**Assuming a 'Stretch' level of performance is achieved**	
Executive Directors				
Patrick Houlihan	1,035,500	50%	90%	90%
Stuart Boxer	600,000	30%	60%	40%
Other KMP				
Patrick Jones	500,000	30%	60%	40%
Brad Hordern	410,000	30%	60%	40%
Mike Kirkman	410,000	30%	60%	40%

The graph below shows this remuneration mix as a percentage of total potential remuneration for the financial year ended 30 September 2013.



5.2 Fixed remuneration

The Group's stated remuneration strategy is to attract, retain and motivate appropriately qualified and experienced individuals who will contribute to the Company's financial and operational performance.

All senior managers, including Executives, receive a fixed remuneration component. In general, this is expressed as a total amount of salary and other benefits (including statutory superannuation contributions) that may be taken in an agreed form.

Fixed remuneration is set based on the scope of an individual's role, their level of knowledge, skills and experience. Fixed remuneration levels are set with regard to the market median. For the purposes of setting market competitive remuneration, 'market' is considered to include both Australian Securities Exchange (ASX) listed companies of a comparable market capitalisation and our key industry competitors.

Fixed remuneration is reviewed annually, having regard to performance of the individual, but there are no guaranteed increases in fixed remuneration.

An executive remuneration review was undertaken by the Board in the 2013 financial year. In undertaking the review, the Board had particular regard to the Company's performance and growth since demerger in July 2010, during which time the Company has grown from a market capitalisation of $905M to approximately $2B (as of September 30, 2013), has performed strongly in its heritage businesses, and has grown its international reach and new market opportunities.

Section 3.2 describes the changes to Executive's fixed remunerations for the 2013 year.

5.3 At-risk remuneration – Short Term Incentive Plan (STI)

The DuluxGroup STI is the Company's at risk short term incentive component of the remuneration mix for senior managers and Executives.

Table 4

Form and purpose of the plan	
What is the STI?	An annual cash incentive plan that involves linking a portion of senior managers' reward opportunity to specific performance conditions.
Who participates in the STI plan?	All senior managers, including Executives which represents less than 10% of the workforce.
Why does the Board consider the STI an appropriate incentive?	The STI is designed to put a proportion of senior manager remuneration at-risk to be determined based on the achievement of targets linked to DuluxGroup's annual business objectives.
Does the STI comprise a deferred component?	During the year, the Board reviewed the components of DuluxGroup's remuneration framework, including whether the Company should introduce a deferred component to the STI. In light of the immediate share ownership senior managers acquire through LTEIP, and the minimum shareholding guidelines adopted this year, the Board considers that senior managers' interests are sufficiently aligned to those of our shareholders. Accordingly, the Board determined that it would not introduce a deferred component to the STI at this time.
Governance	
How is performance against the performance conditions assessed?	All performance conditions under the STI are clearly defined and measurable. The Board, on recommendation from the RNC, approves the targets and assesses the performance outcomes of the CEO. The CEO sets the targets and assesses the performance of the CFO and other Executives taking into consideration the advice of the RNC. These are approved by the Board.
How are outcomes against the performance conditions approved?	The Board has adopted a rigorous process for assessing performance under the STI. Upon approving the extent to which STI performance conditions have been met, the Board asks KPMG to perform 'agreed upon procedures' over the STI entitlement computation of the Group Executive. Under the STI plan, the Board has discretion to adjust STI outcomes based on achievements which are consistent with the Group's strategic priorities and in the opinion of the Board enhance shareholder value.
When are targets set and reviewed?	Targets are set at the beginning of each financial year, while performance against these targets is reviewed at the end of the financial year. Any payments are then made the following December.

Performance conditions

What are the STI performance conditions?

The performance conditions for 2013 comprised financial targets and non-financial targets. The Board believes that the largest component of an executive's STI payment should be affected by the financial performance of the Company, and accordingly generally at least 70% of Executives' awards are subject to financial metrics. Performance conditions are set at both a DuluxGroup level and an individual business level, and weightings that apply in respect of the conditions depend on the Executive's role and responsibilities (including whether they have Group or business level responsibility). For the 2013 STI plan, the targets were set around the principle of year on year improvement.

Non-financial metrics are based on performance against some of our core values – including safety and sustainability, and making a step change on growth and productivity – and other individual indicators such as successful implementation of a specific strategy or achieving specific customer or consumer based objectives.

Detailed below is a breakdown of the structure of the STI performance conditions for the Executives.

Performance Conditions for STI	CEO	CFO	General Manager Paints Australia	General Manager Selleys Yates	General Manager Supply Chain
DuluxGroup Financial Performance conditions principally reflect Group NPAT, EBIT and Cash Management and cost focused initiatives. The CEO and CFO also had Alesco specific financial performance objectives.	70%	70%	15%	15%	60%
Business Unit Financial Business Unit financial metrics including EBIT and Cash Management.	0%	0%	55%	55%	10% (PNG)
Safety & Sustainability A combination of Recordable Case Rate targets and improvement objectives.	10%	10%	10%	10%	20%
Personal Objectives At a Group level, performance conditions relate to key strategic improvement and growth initiatives as well as targets on the successful integration of the Alesco acquisition. Business Unit objectives are primarily focused on Business Unit growth and improvement initiatives.	20%	20%	20%	20%	10%

Why were these conditions chosen?

Overall the targets are set to reinforce and drive business strategy and align with the Group's annual budget and longer term plan.

The Board considers these performance measures to be appropriate as they are aligned with the Company's objectives of delivering profitable growth and improving shareholder return.

The Board considers it important that senior managers have a clear line of sight to the targets and are able to affect results through their actions. Accordingly, performance conditions and weightings are directly linked to individual executives' responsibilities.

Is there an STI 'gateway'?

Yes.

The Board considers it important that, in general, the Company should achieve a minimum acceptable level of group profit before any payments are made under the STI. No STI is awarded (upon achievement of either financial or non-financial metrics) if minimum performance across DuluxGroup does not achieve a threshold NPAT performance level.

For the purpose of the 2013 STI, the minimum performance level was set at the prior year NPAT (before non-recurring items) of $79.6M.

Reward opportunity

What level of reward can be earned under the plan?

The STI opportunities able to be earned under the plan are derived as a percentage of fixed annual remuneration.

In relation to executives, this comprises an amount equal to 20%–30% (50% for the CEO) of their fixed annual remuneration for target performance, and up to 40%–60% (90% for the CEO) of their fixed annual remuneration for achieving stretch performance.

Cessation of employment or a change of control	
If an individual ceases employment during the year, will they receive a payment?	The individual will not be eligible for a payment if terminated due to misconduct or poor performance nor in general, if they resign. In certain appropriate circumstances (such as redundancy), the Board may consider eligibility for a pro-rata payment.
How would a change of control of the Group impact on STI entitlements?	The STI will be considered to have been met at target for the full performance year, notwithstanding the date of change of control, unless the Board determines otherwise.

2013 outcomes

Actual STI payments reflect the financial performance at the Group level, as well as the financial performance of individual business units. Individual outcomes from non-financial objectives further differentiated executive STI outcomes.

A strong 2013 financial year NPAT result (when taking account of non-recurring items)[1] resulted in outcomes well ahead of target and approaching stretch. Similarly the performance conditions for Group EBIT (for both heritage DuluxGroup and the newly acquired continuing Alesco businesses) were near stretch levels.

Cash Management performance conditions performed between target and stretch.

The Paints Australia business unit contributed strongly to the overall financial result with EBIT and Cash Management performance approaching stretch.

The Selleys Yates business has a central focus on EBIT improvement in 2013. Whilst there was improvement, the result was between hurdle and target for the year and slightly better on Cash Management. The PNG business unit performed below hurdle for the year.

The Safety & Sustainability results at a Group level were record performances for recordable case rates. This was also reflected at business unit level. Various improvement initiatives were also successfully delivered.

The personal objectives for Executives focused on delivery of key strategic, growth and market based improvement initiatives as well as the successful integration of the former Alesco business units. These outcomes across the Executives were rated between target and stretch.

The Board has exercised its discretion to award two Executives an additional discretionary amount to reflect their specific efforts relating to significant changes to DuluxGroup’s retail distribution strategy. These amounts were less than 5% of the Executives’ FAR and the total STI remains below their maximum achievable (stretch) incentive percentage. The outcomes are detailed in table 5 below.

The short term incentive payments shown below reflect the performance for Executives in the current financial year.

(1) 2013 non-recurring items are defined in 3.2 above.

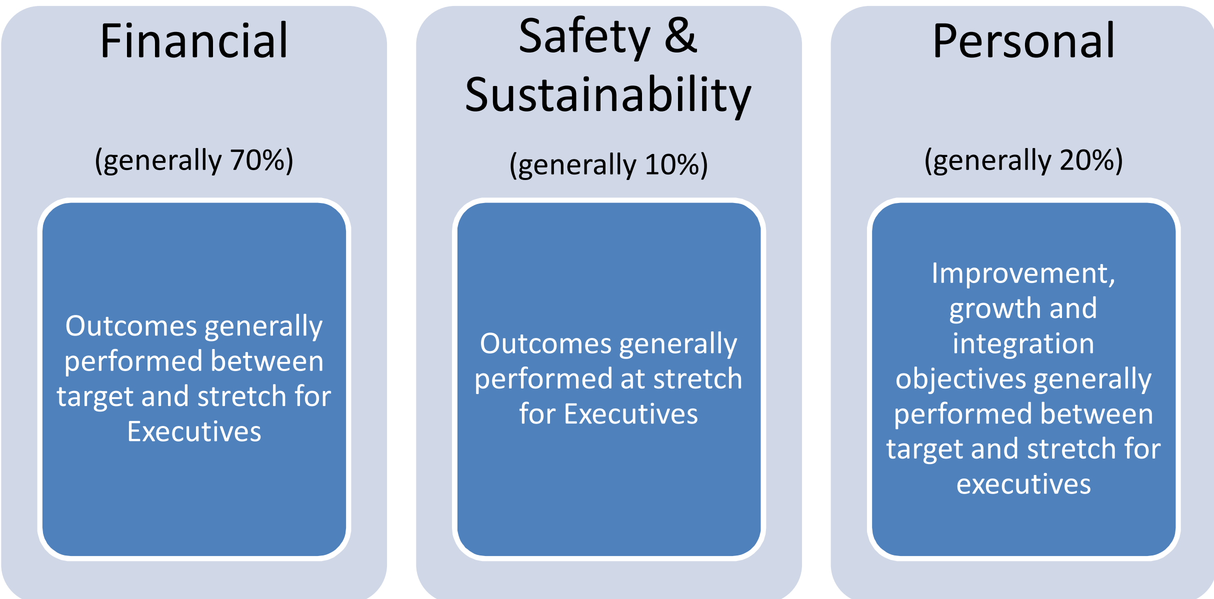


Table 5

For the financial year ended 30 September 2013	2013 STI award $[1]	STI payable at 'Stretch' $[2]	Actual STI payment as % of 'Stretch' STI	% of 'Stretch' STI payment forfeited	Actual STI payment as a % of FAR
Executive Directors					
Patrick Houlihan	828,100	931,950	88.9	11.1	80.0
Stuart Boxer	311,639	360,000	86.6	13.4	51.9
Other KMP					
Patrick Jones	263,079	300,000	87.7	12.3	52.6
Brad Hordern	192,629	246,000	78.3	21.7	47.0
Mike Kirkman	145,416	246,000	59.1	40.9	35.5

(1) STI constitutes a cash incentive earned during the 2013 financial year, which is expected to be paid in December 2013, based on the fixed annual remuneration of Executives as at 30 September 2013.

(2) The STI payable assuming a 'Stretch' level of performance has been calculated based on the fixed annual remuneration of Executives as at 30 September 2013.

5.4 At-risk remuneration – Long Term Equity Incentive Plan (LTEIP)

The DuluxGroup LTEIP is the Company's long term incentive component of the remuneration mix for senior managers (including Executives). Section 3.2 describes the outcomes of the review of LTEIP that was undertaken during the year.

Under the LTEIP, eligible senior managers are provided with a non-recourse loan from DuluxGroup for the sole purpose of acquiring shares in the Company. The shares are granted upfront but are restricted and subject to a risk of forfeiture until the end of the vesting/performance period and while the loan remains outstanding. Any dividends paid on the shares are applied (on a notional after-tax basis) towards repaying the loan.

In order to reward superior performance, and subject to satisfaction of an earnings 'gateway', part of the loan may be forgiven at the end of the vesting period subject to the achievement of a relative TSR performance condition.

To gain access to the shares, the Executives must repay the outstanding loan following testing of the performance condition.

Details of how the LTEIP operates in respect of the grant made during the year are set out below.

Driving performance	
How does the LTEIP drive performance?	The LTEIP facilitates share ownership by senior managers and links a significant proportion of their 'at-risk' remuneration to DuluxGroup Limited's ongoing share price and returns to shareholders over the performance period. It is designed to encourage senior managers to focus on the key performance drivers which underpin sustainable growth in shareholder value. The Board believes the LTEIP, which has both an earnings 'gateway' that must be achieved before any shares vest and a TSR performance condition which provides for a portion of the loan to be forgiven where DuluxGroup performs well against its market comparators, promotes behaviour that should achieve superior performance over the long term.
How does the plan align participant's interests with shareholders?	The immediate share ownership aligns participants' interests with those of shareholders from the outset.
How does a participant derive value from LTEIP?	In summary a participant can derive value from LTEIP in three ways: • through appreciation of DuluxGroup's share price over the loan period; and/or • through potential loan forgiveness of a portion of the loan as a reward for superior performance against the Company's market comparators; and/or • the value of after tax dividends 'used' in repaying the loan thereby increasing their equity over the loan period. Section 3.2 sets out further detail in relation to the benefits of the Plan.
Vesting and performance condition	
What is the vesting / performance period?	The gateway and performance condition are tested once approximately three years after the grant is made.
What is the 'gateway'?	The Board has implemented a 'gateway' level of minimum performance below which no benefit accrues. This 'gateway' is a minimum level of acceptable growth in EPS for any of the LTEIP shares to vest. The EPS gateway in respect of the offer made during the year is that compound annual growth over the three year period from 1 October 2012 must equal or exceed 4% per annum. Where the EPS gateway is met, at the end of the performance period there is potentially value to senior managers if the value of the LTEIP shares is greater than the outstanding LTEIP loan balance that must be repaid.

Why does the Board consider the gateway appropriate?	While the Board considers share price growth to be the primary indicator of DuluxGroup's success at present, the EPS gateway is designed to ensure the quality of the share price growth is supported by Company performance, not market buoyancy alone. For this reason, the Board considers that it is appropriate to set a minimum level of operating performance below which no benefit accrues, and that EPS growth is an appropriate measure for this purpose. The Board considers that 4% remains appropriate, noting that it is set as a minimum level of growth – the real benefit to senior managers is achieved through superior performance against the relative TSR condition.
What is EPS and how is it calculated?	EPS is calculated by dividing DuluxGroup's Net Profit After Tax (NPAT) before non-recurring items by the weighted average number of ordinary shares on issue during the relevant period. EPS growth measures the growth in earnings on a per share basis. The Board has retained discretion to adjust EPS for individually material items on a case by case basis when determining whether the EPS performance gateway condition has been met.
How is the relative TSR performance hurdle applied to the plan?	If the EPS gateway is met and the shares vest, a portion of the outstanding loan may be forgiven in order to reward superior performance. The level of loan forgiveness (if any) depends on DuluxGroup's TSR performance against the comparator group.
How is the forgiveness amount determined?	There is no loan forgiveness amount if DuluxGroup's relative TSR is below the 51st percentile against the comparator group. If DuluxGroup Limited's relative TSR is greater than or equal to the 51st percentile, a proportion of the initial loan balance (up to a maximum of 30%) is forgiven on a 'sliding scale' as shown below.

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

What is TSR?	Broadly, TSR measures the increase in the Company's share price over the performance period, plus the value of dividends paid being treated as if they were reinvested in DuluxGroup shares.
Who is the relative TSR comparator group?	The comparator group comprises peer companies in the ASX 200 at the date of grant which remain listed throughout the vesting period. The Board has approved the exclusion of companies who operate in very different markets (mining, financial services, listed property trusts and overseas domiciled companies) from the peer group. These approved exclusions from the comparator group enables the performance of DuluxGroup to be compared to those companies that truly compete with DuluxGroup for capital, that is Australian industrial, retail, manufacturing and distribution businesses included in the ASX 200.
Is the performance condition re-tested?	No, the performance condition is only tested once at the end of the performance period.
Nature of the loan	
Is the loan 'interest free'?	The loan is 'interest-free' in that there is no annual interest charge to the executive or senior manager on the loan. An interest component, however, is taken into account in determining the level of performance based debt forgiveness benefit that may be awarded to participants.
As the loans are non-recourse, do senior managers have to repay their loans?	Yes, to access the shares, senior managers must repay their loan. Following the end of the vesting period, assuming the earnings 'gateway' is achieved, the senior manager can either repay the loan directly or sell some or all of their shares and apply the proceeds to repay the loan. Shares remain restricted until the loan is repaid. If the value of the shares is less than the outstanding loan balance at the end of the performance period, or if the 'earnings gateway' is not achieved, the senior manager surrenders and forfeits the shares to the Company in full settlement of the loan balance and no benefit accrues to the senior manager. This is known as a 'non-recourse loan'. In respect of the 2010 LTEIP grant that vested on 13 November 2013, loans will become repayable by participants to the Company. As at the date of this report the value of these loans is $8,700,900. However the final value of the loans to be repaid will not be known until after the relative TSR has been tested and any resulting debt forgiveness has been calculated. This testing commences after the release of the 2013 results. This will be communicated at the AGM and full details will be set out in the Company's 2014 remuneration report.

Why is a non-recourse loan provided?	The Board has structured the remuneration policy for senior managers to include a significant proportion of 'at-risk' pay under the LTEIP. Accordingly, where the outstanding loan at the end of the performance period exceeds the value of the shares, or if the 'earnings gateway' is not achieved, the Board believes the loss of any remuneration value from the LTEIP in these circumstances is a sufficient penalty to the senior managers.
Structure of awards (including how the loan operates)	
What are the participation levels for Executives?	The amount of the loan offered to each participant is based on the relevant long term incentive component target amount of their remuneration multiplied by an externally determined 'value' (calculated using an adjusted Black-Scholes option pricing valuation model). For the grant made during the year, the CEO's long term incentive component target amount is 90% of fixed annual remuneration, and for other Executives it is 40% of FAR. The long term incentive opportunities for the CFO and GM Dulux Paints Australia will increase to 60% for the 2014 financial year.
How are shares acquired for allocation to Executive Directors under the LTEIP?	The Company has the flexibility under the LTEIP Rules to acquire shares on-market, issue new shares or reallocate forfeited shares to participants in the Plan. For the offer to the CEO and the CFO under the LTEIP proposed to be made in December 2013, the Company is seeking shareholder approval to issue new shares at the 2013 AGM to conserve cash.
Cessation of employment or a change of control	
What happens if a LTEIP participant ceases employment prior to vesting and repayment of the loan?	If a participant resigns from the Group or is terminated for cause during the loan period, the shares are forfeited and surrendered to the Group (in full settlement of the loan) and the individual has no further interest in the shares.
What happens to 'good leavers'?	In general, all shares are forfeited and surrendered if a participant ceases employment prior to the end of the performance period. The Board, however, has absolute discretion in appropriate circumstances to determine that some or all of a participant's LTEIP shares may vest, and that some or all of the loan forgiveness amount may be granted.
How would a change of control of the Group impact on LTEIP entitlements?	The LTEIP rules provide that the loan becomes immediately repayable upon a change of control, with the outstanding loan balance reduced by the forgiveness amount at target, except where the Board determines otherwise. The Board's current intention is that it would not exercise its discretion to vary this default position in the event of an actual change of control.

Illustrative example of how LTEIP works

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

- Initial share price at grant date is $4 and 15,000 shares are allocated (i.e. initial loan of $60,000).
- Total dividends paid of $2,400, less 46.5% to cover the participants' individual tax obligations.
- Case A – EPS gateway achieved and relative TSR ranks at the 60th percentile (i.e. 17.5% loan forgiveness), share price at the vesting date is $7.
- Case B – EPS gateway achieved but relative TSR ranks below the 51st percentile (i.e. no loan forgiveness), share price at vesting date is $4.40.
- Case C – EPS gateway not achieved and relative TSR ranks above the 75th percentile, share price at the vesting date is $7.

	Case A $	Case B $	Case C $
Initial loan	60,000	60,000	60,000
Less net dividends applied to loan balance	(1,284)	(1,284)	(1,284)
Less loan forgiveness[1,2]	(10,500)	-	-
Outstanding loan balance	48,216	58,716	58,716
Value of shares awarded at vesting	105,000	66,000	N/A
Less outstanding loan balance	(48,216)	(58,716)	N/A
Value of LTEIP to the executive	56,784	7,284	N/A

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

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

LTEIP grants and 2013 outcomes

There have been three grants made to Executives under the LTEIP since demerger in July 2010. The table below describes the general conditions associated with each of the grants made to date.

The 2010 grant has vested in 2013, the outcomes for the 2011 and 2012 grants will not be known until 2014 and 2015 respectively.

Table 6

Grant	Gateway	Performance condition	Performance period	Outcomes
2010	Compound annual EPS growth must equal or exceed 2% per annum (set to reflect challenges immediately following demerger)	Relative TSR *	Demerger (12 July 2010) to November 2013	EPS gateway was exceeded and all shares vested Relative TSR to be measured during the trading window after the release of the full year results and will be communicated at the Annual General Meeting
2011, 2012	Compound annual EPS growth must equal or exceed 4% per annum	Relative TSR *	Three years	

* Relative TSR is calculated based on performance against a comparator group, being ASX 200 companies excluding those which operate in different markets e.g. mining, financial services, listed property trusts and overseas domiciled companies.

The Board anticipates the next offer will be made in December 2013. The Company is seeking shareholder approval at its 2013 AGM for the LTEIP grant to be made to the Executive Directors.

Directors' Report

Remuneration Report (Audited)

6. Details of Executive Remuneration

Details of the remuneration of Executives of DuluxGroup for the financial year ended 30 September 2013 are included in the table below:

Table 7

		Short term employee benefits			Post employment benefits						
For the financial year ended 30 September 2013		FAR[1,2] $	STI payment[3] $	Other benefits[4] $	Super-annuation benefits[5] $	Other long term benefits[6] $	Total excluding Share-based payment expense $	Share-based payment expense[7] $	Total $	% performance related remuneration[8]	% of remuneration consisting of options[9]
Executive Directors											
Patrick Houlihan	2013	1,001,760	828,100	3,840	16,796	43,156	1,893,652	731,268	2,624,920	59%	28%
	2012	929,787	493,068	23,460	15,949	42,844	1,505,108	523,355	2,028,463	50%	26%
Stuart Boxer	2013	570,704	311,639	5,789	16,796	12,901	917,829	193,052	1,110,881	45%	17%
	2012	521,556	270,249	8,727	15,949	10,544	827,025	140,559	967,584	42%	15%
Other Executives											
Patrick Jones	2013	476,204	263,079	17,927	16,796	15,745	789,751	124,689	914,440	42%	14%
	2012	448,060	162,040	(2,097)	15,949	11,825	635,777	79,314	715,091	34%	11%
Brad Hordern	2013	389,454	192,629	47,880	16,796	7,877	654,636	97,972	752,608	39%	13%
	2012	371,801	94,706	17,318	15,949	7,331	507,105	62,720	569,825	28%	11%
Mike Kirkman [10]	2013	373,304	145,416	29,304	16,796	6,548	571,368	30,940	602,308	29%	5%
Total Remuneration	**2013**	**2,811,426**	**1,740,863**	**104,740**	**83,980**	**86,227**	**4,827,236**	**1,177,921**	**6,005,157**		
	2012	**2,271,204**	**1,020,063**	**47,408**	**63,796**	**72,544**	**3,475,015**	**805,948**	**4,280,963**		

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

(2) Details in relation to fixed remuneration increases during the year are set out in Section 3.2.

(3) STI payment includes payments relating to 2013 performance accrued but not paid.

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

(5) Executives receive a statutory superannuation contribution up to a threshold limit in line with the Australian Taxation Office (ATO) published maximum superannuation contribution base.

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

(7) This amount includes the value calculated under AASB 2 *Share-based Payment*. The share-based payment expense represents the charge incurred during the year in respect of current incentive allocations to Executives, being the July 2010, December 2011 and December 2012 LTEIP grant (table 6). These accounting amounts are therefore not amounts actually received by Executives during the year. Whether Executives receive any value from the allocation of long term incentives in the future will depend on the performance of the Company's shares. The gateway and performance condition which determines whether or not long term incentives vest in the future and the value to be derived by participants is described in section 5.4.

(8) The percentages shown relate to accrued STI payments in 2013 and the value of the July 2010, December 2011 and December 2012 LTEIP grants calculated under AASB 2 as a proportion of the Executive's total remuneration.

(9) As explained in section 6.1, shares acquired under the LTEIP are treated as options for accounting purposes under the Australian Accounting Standards. The percentages shown relate to the value of the July 2010, December 2011 and December 2012 LTEIP grants calculated under AASB 2 (and not the amounts actually received by Executives during the year) as a proportion of total remuneration.

(10) Mike Kirkman became an Executive of DuluxGroup from 1 October 2012.

6.1 DuluxGroup equity instruments granted to Executives

Under the LTEIP, executives acquire shares in DuluxGroup Limited funded by a non-recourse loan from the Group. While shares are acquired under the plan for legal and taxation purposes, Australian Accounting Standards require the shares be treated as options for accounting purposes.

As a result, the amounts receivable from Executives in relation to these loans are not recognised in the financial statements.

The number and value of notional options granted to DuluxGroup Executives under the LTEIP is set out below.

Table 8

For the financial year ended 30 September 2013	Grant date	Number held at 1 October 2012[(1) (2)]	Number granted during the year	Number exercised during the year	Number lapsed during the year	Number held at 30 September 2013	Value of options at grant date[(3)] $	Value of options included in compensation for the year $[(4)]
Executive Directors								
Patrick Houlihan	12 July 2010	1,145,655	-	-	-	1,145,655 [(5)]	1,122,742	335,353
	2 December 2011	708,743	-	-	-	708,743	666,218	225,366
	30 November 2012	-	612,021	-	-	612,021	605,900	170,549
		1,854,398	**612,021**	**-**	**-**	**2,466,419**	**2,394,860**	**731,268**
Stuart Boxer	12 July 2010	317,873	-	-	-	317,873 [(5)]	311,516	93,046
	2 December 2011	179,026	-	-	-	179,026	168,284	56,926
	30 November 2012	-	154,595	-	-	154,595	153,049	43,080
		496,899	**154,595**	**-**	**-**	**651,494**	**632,849**	**193,052**
Other KMP								
Patrick Jones	12 July 2010	128,536	-	-	-	128,536 [(5)]	125,965	37,624
	2 December 2011	157,543	-	-	-	157,543	148,090	50,095
	30 November 2012	-	132,670	-	-	132,670	131,343	36,970
		286,079	**132,670**	-	-	**418,749**	**405,398**	**124,689**
Brad Hordern	12 July 2010	140,026	-	-	-	140,026 [(5)]	137,225	40,988
	2 December 2011	81,904	-	-	-	81,904	76,990	26,044
	30 November 2012	-	111,027	-	-	111,027	109,917	30,940
		221,930	**111,027**	-	-	**332,957**	**324,132**	**97,972**
Mike Kirkman	30 November 2012	-	111,027	-	-	111,027	109,917	30,940
		-	**111,027**	**-**	**-**	**111,027**	**109,917**	**30,940**

(1) The combination of shares and the non-recourse loan provided to fund those shares constitutes an option under Australian Accounting Standards. These options vest over a period of approximately three years (three and a half years in relation to the 2010 grant made on demerger). Under the terms of the LTEIP, the loan must be repaid before the Executives can deal with the shares. Accordingly, the exercise period of these options is the loan repayment period, which commences following the testing of the performance condition typically in November after the annual results announcement and continues through to the end of the trading window in January of the following year. The options expire if the loan is not repaid within the repayment window.

(2) While shares are acquired under the plan for legal and taxation purposes, Australian Accounting Standards require that shares issued under employee incentive share plans in conjunction with non-recourse loans are accounted for as options. These shares are not subject to an exercise price. Refer to Table 9 of section 6.2 for details of non-recourse loans provided to eligible Executives for the sole purpose of acquiring shares in DuluxGroup Limited.

(3) The option valuation is determined having regard to valuation advice from PwC. The valuation methodology utilises an adjusted form of the Black-Scholes option pricing model which reflects the value (as at grant date) of options held. The minimum potential future value of grants under LTEIP is $NIL.

(4) The amortised value for accounting purposes.

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

6.2 Loans to Executives under DuluxGroup long term incentive plans

Table 9

For the financial year ended 30 September 2013		Opening balance $	Advances during the year[1] $	Repayments during the year[2] $	Closing balance $	Interest free value $	Highest indebtedness $
Executive Directors							
Patrick Houlihan	2013	4,818,215	2,264,477	(184,931)	6,897,761	512,925	7,003,323
	2012	2,879,977	2,058,615	(120,377)	4,818,215	349,571	4,892,623
Stuart Boxer	2013	1,286,383	572,000	(49,151)	1,809,232	134,935	1,837,116
	2012	799,077	519,999	(32,693)	1,286,383	93,859	1,306,321
Other KMP							
Patrick Jones	2013	764,082	490,880	(30,167)	1,224,795	89,463	1,242,718
	2012	323,119	457,599	(16,636)	764,082	53,089	775,561
Brad Hordern	2013	575,377	410,800	(23,749)	962,428	69,872	976,678
	2012	352,002	237,898	(14,523)	575,377	41,887	584,282
Mike Kirkman	2013	-	410,800	(4,752)	406,048	25,229	410,800
Total	2013	7,444,057	4,148,957	(292,750)	11,300,264	832,424	11,470,635
	2012	4,354,175	3,274,111	(184,229)	7,444,057	538,406	7,558,787

(1) Section 5.4 describes the nature of the loans to executives to acquire shares. Australian Accounting Standards require that shares issued under employee incentive share plans in conjunction with non-recourse loans are to be accounted for as options. As a result, the amounts receivable from employees in relation to these loans have not been recognised in the financial statements.

(2) Constitutes after tax dividends paid on the shares applied against the loan. The loan repayment period in relation to the 2010 grant is 29 November 2013 to 24 January 2014. In order to access the shares, the loan balances oustanding after loan forgiveness will need to be repaid during that window.

A share-based payment expense is recognised in the income statement over the vesting period. Repayments of share loans are recognised as share capital when the outstanding loan balance is repaid in full.

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

Table 10

	Price of DuluxGroup Limited shares at valuation date	Expected volatility in share price	Dividends expected on shares	Risk free interest rate	Average value per option $
2010 LTEIP grant	$2.54	30%	NIL	4.70%	0.98
2011 LTEIP grant	$2.88	25%	NIL	3.22%	0.94
2012 LTEIP grant	$3.50	22.5%	NIL	2.62%	0.99

7. OTHER EXECUTIVE ARRANGEMENTS

7.1 Executive Service Agreements

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

Table 11

Name	Term of agreement	Notice period by Executive	Notice and termination benefits[2]
Executive Directors[1]			
Patrick Houlihan	Open	6 months	12 months fixed annual remuneration
Stuart Boxer	Open	6 months	12 months fixed annual remuneration
Other KMP			
Patrick Jones	Open	6 months	12 months fixed annual remuneration
Brad Hordern	Open	6 months	12 months fixed annual remuneration
Mike Kirkman	Open	6 months	12 months fixed annual remuneration

(1) Messrs Houlihan and Boxer may also terminate their agreement in the event of a 'Fundamental Change', which includes circumstances where there has been a substantial diminution of role and responsibility of the Executive, in which event they will be entitled to a payment equivalent to 12 months fixed annual remuneration.

(2) Maximum termination payment (inclusive of any payment in lieu of notice) if DuluxGroup terminates the Executive's employment other than for cause.

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

7.2 Hedging

The Company has a policy that prohibits senior managers from entering into an arrangement to limit the risk attached to (i.e. hedging) LTEIP shares prior to vesting (i.e. prior to the relevant performance conditions being met) or while they continue to be subject to restrictions under the LTEIP.

DuluxGroup treats compliance with this policy as a serious issue and takes appropriate measures to ensure the policy is adhered to.

8. NON-EXECUTIVE DIRECTORS' REMUNERATION

8.1 Policy and approach to setting fees

Overview of policy	Non-Executive Directors receive a base fee in relation to their service as a director of the Board, and an additional fee for membership of or for chairing a committee. The Chairman, taking into account the greater time commitment required, receives a higher fee but does not receive any additional payment for service on the respective committees. In setting Non-Executive Directors' fees, the Board has formulated a remuneration policy based on external professional advice to pay fees that are competitive with comparable companies (those with a similar market capitalisation), at a level to attract and retain directors of the appropriate calibre and recognising the anticipated time commitments and responsibilities of directors. In order to maintain independence and impartiality, Non-Executive Directors are not entitled to any form of incentive payments and the level of their fees is not set with reference to measures of Company performance.
Aggregate fees approved by shareholders	The Non-Executive Directors' fees (comprising base and committee fees inclusive of superannuation) have been set by the Board within the maximum aggregate amount of $1,500,000 per annum as approved by DuluxGroup's sole shareholder immediately prior to demerger.
Alignment with shareholders	In order to promote alignment with shareholders, the Board has adopted a policy which establishes a minimum shareholding for Non-Executive Directors equivalent to the value of 1 years' pre-tax Board and Committee fees for each member. Non-Executive Directors have 3 years from the later of 1 July 2011 (the date the Board adopted the policy) or their appointment in which to establish this shareholding level.
Reviews	Non-Executive director fees are reviewed annually and set and approved by the Board based on independent advice received from external remuneration consultants. A review of Non-Executive Director fees was undertaken early in the 2013 financial year utilising benchmark data provided by PwC. Within the shareholder approved maximum aggregate fee amount, the Board approved an increase of 3% to the fees for Non-Executive Directors so as to ensure these fees remain competitive with comparable companies, and reflect the calibre, time commitment and responsibilities of the Directors.
Base fees and travel allowance	Following the review earlier this year, the Board approved the following base fees :

Base fees		
Non-Executive Chairman [1]	$378,350	
Non-Executive Director	$140,350	
Committee fees	**Committee chair**	**Committee member**
Audit and Risk Committee	$28,000	$13,500
Remuneration and Nomination Committee	N/A [1]	$11,250
Safety and Sustainability Committee	$18,000	$11,250

(1) The Non-Executive Chairman chairs the Remuneration and Nomination Committee and attends the Audit and Risk Committee. He receives a base fee only. No separate Committee fees are paid.

In past years Directors received a statutory superannuation contribution in addition to their base fees and committee fees. The base and committee fees approved from January 2013 are inclusive of statutory superannuation. The Directors do not receive any retirement allowances.

In addition, Non-Executive Directors are paid a travel allowance of $2,500 per return trip (prior to 1 January 2012 $5,000 per return trip) for international travel where the journey includes a one way international trip in excess of 6 hours.

8.2 Remuneration for 2013

Details of Non-Executive Director remuneration are set out in the following table:

Table 12

Non-Executive Directors		Directors Base Fees $	Audit & Risk Committee $	Safety & Sustainability Committee $	Rem & Nom Committee $	Superannuation[1] $	Other Benefits[2] $	Total $
Peter Kirby (Chairman)	2013	363,569	-	-	-	12,026	2,500	378,095
	2012	333,750	-	-	-	30,038	-	363,788
Gaik Hean Chew	2013	127,747	-	16,376	10,235	13,989	105,000 [3]	273,347
	2012	123,750	-	15,750	9,375	13,339	81,042	243,256
Garry Hounsell	2013	129,887	25,928	-	10,407	12,078	2,500	180,800
	2012	123,750	23,750	-	9,375	14,119	40,000 [4]	210,994
Andrew Larke	2013	130,174	-	-	-	9,151	2,500	141,825
	2012	123,750	-	-	-	11,138	40,000 [4]	174,888
Judith Swales	2013	127,747	11,782	10,235	-	13,573	2,500	165,837
	2012	123,750	10,000	9,375	-	12,881	-	156,006
Total Non-Executive Directors	**2013**	**879,124**	**37,710**	**26,611**	**20,642**	**60,817**	**115,000**	**1,139,904**
	2012	**828,750**	**33,750**	**25,125**	**18,750**	**81,515**	**161,042**	**1,148,932**

(1) As noted in Section 8.1, from January 2013 Directors' base and committee fees are inclusive of Superannuation contributions. Individual superannuation entitlements are dependent on Directors' individual arrangements and the timing of payment of Directors' fees.

(2) These benefits include travel allowances payable to Non-Executive Directors.

(3) This benefit represents Ms Chew's allowance for international travel totaling $17,500 (2012 $30,000), her fees of $43,750 (2012 $25,521) as a Director of DGL Camel International Limited (a wholly owned subsidiary of the Company) and remuneration of $43,750 (2012 $25,521) in respect of an ongoing consulting services agreement to assist the Group in seeking strategic growth opportunities in Asia.

(4) Messrs Hounsell and Larke were entitled to receive payments of $40,000 each during 2012 for the additional workload associated with being members of the special Board Committee formed in relation to the Company's off-market takeover offer for Alesco. The amounts were payable upon winding up of this Committee in January 2013.

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

To: the directors of DuluxGroup Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 September 2013 there have been:

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

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

KPMG

KPMG

Alison Kitchen
Partner

Melbourne

13 November 2013

Consolidated Income Statement

For the financial year ended 30 September:

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

		cents	cents
Earnings per share			
Attributable to ordinary shareholders of DuluxGroup Limited:			
Basic earnings per share	4	**21.1**	24.7
Diluted earnings per share	4	**20.6**	24.3

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

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

Consolidated Statement of Comprehensive Income

For the financial year ended 30 September:

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

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

Consolidated Balance Sheet
As at 30 September:

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

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

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

Consolidated Statement of Changes in Equity

For the financial year ended 30 September 2013:

	Total equity attributable to ordinary shareholders of DuluxGroup Limited									
	Contributed equity $'000	Share-based payments reserve $'000	Cash flow hedge reserve $'000	Foreign currency translation reserve $'000	Common control reserve $'000	Revaluation reserve - other financial assets $'000	Retained earnings[1] $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 October 2012	172,695	5,176	(67)	(11,995)	(97,702)	(752)	102,538	169,893	12,959	182,852
Profit for the financial year	-	-	-	-	-	-	76,926	76,926	(11,385)	65,541
Other comprehensive income, net of tax	-	-	68	9,465	-	(940)	6,603	15,196	2,821	18,017
Total comprehensive income for the financial year	**-**	**-**	**68**	**9,465**	**-**	**(940)**	**83,529**	**92,122**	**(8,564)**	**83,558**
Transactions with owners, recorded directly in equity										
Shares issued under the DuluxGroup dividend reinvestment plan	20,584	-	-	-	-	-	-	20,584	-	20,584
Share-based payments[2]	-	2,381	-	-	-	-	-	2,381	-	2,381
Shares vested under the ESIP[2]	104	(43)	-	-	-	-	-	61	-	61
Transfer of reserve to retained earnings[3]	-	-	-	-	-	1,692	(1,692)	-	-	-
Finalisation of non-controlling interest on acquisition of a subsidiary[4]	-	-	-	-	-	-	-	-	348	348
Dividends paid	-	-	-	-	-	-	(58,816)	(58,816)	-	(58,816)
Balance at 30 September 2013	**193,383**	**7,514**	**1**	**(2,530)**	**(97,702)**	**-**	**125,559**	**226,225**	**4,743**	**230,968**

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

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

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

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

(4) Non-controlling interest on acquisition of a subsidiary relates to the merger of DuluxGroup Limited's DGL International entities in Hong Kong and China with the Hong Kong and China operations of National Lacquer Paint and Products Co Ltd (NLPP). Non-controlling interest as recognised at 30 September 2012 comprises shares issued in DuluxGroup's wholly owned subsidiary, DGL Camel International Limited, with a fair value of $12,460,000 and NLPP's retained 49% interest in Camelpaint Chemicals Company Limited and its wholly owned subsidiaries (CCC Group) of $4,084,000. During the year ended 30 September 2013 as part of the acquisition accounting process, the fair value of shares issued in DGL Camel International Limited was subsequently amended to $12,112,000 and NLPP's retained 49% interest in CCC Group was amended to $4,780,000.

Consolidated Statement of Changes in Equity (continued)

For the financial year ended 30 September 2012:

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

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

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

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

(3) Non-controlling interest on acquisition of a subsidiary relates to the merger of DuluxGroup Limited's DGL International entities in Hong Kong and China with the Hong Kong and China operations of National Lacquer Paint and Products Co Ltd (NLPP). Under the terms of the merger arrangement, DuluxGroup holds 51% of the issued capital in the parent entity of the merged group DGL Camel International Limited. Non-controlling interest as recognised at 30 September 2012 comprises shares issued in DuluxGroup's wholly owned subsidiary, DGL Camel International Limited, with a fair value of $12,460,000 and NLPP's retained 49% interest in Camelpaint Chemicals Company Limited and its wholly owned subsidiaries of $4,084,000.

Consolidated Statement of Cash Flows

For the financial year ended 30 September:

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

Reconciliation of cash

Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

	Notes	2013 $'000	2012 $'000
Cash at bank and on hand	9	**43,529**	25,298
Cash at bank - restricted[1]	9	**2,845**	3,210
	9	**46,374**	28,508

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

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

Notes to the Consolidated Financial Statements
For the financial year ended 30 September 2013

1 Accounting policies

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

a) Basis of preparation

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

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

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

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

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

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

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

- AASB 10 *Consolidated Financial Statements* - applicable for annual reporting periods beginning on or after 1 January 2013.
- AASB 11 *Joint Arrangements* – applicable for annual reporting periods beginning on or after 1 January 2013.
- AASB 12 *Disclosure of Interests in Other Entities* – applicable for annual reporting periods beginning on or after 1 January 2013.
- AASB 119 *Employee Benefits* – applicable for annual reporting periods beginning on or after 1 January 2013.
- AASB 127 *Separate Financial Statements* – applicable for annual reporting periods beginning on or after 1 January 2013.
- AASB 128 *Investments in Associates and Joint Ventures* – applicable for annual reporting periods beginning on or after 1 January 2013.
- AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* – applicable for annual reporting periods on or after 1 July 2013.
- AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* – applicable for annual reporting periods beginning on or after 1 January 2013.
- AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)* – applicable for annual reporting periods beginning on or after 1 January 2013.
- AASB 2012-10 *Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments* – applicable for annual reporting periods beginning on or after 1 January 2013.

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

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

1 Accounting policies (continued)

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

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

DuluxGroup expects to adopt the other standards and interpretations in the financial year ending 30 September 2014 and subsequent financial years - however they are not expected to have a significant impact on the financial results of DuluxGroup.

b) Changes to significant accounting policies

As a result of the acquisition of Alesco Group, the following accounting policies have been adopted by DuluxGroup during the financial year ended 30 September 2013. The adoption of these policies does not have a significant impact on previous financial periods.

Provision for warranty

A provision for warranty is made for claims received and claims expected to be received in relation to sales made or services provided prior to reporting date, based on historical claim rates, adjusted for specific information arising from internal quality assurance processes.

Provision for surplus lease space

A provision is made for non-cancellable operating lease rentals payable on surplus leased premises when it is determined that no substantive future benefit will be obtained from its occupancy and sub-lease rentals do not recover the full rental cost. The estimate is calculated based on discounted net future cash flows, using the interest rate implicit in the lease or an estimate thereof.

c) Comparatives

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

d) Consolidation

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

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

The consolidated financial statements include the information and results of each subsidiary from the date on which the Company obtains control until such time as the Company ceases to control such entity. In preparing the consolidated financial statements, all intercompany balances, transactions and unrealised profits arising within DuluxGroup are eliminated in full.

e) Business combinations

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

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

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

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

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

1 Accounting policies (continued)

f) Revenue recognition

Revenue from sale of goods

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

Customer loyalty programme

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

Other income

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

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

Dividends are recognised in the income statement when declared.

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

g) Finance income and expenses

Finance income

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

Finance expenses

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

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

h) Leases

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

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

i) Research and development costs

Research costs are expensed as incurred.

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

j) Taxation

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

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

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

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

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

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

1 Accounting policies (continued)

k) Inventories

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

l) Trade and other receivables

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

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

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

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

m) Investments accounted for using the equity method

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

n) Other financial assets

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

o) Property, plant and equipment and depreciation

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

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

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

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

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

Assets under construction are not depreciated until ready for use.

p) Intangible assets and amortisation

Identifiable intangibles

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

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

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

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

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

1 Accounting policies (continued)

Unidentifiable intangibles

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

Subsequent expenditure

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

q) Trade and other payables

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

Dividends

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

r) Interest-bearing liabilities

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

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

s) Provisions

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

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

Leased premises restoration

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

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

t) Employee entitlements

Annual leave

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

Long service leave

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

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

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

Bonuses

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

1 Accounting policies (continued)

Superannuation

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

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

All actuarial gains and losses are recognised directly in equity.

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

Share-based payments

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

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

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

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

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

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

Restructuring and employee termination benefits

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

u) Foreign currency

Functional currency

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

Foreign currency transactions

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

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

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

1 Accounting policies (continued)

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

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

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

v) Financial instruments – classification

DuluxGroup classifies its financial assets in the following measurement categories:

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

Financial assets and liabilities at amortised cost

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

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

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

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

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

Financial assets at fair value through other comprehensive income

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

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

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

Financial assets and liabilities at fair value through profit and loss

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

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

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

w) Financial instruments – hedging

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

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

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

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

1 Accounting policies (continued)

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

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

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

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

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

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

Hedge of monetary assets and liabilities

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

Anticipated transactions

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

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

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

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

x) Financial instruments – impairment

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

y) Cash and cash equivalents

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

z) Contributed equity

Ordinary shares in DuluxGroup Limited are classified as contributed equity.

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

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

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

1 Accounting policies (continued)

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

aa) Impairment of other assets

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

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

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

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

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

In calculating recoverable amount using a valuation model, estimated future cash flows based on Board approved budgets, four year business plans and related strategic reviews are discounted to their present values using a pre-tax discount rate that reflects the current market assessments of the risks specific to the asset or CGU. Cash flow projections beyond the four year period are extrapolated using estimated growth rates, which are not expected to exceed the long term average growth rates in the applicable markets. Foreign currency cash flows are discounted using the functional currency of the CGUs and then translated to Australian dollars using the closing exchange rate.

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

The pre-tax discount rate used for a:

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

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

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

Reversals of impairment

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

1 Accounting policies (continued)

ab) Earnings per share

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

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

ac) Segment reporting

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

ad) Goods and services tax (GST)

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

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

ae) Rounding

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

2 Businesses acquired

2013

On 18 December 2012, DuluxGroup announced that it had been successful in acquiring over 90% of the ordinary share capital of Alesco and had commenced compulsory acquisition for the remainder of the shares. Compulsory acquisition was completed on 29 January 2013.

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

From an accounting perspective, the acquisition date is 12 December 2012, being the date on which DuluxGroup's offer for Alesco Group was made unconditional and DuluxGroup obtained the ability to govern the financial and operating policies of Alesco Group through securing Board and management control of this group. The results of the acquired businesses have been consolidated from the close of business on 11 December 2012.

At the date of acquisition and in accordance with accounting standard requirements, the Group's original 19.96% interest in Alesco Group, which was previously accounted for as an investment in listed securities through other comprehensive income, has been disposed and reacquired at fair value, with any reserve amounts in other comprehensive income transferred to retained earnings. This transfer is included as part of 'Transfer of reserve to retained earnings' in the consolidated statement of changes in equity.

The acquisition accounting for this transaction is considered provisional due to the ongoing work to be carried out on the identification and valuation of net assets acquired. Therefore, the amounts recognised at 30 September 2013 may be subject to change before 12 December 2013. Finalisation is expected no later than close of business on 11 December 2013. As allowed under the relevant Australian Accounting Standards, adjustments made to these provisional numbers will be reflected in future financial periods.

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

2013	Book value $'000	Fair value adjustment $'000	Fair value total $'000
Consideration			
Cash payments to ordinary shareholders of Alesco[1]	145,940	-	145,940
Investment in Alesco at fair value through other comprehensive income	35,908	-	35,908
Net cash acquired	(571)	-	(571)
Total consideration	181,277	-	181,277
Net assets of controlled entities acquired			
Trade and other receivables[2]	82,714	(860)	81,854
Inventories	72,517	(7,135)	65,382
Property, plant and equipment	56,669	6,251	62,920
Intangibles including purchased goodwill[3]	333,194	(278,382)	54,812
Other assets	2,414	-	2,414
Deferred tax assets	13,839	4,631	18,470
Trade and other payables	(68,781)	(2,469)	(71,250)
Interest-bearing liabilities	(75,001)	-	(75,001)
Leased properties provisions	(4,642)	(4,306)	(8,948)
Contingent liabilities	-	(7,476)	(7,476)
Current income tax provision	(4,486)	(1,898)	(6,384)
Other provisions	(1,931)	(2,286)	(4,217)
Provision for employee entitlements	(12,933)	(970)	(13,903)
Deferred tax liabilities	(2,802)	(14,728)	(17,530)
Net identifiable assets acquired	390,771	(309,628)	81,143
Goodwill on acquisition[4]			100,134

(1) Cash payment to ordinary shareholders of Alesco for accounting purposes comprises $125,584,000 relating to the purchase of ordinary shares in Alesco and $20,356,000 in relation to payment of a special dividend.

(2) Includes an insurance receivable of NZD 700,000 (AUD 550,000) for recoveries from the Christchurch earthquake.

(3) Book value includes purchased goodwill of $230,125,000.

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

2 Businesses acquired (continued)

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

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

Results contributed by the acquired business since acquistion date:

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

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

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

The information on revenue and profit from operations above was compiled by management based on financial information available and assuming no material transactions between DuluxGroup and the acquired businesses. Goodwill on the purchase of these entities is attributable mainly to the skills and technical talent of the acquired businesses' work forces and the synergies expected to be achieved from integrating these businesses and the reduction in duplicated corporate costs.

2012

On 30 November 2011, DuluxGroup Limited merged its DGL International entities in Hong Kong and China with the Hong Kong and China operations of NLPP to create DGL Camel International Group (DGCI Group).

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

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

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

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

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

2 Businesses acquired (continued)

The acquisition accounting for this transaction has now been finalised. The assets and liabilities recognised as a result of the acquisitions by the consolidated entity are as follows:

2012	Book value $'000	Fair value adjustment $'000	Fair value total $'000
Consideration			
Shares issued in DGCI at fair value	12,112	-	12,112
Cash paid and settled via loans with related entities	4,000	-	4,000
Purchase price adjustment[1]	(710)	-	(710)
Net cash acquired	(1,947)	-	(1,947)
Total consideration	13,455	-	13,455
Net assets of controlled entities acquired			
Trade and other receivables	13,066	-	13,066
Inventories	4,961	-	4,961
Property, plant and equipment	2,975	-	2,975
Intangible assets	-	1,700	1,700
Other assets	259	-	259
Deferred tax assets	-	396	396
Trade and other payables	(11,429)	-	(11,429)
Interest-bearing liabilities	(3,571)	-	(3,571)
Other provisions	(24)	-	(24)
Provision for employee entitlements	(282)	-	(282)
Deferred tax liabilities	-	(281)	(281)
Net identifiable assets acquired	5,955	1,815	7,770
less: interest retained by non-controlling interests in acquired net assets			(4,780)
Net identifiable assets acquired, net of non-controlling interests			2,990
Goodwill on acquisition[2]			10,465

(1) At 30 September 2013 the purchase price adjustment is included in trade and other receivables.

(2) As permitted by Australian Accounting Standards, DuluxGroup have elected in its accounting policies to recognise acquired goodwill on a proportional basis. Therefore, only DuluxGroup's 51% share of goodwill arising from this transaction has been recognised. None of the goodwill recognised is expected to be deductible for tax purposes.

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

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

3 Business disposed

2013

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

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

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

2012

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

4 Earnings per share (EPS)

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

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

5 Segment report

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

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

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

Defined reportable segments	Products/services
Paints Australia	Manufacture and supply of paints and other surface coatings to the decorative market in Australia for both consumer and professional markets.
Paints New Zealand	Manufacture and supply of paints and other surface coatings to the decorative market in New Zealand for both consumer and professional markets.
Selleys Yates	Manufacture and distribution of home improvement and garden care products in Australia and New Zealand for both consumer and professional markets.
Garage Doors and Openers	Manufacture and supply of a range of garage doors for domestic and commercial use as well as commercial and residential automatic openers.
Parchem	Manufacture and supply of construction chemicals, decorative concrete solutions and related equipment.
Lincoln Sentry	Distributor of hardware and components to the cabinet making industry and window, door and glazing fabricators.
Other businesses	China and South East Asia specialty coatings and adhesives businesses, Papua New Guinea coatings business, the powders and industrial coatings business in Australia and New Zealand and the former Robinhood kitchen and laundry appliance business.

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2013

5 Segment report (continued)

Reportable segments 2013 $'000	Paints Australia	Paints New Zealand	Selleys Yates	Garage Doors and Openers	Parchem	Lincoln Sentry	Other businesses	Total reportable segments	Unallocated [2]	Consolidated
Revenue										
External revenue	636,923	84,930	242,324	130,365	97,502	117,559	174,960	1,484,563	-	1,484,563
Inter-segment sales	6,225	538	9,911	-	-	-	716	17,390	(17,390)	-
Total revenue from sales of goods	643,148	85,468	252,235	130,365	97,502	117,559	175,676	1,501,953	(17,390)	1,484,563
Other income[1]	80	28	150	463	66	333	(524)	596	9,937	10,533
Total revenue and other income	643,228	85,496	252,385	130,828	97,568	117,892	175,152	1,502,549	(7,453)	1,495,096
Results										
Profit/(loss) before net financing costs and income tax expense	110,394	11,415	26,305	12,310	5,525	4,132	(15,620)	154,461	(27,303)	127,158
Profit/(loss) from operations	110,394	11,415	26,305	12,310	5,525	4,132	(15,620)	154,461	(27,303)	127,158
Finance income										366
Finance expense										(27,956)
Profit before income tax expense										99,568
Income tax expense										(34,027)
Profit for the financial year										65,541
Segment assets	297,775	51,017	133,345	169,436	87,974	81,115	100,101	920,763	112,043	1,032,806
Segment liabilities	143,711	14,211	42,895	24,978	18,699	23,080	39,713	307,287	494,551	801,838
Investment accounted for using the equity method	-	-	4,678	-	-	-	-	4,678	-	4,678
Acquisitions of property, plant and equipment and intangible assets	17,080	1,452	2,885	2,105	491	1,772	3,113	28,898	18	28,916
Impairment of property, plant and equipment	-	-	-	-	-	-	140	140	-	140
Impairment of intangibles	-	-	-	-	-	-	18,500	18,500	-	18,500
Impairment of inventories	1,206	316	783	146	266	185	184	3,086	-	3,086
Impairment/(reversal of impairment) of trade and other receivables	1,849	162	18	(89)	194	317	380	2,831	-	2,831
Depreciation expense	11,006	2,521	2,816	2,781	1,576	720	4,468	25,888	672	26,560
Amortisation expense	731	73	313	2,725	452	1,047	391	5,732	11	5,743
Non-cash expenses other than depreciation and amortisation:										
Share-based payments	754	91	221	-	-	-	74	1,140	1,241	2,381
Share of net profit of joint venture accounted for using the equity method	-	-	1,181	-	-	-	-	1,181	-	1,181

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

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

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

Notes to the Consolidated Financial Statements (continued)

For the financial year ended 30 September 2013

5 Segment report (continued)

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

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

(2) Unallocated largely comprises centrally managed income, costs, assets and liabilities relating to properties, tax, treasury, DuluxGroup's defined benefit pension plan and transaction costs ($3,596,000) associated with the acquisition of the Alesco Group.

5 Segment report (continued)

Geographical information

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

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

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

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

6 Other income

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

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

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

7 Expenses

Profit before income tax includes the following specific expenses:

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

8 Income tax

a) Income tax expense recognised in the consolidated income statement

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

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

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

(1) The over provision recognised for the financial year ended 30 September 2012 largely comprises changes to the tax consolidation adjustments recognised in previous reporting periods. Refer footnote 2 below for further details.

(2) On forming the Australian tax consolidated group effective from 19 July 2010, management undertook an exercise to calculate the impact of tax consolidation on the recognised values of deferred tax balances in Australia. Management has completed the tax exit calculation with no further deferred tax asset recognised in the financial year ended 30 September 2013 (2012 $6,250,000).

c) Income tax expense recognised in other comprehensive income

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

8 Income tax (continued)

d) Unrecognised deferred tax assets and liabilities

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

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

e) Unrecognised temporary differences

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

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

f) Tax consolidation

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

g) New Zealand Inland Revenue Department proceedings

On 5 March 2013 the New Zealand Court of Appeal handed down its judgement in favour of the Commissioner of Taxation. The decision upheld the judgement of the High Court handed down on 12 December 2011 in relation to the tax challenge proceedings issued in 2010 against the Inland Revenue Department by Alesco New Zealand Limited (Alesco NZ), now a wholly owned subsidiary of DuluxGroup. Alesco NZ has applied for and been granted leave to appeal the decision to the New Zealand Supreme Court and the hearing date has been set for 18 February 2014.

The proceedings relate to the question of tax deductibility of interest on an Optional Convertible Note (OCN) financing arrangement put in place by Alesco NZ in 2003 and relates to the 2003-2008 tax years. This arrangement was unwound in July 2010. There is also an exposure for the 2009-2011 tax years which were not subject to the proceedings but are likely to be dealt with in the same manner as eventually determined for the 2003-2008 tax years and therefore also included in the amount provided.

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

9 Cash and cash equivalents

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

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

10 Trade and other receivables

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

a) Trade receivables

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

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

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

b) Trade receivables and allowance for impairment

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

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

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

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

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

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

No material security is held over trade receivables.

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

10 Trade and other receivables (continued)

c) Movement in allowance for impairment of trade receivables

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

d) Fair values

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

e) Concentrations of credit risk

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

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

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

11 Inventories

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

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

12 Derivative financial assets and liabilities

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

Cash flow hedges

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

a) Foreign exchange transactions

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

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

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

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

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

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

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

12 Derivative financial assets and liabilities (continued)

b) Interest rate option contracts

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

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

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

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

Derivatives not designated in a hedging relationship

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

Fair value of derivatives

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

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

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

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

2013	**Level 1(1) $'000**	**Level 2(2) $'000**	**Level 3(3) $'000**	**Total $'000**
Forward foreign exchange contracts	**-**	**(2)**	**-**	**(2)**
Foreign exchange options	**-**	**298**	**-**	**298**

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

(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

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

14 Investment in listed equity securities

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

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

15 Investments accounted for using the equity method

The consolidated entity has an interest in the following entity:

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

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

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

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

16 Property, plant and equipment

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

a) Assets under construction

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

b) Capitalised borrowing costs

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

c) Reconciliations

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

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

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

17 Intangible assets

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

a) Assets under development

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

17 Intangible assets (continued)

b) Reconciliations

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

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

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

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

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

	Goodwill [(1)]		Brand names [(2)]	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Paints Australia	**8,063**	8,063	**23,500**	23,500
Selleys Yates	**20,325**	20,210	**14,858**	14,858
China[(3)]	**9,882**	25,863	**-**	-
Garage Doors and Openers[(4)]	**53,139**	-	**15,000**	-
Parchem[(4)]	**25,187**	-	**3,400**	-
Lincoln Sentry[(4)]	**21,808**	-	**2,400**	-
	138,404	54,136	**59,158**	38,358

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

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

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

(4) Allocation of goodwill and brand names associated with the acquisition of the Alesco Group is currently provisional. Refer to Note 2 for further details.

17 Intangible assets (continued)

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

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

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

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

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

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

18 Deferred tax assets

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

19 Trade and other payables

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

a) Significant terms and conditions

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

b) Fair values

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

20 Interest-bearing liabilities

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

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

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

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

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

a) Fair values

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

b) Assets pledged as security

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

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

c) Defaults and breaches

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

21 Provisions

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

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

a) Environmental

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

b) Deferred income – customer loyalty programme

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

c) Leased properties

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

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

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

d) Warranty

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

e) Contingent liability from business acquisitions

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

f) Other

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

21 Provisions (continued)

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

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

22 Deferred tax liabilities

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

23 Superannuation commitments

a) Superannuation plans

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

Company sponsored plans

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

Government plans

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

Industry plans

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

b) Defined contribution pension plans

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

c) Defined benefit pension plans

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

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

23 Superannuation commitments (continued)

c) Defined benefit pension plans (continued)

i) Balance sheet amounts

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

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

ii) Categories of plan assets

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

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

iii) Reconciliations

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

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

23 Superannuation commitments (continued)

c) Defined benefit pension plans (continued)

iv) Amounts recognised in the consolidated income statement

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

v) Principal actuarial assumptions

The principal actuarial assumptions used were as follows:

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

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

vi) Historic summary

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

vii) Amounts included in the consolidated statement of comprehensive income

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

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

viii) Expected rate of return on assets assumption

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

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

24 Contributed equity

	2013 $'000	2012 $'000
Issued and fully paid		
Ordinary shares	**201,099**	180,457
Less treasury shares	**(7,716)**	(7,762)
Ordinary shares of the consolidated entity	**193,383**	172,695

Movements in fully paid ordinary shares on issue since 1 October 2011 were as follows:

Details	Number of shares	Issue price $	$'000
Ordinary shares			
Balance at 1 October 2011	367,456,259	-	175,629
Shares issued under the DuluxGroup dividend reinvestment plan (DRP)[1]	1,528,643	2.92	4,464
Shares vested under the ESIP[2,3]	-	-	77
Shares vested under the LTEIP[2,4]	-	-	287
Balance at 30 September 2012	368,984,902		180,457
Shares issued under the DuluxGroup 30 September 2012 final DRP[5]	2,976,371	3.48	10,358
Shares issued under the DuluxGroup 31 March 2013 interim DRP[6]	2,303,145	4.44	10,226
Shares issued under the ESIP and the LTEIP[2]	2,755,012	-	-
Shares vested under the ESIP[2,3]	-	-	58
Balance at 30 September 2013	**377,019,430**		**201,099**

(1) The Company has established a DRP under which holders of ordinary shares may be able to elect to have all or part of their dividend entitlements satisfied by the issue of new fully paid ordinary shares or shares purchased on-market by DuluxGroup. In relation to the interim dividend paid 15 June 2012, 1,528,643 new shares were issued at a price of $2.92. No new shares were issued in relation to the dividends paid on 16 December 2011 as the required shares were purchased on-market.

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

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

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

(5) Pursuant to the DRP as described in footnote 1, 2,976,371 new shares were issued at a price of $3.48 (net of a discount of 2.5%) for the dividend paid on 17 December 2012.

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

24 Contributed equity (continued)

a) Shares issued to subsidiaries and treasury shares

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

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

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

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

	Number of shares			$'000		
Details	**Issued to subsidiaries**	**Treasury**	**Total**	**Issued to subsidiaries**	**Treasury**	**Total**
Balance at 1 October 2011	4,872,750	-	4,872,750	12,525	-	12,525
Shares vested under the ESIP(1,4)	(29,460)	(18,364)	(47,824)	(77)	(53)	(130)
Shares vested under the LTEIP(2,4)	(124,324)	-	(124,324)	(320)	-	(320)
Purchase of shares for the LTEIP and ESIP(3,4)	-	2,690,652	2,690,652	-	7,815	7,815
Balance at 30 September 2012	4,718,966	2,672,288	7,391,254	12,128	7,762	19,890
Shares vested under the ESIP(1,4)	(20,040)	(15,730)	(35,770)	(58)	(46)	(104)
Shares issued for the LTEIP and ESIP(4,5)	2,755,012	-	2,755,012	10,533	-	10,533
Balance at 30 September 2013	**7,453,938**	**2,656,558**	**10,110,496**	**22,603**	**7,716**	**30,319**

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

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

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

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

(5) DuluxGroup's 2012 LTEIP and ESIP requirements were satisfied by an issue of 2,755,012 DuluxGroup ordinary shares and the reallocation of forfeited 2010 and 2011 LTEIP and ESIP shares returned to DuluxGroup during the vesting period by executives and employees leaving DuluxGroup respectively. As these shares are held by the DuluxGroup Employee Share Plan Trust, a wholly owned subsidiary of DuluxGroup Limited, these shares are either recognised as treasury shares or not recognised depending on whether the shares were originally purchased on-market or were from a new share issue.

25 Reserves

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

a) Share-based payments reserve

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

b) Cash flow hedge reserve

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

c) Foreign currency translation reserve

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

d) Common control reserve

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

e) Revaluation reserve – other financial assets

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

26 Dividends

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

a) Ordinary shares

2013

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

On 14 November 2012, the Directors declared a fully franked final dividend of 8.0 cents per ordinary share. Dividends totalling $29,241,000 were paid on 17 December 2012.

2012

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

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

26 Dividends (continued)

b) Subsequent events

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

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

The Company's DRP will operate with respect to the final dividend. The DRP pricing period will be the five trading days from 2 December 2013 to 6 December 2013 inclusive. A discount of 2.5% will be applied to the DRP price. Ordinary shares issued under the DRP will rank equally with all other ordinary shares.

c) Franking credits

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

27 Share-based payments

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

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

a) DuluxGroup Long Term Equity Incentive Plan (LTEIP)

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

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

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

27 Share-based payments (continued)

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

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

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

(1) Represents the value calculated under AASB 2. The share-based payment expense represents the expense incurred during the financial year in respect of current incentive allocations to executives. These amounts are therefore not amounts actually received by executives during the financial year. Whether an executive receives any value from the allocation of long term incentives in the future will depend on the performance of the Company's shares. The minimum potential future value of grants under LTEIP is $NIL (2012 $NIL).

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

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

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

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

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

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

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

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

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

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

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

(8) While the issue and allocation of LTEIP shares to the executives only occurred on 19 December 2012, in accordance with the requirements of Australian Accounting Standards, the 'grant date' is 30 November 2012 being the date that the Company and the executives agreed to enter a share-based payment arrangement.

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

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

27 Share-based payments (continued)

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

ii) Fair value of share options granted

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

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

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

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

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

(3) While the issue and allocation of LTEIP shares to the executives only occurred on 19 December 2012, in accordance with the requirements of Australian Accounting Standards, the 'grant date' is 30 November 2012 being the date that the Company and the executives agreed to enter a share-based payment arrangement.

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

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

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

(7) The relative Total Shareholder Return (TSR) performance hurdle is used to determine the level of loan forgiveness under the DuluxGroup LTEIP (the forgiveness amount). There is no loan forgiveness amount if DuluxGroup's relative TSR is below the 51st percentile against a comparator group. If DuluxGroup's relative TSR is greater than or equal to the 51st percentile, a proportion of the initial loan balance (on a 'sliding scale' from 10% at the 51st percentile up to a maximum of 30% at or above the 75th percentile) is forgiven.

27 Share-based payments (continued)

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

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

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

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

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

In accordance with AASB 2 the accounting expense to the Group for the matching is recognised in full at the time of the offer. Details of shares issued during the financial year ended 30 September 2013, the associated share-based payment expense, and the number of unvested shares at 30 September 2013 is as follows:

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

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

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

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

28 Related party disclosures

a) Key Management Personnel compensation summary

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

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

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

(1) Includes current and former KMP.

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

28 Related party disclosures (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

28 Related party disclosures (continued)

c) Other transactions with Key Management Personnel

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

2013

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

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

2012

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

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

d) Parent entity

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

e) Controlled entities

Interests in subsidiaries are set out in Note 36.

f) Transactions with other related parties

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

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

g) Outstanding balances with other related parties

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

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

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

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

29 Auditors' remuneration

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

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

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

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

30 Critical accounting estimates and judgements

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

a) Provisions against current assets

In the course of normal trading activities, management uses its judgement in establishing the net realisable value of various elements of working capital – principally inventory and trade receivables. Provisions are established for obsolete or slow moving inventories (refer Note 11) and bad or doubtful receivables (refer Note 10). Actual expenses in future periods may be different from the provisions established and any such differences would affect future earnings of the Group.

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

The Group's property, plant and equipment (refer Note 16) and intangible assets (refer Note 17), other than indefinite life intangible assets, are depreciated/amortised on a straight-line basis over their useful economic lives. Management reviews the appropriateness of useful economic lives of assets at least annually but any changes to useful economic lives would affect prospective depreciation rates and asset carrying values.

30 Critical accounting estimates and judgements (continued)

c) Impairment of assets

The Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets are impaired (refer Note 17). In making the assessment for impairment, assets that do not generate independent cash inflows are allocated to an appropriate CGU. The recoverable amount of those assets, or CGUs, is measured as the higher of their fair value less costs to sell and value in use. Management necessarily applies its judgement in allocating assets that do not generate independent cash inflows to appropriate CGUs.

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

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

d) Defined benefit superannuation fund obligations

The expected costs of providing post-employment benefits under defined benefit arrangements relating to employee service during the period are charged to the income statement. Any actuarial gains and losses, which can arise from differences between expected and actual outcomes or changes in actuarial assumptions, are recognised immediately in the consolidated statement of comprehensive income. In all cases, the superannuation costs are assessed in accordance with the advice of independent qualified actuaries but require the exercise of significant judgement in relation to assumptions for future salary, superannuation increases, long term price inflation, discount rates and investment returns. While management believes the assumptions used are appropriate, a change in the assumptions used would impact the earnings and equity of the Group. For details of DuluxGroup's defined benefit plan refer to Note 23.

e) Environmental

The Group is subject to a variety of laws and regulations in the jurisdictions in which it operates or maintains properties. Provisions for expenses that may be incurred in complying with such laws and regulations are set aside if environmental inquiries or remediation measures are probable and the costs can be reliably estimated (refer Note 21). For sites where there are uncertainties with respect to what DuluxGroup's remediation obligations might be or what remediation techniques might be approved and no reliable estimate can presently be made of regulatory and remediation costs, no amounts have been provided for. It is also assumed that the methods planned for environmental clean-up will be able to treat the issues within the expected time frame.

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

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

30 Critical accounting estimates and judgements (continued)

f) Business acquisitions

The consolidated financial statements include the information and results of each subsidiary from the date on which the Company obtains control until such time as the Company ceases to control such entity (refer Note 2).

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

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

g) Taxation

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

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

Assumptions are also made about the application of income tax legislation. These assumptions are subject to risk and uncertainty and there is a possibility that changes in circumstances will alter expectations which may impact the amount of deferred tax assets and deferred tax liabilities recorded on the consolidated balance sheet and the amount of tax losses and timing differences not yet recognised. In these circumstances, the carrying amount of deferred tax assets (refer Note 18) and liabilities (refer Note 22) may change, resulting in an impact on the earnings of the Group.

h) Warranty

DuluxGroup generally offers warranties for its products. Management estimates the related provision for future warranty claims (refer Note 21) based on historical warranty claim information, as well as recent trends that might suggest that past cost information may differ from future claims. Factors that could impact the estimated future warranty claims include information on future parts and changes in labour costs.

31 Contingent liabilities and contingent assets

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

a) Orica Separation Deed

The Separation Deed between Orica Limited (Orica) and DuluxGroup Limited, which covers the period since demerger at July 2010, deals with certain commercial, transitional and legal issues arising in connection with the legal and economic separation of DuluxGroup from Orica. A key part of the Separation Deed is the agreement between the parties in relation to the 'Demerger Principle'. This fundamental underlying principle of the demerger is that, on and from the effective date of the demerger, DuluxGroup has the entire economic benefit, commercial risk and liabilities of all businesses to be conducted by DuluxGroup after the effective date and all former DuluxGroup businesses, as though DuluxGroup had always owned and operated those businesses. The principle also states that Orica will have the entire economic benefit, commercial risk and liabilities of all businesses to be conducted by Orica after the effective date, and any company, business or asset which is not a business to be conducted by DuluxGroup after the effective date or a former DuluxGroup business, as though Orica had always owned and operated those businesses. To support this principle, DuluxGroup and Orica indemnify each other against all claims, and liabilities relating to any claim brought by the other, relating to liabilities which are liabilities of their businesses or former businesses following the application of the Demerger Principle. The Separation Deed also contains specific indemnities with respect to certain matters.

31 Contingent liabilities and contingent assets (continued)

b) Deed of cross guarantee

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

c) Camelpaint warranties

As part of the acquisition of the Camelpaint entities (refer Note 2), DuluxGroup and NLPP agreed to provide general warranties to each other in respect of matters that were not disclosed during the due diligence process. In addition, the parties agreed to provide each other with indemnities in relation to environmental, tax and other specific matters in respect of the period prior to the acquisition. The warranties and indemnities are subject to certain limitations as to the period during which claims can be made and maximum claim amounts.

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

d) Legal proceedings

The nature of DuluxGroup's consumer products business and its geographic diversity means that the Company receives a range of claims from various parties and is from time to time required to make its own assessment of obligations arising from legislation across the jurisdictions in which it operates. These claims, and actual or potential obligations, are evaluated on a case-by-case basis considering the information and evidence available as well as specialist advice as required to assess the appropriate outcome.

The outcome of currently pending and future litigation cannot be predicted with certainty. Accordingly, an adverse decision in a lawsuit could result in additional costs that are not covered, either wholly or partially, under insurance policies and that could materially affect the financial position, results of operations or cash flows of the Group. Litigation and other judicial proceedings raise difficult legal issues and are subject to many complexities. Upon resolution of a legal matter, the Group may incur charges in excess of the presently established provisions and related insurance coverage. Where it is considered probable that a future obligation will result in a material outflow of resources, then this is accounted for accordingly by the Group.

32 Commitments

a) Capital expenditure commitments

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

b) Lease commitments

i) Non-cancellable operating leases

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

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

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

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

ii) Cancellable operating leases

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

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

c) Other contractual commitments

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

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

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

34 Deed of cross guarantee

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

a) Consolidated income statement and retained earnings

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

34 Deed of cross guarantee (continued)

b) Consolidated statement of comprehensive income

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

34 Deed of cross guarantee (continued)

c) Consolidated balance sheet

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

35 Parent entity financial information

a) Summary financial information

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

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

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

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

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

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

b) Guarantees

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

c) Capital commitments

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

d) Contingent liabilities and contingent assets

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

36 Subsidiaries

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

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

36 Subsidiaries (continued)

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

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

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

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

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

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

37 Financial and capital management

Capital management

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

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

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

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

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

The interest cover ratio is calculated as follows:

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

The accounting gearing ratio is calculated as follows:

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

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

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

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

Financial risk factors

DuluxGroup has exposure to the following principle financial risks:

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

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

37 Financial and capital management (continued)

Financial risk factors (continued)

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

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

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

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

37 Financial and capital management (continued)

a) Interest rate risk management

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

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

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

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

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

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

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

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

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

37 Financial and capital management (continued)

b) Foreign exchange risk management

Foreign exchange risk - transactional

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

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

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

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

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

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

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

37 Financial and capital management (continued)

b) Foreign exchange risk management (continued)

Foreign exchange risk – transactional (continued)

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

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

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

Foreign currency risk - translational

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

c) Commodity price risk management

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

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

37 Financial and capital management (continued)

d) Liquidity risk management

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

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

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

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

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

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

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

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

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

2013	**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	**248,401**	**248,401**	**-**	**-**	**248,401**
Trade bills and trade cards	**6,925**	**6,925**	**-**	**-**	**6,925**
Bank loan	**428,154**	**33,471**	**41,903**	**421,293**	**496,667**
	683,480	**288,797**	**41,903**	**421,293**	**751,993**
2012					
Financial liabilities					
Trade and other payables	186,189	186,146	43	-	186,189
Trade bills and trade cards	8,471	8,471	-	-	8,471
Bank loan(1)	250,289	21,938	16,430	273,104	311,472
Derivative financial liabilities	39	39	-	-	39
	444,988	216,594	16,473	273,104	506,171

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

37 Financial and capital management (continued)

e) Credit risk management

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

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

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

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

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

38 Events subsequent to balance date

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

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

Directors' Declaration
For the financial year ended 30 September 2013

In the directors' opinion:

(a) the financial statements and notes, and the remuneration report in the Directors' report, set out on pages 53 to 148, are in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 September 2013 and of their performance for the financial year ended on that date; and

   (ii) complying with Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in Note 36 will be able to meet any obligations or liabilities to which they are, or may become, subject to by virtue of the deed of cross guarantee described in Note 34; and

(d) the financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001* for the financial year ended 30 September 2013.

This declaration is made in accordance with a resolution of the directors.

Peter M. Kirby
Chairman

Melbourne
13 November 2013

Independent auditor's report to the members of DuluxGroup Limited

Report on the financial report

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

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

Independence

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

KPMG

Auditor's opinion

In our opinion:

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

(i) giving a true and fair view of the Group's financial position as at 30 September 2013 and of its performance for the year ended on that date; and

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

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

Report on the remuneration report

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

Auditor's opinion

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

KPMG

KPMG

Alison Kitchen
Partner

Melbourne

13 November 2013

Shareholder Statistics

As at 25 October 2013

Distribution of Ordinary Shareholders and Shareholdings

Range	Total holders	Units	% of issued capital
1 – 1,000	18,709	9,354,278	2.48
1,001 – 5,000	14,607	32,411,550	8.60
5,001 – 10,000	2,589	18,480,126	4.90
10,001 – 100,000	1,497	31,130,469	8.26
100,001 or more	112	285,643,007	75.76
Rounding			0.00
Total	**37,514**	**377,019,430**	**100.00**

Included in the above total are 693 shareholders holding less than a marketable parcel of 98 shares.

The holdings of the 20 largest holders of fully paid ordinary shares represent 70.37% of that class of shares.

Twenty Largest Ordinary Fully Paid Shareholders

Rank	Name	Units	% of units
1.	HSBC Custody Nominees (Australia) Limited	78,946,485	20.94
2.	JP Morgan Nominees Australia Limited	57,210,794	15.17
3.	National Nominees Limited	45,041,247	11.95
4.	Citicorp Nominees Pty Limited	29,210,377	7.75
5.	BNP Paribas Noms Pty Ltd <DRP>	18,412,108	4.88
6.	JP Morgan Nominees Australia Limited <Cash Income A/C>	8,872,649	2.35
7.	Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	4,206,796	1.12
8.	AMP Life Limited	3,414,421	0.91
9.	Argo Investments Limited	3,135,181	0.83
10.	Mr Patrick Houlihan	2,555,741	0.68
11.	Australian Foundation Investment Company Limited	2,509,072	0.67
12.	BNP Paribas Nominees Pty Ltd ACF Pengana <DRP A/C>	2,341,000	0.62
13.	HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/C>	1,639,591	0.43
14.	Bond Street Custodians Limited <NORTS – F01832 A/C>	1,576,255	0.42
15.	RBC Investor Services Australia Nominees Pty Limited <PISELECT>	1,119,636	0.30
16.	UBS Wealth Management Australia Nominees Pty Ltd	1,106,842	0.29
17.	Avanteos Investments Limited <2477966 DNR A/C>	1,047,518	0.28
18.	Bond Street Custodians Limited <Macquarie Alpha Opport A/C>	1,008,349	0.27
19.	Bond Street Custodians Limited <MPPMIM – V16636 A/C>	1,007,530	0.27
20.	Suncorp Custodian Services Pty Limited <SGAEAT>	963,587	0.26
TOTAL		**265,325,179**	**70.37**

Register of Substantial Shareholders

The names of substantial shareholders in the company, and the number of fully paid ordinary shares in which each has an interest, as disclosed in substantial shareholder notices to the company on the respective dates are as follows:

Date	Name	Shares	% of total
6 September 2013	Commonwealth Bank Of Australia And Subsidiaries	28,353,551	7.52
15 February 2012	BT Investment Management Limited	27,481,035	7.48

Voting Rights

Voting rights as governed by the Constitution of the company provide that each ordinary shareholder present in person or by proxy at a meeting shall have:

(a) on a show of hands, one vote only; and

(b) on a poll, one vote for every fully paid ordinary share held.

Shareholder Information

Stock Exchange Listing
DuluxGroup's shares are listed on the Australian Securities Exchange (ASX) and are traded under the code DLX.

DuluxGroup Share Registry
Computershare Investor Services Pty Limited
452 Johnston Street
Abbotsford, Victoria 3067, Australia
Telephone (within Australia): 1300 090 835
Telephone (international): +61 3 9415 4183
Facsimile: +61 3 9473 2500
Website: www.computershare.com

Tax and Dividend Payments
For Australian registered shareholders who have not quoted their Tax File Number (TFN) or Australian Business Number (ABN), the company is obliged to deduct tax at the top marginal rate plus Medicare levy from unfranked and/or partially franked dividends. If you have not already quoted your TFN/ABN, you may do so by contacting our Share Registry (see above for contact details).

Dividend Payments
Your dividends will be paid in Australian dollars by cheque mailed to the address recorded on the share register, unless you have elected to be paid by direct credit or are a full participant in the Dividend Reinvestment Plan (DRP). If you have not elected to be paid by direct credit or fully participate in the DRP, why not have us bank your dividend payments for you so you can have immediate access to your dividend payment? Your dividend payments can be credited directly into any nominated bank, building society or credit union account in Australia.

Dividends paid by direct credit appear in your account as cleared funds, thus allowing you to access them on payment date. You may elect to receive your dividends by way of direct credit by going to our Share Registry's website www.investorecentre.com.

Dividend Reinvestment Plan (DRP)
The DRP enables DuluxGroup's fully paid ordinary shareholders (having a registered address or being resident in Australia or New Zealand) to reinvest all or part of their dividends in additional DuluxGroup fully paid ordinary shares. Applications are available by going to our Share Registry website www.investorecentre.com.

Consolidation of Multiple Holdings
If you have multiple issuer sponsored holdings that you wish to consolidate into a single account, please notify the Share Registry in writing, quoting your full registered names and Securityholder Reference Number (SRN) for these accounts and nominating the account to which the holdings are to be consolidated.

Change of Name and/or Address
For issuer sponsored holdings: please notify the Share Registry in writing if you change your name and/or address (please supply details of your new/previous name, your new/previous address and your SRN), or change the details online by going to our Share Registry website www.investorecentre.com.

For CHESS holdings: please notify your sponsor (usually your broker) in writing if you change your name and/or address.

Share Enquiries
Shareholders seeking information about their shareholding or dividends should contact the DuluxGroup's Share Registry, Computershare Investor Services Pty Limited. Contact details are above. Callers can obtain information on their investments with DuluxGroup by calling the Investor Line on 1300 090 835 (international +61 3 9415 4183). Before you call, make sure you have your SRN or Holder Identification Number (HIN) handy. You can do so much more online via the internet by visiting our Share Registry website www.investorecentre.com.

You can access a wide variety of holding information and make some changes online or download forms including:

- check your current and previous holding balances
- choose your preferred annual report option
- update your address details (Issuer Sponsored holdings)
- update your bank details
- confirm whether you have lodged your TFN or ABN or exemption
- register your TFN/ABN/exemption
- check transaction and dividend history
- enter your email address
- check share prices and graphs
- download a variety of instruction forms
- subscribe to email announcements.

You can access this information via a security login using your SRN or HIN as well as your surname (or company name) and postcode/country code (must be the postcode/country code recorded for that holding).

Shareholder Information continued

DuluxGroup Communications
DuluxGroup's website www.duluxgroup.com.au offers shareholders details of the latest share price, announcements to the ASX, investor and analyst presentations, webcasts and the Chairman's and Managing Director's AGM addresses. The website also provides further information about the company and offers insights into DuluxGroup's businesses.

DuluxGroup's printed communications include the Annual Report, however, we can now provide all communications electronically including dividend statements, notices of meeting and proxy forms. Electronic transmission enhances shareholder communication, results in significant cost savings for the company and is more environmentally friendly. Shareholders wishing to receive all communications electronically should visit the Share Registry website www.investorecentre.com to register their preference.

Shareholders may elect to receive a copy of the Annual Report or notification by email when the Annual Report is available online at www.duluxgroup.com.au. If you do not make an Annual Report election you will not receive a copy of the Annual Report. If you wish to change your Annual Report election, you may do so at any time, please go to www.investorecentre.com or contact our Share Registry.

Copies of reports are available on request.

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Email: company.info@duluxgroup.com.au

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KPMG

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Investor Relations
Telephone: +61 3 9263 5678
Email: company.info@duluxgroup.com.au

SHAREHOLDER TIMETABLE*

31 March 2014
DuluxGroup 2014 Half Year End

12 May 2014
Announcement of Half Year Financial Results

30 September 2014
DuluxGroup 2014 Year End

12 November 2014
Announcement of Full Year Financial Results

22 December 2014
Annual General Meeting 2014

* Timing of events is subject to change

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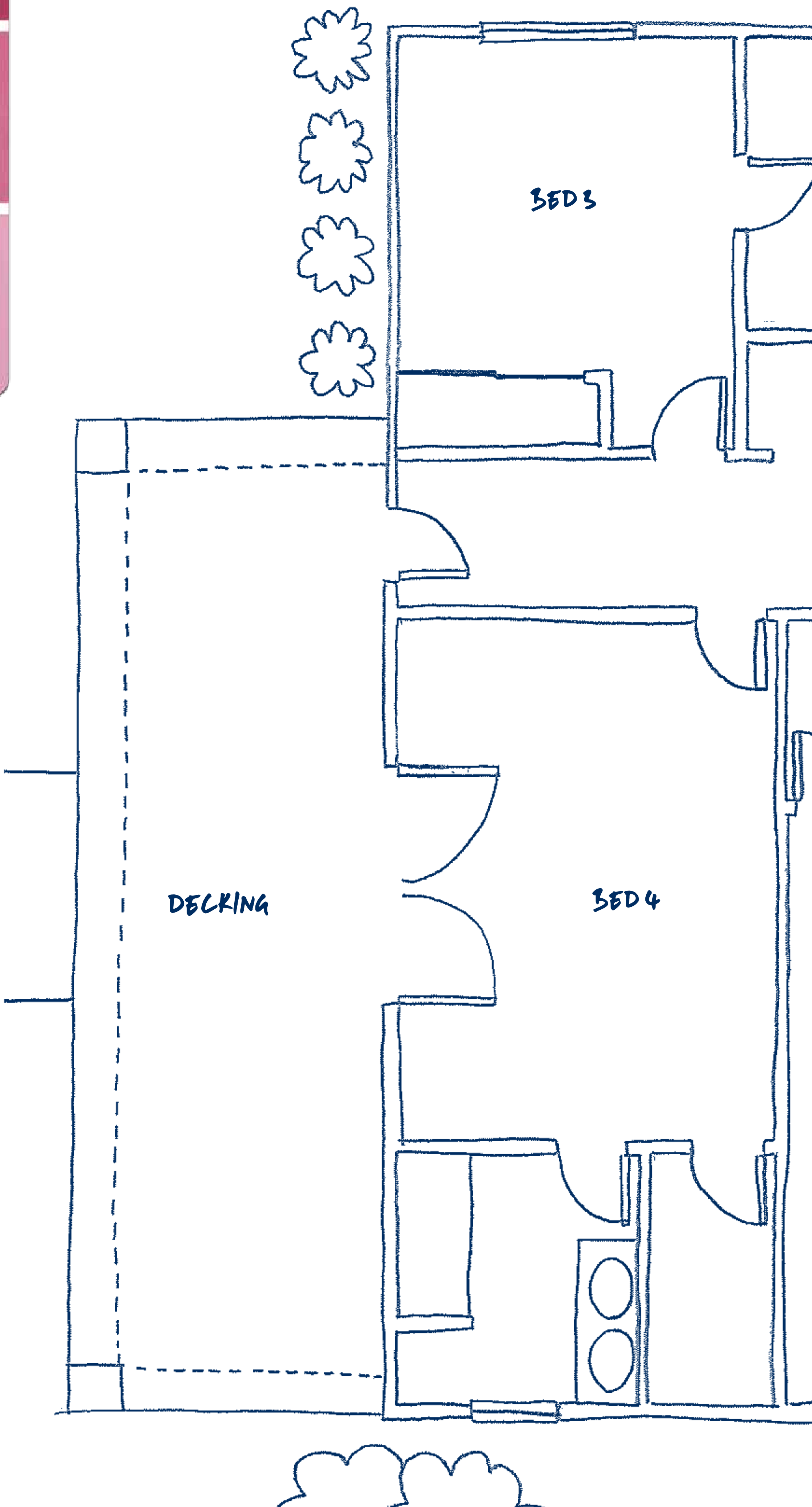

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