DuluxGroup

ANNUAL REPORT 2017

imagine
a better place

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

Contents

Statements contained in this Annual Report, particularly those regarding possible or assumed future performance, estimated Company earnings, potential growth of the Company, industry growth or other trend projections are or may be forward looking statements. Such statements relate to future events and expectations and therefore involve unknown risks and uncertainties. Actual results may differ materially from those expressed or implied by these forward looking statements.

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.

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

Ivanhoe Grammar Senior Years and Science Centre by McBride Charles Ryan, a finalist in this year's Dulux Colour Awards. *Photographer: John Gollings.*

Our Growth Strategy

Our strategy is to develop market leadership positions in premium branded consumer and trade products, enabled with differentiated technologies.

Within this over-arching strategy there are three specific components:

1. Defend and grow our market-leading Dulux, Selleys and related businesses in Australia, New Zealand and Papua New Guinea
2. Extend our Selleys and coatings technologies and capabilities into new offshore markets
3. Realise the potential of our 'Other Home Improvement' businesses (Yates, B&D Group and Lincoln Sentry)

DuluxGroup aims to deliver growth by a combination of organic growth (e.g. continuing to increase market share whilst maintaining margins), joint ventures and acquisitions.

Our Growth Enablers

All of these elements underpin a strong and sustainable competitive advantage, a stable earnings profile and a platform for compelling growth options:

Premium brands and marketing

Innovation and technology

Leading customer service

Broad product portfolio

Our people and culture

Comprehensive distribution and customers across trade and retail channels

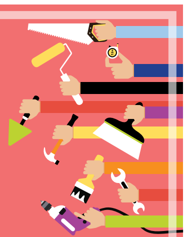
Financial discipline

Our Values

We have four key values that guide us in finding smarter, market leading solutions for consumers and our retail and trade customers.

Be consumer driven, customer focused.

- Walk in the shoes of our consumers & customers
- Ask, listen, learn and act
- Help your customers win
- Use and understand our products
- Think like tomorrow's consumer



Unleash your imagination.

- Challenge the status quo – imagine 'what if'
- Seek, encourage and support new ideas
- Fight for good ideas and don't give up
- Embrace change and get on board
- Be brave – make it happen

Value people, work safely and respect the environment.

- Protect yourself and others – work safe, home safe
- Work as a team, win as a team for DuluxGroup
- Behave with respect and integrity, embrace diversity
- Lead, recognise, help others succeed
- Strive to leave our environment better than we found it
- Participate in our communities

Run the business as your own.

- Know your role, be accountable & deliver
- Take a responsible approach to costs
- Plan for tomorrow, act today
- Build partnerships that add value
- Be decisive

2017 Highlights

Strong profit growth in 2017 was led by all our market leading Australian and New Zealand businesses, while we also developed further growth opportunities in the United Kingdom and Asia

$142.9M — Net profit after tax (NPAT)*

↑9.6% Increase

$214.2M — Earnings before interest and tax (EBIT)

↑6.5% Increase

26.5 cents — Full year dividend

72% Payout ratio

↑10.4% Increase on the 2016 equivalent

1.4X — Net debt to EBITDA 1.4X compared with 1.3X in 2016

Burleigh Street House by ME, Winner of Dulux Colour Awards 2017, Single Residential Exterior.
Photographer: Christopher Frederick Jones

* NPAT included a $3.1 million write back of a tax provision established in previous years. Excluding the write back, NPAT increased 7.3% to $139.9 million.

** A definition of cash conversion is provided on page 30.

***Recordable Injury Rate of 1.62 is at its second lowest level in 11 years and is a measure of total number of employee and contractor injuries requiring time off work, restricted duties or medical treatment per 200,000 hours.

$1.78B

Sales revenue

↑4.0%

Increase

86%

Cash conversion**

Safety

Injury rate*** at second lowest level in more than a decade and at top quartile industry performance levels (there were a total of 69 recordable injuries from our global workforce of approximately 4,000 employees), and serious near miss incidents down 45% to lowest level on record

Investing in Our Three Strategic Growth Pillars

1. **Further grew our market leading Dulux, Selleys and related businesses in Australia, New Zealand and Papua New Guinea, while investing in key assets and capability for ongoing growth:**
   - Strong revenue and EBIT growth for Dulux and Selleys driven by market share gains and margin management, while delivering solid EBIT growth in related Parchem business.
   - New $165M water-based Dulux paints factory in Melbourne is well into commissioning, and on time and on budget to commence commercial production early in the 2018 financial year. This significant investment will support growth in our Dulux paints business for decades to come.
   - Continued investment in marketing and innovation capability, competence and depth – particularly global experience.
2. **Very good progress in realising the potential of our portfolio of other ANZ home improvement businesses:**
   - Excellent results in all three businesses – Yates, B&D Group and Lincoln Sentry – while investing in fundamentals to realise further upside through share gains, margin improvement and product & market extension.
3. **Good progress in establishing niche offshore growth opportunities for paints and Selleys**
   - In the United Kingdom, we built on the retail presence of premium paint business Craig & Rose and successfully launched Selleys, with both now ranged in Bunnings and Homebase stores throughout the UK and Ireland.
   - The PT Avian Selleys Indonesia joint venture was formed and will expand Selleys' push into the rapidly growing Indonesian market, through a network of approximately 40,000 hardware retailers
   - Chief Operating Officer of DGL International appointed, reporting to Managing Director and CEO, and based in the UK, with extensive international experience, including in global paint & coatings.

DuluxGroup at a Glance

DuluxGroup's brands have been trusted and relied upon for generations. Brands such as Dulux, Selleys, Yates, Cabot's and B&D are household names with the highest consumer awareness in their respective markets.

Dulux ANZ

One of Australia and New Zealand's leading marketers and manufacturers of premium branded decorative paints, woodcare coatings, texture coatings, protective coatings, industrial and powder coatings products.

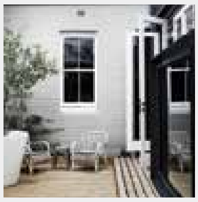
$165.0M ↑5.4%

EBIT

Selleys & Parchem ANZ

Selleys is one of Australia and New Zealand's leading marketers and manufacturers of adhesives, sealants, fillers, paint preparation and other general maintenance products for the residential home improvement market and commercial construction markets.

Parchem is a leading manufacturer and supplier of construction chemicals, decorative concrete products and related equipment for Australia and New Zealand's civil engineering, industrial, commercial and residential construction markets.



$33.7M ↑14.2%

EBIT

\# JV Corporate Logo.

△ Licensed Brand.

* Distributed Brand.

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B&D Group

A leading manufacturer and marketer of garage doors and automatic openers for the Australian and New Zealand residential, commercial and industrial markets.

$18.2M ↑13.0%

EBIT

Lincoln Sentry

Lincoln Sentry is one of Australia's leading distributors of premium quality hardware and components to the cabinet making, window, door and glazing industries. It is a proud supplier of quality brands including Blum, Hera, SecureView, Assa Abloy and Breezway.

$14.5M ↑16.0%

EBIT

Other Businesses

DuluxGroup's 'Other businesses' include:

- Yates – a leading Australian and New Zealand marketer and manufacturer of fertilisers, potting mix, pest & disease control, lawn care, seeds, pots, and organic gardening products, with origins dating back to 1883;
- Dulux Papua New Guinea – the clear market leader;
- DGL International Asia
  - the 51% owned DGL Camel paints business in China and Hong Kong; and
  - the Selleys businesses in other South East Asian markets including Malaysia, Singapore and Vietnam; and
- DGL International UK – the Craig & Rose paints business in the United Kingdom and Selleys.

$11.3M ↓22.1%

EBIT

Chairman's Report

DuluxGroup delivered record profits this year, its seventh consecutive year of underlying net profit growth. Your company is well-positioned, with an excellent portfolio of businesses, multiple streams of growth both domestically and offshore, and a strong balance sheet.

Group performance

DuluxGroup Net Profit After Tax (NPAT) increased 9.6% to $142.9 million[1], in markets that were positive overall.

Diluted earnings per share (EPS) were 36.7 cents, an increase of 9.6%, continuing our record of year on year EPS growth since demerger.

Our balance sheet is in very good shape, with net debt to EBITDA at a healthy 1.4X and we have capacity in our undrawn debt facilities to fund future growth opportunities.

Shareholder returns

The Board has declared a final dividend of 13.5 cents per share, fully franked, taking the full year dividend to 26.5 cents per share, an increase of 10.4% and representing a 72% payout ratio on NPAT. The record date for the final dividend is 27 November 2017 and the dividend payment date is 13 December 2017. DuluxGroup's dividend reinvestment plan (DRP) will operate in respect of the final dividend.

Since DuluxGroup listed as a public company in its own right in July 2010, total shareholder return has been 270%[2] compared with 79% for the ASX200. Your company has grown its market capitalisation from approximately $900 million to $2.8 billion[3]. DuluxGroup now has a broader product portfolio and increased growth options, domestically and offshore.

Investing for growth

DuluxGroup remains on the strategic growth path that has served our shareholders well over recent years. Patrick Houlihan and his management team are focussed on sustainable profit growth and strong returns on investment, supported by a high-performance culture. A focus on generating strong operating cash flows and our prudent debt management helps fund future growth.

Our largest business, Dulux ANZ, has a consistent record of profitable growth over recent decades, and continues to lead the market against large global competitors. Our new, world class Dulux paint factory at Merrifield in Melbourne's north is in the final stages of commissioning and is on track to commence commercial production on time early in the 2018 financial year. The project is also set to be completed within its $165 million budget, a significant achievement given the scale and complexity of the project. This is a very important investment that will not only reduce our risk but will support growth in our Dulux business for decades to come. Our portfolio of strong, profitable, domestic businesses provides the financial capacity to also invest in growth opportunities offshore. Our Selleys and Craig & Rose paints businesses are off to a good start in the UK, having launched during the year into Bunnings and Homebase stores in the United Kingdom and Ireland.

Our Selleys products have been building a presence in several Asian countries for over two decades, with particular recent success in Vietnam. In 2017 we expanded further with the formation of our new PT Avian Selleys Indonesia joint venture. This is a capital light investment that will enable a range of Selleys products to access approximately 40,000 retail hardware outlets via the distribution network of our JV partner, Avian, one of Indonesia's largest paint companies. We are also continuing to extend Selleys' long standing success in Hong Kong into China via our DGL Camel JV. However, establishing a meaningful paints position in that region has been more challenging and we are undertaking a strategic review of the paints business there.

(1) This included the benefit of a $3.1 million write back of a tax provision from previous years. Excluding the write back, NPAT was $139.9 million, an increase of 7.3%.

(2) Based on opening share price of $2.50 on 12 July 2010 and closing share price of $7.00 at 30 September 2017

(3) Based on closing share price of $7.45 at 8 November 2017

DuluxGroup remains on the strategic growth path that has served our shareholders well over recent years.

10.4%

Increase in total dividend

Community contribution and participation

In our Corporate Sustainability Report on page 36 you will see how DuluxGroup creates wider value throughout the economy and our community. DuluxGroup employs approximately 4,000 people. In 2017, $57 million was contributed in company income taxes at an effective rate of approximately 30%, and we are pleased to adopt voluntary tax transparency disclosures and publish our annual Tax Contribution Report. We spend more than a billion dollars a year throughout our supply chain, generating further economic and employment growth. We are also one of the biggest employers of industrial chemists in the country and a significant supporter of science education, research and development through collaboration with universities, mentoring, internships and funding of scholarships.

Being a positive participant in our communities is central to our sustainability goals. We made good progress this year against our key focus areas of product stewardship, resource efficiency, land protection and community safety.

In addition, our employees contributed hundreds of hours volunteering to help out on community projects, raising funds and providing mentoring or technical expertise to help those in need. The Salvation Army, Beyond Blue, Surf Life Saving Australia, Men's Shed and the New Zealand Cancer Society are just some of the larger community organisations we supported this year. However, our products and people supported hundreds more local, grassroots community projects throughout the year.

Diversity

Increasing the gender, age and cultural diversity of our workforce remains a key priority for the Board and management. We have increased the representation of women within our most senior leadership group to 25% in 2017 compared with 15% in 2012. DuluxGroup is one of just 37% of ASX200 companies that has a woman in a business line role on its executive team[4]. Women also hold three of our business general manager positions, and we have a growing number of women in key functional areas such as the two largest business marketing roles, which are with Dulux and Selleys. We clearly still have a way to go, and there are a number of recruitment, talent identification and leadership development initiatives in place to ensure we maintain momentum towards more women in leadership roles.

Remuneration and shareholder alignment

Our employees have a strong sense of personal ownership in DuluxGroup, with approximately 70% of eligible employees choosing to buy shares in their own right. Likewise, our executives continue to build their personal shareholdings in DuluxGroup, and a minimum shareholding requirement applies to senior managers. This helps ensure that individual performance is aligned with the overall interests of DuluxGroup and our shareholders. As foreshadowed in last year's remuneration report, the Board this year introduced a deferred component to any short-term incentive (STI) earned by the DuluxGroup Executive team, under which 15% of any STI outcome will be provided in rights to Company shares.

These awards are subject to forfeiture if an executive leaves the Group under certain circumstances during the first two years after grant. Our Clawback Policy also gives the Board discretion to reduce or forfeit an executive's unvested share award. The full details of the Remuneration Framework are outlined in the Remuneration Report on page 67.

Board succession

The Board Nominations Committee regularly assesses the skills, experience and expertise required of directors as DuluxGroup continues to evolve and grow. This includes identifying suitable candidates for vacancies to ensure Board composition remains optimal for protecting and enhancing long term shareholder value.

2018 Centenary

DuluxGroup's origins date back to 1918. Its iconic brands have endured and grown over that time, along the way creating jobs for Australians and our employees elsewhere. The latest, most noteworthy, example of this is our new Dulux paint factory at Merrifield, and we will celebrate its official opening next year as we mark DuluxGroup's 100th anniversary.

Thank you

I would like to thank Patrick Houlihan, his management team and all employees for their contribution to a very successful year for DuluxGroup. On behalf of my fellow Board members, I thank you our shareholders for your continued support.

I look forward to the next opportunity to update you on your company's performance.

PETER KIRBY
15 NOVEMBER 2017

[4] Source: Chief Executive Women's 2017 Senior Executive Census

Managing Director's Report

Strong profit growth in 2017 was led by all our market leading Australian and New Zealand businesses, while we also developed further growth opportunities in the United Kingdom and Asia.

Group performance

Net Profit after Tax (NPAT) for the year was $142.9 million, an increase of 9.6%. This included the benefit of a $3.1 million write back of a tax provision established in previous years. Excluding the write back, NPAT increased 7.3% to $139.9 million.

Sales revenue increased by 4% to $1.78 billion, with all of our reporting segments growing revenue.

Earnings before interest and tax (EBIT) increased 6.5% to $214.2 million.

Our businesses continue to generate excellent cash flow, with cash conversion at 86%.

Business performance

Record profit was driven by excellent results across all of our Australian and New Zealand businesses.

Our largest business Dulux Paints & Coatings ANZ, which contributes approximately 70% of Group business EBIT, delivered a high quality result, increasing profits by $8.5 million or 5.4%, and growing market share in positive markets. This was well supported by double digit earnings growth in Selleys and Parchem, B&D Group and the Lincoln Sentry business segments, which collectively grew EBIT by $8.2 million or 14.1%.

A weaker result in China reflects ongoing challenges for our relatively small paints business there. However, Yates, DGL South East Asia and Dulux Papua New Guinea all delivered solid EBIT growth, offsetting the planned investment in our UK business.

This year's result was underscored by solid financial discipline, highlighted by effective margin management, cost control and a strong cash performance.

Safety and sustainability

This year our recordable injury rate[1] was at the second lowest level in more than a decade and at top quartile industry performance levels. There were a total of 69 recordable injuries from our global workforce of approximately 4,000 employees. Serious near miss incidents were down 45% to the lowest level on record. However, the number of serious injuries, mostly manual handling and strain injuries, increased 13% and we are focussed on improving in this area.

Growth underpinned by investment in the fundamentals

We have continued to invest in the long term fundamentals of premium brands, innovation and customer focus, which has underpinned consistent earnings growth and remains central to developing further avenues for growth.

Our largest strategic growth pillar – the Dulux, Selleys and related businesses portfolio in Australia, New Zealand and Papua New Guinea – delivers a return on net assets (RONA) of more than 35%. The Dulux and Selleys ANZ businesses have each continued to extend their market leadership positions, and they successfully compete locally against some of the largest global companies. We see plenty of further growth opportunities, including through profitable market share, innovation and product adjacencies such as Parchem construction chemicals.

Our other ANZ home improvement businesses – Yates, B&D Group and Lincoln Sentry – are all profitable market leaders with a suite of premium brands. Collectively they deliver a RONA of 19%. This portfolio represents the second of our domestic growth pillars, and we are focussed on realising the potential of each of these largely standalone businesses. This year, we made excellent progress in growing sales and improving margins in B&D Group.

[1] Recordable Injury Rate of 1.62 is at its second lowest level in 11 years and is a measure of total number of employee and contractor injuries requiring time off work, restricted duties or medical treatment per 200,000 hours.

Record profit was driven by excellent results across all of our Australian and New Zealand businesses.

9.6%
Increase in Group Net Profit after Tax

Our global marketing and innovation focus has been central to the promising start for our DGL UK business, where our Craig & Rose premium paints and Selleys range of products have recently launched throughout the UK and Ireland. Combining DuluxGroup capability with local UK consumer insights, our Selleys products have been specially developed for the UK consumer. The acquired Craig & Rose paints business has been relaunched, with the product range extended using the wide range of other DuluxGroup technology and products.

We are taking a similar approach in Indonesia, where our DGL Asia business has recently established a joint venture between Selleys and Avian, one of Indonesia's leading paint companies. The joint venture will draw on Selleys' global technology and marketing capability, and use local insights from trade customers, to manufacture and market a range of products that will be distributed through Avian's network of approximately 40,000 hardware retailers.

Strengthening capability

We have continued to strengthen our DuluxGroup Executive and broader senior leadership team, with a focus on balancing long-term, deep industry and DuluxGroup experience with new functional expertise and global experience.

Richard Stuckes joined the DuluxGroup Executive in April this year as the Chief Operating Officer of DGL International, based in the UK. Richard has extensive international experience in consumer facing businesses, including more than eight years leading Akzo Nobel's (formerly ICI) paints business in the UK, Ireland, Europe, Africa, the Middle East and China.

Earlier this year, Murray Allen was appointed Executive General Manager of the B&D Group garage doors and automatic openers business. Murray previously led Dulux marketing & innovation and has decades of experience within DuluxGroup businesses and outside of DuluxGroup.

World-class employee engagement

This year we conducted our third Employee Engagement Survey and 94% of our approximately 4,000 employees took the opportunity to participate. The survey revealed that our engagement levels remain above the Asia Pacific standard and are in line with the norm for high performing companies globally.

Thank you

I would like to thank all DuluxGroup employees – new and long standing – for their tremendous contribution this year. They have been critical to delivering record profits and positioning our businesses for further profitable growth.

I would also like thank DuluxGroup Chairman Peter Kirby and the Board for their ongoing support and counsel. Finally, I thank you, our shareholders, for your continued investment in DuluxGroup.

PATRICK HOULIHAN
15 NOVEMBER 2017

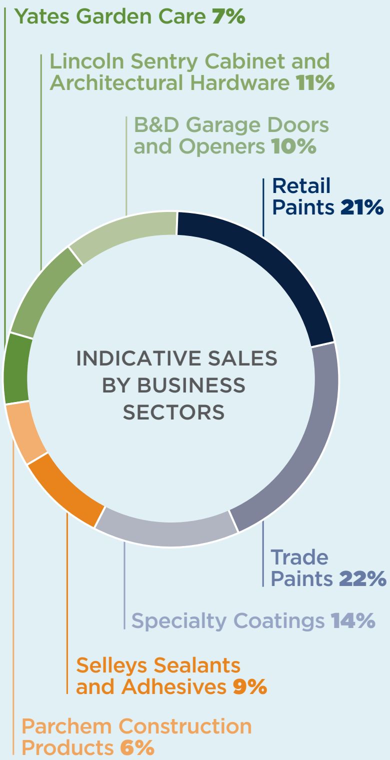
Operating and Financial Review

Markets and Sectors

DuluxGroup is predominantly an Australian and New Zealand paints, specialty coatings and adhesives company. DuluxGroup's primary end-market focus is on residential homes, with a bias towards the maintenance and improvement of *existing* homes and a smaller focus on new residential construction.

Our Products

Paints, specialty coatings and adhesives account for approximately 70% of group revenue.



A broad portfolio of products and markets.

Our Customer Channels

More than half 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 trade 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 stores, smaller family-owned hardware stores and garden centres.

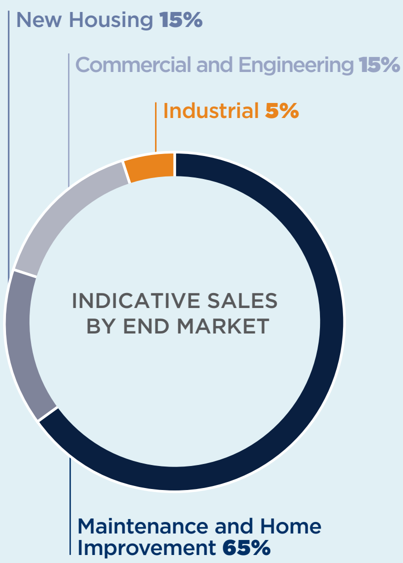
DuluxGroup invests in its iconic brands and focuses on providing innovative product solutions to drive growth and success through its retail and trade customers.

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 and engineering construction 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.

Main manufacturing sites

Dulux Decorative Paints
- Merrifield, Victoria, Australia
- Rocklea, Queensland, Australia
- Mascot, New South Wales, Australia
- Gracefield, Wellington, New Zealand
- Lae, Papua New Guinea
- Guangdong Province, China (Camel Paint)
- Edinburgh, Scotland, UK (Craig & Rose)

Cabot's Woodcare
- Dandenong, Victoria, Australia

Dulux AcraTex Texture Coatings
- Beverley, South Australia
- Shah Alam, Selangor, Malaysia

Dulux Powder Coatings
- Guangdong Province, China
- Dandenong, Victoria, Australia
- Auckland, New Zealand

Dulux Protective Coatings
- Dandenong, Victoria, Australia

Selleys Sealants & Adhesives
- Padstow, New South Wales, Australia
- Surabaya, Indonesia (2018)

Parchem Construction Chemicals
- Wyong, New South Wales, Australia

Yates Garden Care
- Wyee, New South Wales, Australia
- Mt Druitt, New South Wales, Australia
- Auckland, New Zealand

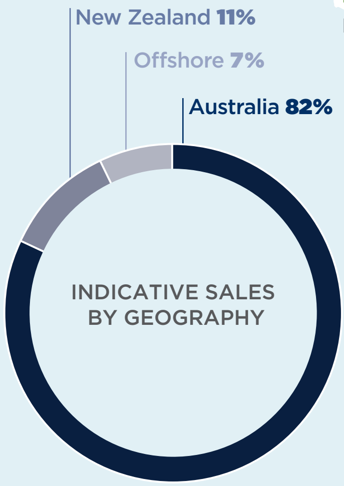
B&D Group Garage Doors
- Hornby, Christchurch, New Zealand
- East Tamaki, Auckland, New Zealand
- Revesby, New South Wales, Australia
- Clontarf, Queensland, Australia
- Kilsyth, Victoria, Australia
- Malaga, Western Australia

B&D Group Openers
- Dalian, China

Innovation and Technology Centres
- Dulux, Clayton, Victoria, Australia (Global Headquarters)
- Selleys, Padstow, New South Wales, Australia
- Dulux AcraTex, Beverley, South Australia.

Regional sales presence

- Hong Kong
- Myanmar
- Port Moresby, PNG
- Singapore
- Vietnam
- Milton Keynes, UK



DuluxGroup holds market leading positions in Australia, New Zealand and Papua New Guinea, with exposure to higher growth regions in Asia and a developing presence in the United Kingdom.

Our Locations

DuluxGroup employs approximately 4,000 people in Australia, New Zealand, Papua New Guinea, South East Asia, China and the United Kingdom. It has:

- 22 Main Manufacturing Sites
- 19 Distribution Centres
- approximately 120 company owned trade outlets

Strategy and Growth

Our Objective

To deliver long term shareholder value by focussing on premium branded, innovative products that help consumers to imagine and create better places and spaces in which to live and work.

Our Strategy

Our strategy is to develop market leadership positions in premium branded consumer and trade products, enabled with differentiated technologies.

We aim to leverage our core capabilities to be the "natural owner" of a portfolio of businesses that generates sustainable growth. Our enabling capabilities are in: marketing and consumer engagement; innovation and technology; retail and trade customer service and experience; architectural and engineering specification; and supply chain excellence.

Our major focus is on markets and market segments that deliver consistent growth and strong returns, with an emphasis on the relatively stable existing home renovation and maintenance markets, typically 65% of Group revenue. As context, Australia has about 10 million existing residential dwellings, and approximately 70% are more than 20 years old. This focus is complemented by exposure to new housing, 15% of Group revenue, and commercial, infrastructure and industrial sectors, 20% of Group revenue.

Within this over-arching strategy there are three specific components:

1. Defend and Grow our market-leading Dulux, Selleys and related businesses in Australia, New Zealand and Papua New Guinea
2. Extend our Selleys and coatings technologies and capabilities into new offshore markets
3. Realise the potential of our Other Home Improvement businesses (Yates, B&D Group and Lincoln Sentry)

DuluxGroup aims to deliver growth by a combination of organic growth (eg. continuing to increase market share whilst maintaining margins), joint ventures and acquisitions.

1. Defend and Grow

DULUX, SELLEYS & PARCHEM ANZ[(1)]

- Defend & grow in resilient markets, biased to existing homes
- Good runway of growth through further share gains (retail and trade), premium product innovation, product range breadth, margin management
- Global marketing, technology and "capability" hub

69% Group sales

84% Business EBIT

35+% RONA[(2)]

Transfer: technology, marketing, sales, retail

2. Extend Offshore

PAINT, COATINGS, SEALANTS AND ADHESIVES

- Western retail DIY markets – Succeed in UK and potentially extend into other markets e.g. Europe & North America
- China & SE Asia – Selleys focus in trade and construction markets enhanced by distribution partnerships in key markets
- Strategic review of China coatings business

4% Group sales

3. Realise the Potential

YATES, LINCOLN SENTRY, B&D GROUP

- Realise potential – from "good" to "great"
- All are profitable, premium, market leaders, primarily biased to existing homes
- Significant opportunity for share gains, margin improvement and product/market extension

27% Group sales

19% Business EBIT

19% RONA

(1) Includes PNG.

(2) Net assets adjusted to include new factory capital expenditure.

In 2017 the company has made good strategic progress:

Defend & Grow

- Dulux and Selleys delivered excellent revenue and EBIT growth, driven by market share gains and effective margin management; Parchem also grew EBIT due to successful business re-shaping and a focus on premium products
- The new $165M Merrifield paint factory in Melbourne is now in commissioning phase and remains on time and within budget

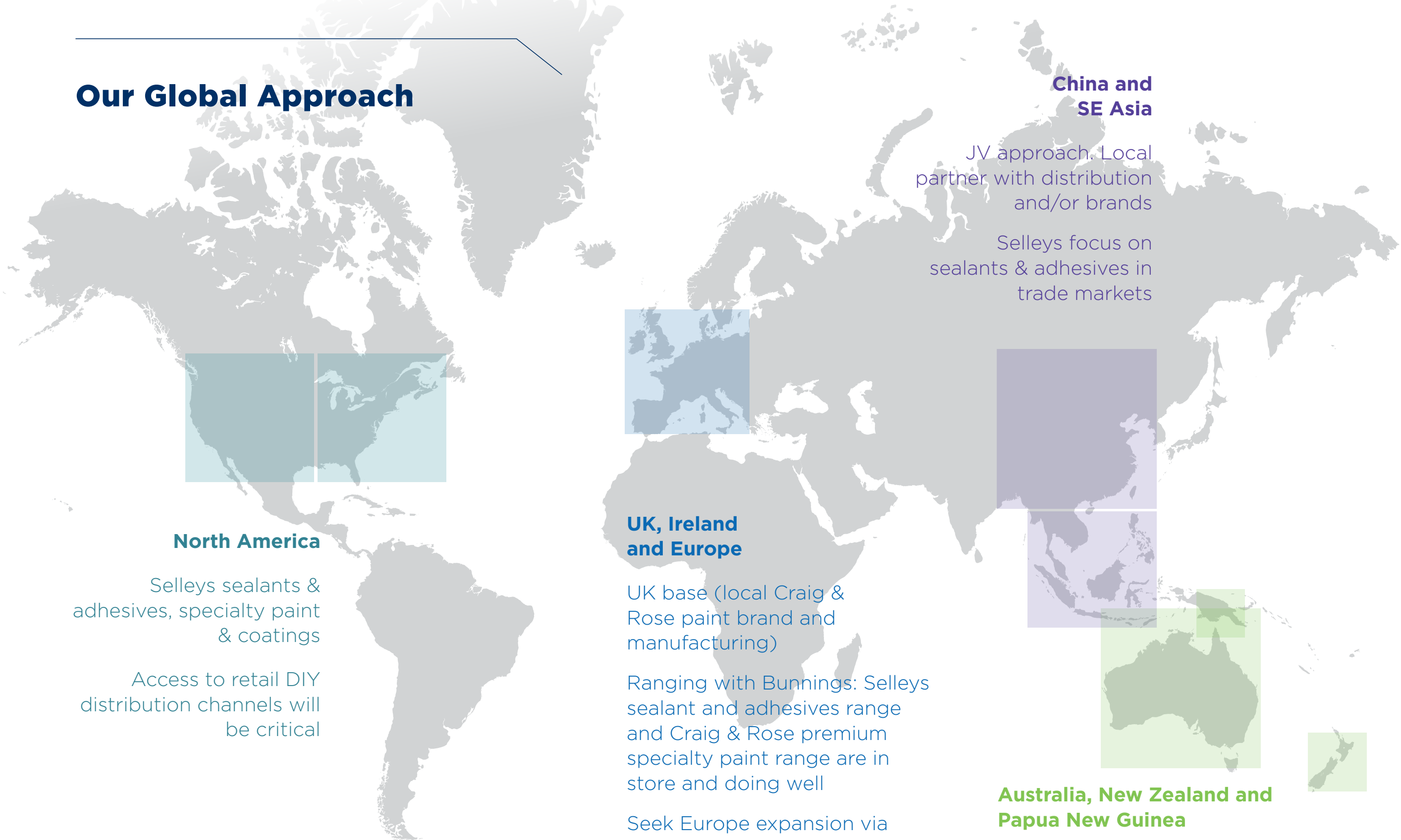
Extend Offshore Paint, Coatings, Sealants and Adhesives

- Our Selleys SE Asia business delivered strong growth (off a small base)
- The new UK business achieved ranging in Bunnings for both Selleys and paint (under the Craig & Rose brand) and a new Selleys JV in Indonesia was formed
- The DGL Camel China JV coatings business had a challenging year financially and is currently under strategic review

Realise the Potential

- Excellent financial results from all three businesses (Yates, B&D Group and Lincoln Sentry)
- Munns acquisition successfully integrated within Yates; Lincoln Sentry online store is in pilot phase with full launch imminent; B&D brand reinvigoration and re-shaping is progressing well

Our Global Approach



Review of Operations

Result Summary

- **Sales revenue** of $1,784.5M, increased $68.2M (+4.0%)
  - All segments achieved revenue growth
  - Strong growth in particular from Dulux ANZ (+5.2%), Selleys ANZ (+5.5%), and Lincoln Sentry (+4.0%)
- **EBIT** of $214.2M, increased 6.5% or $13.1M
  - Dulux ANZ delivered a $8.5M (+5.4%) EBIT increase, continuing its track record of consistent earnings growth
  - The other ANZ segments (Selleys & Parchem ANZ, B&D Group and Lincoln Sentry) delivered a combined $8.2M (+14.1%) EBIT increase, with all achieving double digit growth
  - The Other businesses segment's EBIT was down $3.2M, or 22%, driven by a weaker result in DGL Camel, China and Hong Kong
- **Net profit after tax (NPAT)** of $142.9M increased 9.6%. NPAT included a $3.1M write back of a tax provision established in previous years. Excluding the write back, NPAT increased 7.3%
- **Operating cash flow** was $166.0M, an increase of 7.1% (excluding non-recurring items in the prior period), predominantly due to higher earnings
- **Cash conversion** was strong, at 86%
- **Investments** in capability and growth, including the Dulux Merrifield paint factory (now in commissioning phase, on time and within budget), the UK business and the new Selleys joint venture in Indonesia
- **Net debt to EBITDA** remains healthy at 1.4X
- **A final dividend** of 13.5 cents per share. Total dividend increased 10.4% to 26.5 cents per share fully franked, representing a dividend payout ratio of 72%

RESULTS	FULL YEAR ENDED 30 SEPTEMBER		
A$M	2017	2016	% CHANGE
Sales revenue	1,784.5	1,716.3	4.0%
EBITDA	245.5	233.4	5.2%
Depreciation and Amortisation	(31.3)	(32.3)	3.1%
EBIT	**214.2**	**201.1**	**6.5%**
Net profit after tax (NPAT)	**142.9**	**130.4**	**9.6%**
NPAT excluding write back of tax provision	139.9	130.4	7.3%
Operating cash flow	166.0	144.9	14.6%
Operating cash flow (excluding non-recurring cash items in 2016)	166.0	155.0	7.1%
Cash Conversion (excluding non-recurring cash items in 2016)	86%	87%	(1.0) pts
Net debt inclusive of USPP hedge value	334.2	300.6	(11.2%)
Net debt to EBITDA	1.4	1.3	(7.7%)
Diluted earnings per ordinary share (EPS) (cents)	36.7	33.5	9.6%
Final dividend per share (cents)	13.5	12.5	8.0%
Total dividend per share (cents)	26.5	24.0	10.4%

Result by Segment

Key components of the result include:

- Consistent EBIT growth from Dulux ANZ driven by good revenue growth, with decorative paint markets returning to historical growth rates, and good margin management;
- Strong EBIT growth from Selleys & Parchem ANZ. Selleys EBIT growth was primarily driven by revenue growth of 5.5%. Parchem's EBIT grew as a result of second half revenue growth and the ongoing business reshaping with lower costs and improved product mix;
- Strong EBIT growth in B&D Group, driven by revenue growth in positive markets and margin improvement (product and channel mix);
- Continued strong EBIT growth from Lincoln Sentry driven by revenue growth in cabinet hardware products;
- EBIT decline in Other businesses primarily due to a weaker result in DGL Camel China and Hong Kong, with EBIT growth in Yates, SE Asia and PNG offsetting planned investment in the UK; and
- Corporate costs well managed, with cost savings reinvested into growth projects and resources.

Note: Numbers in the report are subject to rounding. 'nm' = not meaningful. '-' = approximately

Result by Segment (continued)

SALES AND EBIT BY SEGMENT	FULL YEAR ENDED 30 SEPTEMBER		
A$M	2017	2016	% CHANGE
Sales revenue			
Dulux ANZ	937.3	890.6	5.2%
Selleys & Parchem ANZ	260.7	253.9	2.7%
B&D Group	182.5	177.9	2.6%
Lincoln Sentry	195.2	187.7	4.0%
Other businesses	222.2	217.0	2.4%
Eliminations	(13.5)	(11.0)	(22.7%)
Total sales revenue	**1,784.5**	**1,716.3**	**4.0%**
EBIT			
Dulux ANZ	165.0	156.5	5.4%
Selleys & Parchem ANZ	33.7	29.5	14.2%
B&D Group	18.2	16.1	13.0%
Lincoln Sentry	14.5	12.5	16.0%
Other businesses	11.3	14.5	(22.1%)
Business EBIT	**242.6**	**229.1**	**5.9%**
Corporate	(28.4)	(28.0)	(1.4%)
Total EBIT	**214.2**	**201.1**	**6.5%**

Further discussion on the results of the segments follows from page 20.

Other Items

RESULTS	FULL YEAR ENDED 30 SEPTEMBER		
A$M	2017	2016	% CHANGE
EBIT	**214.2**	**201.1**	**6.5%**
Net finance costs	(17.3)	(19.9)	13.1%
Tax expense	(57.3)	(52.1)	(10.0%)
Non-controlling interests	3.3	1.4	nm
NPAT	**142.9**	**130.4**	**9.6%**
Effective tax rate	29.1%	28.8%	

Excess tax provision write-back
- All occurred in the first half
- No impact on EBIT
- $0.6M favourable impact on net finance costs
- $2.5M net favourable impact on tax expense

Net finance costs
- Total finance costs were $2.6M lower than the prior corresponding period (pcp) due partly to lower prevailing base interest rates and the tax provision write-back impact of $0.6M
- Includes:
  - a $2.1M (non-cash) charge relating to the unwinding of discounting of provisions (Rocklea restructuring $1.0M, other provisions $1.1M); and
  - $1.8M (non-cash) defined benefit fund interest
- Excludes $2.9M of capitalised interest associated with the new Dulux Merrifield paint factory
- Average all-in net cost of debt[1] of 4.3% (4.8% in the pcp)

Income tax expense
- Effective tax rate of 29.1% (28.8% in the pcp)
- Excluding the tax provision write-back, the effective tax rate was 30.5% for the period
- The base effective rate in FY18 is expected to be ~30%

Non-controlling interests
- Higher non-controlling interest add back due to our joint venture partner's share of the higher losses in the DGL Camel joint venture

[1] All-in net cost of debt – calculated as Net finance costs excluding the $3.9M unwinding of the discount on provisions and defined benefit fund interest, excluding the $0.6M benefit relating to the tax provision write-back and including $2.9M of capitalised interest associated with the new paint factory

Cash Flow

Operating cash flow was $166.0M, $11.0M (7.1%) higher than the pcp (excluding non-recurring items)

The increase in Trade Working Capital (TWC) outflow reflected both business growth and an increase in the year end TWC / sales ratio from 15.3% to 15.9% (largely timing driven – refer Balance Sheet section). The favourable “Other” cash flow result reflected the prior year cash payment of the provisions relating to the establishment of our new NSW Dulux and Selleys distribution centre ($10.1M) as well as favourable timing impacts on other non-trade creditors

Income taxes paid decreased as a result of timing of tax payments

A key driver of the remainder of the cash flow is an increase in major capital expenditure of $36.5M, due to the new Dulux Merrifield paint factory

Cash conversion was 86%, a strong result and above our target cash conversion of 80%+

STATEMENT OF CASH FLOWS	FULL YEAR ENDED 30 SEPTEMBER		
A$M	2017	2016	% CHANGE
Operating cash flows			
EBITDA	245.5	233.4	5.2%
Trade working capital movement	(25.3)	(8.7)	(191%)
Other	8.9	(11.7)	nm
Income taxes paid	(49.7)	(52.5)	5.3%
Net interest paid	(13.4)	(15.5)	13.5%
Operating cash flow	**166.0**	**144.9**	**14.6%**
Non-recurring cash items included above	–	(10.1)	nm
Operating cash flow excluding non-recurring items	**166.0**	**155.0**	**7.1%**
Net investing cash flows			
Minor capital expenditure	(18.1)	(19.5)	7.2%
Major capital expenditure (paint factory)	(77.9)	(41.4)	(88.2%)
Acquisitions	(0.6)	(13.3)	95.5%
Disposals	0.2	0.5	(60.0%)
Dividends received	0.0	0.5	nm
Investing cash flow	**(96.5)**	**(73.0)**	**(32.2%)**
Dividends paid and equity movements	**(101.6)**	**(93.6)**	**(8.5%)**
Total cash flow before debt movement	**(32.0)**	**(21.8)**	**(46.8%)**
Cash conversion excluding non-recurring items	**86%**	**87%**	

Refer to glossary on page 30 for definition of terms

Balance Sheet

Balance sheet movements are compared to September 2016. Comments by exception are as follows:

- **Rolling** (or average) **TWC** as a percent of sales was 15.8%, favourable to 16.0% at September 2016 as we continue to focus on our working capital management;
- Point in time **TWC** worsened on a percent to sales basis (15.9% versus 15.3% at September 2016), largely due to the financial year ending on a weekend, which has a short term timing impact on debtors;
- **Property plant & equipment** increased, largely due to the investment in the new Dulux Merrifield paint factory;
- The **defined benefit fund liability** decreased $19.5M following the regular half-yearly actuarial reassessments of the fund liability, with the majority of the decrease in the first half. The key driver of the change was an increase in the discount rate. This is a balance sheet adjustment only, with an equal amount reflected in reserves; and
- **Net debt** inclusive of the USPP hedge value increased by $33.6M during FY17, with expenditure on the new Dulux Merrifield paint factory a key driver (refer cash flow). Net debt to EBITDA remains comfortable at 1.4X.

	FULL YEAR ENDED 30 SEPTEMBER	
A$M	**2017**	**2016**
Inventories	229.4	218.9
Trade debtors	274.5	252.3
Trade creditors	(220.6)	(208.3)
Total trade working capital	283.3	262.9
Non trade debtors	12.9	13.4
Deferred tax balances (net)	22.3	31.9
Property, plant & equipment	371.8	312.0
Intangible assets	228.7	234.0
Investments	7.8	6.5
Non trade creditors	(44.5)	(42.8)
Defined benefit fund liability	(37.0)	(56.5)
Provision for income tax	(18.6)	(14.4)
Provisions (excluding tax)	(90.7)	(88.0)
Net debt inclusive of USPP hedge value	(334.2)	(300.6)
Other	5.5	(4.8)
Net Assets	**407.3**	**353.7**
TWC to rolling sales (point in time) %	15.9%	15.3%
Rolling TWC to rolling sales %	15.8%	16.0%
Net debt to EBITDA	1.4	1.3

Refer to glossary on page 30 for definition of terms

Business Segment Detail

Business Segment

Dulux ANZ
Paints and coatings

One of Australia and New Zealand's leading marketers and manufacturers of premium branded decorative paints, woodcare coatings, texture coatings, protective coatings, industrial and powder coatings products. With a heritage dating back to 1918, Dulux has grown to become the number one brand for home owners and trade professionals and has industry leading brand recognition. Dulux is regularly named as one of Australia's 'most trusted' brands.

DULUX ANZ	FULL YEAR ENDED 30 SEPTEMBER		
A$M	2017	2016	% CHANGE
Sales revenue	937.3	890.6	5.2%
EBITDA	179.7	172.8	4.0%
EBIT	165.0	156.5	5.4%
EBIT % Sales	17.6%	17.6%	

EBIT

$165.0^M ↑5.4%

Continued strong performance in positive markets, consistent with long term track record

Sales Revenue up $46.7M (+5.2%)

- Revenue grew ~5% in the Australian business (~90% of segment) and ~6% in New Zealand
- In Australia, revenue reflected solid market growth, good share gains and positive price benefits, to offset raw material price increases
- Australian market growth was ~2%
  - The decorative paint market grew at ~1.5%, in line with historical growth rates:
    - The renovation and repaint market (typically ~75% of market volume) was flat overall, with strong second half growth offsetting the first half decline. The market impact of the Masters exit has fully cycled through with markets reverting to historical growth rates.
    - New housing (~20% of market volume) grew at ~6%
    - Commercial market (~5% of market volume) grew at ~3.5%
  - The texture coatings, powder coatings and protective coatings markets also grew
- Market share gains in Australia reflected our continued focus on marketing and innovation, the benefits of our alignment with key retail customers and the ongoing investment in our own trade distribution network
- Positive selling price outcome reflected price increases to offset raw material price increases and a skew towards premium products
- Revenue growth in New Zealand driven by positive markets and share gains

EBIT Growth of $8.5M (+5.4%)

- Strong EBIT growth, reflecting the sales growth
  - Raw material costs increased modestly driven by second half increases (primarily titanium dioxide)
  - ~$1M of start-up and commissioning expenses associated with the new Merrifield paint factory were absorbed
- Further investment in marketing and extension of the trade network in both Australia and New Zealand
- Depreciation was $1.6M lower; $1.2M lower in the first half as a result of the FY16 asset useful life review and $0.4M lower in the second half, due to deliberately lower minor capital expenditure levels in FY16 and FY17 during Merrifield construction
- Full year EBIT margins were in line with FY16, consistent with strategy and guidance

FY18 Outlook

- Targeting continued revenue and EBIT growth underpinned by positive markets and share gains
- We expect the operational commencement of the Merrifield paint factory to be fully absorbed within the Dulux ANZ result in FY18
  - First half start-up and commissioning expenses ~$2M are expected to be offset by the gain on sale of the Glen Waverley site
  - Incremental depreciation (which will commence upon beneficial production) is expected to be offset by cost savings
- Raw material costs are expected to increase at well above inflation rates driven by titanium dioxide and latex. Consistent with history, strategies to mitigate the impact are being implemented
- Full year EBIT margins are expected to be in line with FY17

Business Segment Detail

Business Segment

Selleys & Parchem ANZ

Sealants, adhesives, fillers and construction chemicals

Selleys was established in Sydney in 1939 with a focus on invention and creativity. That legacy has endured, and today Selleys is a leading choice for Australian and New Zealand consumers and tradespeople when it comes to household adhesives, sealants, fillers, paint preparation and other home maintenance products. Parchem's origins date back to 1958 and it has grown to be a leader in construction chemicals, decorative concrete products and related equipment for Australia and New Zealand's civil engineering, industrial, commercial and residential construction markets.

SELLEYS & PARCHEM ANZ	FULL YEAR ENDED 30 SEPTEMBER		
A$M	2017	2016	% CHANGE
Sales revenue	260.7	253.9	2.7%
EBITDA	36.5	32.6	12.0%
EBIT	33.7	29.5	14.2%
EBIT % Sales	12.9%	11.6%	

EBIT

$33.7M ↑14.2%

Sales-led earnings growth in Selleys, cost / margin improvement earnings growth in Parchem

Sales Revenue up $6.8M (+2.7%)

- Selleys sales grew 5.5% in mildly positive markets driven by strong performance of premium branded products in key retail customers
- Parchem sales declined slightly with strong second half growth in the Fosroc business (share gains in bottoming markets) largely offsetting first half declines (weak markets and strategic decision to exit low margin products)

EBIT Growth $4.2M (+14.2%)

- Selleys EBIT increased, largely due to sales growth, with margin and costs generally well managed
- Parchem EBIT increased, reflecting the benefits of prior year cost reduction initiatives and ongoing product mix and distribution optimisation

FY18 Outlook

- Selleys is well positioned for continued growth
- With its cost base and product mix greatly improved, and markets expected to bottom after multi year declines, Parchem will continue to be repositioned for growth via an increased focus on commercial and civil construction markets and further optimisation of the distribution model

△ Licensed brand.

Business Segment

B&D Group
Garage doors and openers

B&D was founded in Sydney in 1946. Today, B&D Group is a leading manufacturer and marketer of garage doors and automatic openers for the Australian and New Zealand residential, commercial and industrial markets. The B&D Roll-A-Door was originally launched in 1956 and has been named as one of Australia's most successful inventions.

B&D GROUP	FULL YEAR ENDED 30 SEPTEMBER		
A$M	2017	2016	% CHANGE
Sales revenue	182.5	177.9	2.6%
EBITDA	24.9	22.6	10.2%
EBIT	18.2	16.1	13.0%
EBIT % Sales	10.0%	9.1%	

EBIT

$18.2M ↑13.0%

Earnings growth driven by sales and margin improvement

Sales Revenue up $4.6M (+2.6%)

- Overall market growth of ~3%, with ~2% growth in the Australian market and a stronger New Zealand market
- A decision to exit a number of very low margin legacy new housing contracts impacted overall share in Australia but positively impacted average selling price, as did ongoing product mix initiatives

EBIT Growth of $2.1M (+13.0%)

- EBIT increase was driven by sales growth and margin improvement (product and channel mix) while increasing marketing spend by $1M

FY18 Outlook

- Targeting profit growth driven by further business improvement and growth initiatives in marketing, innovation and distribution

Business Segment

Lincoln Sentry

Cabinet and architectural hardware distribution

The Lincoln Sentry cabinet and architectural hardware distribution business was established in Brisbane in 1986. Since then, it has evolved to become one of Australia's leading distributors of premium quality hardware and components to the cabinet making, window, door and glazing industries.

LINCOLN SENTRY	FULL YEAR ENDED 30 SEPTEMBER		
A$M	2017	2016	% CHANGE
Sales revenue	195.2	187.7	4.0%
EBITDA	16.6	14.8	12.2%
EBIT	14.5	12.5	16.0%
EBIT % Sales	7.4%	6.7%	

EBIT

$14.5M ↑16.0%

Continued revenue and profit growth

Sales Revenue up $7.5M (+4.0%)

- Sales growth was led by the cabinet hardware business, in generally positive markets, primarily focused on the renovation of existing homes
- Volumes and share outcomes were consistent across the year but second half revenue growth was impacted by competitive market conditions, which impacted price

EBIT Growth of $2.0M (+16.0%)

- EBIT growth was driven by the flow through of the sales growth, together with good margin and fixed cost control

FY18 Outlook

- The business remains well positioned for continued share growth, supported by the launch of its new online store

LINCOLN SENTRY blum Finista* LOCKWOOD ASSA ABLOY* Hera* SECUREVIEW* breezway*

* Distributed Brand.

Business Segment

Other Businesses Yates garden care, DGL Camel China and Hong Kong (51%-owned), DGL SE Asia, Dulux PNG, DGL UK

DuluxGroup's 'Other businesses' include:

- Yates – a leading Australian and New Zealand marketer and manufacturer of fertilisers, potting mix, pest & disease control, lawn care, seeds, pots, and organic gardening products, with origins dating back to 1883
- Dulux Papua New Guinea – the clear market leader;
- DGL International Asia – the 51% owned DGL Camel paints business in China and Hong Kong, and Selleys businesses in other South East Asian markets including Malaysia, Singapore and Vietnam; and
- DGL International UK – the Craig & Rose paints business in the United Kingdom and Selleys

OTHER BUSINESSES	FULL YEAR ENDED 30 SEPTEMBER		
A$M	2017	2016	% CHANGE
Sales revenue	222.2	217.0	2.4%
EBITDA	14.3	17.3	(17.3%)
EBIT	11.3	14.5	(22.1%)
EBIT % Sales	5.1%	6.7%	

EBIT

$11.3M ↓22.1%

EBIT decline driven by an adverse result in DGL Camel. Growth in Yates, South East Asia and PNG offset the planned investment in the UK

Yates ANZ

- Revenue increased largely due to sales from the Munns acquisition (from June 2016) and share gains in flat markets (weather related, particularly in the first half). EBIT growth driven by sales growth and fixed cost control

DGL Camel

- DGL Camel revenue declined and EBIT fell by A$3.3M to a loss of A$5.4M. Higher raw material costs impacted profitability and decisions to scale back on less profitable parts of the business adversely impacted second half revenue and costs

DGL South East Asia

- The DGL South East Asia business grew revenue and EBIT driven by growth in Vietnam and Malaysia

Dulux PNG

- The Dulux PNG business increased revenue and EBIT despite weak economic conditions

DGL UK

- The DGL UK business made an EBIT loss due to the planned investment in sales, marketing and management. Selleys and Craig & Rose products were launched into the new Bunnings UK and Homebase stores during the year

PT Avian Selleys Indonesia

- The PT Avian Selleys Indonesia joint venture will form part of this segment from the 2018 financial year

FY18 Outlook

- We expect growth from Yates, South East Asia and PNG to more than offset the investment in the UK business and Indonesian joint venture
- A strategic review of the DGL Camel coatings portfolio is underway

\# JV Corporate logo.

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

Non-recurring Items

There were no non-recurring items in the period.

Whilst not called out as a non-recurring item, the result included a $3.1M write back of a tax provision, which had no impact on EBIT, but positively impacted tax ($2.5M) and interest ($0.6M).

Dulux Merrifield Paint Factory

The new Dulux paint factory in Merrifield, Victoria is on time and within its $165M budget. Construction of the factory is now largely complete, with the commissioning stage underway and progressing well. Scale up to full beneficial production levels is expected to occur during the first half of the 2018 financial year (most likely early in Q2).

Utilisation of the Rocklea restructuring provision of ~$9M is expected to occur in the first half of the 2018 financial year.

During the 2017 year, capital of $78M was spent on the factory, inclusive of $2.9M of capitalised interest. The schedule below outlines the remaining estimated capital expenditure associated with the factory (including $11M of accruals at year-end), most of which is expected to flow in the first half of 2018.

DULUXGROUP MERRIFIELD PAINT FACTORY					
A$M	PRE-2016	2016	2017	2018	TOTAL
Capital expenditure (cash)	8	41	78	38	165

Annualised depreciation of the new factory will be ~$7M, with FY18 pro-rated based on the final timing for beneficial production. Operational savings are expected to offset the incremental depreciation in both FY18 and FY19. Start-up and commissioning expenses in FY18 of ~$2M are expected to be offset by the gain on sale of the Glen Waverley site.

Growth Strategy

Selleys Indonesian Joint Venture

In August 2017, DuluxGroup and PT Avia Avian Indonesia agreed to form an Indonesian joint venture company, PT Avian Selleys Indonesia. The joint venture is 50.01% owned by DuluxGroup and will manufacture and market Selleys products in Indonesia. With minimal capital investment, DuluxGroup will leverage Selleys technology, brand and market capabilities in a large and growing market, by partnering with Avian, a leading Indonesian paint manufacturer with an extensive local distribution network selling into approximately 40,000 retail hardware outlets. The joint venture is expected to commence trading in the second half of the 2018 financial year.

Glossary

1. **EBITDA** – represents EBIT plus depreciation and amortisation
2. **EBIT** – represents earnings before interest and tax
3. **Net profit after tax (NPAT)** – represents 'Profit for the year attributable to ordinary shareholders of DuluxGroup Limited' per the financial statements
4. **Operating cash flow** – the equivalent of 'Net cash inflow from operating activities'
5. **Net debt inclusive of USPP hedge value** and **Net debt to EBITDA** – are calculated by taking closing net debt, adjusted to include the asset balance relating to the cross currency interest rate swap and interest rate swap established to hedge the United States dollar (USD) currency and interest rate exposures relating to the US Private Placement (USPP) debt. Net Debt to EBITDA reflects this measure as a multiple of the most recent twelve months of EBITDA before non-recurring items
6. **Trade working capital (TWC)** – represents the net trade receivables portion of 'trade and other receivables' plus 'inventory', less the trade payables portion of 'trade and other payables', per the financial statements
7. **Rolling TWC to rolling sales** – calculated as the 12 month rolling average of month end TWC balances divided by the most recent 12 months' sales revenue. This figure is not directly extracted from the financial statements
8. **Non trade debtors** – represents the 'other receivables' portion of 'trade and other receivables', and 'other assets', per the financial statements
9. **Non trade creditors** – represents the 'other payables' portion of 'trade and other payables', per the financial statements
10. **Capital expenditure** – represents the 'payments for property, plant and equipment' and 'payments for intangible assets' per the financial statements
11. **Acquisitions** – represents 'payments for purchase of businesses, net of cash acquired'
12. **Disposals** – represents 'proceeds from sale of property, plant and equipment'
13. **Cash conversion** – is calculated as EBITDA, less movement in trade working capital and other operating cash flow movements excluding interest and tax, less minor capital expenditure (capital expenditure less than $5.0M), as a percentage of EBITDA

Matisse Beach Club by Oldfield Knott Architects. *Photographer: Cado Lee*

Future Financial Prospects

DuluxGroup considers a range of external indicators in assessing outlook. These include the performance of the markets in which DuluxGroup's businesses operate, raw material prices and other cost drivers.

Market

Overall, DuluxGroup's end market exposure is biased to the existing home, with 65%[(1)] of revenue relating to maintenance and home improvement. DuluxGroup also has a meaningful exposure to new construction, with 15%[(1)] of revenue relating to new residential housing and 15%[(1)] relating to commercial and engineering construction. The remaining 5%[(1)] of revenue relates to industrial markets.

Lead indicators for our key markets remain largely positive supported by GDP growth in Australia and New Zealand, high property prices and low interest rates.

Renovation and improvement to existing homes tends to be impacted by factors such as gross domestic product, interest rates, house prices, consumer confidence and housing churn. Renovation statistics themselves, whilst an important measure, do not capture all the activity relevant to DuluxGroup, as many of the projects relevant to DuluxGroup are below any recordable threshold.

The key existing homes segment is expected to continue providing resilient and profitable growth, underpinned by:

- 10 million existing dwellings in Australia, of which two thirds are detached homes and 70% are more than 20 years old.

Underlying market demand for this end market is generally consistent given that many of the projects that use our products focus on maintenance activities of the existing home, are individually of relatively small value and often are, or can be, do-it-yourself in nature.

The new housing construction market is expected to remain relatively strong throughout financial year 2018 due to the solid pipeline of work. Although the number of annual completions is forecast to decline from a peak of ~222,000[(2)] in March 2017 to ~209,000[(2)] in September 2018, the level of activity is still strong in a historical context. DuluxGroup businesses are strategically less exposed to this lower margin sector.

Non-residential construction markets are expected to be solid. Engineering construction markets are expected to be flat with increases in infrastructure spending to largely offset continued weakness in the resources sector. Engineering maintenance markets are expected to remain solid.

The outlook for the PNG economy remains weak, with an improvement in economic conditions dependent on international investment in major resources projects.

Raw Materials and Other Costs

DuluxGroup has a wide range of raw materials. The two largest are titanium dioxide and latex resin, both of which are key ingredients in paint. Raw material costs are expected to increase at well above inflation rates in financial year 2018 driven by titanium dioxide and latex.

Approximately 30-40% of input costs have a direct or indirect link to other currencies, such as the US dollar, the Euro and Chinese Renminbi. If there is a material weakening of the Australian dollar during the year, then input costs may be adversely affected.

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

Investment

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.

Construction of the new Dulux Merrifield paint factory is now largely complete, with the facility set to commence production on time and within budget. The plant is now into the commissioning stage and is progressing well. Scale up to full beneficial production levels is expected to occur during the first half of the 2018 financial year. Details of the capex spend profile are outlined on page 30 of the Operating and Financial Review.

In August 2017, DuluxGroup and PT Avia Avian Indonesia agreed to form an Indonesian joint venture company, PT Avian Selleys Indonesia. The joint venture is 50.01% owned by DuluxGroup and will manufacture and market Selleys products in Indonesia. With minimal capital investment, DuluxGroup will leverage Selleys technology, brand and market capabilities in a large and growing market, by partnering with Avian, a leading Indonesian paint manufacturer with an extensive local distribution network selling in to approximately 40,000 retail hardware outlets. The joint venture is expected to commence trading in the second half of the 2018 financial year.

(1) Indicative revenue splits for DuluxGroup
(2) Source: BIS Oxford Economics

Overall Outlook

Subject to economic conditions and excluding non-recurring items, we expect that 2018 net profit after tax will be higher than the 2017 equivalent of $142.9M.

Directors expect to maintain a dividend payout ratio on NPAT before non-recurring items of at least 70% on a full year basis.

Outlook Commentary Related to Specific Business Segments

Dulux ANZ

- Targeting continued revenue and EBIT growth underpinned by positive markets and share gains
- We expect the operational commencement of the Merrifield paint factory to be fully absorbed within the Dulux result in financial year 2018
  - First half start-up and commissioning expenses ~$2M are expected to be offset by the gain on sale of the Glen Waverley site
  - Incremental depreciation (which will commence upon beneficial production) is expected to be offset by cost savings
- Full year EBIT margins are expected to be in line with financial year 2017

Selleys & Parchem ANZ

- Selleys is well positioned for continued growth
- With its cost base and product mix greatly improved, and markets expected to bottom after multi year declines, Parchem will continue to be repositioned for growth via an increased focus on commercial and civil construction markets and further optimisation of the distribution model

B&D Group

- Targeting profit growth driven by further business improvement and growth initiatives in marketing, innovation and distribution

Lincoln Sentry

- The business remains well positioned for continued share growth, supported by the launch of its new online store

Other Businesses

- We expect growth from Yates, South East Asia and PNG to more than offset the investment in the UK business and Indonesian joint venture
- A strategic review of the DGL Camel coatings portfolio is underway

Other:

- Corporate costs for the 2018 financial year are expected to be ~$30M
- The base effective tax rate is expected to be ~30%
- Annual depreciation expense for 2018 financial year, excluding Merrifield is expected to be ~$32M. In addition, Merrifield depreciation of $7M (annualised) is expected to commence on a pro-rated basis early in the second quarter
- DuluxGroup is targeting operating cash conversion of 80%+ for the full year, excluding non-recurring cash flow items
- DuluxGroup is targeting improvements in point in time and rolling trade working capital in financial year 2018
- Financial year 2018 net finance costs are expected to be $1M – $1.5M higher than the 2017 expense of $17.3M (assuming constant interest rates) after taking into account:
  - Expected debt levels;
  - Structural changes to financing arrangements (eg. expiry of interest rate swaps);
  - Recognition of interest expense associated with the Merrifield factory capital expenditure once full beneficial production commences. This interest has been capitalised during construction (financial year 2017 Merrifield capitalised interest was $2.9M); and
  - The cessation of the unwinding of discounting on the Rocklea restructuring provision ($1.0M in financial year 2017).

- The Glen Waverley site was retained as back-up during construction of the Merrifield factory with an expectation that the site would be sold in financial year 2018. Given the good progress with the Merrifield factory, the Glen Waverley site was classified as held for sale at 30 September 2017, and early in financial year 2018 a sale contract was entered into. A profit on sale is expected to be recognised in the first half of financial year 2018
- Capital expenditure excluding the Merrifield capital is expected to be ~$30M in financial year 2018. This level is less than financial year 2017 depreciation and amortisation (excluding Merrifield) of $31.3M, and is consistent with spend levels prior to the Merrifield project (during which spend on other capital projects was tightened)

Material Business Risks

The DuluxGroup Board and management have established controls that are designed to safeguard the Company's interests and the integrity of its reporting. These include accounting, financial reporting, safety and sustainability, crisis management, fraud and corruption control, delegations of authority and other internal control policies and procedures.

The Board has also established practices for the oversight and management of key business risks. In particular, 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, with input as appropriate from the relevant Board committee, 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 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 (eg 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	Controls and Further Actions to Mitigate
Growth	An inability to identify and execute sustainable growth opportunities in local and offshore markets, and/or the risks associated with pursuing further growth, could impact the Company's long-term profitability.	• Experienced internal growth and M&A capability supported by external advisers as appropriate • Board oversight of growth activities
Key customer relationships	DuluxGroup's largest retail customers represent a significant portion of total revenue. Loss of revenue from key customers could impact the Company's profitability.	• Ongoing investment in iconic brands (marketing and innovation) to drive consumer activity into our key retail channels and to assist our customers in succeeding • Continued focus on providing superior customer service • A broad base of retail and trade customers maintained
Business continuity including catastrophic event or hazard in manufacturing and distribution operations and/or IT systems	DuluxGroup's operations could be impacted by accidents, natural disasters, failure of critical IT systems, cyber or other catastrophic events that have potential to materially disrupt its operations.	• Disaster recovery plans in place for all major sites and critical IT systems • Increased focus on addressing cyber security threats • Rigorous safety and hazard identification, audits and prevention systems at key sites, with significant ongoing investment in these systems • Insurance policies; including business interruption cover • Construction of the new water-based decorative paint factory in Melbourne is well advanced and will significantly reduce fire and flood risks
Competitive threats / market disruption	There is a risk that DuluxGroup's multinational competitors or new disruptive entrants could bring product innovations or lower cost to the Australian market, threatening DuluxGroup's market share and/or operating margins.	• Strong, established brands supported by ongoing marketing investment • Significant investment in local innovation and product formulation capability, to ensure products and services are well-suited to our markets • Use of multinational suppliers for key decorative paint raw materials to reduce potential technology exposure • Active international product benchmarking program
Erosion of brand equity	DuluxGroup's 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, product recall, 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
Key input volatility	Supply disruption and/or non-availability of key input materials could impact revenue and/or price volatility, including the effect of foreign exchange fluctuations, which 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 • Foreign exchange hedging program
Regulatory – safety	A death or major injury in the workplace would be devastating for employees and families and could jeopardise the Company's reputation as a first-choice employer.	• Heavy focus on disaster prevention, fatality prevention and personal safety • Significant investment in dedicated safety resources, training and audits • Refer to the Corporate Sustainability Report for further information
Industrial Relations	DuluxGroup product supply could be materially impacted by prolonged industrial disputes related to the renegotiation of collective agreements.	• DuluxGroup has multiple manufacturing and distribution sites. • Ongoing development of industrial relations capability • Continual focus on site based productivity improvement and positive employee relations • Enterprise agreement negotiations are conducted within established governance structures including defined negotiation frameworks and steering committee oversight
Project execution risk – construction of new water-based paint factory	A significant delay or cost overrun during commissioning could damage DuluxGroup's reputation to deliver future large scale projects.	• Rocklea manufacturing facility can continue to manufacture water-based paint so that in the event of a delay there is no threat to customer supply • Experienced project management team supported by good project governance (e.g. steering committee, Board oversight) • Operations management team appointed and working in conjunction with the project team

WE BELIEVE THAT A STRONG CORPORATE SUSTAINABILITY FRAMEWORK, PRACTICE AND CULTURE TRANSLATES TO A STRONG COMPANY THAT DELIVERS FOR ALL ITS STAKEHOLDERS OVER THE LONG TERM.

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 enhance, protect and maintain those places and spaces. We recognise that doing business in a responsible and sustainable way is critical for us to earn and maintain the respect and trust of all stakeholders including our consumers, customers and communities, our people and our shareholders.

This report has been prepared by reference to the relevant core principles of the globally recognised reporting framework developed by the Global Reporting Initiative (GRI). The GRI reporting framework sets out the principles and indicators that organisations can use to report their environmental, social and governance practices and performance.

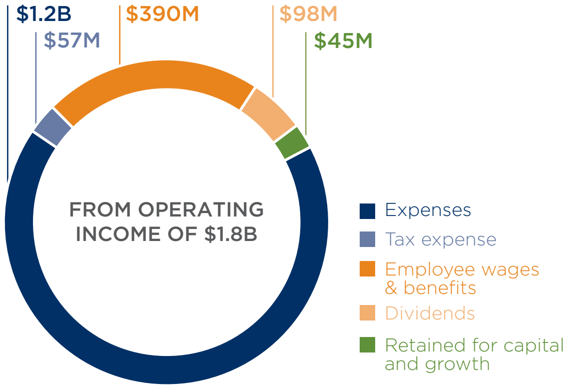
Dulux is helping to paint every Surf Live Saving Club in Australia

OUR COMMUNITIES

DuluxGroup is committed to being a welcome and positive participant in our communities.

Our commitment encompasses:

- giving back to our local communities through giving and volunteering programs to help them thrive;
- ensuring that our products and our operations cause no harm;
- employing thousands of local people;
- supporting the development of science and innovation through collaboration and investment;
- paying our fair share of taxes in all regions in which we operate;
- contributing positively to public policy debate to best represent the interests of our shareholders, employees, customers and community and to advocate for the global competitiveness of Australian industry.



DuluxGroup in the Community 2017

Of our $1.8 billion in revenue this year, approximately: $390 million went to wages and benefits for our 4,000 employees; $57 million was contributed in company income taxes; $98 million was returned to shareholders in the form of dividends; $1.2 billion was paid in expenses, including to thousands of suppliers – small, medium and large – some of which rely on DuluxGroup's businesses for their own viability and ability to employ. In addition, our employees contributed hundreds of hours volunteering to help out on community projects, to raise funds and to provide mentoring or technical expertise to help those in need.

Here are just some of the examples of where our people took time out to help their local communities to imagine and create a better place:

- B&D employees in New Zealand building bicycles to donate to children living with cancer
- DuluxGroup employees in Perth volunteering time and donating products to renovate emergency crisis accommodation for women and children escaping domestic violence
- Yates employees visiting schools to help students build community gardens and learn how to grow their own fruit and vegetables
- The Dulux Trade team raising more than $20,000 for Beyond Blue in partnership with Dulux Accredited Painters
- Cabot's employees supporting Men's Sheds throughout the country
- Dulux Australia donating paint and working with local Dulux accredited painters to renovate Cancer Council accommodation in Townsville
- Employees volunteering for Food Bank in Perth, Melbourne, Sydney and Brisbane
- Berger donating product to help young Sydney people brighten up local community spaces
- DuluxGroup New Zealand employees forming a band and putting on a concert to raise more than $NZ2000 for The Cancer Society

LOCAL SCHOOLS 'LIVE THE JOY OF THE GARDEN'

Yates employees are driven by a core purpose to help their consumers and communities to 'Live the Joy of the Garden'. In early Spring 2017, more than 20 Yates employees stepped away from their computers and got their hands dirty in a Community Give Back Program. The program saw three schools receive new gardens, which they won through the Yates 'Raise A Patch' competition.

Students learned how to grow their own seedlings and saw how easy it is to grow their own vegetables at school and at home. The program is designed help Yates employees get out into the community and share the rewards of 'living the joy of the garden'.

BERGER JET DRY GIVES KIDS SOMETHING TO JUMP ABOUT

Berger Jet Dry sponsored the Mt Druitt Youth Placemakers program to create a paving mural in a local shopping precinct. The mural was designed by a group of 14-15 year olds as a game for kids, to jump between the lily-pads and flowers. The team worked with Berger Jet Dry AquaTread paint and colours to draw the community to a previously unloved space.

Berger is supporting our local communities as they hunt for more places to bring to life in this way.

Our employee volunteer work complements the more formal community support activities that our businesses undertake each year. Examples include:

- Dulux sponsors the Melbourne School of Design (MSD) at Melbourne University to foster excellence in architectural education. The Dulux Gallery at MSD hosts a range of exhibitions designed to inspire innovation in architecture.
- Dulux is helping to paint every Surf Life Saving Club in Australia – helping to protect the assets that protect and support our community.
- Feast Watson's 'Relove' campaign, which this year raised $3,500 for the Salvation Army and is now in its fifth year.
- Dulux Australia donating $15,000 to e.motion21, a not-for-profit organisation that provides innovative dance and fitness programs for children and young adults with Down syndrome. Dulux's donation helps fund e.motion21's annual concert which takes place on World Down Syndrome Day. Dulux employees volunteer on the day as marshals and organisers, while the Dulux Dog is on hand as support.
- Yates helped more than 3,000 students across 25 schools throughout Australia to create outdoor classrooms and gardens as part of the Yates Junior Landcare Grants for Gardens Program.
- Dulux provides paint to help the National Gallery of Victoria showcase permanent and temporary exhibitions in colour perfect surroundings.

Dulux supports e.motion21 on World Down Syndrome Day

SUPPORTING THE NEXT GENERATION OF ARCHITECTS

The Dulux Study Tour is a coveted program that inspires and fosters Australia's next generation of architects. Now in its tenth year, this year's five participants were selected from more than 200 applicants, following assessment by a panel of esteemed Australian architects. The talented five embarked on a tour of Barcelona, London and Prague where they experienced firsthand some of the best architectural sites and practices. For the participants, it's a back-stage pass to some of the brightest architectural minds in the world. Dulux is proud to help foster our emerging architectural 'stars'.

Dulux Study Tour participants at the Ludwig Mies van der Rohe designed 'Barcelona Pavilion'.

DuluxGroup employs more than 130 scientists and technologists across its businesses, and is one of Australia's largest employers of industrial chemists. DuluxGroup currently employs 17 graduate scientists as part of its three year graduate program. In addition to its formal graduate program, DuluxGroup has long-standing collaborations to support university students through industry projects, placements and scholarships.

Supporting Australian Science and Innovation

DuluxGroup takes fundamental enabling science and, through marketing and innovation, develops it into market leading brands, products and services.

A number of our businesses, including Dulux, Yates, Selleys and Parchem, have ongoing collaboration with a range of tertiary institutions. This can include sponsoring PhD students, offering internships and industry placements and collaborating on research for broader economic and social benefit. During 2017, our businesses worked with Melbourne University, the University of New South Wales, Monash University, Charles Sturt University, the University of Sydney and CSIRO.

Investment in New Manufacturing Technology Delivers Community Benefit

Dulux's brand new world-class factory at Merrifield, north of Melbourne, uses the latest technology and is delivering new jobs and tangible economic and social benefits for the local community. This investment will have spill-over employment and research & development benefits throughout our supply chain, including to suppliers of raw materials. This $165 million investment in new manufacturing technology will have the capacity and flexibility to support Dulux's growing Australian business for decades to come.

The 2017 'Dulux Prize' is awarded to Sonia Poetrodjojo, BSc (Chemistry) Honours student at the University of Melbourne. Dulux has sponsored the award since 1987, to foster academic excellence in chemistry.

With the opening of its new factory, Dulux is investing in local jobs and manufacturing, which is benefiting the local community and broader economy.

TALENTED SCIENTISTS EARN A SUMMER IN THE LAB

Foregoing a well-earned summer break this year, five Monash Pharmaceutical Science students spent their time undertaking an industry placement at the Dulux Innovation Centre.

Dulux has a long standing relationship with the Monash Pharmaceutical (formulation) Science course, providing a range of industry based activities throughout the year. Industry placements provide valuable hands-on work experience that can be difficult to obtain prior to graduating. Dulux is always a popular choice for industry placements amongst students and, over the past few years, several students who have been placed at Dulux have successfully secured full-time employment at the Dulux Innovation Centre.

Monash University 3rd year science students participate in the Dulux industry placement, with Dulux Chemists.

Contributing to Public Policy and Debate

In 2017 DuluxGroup engaged with Government and contributed to public policy debate through:

- Regular meetings with political representatives and government officials by our Managing Director and CEO and senior executives
- Participation in industry forums and delegations through memberships of the Business Council of Australia, Manufacturing Australia and the Plastics & Chemicals Industry Association
- Submissions to Government Policy Reviews – specifically, the Australian Government's Review of the R&D Tax Incentive
- Hosting of political representatives at DuluxGroup sites to demonstrate the tangible benefits of local investment in science, innovation and manufacturing

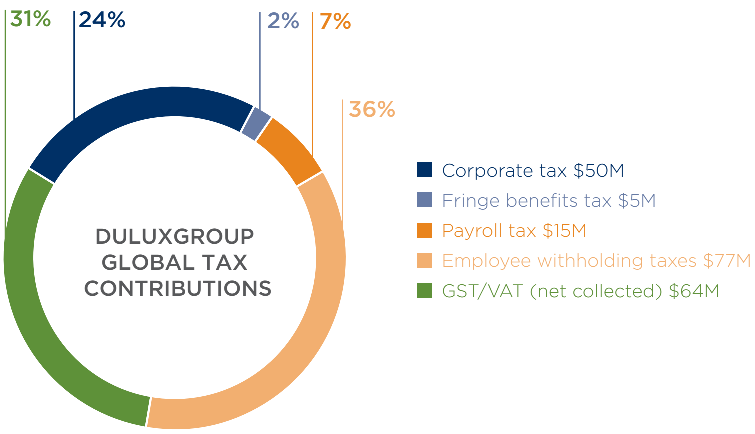
Some of the key issues raised included incentives for Australian industry to invest in genuine research and development that generates Australian jobs and delivers a long term economic and community benefit, and policies to ensure energy security and affordability that allows Australian manufacturers to compete globally.

Tax Transparency

DuluxGroup's tax culture is driven by our commitment to enrich the communities in which we operate. Our community expects that DuluxGroup pays its fair share of taxes – and we do. We manage our tax affairs appropriately and have robust governance, overseen by senior executives, our Board Audit and Risk Committee and our full Board.

In 2017, DuluxGroup adopted the voluntary Tax Transparency Code. DuluxGroup believes that increased transparency will enable more informed tax policy debate. It will also build community confidence in the integrity of Australia's taxation system and highlight the significant contribution made by Australian businesses.

Below is a summary of the taxes paid by DuluxGroup in regard to our global operations in 2017. Please refer to our Tax Contribution Report 2017 for more detailed information, which is available at www.duluxgroup.com.au.



Ivanhoe Grammar Senior Years and Science Centre by McBride Charles Ryan, a finalist in this year's Dulux Colour Awards. *Photographer: John Gollings*

Sustainable Products

We are committed to ensuring that our products make a positive impact on our communities and that we minimise the risks throughout our products' lifecycles. Our improvement priorities for sustainable products are focussed on ensuring effective identification and management of the material risks associated with our products. This includes a common strategic framework structured around three critical risk areas.

Sustainable Products Strategy

Product stewardship	Minimisation of potential harm from products throughout their life cycle, including formulation, manufacture, distribution, use and disposal
Chemicals of concern	Management of risks for hazardous chemicals used in products, particularly those with potential long term health or environmental effects
Sourcing	Sourcing of products, raw materials and services in an ethical and responsible manner

Product Stewardship

DuluxGroup conducts an annual risk assessment and improvement process for all products, which is focused on reducing their sustainability impacts. This includes all facets of products throughout their life cycle (cradle to grave), such as consumer safety, product misuse, post-consumer waste, non-renewable resources, volatile organic compound (VOC) content, packaging, and distribution. We are building on our long term focus on improvement in this area, which stems from our heritage under ICI's global ownership. Our current process was introduced in 2012 and more than 150 improvement actions continue to be implemented annually.

Chemicals of Concern

Managing the risks associated with hazardous chemicals used in formulation of our products, especially those with potential for long term health or environmental effects ("chemicals of concern"), is an important priority. Historically this was managed through our product stewardship process and many improvements have been implemented as a result (e.g. elimination of hazardous solvents from a large range of paints, sealants and adhesives). A new group standard and management process for chemicals of concern was developed during 2016. This is to ensure we stay abreast of international toxicological and regulatory developments and that we apply a consistent approach across all businesses. The process focuses on development of comprehensive risk management plans for all chemicals we identify as high priority or restricted use.

Sourcing

DuluxGroup is committed to sourcing products in an ethical and responsible manner, and to ensuring that risks associated with our significant expenditure on sourcing are well managed. Our newly developed 'sustainable procurement policy and standard' aims to ensure that environmental, health and safety, labour conditions and human rights considerations (including modern slavery) are embedded in procurement processes. Our goal is to only work with suppliers that are honest, transparent and committed to continuous improvement. We do not accept non-conformance with our requirements related to fraud, bribery and corruption, child labour, forced/bonded labour and illegal labour, and in such circumstances, will not proceed with supply until improvements are made. A formal supplier evaluation process has been established and was piloted during the year, complementing an existing evaluation process for contract manufacturers, which commenced in 2016.

Focus Area		2017 Priorities
Product stewardship	Stewardship risks, including: • post-consumer waste • renewable resources • consumer safety • VOC content • packaging • distribution	• Completion of annual product stewardship improvement plans and risk assessments • Completion of action plans associated with regulatory commitments, including Australian Packaging Covenant and waste paint recovery (Paintback)
Chemicals of concern	Hazardous chemicals used in products	• Continuing to develop and improve risk management plans for high priority chemicals of concern
Sourcing	Sourcing of products, raw materials and services	• Continued evaluation of contract manufacture suppliers to identify and manage sourcing risks • Developed a new sustainable procurement policy and piloted completion of an evaluation process to assess supplier policy compliance

2017 Performance

Product stewardship (improvement)

More than 150 improvement actions identified in annual Strategic Business Unit (SBU) product stewardship plans were implemented. Examples include:

- Dulux Australia continued to be an active, founding member of Paintback, a recovery scheme for leftover paint and packaging. More than 50 collection points have been established across Australia (to 30 July 2017), with more than 4 million kilograms collected.
- Dulux Acratex formulated and trialled a render product containing a Dulux Powders by-product, while Parchem replaced cement in three Renderoc products with waste fly ash.
- Yates introduced redesigned packaging for rodenticide products to reduce the potential for children to access the products, while Dulux, Selleys and Yates introduced enhanced labelling for safe use and disposal of aerosol products.
- Dulux Australia developed the first independently verified Environmental Product Declarations (EPDs) for a range of premium architectural decorative paints, providing comprehensive reporting of their environmental footprint (cradle to grave).

Product stewardship (community safety)

- There were no serious product incidents (Category 3) involving harm during product use by consumers and customers during the year, compared with two such incidents in 2016.
- There were no serious distribution incidents (Category 3) involving harm during distribution of products to customers during the year, compared with one such incident in 2016. There were no regulatory improvement and/or infringement notices received compared with one in the prior year.
- Our emergency response service responded to 599 calls during the year, compared with 555 calls in 2016. This service provides emergency support 24 hours a day, with more than 98% of calls involving minor human and animal exposures to products during use.

Chemicals of concern

Implementation of the group's new chemicals of concern standard commenced, with risk management plans developed for 50% of high priority chemicals. These plans have identified a range of improvement actions and complement actions identified and implemented via stewardship assessments. Examples include:

- Selleys developed new formulations for water based gap sealants and adhesives that eliminate a commonly used chemical with potential for aquatic toxicity. Trials and commercialisation are planned for 2018.
- DGL Camel replaced ethylene glycol in emulsion paints with a non-hazardous alternative and reformulated solvent based wood coatings to eliminate a common hazardous solvent.

Sourcing

Dulux, Selleys and Yates continued implementation of an evaluation process for key contract manufacturers that commenced in 2016, with more than 30% of significant spend manufacturers now formally evaluated and approved. Lincoln Sentry and Dulux piloted the new supplier evaluation process for sustainable procurement, with formal implementation to commence across the group in 2018.

DuluxGroup recognises the importance of a viable and productive network of suppliers, including the many small businesses who make up our supply chain. In 2017, DuluxGroup became a signatory to the *Australian Supplier Payment Code*. This is consistent with DuluxGroup's sustainable procurement practices and our already established practice of paying suppliers in a timely manner.

REDUCING PAINT WASTE

The Dulux Envirosolutions range provides trade painters with practical ways to dispose of waste paint, without harming the environment.

Dulux Envirosolutions Waste Paint Hardener turns unwanted water based paints and water based timber coatings into solid waste for responsible disposal.

Dulux is also a founding member of Paintback®, an industry led initiative that prevents unwanted paint and packaging going to landfill by establishing collection and treatment facilities around Australia. It is investing in research to find ways to re-purpose the valuable materials in leftover paint.

The program is funded by a 15 cent per litre levy on products sold by Australia's major paint manufacturers. After 12 months, more than 50 collection sites have been established and more than 4 million kilograms of paint and packaging has been diverted from landfill (as at July 30, 2017).

paintback
paintback.com.au

OUR ENVIRONMENT

Sustainable Operations

Our improvement priorities for sustainable operations are focussed on ensuring effective identification and management of the material risks associated with our sites. This includes a common strategic framework structured around three critical risk areas.

Sustainable Operations Strategy

Resource efficiency	Minimisation of operational resource use and impacts, including waste generation, water consumption and energy consumption
Land protection	Management and prevention of soil and groundwater contamination
Compliance	Management of operational environmental risks (e.g. air, odour, noise, waste, effluent) to meet regulatory standards and community expectations

Development and implementation of landfill waste reduction plans targeted to the largest waste generating sites has comprised our primary resource efficiency focus to date. Landfill waste generation levels have declined 25% over the last decade and a number of our largest sites have achieved significant reductions. This has been offset in recent years by implementation of reporting across acquired sites. During 2018 we will move to a focus on total waste generation (e.g. landfill, recycling, recovery) and materials efficiency reviews to identify further reduction opportunities.

Benchmarking indicates that our energy and water consumption levels are not highly significant compared with peer organisations and this is consistent with the nature of our manufacturing operations. A number of sites have implemented improvements in this area over time and we have recently completed a review of energy efficiency. LED lighting and solar in selected locations were identified as the key improvement opportunities and these are currently being pursued.

Prevention and management of soil and groundwater contamination is an important priority, particularly for our sites handling chemicals. We apply a targeted assessment and monitoring approach to our existing and acquired sites to ensure any risks are identified and managed. Localised, stable contamination associated with historic activities exists on some older sites, however no remediation is currently required.

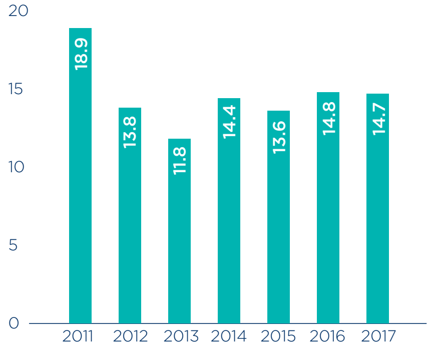
Ensuring operational environmental compliance in order to meet regulatory standards and community expectations is a foundation of our approach to risk management. A new program of specialist audits has recently commenced to ensure this is achieved and sustained.

Focus Area		2017 Priorities
Resource efficiency	Resource efficiency (waste, water, energy)	• Implementation of waste reduction improvement actions for priority sites • Review of energy efficiency improvement opportunities and development of plans
Land protection	Soil and groundwater	• Continued monitoring and investigation of soil and groundwater contamination risks
Compliance	Environmental compliance	• Commenced a new environmental specialist audit program

2017 Performance

Waste generation

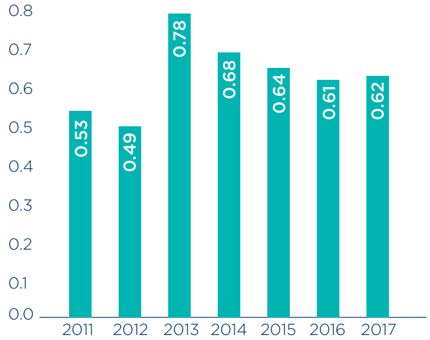
Waste to landfill (kilograms per tonne of production) decreased 1% to 14.7 kg/t. Significant waste reductions were achieved across some businesses, including decreases of 41% across Parchem and 11% across B&D Group. These improvements were largely offset by increased waste generation at Selleys Padstow, associated with operation of a waste water treatment plant.



Waste to Landfill (kg/t)

Water consumption

Water consumption (kilolitres per tonne of production), including water used in production processes and in products as a raw material, increased 2% to 0.62 kL/t, due to increased consumption at DGL Camel Dongguan. The paints and coatings businesses account for more than 75% of group water consumption, with approximately 40% of this water used as raw material in formulation of water based products. Excluding DGL Camel, water consumption across the Dulux paints and coatings businesses declined 9%.

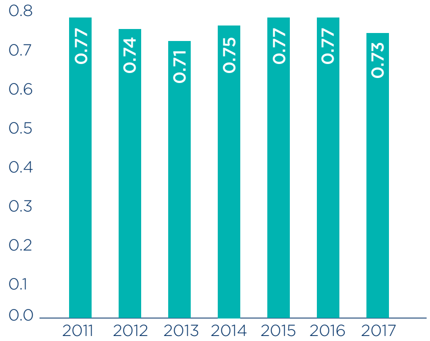


Water Consumption (kL/t)

Energy consumption and Greenhouse gas emissions

DuluxGroup is not an energy intensive manufacturer. Total energy consumption (gigajoules per tonne of production) decreased 5% to 0.73 GJ/t. This reduction was associated with a plant shutdown at Yates Wyee for a major project and closure of the Dulux Padstow and Selleys Moorebank warehouses in late 2016.

DuluxGroup meets the Australian National Greenhouse and Energy Reporting Scheme (NGERS) reporting criteria, primarily due to use of solvents in formulation of products. Excluding this raw material use, the operational energy consumption and greenhouse gas emissions from our Australian sites and businesses are below the reporting thresholds. The total greenhouse gas emissions (Scope 1 and 2) from our Australian sites and business activities were 31,100 tonnes (CO2-e or equivalent carbon dioxide emissions), 7% lower than 2016. Total energy consumed was 547,000 GJ, 13% higher than 2016. These variations were due to changes in solvent raw material mix and changes in calculation methodologies.



Energy Consumption (GJ/t)

Land protection

A number of soil and groundwater investigations have been undertaken in prior years. Further monitoring was completed during the year and no significant issues were identified.

Compliance

A new program of environmental specialist audits commenced, with four factories completed during the year.

Community

There were no serious community or environmental incidents (Category 3) during the year, consistent with none in 2016. There were no regulatory improvement and/or infringement notices received compared with two in the prior year.

Climate Change

DuluxGroup is committed to operating efficiently to limit our own climate change impact while adapting to the effects of climate change.

Reducing our Impact on the Climate

While our operations are not resource intensive relative to other benchmarked manufacturing organisations, our focus on resource efficiency ensures that we optimise energy and water use to limit the impacts of our activities on the environment.

DuluxGroup reports energy use and scope 1 and scope 2 greenhouse gas emissions under the National Greenhouse Energy Reporting Scheme (NGERS). More than 80% of our greenhouse gas emissions arise from electricity consumption with the remainder associated with use of natural gas, diesel and LPG fuels. DuluxGroup will continue to report NGER and corporate resource efficiency performance as a means of tracking improvements in energy efficiency and water consumption.

An assessment of the footprint of raw materials and services in 2017 has identified the most carbon-intensive inputs to our business. This information will be utilised in our Product Stewardship program to identify opportunities to reduce the life-cycle carbon footprint of our products.

Reducing the Impact of Climate Change on Our Operations

It is recognised that rising energy prices, declining reliability of energy supply and water scarcity could impact on our operations and put upward pressure on the price of utilities and raw materials. We use a combination of procurement strategy and operational efficiency to reduce our exposure to rising utility prices.

Climate change forecasts show a likely increase in the intensity of extreme rain events and harsher fire weather in southern and eastern Australia *(CSIRO and Bureau of Meteorology, Climate Change in Australia 2015)*. DuluxGroup manages this risk through business continuity risk planning, infrastructure design and risk assessment processes and site emergency planning.

OUR PEOPLE

At DuluxGroup, we believe that our diverse, skilled and engaged workforce is critical to our success. As a growing, multi-brand, increasingly global organisation, with more than 4000 employees in Australia, New Zealand, Europe, Papua New Guinea, South East Asia and China, our people are bound together with a common purpose: "To Imagine a Better Place for our Consumers".

Our Values and Behaviours

Our values are the foundation of the way that we work, internally and with all our stakeholders. They are reinforced to all our new employees who attend a values workshop, as part of their induction. We celebrate those who are outstanding examples of Living our Values through quarterly and annual values awards.

Employee Engagement

Our DuluxGroup Vales and Behaviours underpin our world class levels of employee engagement. We measure our employee engagement every two years using KornFerry HayGroup's global engagement survey. We invite all our people to respond and enjoy a very high response rate of above 90%. This year, our engagement was 72%, which is above the Asia Pacific standard and in line with the norm for high performing companies globally.

The survey highlights that our people recognise and value that DuluxGroup is a caring place to work, where we support each other and place a high value on safety and reducing our impact on the environment. It also reinforces the high value our employees place on our strong customer focus, where they can be proud to showcase our premium brands and provide first class products and service.

Safety at Work

Our safety improvement priorities are focussed on ensuring effective identification and management of the material risks associated with our operations and people. This includes a common strategic framework structured around three differentiated risk areas.

Safety Strategy

Disaster prevention	Prevention of disasters such as a major fire or explosion from manufacturing process safety risks and handling of dangerous goods
Fatality prevention	Prevention of fatalities from common significant hazards such as forklifts, working at height and driving
Injury prevention	Prevention of non-fatal injuries and illnesses from everyday hazards such as manual handling, sharp objects and exposure to noise or chemicals

This differentiated strategic approach recognises that a singular management focus on everyday injuries does not prevent high consequence events such as major fires or fatalities. These strategies are underpinned by a focus on risk management basics (e.g. incident reporting, change management) 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 of safety risk management is achieved via regular management reviews and due diligence processes that focus on both safety and sustainability (products, environment).

Safety & Sustainability Governance

Board Committee	A Board Safety and Sustainability Committee that meets four times per year to review performance, objectives and strategies, in addition to reviews at each Board meeting
Executive Council	All members of our Group Executive are on the Safety and Sustainability Council, which meets three times per year to review performance, approve strategy and lead implementation, in addition to reviews at each Group Executive meeting
Assurance process	An annual safety and sustainability assurance process whereby all businesses report on improvement progress and develop prioritised plans
Audit program	A safety and sustainability audit program for all businesses to assess effectiveness of risk management and identify improvement priorities

All line managers are responsible for managing safety and sustainability risks, supported by a number of dedicated specialists. The role of leadership, and therefore culture, is recognised as critical to achieving success and we continue to invest in a differentiated development approach. Since introduction commenced in 2012, more than 200 managers have completed our safety and sustainability leadership program (focused on how to influence and create culture) and over 400 managers have completed our safety and sustainability management program (focused on how to effectively manage risks).

Senior management remuneration is linked to safety and sustainability performance, including leading improvement activities (e.g. implementation of specific improvement actions for effective management of process safety, fatality and product stewardship risks) and lagging performance indicators (e.g. injury rates).

Disaster Prevention

Our priority focus on prevention of high consequence incidents such as a major fire or explosion from manufacturing process safety risks in our factories (e.g. flammable solvents, combustible dusts) or from handling of dangerous goods continued during the year. More than 33 years has elapsed since our last major incident (fire) involving a chemical process safety risk, however we know from the regular occurrence of such high consequence events in similar industries around the world that continuous vigilance and improvement action is required.

The key improvement activity in this area is our in-depth periodic hazard study process, which involves a deep multi-month hazard analysis to ensure that effective critical risk controls are being implemented and sustained. Specialist progress reviews are conducted every six months, including updating of each site's process safety lead indicator scorecard, to ensure improvement actions are effective. This is further supported by disaster prevention protocols that specify the minimum, generic control standards for management of flammable solvent and combustible dust risks.

A global best practice review of our process safety management framework by external specialists in 2016 rated our approach at 83% versus 342 organisations and operating sites with similar risk profiles (that is, we are operating in the top 17%). While several elements of the group framework were rated as excellent, some best practice improvement opportunities were identified and we are focused on addressing these in order to further enhance our approach.

Focus Area		2017 Priorities
Process safety	Manufacturing with flammable solvents and combustible dusts	• Completion of new Periodic Hazard Studies at three factories (Yates Wyee, Selleys Padstow, Dulux Glenfield) • Continued implementation of improvement plans at all factories where studies have previously been completed, including six-monthly progress reviews and use of lead indicator scorecards • Disaster prevention protocol reviews at all relevant factories and implementation of actions to address any identified significant gaps • Commenced implementation of best practice improvements identified during the 2016 external specialist review of our management framework
Dangerous goods	Storage, handling and distribution of dangerous goods	• Completion of specialist dangerous goods audits and associated improvement actions at a number of sites

2017 Performance

Process safety

There were no major process safety near miss incidents (Category 4) during the year, following one such incident in 2016 (Parchem Wyong solvent spill). More than seven years has now elapsed since the last major near miss incident across our heritage Dulux, Selleys and Yates businesses, and more than three years at DGL Camel in China. This represents significant improvement over time.

Dangerous goods

There were no serious incidents involving storage and handling of dangerous goods (e.g. loss of containment) across the business during the year. There were no regulatory improvement and/or infringement notices received, compared with one in 2016.

Fatality Prevention

DuluxGroup has been fatality-free for more than 23 years. The foundations of our fatality prevention strategy are hazard and near miss reporting, auditing of significant risks, risk management basics (e.g. permit to work, management of change), and implementation of protocols that prescribe higher levels of mandatory risk controls than traditional, historic standards. Our hazard and near miss reporting ("Total General Learning Incidents") is a foundation of maintaining risk awareness, especially for high consequence risks, so that we can take action before harm occurs.

During 2017 we continued this improvement work in order to protect our people and ensure we sustain our current fatality-free performance. From further benchmarking with peer organisations in similar risk sectors, we continue to recognise that this is an exceptional safety performance, however it cannot be taken for granted and the imperative for constant improvement in our management of significant fatality risks remains.

Focus Area		2017 Priorities
Fatality risks	Common fatality risks, including: • forklifts • racking • falls • electrical safety • machine guarding • lifting equipment • traffic management • driving	• Continued further implementation and verification of fatality prevention protocols that commenced in prior years. This included actions relating to electrical safety, falls prevention, traffic management and lifting equipment. • Introduced new protocol best practice reviews of the 14 largest sites, designed to drive full compliance to protocol requirements and identify best practice solutions for sharing across sites.

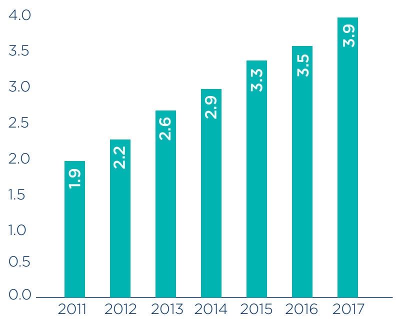
2017 Performance

Near misses

There were no major near miss incidents (Category 4) involving fatality risks during the year, with more than two years having elapsed since the last such incident. Serious near miss incidents (Category 3) decreased 45% to the lowest level on record since our focus on near miss reporting first started in 2007.

Reporting

Steady progress was made in ensuring we sustain a proactive culture for identification and reporting of all hazards and near misses ("Total General Learning Incidents"), with total numbers increasing 11% to a positive, historic high level of 3.9 per employee.



Total General Learning Incidents

Injury Prevention

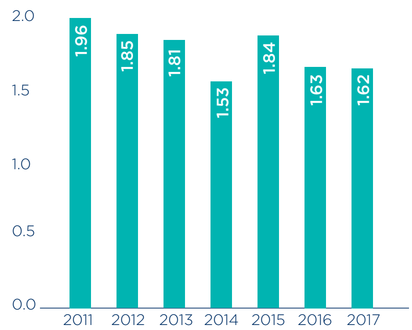
During 2017 we maintained our focus on prevention of common injuries and associated compensation claims from non-fatal risks such as manual handling, hazardous chemicals and slips, trips and falls. Manual handling risks are our major source of injuries and we continue to invest in reducing these risks via changes to workplace and equipment design. This is supported by risk assessments, training in standard operating procedures, health assessments and monitoring, and hazard reporting.

Focus Area		2017 Priorities
Injuries and health	Common non-fatal injury risks and associated compensation claims, including: • manual handling • sharp objects/tools • chemicals • noise • slips, trips and falls • health and well-being	• Continued implementation of targeted reduction plans for the 20 sites/areas that account for the majority of injuries • Continued improvements in management of compensation claims and premiums • Completed over 1,200 health assessments and over 500 hygiene tests to monitor employees working with chemicals or high-risk activities • Conducted various well-being activities, such as health initiatives (e.g. walking, diet) and piloting of a new mental health awareness program

2017 Performance

Injuries

Our Recordable Case Rate, or the total number of employee and contractor injuries requiring time off work, restricted duties or medical treatment per 200,000 hours, decreased 1% to 1.62 (representing 69 recordable injuries). This was in line with our 2016 injury performance and represents our second lowest level in the last 11 years. Additionally, benchmarking shows that this is top quartile performance for our industry. Our serious injuries (Category 3), involving more than 10 days of lost and/or restricted time, increased 13% and involved 34 injuries. These injuries were predominantly manual handling related strain injuries and the 2017 level remains 32% below our peak level recorded in 2015.



Recordable Case Rate

Claims

Compensation claims performance was positive, with claim numbers and compensation premiums reducing 26% and 8% respectively to historic low levels.

Compliance

There were no regulatory prosecutions or prohibition notices received during the year, consistent with none in 2016. There were three improvement and/or infringement notices received compared with one in the prior year, all of which were fully addressed.

Diversity and Inclusion

Building a diverse and inclusive workforce to deliver our business strategy continues to be a key priority for DuluxGroup's management team and the Board.

We recognise that diverse and inclusive workplaces deliver engaged employees, innovative thinking and improved results. We think about diversity in terms of gender, culture and age, as well as diversity of experience, skills and thinking. We aim to create a culture where each individual can bring their unique perspective to the work, share ideas, feel heard and achieve their potential. This is reflected in our value of 'embracing diversity'.

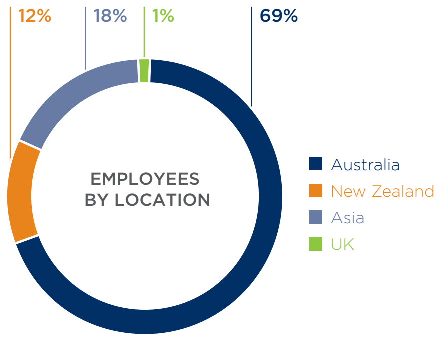
A copy of our diversity policy can be found on our website at www.duluxgroup.com.au.

Building a Diverse and Inclusive Culture

DuluxGroup currently operates in ANZ, Asia and the UK with more than 4,000 employees from diverse backgrounds.

We are focused on building an inclusive culture through:

- recruiting for diversity of experience and background
- incorporating inclusive leadership principles in all our leadership programs
- celebrating initiatives that encourage diverse and inclusive work cultures.



Gender Diversity

Our gender diversity objectives:

1. To increase the number of women in DuluxGroup
2. To increase the number of women in leadership positions in DuluxGroup
3. To build awareness of the business case for diversity in DuluxGroup

Our Progress in 2017

- Women make up 33% of our workforce in ANZ and 31% globally.
- Women make up 38% of our applicants to DuluxGroup, up from 31% in 2016.
- Women make up 25% of our senior leadership roles, up from 23% in 2016.
- Three of our business units are run by women.
- We have commenced quarterly tracking of the percentage of women on our business leadership teams.

We report our progress on gender diversity to the Workplace Gender Equality Agency on an annual basis. Our Gender Equality Indicators as defined by the Workplace Gender Equality Act can be found on the WGEA website at www.wgea.gov.au/report/public-reports.

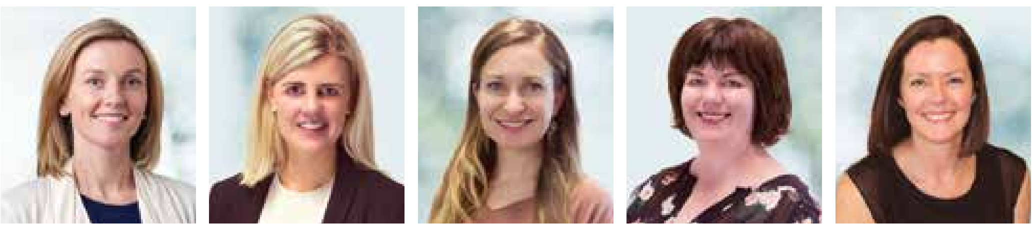
Increasing the Percentage of Women in Leadership

Our gender diversity strategy has a focus on increasing the percentage of women in leadership in DuluxGroup. We recognise that providing flexible work is a key factor in retaining talented women through the crucial middle years of their careers. DuluxGroup has long supported employees with flexible work arrangements, including part time, job share, working remotely, and staggered hours.

Women currently represent 25% of our senior leadership, up from 23% in 2016 and just 15% in 2012. We continue to increase our women in leadership by attracting talented women, retaining women in the middle years of their career through flexible working and active career pathing, and identifying and accelerating high potential women in our talent acceleration program.

In particular, we are focused on developing women in roles with ultimate ownership of business profitability. We are one of the 37% of ASX200 companies with a woman in a line role on our Executive team. (Source: Chief Executive Women's 2017 Senior Executive Census)

Our key business areas run by women include: Dulux Retail, Yates, Cabot's, Dulux Marketing and Innovation and Selleys Global Marketing Director.



From left: Jennifer Tucker (Executive General Manager – Yates), Natalie Ruuska (General Manager – Cabot's), Dorothy Grouios (General Manager – Dulux Retail), Helen Fitzpatrick (Director, Dulux Marketing and Innovation) and Joanne Smith, (Global Marketing Director, Selleys).

Attracting and Retaining Women to DuluxGroup

Our sector is viewed as traditionally male-dominated. However, we have had good success attracting women to work at DuluxGroup by promoting our employee value proposition. In 2017, 38% of applicants were female, up from 31% in 2016. 72% of roles had women on shortlists, with 57% of these roles filled by women.

We offer 12 weeks paid parental leave for the primary care-giver. While on parental leave, we encourage parents to keep in touch with the organisation, resulting in an 89% return rate of women after parental leave.

Gender Pay Equity

DuluxGroup is committed to gender pay equity. We conduct an annual pay equity analysis. Our process ensures that all roles are rewarded at competitive market rates and that there is no gender differential when setting salary levels or awarding incentives to employees. All employees are considered against job size, merit, and experience to ensure that any pay inconsistencies that do not relate to job performance are rectified.

Our Dulux Merrifield site is a state of the art $165 million manufacturing facility in the northern suburbs of Melbourne. As a greenfield site, it provided us with a unique opportunity to create a culturally and gender diverse workforce, representative of the community that we operate in.

The team built a recruiting process that minimised bias and tapped into diverse talent pools.

- We tapped into non-traditional talent pools by understanding the intrinsic qualities required for the role and recruiting for those (rather than experience in paint manufacturing or operator work).
- We attracted diverse applicants by: engaging directly with community groups and residents including the local council careers teams and the Hume Council Immigrant Women's Association; and showcased women and culturally diverse employees on the Dulux Merrifield website, billboards, and in other recruitment material.
- The recruitment process had a strong focus on removing opportunities for unconscious bias through utilising extensive objective, online testing and assessment centres, rather than a standard CV and interview.

This resulted in diverse team with a range of cultural backgrounds and experience, as well as a large percentage of women.

NAWO INTERNSHIP

DuluxGroup is committed to increasing the number of women in supply chain, traditionally male dominated. We participate in the National Association of Women in Operations (NAWO) Path4Graduates intern program which offers project based, paid internships to female university students. This initiative aims to attract talented women to operational careers.

"During my internship, I've had the opportunity to gain insights into what's involved in large scale production; from supply chain planning, to procurement, logistics coordination, engineering and production floor operations. Learning not just about the procedures that go into production but the people behind them and how they implement DuluxGroup values daily has been invaluable, and provided a fantastic example of what I can expect from my career with DuluxGroup."

Carly, NAWO intern at DuluxGroup who has recently been offered a role in our graduate program in Supply Chain.

Gender Diversity Key Statistics

Number and Percentage of Women

	2017		2016	
	Number	Percentage	Number	Percentage
Board	1 of 7	14	2 of 8	25
Non-Executive Directors	1 of 5	20	2 of 6	33
DuluxGroup Executive	2 of 9	22	3 of 10	30
Senior Leadership*		25		23
Organisation**		31		30
Graduates (ANZ)		46		46

* Leadership is defined as DuluxGroup senior managers (employees at CEO – 3 roles and above). These employees work in a variety of roles including business management, sales, supply chain, research and development, marketing and functional roles such as finance, IT, legal and human resources. They are responsible for delivering substantial commercial and operational outcomes and for leading people.

** Inclusive of our global workforce.

Diversity and Inclusion Governance

Board	The Board is responsible for setting the diversity objectives.
Board Committee	A Board Remuneration and HR Committee meets four times per year to review performance against objectives.
Executive Council	All members of our Group Executive are on the Diversity Council, which meets three times per year to review performance, approve strategy and lead implementation, in addition to regular reviews at Group Executive meetings.

DULUX TRADE CENTRES: CELEBRATING DIVERSITY

Dulux has a network of 89 Trade Centres across Australia. Our employees in the Trade Centres are drawn from their local communities and represent the cultural diversity of our customers. We have a number of initiatives to recognise and celebrate the diversity within our business and our customer base.

These include events such as 'Harmony Day', where our Dulux Trade Centres hold a morning tea with store staff to celebrate their cultural diversity. All employees are encouraged to bring in an international dish to share with colleagues and to learn a little of their heritage.

Developing our Next Generation of Leaders

Graduate Development

Our three-year Graduate Development Program offers recent university graduates work in real jobs, while providing them with structured development opportunities. Graduates join across our business, including as graduate chemists, marketing product managers, site engineers and business analysts. Over the course of the program, they move between functional areas, locations, businesses and brands.

The Graduate Development program delivers much more than technical skills and knowledge – DuluxGroup is developing our graduates to be leaders of the future. During the three-year development program, they experience skills and development programs on finance, project management, presentation skills, communication skills and a variety of business simulations. The graduates do field work, spend time in various parts of the business and develop a holistic view of DuluxGroup. Our Executive team and other senior leaders actively sponsor and mentor graduates.

Talent Acceleration

We offer a number of leadership programs to support our people to progress their careers through the organisation. This includes our talent acceleration program for 'Future Leaders'. The program offers focused development in people leadership skills, business acumen through a 10 week business simulation program, and mentoring by our senior leaders.

Employee Relations

We operate under many jurisdictions with differing workplace laws. We are committed to complying with our legal obligations in relation to our employees, and use both individual and collective arrangements. We recognise and respect the right of our employees to have representation of their choice.

Top: DuluxGroup Graduates from around the globe gather at the annual Graduate dinner with Managing Director and CEO Patrick Houlihan
Bottom: Regular workshops help Graduates develop skills and knowledge

OUR GOVERNANCE

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. We have a robust corporate governance framework in place and we are committed to fostering a culture of compliance that values personal and corporate integrity, accountability and continuous improvement.

Our corporate governance framework includes:

An experienced and engaged Board of directors and management team.	**Clear and transparent communication with our shareholders.**	**Strong risk management and assurance processes and culture.**	**Our Values and Behaviours and supporting policies that underpin how we do business.**

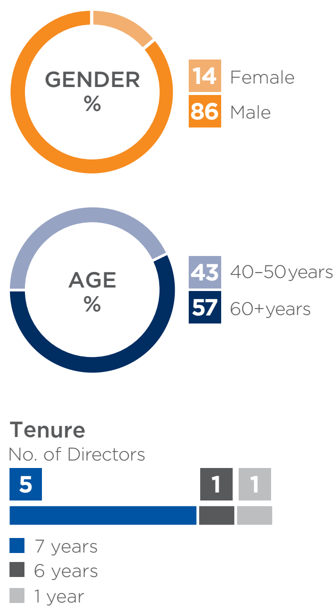
DuluxGroup's corporate governance framework complies with the 3rd edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (**ASX Principles**). For more information, read our latest Corporate Governance Statement at www.duluxgroup.com.au.

Board and Committees

The Board's primary role is to ensure the protection and enhancement of long term shareholder value taking into account the interests of all stakeholders. The Board has four standing committees that assist the Board in discharging its responsibilities. These cover audit and risk, remuneration and human resources, safety and sustainability, and Board succession and performance. Read our Board and Committee Charters at www.duluxgroup.com.au.

The Board believes that having a range of different skills, backgrounds, experience and diversity ensures a broad range of viewpoints which facilitate effective governance and decision making.

Board Skills, Experience and Diversity



The Board has an active continuous education program in place. During 2017, this program included:

- a visit to Dulux Australia's new $165M paint manufacturing facility in Merrifield, Melbourne;
- tours of the USA, the United Kingdom and broader Europe to give the Board insight into growth opportunities, DuluxGroup's operations and the relevant markets; and
- presentations from key customers as well as subject matter experts on issues including marketing, technology, remuneration, capital markets and accounting developments.

More information on our Board members can be found on pages 60 to 61. Also, read our Corporate Governance Statement at www.duluxgroup.com.au for more information about our Board including our appointment, evaluation and succession planning processes, our independence policy and our expectations about managing conflicts of interests.

Management

The CEO, together with the DuluxGroup executive team, is responsible for the development and implementation of strategy and the overall day-to-day running of the company. This includes operational, financial and strategic delivery, risk management, leadership and oversight of people and culture. A formal delegation of authority is in place that sets out the powers that are reserved to the Board and those that are delegated to the CEO. More information on our DuluxGroup executive team can be found on pages 62 to 63.

Shareholder Engagement

DuluxGroup is committed to open, clear and timely communications with its shareholders. Our Shareholder Communications Policy and investor relations program encompasses our commitment to provide two-way communications through a number of channels including our website, AGM, Annual Report, ASX disclosures and engagement with investors, governance bodies and the media. We are also committed to encouraging greater online and electronic communications, including through improving the functionality of our website. Read our Corporate Governance Statement and our Shareholder Communications Policy for more information at www.duluxgroup.com.au.

Risk Management Framework

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. We also have robust crisis management and disaster recovery plans in place, demonstrated by our response to the Queensland floods in 2011. By understanding and managing risk, greater certainty and confidence is provided to all our stakeholders.

- The Board's Audit and Risk Committee reviews the company's overall risk management framework each year and regularly meets with representatives from various business units to discuss the key risks affecting their businesses
- Our key business units and functions, together with the DuluxGroup Executive and the Board, review and update the Company's risk register on an annual basis
- The top 20 risks on the register are then systematically reviewed by the DuluxGroup Executive during the course of each year including controls and mitigating actions
- We also carry out theoretical and company-specific crisis management exercises from time to time with the assistance of external specialists to test our crisis management plans.

Read our Corporate Governance Statement on our website for more information.

Governance Policies

DuluxGroup people are united by shared values that underpin the way we ultimately deliver our core purpose. These values are supported by our Code of Conduct and policy framework. It is expected that all our people observe the highest ethical standards of corporate and business behaviour.

- **Code of Conduct:** This sets out the standards of business conduct required of all our people. This also includes a commitment to comply with all applicable laws and regulations. A Speak Up line has been established to enable our people to report (on an anonymous and confidential basis) breaches of the Code of Conduct. Our Speak Up line is available to all DuluxGroup employees around the world and can be reached any time, day or night. If a report is made, it is escalated for investigation and action. We prohibit retaliatory action against any employee, officer or director who reports a possible violation.
- **Fraud, Bribery and Corruption Control:** We have a zero tolerance stance towards fraud, bribery and other improper behaviour. We are committed to the prevention and detection of fraud and bribery (including in both local and foreign jurisdictions) through the development and implementation of our Fraud, Bribery and Corruption Control Policy and Framework along with our Gifts and Entertainment Policy. We recently refreshed these policies, as well as our training and monitoring programs, to ensure they meet the highest standards globally including those required under the relevant UK and US legislation.
- **Political Donations:** From time to time, we attend events hosted by political parties where relevant topics are being discussed, however, we do not make political donations. Our policy is that all political donations must be authorised by the DuluxGroup CEO and CFO. Any donation proposed by the CEO or CFO must be approved by the Chairman of the Board. All political donations must be disclosed as required by law, and appropriately recorded in the DuluxGroup accounts.
- **Competition and Consumer Law:** We take our legal obligations in relation to promoting competition and protecting consumers very seriously. We have robust policies, systems and training programs in place. Each of our people is responsible for compliance – no employee, whatever his or her position, is permitted to contravene this policy, and ignorance is no excuse.
- **Privacy:** The privacy of our consumers' personal information is of the utmost importance to us. We are committed to protecting all personal information that we collect and we have policies and procedures in place to ensure we meet the Australian Privacy Principles.

Other policies and procedures relevant to our corporate governance practices can be found on our website.

Our Board

Peter Kirby

BEc (Hons), MA (Econ), MBA

Chairman and Non-executive Director since July 2010. Chair of the Remuneration and Human Resources Committee and Chair of Nominations Committee. Member of the Audit and Risk Committee.

Former Director of Macquarie Group Limited August 2007 to July 2014 and of Macquarie Bank June 2003 to July 2014. Former Director of Orica Limited from July 2003 to July 2010 and former Managing Director and Chief Executive Officer of CSR Limited from 1998 to March 2003. Peter was also Chairman and Director of Medibank Private Limited, a member of the Board of the Business Council of Australia and the Chairman/CEO of ICI Paints and member of the Executive Board of ICI PLC.

Patrick Houlihan

BSc (Hons), MBA

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

Former CEO of Orica Limited's DuluxGroup division and member of Orica Limited's Group Executive from February 2007 to July 2010. Patrick joined DuluxGroup in 1989 as a research chemist, where he worked for the first nine years. Patrick was also the Yates General Manager, Selleys Sales Director and Dulux Marketing Director. Patrick is a Director of the Murdoch Children's Research Institute.

Andrew Larke

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

Non-executive Director since October 2010. Member of the Audit and Risk Committee, member of the Remuneration and Human Resources Committee and member of the Nominations Committee.

Director of Diversified United Investment Limited since March 2015. Director of Ixom Limited (formerly the Chemicals division of Orica) since March 2015. He was the Managing Director and CEO of Ixom from 2013 to 2015 and was Global Head of Group Strategy, Mergers & Acquisitions at Orica for 12 years. Prior to that, he was General Manager of Strategy, Mergers & Acquisitions at North Limited.

Graeme Liebelt

BEc (Hons)

Non-executive Director since June 2016. Chair of the Safety and Sustainability Committee and member of the Remuneration and Human Resources Committee and member of the Nominations Committee.

Chairman of Amcor Ltd since December 2013, Director of Amcor Ltd since April 2012, Director of ANZ Banking Group Limited since July 2013 and Director of the Australian Foundation Investment Company Ltd since June 2012. Graeme is also a Director of Carey Baptist Grammar School. He is a Fellow of the Australian Institute of Company Directors and of the Australian Academy of Technological Sciences and Engineering. He was the Managing Director and CEO of Orica Limited from 2005 to 2012 and Executive Director of Orica Limited from 1997 to 2012. Graeme has also held a number of senior roles, including CEO of Orica Mining Services from 2000 to 2005 and Managing Director of DuluxGroup from 1995 to 1997.

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.

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 Human Resources Committee and Nominations Committee.

Chairman of Helloworld Limited since October 2016, Director of Treasury Wine Estates Limited since September 2012 and Director of Myer Holdings Limited from September 2017. A former director of Spotless Group Holdings Limited from March 2014 to August 2017 and Chairman from February 2017, Chairman of PanAust Limited from 2008 to 2015, Director of Integral Diagnostics Limited from October 2015 to March 2017, Director of Qantas Airways Limited from 2005 until 2015, 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.

Judith Swales

BSc Microbiology and Virology

Non-executive Director since April 2011. Member of the Audit and Risk Committee, member of the Safety and Sustainability Committee and member of the Nominations Committee.

Chief Operating Officer Transformation and Innovation for Fonterra Co-operative Limited. 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 is also a former Managing Director of Angus & Robertson and has held positions at UK retailers WH Smith plc and Marks & Spencer plc.

Simon Black

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

Company Secretary and General Counsel since July 2010.

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

Our Executive

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.

Martin Ward

Executive General Manager – Selleys

Martin was appointed to his current role in April 2014. He leads the Global Selleys and Parchem business units and has extensive business leadership experience, including as General Manager Strategic Marketing for DuluxGroup, Managing Director of Selleys, General Manager of Cabot's, as well as other senior strategic planning, marketing and operational roles over 25 years with DuluxGroup. Martin was also a partner at Origin Capital Group in the merchant banking sector, Company Director at retailer Inspirations Paint and Board Member at the Camp Quality Children's Cancer Charity.

Jennifer Tucker

LLB, BCom

Executive General Manager – Yates.

Jennifer was appointed to her current role in July 2014. Jennifer joined DuluxGroup in 2005 as a senior brand manager for Selleys. She has since progressed through a succession of sales, marketing and business development roles, including Yates Marketing Manager, Selleys Channel Business Manager and Paint Accessories Business Manager. Prior to joining DuluxGroup, Jennifer held sales and marketing roles at Luxaflex and Rheem Australia.

Patrick Jones

BBus (Hons), CPA

Chief Operating Officer
– Dulux Paints and Coatings.

Patrick joined ICI in 1995 and moved into the DuluxGroup business in 1999. He 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.

Richard Stuckes

Chief Operating Officer
– DGL International.

Richard joined DuluxGroup in his current role in April 2017. Richard has broad international experience and expertise in consumer facing businesses, built over a 25 year career working in the UK, Europe, Asia and the United States. He joined ICI Paints (now Akzo Nobel) in 2005 and was Managing Director of the business in the UK, Ireland, Europe, Middle East, Africa and China during more than eight years with the company. Prior to that, during a 13 year career with Philips Lighting, he was Managing Director of the Philips business in regions including the UK, Spain and Portugal.

Brad Hordern

BEng (Hons)

Executive 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).

Murray Allen

B App Sc, Dip Ed, DBus, MBA

Executive General Manager
– B&D Group.

Murray was appointed to his current role on 1 January 2017. He joined DuluxGroup in 1989 and has progressed through a series of sales and marketing roles, including National Sales Manager for Cabot's and General Manager of Retail Channels for Dulux. Most recently Murray was General Manager of DGL International Paints. Prior to that he was Marketing & Technical Director for Dulux Paints ANZ and General Manager of Consumer Focus DuluxGroup. For a period from July 2005 to February 2010, Murray held senior roles outside of DuluxGroup, including CEO of Sabco Australia and General Manager of Stanley Australia.

Siobhan McHale

BA (Hons), MSc

Executive General Manager
– DuluxGroup Human Resources.

Siobhan joined DuluxGroup in her current role in February 2016. Prior to that she has held a number of senior human resources positions including Executive General Manager Culture, Change and Executive Learning at Transfield Services, Group General Manager of Culture and Change at ANZ Bank, and Senior Executive Development Manager at Ansett Airlines. Prior to that, Siobhan held senior management consultancy roles in Australia and the UK.

Financial Report

Contents

Directors' Report

As at 15 November 2017

The Directors of DuluxGroup Limited (the Company) present the financial report for the Company and its subsidiaries (collectively 'the consolidated entity' or 'the Group' or 'DuluxGroup') for the financial year ended 30 September 2017 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 67 to 82;
- the Operating and Financial Review on pages 12 to 35;
- details of the current Directors and the Company Secretary on pages 60 to 61;
- Note 22 (Director and executive disclosures) to the financial statements accompanying this report; and
- Note 27 (Auditor's Remuneration) 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 and Non-executive Director

Patrick Houlihan – Managing Director and Chief Executive Officer

Stuart Boxer – Executive Director and Chief Financial Officer

Gaik Hean Chew – Non-executive Director (resigned effective from 14 December 2016)

Garry Hounsell – Non-executive Director

Andrew Larke – Non-executive Director

Judith Swales – Non-executive Director

Graeme Liebelt – Non-executive Director

Particulars of the current Directors' and the Company Secretary's qualifications, experience, period of appointment and special responsibilities are detailed on pages 60 to 61 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]		AUDIT AND RISK COMMITTEE		REMUNERATION AND HUMAN RESOURCES COMMITTEE[2]		SAFETY AND SUSTAINABILITY COMMITTEE		NOMINATIONS COMMITTEE[3]	
	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED
Peter Kirby	8	8	4	4	4	4	–	–	2	2
Patrick Houlihan	8	8	–	–	–	–	4	4	2	2
Stuart Boxer	8	8	–	–	–	–	–	–	2	2
Gaik Hean Chew	3	3	–	–	1	1	1	1	–	–
Garry Hounsell	8	8	4	4	4	4	–	–	2	2
Andrew Larke	8	8	4	4	4	4	–	–	2	2
Judith Swales	8	8	4	4	–	–	4	4	2	2
Graeme Liebelt	8	8	–	–	4	4	4	4	2	2

(1) Shows the number of meetings held and attended by each Director during the period the Director was a member of the Board.

(2) This committee was known as the Remuneration and Nominations Committee before 1 January 2017.

(3) This committee was established with effect from 1 January 2017.

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 SHARE RIGHTS HELD PURSUANT TO THE DULUXGROUP SALARY SACRIFICE SHARE PLAN[1]	NUMBER OF SHARES HELD PURSUANT TO THE 2014 DULUXGROUP LONG TERM EQUITY INCENTIVE PLAN (LTEIP) OFFER[2]	NUMBER OF SHARES HELD PURSUANT TO THE 2015 AND 2016 DULUXGROUP LTEIP OFFERS[3]
Peter Kirby	180,095	31,055	–	–
Garry Hounsell	154,762	–	–	–
Andrew Larke	172,156	–	–	–
Graeme Liebelt	21,054	15,521	–	–
Judith Swales	60,000	–	–	–
Patrick Houlihan	1,067,018	–	443,582	872,839
Stuart Boxer	388,085	–	169,565	333,660

(1) Unrestricted shares or share rights beneficially held in own name or held indirectly including in the name of a trust, superannuation fund, nominee company, close member of their family or private company.

(2) Since the end of the financial year, these shares have met the applicable DuluxGroup LTEIP performance condition and vested on 15 November 2017. The restriction on trading these shares will be lifted upon repayment of the loan. The loan must be repaid during the period from 28 November 2017 to 2 February 2018.

(3) These shares are held pursuant to the terms of the DuluxGroup LTEIP (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, South East Asia and the United Kingdom. There have been no significant changes in the nature of those activities during the year.

Business strategies, prospects and likely developments

The Operating and Financial Review (**OFR**) on pages 60 to 61 of the Annual Report sets out information on the business strategies and prospects for future financial years, and refers to likely developments in DuluxGroup's operations and the expected results of those operations in future financial years. Information in the OFR is provided to enable shareholders to make an informed assessment about the business strategies and prospects for future financial years of DuluxGroup. Information that could give rise to likely material detriment to DuluxGroup, for example, information that is commercially sensitive, confidential or could give a third party a commercial advantage, has not been included. Other than the information set out in the OFR, information about other likely developments in DuluxGroup's operations and the expected results of these operations in future financial years has not been included.

Review and results of operations

A review of the operations of the consolidated entity during the financial year, the results of those operations and the financial position of the consolidated entity are contained on pages 12 to 35 of the Annual Report.

Dividends paid in the year ended 30 September 2017

In respect of the 2016 financial year, a fully franked final dividend of 12.5 cents per ordinary share was paid on 9 December 2016. The financial effect of this dividend has been included in the financial statements for the year ended 30 September 2017.

In respect of the 2017 financial year, a fully franked interim dividend of 13 cents per ordinary share was paid on 9 June 2017. The financial effect of this dividend has been included in the financial statements for the year ended 30 September 2017.

Since the end of the financial year, the Directors have determined a final dividend to be paid at the rate of 13.5 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 2017 are as follows:

- Total assets of $1,262.1 million increased by $66.3 million on the prior year.
- Year end net debt of $334.2 million increased by $33.6 million on the prior year.
- Total equity attributable to the ordinary shareholders of DuluxGroup Limited of $410.7 million increased by $56.9 million on the prior year.

Events subsequent to balance date

On 15 November 2017, the Directors determined that a final dividend of 13.5 cents per ordinary share will be paid in respect of the 2017 financial year. The dividend will be fully franked and payable on 13 December 2017. The financial effect of this dividend is not included in the financial statements for the year ended 30 September 2017 and will be recognised in the 2018 financial statements.

The Directors have not become aware of any other matter or circumstance that has arisen since 30 September 2017, that has significantly affected or may significantly 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 a commitment to the 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 Corporate Sustainability Report on pages 36 to 59 of the Annual Report 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 financial year.

The Company has paid a premium in respect of a contract insuring officers of the Company and its subsidiaries 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.

The Board, in accordance with advice received from the Board's Audit and Risk Committee, 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 during the financial year. A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is contained on page 83 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 27 of the financial statements accompanying this report.

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, with the Company being in a class specified in the ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191.

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

Peter M Kirby
Chairman,

15 November 2017

Remuneration Report (Audited)

Dear shareholders,

On behalf of the Board, I am pleased to introduce DuluxGroup's 2017 Remuneration Report, for which we seek your support at our Annual General Meeting this December.

Performance alignment

We are proud of the high degree of alignment in outcomes for shareholders and for management. Group results for the year have been strong, and both shareholders and executives will benefit.

In 2017 there was strong growth in earnings across our key businesses, with Group EBIT increasing by 6.5 per cent from last year. This has led to an increase of 9.6 per cent in NPAT, to $142.9 million in 2017.

Since our demerger from Orica in 2010 with a share price of $2.50, we have exceeded ASX200 index growth to a 30 September 2017 share price of $7.00, whilst maintaining a dividend payout ratio of approximately 70 per cent of NPAT. Our strong and consistent year on year increase in shareholder value has continued in 2017 with dividends of 26.5c per share declared in relation to the 2017 financial year (an increase of 10.4 per cent on the prior year), accompanied by strong share price growth.

Our business success is reflected in the outcomes for executives under the Group's short-term and long-term incentive programmes.

Short-term incentives

It is an important underpinning of the executive short-term incentive programme that **no payments** would be made if NPAT (before non-recurring items) for 2017 did not exceed NPAT (before non-recurring items) for the previous year.

Once this hurdle is achieved, 70 per cent of any payments to executives covered in this report are based directly on **financial performance**. The average short-term incentive outcome of 73 per cent of Stretch compares to 53 per cent of Stretch last year, and 64 per cent of Stretch in 2015, with the variability in outcomes each year demonstrating the strong alignment between our actual financial performance and executive remuneration.

It is equally important that the balance of the measures which determine short-term incentive outcomes are real and challenging. At least 10 per cent of the outcome for each executive (and twice this amount for the Executive General Manager – Supply Chain) is based on achievement of quantitative **safety and sustainability** targets. Each individual's performance on these measures in 2017 was between 50 per cent and 91 per cent of Stretch – a range which demonstrates the challenging nature of the targets set, given our good performance.

Short-term incentive outcomes importantly also reflect the delivery of **key projects** which are essential to long term business success, and to the sustainable growth and international expansion of the Group. Each individual's performance on these measures in 2017 has been assessed as between 50 and 80 per cent of Stretch – a range which demonstrates that the targets set are challenging, and are subject to robust and objective assessment.

The Board retains overarching discretion (both up and down) in order to ensure that short-term incentive outcomes appropriately reflect the performance of the Group and of the individual (including to reflect any misalignment of values or behaviours).

More information on the Group's 2017 performance and resulting short-term incentive outcomes is provided in sections 3.2 and 3.3 of this report.

Long-term incentives

Sustained Company performance will also be reflected in the benefits for executives through long term incentives.

The vesting of the awards relies on achievement of threshold earnings per share growth over the three-year performance period of the awards since 2014. The threshold of 4 per cent per annum has been significantly over-achieved, with diluted statutory earnings per share compound annual growth of 10.1 per cent (7.7 per cent per annum when calculated excluding non-recurring items).

The actual benefit for executives will rely on our three-year Total Shareholder Return performance, calculated in the week following the Company results announcement on 15 November 2017. This is a relative measure, which compares our Company share price and dividend performance against that of peer companies over the same timeframe. Subject to Board approval, this performance will determine the portion of loan forgiveness (from zero to a maximum of 30 per cent) that may be applied to the awards. Any loan forgiveness is only provided where we outperform our peers in providing benefits to shareholders.

More information on the long-term incentive programme, including the 2016 Total Shareholder Return calculation is provided in section 3.4 of this report.

Management and shareholder alignment

Encouraging share ownership continues to be a key aspect of the Group's culture, so that all employees think like shareholders and 'run the business as their own'.

As foreshadowed in my letter to you last year, we have introduced a deferred component to the short-term incentive programme for the DuluxGroup executive team, and 15 per cent of each executive's short-term incentive outcome for 2017 (as described above and in this report) will be deferred in rights to Company shares. These awards are subject to forfeiture for two years after they are allocated this December, if the executive leaves the Group in certain circumstances (such as on dismissal for misconduct, or where an executive resigns or retires without a managed transition approved by the Board).

The deferral of short-term incentives in rights to shares will increase executives' exposure to the DuluxGroup share price and dividends. It enhances the alignment to shareholder interests already provided by the Company's long-term incentive programme, under which executives hold ordinary, restricted, shares (rather than rights to future shares) from the time that the awards are granted. Executives can additionally choose to sacrifice pre-tax remuneration to purchase more Company shares. Collectively these programmes assist executives to meet the Company's minimum shareholding requirements, which set a target of 100% of gross fixed remuneration to be held in unrestricted ordinary shares by the CEO, the CFO and the Chief Operating Officer – Dulux Paints and Coatings. These individuals currently hold shares well in excess of the requirements, as do the majority of directors.

Information on minimum shareholding requirements and the current shareholdings of directors and executives is provided in section 4 of this report.

Broad-based share ownership

The Company's long-standing all employee share programme has run every year since demerger, and was recognised in April 2017 with an award for Best Share Plan for Fostering Long-Term Share Ownership from Equity Ownership Australia. The programme has helped approximately 70 per cent of employees in Australia and New Zealand to become shareholders in the Company.

The opportunity to participate in this year's December 2017 offer will be extended to our employees in Papua New Guinea and in the United Kingdom.

Review and changes in 2017

Review of remuneration arrangements

The Remuneration and Human Resources Committee continues to be actively informed about changes made by Australian companies in executive remuneration. It has considered market trends and the emerging practice of peers in the context of our existing approach to remuneration, and the strategy, context and direction of DuluxGroup. The Committee and the Board strongly believe that our current remuneration framework is robust, focuses executive effort on the long term strength of the Company, and provides clear and direct alignment with the interests of our shareholders through share ownership.

More information on the remuneration framework, demonstrating the strong links from the Group's strategy and performance to remuneration outcomes, is provided in section 2.1 of this report.

Malus and clawback

In addition, the Board has undertaken a comprehensive review of our malus and clawback policy and provisions, and has strengthened our existing arrangements. We have a strong and aligned company culture, and we do not believe that any uncertainty exists in regard to our Company values or expected behaviours. However, the changes made will help to ensure that no individual receives an unfair benefit (or detriment) in cases where there is material reputational damage to the company or any of its businesses (even where there is no intentional misbehaviour or fraud).

More information on the Company's clawback policy is provided in section 5.2 of this report.

Fixed remuneration increases

During 2017 fixed remuneration for executives was generally adjusted in line with salary increases across the Australian market. Fixed remuneration for our executives remains modest compared with peers, reflecting our strong focus on long term outcomes and rewarding performance through 'at risk' incentives.

In order to remain competitive for talent, the Board conducts a comprehensive review of market remuneration levels for executive roles every second year. This review has taken place during recent months, with any recommendations for change to be considered by the Board and effective in 2018.

More information on fixed remuneration changes in 2017 is provided in section 3.1 of this report.

Diversity strategy and employee engagement

The Remuneration and Human Resources Committee is responsible for other Human Resources matters across the Group.

Our gender diversity strategy has a focus on increasing women in leadership as we believe that this is the most impactful way to influence gender diversity across the Group. In particular, we are focused on developing women in commercial roles. We are proud to be one of just 37 per cent of ASX200 companies with any women in a line role on our Executive team. A number of our key business and functional areas are run by women, including Dulux Retail, Yates and Cabot's.

The DuluxGroup Values and Behaviours underpin our world class level of employee engagement, which is measured every two years using Korn Ferry Hay Group's global engagement survey. We invite all of our people to respond, and enjoy a very high response rate of above 90 per cent. This year our engagement was 72 per cent, which is above the Asia Pacific standard and in line with the norm for high performing companies globally.

More information on the engagement survey results is provided in Our Corporate Sustainability Report.

The 2017 Remuneration Report

Following the reshaping of the structure of our Remuneration Report last year, we have minimised the level of change for 2017, and focussed on ensuring that the link between our strategy, our performance, and our executive remuneration outcomes is clearly and simply articulated.

As was the case last year, a separate document on the operation of our short and long term incentive programmes has been published on the Group's website for shareholders who would prefer more detail (www.duluxgroup.com.au/investors).

The DuluxGroup Remuneration Report has received strong support from shareholders in the past. It remains our intention to encourage open dialogue with shareholders, particularly around our remuneration practices and disclosures, and accordingly I welcome any feedback you may have.

Yours faithfully

Peter M Kirby
Chairman

15 November 2017

SECTION	CONTENTS	PAGE
1.	Introduction	69
2.	Remuneration strategy – driving a performance culture	69
3.	Performance and remuneration outcomes for 2017	73
4.	Run the business as your own	75
5.	Remuneration governance	77
6.	Details of executive remuneration	79
7.	Non-Executive Directors' remuneration	81

1. Introduction

The Directors of DuluxGroup Limited (the Company) present the Remuneration Report for the Company and its controlled entities (collectively 'the Group') for the financial year ended 30 September 2017 prepared in accordance with the requirements of the *Corporations Act 2001* and its regulations.

This report outlines the remuneration arrangements in place for the Key Management Personnel (KMP) of the Group which comprises all Directors (executive and non-executive) and those other members of the DuluxGroup Executive who have authority and responsibility for planning, directing and controlling the activities of the Group.

The following table details the Group's KMP during the 2017 financial year. In this report, 'executives' collectively refers to those individuals shown as Executive Directors or as Other KMP in the table.

Key Management Personnel

NAME	ROLE
Non Executive Directors	
Peter Kirby	Chairman and Non-Executive Director
Gaik Hean Chew[1]	Non-Executive Director
Garry Hounsell	Non-Executive Director
Andrew Larke	Non-Executive Director
Graeme Liebelt	Non-Executive Director
Judith Swales	Non-Executive Director
Executive Directors	
Patrick Houlihan	Managing Director and Chief Executive Officer (CEO)
Stuart Boxer	Executive Director and Chief Financial Officer (CFO)
Other KMP	
Patrick Jones	Chief Operating Officer – Dulux Paints and Coatings
Brad Hordern	Executive General Manager – DuluxGroup Supply Chain
Martin Ward	Executive General Manager – Selleys

[1] Gaik Hean Chew retired from the DuluxGroup Board on 14th December 2016.

2. Remuneration strategy – driving a performance culture

2.1 Remuneration strategy and framework

The remuneration strategy sets the direction for the remuneration framework, and drives the design and application of remuneration programmes across the Group, including for executives.

The remuneration strategy is to:

- Encourage a strong focus on financial and operational performance and motivate executives to deliver outstanding business results and returns to the Company's shareholders over short and long term horizons;
- Attract, motivate and retain appropriately qualified and experienced individuals; and
- Align executive and stakeholder interests through share ownership.

The Board believes that remuneration of executives should include a fixed component and at-risk or performance-related components, including both short term and long term incentives. This remuneration framework is shown in the diagram following, including how performance outcomes will impact remuneration outcomes for individual KMP.

As foreshadowed in last year's remuneration report, the Board has introduced a deferred short-term incentive component from the 2017 performance year, intended to further enhance retention, and the alignment between executives and shareholders. This is now included in the remuneration framework as below. The Board will continue to conduct ongoing reviews of the remuneration framework, and is satisfied that it continues to align with the Group's strategic objectives. No significant changes to the key elements of the remuneration framework are anticipated in 2018.

Remuneration framework

	PERFORMANCE CONDITIONS	REMUNERATION STRATEGY/PERFORMANCE LINK
Fixed Annual Remuneration (FAR) Salary and other benefits (including statutory superannuation). *Refer Section 3.1 for more details*	**Considerations** • Scope of individual's role • Individual's level of knowledge, skills and expertise • Individual performance • Market benchmarking	Set to attract, retain and motivate the right talent to deliver on our strategy and contribute to the Group's financial and operational performance. For executives who are new to their roles, the aim is to set fixed remuneration at relatively modest levels compared to their peers and to progressively increase as they gain experience and prove themselves in their roles. In this way fixed remuneration is linked to individual performance and effectiveness.
Short Term Incentive (STI) Annual incentive opportunity delivered 85 per cent in cash and 15 per cent in rights to deferred and restricted shares (Deferred STI). *Refer sections 3.2 and 3.3 for more details*	**Net Profit After Tax (NPAT) 'gateway'** – minimum NPAT threshold performance level that must be achieved before any STI is payable • Ensures a minimum acceptable level of Group profit before executives receive any STI award • Determined by the Board each year with reference to factors including prior year NPAT, economic conditions and industry trends **Financial measures** (generally a maximum of 70 per cent of STI award, incorporating some or all of the following metrics) • Group NPAT • Group earnings before interest and tax (EBIT) • Business/Region EBIT (where appropriate) • Cash flow • Trade working capital **Safety and Sustainability measures** (generally a maximum of 10 per cent of STI award) • Lead improvement objectives for disaster and fatality prevention • Sustainability • Recordable Personal Injury Case Rate targets **Personal objectives** (generally a maximum of 20 per cent of STI award) aligned to strategic objectives	Performance conditions are designed to support the financial and strategic direction of the Group (the achievement of which is intended to translate through to shareholder return), and are clearly defined and measureable. A large proportion of outcomes are subject to earnings targets of the Group or business unit, depending on the role of the executive to ensure line of sight. The Board maintains discretion to exclude non-recurring items (e.g. in order to provide a better comparison from period to period and to ensure a better measure of underlying performance). Other financial targets ensure strong operational discipline is maintained. Non-financial targets are aligned to core values (including safety and sustainability) and key strategic and growth objectives. Hurdle and Stretch targets for each measure are set by the Board to ensure that a challenging but meaningful incentive is provided. The Board has discretion to adjust STI outcomes up or down to ensure that individual outcomes are appropriate – e.g. to ensure that 'how' results are achieved is aligned with the Group's values. The allocation of 15 per cent of any actual STI in the form of Deferred STI awards encourages executives to 'behave like shareholders' from the grant date. The shares are restricted and subject to forfeiture on cessation of employment in certain circumstances within the first two years (such as on dismissal for misconduct, or where an executive resigns or retires without a managed transition approved by the Board).
Long Term Equity Incentive Plan (LTEIP) Three-year incentive opportunity delivered through restricted Company shares – allocated upfront, pursuant to a sole purpose, non-recourse company loan. The loan needs to be repaid (following vesting) before the participant will have access to any shares. *Refer section 3.4 for more details*	**'Gateway' Earnings Per Share (EPS) growth condition** – minimum 4 per cent compound annual EPS growth to be achieved before any shares will vest **TSR performance condition** – A portion of the loan may be forgiven at the end of the period • No loan forgiveness applies if the Company's 3-year Total Shareholder Return (TSR) performance (defined as the total return to shareholders over the period, taking into account share price growth and dividends paid) is below the 51st percentile relative to a comparator group of companies in the S&P/ASX 200 Index(1) • Loan forgiveness is applied for superior relative TSR performance (from 10 per cent loan forgiveness at the 51st percentile up to a maximum of 30 per cent at the 75th percentile, on a straight-line sliding scale)	Allocation of shares upfront encourages executives to 'behave like shareholders' from the grant date. The shares are restricted and subject to risk of forfeiture during the vesting/performance periods and while the loan remains outstanding. The performance gateway and condition are designed to encourage executives to focus on the key performance drivers which underpin sustainable growth in shareholder value. The EPS gateway provides a 'counterbalance' to the relative TSR performance condition, designed to ensure the quality of the share price growth is supported by the Group's earnings performance, and not market factors alone. Key benefits to participants under the plan are: • capital appreciation in Company shares consistent with shareholder interests; • the partial value of after tax dividends applied towards repaying the loan thereby increasing equity over the loan period; and • potential loan forgiveness (on a sliding scale to a maximum of 30 per cent) if the Group's TSR outperforms the comparator group.

Total Remuneration The combination of these elements 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 shareholders and align executive and stakeholder interests through share ownership.

(1) The LTEIP comparator group comprises those companies that remain listed in the S&P/ASX 200 Index for the duration of the performance period. Companies classified as mining, financial services, listed property trusts and overseas domiciled companies have been excluded as they operate in very different markets and are not considered by the Board to be relevant competitors for capital.

2.2 Our focus on performance

The weighting of the at-risk remuneration components reflects the Board's commitment to performance-based reward.

The table and graphs below illustrate the mix of remuneration components for executives, firstly as a percentage of FAR and then as a proportion of total potential remuneration.

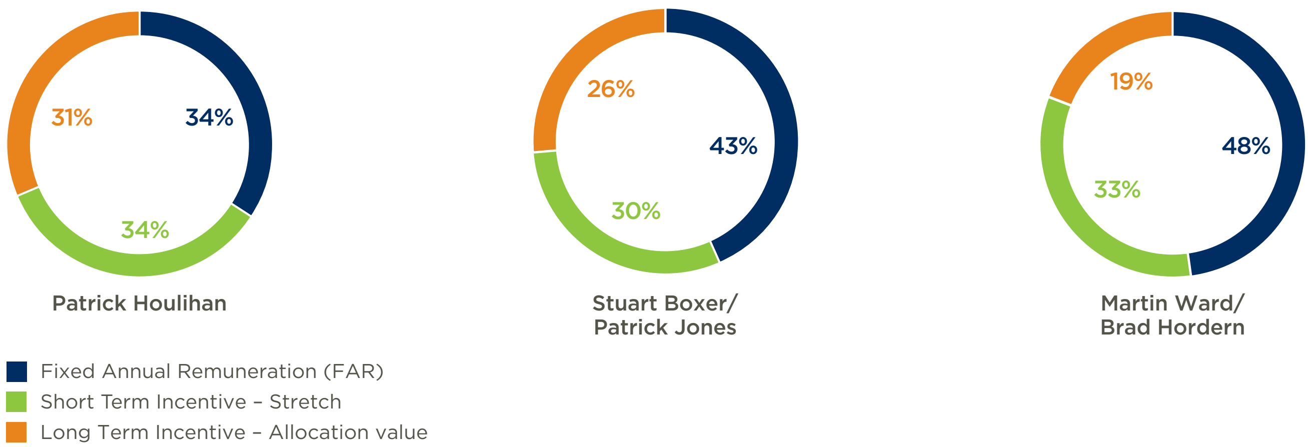
Sections 3.2 to 3.4 describe 2017 performance outcomes and how this has impacted remuneration outcomes for the 2017 financial year.

Variable remuneration as a percentage of FAR effective 30 September 2017

	FIXED ANNUAL REMUNERATION (FAR)	SHORT TERM INCENTIVE[1] AS % OF FAR IF THE STRETCH LEVEL OF PERFORMANCE IS ACHIEVED	LONG TERM INCENTIVE ALLOCATION VALUE AS % OF FAR
Executive Directors			
Patrick Houlihan	1,177,000	100%	90%
Stuart Boxer	675,000	70%	60%
Other KMP			
Patrick Jones	644,000	70%	60%
Brad Hordern	600,000	70%	40%
Martin Ward	464,000	70%	40%

[1] Stretch STI opportunities have increased in FY17 with the implementation of the Deferred STI programme as described in the 2016 Remuneration Report and in the framework diagram in section 2.1.

Relative weighting of elements in the remuneration mix



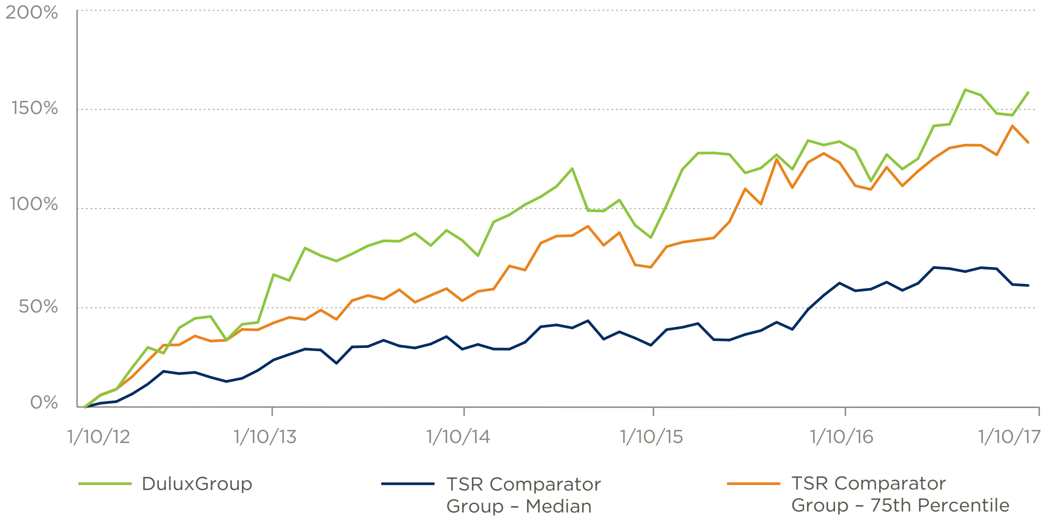
2.3 Our sustained performance track record

The Company has demonstrated consistently strong performance in the last five years as shown in the graphs below.

Over this period, the Company's share price has increased from $3.30 (opening share price as at 1 October 2012) to $7.00 (as at 30 September 2017). In addition, the Company has maintained a dividend payout ratio of approximately 70 per cent of NPAT excluding non-recurring items during this period.

The graph shows the Company's TSR performance since 1 October 2012, compared with TSR performance at the median and 75th percentile of those companies in the S&P/ASX 200 Index as at 1 October 2012 that remained listed to 30 September 2017.

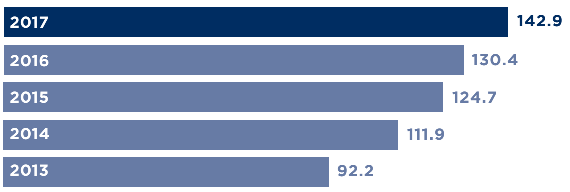
Five year TSR performance



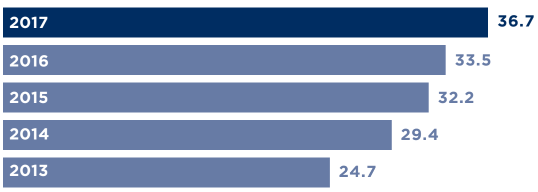
Historical Company Performance

	2013	2014	2015	2016	2017
NPAT attributable to ordinary shareholders of DuluxGroup Limited ($m)	75.0	104.5	112.8	130.4	142.9
NPAT before non-recurring items ($m)(1)	92.2	111.9	124.7	130.4	142.9
Diluted EPS (cents)	20.1	27.5	29.2	33.5	36.7
Diluted EPS before non-recurring items (cents)(1,2)	24.7	29.4	32.2	33.5	36.7
Recordable injury case rate (RCR)(3)	1.81	1.53	1.84	1.63	1.62
Dividends declared per share (cents)(4)	17.5	20.5	22.5	24.0	26.5
Opening share price for the financial year ($)	3.30	5.28	5.56	5.35	6.60
Closing share price for the financial year ($)	5.28	5.56	5.35	6.60	7.00
DuluxGroup Indicative TSR %(5)	66.7%	10.4%	0.8%	26.1%	10.6%
Median TSR for S&P/ASX 200 Index %(6)	22.3%	0.8%	(3.3%)	21.6%	8.8%

NPAT before non-recurring items ($million)(1)



Diluted EPS before non-recurring items (cents)(1,2)



(1) Profit and earnings excluding non-recurring income and expenses are considered by the Board to be a better basis for comparison from period to period. It is also the primary measure of earnings considered by management in operating the business and by the Board in determining dividends. Non-recurring items in 2013, 2014 and 2015. included one-off costs related to the acquisition of the Alesco businesses, impairments relating to the China joint venture, and Supply Chain related provisions, with full details provided in each Annual Report. There were no non-recurring items in 2016 and 2017.

(2) Diluted EPS before non-recurring items is calculated based on the weighted average number of shares outstanding at balance date and includes all allocated LTEIP shares. This number of shares may differ from the statutory number of shares used for a diluted EPS calculation, in which "out of the money" LTEIP shares are excluded.

(3) 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. It includes both the Group's employees and contractors.

(4) Dividends shown are the interim and full year dividend declared by the company in relation to each financial year's performance.

(5) DuluxGroup's Indicative TSR performance has been calculated based on the change in the share price for the period and dividends paid (assuming dividends are reinvested into DuluxGroup shares).

(6) Indicative TSR performance at the median of those companies in the S&P/ASX 200 Index on 1 October 2012 that remained listed on 30 September 2017 (excluding mining, financial services, listed property trusts and overseas domiciled companies). This five-year measurement period is used only for the purposes of the comparisons provided in the table and will not actually affect any long-term incentive outcomes for executives under the three year DuluxGroup programme.

3. Performance and remuneration outcomes for 2017

3.1 Fixed Annual Remuneration outcomes

When determining any changes to the remuneration paid to individuals during 2017, the Board considered the Group's continued growth and strong performance, changes in individual roles and responsibilities given the Company's focus on international growth, and the individual performance of executives.

Following its last comprehensive review of remuneration in the 2016 financial year, the Remuneration and Human Resources Committee (RHC) conducted a high level review in 2017 and adjusted executive remuneration effective 1 January 2017 to reflect general increases in the market. An exception was considered appropriate for the Executive General Manager – DuluxGroup Supply Chain where a significant increase in fixed remuneration was approved by the Committee in the context that the executive's total remuneration package was not market competitive, the role has been expanded to include Group IT, and the executive having skills and experience in high demand.

3.2 Short-term incentive performance measures and outcomes for 2017

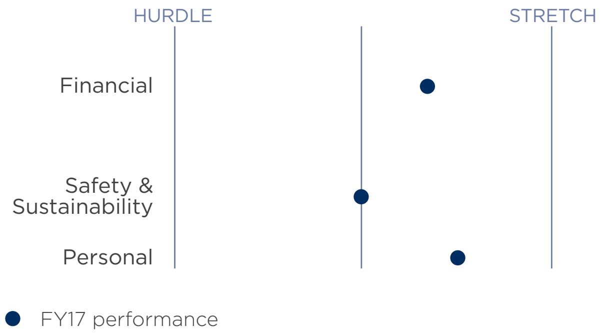
The STI plan is designed to place a meaningful proportion of executives' remuneration at risk, to be delivered based on the achievement of performance measures linked to the Group's annual business objectives. Along with executives, other members of the DuluxGroup Executive and senior management also participate in the STI plan, ensuring consistency of purpose and focus on performance measures.

The tables below detail the structure of the STI performance measures for executives in 2017, which were determined by the Board at the beginning of the financial year, and performance against each measure as assessed at the end of the financial year. Performance for each measure is assessed on a range from Hurdle to Stretch. Stretch is set by the Board for each measure at a level that ensures maximum STI is payable only where performance has truly and substantially exceeded expectations.

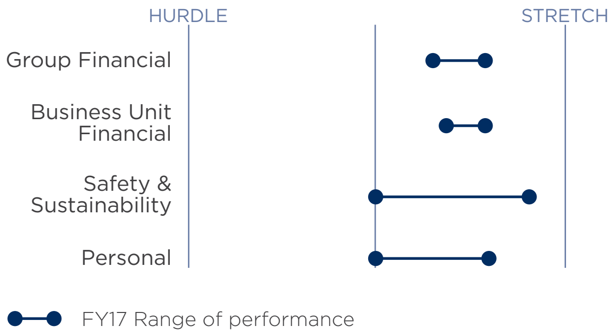
PERFORMANCE CONDITIONS FOR STI	P HOULIHAN/ S BOXER	P JONES/ M WARD	B HORDERN[1]
DuluxGroup financial	70%	10%	70%
Business unit financial	–	60%	–
Safety & Sustainability	10%	10%	20%
Personal objectives	20%	20%	10%

[1] The greater weighting on Safety & Sustainability in the scorecard for Brad Hordern reflects his responsibility for manufacturing and supply chain activities. His accountability for the successful delivery of supply chain projects to schedule and budget (and with seamless business continuity) is unchanged, but has been reclassified as financial objectives (rather than a personal objective) due to the impact of these projects on current year DuluxGroup financial results.

CEO



CFO and Other KMP



The NPAT gateway, and NPAT and EBIT targets and performance exclude non-recurring items in order to provide a better comparison from period to period and a better measure of underlying performance. There were no non-recurring items excluded from Group NPAT and EBIT in 2017.

STI gateway

The STI plan has a gateway which requires a minimum level of NPAT growth to be achieved before any STI can be awarded. The gateway for 2017 was set at the prior year's NPAT, being $130.4 million in 2016, and was achieved with DuluxGroup NPAT for 2017 of $142.9 million. It is important to note that the gateway is a minimum threshold measure only and, once met, performance against the following measures determines actual individual STI outcomes for executives.

Financial measures

As shown in the table above, 70 per cent of any STI outcome for each executive is based on the achievement of financial results.

The primary financial measures used in the executive STI scorecards include NPAT and EBIT for the Group, and EBIT for the relevant business for each individual. Group EBIT increased 6.5 per cent from last year, which was in the higher end of the targeted performance range, reflecting continued consistent earnings growth for Dulux Paints and Coatings, and double-digit growth in Selleys & Parchem ANZ, B&D Group and Lincoln Sentry. This is reflected in the financial component of the STI outcomes for the relevant business executives.

This EBIT growth has delivered an Above-Average stretch outcome for NPAT which grew by 9.6 per cent to $142.9 million in 2017, assisted by the write-back of prior year tax provisions of $3.1 million.

Cash Conversion and Rolling Trade Working Capital are included as secondary financial measures (for the Group or businesses as relevant). These are critical metrics of the sustainable and efficient management of operating cash and working capital within the Company. Cash Conversion was particularly strong, with outcomes close to Stretch achieved for Dulux Paints and Coatings and the Group.

In 2017 an additional measure was included in executive STI scorecards to focus attention on revenue growth for the Group and relevant businesses. The performance of Dulux, Selleys and Lincoln Sentry in regard to this new measure was strong.

The successful delivery of the Merrifield paint factory in Melbourne to schedule and budget, comprised a substantial 40 per cent of the financial measures for the Executive General Manager – DuluxGroup Supply Chain in 2017. The categorisation of this project as a financial objective in 2017 reflects its potentially substantial impact on DuluxGroup level financial results. The excellent outcomes from this project as it approaches completion are reflected in the STI outcome for this executive.

Safety and sustainability

The nature of the Group's business operations demands a strong focus on Safety and Sustainability performance and improvement each and every year. The role that our focus on safety plays in supporting our company culture is core to our business success, and to the way that we work with and value our customers and consumers.

We measure our performance across the four key areas of disaster prevention, fatality prevention, injury prevention, and sustainability (which includes both the stewardship of sustainable products and the reduction of waste and efficient use of resources in our operations). Central to this is identifying and managing significant risks to ensure that we prevent harm and make a positive contribution to the communities in which we operate.

The number of serious near misses involving fatality risks fell 45 per cent to a record low for 2017. The number of recordable injuries is at the second lowest level in more than a decade, and represents top quartile industry performance. STI outcomes for individuals as shown in the graphs above, reflect the level of challenge in the targets that were set for executives on these measures. It has been more than three decades since a major incident or disaster occurred in our chemical manufacturing processes. Given the likely high consequence of any such incident, constant vigilance is a priority.

Product stewardship, chemicals of concern and ethical sourcing were our key sustainability priorities in 2017 and all businesses made good progress during the year.

Personal measures

Personal measures vary by role and from year to year for each individual. They are not 'soft' measures, and are primarily linked to the successful achievement of material and strategic growth projects with long term impact on Company success. For the CEO and CFO in 2017, these measures were in regard to investing for growth outcomes for the Group both domestically and internationally. Individual executives have delivered performance ranging from 50 to 80 per cent of Stretch performance on these objectives in 2017.

3.3 STI awards

2017 STI awards

The performance against STI measures in 2017 as described above resulted in the following individual awards, which ranged from 68.0 to 77.7 per cent of the maximum potential award under the STI plan (only earned for Stretch performance on all measures).

2017 STI outcomes

NAME	2017 STI AWARD(1) $	MAXIMUM (STRETCH) STI(2) $	STI AWARDED IN 2017(3) % OF STRETCH	STI AWARDED IN 2016(3) % OF STRETCH	STI FORFEITED(3) % OF STRETCH	AWARD AS % OF FAR(2)
Executive Directors						
Patrick Houlihan	800,261	1,177,000	68.0%	48.3%	32.0%	68.0%
Stuart Boxer(4)	350,000	472,500	74.1%	47.9%	25.9%	51.9%
Other KMP						
Patrick Jones	350,490	450,800	77.7%	67.3%	22.3%	54.4%
Brad Hordern	256,006	350,000	73.1%	75.3%	26.9%	51.2%
Martin Ward	230,657	324,800	71.0%	27.9%	29.0%	49.7%

(1) STI award earned during the 2017 financial year. In December 2017, 85 per cent of this amount will be paid in cash. The remaining 15 per cent will be provided under the Deferred STI programme which was introduced from 2017 (i.e. provided as rights to receive shares in the Company with forfeiture conditions applying during the two-year deferral period such as on dismissal for misconduct, or where an executive resigns or retires without a managed transition approved by the Board.) The Deferred STI is intended to further enhance shareholder alignment and retention. The maximum STI opportunity for each individual increased by 10 per cent of FAR in FY17 as a result of this change.

(2) The maximum STI payable and awarded as a percentage of FAR based on FAR as at 1 January 2017. The minimum STI payable is $NIL.

(3) The STI award and STI forfeited are expressed as a percentage of the maximum STI potentially available (for Stretch performance). The comparative 2016 STI awarded figures are a percentage of the maximum STI available (for Stretch performance) in 2016, as published in the 2016 Remuneration Report.

(4) In addition to the STI outcome calculated as a result of Stuart Boxer's performance against his 2017 STI scorecard (as outlined above), the Board applied its discretion under the STI programme to provide Mr Boxer with an additional amount of $28,740 to recognise his contribution on business transformation projects which emerged during the year as strategic priorities (and were therefore not included in his scorecard at the beginning of the year).

3.4 Long term incentive performance measures and outcomes

The EPS gateway is calculated using NPAT excluding non-recurring items in order to provide a better measure of underlying performance of the Group. No non-recurring items were excluded from Group NPAT in 2017.

2013 LTEIP grant – vesting determined during FY 2017

The performance conditions for the LTEIP granted in December 2013 were tested for vesting during the 2017 financial year.

As reported in the Company's 2016 remuneration report, the EPS growth gateway condition was exceeded (measured at 30 September 2016) and this grant subsequently vested. Relative TSR performance was tested during the one week following the release of the 2016 Group results to determine the percentage of the related loans to be forgiven. The Company's TSR was 25.49 per cent over the period from November 2013 to November 2016. This was at the 57th percentile of the comparator group, resulting in the loan forgiveness of 14.9 per cent being applied.

2014 LTEIP grant – performance condition measured to the end of 2017

The performance condition for the LTEIP granted in December 2014 was measured for vesting as at 30 September 2017.

For the 2014 LTEIP, the baseline EPS based on 2014 NPAT was 29.4 cents per share. The corresponding calculation as at 30 September 2017 was an EPS of 36.7 cents per share, and the Company's compound annual EPS growth over the performance period was 10.1 per cent when calculated using diluted EPS on a statutory basis and 7.7 per cent using EPS excluding non-recurring items. The EPS growth gateway of four per cent compound annual growth over the performance period was therefore exceeded.

Loans became repayable by participants to the Company following vesting. The relative TSR performance condition will be tested during the one week following the release of the Group's 2017 results in November 2017, to determine the extent (if any) of loan forgiveness to be applied. The Company's relative TSR performance against the comparator group will be determined and verified by an independent advisor. The result will be communicated at the 2017 Annual General Meeting and full details set out in the Company's 2018 remuneration report.

Changes to LTEIP awards from 2017

As detailed in last year's remuneration report, the Board approved a change to the loan repayment period effective from the 2016 LTEIP grant allocated in December 2016.

Prior to the change, participants were required to repay their loan under the LTEIP during the share trading window (of approximately two months) which follows vesting and the full-year results announcement by the Company. This still applies for the 2014 LTEIP, and for the 2015 LTEIP if and when it vests. Participants generally sell a portion of their LTEIP shares in this short window, to fund the loan repayment.

For the 2016 LTEIP grant and subsequent awards, the timeframe for repayment was extended by a further 24 months. Participants are now able to consider selling shares to fund the repayment of their loan during any of the subsequent four biannual share trading windows (following the Group's half and full year results announcements each year). They could also choose to employ subsequent dividend payments, their own funds, sell some shares or use a combination of funding for the loan repayment. The 2017 LTEIP award will be tested for vesting and loan forgiveness after the end of the 2020 performance year, and the non-recourse loan will be due for repayment in January/February 2023 if it is not repaid earlier.

This is not a fundamental change to the nature or purpose of the programme. The cost to shareholders will be a small incremental expense related to the increased benefit to the employee of the longer loan period. The benefit to the Company from this change is that it is expected that management will retain their shareholding for longer.

Section 5.3 provides more information on the operation of LTEIP and the nature of the loans.

4. Run the business as your own

4.1 Alignment of interests through shareholding

A core value of the Group is to *run the business as your own*. The Board believes that the interests of KMP should be closely aligned to those of shareholders through significant exposure to the Company's share price and dividends.

Accordingly, the following minimum shareholding guidelines are in place:

- the value of one times pre-tax Board and Committee fees for each Non-Executive Director,
- the value of one times FAR for the CEO, CFO and Chief Operating Officer – Dulux Paints and Coatings,
- 40 per cent of FAR for other executives.

Non-Executive Directors have three years from their appointment in which to establish this shareholding level. Executives are expected to grow their shareholding on a progressive basis to the minimum unrestricted shareholding over a period of five years from the later of 14 August 2013 (the date of adoption of the minimum shareholding guidelines) and their appointment. Voluntary application of remuneration to Company shares as described in section 4.2 may assist Non-Executive Directors in achieving this target.

For executives, the LTEIP is an important mechanism to drive the Group's employee ownership culture as executives acquire shares through the vesting of successive LTEIP awards. A progressive balance of unrestricted shareholdings may also be built by executives through investment in shares on market, through voluntary application of remuneration to Company shares (as described in section 4.2) and, from 2017, through the newly-introduced mandatory deferral of a portion of any STI awarded into rights to shares (Deferred STI) that will be subject to forfeiture on leaving employment with the Group for two years in certain circumstances such as on dismissal for misconduct, or where an executive resigns or retires without a managed transition approved by the Board.

4.2 Sacrifice Share Acquisition Plan (SSAP)

The SSAP was implemented in the 2016 financial year. This contribution-based share plan allows Australian-based Non-Executive Directors, executives, and other employees to voluntarily sacrifice their pre-tax fees, salary or earned cash short-term incentives toward the purchase of Company shares.

The purpose of this tax deferral plan is to encourage greater levels of share ownership across the Company at no cost to shareholders, and to specifically support the achievement of the minimum shareholding guidelines for Non-Executive Directors and executives.

Two of the Non-Executive Directors, including the Chairman, are currently contributing fees on a monthly basis toward share purchases under the plan and have received rights under the plan (as shown in section 4.3). These rights do not have performance conditions and will be exchanged for shares in November and May of each year in the trading window following the full-year and half-year release of Group results. Shares provided to the participants are restricted from trading for a period chosen by the participant (which can be from 2 to 15 years) or until they leave the DuluxGroup (if earlier). Approval was sought at the 2016 AGM to allow for future shares for Non-Executives Directors under this plan to be either purchased on market or newly issued. A similar approval (but for a three-year time period) will also be requested at the 2017 Annual General Meeting.

4.3 Current shareholdings

A summary of current KMP shareholdings in DuluxGroup Limited as at 30 September 2017 is shown in the table below.

All directors' and executives' holdings were in excess of the minimum shareholding policy on 30 September 2017, other than:

- Graeme Liebelt, who commenced with DuluxGroup on 14 June 2016 and has since chosen to salary sacrifice a portion of his fees into DuluxGroup Limited shares under the SSAP plan which is described in section 4.2.; and
- Martin Ward, who commenced his current employment with DuluxGroup in FY14. Mr Ward purchased some shares on market with post-tax remuneration in 2016, and had the restrictions removed on some LTEIP shares during 2017, as a result of the 2013 LTEIP vesting.

KMP Shareholdings

	NUMBER OF SHARES (OR RIGHTS TO SHARES)							
NAME	OPENING BALANCE(1)	SSAP RIGHTS/ LTEIP GRANT(2)	SHARE DEALINGS IN RELATION TO THE LTEIP(3)	NET OTHER MOVEMENT(4)	CLOSING BALANCE(2)	TOTAL UNRE-STRICTED SHARES(2,5)	UNRE-STRICTED SHARE-HOLDING %(5)	TARGET UNRE-STRICTED SHARE-HOLDING %(5)
Non-Executive Directors								
Peter Kirby	145,829	65,321		–	211,150	180,095	296%	100%
Gaik Hean Chew(6)	113,056	–		–	113,056	113,056	390%	100%
Garry Hounsell	148,822	–		5,940	154,762	154,762	515%	100%
Andrew Larke	152,156	–		20,000	172,156	172,156	628%	100%
Graeme Liebelt	5,898	30,677		–	36,575	21,054	73%	100%
Judith Swales	60,000	–		–	60,000	60,000	219%	100%
Executive Directors								
Patrick Houlihan	2,313,681	456,498	(386,740)	–	2,383,439	1,067,018	635%	100%
Stuart Boxer	866,802	174,508	(150,000)	–	891,310	388,085	402%	100%
Other KMP								
Patrick Jones	689,188	166,576	(92,950)	–	762,814	320,117	348%	100%
Brad Hordern	455,812	88,135	(47,499)	–	496,448	257,542	361%	40%
Martin Ward	209,676	80,027	(35,000)	–	254,703	23,906	36%	40%

(1) The opening and closing balances include (a) shares allocated and restricted pursuant to the LTEIP (in the case of executives); (b) rights to shares allocated under the SSAP (in the case of Non-Executive Directors); and (c) unrestricted shares held directly, indirectly or beneficially by each individual or close members of their family or an entity over which the person or the family member has either direct or indirect, joint control or significant influence, as at 1 October 2016 (opening balance) and 30 September 2017 (closing balance) respectively.

(2) Total unrestricted shareholdings exclude (unconverted) rights held under the SSAP, and awards held under the LTEIP. Further information on the SSAP is located in section 4.2 and SSAP rights are currently held only by Non-Executive Directors. Mr Kirby received 34,266 rights and Mr Liebelt received 15,156 rights under the SSAP on 16 November 2016, at a price of $6.07 per right, which vested into shares on 25 May 2017. Mr Kirby received 31,055 rights and Mr Liebelt received 15,521 rights under the SSAP on 25 May 2017, at a price of $6.95 per right, which will vest into shares in November 2017. The minimum value of each right is equal to the purchase price paid for that right and the maximum value of each right is equal to the price of an ordinary share in the Company. Once ordinary shares are received in relation to the rights those ordinary shares count toward the holder's achievement of their Target unrestricted shareholding. Further information on the LTEIP is located in sections 2.1, 3.4 and 5.3 and LTEIP awards are not provided to Non-Executive Directors.

(3) Reports the sale of shares to repay loans in accordance with the LTEIP rules.

(4) Reports the impact of acquisition and disposal transactions other than those covered in the previous column of the table.

(5) The current and target unrestricted shareholding for each individual excludes unconverted rights under the SSAP and the LTEIP and is calculated as a percentage of FAR for executives or as a percentage of annual base Board and committee fees for Non-Executive Directors as at 30 September 2017. The calculation assumes a share price of $7.00, being the closing share price on 30 September 2017.

(6) Ms Chew retired from the DuluxGroup Board effective 14 December 2016, she remains a director of DGL Camel. This figure represents the closing balance at this date.

5. Remuneration governance

5.1 Role of the Remuneration and Human Resources Committee (RHC)

The RHC is responsible for ensuring that the Group's remuneration strategy for executives aligns with both short and longer term business objectives. It reviews and makes recommendations to the Board on the remuneration arrangements for the Non-Executive Directors, the executives and the other members of the DuluxGroup Executive.

The RHC also ensures the Group's management team adopts appropriate people programmes that improve overall bench strength, identify and accelerate high potential talent, enhance our diversity and develop the core capabilities of our employees.

Details of the composition and accountabilities of the RHC are set out in our Corporate Governance Statement available on our website (www.duluxgroup.com.au).

To assist in performing its duties and making recommendations to the Board, the RHC seeks independent advice from external consultants on various remuneration related matters. During the financial year ended 30 September 2017, the Group engaged independent remuneration consultants to provide insights on remuneration trends, regulatory updates, market practices and market data in relation to the remuneration of Non-Executive Directors and the DuluxGroup Executive. No remuneration recommendations as defined in section 9B of the *Corporations Act 2001* were obtained during the financial year ended 30 September 2017.

5.2 Board discretion

The RHC and the Board consider it vital that they exercise appropriate discretion in order to ensure that remuneration outcomes for executives are not formulaic, appropriately reflect the performance of the Group and individuals, and meet the expectations of shareholders. Some ways in which this discretion is exercised are set out below.

STI outcomes

The Board has discretion to adjust STI outcomes up or down to ensure that they accurately reflect the achievement of results that are consistent with the Group's strategic priorities, are in line with Group values, and enhance shareholder value.

The Board retains complete discretion to adjust any STI award (e.g. such discretion may be exercised in the event of a fatality).

EPS performance gateway for LTEIP vesting

The Board retains discretion to adjust the calculation EPS performance (for the purposes of the LTEIP gateway) for individually material non-recurring items on a case by case basis to ensure that the EPS measurement correctly reflects the underlying performance of the Group.

Comparator group for the LTEIP TSR performance condition

The LTEIP comparator group comprises those companies that remain listed in the S&P/ASX 200 Index for the duration of the performance period. Companies classified as mining, financial services, listed property trusts and overseas domiciled companies have been excluded as they operate in very different markets and are not considered by the Board to be relevant competitors for capital.

The Board has discretion to adjust the comparator group for the LTEIP TSR performance condition to ensure that it remains an appropriate comparator for the Group. The Board has considered the reasonableness of the comparator group given the Group's growth over recent years, and believes that it remains appropriate for assessing relative TSR performance. The Board will continue to monitor this, as for all aspects of the LTEIP awards. The performance condition is only tested once at the end of the performance period.

Cessation of employment

Participants are not eligible for any STI cash payment or any Deferred STI rights or shares which are subject to restriction if they are terminated due to misconduct or poor performance, nor in general, if they resign or retire without a managed transition approved by the Board. In certain appropriate circumstances (such as redundancy), the Board may consider eligibility for a pro-rata cash payment in respect of the current performance year and may determine that Deferred STI previously awarded is retained.

In general, all LTEIP shares are forfeited and surrendered in full settlement of the loan 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 the entire loan forgiveness amount may be granted.

Clawback of STI and LTEIP awards

The Group has a formal Clawback Policy that provides the Board with broad discretion to ensure that no unfair benefit or detriment is derived by any participant in the case of a material misstatement in Group financial results, material reputational damage to the company or any of its businesses, or where there is serious misconduct by a participant. This includes discretion to reduce, forfeit or reinstate unvested awards, or reset or alter the performance conditions applying to any award.

Change of Control

The Board has discretion in relation to STI and LTEIP awards in the event of a change of control, which it would exercise in the best interests of the Group.

Unless the Board determines otherwise, the STI awards will be considered to have been met at the midway point between Hurdle and Stretch for the full performance year, notwithstanding the date of change of control.

If the Board does not exercise its discretion, the LTEIP rules provide that all shares vest and all loans become immediately repayable, with the outstanding loan balances reduced by a default level of debt forgiveness (which is currently set at 20 per cent).

5.3 Operation of LTEIP

Loan arrangements

The loan amount provided to each participant is based on their long-term incentive target amount (LTI percentage of FAR) multiplied by an externally determined 'loan value' (calculated using an adjusted Black-Scholes option pricing valuation model).

The loan is 'interest free' in that there is no annual interest charge to the participant on the loan. However, the notional value of this interest is taken into account in the overall structure of the programme.

The participant is obliged to pay a portion of the post-tax value of any dividends received during the loan term toward repayment of the loan amount.

To access the shares, participants must repay their loan in full. Following the end of the vesting period, assuming the earnings 'gateway' is achieved, the participant 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.

Why is a non-recourse loan provided?

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 participant surrenders and forfeits the shares to the Company in full settlement of the loan balance and no benefit accrues to the participant. This is known as a 'non-recourse loan'.

The Board has structured the remuneration policy 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 participant.

Restrictions on LTEIP shares prior to vesting

The Group has a policy that prohibits participants from entering into any 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.

The Company treats compliance with this policy as a serious issue and takes appropriate measures to ensure policy adherence.

5.4 Illustrative example of how LTEIP operates

The table to the right is designed to illustrate a range of Company performance outcomes, and how the LTEIP remuneration outcomes for the participant are aligned to that performance in each case.

Assumptions:

- The participant is resident in Australia throughout the performance period.
- The initial share price at grant date is $5 and 15,000 shares are allocated (i.e. initial loan of $75,000).
- Total dividends paid are $2,400 less 46.5 per cent to cover the participants' individual tax obligations (note that as dividends tend to be fully franked, participants receive the difference between the 46.5 per cent to cover the tax and the actual tax payable).
- Case A – EPS gateway achieved and relative TSR ranks at the 60th percentile (i.e. 17.5 per cent loan forgiveness), share price at the vesting date is $8.
- Case B – EPS gateway achieved but relative TSR ranks below the 51st percentile (i.e. no loan forgiveness), share price at vesting date is $6.
- Case C – EPS gateway not achieved and relative TSR ranks above the 75th percentile, share price at the vesting date is $8.

LTEIP examples

	CASE A $	CASE B $	CASE C $
Initial Loan	75,000	75,000	75,000
Less net dividends applied to loan balance	(1,284)	(1,284)	(1,284)
Less loan forgiveness[1,2]	(13,125)	–	–
Outstanding Loan Balance	60,591	73,716	73,716
Value of shares awarded at vesting	120,000	90,000	NIL
Less outstanding loan balance	(60,591)	(73,716)	NIL
Value of LTEIP to the executive as at valuation date	59,409	16,284	NIL

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

(2) The Group incurs fringe benefits tax on the loan forgiveness.

5.5 Executive service agreements

Remuneration and other terms of employment for 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:

Executive service agreements

NAME	TERM OF AGREEMENT	NOTICE PERIOD BY EXECUTIVE	GROUP NOTICE PERIOD AND TERMINATION BENEFITS[1]
Executive Directors			
Patrick Houlihan[2]	Open	6 months	12 months FAR
Stuart Boxer[2]	Open	6 months	12 months FAR
Other KMP			
Patrick Jones	Open	6 months	12 months FAR
Brad Hordern	Open	6 months	12 months FAR
Martin Ward	Open	6 months	12 months FAR

(1) Termination payment (inclusive of any payment in lieu of notice) if the Group terminates the executive's employment other than for cause.

(2) Mr Houlihan and Mr 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 FAR.

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

6. Details of executive remuneration

6.1 Remuneration for 2017

Details of executive remuneration for the financial year ended 30 September 2017 are set out in the table below.

Executive remuneration

		Short term employee benefits			Post employment benefits		Share-related remuneration				
NAME	FINANCIAL YEAR	FAR [1,2] $	CASH STI [3] $	OTHER BENEFITS [4] $	SUPER-ANNUATION BENEFITS [5] $	TOTAL EXCLUDING SHARE-BASED PAYMENT (SBP) EXPENSE $	SHARE-BASED PAYMENT (SBP) EXPENSE [6] $	FBT ON LTEIP DEBT FORGIVENESS [7] $	TOTAL $	PERFORMANCE RELATED REMUNER-ATION [8,9] %	OPTION RELATED REMUNER-ATION [9] %
Executive Directors											
Patrick Houlihan	2017	1,150,776	680,222	8,730	19,724	1,859,452	817,897	346,882	3,024,231	50%	27%
	2016	1,124,540	500,433	31,097	19,385	1,675,455	771,823	652,708	3,099,986	41%	25%
Stuart Boxer	2017	651,526	297,500	12,827	19,724	981,577	314,992	133,995	1,430,564	43%	22%
	2016	636,553	189,738	5,246	19,385	850,922	292,746	164,872	1,308,540	37%	22%
Other KMP											
Patrick Jones	2017	620,776	297,917	6,781	19,724	945,198	276,904	111,663	1,333,765	43%	21%
	2016	588,303	254,300	6,002	19,385	867,990	245,351	141,490	1,254,831	40%	19%
Brad Hordern	2017	468,776	217,605	6,411	19,724	712,516	153,085	61,042	926,643	40%	17%
	2016	431,840	205,046	6,460	19,385	662,731	135,650	118,408	916,789	37%	15%
Martin Ward	2017	441,776	196,058	12,011	19,724	669,569	145,758	38,151	853,478	40%	17%
	2016	431,840	75,891	10,425	19,385	537,541	113,695	–	651,236	29%	18%

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

(2) Details in relation to FAR increases during the year are set out in section 3.1.

(3) Cash STI is 85 per cent of the award relating to 2017 performance as shown in the table in section 3.3. The remaining portion of the 2017 STI award is provided in the form of rights to shares under the Deferred STI programme as set out in footnote (6).

(4) These benefits may include relocation costs, medical costs, spousal travel, insurances and costs associated with services related to employment (inclusive of any applicable fringe benefits tax). The company no longer views annual changes in leave balances as being remuneration separate to FAR as already disclosed in the table. 2016 comparative figures have been restated to reflect this change.

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

(6) This amount includes the value calculated under AASB 2 Share-based Payment. The SBP expense represents the charge incurred during the year in respect of all equity allocations to executives, and includes the value of the 2013, 2013, 2014 and 2016 LTEIP grants calculated under AASB 2. It is not the amount actually received by executives during the year. Whether executives receive any value from these LTEIP grants in the future will depend on Company performance. The gateway and the TSR performance condition which determine whether or not the LTEIP will vest in the future and the value to be derived by participants are described in sections 2.1 and 5.4. In 2017 this also includes the SBP expense provided under the Deferred STI programme.

(7) This benefit includes the fringe benefits tax paid on debt forgiveness for the 2013 LTEIP grant.

(8) The percentages shown include both the value of STI earned in 2017 and the value of the SBP expense for 2017 as shown in the table. As described in footnote (6) the SBP expense is not the amount of LTEIP actually received by executives during the year.

(9) As explained in section 6.2, shares acquired under the LTEIP are treated as options for accounting purposes under AASB 2. The percentages shown relate to the value of the LTEIP awards as included in the SBP expense as described in footnote (6) and not the amounts actually received by executives during the year.

6.2 Equity instruments granted to executives under LTEIP

Under the LTEIP, executives acquire shares in DuluxGroup Limited funded by a non-recourse loan from the Group. These loans are provided for the sole purpose of executives acquiring shares in the Company.

Australian Accounting Standards require the shares be treated as options for accounting purposes due to the structure of the plan. The shares are not subject to an exercise price and the amounts receivable from participants in relation to these loans are not recognised in the consolidated financial statements. The number and value of notional options held by executives under the LTEIP during the financial year ended 30 September 2017 is set out in the table below.

Awards granted under LTEIP

	NUMBER OF LTEIP AWARDS							
NAME	OPENING BALANCE[(1)]	GRANTED DURING THE YEAR[(2)]	EXERCISED DURING THE YEAR	LAPSED DURING THE YEAR	CLOSING BALANCE	VESTED AND EXERCIS-ABLE AT 30 SEPTEMBER 2017[(3)]	VALUE OF OPTIONS AT GRANT DATE ISSUED DURING THE YEAR $[(4)]	VALUE OF OPTIONS INCLUDED IN COMPEN-SATION FOR THE YEAR $[(5)]
Executive Directors								
Patrick Houlihan	1,313,681	456,498	(453,758)	–	1,316,421	443,582	789,742	777,884
Stuart Boxer	503,997	174,508	(175,280)	–	503,225	169,565	301,899	297,492
Other KMP								
Patrick Jones	422,188	166,576	(146,067)	–	442,697	142,434	288,176	259,379
Brad Hordern	230,621	88,135	(79,850)	–	238,906	77,774	152,474	140,285
Martin Ward	200,676	80,027	(49,906)	–	230,797	77,773	138,447	134,225

(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. Under the terms of the LTEIP, the loan must be repaid before the executives can sell or transfer 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 full-year 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) 2016 LTEIP awards were granted on 7 December 2016. The share price on that grant date was $5.89 and the fair value of each award for accounting purposes was $1.73. This fair value takes into account the performance conditions, along with other factors as set out Note 21 of the financial statements.

(3) Since the end of the reporting period, the 2014 LTEIP awards granted on 28 November 2014 have met the applicable EPS vesting condition and will vest. The restriction on trading these shares will be lifted upon repayment of the loan. The loan must be repaid during the period from 28 November 2017 to 2 February 2018. The number of options that have vested and are not exercisable is NIL.

(4) The option valuation is determined with 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.

(5) The amortised value for accounting purposes, as the grant date fair value is spread evenly over the vesting period.

6.3 Loans to executives under LTEIP

The details of non-recourse loans provided to executives under the LTEIP during the financial year ended 30 September 2017 are set out in the table below.

Executive LTEIP loans

NAME	OPENING BALANCE $	ADVANCES DURING THE YEAR $	LOAN FORGIVE-NESS GRANTED DURING THE YEAR $[(1)]	REPAYMENTS DURING THE YEAR $[(2)]	CLOSING BALANCE $	INTEREST FREE VALUE $	HIGHEST INDEBTED-NESS $
Executive Directors							
Patrick Houlihan	7,362,169	2,693,338	(361,037)	(2,078,791)	7,615,679	613,532	9,606,617
Stuart Boxer	2,823,500	1,029,597	(139,463)	(802,407)	2,911,227	229,971	3,679,929
Other KMP							
Patrick Jones	2,365,835	982,798	(116,220)	(670,444)	2,561,969	171,354	2,592,759
Brad Hordern	1,292,290	519,997	(63,533)	(366,282)	1,382,472	110,795	1,733,331
Martin Ward	1,141,114	472,159	(39,708)	(238,373)	1,335,192	88,875	1,351,244

(1) Loan forgiveness amounts under LTEIP in relation to the 2013 LTEIP grant.

(2) Repayments by the participants, including after tax dividends paid on the shares applied against the loan and repayment of the loan on vesting of LTEIP.

7. Non-Executive Directors' remuneration

7.1 Policy and approach to setting fees

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 committees.

Based on external professional advice, the Board's policy is 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.

Alignment with shareholders

The minimum shareholding policy for Non-Executive Directors, and their current shareholdings, are detailed in section 4.

Annual review of fees within the maximum 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 $1,800,000 per annum as approved by shareholders at the 2016 AGM.

Non-Executive Director fees are reviewed annually and set and approved by the Board based on independent advice received from external remuneration consultants from time to time.

Following a comprehensive review of Non-Executive Director fees during the 2016 financial year, during 2017 fees were increased effective to reflect general market movements. The Board is confident that fees remain competitive with comparable companies and to reflect the calibre, increased time commitment and responsibilities of the Non-Executive Directors as the Group continues to grow.

Base fees

The Board approved the following base fees effective 1 January 2017 (inclusive of statutory superannuation):

Non-Executive Director fees

	BASE FEES	AUDIT AND RISK COMMITTEE	REMUNERATION AND HUMAN RESOURCES COMMITTEE	SAFETY AND SUSTAINABILITY COMMITTEE
Non-Executive Chairman[1]	$425,400	–	–	–
Non-Executive Director	$158,500	–	–	–
Committee Chair	–	$36,850	n/a[1]	$29,700
Committee Member	–	$18,450	$14,850	$14,850

[1] The Non-Executive Chairman chairs the Remuneration and Human Resources Committee and is a member of the Audit and Risk Committee. He receives a base fee only. No separate committee fees are paid.

Allowances

Non-Executive Directors are paid a travel allowance of $2,500 per return trip for international travel where the journey includes a one-way international trip between six and 12 hours; and $5,000 where the journey includes a one-way international trip over 12 hours.

The Non-Executive Directors do not receive any retirement allowances.

7.2 Remuneration for 2017

Details of Non-Executive Director remuneration for the financial year ended 30 September 2017 are set out in the table below.

Non-Executive Director remuneration

NAME	FINANCIAL YEAR	DIRECTORS BASE FEES $	AUDIT AND RISK COMMITTEE $	SAFETY AND SUSTAIN-ABILITY COMMITTEE $	REMUNER-ATION AND HUMAN RESOURCES COMMITTEE $	SUPER-ANNUATION[1] $	OTHER BENEFITS[2] $	TOTAL $
Peter Kirby	2017	423,050	–	–	–	–	10,000	433,050
	2016	397,285	–	–	–	16,115	7,500	420,900
Gaik Hean Chew[3]	2017	28,954	–	5,417	2,709	3,523	32,453	73,056
	2016	140,525	–	26,256	13,128	17,091	134,495	331,495
Garry Hounsell	2017	143,950	33,459	–	13,482	18,135	10,000	219,026
	2016	140,525	32,648	–	13,128	17,699	7,500	211,500
Andrew Larke	2017	147,763	18,338	–	14,763	9,862	10,000	200,726
	2016	144,287	17,875	–	14,375	9,588	7,500	193,625
Graeme Liebelt[4]	2017	155,893	–	29,525	11,138	–	5,000	201,556
	2016	43,899	–	–	–	1,896	–	45,795
Judith Swales	2017	143,950	18,338	11,890	–	16,547	5,000	195,725
	2016	140,525	17,875	11,577	–	16,148	7,500	193,625

(1) Directors' base and committee fees are inclusive of superannuation contributions and any amounts sacrificed under the SSAP. The superannuation entitlements for each Director are dependent on their individual arrangements and the timing of payment of their fees.

(2) Includes international travel allowances.

(3) Ms Chew retired from the DuluxGroup Board on 14 December 2016. The table includes her remuneration to this date. Ms Chew's other benefits include: allowance for international travel totalling $5,000 (2016 $30,000), her fees of $14,869 (2016 $43,750) as a Director of DGL Camel International Limited (a subsidiary of the Group), remuneration of $12,584 (2016 $43,750) in respect of an ongoing consulting services agreement to assist the Group in seeking strategic growth opportunities in Asia. No amounts were paid during the current period for the preparation of her annual tax returns in either Australia or Hong Kong (2016 $16,995).

(4) Mr Liebelt became a Non-Executive Director of DuluxGroup Limited on 14 June 2016. The table includes his remuneration from this date.

Auditor's Independence Declaration

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 of DuluxGroup Limited for the financial year ended 30 September 2017 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

Gordon Sangster
Partner

Melbourne

15 November 2017

Consolidated Income Statement

For the financial year ended 30 September

	NOTES	2017 $'000	2016 $'000
Revenue		**1,784,468**	1,716,259
Other income	3	**4,227**	3,221
Expenses			
Changes in inventories of finished goods and work in progress		**(6,339)**	(3,608)
Raw materials and consumables used and finished goods purchased for resale		**726,836**	701,027
Employee benefits		**389,791**	385,785
Depreciation and amortisation	4	**31,282**	32,267
Repairs and maintenance		**13,281**	13,901
Operating leases		**52,436**	47,306
Outgoing freight		**73,070**	68,172
Other expenses[1]		**295,363**	274,197
Share of net profit of equity accounted investment	19	**(1,235)**	(676)
		1,574,485	1,518,371
Earnings before interest and income tax expense (EBIT)		**214,210**	201,109
Finance income		**189**	224
Finance expenses	4	**(17,483)**	(20,122)
Net finance costs		**(17,294)**	(19,898)
Profit before income tax expense		**196,916**	181,211
Income tax expense	13	**(57,255)**	(52,150)
Profit for the year		**139,661**	129,061
Attributable to:			
Ordinary shareholders of DuluxGroup Limited		**142,941**	130,417
Non-controlling interest in controlled entities		**(3,280)**	(1,356)
Profit for the year		**139,661**	129,061

		CENTS	CENTS
Earnings per share			
Attributable to the ordinary shareholders of DuluxGroup Limited:			
Basic earnings per share	5	**37.3**	34.1
Diluted earnings per share	5	**36.7**	33.5

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

[1] Largely comprises of advertising and marketing expenditure, commissions, royalties and other fixed and variable costs.

Consolidated Statement of Comprehensive Income

For the financial year ended 30 September

	2017 $'000	2016 $'000
Profit for the year	**139,661**	129,061
Other comprehensive income/(loss)		
Items that may be reclassified to the income statement		
Cash flow hedge reserve		
Effective portion of changes in fair value of cash flow hedges	**1,991**	(2,945)
Income tax (expense)/benefit	**(597)**	883
Foreign currency translation reserve		
Foreign currency translation loss on foreign operations	**(4,344)**	(697)
Total items that may be reclassified to the income statement, net of tax	**(2,950)**	(2,759)
Items that will not be reclassified to the income statement		
Retained earnings		
Actuarial gains/(losses) on defined benefit plan	**21,759**	(32,551)
Income tax (expense)/benefit	**(6,528)**	9,765
Total items that will not be reclassified to the income statement, net of tax	**15,231**	(22,786)
Other comprehensive income/(loss) for the year, net of tax	**12,281**	(25,545)
Total comprehensive income for the year	**151,942**	103,516
Attributable to:		
Ordinary shareholders of DuluxGroup Limited	**155,240**	104,584
Non-controlling interest in controlled entities	**(3,298)**	(1,068)
Total comprehensive income for the year	**151,942**	103,516

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

Consolidated Balance Sheet

As at 30 September

	NOTES	2017 $'000	2016 $'000
Current assets			
Cash and cash equivalents		**38,974**	39,068
Trade and other receivables	7	**277,677**	256,315
Inventories	7	**229,394**	218,873
Derivative financial assets	15	**3,847**	3,269
Other assets		**6,613**	5,180
Assets held for sale	8	**6,814**	–
Total current assets		**563,319**	522,705
Non-current assets			
Other receivables	7	**35**	65
Derivative financial assets	15	**36,945**	57,040
Equity accounted investment	19	**7,753**	6,518
Property, plant and equipment	9	**371,805**	312,041
Intangible assets	10	**228,670**	234,047
Deferred tax assets	13	**50,436**	59,231
Other assets		**3,138**	4,155
Total non-current assets		**698,782**	673,097
Total assets		**1,262,101**	1,195,802
Current liabilities			
Trade and other payables	7	**264,912**	250,766
Interest-bearing liabilities	14	**16,570**	12,904
Derivative financial liabilities	15	**619**	3,229
Current tax liabilities		**18,567**	14,386
Provisions	12	**77,369**	65,124
Total current liabilities		**378,037**	346,409
Non-current liabilities			
Other payables	7	**249**	270
Interest-bearing liabilities	14	**398,116**	388,679
Deferred tax liabilities	13	**28,096**	27,335
Provisions	12	**13,339**	22,913
Defined benefit liability	20	**36,964**	56,466
Total non-current liabilities		**476,764**	495,663
Total liabilities		**854,801**	842,072
Net assets		**407,300**	353,730
Equity			
Share capital	16	**277,282**	264,886
Treasury shares	16	**(22,286)**	(10,658)
Reserves		**(101,444)**	(97,852)
Retained earnings[1]		**257,101**	197,409
Total equity attributable to ordinary shareholders of DuluxGroup Limited		**410,653**	353,785
Non-controlling interest in controlled entities		**(3,353)**	(55)
Total equity		**407,300**	353,730

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

[1] The retained earnings of the Group includes the profits reserve of the parent entity, DuluxGroup Limited. For details of the parent entity's stand alone profits reserve, refer to note 26.

Consolidated Statement of Changes in Equity

For the financial year ended 30 September

	TOTAL EQUITY ATTRIBUTABLE TO ORDINARY SHAREHOLDERS OF DULUXGROUP LIMITED									
	SHARE CAPITAL $'000	TREASURY SHARES $'000	SHARE-BASED PAYMENTS RESERVE $'000	CASH FLOW HEDGE RESERVE[2] $'000	FOREIGN CURRENCY TRANSLATION RESERVE $'000	COMMON CONTROL RESERVE[3] $'000	RETAINED EARNINGS $'000	TOTAL $'000	NON-CONTROLLING INTEREST $'000	TOTAL EQUITY $'000
Balance at 1 October 2016	**264,886**	**(10,658)**	**8,763**	**(2,886)**	**5,481**	**(109,210)**	**197,409**	**353,785**	**(55)**	**353,730**
Profit/(loss) for the year	**–**	**–**	**–**	**–**	**–**	**–**	**142,941**	**142,941**	**(3,280)**	**139,661**
Other comprehensive income/(loss), net of tax	**–**	**–**	**–**	**1,394**	**(4,326)**	**–**	**15,231**	**12,299**	**(18)**	**12,281**
Total comprehensive income for the year	**–**	**–**	**–**	**1,394**	**(4,326)**	**–**	**158,172**	**155,240**	**(3,298)**	**151,942**
Transactions with owners, recorded directly in equity										
Purchase of treasury shares	**–**	**(18,002)**	**–**	**–**	**–**	**–**	**–**	**(18,002)**	**–**	**(18,002)**
Shares allocated under the dividend reinvestment plan (DRP)	**–**	**6,366**	**–**	**–**	**–**	**–**	**–**	**6,366**	**–**	**6,366**
Sale of treasury shares	**–**	**8**	**–**	**–**	**–**	**–**	**–**	**8**	**–**	**8**
Share-based payments	**–**	**–**	**3,185**	**–**	**–**	**–**	**–**	**3,185**	**–**	**3,185**
Shares vested under the LTEIP and ESIP[1]	**12,396**	**–**	**(3,845)**	**–**	**–**	**–**	**–**	**8,551**	**–**	**8,551**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**–**	**(98,480)**	**(98,480)**	**–**	**(98,480)**
Balance at 30 September 2017	**277,282**	**(22,286)**	**8,103**	**(1,492)**	**1,155**	**(109,210)**	**257,101**	**410,653**	**(3,353)**	**407,300**
Balance at 1 October 2015	256,483	(159)	7,444	(824)	6,466	(109,210)	178,524	338,724	1,013	339,737
Profit/(loss) for the year	–	–	–	–	–	–	130,417	130,417	(1,356)	129,061
Other comprehensive income/(loss), net of tax	–	–	–	(2,062)	(985)	–	(22,786)	(25,833)	288	(25,545)
Total comprehensive income for the year	–	–	–	(2,062)	(985)	–	107,631	104,584	(1,068)	103,516
Transactions with owners, recorded directly in equity										
Purchase of treasury shares	–	(18,313)	–	–	–	–	–	(18,313)	–	(18,313)
Shares allocated under the DRP	–	7,623	–	–	–	–	–	7,623	–	7,623
Sale of treasury shares	–	32	–	–	–	–	–	32	–	32
Share-based payments	–	–	3,727	–	–	–	–	3,727	–	3,727
Shares vested under the LTEIP and ESIP[1]	8,403	159	(2,408)	–	–	–	–	6,154	–	6,154
Dividends paid	–	–	–	–	–	–	(88,746)	(88,746)	–	(88,746)
Balance at 30 September 2016	264,886	(10,658)	8,763	(2,886)	5,481	(109,210)	197,409	353,785	(55)	353,730

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

(1) The total amount of $8,551,000 (2016: $6,154,000) comprises of the following:

- Proceeds of $7,317,000 (2016: $4,795,000) (being the net loan repayable after taking account of debt repaid via dividends and any loan forgiveness) were received as repayment for shares vested under the 2013 Long Term Equity Incentive Plan (LTEIP) (2016: 2012 LTEIP).
- Amounts totalling $1,234,000 (2016: $1,359,000) were applied as settlement for shares vested under the Employee Share Investment Plan (ESIP). Under the ESIP, proceeds collected from employees by way of a salary sacrifice are recognised by the Group as a liability until such time as an employee has the right to sell the shares, at which time the amount is recognised in contributed equity.

(2) The closing balance of Cash Flow hedging reserve includes the foreign currency basis reserve which represents changes in the fair value of the Cross Currency Interest Rate Swaps (CCIRS) attributable to movement in the foreign currency basis spread.

(3) Common control reserve comparative has been restated to account for deferred tax liability on indefinite life intangibles, refer to note 13.

Consolidated Statement of Cash Flows

For the financial year ended 30 September

	2017 $'000	2016 $'000
Cash flows from operating activities		
Profit before income tax expense	**196,916**	181,211
Adjustments for:		
Depreciation and amortisation	**31,282**	32,267
Amortisation of prepaid supply agreements	**1,296**	1,081
Share-based payments expense	**3,185**	3,727
Defined benefit service cost	**5,750**	4,965
Research and development grant income	**(962)**	(1,599)
Share of net profit of equity accounted investment	**(1,235)**	(676)
Impairment of inventories, trade and other receivables	**3,380**	2,209
Net loss on sale of property, plant and equipment	**234**	1,043
Net foreign exchange (gains)/losses on operating items	**(1,792)**	2,732
Net finance cost	**17,294**	19,898
	255,348	246,858
Changes in assets and liabilities:		
Increase in trade, other receivables and other assets	**(26,740)**	(3,772)
Increase in inventories	**(13,338)**	(2,523)
Increase/(decrease) in trade and other payables and provisions	**13,840**	(27,591)
Cash generated from operations	**229,110**	212,972
Interest received	**189**	224
Interest paid	**(13,628)**	(15,740)
Income taxes paid	**(49,701)**	(52,542)
Net cash inflow from operating activities	**165,970**	144,914
Cash flows from investing activities		
Payments for property, plant and equipment	**(95,546)**	(57,072)
Payments for intangible assets	**(527)**	(3,732)
Payments for purchase of businesses	**(571)**	(13,276)
Proceeds from joint venture distribution	**–**	500
Proceeds from disposal of property, plant and equipment	**191**	537
Net cash outflow from investing activities	**(96,453)**	(73,043)
Cash flows from financing activities		
Proceeds from borrowings	**2,890,779**	2,584,489
Repayments of borrowings	**(2,857,650)**	(2,567,174)
Payments for purchase of treasury shares	**(18,002)**	(18,313)
Proceeds from sale of treasury shares	**8**	32
Proceeds from employee share plan repayments	**8,551**	5,773
Dividends paid (net of shares allocated/issued as part of the DRP)	**(92,114)**	(81,123)
Net cash outflow from financing activities	**(68,428)**	(76,316)
Net increase/(decrease) in cash held	**1,089**	(4,445)
Cash at the beginning of the year	**39,068**	46,270
Effects of exchange rate changes on cash	**(1,183)**	(2,757)
Cash at the end of the year	**38,974**	39,068

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

Notes to the Consolidated Financial Statements

For the financial year ended 30 September

1. About this report

DuluxGroup Limited (the Company) is a company incorporated and domiciled in Australia which has shares that are publicly traded on the Australian Securities Exchange.

The Company's registered office is at 1956 Dandenong Rd, Clayton Victoria 3168 Australia. Its principal activities are the marketing and manufacturing of products that protect, maintain and enhance the spaces and places in which we live and work. The significant accounting policies adopted in preparing the consolidated financial statements of the Company and its subsidiaries (collectively 'the Group' or 'DuluxGroup') have been consistently applied to all the years presented, unless otherwise stated. Accounting policies specific to one note are described in the note in which they relate. The impact of new and upcoming accounting standards and interpretations are set out in note 28. Accounting policies that are relevant to understanding the financial statements as a whole are set out below.

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 subsidiaries 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 15 November 2017 and are presented in Australian dollars, which is the Company'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 as issued by the International Accounting Standards Board. DuluxGroup is a for-profit entity for the purpose of preparing the consolidated financial statements.

b) Comparatives

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

c) Consolidation

The Group's 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 10 *Consolidated 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 the Group are eliminated in full.

d) Foreign currency

Functional currency

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

Foreign currency transactions

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

Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are translated using the exchange rate ruling at the date of the transaction.

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

Financial statements of foreign operations

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

e) Rounding

The amounts shown in this financial report have been rounded off, except where otherwise stated, to the nearest thousand dollars with the Company being in a class specified in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191.

f) Key accounting estimates and judgements

Management determines the development, selection, disclosure and application of the Group's key accounting 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. Changes in the assumptions underlying the estimates may result in a significant impact on the financial statements. Management believes the estimates used in preparing the financial statements are reasonable and in accordance with accounting standards.

The key assumptions and judgements pertaining to this report are set out in the following notes:

- Note 11 Impairment testing
- Note 12 Provisions
- Note 13 Income tax
- Note 20 Superannuation

2. Segment report

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

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

DEFINED REPORTABLE SEGMENTS	PRODUCTS/SERVICES
Dulux ANZ	Dulux decorative paints, woodcare, texture, protective, powder and industrial coatings in Australia and New Zealand for both consumer and professional trade markets.
Selleys & Parchem ANZ	Selleys adhesives, sealants and other household repair and maintenance products for the consumer and professional trade markets in Australia and New Zealand; and Parchem construction chemicals, decorative concrete solutions and related equipment in Australia and New Zealand.
B&D Group	B&D garage doors and electronic openers for residential, commercial and industrial use in Australia and New Zealand.
Lincoln Sentry	Lincoln Sentry, a specialist trade distributor of premium branded cabinet hardware and architectural hardware to the cabinet making industry, and the window, door and glazing industries in Australia.
Other businesses	Yates garden care and home improvement products in Australia and New Zealand, DGL International specialty coatings and adhesives businesses in South East Asia, Dulux Papua New Guinea coatings business and Craig & Rose paints and Selleys businesses in the United Kingdom. Also includes the 51%-owned DGL Camel business in China and Hong Kong.

2. Segment report (continued)

	DULUX ANZ		SELLEYS & PARCHEM ANZ		B&D GROUP		LINCOLN SENTRY		OTHER BUSINESSES		UNALLOCATED[1]		CONSOLIDATED	
	2017 $'000	**2016 $'000**	**2017 $'000**	**2016 $'000**	**2017 $'000**	**2016 $'000**	**2017 $'000**	**2016 $'000**	**2017 $'000**	**2016 $'000**	**2017 $'000**	**2016 $'000**	**2017 $'000**	**2016 $'000**
Revenue														
External revenue	**934,172**	887,823	**252,033**	246,707	**182,532**	177,950	**195,121**	187,619	**220,610**	216,160	**-**	-	**1,784,468**	1,716,259
Inter-segment revenue	**3,145**	2,810	**8,682**	7,185	**-**	-	**49**	74	**1,588**	884	**(13,464)**	(10,953)	**-**	-
Total revenue	**937,317**	890,633	**260,715**	253,892	**182,532**	177,950	**195,170**	187,693	**222,198**	217,044	**(13,464)**	(10,953)	**1,784,468**	1,716,259
Other income	**3,208**	1,209	**495**	231	**253**	90	**-**	-	**254**	505	**17**	1,186	**4,227**	3,221
Total revenue and other income	**940,525**	891,842	**261,210**	254,123	**182,785**	178,040	**195,170**	187,693	**222,452**	217,549	**(13,447)**	(9,767)	**1,788,695**	1,719,480
Results														
EBITDA[2]	**179,675**	172,794	**36,480**	32,602	**24,877**	22,602	**16,606**	14,757	**14,338**	17,299	**(26,484)**	(26,678)	**245,492**	233,376
Depreciation and amortisation	**(14,706)**	(16,272)	**(2,813)**	(3,084)	**(6,674)**	(6,495)	**(2,140)**	(2,241)	**(3,074)**	(2,819)	**(1,875)**	(1,356)	**(31,282)**	(32,267)
EBIT	**164,969**	156,522	**33,667**	29,518	**18,203**	16,107	**14,466**	12,516	**11,264**	14,480	**(28,359)**	(28,034)	**214,210**	201,109
Finance income													**189**	224
Finance expenses													**(17,483)**	(20,122)
Profit before income tax expense													**196,916**	181,211
Income tax expense													**(57,255)**	(52,150)
Profit for the year													**139,661**	129,061
Attributable to:														
Ordinary shareholders of DuluxGroup Limited													**142,941**	130,417
Non-controlling interest in controlled entities													**(3,280)**	(1,356)
Profit for the year													**139,661**	129,061
Acquisitions of property, plant and equipment and intangible assets	**85,176**	66,659	**2,804**	1,810	**2,162**	2,771	**798**	943	**2,864**	3,049	**-**	-	**93,804**	75,232

(1) Comprises of centrally managed income, costs, assets and liabilities relating to properties, tax, treasury and the Group's defined benefit pension plan.
(2) Earnings before interest, income tax expense, depreciation and amortisation.

Revenue from one of the Group's customers was approximately 25% (2016: 25%) of the total Group revenue during the year ended 30 September 2017. This customer operated primarily within the Dulux ANZ, Selleys & Parchem ANZ and Other businesses segments. No other single customers contributed 10% or more to the Group's revenue for both 2017 and 2016.

a) 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 for the year ended 30 September is set out below. The location of non-current assets other than financial assets, investments accounted for using the equity method, and deferred tax assets as at 30 September is set out below.

	REVENUE		NON-CURRENT ASSETS	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Australia	**1,468,431**	1,408,410	**543,019**	485,852
New Zealand	**199,280**	190,358	**44,086**	47,370
Other countries	**116,757**	117,491	**16,508**	17,021
	1,784,468	1,716,259	**603,613**	550,243

b) Accounting policies

i) 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. For the purpose of segment reporting, the Group's policy is to transfer products internally at negotiated commercial prices.

Customer loyalty programme

The Group operates a number of loyalty programmes 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 generally expire two to four years after the initial sale.

Other income

Other income includes profit on sale of property, plant and equipment and businesses, rental income, royalty income, grant income and net foreign exchange gains.

Profit and loss from sale of businesses, subsidiaries 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. Royalty income is recognised on sale of licensed product to the final customer. A grant is initially recognised as deferred income at fair value when there is a reasonable assurance that the Group will comply with the conditions of the grant and the amount will be received. The grant is then either recognised in the income statement over the useful life of the associated asset, or where the grant compensates the Group for incurred expenses, the income is recognised in the income statement in the period in which the associated expenses are recognised.

ii) Finance income and expenses

Finance income

Finance income comprises of interest income earned on funds invested. Finance income is recognised in the income statement using the effective interest method.

Finance expenses

Finance expenses include interest, unwind 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 recognised in the income statement 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.

3. Other income

	2017 $'000	2016 $'000
Royalty income	**805**	300
Rental income	**994**	477
Research and development grant income	**962**	1,599
Other	**1,466**	845
	4,227	3,221

4. Expenses

Profit before income tax includes the following expense items not otherwise detailed in this financial report:

	2017 $'000	2016 $'000
Depreciation	**24,164**	25,111
Amortisation	**7,118**	7,156
Depreciation and amortisation	**31,282**	32,267
Interest and finance charges paid/payable for financial liabilities not at fair value through profit and loss	**15,410**	17,455
Provisions: unwinding of discounting	**2,073**	2,667
Finance expenses	**17,483**	20,122
Net loss on disposal of property, plant and equipment	**234**	1,043
Net foreign exchange losses	**413**	757
Research and development expense	**20,608**	20,827

5. Earnings per share (EPS)

	2017 CENTS PER SHARE	2016 CENTS PER SHARE
Attributable to the ordinary shareholders of DuluxGroup Limited		
Basic earnings per share	**37.3**	34.1
Diluted earnings per share	**36.7**	33.5

	$'000	$'000
Earnings used in the calculation of basic and diluted earnings per share		
Profit for the year attributable to ordinary shareholders of DuluxGroup Limited	**142,941**	130,417

	NUMBER	NUMBER
Weighted average number of ordinary shares outstanding used as the denominator:		
Number for basic earnings per share	**382,868,053**	382,582,772
Effect of the potential vesting of shares under the LTEIP and ESIP[1]	**6,158,229**	6,379,665
Number for diluted earnings per share	**389,026,282**	388,962,437

[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.

6. Dividends

	2017 $'000	2016 $'000
Dividends paid		
Final dividend for 2016 of 12.5 cents per share fully franked (2015: Final dividend of 11.5 cents per share fully franked)	**48,278**	44,340
Interim dividend for 2017 of 13.0 cents per share fully franked (2016: Interim dividend of 11.5 cents per share fully franked)	**50,202**	44,406
	98,480	88,746
Dividend franking account		
Franking credits available to shareholders for subsequent financial years based on a tax rate of 30% (2016: 30%)	**28,745**	23,391

a) Dividends declared after balance date

On 15 November 2017, the Directors determined that a final dividend of 13.5 cents per ordinary share will be paid in respect of the 2017 financial year. The dividend will be fully franked and payable on 13 December 2017. The financial effect of this dividend is not included in the financial statements for the year ended 30 September 2017 and will be recognised in the 2018 financial statements. The Company's DRP will operate with respect to the final dividend. The DRP pricing period will be the five trading days from 29 November 2017 to 5 December 2017 inclusive. Ordinary shares issued under the DRP will rank equally with all other ordinary shares.

7. Working capital

	2017 $'000	2016 $'000
Current		
Trade and other receivables[1]	**277,677**	256,315
Trade and other payables	**(264,912)**	(250,766)
Inventories:		
Raw materials	**37,758**	33,558
Work in progress	**6,697**	5,398
Finished goods	**184,939**	179,917
	229,394	218,873
Total current	**242,159**	224,422
Non-current		
Other receivables	**35**	65
Other payables	**(249)**	(270)
Total non-current	**(214)**	(205)
Total working capital	**241,945**	224,217

[1] Current receivables is net of $20,036,000 (2016: $17,612,000) rebates payable. The Group has the legal right to offset such balances as they are with the same customers and it is the Group's intention to net settle any outstanding balances.

a) Trade and other receivables and allowance for impairment

The ageing of current and non-current trade and other receivables according to their due date is as follows:

	2017 GROSS $'000	2016 GROSS $'000	2017 ALLOWANCE $'000	2016 ALLOWANCE $'000	2017 NET $'000	2016 NET $'000
Not past due	**249,448**	230,120	**33**	32	**249,415**	230,088
Past due 0–30 days	**15,201**	15,826	**6**	–	**15,195**	15,826
Past due 31–60 days	**3,207**	3,082	**10**	16	**3,197**	3,066
Past due 61–90 days	**3,275**	2,347	**22**	60	**3,253**	2,287
Past due 91–120 days	**2,316**	3,090	**173**	570	**2,143**	2,520
Past 120 days	**7,110**	4,829	**2,601**	2,236	**4,509**	2,593
	280,557	259,294	**2,845**	2,914	**277,712**	256,380

There are no individually significant receivables that have had renegotiated terms that would otherwise, without that renegotiation, have been past due or impaired. No material security is held over trade receivables.

The movement in allowance for impairment of trade and other receivables is as follows:

	2017 $'000	2016 $'000
Opening balance	**2,914**	6,146
Allowances made (net of amounts written back)	**1,796**	836
Allowances utilised	**(1,819)**	(3,623)
Foreign currency exchange differences	**(46)**	(445)
Balance at 30 September	**2,845**	2,914

7. Working capital (continued)

b) Accounting policies

i) Trade and other receivables

Trade and other 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.

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. Bad debts are written off during the year in which they are identified.

The expected impairment loss calculation for trade receivables considers the impact of past events and exercises judgment over the impact of current and future economic conditions. The calculation is based on:

- 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
- knowledge of debtor insolvency or other credit risk.

Subsequent changes in economic and market conditions may result in the provision for impairment losses increasing or decreasing in future periods.

ii) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the period, which remain unpaid at balance date. Trade payables are normally settled within 60 days from invoice date or within the agreed payment terms with the supplier.

iii) Inventories

Inventories are valued at the lower of cost or net realisable value, where cost is based on the first-in, first-out or weighted average method according to the type of inventory. For manufactured goods, cost includes direct labour, direct material and fixed overheads based on normal operating capacity. For finished goods purchased from external suppliers, cost is net cost into store.

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

c) Accounting estimates and judgements

Net realisable value of inventory

Management uses its judgement in establishing the net realisable value of inventories. Provisions are established for obsolete or slow moving inventories, taking into consideration the ageing and seasonal profile of inventories, discontinued lines, sell through history and forecast sales.

Customer rebates

Management uses its judgement in determining the amount accrued for customer rebates where the timing of the rebate period does not align with the Group's financial year end. In calculating the accrual management in particular takes account of forecast purchases pertaining to the rebate period.

8. Assets held for sale

In August 2017, management commenced the sale process of the Glen Waverley site. The net book value of the site is $6,813,558 inclusive of both land and machinery, plant and equipment. Accordingly, the asset associated to the Glen Waverley site is presented as an asset held for sale within the Consolidated Balance Sheet.

9. Property, plant and equipment

	LAND $'000	BUILDINGS AND LEASEHOLD IMPROVEMENTS $'000	MACHINERY, PLANT AND EQUIPMENT $'000	TOTAL $'000
2017				
Cost	**45,254**	**117,937**	**485,663**	**648,854**
Less accumulated depreciation and impairment	**–**	**(42,697)**	**(234,352)**	**(277,049)**
Net book value	**45,254**	**75,240**	**251,311**	**371,805**
Balance at 1 October 2016	**51,685**	**78,717**	**181,639**	**312,041**
Additions	**–**	**95**	**92,920**	**93,015**
Additions – business acquisitions	**–**	**–**	**44**	**44**
Fair value adjustment on business acquisitions	**–**	**(490)**	**–**	**(490)**
Disposals	**–**	**(12)**[(1)]	**(425)**	**(437)**
Depreciation expense	**–**	**(2,738)**	**(21,426)**	**(24,164)**
Reclassification to assets held for sale	**(6,425)**	**–**	**(389)**	**(6,814)**
Foreign currency exchange differences	**(6)**	**(332)**	**(1,052)**	**(1,390)**
Balance at 30 September 2017	**45,254**	**75,240**	**251,311**	**371,805**
2016				
Cost	51,685	118,295	398,562	568,542
Less accumulated depreciation and impairment	–	(39,578)	(216,923)	(256,501)
Net book value	51,685	78,717	181,639	312,041
Balance at 1 October 2015	38,557	56,994	166,314	261,865
Additions	12,825	21,903	36,772	71,500
Additions – business acquisitions	245	2,258	2,471	4,974
Disposals	–	(203)[(1)]	(1,445)	(1,648)
Depreciation expense	–	(2,874)	(22,237)	(25,111)
Foreign currency exchange differences	58	639	(236)	461
Balance at 30 September 2016	51,685	78,717	181,639	312,041

(1) Includes an amount of $12,000 (2016: $68,000) relating to the reassessment of the leased properties restoration provision.

a) Assets under construction

Included in the closing balances above are assets under construction at 30 September 2017 of $145,300,000 (2016: $71,311,000), with the majority of the assets under construction relating to the new paint factory.

b) Accounting policies

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses (refer to note 11). 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 Group and that the cost of the item can be reliably measured.

Property, plant and equipment, other than freehold land, is depreciated on a straight-line basis over the useful life of each asset to the Group. Estimated useful lives of each class of asset are as follows:

Buildings and leasehold improvements	10 to 40 years
Machinery, plant and equipment	3 to 20 years

Assets under construction are not depreciated until ready for use.

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

Where the occupation of a leased property gives rise to an obligation for site closure or restoration, the Group recognises a provision for the costs associated with restoration.

c) Accounting estimates and judgements

Management reviews, and adjusts as appropriate, the useful lives of property, plant and equipment at least annually. Any changes to useful lives affect prospective depreciation rates and asset carrying values.

10. Intangible assets

	GOODWILL $'000	PATENTS, TRADEMARKS AND RIGHTS $'000	BRAND NAMES $'000	SOFTWARE $'000	CUSTOMER CONTRACTS $'000	TOTAL $'000
2017						
Cost	**144,637**	**8,193**	**65,894**	**38,276**	**29,299**	**286,299**
Less accumulated amortisation	**–**	**(5,976)**	**(1,312)**	**(32,898)**	**(17,443)**	**(57,629)**
Net book value	**144,637**	**2,217**	**64,582**	**5,378**	**11,856**	**228,670**
Balance at 1 October 2016	**143,665**	**2,354**	**64,759**	**7,376**	**15,893**	**234,047**
Additions	**–**	**–**	**–**	**789**	**–**	**789**
Additions – business acquisitions	**194**	**–**	**–**	**–**	**–**	**194**
Fair value adjustment on business acquisitions	**790**	**–**	**–**	**–**	**–**	**790**
Amortisation expense	**–**	**(131)**	**(117)**	**(2,829)**	**(4,041)**	**(7,118)**
Foreign currency exchange differences	**(12)**	**(6)**	**(60)**	**42**	**4**	**(32)**
Balance at 30 September 2017	**144,637**	**2,217**	**64,582**	**5,378**	**11,856**	**228,670**
2016						
Cost	143,665	8,324	65,973	37,503	29,300	284,765
Less accumulated amortisation	–	(5,970)	(1,214)	(30,127)	(13,407)	(50,718)
Net book value	143,665	2,354	64,759	7,376	15,893	234,047
Balance at 1 October 2015	138,160	2,378	65,140	6,818	19,633	232,129
Additions	–	–	–	3,732	–	3,732
Additions – business acquisitions	5,460	–	–	–	–	5,460
Amortisation expense	–	(277)	(217)	(2,915)	(3,747)	(7,156)
Transfers between classes	–	242	–	(249)	7	–
Foreign currency exchange differences	45	11	(164)	(10)	–	(118)
Balance at 30 September 2016	143,665	2,354	64,759	7,376	15,893	234,047

a) Intangibles under development

Included in the closing balance above are software assets under development at 30 September 2017 of $1,441,000 (2016: $3,596,000).

b) Accounting policies

Identifiable intangibles

Amounts paid for the acquisition of software are capitalised at the fair value of consideration paid. Amounts paid for the acquisition of other identifiable intangible assets (except for software) are capitalised at the fair value of consideration paid determined by reference to independent valuations. Subsequent expenditure on capitalised identifiable intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Intangible assets, other than intangible assets with indefinite lives or under development, are amortised on a straight-line basis over their useful lives. Estimated useful lives of each class of asset are 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 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 (refer to note 11) and are carried at cost less accumulated impairment.

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 (refer to note 11).

c) Accounting estimates and judgements

Management use judgement in determining whether an individual brand name will have a finite life or an indefinite life. Management make this determination on the basis of brand strength, expectations of continuing profitability and future business commitments to these brands. If a brand is assessed to have a finite life, management will use judgement in determining the useful life.

Management reviews, and adjusts as appropriate, the useful lives of intangible assets at least annually. Any changes to useful lives affect prospective amortisation rates and asset carrying values.

d) Allocation of goodwill and intangible assets with indefinite useful lives

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

	GOODWILL		BRAND NAMES	
	30 SEPTEMBER 2017 $'000	30 SEPTEMBER 2016 $'000	30 SEPTEMBER 2017 $'000	30 SEPTEMBER 2016 $'000
Dulux ANZ	**29,272**	29,078	**26,900**	26,900
Selleys & Parchem ANZ	**43,285**	43,299	**3,400**	3,400
Yates	**10,039**	10,058	**14,858**	14,858
B&D Group	**39,537**	39,537	**15,000**	15,000
Lincoln Sentry	**18,193**	18,193	**2,400**	2,400
DGL International UK	**4,311**	3,500	**–**	–
	144,637	143,665	**62,558**	62,558

11. Impairment testing

The review for impairment at 30 September 2017 did not result in impairment charges being recognised by the Group (2016: $NIL). For all Cash-Generating Units (CGUs) apart from the China CGU (part of the Other Businesses segment), a reasonable possible change to impairment model inputs would not cause the recoverable amount to be below their respective carrying amount. For the China CGU, trading results for the business continue to be weaker than expected. The recoverable amount has been determined using a fair value less costs of disposal based approach. If there was a negative variation in a key assumption, in the absence of other factors, this may lead to an impairment of the China CGU. The China CGU includes $3,900,000 of non-current assets and $25,100,000 of total assets at 30 September 2017.

a) Accounting policies

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

The recoverable amount of an asset is determined as the higher of fair value less costs of disposal and value in use. The recoverable amount is estimated for each individual asset or where it is not possible to estimate for individual assets, it is estimated for the 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. CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The test of goodwill and its impairment is undertaken at the level noted above in note 10(d). When determining fair value less costs of disposal, information from recent market transactions of a similar nature is taken into account. 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. Cash flow projections beyond the four year period are extrapolated using estimated growth rates, which are not expected to exceed the long term average growth rates in the applicable markets. Cash flows used for value in use calculations are estimated for the asset in its present condition and therefore do not include cash inflows or outflows that improve or enhance the asset's performance or that may arise from future restructuring.

The pre-tax discount rate used for a:

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

11. Impairment testing (continued)

a) Accounting policies (continued)

The pre-tax discount rates applied in the discounted cash flow models range between 10% and 15% (2016: 10% and 15%). The sales revenue compound annual growth rates applied in the discounted cash flow models range between 0% and 7% (2016: 0% and 7%).

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.

b) Accounting estimates and judgements

In making the assessment for impairment management applies its judgement in allocating assets that do not generate independent cash inflows to appropriate CGUs. Subsequent changes to the CGU allocation or to the timing and quantum of cash flows may impact the carrying value of the respective assets.

The determination of recoverable amount on a value in use basis requires the estimation and discounting of future cash flows. The estimation of cash flows 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. Management also applies judgement when determining the recoverable amount using fair value less costs of disposal. This judgement is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market based information less incremental costs for disposing of the assets.

12. Provisions

	EMPLOYEE ENTITLE-MENTS $'000	RESTRUC-TURING[1] $'000	LEASED PROPERTIES $'000	OTHER $'000	TOTAL $'000
2017					
Current	**63,503**	**9,710**	**714**	**3,442**	**77,369**
Non-current	**4,598**	**–**	**7,729**	**1,012**	**13,339**
Total provisions	**68,101**	**9,710**	**8,443**	**4,454**	**90,708**
Balance at 1 October 2016		**8,258**	**9,566**	**4,867**	
Provisions made (net of amounts written back)		**809**	**(1,116)**	**5,080**	
Provisions utilised		**(379)**	**(808)**	**(5,649)**	
Unwind of discounting		**1,022**	**848**	**171**	
Foreign currency exchange differences		**–**	**(47)**	**(15)**	
Balance at 30 September 2017		**9,710**	**8,443**	**4,454**	
2016					
Current	59,834	750	817	3,723	65,124
Non-current	5,512	7,508	8,749	1,144	22,913
Total provisions	65,346	8,258	9,566	4,867	88,037
Balance at 1 October 2015		18,078	9,149	4,585	
Provisions made (net of amounts written back)		(778)	563	5,946	
Provisions utilised		(10,587)	(1,908)	(5,912)	
Unwind of discounting		1,545	896	180	
Additions–business acquisition		–	897	54	
Foreign currency exchange differences		–	(31)	14	
Balance at 30 September 2016		8,258	9,566	4,867	

[1] At 30 September 2017 and 30 September 2016 the balance largely comprises the redundancy costs recognised in association with the Group's supply chain projects.

Current employee benefit liabilities include $26,046,000 in respect of long service leave due at 30 September 2017. Amounts expected to be settled during the 2018 financial year amount to approximately $2,100,000. Historically, the Group has presented only those amounts of long service leave expected to be settled in the following year as a current employee benefit liability. To accord with the current year classification, prior year comparative balances have been restated, resulting in an increase in current employee benefit liabilities and total current liabilities of $23,692,000 and a corresponding decrease in non-current employee benefit liabilities and total non-current liabilities.

a) Accounting policies

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

Employee entitlements

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.

Liabilities for long service leave are accrued at the present value of expected future payments to be made resulting from services provided by employees. Liabilities for long service leave entitlements, which are not expected to be paid or settled within 12 months, are accrued at the present value of future amounts expected to be paid.

Liabilities for bonuses are recognised on the achievement of predetermined bonus targets and the benefit calculations are formally documented and determined before signing the financial statements.

Restructuring

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.

Leased properties

The Group 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 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.

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.

The Group has also identified certain leased sites that were surplus to its requirements. Where these sites have non-cancellable leasing arrangements and the Group 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.

Other

Other provisions largely comprises of amounts for customer loyalty programmes, warranties and sales returns.

b) Accounting estimates and judgements

Management uses its judgement in determining its future obligations for employee entitlements, restructuring and leased properties.

Employee entitlements

Provision for long service leave is based on the following key assumptions: future salary and wages increases; future on cost rates; and future probability of employee departures and period of service.

Restructuring

The provision for restructuring is based on expected future payments for existing employees under the current employment agreements. Changes to employee numbers, their employment conditions or timing of the projects' completion dates could impact estimated future payments.

Leased properties

The provision for leased premises restoration is based on estimates of the future costs, and the timing of those costs, required to restore those sites to original condition.

13. Income tax

a) Income tax expense

	2017 $'000	2016 $'000
Current tax expense	**55,195**	47,313
Deferred tax expense	**2,060**	4,837
Income tax expense	**57,255**	52,150
Deferred tax expense/(benefit) included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets	**1,611**	4,976
Increase/(decrease) in deferred tax liabilities	**449**	(139)
	2,060	4,837
Reconciliation of prima facie tax expense to income tax expense		
Profit before income tax expense	**196,916**	181,211
Prima facie income tax expense calculated at 30% of profit before income tax expense	**59,075**	54,363
Tax effect of items which (decrease)/increase tax expense:		
Foreign tax rate differential	**396**	(829)
Non-taxable income and profits, net of non-deductible expenditure	**(1,962)**	(2,174)
Share of net profit of equity accounted investment	**(370)**	(203)
Tax losses not recognised	**1,422**	886
Sundry items	**1,399**	1,200
Amounts over provided in prior years	**(2,705)**	(1,093)
Income tax expense	**57,255**	52,150

b) Deferred tax assets and liabilities

	DEFERRED TAX ASSETS		DEFERRED TAX LIABILITIES	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
The balance comprises temporary differences attributable to:				
Trade and other receivables	**424**	552	**–**	–
Inventories	**3,549**	3,704	**–**	–
Property, plant and equipment	**4,840**	5,035	**3,786**	2,998
Intangible assets	**2,669**	4,196	**22,719**	23,847
Trade and other payables	**671**	1,256	**91**	61
Provisions	**6,196**	6,479	**–**	–
Employee entitlements	**31,019**	36,100	**–**	–
Tax losses	**249**	222	**–**	–
Other	**819**	1,687	**1,500**	429
Total	**50,436**	59,231	**28,096**	27,335
Expected to be recovered/settled:				
Within 12 months	**20,502**	18,633	**1,592**	490
After more than 12 months	**29,934**	40,598	**26,504**	26,845
	50,436	59,231	**28,096**	27,335
Movements:				
Opening balance	**59,231**	53,286	**27,335**	27,543
Additions – business acquisitions	**–**	441	**–**	–
Adjustment – prior year acquisitions	**36**	–	**336**	–
Credited to profit or loss	**–**	–	**–**	(139)
Charged to profit or loss	**(1,611)**	(4,976)	**449**	–
(Charged)/credited to other comprehensive income	**(7,126)**	10,648	**–**	–
Foreign currency exchange differences	**(94)**	(168)	**(24)**	(69)
Balance at 30 September	**50,436**	59,231	**28,096**	27,335

As a consequence of an IFRS Interpretation Committee (IFRIC) agenda decision issued in November 2016, management has adjusted the deferred tax liabilities (with an offset in the common control reserve) as at the beginning of the earliest comparative period by $11,508,000 to recognise a deferred tax liability on all indefinite life intangibles acquired as part of a business combination prior to the demerger from the Orica Limited business in 2010.

c) Unrecognised deferred tax assets and liabilities

	2017 $'000	2016 $'000
Tax losses and other deferred tax assets not recognised in:		
Australia [1]	**1,086**	1,086
China [2]	**7,918**	9,229
Hong Kong	**577**	539
Malaysia	**237**	327
United Kingdom	**620**	–
	10,438	11,181

(1) Capital losses.

(2) Expiration dates between 2017 and 2022 (2016: between 2016 and 2021).

A deferred tax liability of $1,000,000 (2016: $2,303,000) has not been recognised in respect of temporary differences arising as a result of the translation of the financial statements of the Company's subsidiaries. The deferred tax liability will only be realised in the event of disposal of the Company's subsidiaries and no such disposal is expected in the foreseeable future.

d) Accounting policies

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

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

Deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the balance sheet and their associated tax bases. The amount of deferred tax provided is based on the expected manner of realisation of the asset or settlement of the liability, using tax rates enacted or substantively enacted at reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent it is no longer probable that the related tax benefit will be realised.

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

Tax consolidation

DuluxGroup Limited is the head entity of the Australian tax consolidated group. The head entity and the members of the tax consolidated group have entered into a tax funding arrangement which sets out the funding obligations of members in respect of tax amounts. The head entity recognises the tax effects of its own transactions and the current tax liabilities and the deferred tax assets arising from unused tax losses and unused tax credits assumed from the subsidiary entities. Members of the tax consolidated group have also entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations.

e) Accounting estimates and judgements

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

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

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

14. Interest-bearing liabilities

	2017 $'000	2016 $'000
Current		
Unsecured		
Bank loan–RMB denominated[1]	**10,040**	10,873
Bank loan–HKD denominated[2]	**6,530**	2,031
	16,570	12,904
Non-current		
Unsecured		
Bank loan–AUD denominated[3]	**156,427**	126,686
United States Private Placement (USPP)[4]	**241,689**	261,993
	398,116	388,679

(1) The current Chinese Renminbi (RMB) unsecured bank loan amount comprises of RMB 52,500,000 (AUD 10,040,000) (2016: RMB 55,325,000 (AUD 10,873,000)) drawn under an overseas bank loan facility.

(2) The current Hong Kong Dollar (HKD) unsecured bank loan amount comprises of HKD 40,000,000 (AUD 6,531,000) (2016: HKD 12,000,000 (AUD 2,031,000)) drawn under an overseas bank loan facility.

(3) The non-current AUD denominated unsecured bank loan amount comprises of AUD 157,000,000 (2016: AUD 128,000,000) drawn under the Group's syndicated bank loan facilities, net of unamortised prepaid loan establishment fees of AUD 573,000 (2016: AUD 1,314,000).

(4) The carrying value of the USPP is net of unamortised prepaid loan establishment fees of AUD 865,000 (2016: AUD 960,000).

a) United States Private Placement (USPP)

The USPP comprises of notes with a face value of USD 149,500,000 and AUD 40,000,000. The Group has entered into Cross Currency Interest Rate Swaps (CCIRS) and Interest Rate Swaps (IRS) to manage its exposure to the USD exchange rate (on both the principal and interest payments) and to convert the interest rate basis for the total borrowing from a fixed basis to floating. A summary of the USPP debt, net of associated hedging is as follows:

	2017 $'000	2016 $'000
USPP–carrying amount	**241,689**	261,993
add back USPP prepaid loan establishment fees	**865**	960
CCIRS	**(38,275)**	(56,018)
IRS	**(3,214)**	(5,870)
Net USPP debt	**201,065**	201,065

b) Assets pledged as security

While there were no assets pledged as security by DuluxGroup Limited and its subsidiaries, some of the Group's entities have provided a guarantee in relation to the Group's syndicated bank loan facilities and other overseas bank facilities as detailed in note 17.

c) Defaults and breaches

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

d) Accounting policies

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.

15. Financial and capital management

a) Capital management

The Group's objectives when managing capital (net debt and total equity) are to safeguard the Group's ability to continue as a going concern whilst optimising its debt and equity structure.

The Group manages its capital through various means including:

Raising or returning capital	+	**Raising or repaying a mix of long and short term borrowings**	+	**Adjusting the amount of dividends paid to shareholders**	+	**Operating a DRP**	+	**Issuing new or buying existing capital to satisfy the DRP and employee share plans**

The Group monitors capital using various credit metrics and accounting gearing ratios. The key metrics and ratios are set out below:

	CALCULATION	2017 $'000	2016 $'000	METRIC/RATIO
Net debt to EBITDA	Gross interest-bearing liabilities	**416,124**	403,857	**1.4 times** (2016: 1.3 times)
	Less:			
	Prepaid loan establishment fees	**(1,438)**	(2,274)	
	USPP derivatives[(1)]	**(41,489)**	(61,888)	
	Cash and cash equivalents	**(38,974)**	(39,068)	
	Net debt	**334,223**	300,627	
	EBITDA	**245,492**	233,376	
Interest cover ratio	EBITDA	**245,492**	233,376	**16.0 times** (2016: 14.1 times)
	Net finance costs	**17,294**	19,898	
	Less:			
	Amortisation of prepaid loan establishment fees	**(987)**	(806)	
	Unwind of discounting	**(2,073)**	(2,667)	
	Defined benefit fund interest	**(1,812)**	(828)	
	Addback:			
	Capitalised interest	**2,922**	904	
	Adjusted net finance costs	**15,344**	16,501	
Accounting gearing ratio	Net debt[(2)]	**334,223**	300,627	**45%** (2016: 46%)
	Net debt plus total equity[(3)]	**741,522**	654,357	

(1) Foreign currency and interest rate hedges relating to the USPP notes.

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

(3) Net debt plus total equity comparative has been restated to account for deferred tax liability on indefinite life intangibles, refer to note 13.

b) Financial risk management

The Group has exposure to the following principle financial risks:

- Market risk (interest rate, foreign exchange and commodity price risks);
- Liquidity risk; and
- Credit risk.

The Group's overall risk management program seeks to mitigate these risks and reduce the volatility of the Group's financial performance. All financial risk management is carried out or monitored centrally by the Treasury department and is undertaken in accordance with various treasury risk management policies (the Treasury Policy) approved by the Board.

The Group enters into derivative transactions for risk management purposes only. Derivative transactions are entered into to hedge financial risk relating to underlying physical exposures arising from business activities. Types of derivative financial instruments used to hedge financial risks (such as changes to interest rates and foreign currencies) include interest rate options, interest rate swaps, foreign exchange options, forward exchange contracts and CCIRS contracts.

The Group's approach to managing its principle financial risks is set out in sections 15(c) to 15(e).

15. Financial and capital management (continued)

c) Market risk

i) Interest rate risk

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

The Group is primarily exposed to interest rate risk on outstanding long term interest-bearing liabilities. 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. The Group operated within this range during the financial year ended 30 September 2017. As at 30 September 2017, the Group had no interest rate hedging in place.

The Group's exposure to interest rate risk and the weighted average effective interest rates on financial assets and liabilities at 30 September are set out below:

	2017 $'000	2016 $'000	2017 % P.A	2016 %P.A
Cash at bank and on hand	**38,974**	39,068	**0.6**	0.7
Net interest bearing liabilities [(1)]	**374,635**	341,969	**3.8**	4.3

(1) Excludes the impact of the prepaid loan establishment fees, and is net of hedges relating to the USPP notes.

The table below shows the effect on profit after income tax expense and total equity had interest rates (based on the relevant interest rate yield curve applicable to the underlying currency in which the Group's financial assets and liabilities are denominated) been 10% higher or lower than the year end rate. Whilst directors cannot predict movements in interest rates, a sensitivity of 10% on the Group's effective interest rate is considered reasonable taking into account the current level of both short term and long term interest rates.

	INCREASE/(DECREASE) IN PROFIT AFTER INCOME TAX EXPENSE [(1)]		INCREASE/(DECREASE) IN TOTAL EQUITY [(1)]	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Interest rates were -10%	**857**	470	**857**	463
Interest rates were +10%	**(857)**	(470)	**(857)**	(463)

(1) All other variables held constant, taking into account all underlying exposures and related hedges and does not take account of the impact of any management action that might take place if these events occurred.

ii) Foreign exchange risk

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. The primary foreign currency exposures are USD, NZD, RMB, HKD, EUR and PGK.

The Group's policy allows hedging to be undertaken to protect against unfavourable foreign currency movements on purchases, however there is flexibility as to when hedging is initiated and the instrument used to hedge the risk (typically forward exchange options or forward exchange contracts). In determining which instrument to use, consideration is given to the ability of the Group to participate in favourable movements in exchange rates.

The Group 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 Group's subsidiaries. Approximately 30% to 40% of the Group's purchases are denominated in, or are directly linked to, the USD, RMB or EUR.

The Group's net exposure, after taking account of relevant hedges, from a balance sheet perspective including external and internal balances (eliminated on consolidation) for the major currency exposures at 30 September are set out below (Australian dollar equivalents):

	AUD/USD		AUD/NZD		AUD/RMB		AUD/HKD		AUD/EUR		AUD/PGK	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Reported exchange rate	**0.78**	0.76	**1.09**	1.05	**5.23**	5.09	**6.12**	5.91	**0.67**	0.68	**2.51**	2.50
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Cash and cash equivalents	**1,513**	1,307	**6**	3	**–**	–	**–**	–	**19**	20	**–**	–
Trade and other receivables	**1,399**	1,398	**24**	161	**–**	–	**–**	–	**65**	62	**30**	522
Trade and other payables	**(6,503)**	(4,506)	**(942)**	(1,787)	**–**	(1,903)	**(307)**	(265)	**(1,426)**	(1,632)	**(5,819)**	(5,937)
Interest-bearing liabilities	**–**	(740)	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Net exposure	**(3,591)**	(2,541)	**(912)**	(1,623)	**–**	(1,903)	**(307)**	(265)	**(1,342)**	(1,550)	**(5,789)**	(5,415)

The table below shows the effect on profit after income tax expense and total equity from the major currency exposures, had the rates been 10% higher or lower than the year end rate. Whilst directors cannot predict movements in foreign exchange rates, a sensitivity of 10% is considered reasonable taking in to account the current level of exchange rates and the volatility observed on a historical basis.

	AUD/USD		AUD/NZD		AUD/RMB		AUD/HKD		AUD/EUR		AUD/PGK	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000	**2017 $'000**	2016 $'000	**2017 $'000**	2016 $'000	**2017 $'000**	2016 $'000	**2017 $'000**	2016 $'000
Increase/(decrease) in profit after income tax expense[(1)]												
Foreign exchange rates -10%	**(279)**	(198)	**(71)**	(126)	**–**	(148)	**(24)**	(21)	**(137)**	(140)	**455**	482
Foreign exchange rates +10%	**228**	162	**58**	103	**–**	121	**20**	17	**112**	115	**(372)**	(394)
Increase/(decrease) in total equity[(1)]												
Foreign exchange rates -10%	**(279)**	(198)	**(71)**	(126)	**–**	(148)	**(24)**	(21)	**(137)**	(140)	**455**	482
Foreign exchange rates +10%	**228**	162	**58**	103	**–**	121	**20**	17	**112**	115	**(372)**	(394)

(1) All other variables held constant, and taking into account all underlying exposures and related hedges.

In addition, the Group has a number of pricing arrangements with suppliers for purchases in EUR and USD that allow the Group to be invoiced in the AUD equivalent value of these purchases. Although the Group's balance sheet at 30 September 2017 is not exposed to these arrangements, the fluctuations of the AUD/EUR and AUD/USD exchange rate will impact on the AUD amount ultimately invoiced to the Group.

Foreign exchange risk – translational

Translational foreign exchange risk refers to the risk that the value of foreign earnings (primarily NZD, PGK and RMB) translated to AUD will fluctuate due to foreign currency rates. The Group's policy allows for economic hedging to be undertaken to reduce the volatility of full year earnings. At 30 September 2017, the Group did not have any outstanding derivative instruments pertaining to foreign currency earnings (2016: NIL).

iii) Commodity price risk

The Group 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, the Group's profit after income tax and shareholder's equity could be adversely impacted. For major suppliers, this impact is managed through a range of contractual mechanisms which reduce the impact, or provide sufficient visibility over when these impacts will affect the Group's profit.

15. Financial and capital management (continued)

d) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. The Group manages liquidity risk by:

Maintaining adequate levels of undrawn committed facilities in various currencies that can be drawn upon at short notice	**+**	**Retaining appropriate levels of cash and cash equivalents**	**+**	**Spreading the maturity dates of long term debt facilities (to the extent practicable)**	**+**	**Monitoring liquidity requirements taking account of forecast business performance and critical assumptions (e.g. input costs, sales price and volumes, exchange rates)**

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

	UNCOMMITTED BANK OVERDRAFT FACILITIES[1]		COMMITTED STANDBY AND LOAN FACILITIES[2,3]	
	2017 $'000	**2016 $'000**	**2017 $'000**	**2016 $'000**
Amount of facilities available	**10,439**	22,695	**620,989**	619,923
Amount of facilities undrawn	**10,439**	22,695	**246,354**	277,954

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

(2) As at the 30 September 2017, the maturity dates of the committed loan facilities range from 7 January 2018 to 19 September 2026 (2016: 8 November 2017 to 19 September 2026).

(3) Includes AUD 250,000,000 (2016: AUD 400,000,000) unsecured multi-currency syndicated bank loan facility, AUD 100,000,000 unsecured bilateral loan facility, AUD 50,000,000 unsecured overdraft facility and notes issued under the USPP of AUD 201,065,000 (2016: AUD 201,065,000). Includes the RMB 60,000,000 (AUD 11,473,000) (2016: RMB 60,000,000 (AUD 11,793,000)) unsecured bank loan facility established in China and the unsecured bank loan facility established in Hong Kong for HKD 51,750,000 (AUD 8,449,000) (2016: HKD 41,750,000 (AUD 7,065,000)).

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

	TRADE AND OTHER PAYABLES		BANK LOANS AND DERIVATIVE FINANCIAL LIABILITIES[1]		TOTAL	
FINANCIAL LIABILITIES	**2017 $'000**	**2016 $'000**	**2017 $'000**	**2016 $'000**	**2017 $'000**	**2016 $'000**
Carrying amount	**265,161**	251,036	**416,743**	407,086	**681,904**	658,122
Less than 1 year	**264,912**	250,766	**29,228**	27,344	**294,140**	278,110
1 to 2 years	**67**	65	**165,529**	135,573	**165,596**	135,638
2 to 5 years	**210**	205	**60,477**	61,962	**60,687**	62,167
Over 5 years	**136**	207	**177,685**	183,506	**177,821**	183,713
Total	**265,325**	251,243	**432,919**	408,385	**698,244**	659,628

(1) Excludes the impact of the prepaid loan establishment fees.

e) Credit risk

Credit risk is the risk that a customer or counterparty to a financial asset fails to meet its contractual obligations. Credit risk arises principally from the Group's cash and receivables from customer sales and derivative financial instruments. The maximum exposure to credit risk is the carrying value of receivables. No material collateral is held as security over any of the receivables.

The Group has policies in place to ensure 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. The Group has some major customers who represent a significant proportion of its revenue (refer note 2). In these instances the customer's size, credit rating and long term history of full debt recovery are indicators of lower credit risk.

Credit risk from derivative financial instruments and cash arises from balances held with counterparty financial institutions. To manage this risk, the Group restricts dealings to highly rated counterparties approved within its credit limit policy. The allowable exposure to the counterparty is directly proportional to their credit rating. The Group does not hold any credit derivatives or collateral to offset its credit exposures. Given the high credit ratings of the Group's counterparties at 30 September 2017, it is not expected that any counterparty will fail to meet its obligations.

f) Fair value estimation

The carrying amounts and estimated fair values of the Group's financial instruments recognised in the financial statements are materially the same.

The methods and assumptions used to estimate the fair value of the financial instruments are as follows:

	INSTRUMENTS	VALUATION TECHNIQUE
Carrying amount approximates fair value	Cash	Carrying amount is fair value due to the liquid nature of these assets
	Receivables/payables	Carrying amount approximates fair value due to the short term nature of these financial instruments
Measured at fair value[1]	Interest rate swaps and interest rate options	Fair value is determined using present value of estimated future cash flows based on observable yield curves and market implied volatility
	Forward foreign exchange contracts	Fair value is determined using prevailing forward exchange rates
	Other financial instruments (including Interest bearing liabilities)	Fair value is determined using discounted cash flow

[1] The Group uses the measurement hierarchy as set out in the accounting standards to value and recognise financial instruments measured at fair value. The Group only holds Level 2 financial instruments which are valued using observable market data.

g) Financial instruments

The Group held the following financial instruments as at 30 September:

	CASH AND CASH EQUIVALENTS		FINANCIAL ASSETS AT AMORTISED COST		FINANCIAL LIABILITIES AT AMORTISED COST		DERIVATIVE INSTRUMENTS DESIGNATED AS HEDGES		TOTAL CARRYING AMOUNT	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000	**2017 $'000**	2016 $'000	**2017 $'000**	2016 $'000	**2017 $'000**	2016 $'000
Financial assets										
Cash at bank and on hand	**38,974**	39,068	**-**	-	**-**	-	**-**	-	**38,974**	39,068
Trade and other receivables	**-**	-	**277,712**	256,380	**-**	-	**-**	-	**277,712**	256,380
Derivative financial assets	**-**	-	**-**	-	**-**	-	**40,792**	60,309	**40,792**	60,309
	38,974	39,068	**277,712**	256,380	**-**	-	**40,792**	60,309	**357,478**	355,757
Financial liabilities										
Trade and other payables	**-**	-	**-**	-	**265,161**	251,036	**-**	-	**265,161**	251,036
Interest-bearing liabilities	**-**	-	**-**	-	**414,686**[1]	401,583[1]	**-**	-	**414,686**	401,583
Derivative financial liabilities	**-**	-	**-**	-	**-**	-	**619**	3,229	**619**	3,229
	-	-	**-**	-	**679,847**	652,619	**619**	3,229	**680,466**	655,848

[1] The fair value of the USPP is $242,550,000 (2016: $262,679,000).

15. Financial and capital management (continued)

h) Accounting policies

i) Financial instruments

The Group classifies its financial instruments into three measurement categories, being:

- financial assets and liabilities at amortised cost;
- financial assets and liabilities at fair value through profit and loss; and
- financial assets at fair value through other comprehensive income.

The classification depends on the purpose for which the instruments were acquired.

All financial assets are initially recognised at the fair value of consideration paid. Subsequently, financial assets are carried at fair value or amortised cost less impairment.

Where non-derivative financial assets are carried at fair value, gains and losses on remeasurement are recognised directly in equity unless the financial assets have been designated as being held at fair value through profit or loss or held for trading, in which case the gains and losses are recognised directly in the income statement.

For financial assets carried at amortised cost, the amount of any impairment 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.

All financial liabilities other than derivatives are initially recognised at the fair value of consideration received net of transaction costs as appropriate (initial cost). All financial liabilities are subsequently carried at amortised cost, with the exception of financial liabilities which have been designated in fair value hedging relationships, in which case these gains and losses are recognised directly in the income statement.

ii) Financial instruments – hedging

The Group uses financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities.

Derivatives are initially recognised at fair value on the date the contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss on remeasurement depends on whether the derivative is designated as a hedging instrument, and, if so, the nature of the item being hedged. The measurement of fair value is based on quoted market prices.

Interest rate options, interest rate swaps, cross currency interest rate swaps, foreign exchange options and forward exchange contracts held for hedging purposes are accounted for as either cash flow and/or fair value hedges.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are recycled to the income statement in the periods when the hedged item affects profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, plant and equipment or inventory purchases) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial carrying amount of the asset or liability. When a hedging instrument expires or is sold or terminated, or when a hedge ceases to meet the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a hedged forecast transaction is no longer expected to occur, the cumulative hedge gain or loss that was reported in equity is immediately transferred to the income statement.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Derivatives that do not qualify for hedge accounting

The Group does not hold or issue financial instruments for trading purposes. Certain derivative instruments, however, 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.

16. Contributed equity

Movements in contributed equity since 1 October 2016 were as follows:

	ORDINARY SHARES		TREASURY SHARES		TOTAL CONTRIBUTED EQUITY	
DETAILS	NUMBER OF SHARES	2017 $'000	NUMBER OF SHARES	2017 $'000	NUMBER OF SHARES	2017 $'000
Balance at 1 October 2016	389,250,252	264,886	(1,685,960)	(10,658)	387,564,292	254,228
Purchase of treasury shares	–	–	(2,967,305)	(18,002)	(2,967,305)	(18,002)
Shares allocated under the DRP[1]	–	–	992,998	6,366	992,998	6,366
Sale of treasury shares	–	–	1,107	8	1,107	8
Shares vested under the LTEIP and ESIP	–	12,396	2,123,697	–	2,123,697	12,396
Balance at 30 September 2017	**389,250,252**	**277,282**	**(1,535,463)**	**(22,286)**	**387,714,789**	**254,996**

(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.

a) Shares issued to subsidiaries

The Group has formed a trust to administer the Group's employee share schemes. Movements in shares held by the trust since 1 October 2016 are as follows:

	NUMBER OF SHARES		
DETAILS	ISSUED ORDINARY CAPITAL	TREASURY	TOTAL
Balance at 1 October 2016	4,858,174	1,685,960	6,544,134
Shares purchased under the 2016 LTEIP	–	1,973,200	1,973,200
Shares vested under the LTEIP and ESIP	–	(2,123,697)	(2,123,697)
Balance at 30 September 2017	**4,858,174**	**1,535,463**	**6,393,637**

In the event that all shares held by the trust vest in full with no debt forgiveness, the maximum outstanding proceeds expected to be received from employee share plan repayments is $32,211,399.

b) Accounting policies

Ordinary shares in DuluxGroup Limited are classified as contributed equity for the Group, except to the extent that the new capital is issued and continues to be held at balance date by a subsidiary.

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

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

The Group has formed a trust to administer the Group's employee share schemes. This trust is consolidated, as the substance of the relationship is that the trust is controlled by the Company. Shares held by the trust for the purpose of the employee share schemes are either recognised as treasury shares if they were originally purchased on-market, or where new ordinary share capital is issued to the trust and continues to be held at balance date, this ordinary share capital is not recognised in contributed equity on consolidation.

17. Subsidiaries

The consolidated financial statements at 30 September incorporate the assets, liabilities and results of DuluxGroup Limited and the following subsidiaries in accordance with the accounting policies. The Group has a 100% ownership interest in the following entities in the current and prior year, except where noted.

NAME OF ENTITY	COUNTRY OF INCORPORATION
DuluxGroup (Investments) Pty Ltd[1,2]	Australia
DuluxGroup (Finance) Pty Ltd[1,2]	Australia
DuluxGroup (New Zealand) Pty Ltd[1,2]	Australia
DuluxGroup (Australia) Pty Ltd[1,2]	Australia
Dulux Holdings Pty Ltd[1,2]	Australia
DuluxGroup (Employee Share Plans) Pty Ltd[1]	Australia
DuluxGroup Employee Share Plan Trust	Australia
DuluxGroup (Nominees) Pty Ltd[1,2]	Australia
Alesco Corporation Limited[1,2]	Australia
Alesco Finance Pty Ltd[1,2]	Australia
B&D Australia Pty Ltd[1,2]	Australia
Automatic Technology (Australia) Pty Ltd[1,2]	Australia
Parchem Construction Supplies Pty Ltd[1,2]	Australia
Robinhood Australia Pty Ltd[1,4]	Australia
Lincoln Sentry Group Pty Ltd[1,2]	Australia
Concrete Technologies Pty Ltd	Australia
Pargone Pty Ltd[1]	Australia
DGL Camel Coatings (Shanghai) Limited[3]	China
DGL Camel Coatings (Dongguan) Limited[3]	China
Countermast Technology (Dalian) Company Limited	China
DGL Camel Powder Coatings (Dongguan) Limited[3]	China

NAME OF ENTITY	COUNTRY OF INCORPORATION
DGL Camel International Limited[3]	Hong Kong
DGL Camel Powder Coatings Limited[3]	Hong Kong
DGL Camel (Hong Kong) Limited[3]	Hong Kong
DGL Camel (China) Limited[3]	Hong Kong
Countermast Limited	Hong Kong
PT Avian Selleys Indonesia[6]	Indonesia
DGL International (Malaysia) Sdn Bhd	Malaysia
Alesco New Zealand Limited	New Zealand
B&D Doors (NZ) Limited[2]	New Zealand
Concrete Plus Limited[2]	New Zealand
Lincoln Sentry Limited	New Zealand
Robinhood Limited	New Zealand
Dulux Holdings (PNG) Ltd	Papua New Guinea
DGL Camel (Singapore) Pte Ltd[3]	Singapore
DuluxGroup (PNG) Pte Ltd[2]	Singapore
DGL International (Singapore) Pte Ltd	Singapore
Craig & Rose Limited	United Kingdom
DGL International (Myanmar) Co Ltd[5]	Myanmar
Automatic Technology America LLC[5]	USA
DGL International (Vietnam) Limited Company	Vietnam

(1) These subsidiaries 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 Corporations (Wholly-owned Companies) Instrument 2016/785.

(2) In addition to DuluxGroup Limited, these subsidiaries have provided a guarantee in relation to the Group's syndicated bank loan facilities and other overseas bank facilities.

(3) These entities form part of the DGL Camel International Group, in which the Group has a 51% equity holding.

(4) This entity was deregistered during the year ended 30 September 2017.

(5) These entities were incorporated during the year ended 30 September 2017.

(6) This entity is in the process of incorporation as at 30 September 2017.

18. Businesses acquired

2017

On 28 November 2016, the Group acquired the Venetian Plaster business in Australia. The business manufactures and markets distinctive texture finishes for both residential and commercial settings.

2016

On 16 November 2015, the Group acquired the Gliderol business in Western Australia. The business manufactures a range of garage doors, solely for the Western Australian market.

On 1 June 2016, the Group acquired the Munns business in Australia. The business manufacturers a range of premium and specialty lawn care products.

On 10 August 2016, the Group acquired the Craig & Rose business in the United Kingdom. The business manufacturers and markets a range of niche premium paint products. During the period the provisional net assets acquired as a result of the Craig & Rose acquisition were adjusted downward by $790,000, resulting in a final goodwill balance of $6,250,000.

The assets and liabilities recognised as a result of these acquisitions are as follows:

	PROVISIONAL FAIR VALUE $'000S	ADJUSTMENT $'000S	FAIR VALUE $'000S
Cash Consideration	13,215	–	13,215
Deferred Consideration	250	–	250
Total consideration	**13,465**	**–**	**13,465**
Net assets of business acquired			
Trade and other receivables	630	–	630
Inventories	3,006	–	3,006
Other assets	59	–	59
Property, plant and equipment	4,974	(490)	4,484
Deferred tax assets	441	36	477
Deferred tax liabilities	–	(336)	(336)
Trade and other payables	(69)	–	(69)
Provision for employee entitlements	(85)	–	(85)
Provision for leased properties	(897)	–	(897)
Other provisions	(54)	–	(54)
Net identifiable assets acquired	**8,005**	**(790)**	**7,215**
Goodwill on acquisition (1)	**5,460**	**790**	**6,250**

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

a) Accounting policies

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 of the fair values of the assets transferred (including cash), the liabilities incurred and the equity interests issued by the Group (if any). Acquisition related transaction costs are expensed as incurred.

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

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in profit or loss as a bargain purchase.

On an acquisition-by-acquisition basis, the Group 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.

Where a subsidiary elects to apply purchase accounting in its own books and records, on consolidation the effect of this policy difference will result in recognition of a common control reserve to the extent that the fair values of the business assets and liabilities exceed their carrying value at acquisition date.

18. Businesses acquired (continued)

b) Accounting estimates and judgements

The consolidated financial statements include the information and results of each subsidiary from the date on which the Company obtains control until such time as the Company ceases to control such entity. The determination as to the existence of control or significant influence over an entity necessarily requires management judgement to assess the Group's ability to govern the financial and operating activities of an investee. In making such an assessment, a range of factors are considered including voting rights in an investee and Board and management representation.

A business acquisition also requires judgement with respect to the determination of the fair value of purchase consideration given and the fair value of net identifiable 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.

19. Equity accounted investment

The Yates garden care business (reported as part of the 'Other businesses' segment) has an interest in the following joint venture arrangement:

	2017 $'000	2016 $'000
Pinegro Products Pty Ltd		
Percentage of ownership interest held[1]	**50%**	50%
Opening balance	**6,518**	6,342
Share of net profit	**1,235**	676
Proceeds from joint venture distribution	**–**	(500)
Balance at 30 September	**7,753**	6,518

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

a) Transactions and balances with joint venture

Transactions during the financial year and outstanding balances at reporting date with Pinegro Products Pty Ltd are:

	2017 $	2016 $
Sales of goods	**340,963**	375,851
Purchases of goods	**7,044,441**	3,851,840
Distributions received	**–**	500,000
Current receivables	**36,255**	80,146
Current payables	**1,902,544**	1,500,405

All transactions with Pinegro Products Pty Ltd are made on normal commercial terms and conditions and in the ordinary course of business. No provisions for doubtful debts have been raised against amounts receivable from Pinegro Products Pty Ltd. There were no commitments and contingent liabilities in Pinegro Products Pty Ltd as at 30 September 2017 (2016: $NIL).

20. Superannuation

a) Superannuation plans

The Group contributes to a number of superannuation plans that exist to provide benefits for employees and their dependants on retirement, disability or death. The Group is required to contribute (to the extent required under Superannuation Guarantee legislation) to any choice fund nominated by employees, including self-managed superannuation funds.

Company sponsored plans

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

Government plans

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

Industry plans

Some subsidiaries 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 Group contributes to several defined contribution pension plans on behalf of its employees. Contributions are taken to the income statement in the year in which the expense is incurred. The amount recognised as an expense for the financial year ended 30 September 2017 was $20,586,000 (2016: $21,050,000).

c) Defined benefit pension plans

DuluxGroup (Australia) Pty Ltd is the sponsoring employer of the defined benefit post-employment section of The DuluxGroup Super Fund (the Fund) in Australia. Funding for post-employment benefits is carried out in accordance with the requirements of the Trust Deed for the Fund and the advice of the Fund's actuarial adviser. The fund is closed to new members.

The plan exposes the Group to a number of risks, asset volatility, changes in bond yields and inflation risks. Derivatives are not used to manage risk, instead investments are well diversified, such that failure of any single investment would not reasonably be expected to have a material impact on the overall level of assets. The process used to manage risk has not changed from previous periods. The principal actuarial assumptions used to calculate the net defined benefit liability are a discount rate (corporate bond rate) of 4.3% (2016: 3.3%), pension take up rate of 40% (2016: 40%), future salary increases of 3.8% (2016: 3.8%) and future inflation of 2.5% (2016: 2.5%).

The amounts recognised in the balance sheet and a reconciliation of the movement in the net defined liability are as follows:

	2017 $'000	2016 $'000
Present value of the defined benefit obligations	**190,823**	200,841
Fair value of defined benefit plan assets	**(153,859)**	(144,375)
Net defined benefit liability at 30 September	**36,964**	56,466
Opening balance	**56,466**	22,107
Actuarial (gains)/losses(1)	**(21,759)**	32,551
Current service cost(2)	**5,750**	4,965
Interest cost(2)	**1,812**	828
Employer contributions(3)	**(5,305)**	(3,985)
Balance at 30 September	**36,964**	56,466

(1) Actuarial losses are recognised in other comprehensive income.
(2) Current service cost and interest cost are recognised in the consolidated income statement as part of employee benefits and finance expenses respectively.
(3) Employer contributions are cash payments which are recognised as part of movement in trade and other payables and provisions in the cash flow statement.

The Group's external actuaries have forecasted total employer contributions to the Fund of $5,746,000 for the financial year ending 30 September 2018.

20. Superannuation (continued)

c) Defined benefit pension plans (continued)

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

	2017	2016
Cash and other assets	32%	31%
Equity instruments	35%	40%
Fixed interest securities	17%	15%
Property	16%	14%

d) Accounting estimates and judgements

Defined benefit pension plans

In calculating the net defined benefit liability, management judgement is required in determining the following key assumptions: future salary and wages increases; pension take up rates; and rates of exits. Management uses external actuaries to assist in determining these assumptions and in valuing the net defined benefit liability, and any movements in these assumptions will impact the valuation of this liability.

21. Share-based payments

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

	2017 $	2016 $
DuluxGroup LTEIP[(1)]	3,185,263	2,754,934
DuluxGroup ESIP	–	972,453
	3,185,263	3,727,387

(1) In accordance with AASB 2 Share-based Payment, represents the expense incurred during the year in respect of current incentive allocations to executives. These amounts are therefore not amounts actually received by executives during the year. Whether an executive receives any value from the allocation of long term incentives in the future will depend on the performance of the Company's shares. The minimum potential future value of grants under LTEIP is $NIL (2016: $NIL).

a) DuluxGroup LTEIP

The LTEIP has been established to incentivise executives to generate shareholder wealth. Detailed remuneration disclosures, including the link between the LTEIP and shareholder wealth, are provided in the Remuneration Report section of the Directors' Report.

Under the LTEIP, eligible executives are provided with an interest free, non-recourse loan from the Group 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. If the executive leaves the Group within the vesting period the shares allocated are returned to the Group, subject to discretion retained by the Directors.

The Board has implemented a gateway level of minimum performance for the DuluxGroup LTEIP below which no benefit accrues, being a Board determined compound annual EPS growth over the three year period calculated from the 30 September preceding the grant date. The gateway for the unvested plans is 4%. This gateway is a minimum level of acceptable performance for any of the LTEIP shares to vest.

Where the gateway EPS level of performance is met, the relative Total Shareholder Return (TSR) performance hurdle is used to determine the level of loan forgiveness which may apply (the forgiveness amount). There is no loan forgiveness amount if the Group's relative TSR is below the 51st percentile against a comparator group. If the Group's relative TSR is greater than or equal to the 51st percentile, a proportion of the initial loan balance (on a 'sliding scale' from 10% at the 51st percentile up to a maximum of 30% at or above the 75th percentile) is forgiven.

Details of shares issued under these plans are as follows:

							NUMBER OF SHARES				
GRANT DATE	LIFE OF SHARE OPTIONS (YEARS)	EXPIRY DATE	GRANT DATE SHARE PRICE	FAIR VALUE AT GRANT DATE	RISK FREE INTEREST RATE	SHARE PRICE VOLATILITY	BALANCE AT START OF YEAR	GRANTED DURING YEAR	LAPSED DURING YEAR	EXERCISED DURING YEAR	BALANCE AT END OF YEAR
29 Nov 13	3.1	Jan 17	$5.45	$1.71	3.0%	22.5%	1,747,980	–	–	(1,747,980)	–
28 Nov 14	3.1	Jan 18	$5.71	$1.72	2.5%	22.5%	1,824,647	–	(92,729)	–	1,731,918[1]
27 Nov 15	3.1	Jan 19	$6.30	$1.92	2.1%	22.5%	1,870,900	–	(161,049)	–	1,709,851
07 Dec 16	3.1	Jan 20	$5.89	$1.73	1.9%	20.0%	–	2,102,569	(37,877)	–	2,064,692

[1] Since the end of the financial year, these shares have met the applicable DuluxGroup LTEIP performance condition and vested on 15 November 2017. The restriction on trading these shares will be lifted upon repayment of the loan. The loan must be repaid during the period from 28 November 2017 to 2 February 2018.

b) DuluxGroup ESIP

In December 2016, eligible Australian employees of the Group were invited to acquire DuluxGroup ordinary shares to the value of $1000 through salary sacrifice with no matching from the Group (December 2015: $500 with $500 matching). Eligible employees in New Zealand were invited to acquire ordinary shares to the value of NZD $780 through salary sacrifice with the Group providing no matching (December 2015: NZD $390 with NZD $390 matching). 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 subsidiaries. At the end of the restriction period, the employee will be able to sell or otherwise deal with their DuluxGroup shares.

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

ALLOCATION DATE	NUMBER OF SHARES UNVESTED AT 30 SEPTEMBER 2017
19 December 2014	247,412
17 December 2015	252,026
16 December 2016	213,015

c) Accounting policies

i) DuluxGroup LTEIP

Shares issued/allocated under the LTEIP in conjunction with non-recourse loans are accounted for as options and as such the amounts receivable from employees in relation to these loans are not recognised in the financial statements. Settlement of share loans upon vesting are recognised as contributed equity.

The options are externally measured at fair value at the date of grant using an option valuation model being an adjusted form of the Black-Scholes option pricing model. This valuation model generates possible future share prices based on similar assumptions that underpin relevant option pricing models to calculate the fair value (as at grant date) of options granted.

The assumptions underlying the options valuations are:

- exercise price of the option;
- life of the option;
- current price of the underlying securities;
- expected volatility of the share price;
- dividends expected on the shares ($Nil is adopted where participants will fully benefit from dividend receipts during the life of the investments);
- risk-free interest rate for the life of the option;
- specific factors relating to the likely achievement of performance hurdles;
- employment tenure; and
- vesting and performance conditions (including the potential to be awarded loan forgiveness).

The fair value determined at the grant date of the award is recognised as a SBP expense in the income statement on a straight-line basis over the relevant vesting period. The expense recognised is reduced to take account of the costs attributable to participating employees who do not remain in the employment of the Group throughout the vesting period.

ii) DuluxGroup ESIP

Where shares are issued under the ESIP at a discount, a SBP expense for the fair value of the discount on the granted shares is recognised.

22. Director and executive disclosures

a) Key Management Personnel (KMP) compensation summary

In accordance with the requirements of AASB 124 *Related Party Disclosures*, the 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. A summary of KMP compensation is set out in the table below.

	2017 $	2016 $
Short term employee benefits[1]	**7,024,479**	6,858,794
Other long term benefits[2]	**73,583**	100,603
Post employment benefits	**146,687**	175,462
Share-based payments	**1,708,636**	1,559,265
Total	**8,953,385**	8,694,124

(1) Short term employee benefits includes the movement in the annual leave entitlement for the period of $(12,018) (2016: $(34,799)).
(2) Other long term benefits includes the movement in the long service leave entitlement for the period of $73,583 (2016: $100,603).

Information regarding the compensation of individual KMP and some equity instruments disclosure as required by Corporation Regulation 2M.3.03 is provided in the Remuneration Report section of the Directors' Report.

b) KMP transactions in shares and options

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

	2017 NUMBER	2016 NUMBER
Number of options and rights for fully paid ordinary shares	**2,778,622**	2,692,890
Number of fully paid ordinary shares	**2,757,791**	2,468,030

c) Other transactions and balances with KMP

All transactions with KMPs are made on normal commercial terms and conditions and in the ordinary course of business. There were no other transactions during the financial year nor balances owing to or from KMP as at 30 September 2017.

In the normal course of business, the Group occasionally enters into transactions with various entities that have Directors in common with the Group. 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.

23. Commitments

a) Capital expenditure commitments

	2017 $'000	2016 $'000
Capital expenditure on property and plant and equipment contracted but not provided for and payable:		
– New paint factory	**5,035**	41,516
– Other	**338**	480
	5,373	41,996

b) Lease commitments – non-cancellable operating leases

The Group leases offices, warehouses, retail bulky goods and manufacturing sites under non-cancellable operating leases. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated. There are no restrictions placed upon the lessee by entering into these leases. Excess space is sub-let to third parties also under non-cancellable operating leases. Not included in the commitments below 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 CPI.

	2017 $'000	2016 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
– No later than one year	**46,390**	47,339
– Later than one, no later than five years	**112,513**	105,530
– Later than five years	**47,574**	58,908
	206,477	211,777
Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases	**6,713**	6,285

24. Contingent liabilities

The nature of the Group's consumer products business and its geographic diversity means that the Company or Group 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 any pending or 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 Company or Group. Litigation and other judicial proceedings raise difficult legal issues and are subject to many complexities. Upon resolution of a legal matter, the Company or 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 Company or Group.

25. Deed of cross guarantee

Entities which are party to a Deed of Cross Guarantee (Closed Group), entered into in accordance with ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 are disclosed in note 17. 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

	2017 $'000	2016 $'000
Profit before income tax expense	**196,348**	172,573
Income tax expense	**(53,412)**	(48,301)
Profit for the year	**142,936**	124,272
Retained earnings		
Opening balance	**158,642**	145,974
Profit for the year	**142,936**	124,272
Actuarial gains/(losses) on defined benefit plan recognised directly in retained earnings (net of tax)	**15,231**	(22,786)
Dividends paid – ordinary shares	**(98,519)**	(88,818)
Balance at 30 September	**218,290**	158,642

b) Consolidated statement of comprehensive income

	2017 $'000	2016 $'000
Profit for the year	**142,936**	124,272
Other comprehensive income/(loss)		
Items that may be reclassified to the income statement		
Cash flow hedge reserve		
Effective portion of changes in fair value of cash flow hedges	**1,991**	(2,945)
Income tax (expense)/benefit	**(597)**	883
Foreign currency translation reserve		
Foreign currency translation (loss)/gain on foreign operations	**(2,863)**	3,885
Total items that may be reclassified to the income statement, net of tax	**(1,469)**	1,823
Items that will not be reclassified to the income statement		
Retained earnings		
Actuarial losses on defined benefit plan	**21,759**	(32,551)
Income tax (expense)/benefit	**(6,528)**	9,765
Total items that will not be reclassified to the income statement, net of tax	**15,231**	(22,786)
Other comprehensive income/(loss) for the year, net of tax	**13,762**	(20,963)
Total comprehensive income for the year	**156,698**	103,309

c) Consolidated balance sheet

	2017 $'000	2016 $'000
Current assets		
Cash and cash equivalents	**19,823**	18,678
Trade and other receivables	**294,798**	271,894
Inventories	**204,491**	196,956
Derivative financial assets	**3,847**	3,269
Other assets	**5,896**	4,496
Assets held for sale	**6,814**	–
Total current assets	**535,669**	495,293
Non-current assets		
Other receivables	**8**	8
Derivative financial assets	**36,945**	57,040
Investment in controlled entities	**62,485**	62,485
Equity accounted investment	**7,753**	6,518
Property, plant and equipment	**353,392**	295,925
Intangible assets	**227,624**	229,882
Deferred tax assets	**48,528**	56,632
Other assets	**3,138**	4,155
Total non-current assets	**739,873**	712,645
Total assets	**1,275,542**	1,207,938
Current liabilities		
Trade and other payables	**243,901**	232,089
Interest-bearing liabilities	**13,674**	8,354
Derivative financial liabilities	**619**	3,229
Current tax liabilities	**17,233**	14,359
Provisions	**74,529**	62,882
Total current liabilities	**349,956**	320,913
Non-current liabilities		
Other payables	**236**	259
Interest-bearing liabilities	**398,116**	388,679
Deferred tax liabilities	**26,944**	26,669
Provisions	**11,798**	21,681
Defined benefit liability	**36,964**	56,466
Total non-current liabilities	**474,058**	493,754
Total liabilities	**824,014**	814,667
Net assets	**451,528**	393,271
Equity		
Share capital	**293,413**	292,481
Reserves	**(60,175)**	(57,852)
Retained earnings	**218,290**	158,642
Total equity	**451,528**	393,271

26. Parent entity disclosures

a) Summary financial information

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

	2017 $'000	2016 $'000
Current assets	**93,341**	125,381
Non-current assets	**229,263**	229,263
Total assets	**322,604**	354,644
Current liabilities	**15,750**	9,661
Total liabilities	**15,750**	9,661
Net assets	**306,854**	344,983
Equity		
Contributed equity	**293,413**	292,481
Profits reserve[1]	**–**	40,358
Other reserves	**7,093**	7,751
Retained earnings	**6,348**	4,393
	306,854	344,983
Profit before income tax expense[2]	**59,074**	75,834
Income tax benefit	**1,053**	950
Profit for the year	**60,127**	76,784
Total comprehensive income of the parent entity	**60,127**	76,784

(1) Represents an appropriation of amounts from retained earnings for the payment of future dividends. On consolidation, this reserve is included as part of the consolidated retained earnings.

(2) Profit before income tax expense includes dividend income of $62,585,000 declared by DuluxGroup (New Zealand) Pty Ltd ($54,000,000) and DuluxGroup (Nominees) Pty Ltd ($8,585,000) during the year ended 30 September 2017 (2016: DuluxGroup (New Zealand) Pty Ltd $79,000,000).

b) Guarantees

Details of guarantees entered into by the parent entity in relation to external banking facilities as at 30 September 2017 are set out in note 17. In addition, the parent entity is a party to the deed of cross guarantee.

c) Capital commitments

There were no capital commitments entered into by the parent entity as at 30 September 2017 (2016: $NIL).

d) Contingent liabilities

Refer to note 24 for information relating to contingent liabilities of the parent entity.

27. Auditors' remuneration

	2017 $	2016 $
Audit services–audit and review of financial reports		
KPMG Australia	**663,000**	676,500
Overseas KPMG firms[1,2]	**461,334**	469,742
	1,124,334	1,146,242
Other services[3]		
Other assurance services – KPMG Australia	**106,742**	68,608
Board and executive remuneration services – KPMG Australia	**128,500**	–
Other assurance services – Overseas KPMG firms[2]	**16,737**	14,690
	251,979	83,298

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

(2) Fees for overseas services are determined locally, and as such when reported in Australian dollars are subject to fluctuation due to the effect of foreign exchange rates.

(3) Other services (primarily assurance based engagements undertaken for compliance and governance) are subject to the Group's internal corporate governance procedures and are approved by the Audit and Risk Committee.

28. New accounting standards and interpretations

Except as described below, the accounting policies applied by the Group in these consolidated financial statements are the same as those applied by the Group in its financial statements for the financial year ended 30 September 2016.

The Group has adopted the following new and amended accounting standards.

REFERENCE	TITLE	APPLICATION
AASB 2014-4	Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation	1 Oct 2016
AASB 2017-1	Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014–2016 Cycle and Other Amendments	1 Oct 2016

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

a) Issued but not yet effective

The following Australian Accounting Standards have recently been issued or amended but are not yet effective and have not been adopted for this annual reporting period. Other than the implications of AASB 16 *Leases* outlined below, these standards are not expected to have a material impact on the Group's financial position and performance. However, increased disclosures will be required in the Group's financial statements.

REFERENCE	TITLE	APPLICATION
AASB 2016-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107	1 Oct 2017
AASB 2017-2	Amendments to Australian Accounting Standards – Further Annual Improvements 2014–2016 Cycle	1 Oct 2017
AASB 15	Revenue from Contracts with Customers	1 Oct 2018
AASB 2014-5	Amendments to Australian Accounting Standards arising from AASB 15	1 Oct 2018
AASB 2015-8	Amendments to Australian Accounting Standards–Effective Date of AASB 15	1 Oct 2018
AASB 2016-3	Amendments to Australian Accounting Standards–Clarifications to AASB 15	1 Oct 2018
AASB 16	Leases	1 Oct 2019
AASB 2017-4	Amendments to Australian Accounting Standards–Uncertainty over Income Tax Treatments	1 Oct 2019

AASB16 *Leases*

AASB 16 *Leases* was released in February 2016 by the Australian Accounting Standards Board. AASB 16 requires companies to bring on-balance sheet most leases, in particular those leases that were previously classified as operating leases under the previous standard, by recognising a right-of-use asset (ROU) and a lease liability. The lease liability represents the present value of future lease payments with the exception of short-term and low value leases. An interest expense will be recognised on the lease liabilities and a depreciation charge will be recognised for the ROU assets. There will also be additional disclosure requirements under the new standard.

AASB 16 is mandatory for annual reporting periods beginning after 1 January 2019, but is available for early adoption. A project team, including members from finance, treasury and property functions has been established to perform a detailed assessment of the impact of the new standard and to ensure a high quality implementation.

As at 30 September 2017 the Group has non-cancellable undiscounted lease commitments as disclosed in note 23. These commitments predominantly relate to property, equipment and vehicle leases and will require ROU assets and associated lease liabilities.

The Group is continuing to assess the impact of the new standard, however it is expected that the Group's consolidated balance sheet will be materially "grossed-up" and in turn key financial ratios will be impacted. More detailed quantitative and qualitative disclosures will be provided during 2018 as the impact assessment continues.

AASB 15 *Revenue from Contracts with Customers*

AASB 15 *Revenue from Contracts with Customers* was released in December 2015 by the AASB and requires the identification of discrete performance obligations within a transaction and an allocation of an associated transaction price to these obligations. Under the new standard revenue is recognised based on the transfer of control of ownership, rather than the transfer of risk and reward of ownership under the previous standard.

AASB 15 is mandatory for reporting periods beginning after 1 January 2018, but is available for early adoption. The Group has performed an initial assessment of the impact of the new standard by undertaking an analysis of a cross-section of material customer contracts. Based upon this initial assessment, the impact of AASB 15 is not expected to be material. More detailed quantitative and qualitative disclosures will be provided during 2018 as the impact assessment continues.

29. Subsequent events

Details of the final dividend declared since balance date is set out in note 6.

The Directors have not become aware of any other significant matter or circumstance that has arisen since 30 September 2017, that has affected or may affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent years, which has not been covered in this report.

Directors' Declaration

For the financial year ended 30 September 2017

The directors of DuluxGroup Limited declare that:

(a) in the directors' opinion the financial statements and notes of DuluxGroup for the year ended 30 September 2017 set out on pages 84 to 123, 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 2017 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) in the directors' opinion 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 17 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 25; and

(d) a statement of compliance with the International Financial Reporting Standards as issued by the International Accounting Standards Board has been included in note 1 to the financial statements.

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 2017.

This declaration is made in accordance with a resolution of the directors.

Peter M Kirby
Chairman

Melbourne
15 November 2017

KPMG

Independent Auditor's Report

To the Members of DuluxGroup Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of DuluxGroup Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group***'s financial position as at 30 September 2017 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- The consolidated balance sheet as at 30 September 2017;
- The consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, and the consolidated statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year-end or from time to time during the Financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

KPMG

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The carrying value of property, plant and equipment, and intangible assets ($600.5m)

Refer to Notes 10 and 11 in the Financial Report

The key audit matter	How the matter was addressed in our audit
The Group's Cash Generating Units (CGUs) operate in a broad range of market segments and regions which range from the domestic consumer market through to industrial and commercial markets across Australia, New Zealand and Asia. These markets and regions are subject to cyclical demand characteristics which can significantly impact the financial performance of each CGU. Given the variability in the strength of each market that the Group participates in, and the associated impact this has on the assumptions used in the Group's impairment testing models, the value of goodwill and intangible assets is a key audit matter. The financial statements disclose that the China CGU is sensitive to impairment on the basis that a reasonable possible unfavourable change in one or more of the assumptions used to determine its 'fair value less costs of disposal' may result in its carrying value exceeding its recoverable amount. These assumptions were the subject of particular focus during our audit.	Our procedures included, amongst others: • We tested the goodwill and intangible assets impairment assessment process and tested key controls such as the review of forecasts by management. • We assessed the Group's determination of CGUs based on our understanding of the nature of the Group's business units. We examined the internal reporting of the Group to assess how the CGUs are monitored and reported, and we considered the implications for the Group's identification of CGUs in accordance with the accounting standards requirements. • We compared cash flows in the value in use models to Board approved budgets. • We assessed key inputs into the value in use models including forecast revenue, costs, discount rates and terminal growth rates. We challenged these key inputs by corroborating market growth rates to external analyst and industry reports, and compared the discount rate to comparable companies. For non-market based inputs, such as revenue and costs, we compared forecasts to actual performance currently being achieved. • We assessed the historical accuracy of the Group's forecasts, by comparing the forecasts used in the prior year models to the actual performance of the business in the current year. These procedures enabled us to determine the accuracy of the forecasting process. We applied increased scepticism to current period forecasts in areas where previous forecasts were not achieved and/or where future uncertainty is greater or volatility is expected. • We challenged the discount rate used by the Group for the Australian and New Zealand CGUs through

	using specialists to independently determine a benchmark discount rate. • For the China CGU, we performed sensitivity analyses on the potential transaction prices and revenue and earnings multiples used in the Group's models and also compared these assumptions to relevant external data points. • We assessed the allocation of corporate overheads to CGUs by comparing the allocation methodology to our understanding of the business. • We assessed the Group's disclosures regarding reasonable possible changes that may impact the valuation of the China CGU, by comparing these disclosures to our business understanding and accounting standards requirements.

Other Information

Other Information is financial and non-financial information in DuluxGroup Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Chairman's Report, Managing Director's Report, Operating and Financial Review, Corporate Sustainability Report, Tax Contribution Report, Corporate Governance Statement and Directors' Report. The remaining Other Information is expected to be made available to us after the date of the Auditor's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001;*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Group's and Company's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

KPMG

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar2.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of DuluxGroup Limited for the year ended 30 September 2017, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

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 responsibilities

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 September 2017.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

Gordon Sangster
Partner

James Dent
Partner

Melbourne

15 November 2017

Shareholder Statistics
As at 24 October 2017

Distribution of ordinary shareholders and shareholdings

RANGE	TOTAL HOLDERS	UNITS	% OF ISSUED CAPITAL
1 – 1,000	17,729	8,894,695	2.29
1,001 – 5,000	16,540	37,746,787	9.70
5,001 – 10,000	2,876	20,408,871	5.24
10,001 – 100,000	1,602	33,904,552	8.71
100,001 or more	77	288,295,347	74.06
Rounding			**0.00**
Total	**38,824**	**389,250,252**	**100.00**

Included in the above total are 708 shareholders holding less than a marketable parcel of 70 shares.

The holdings of the 20 largest holders of fully paid ordinary shares represent 70.43% of that class of shares.

Twenty largest ordinary fully paid shareholders

RANK	NAME	UNITS	% OF UNITS
1.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	99,802,455	25.64
2.	J P MORGAN NOMINEES AUSTRALIA LIMITED	77,897,904	20.01
3.	CITICORP NOMINEES PTY LIMITED	51,630,245	13.26
4.	NATIONAL NOMINEES LIMITED	12,237,952	3.14
5.	BNP PARIBAS NOMS PTY LTD <DRP>	6,745,573	1.73
6.	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	4,391,987	1.13
7.	ARGO INVESTMENTS LIMITED	3,881,512	1.00
8.	AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	2,556,058	0.66
9.	MR PATRICK HOULIHAN	2,383,439	0.60
10.	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING COLLATERAL>	1,731,000	0.44
11.	MILTON CORPORATION LIMITED	1,655,184	0.43
12.	AMP LIFE LIMITED	1,595,653	0.41
13.	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	1,336,291	0.34
14.	IOOF INVESTMENT MANAGEMENT LIMITED <IPS SUPER A/C>	1,231,944	0.32
15.	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	1,147,283	0.29
16.	BOND STREET CUSTODIANS LIMITED <COCKEJ – F01832 A/C>	881,730	0.23
17.	MR STUART BOXER	830,810	0.21
18.	AUSTRALIAN EXECUTOR TRUSTEES LIMITED <NO 1 ACCOUNT>	783,347	0.20
19.	MR PATRICK JONES	762,814	0.20
20.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	715,475	0.18
TOTAL		**274,198,656**	**70.44**

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
4 July 2017	AUSTRALIANSUPER PTY LTD	21,020,252	5.40
1 June 2017	ELLERSTON CAPITAL LIMITED	27,629,014	7.10

Five Year Financial Statistics

A$M	NOTES	2017	2016	2015	2014	2013
Income Statement						
Sales revenue (reported)	**1**	**1,784.5**	**1,716.3**	**1,687.8**	**1,611.5**	**1,484.6**
EBITDA (reported)	1	245.5	233.4	210.2	210.3	157.2
EBITDA (excluding non-recurring items)	2	245.5	233.4	227.3	219.0	186.2
EBIT (reported)	**1**	**214.2**	**201.1**	**175.3**	**175.1**	**124.9**
EBIT (excluding non-recurring items)	2	214.2	201.1	192.4	183.8	153.9
NPAT (reported)	**1**	**142.9**	**130.4**	**112.8**	**104.5**	**75.0**
NPAT (excluding non-recurring items)	2	142.9	130.4	124.7	111.9	92.2
Non-recurring items (post-tax)		–	–	(11.9)	(7.3)	(17.2)
EBIT margin (excluding non-recurring items)		12.0%	11.7%	11.4%	11.4%	10.4%
Diluted EPS (reported) (cents)		36.7	33.5	29.2	27.5	20.1
Diluted EPS (excluding non-recurring items) (cents)		36.7	33.5	32.3	29.4	24.7
Dividends per share – fully franked (cents)		26.5	24.0	22.5	20.5	17.5
Dividend payout ratio (%)		72.2%	71.6%	70.2%	70.2%	71.6%
Interest cover (times)		12.4	10.1	9.0	7.0	5.5
Effective interest rate	7	3.8%	4.3%	4.5%	4.9%	5.3%
Effective tax rate (excluding non-recurring items)		29.1%	28.8%	28.0%	30.1%	29.2%
Balance Sheet						
Trade working capital		283.3	262.9	254.4	234.2	224.4
Non trade working capital	3	(159.3)	(173.8)	(143.9)	(121.8)	(125.4)
Property, plant & equipment		371.8	312.0	261.9	262.0	263.8
Intangible assets		228.7	234.0	232.1	224.9	235.8
Net other assets/(liabilities)		58.5	81.1	96.7	38.1	21.2
Capital employed		**783.0**	**716.2**	**701.2**	**637.4**	**619.7**
Net debt		(375.7)	(362.5)	(349.9)	(345.7)	(388.7)
Net Assets/Total Shareholders' Equity		**407.3**	**353.7**	**351.2**	**291.7**	**231.0**
Shareholders' Equity attributable to DLX shareholders		**410.7**	**353.8**	**350.2**	**289.7**	**226.2**
Rolling trade working capital %		15.8%	16.0%	15.2%	15.1%	15.0%
Net debt/equity %		0.9	1.0	1.0	1.2	1.7
Net debt/EBITDA	6	1.4	1.3	1.2	1.5	2.0
Return on capital employed (%)		27.4%	28.1%	27.4%	28.8%	24.8%
Return on equity, attributable to DLX shareholders (excluding non-recurring items) %		34.8%	36.9%	35.6%	38.6%	40.8%
Cash flow						
Reported net operating cash flow		**166.0**	**144.9**	**156.5**	**120.2**	**118.2**
Net operating cash flow (excluding non-recurring items)		166.0	155.0	156.5	143.5	133.8
Minor capital expenditure	4	(18.1)	(19.5)	(24.7)	(30.6)	(28.8)
Major capital expenditure	5	(77.9)	(41.4)	(4.8)	–	(0.2)
Acquisitions/divestments		(0.4)	(12.7)	(11.2)	11.0	(132.9)
Cash conversion (excluding non-recurring items) %		86%	87%	83%	83%	85%

Notes:

1. Items shown as 'reported' are equivalent to statutory amounts disclosed in Annual Reports.
2. Items shown as 'excluding non-recurring items' are equivalent to statutory amounts disclosed in Annual Reports, adjusted for non-recurring items.
3. Non trade working capital consists of non-trade debtors, non-trade creditors and total provisions, as disclosed in the Balance Sheet commentary in Profit Reports.
4. Minor capital expenditure is capital expenditure on projects that are less than A$5M.
5. Major capital expenditure is capital expenditure on projects that are greater than A$5M.
6. Net Debt/EBITDA is calculated by taking closing net debt (adjusted to include the asset balance relating to the cross currency interest rate swap established to hedge the USD currency and interest rate exposures relating to the US Private Placement debt), as a percentage of the most recent twelve months of EBITDA before non-recurring items. For 2013, this has been calculated on a pro forma basis (i.e. taking twelve months EBITDA from the Alesco businesses).
7. Effective interest rate is the effective interest rate on bank loans and the US Private Placement bond.

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
Yarra Falls
452 Johnston Street
Abbotsford, Victoria 3067, Australia

Telephone (within Australia): 1300 090 835
Telephone (international): +613 9415 4183
Facsimile: +613 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 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.investorcentre.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.investorcentre.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.investorcentre.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 should contact the DuluxGroup Share Registry, Computershare Investor Services Pty Limited. Contact details are above. 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.investorcentre.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).

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.investorcentre.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.investorcentre.com or contact our Share Registry.

Copies of reports are available on request.
Telephone: +613 9263 5678
Facsimile: +613 9263 5030
Email: company.info@duluxgroup.com.au

Auditors

KPMG

DuluxGroup Limited

ABN 42 133 404 065

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Investor Relations

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Email: company.info@duluxgroup.com.au

Shareholder Timetable*

31 March 2018	DuluxGroup 2018 Half Year End
16 May 2018	Announcement of Half Year Financial Results
30 September 2018	DuluxGroup 2018 Year End
14 November 2018	Announcement of Full Year Financial Results
20 December 2018	Annual General Meeting 2018

* Timing of events is subject to change

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