DuluxGroup

100 YEARS

CELEBRATING OUR CENTENARY

2018 ANNUAL REPORT

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.

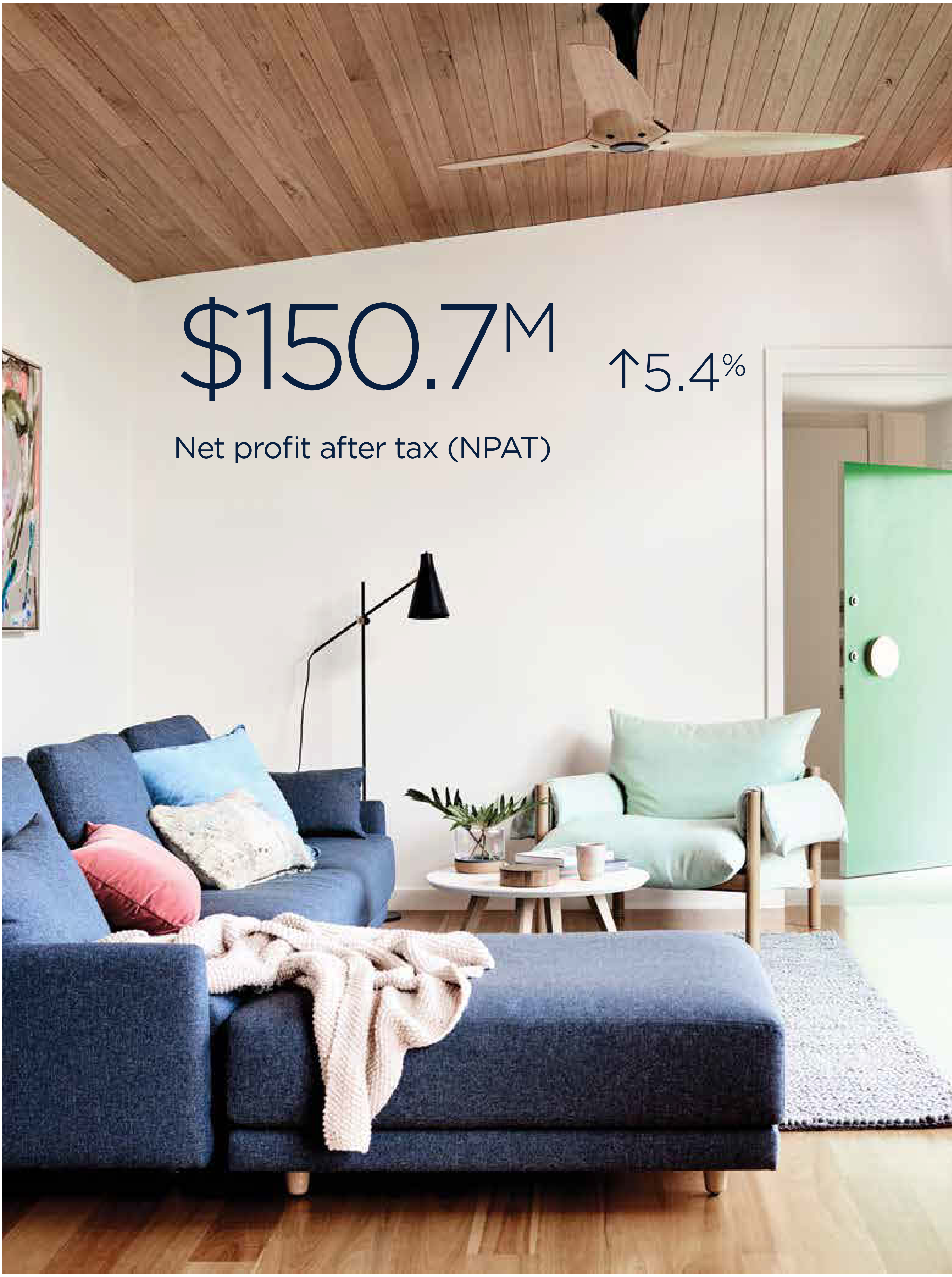
DULUXGROUP IS A LEADING MARKETER AND MANUFACTURER OF PREMIUM BRANDED PRODUCTS THAT ENHANCE, PROTECT AND MAINTAIN THE PLACES AND SPACES IN WHICH PEOPLE LIVE AND WORK.

DuluxGroup | 100 YEARS | CELEBRATING OUR CENTENARY

The Joyful House by Mihaly Slocombe Architects, 2018 Dulux Colour Awards finalist.
Photo by Tatjana Plitt
Styling by Pip + Coop

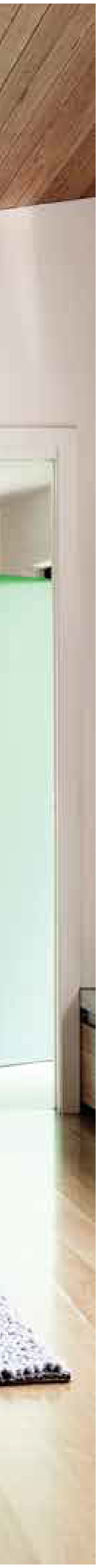
www.duluxgroup.com.au

Beechworth Residence by Doherty Design Studio, 2018 Dulux Colour Awards finalist.
Photo by Derek Swalwell



$150.7M ↑5.4%

Net profit after tax (NPAT)



The Family Bach
by Cymon Allfrey
Architects, 2018 Dulux
Colour Awards finalist.
Photo by Richard Glover

Solid profit growth in 2018 was led by a strong performance from our Dulux ANZ business

INVESTING FOR GROWTH

- Dulux's new $165M paint factory was successfully commissioned and is fully operational and meeting production targets
- Yates garden care extended its position in the organic horticultural, nutritional and plant protection market with the acquisition of Organic Crop Protectants
- B&D Group launched the 'B&D to You' mobile showroom
- Parchem continued to optimise its 'Fosroc led' focus on the civil construction segment
- DuluxGroup named in the top 50 of Australia and New Zealand's 'Most Innovative Companies' for second year in a row#, reflecting ongoing investment in innovation and technology
- Dulux voted Australia's most trusted paint brand for 6th year in a row; Yates voted Australia's most trusted garden care brand##
- PT Avian Selleys product range, manufacturing and sales channel have all been established, with the business ready to commence trading in Indonesia in early FY2019
- The Craig & Rose paints business in the United Kingdom opened its first two stand-alone stores and relaunched its website to drive online sales

$223.2M ↑4.2%

Earnings before interest and tax (EBIT)

$1.84B ↑3.3%

Sales revenue

1.3X

Net debt to EBITDA 1.3X compared with 1.4X in 2017

83%

Cash conversion excluding non-recurring items*

28.0 cents per share

Full Year dividend

↑5.7%

Increase on the 2017 equivalent

72%

Payout ratio on NPAT

Safety

Overall injury rate increased 3% (a total of 70 recordable injuries compared with 69 in 2017 from our global workforce of approximately 4,000 employees), and serious injuries decreased 18% to the lowest level on record.

* A definition of cash conversion excluding non-recurring items is provided on page 29.

** Recordable Injury Rate of 1.67 is a measure of total number of employee and contractor injuries requiring time off work, restricted duties or medical treatment per 200,000 hours.

\# Australian Financial Review / Inventium 'Australia and New Zealand's Most Innovative Companies' Report, July 2018.

\## Reader's Digest Most Trusted Brands Survey 2018.

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

$172.8M

EBIT

↑4.7%

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

SELLEYS & PARCHEM ANZ

$34.0M

EBIT

↑0.9%

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 and paint preparation 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.

DuluxGroup divested the Camel Coatings business in China and Hong Kong during the first half of FY18, such that the DGL International business in China and Hong Kong is now focussed on Selleys. DuluxGroup is moving from its previous 51% ownership to 100% ownership of DGL International China and Hong Kong in FY19.

** 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.

Joint Venture

* Distributed brand

△ Licensed brand

B&D GROUP

$19.7M

EBIT

↑8.2%

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.

LINCOLN SENTRY

$15.8M

EBIT

↑9.0%

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.

OTHER BUSINESSES

$10.7M

EBIT

↓5.3%

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 in decorative paint
- DGL Asia – China, Hong Kong## and South East Asian markets including Vietnam, Malaysia and Singapore; and the 50.01% owned PT Avian Selleys joint venture business in Indonesia
- DGL UK – the Craig & Rose paints business and Selleys in the United Kingdom

Yates

Papua New Guinea **

DGL International

Core Capabilities

Our core capabilities 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
- Comprehensive distribution to trade and retail customers
- Supply chain excellence
- Leading customer service

Our Values

Our four key values 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

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

DuluxGroup is well placed, with a portfolio of market leading businesses, strong financial metrics and several paths to growth.

DEAR FELLOW SHAREHOLDERS

I AM PLEASED TO PRESENT MY FIRST REPORT TO YOU SINCE BECOMING CHAIRMAN, IN WHAT HAS BEEN A SPECIAL YEAR FOR OUR COMPANY.

ON 28 MAY 1918, BALM PAINTS WAS INCORPORATED IN NEW SOUTH WALES, TRIGGERING A 100-YEAR JOURNEY THAT HAS LED TO DULUXGROUP TODAY.

In its centenary year, your company has continued to grow and increase profits.

Overall financial results were solid, with group net profit after tax (NPAT) increasing by 5.4% to $150.7 million in positive market conditions.

The Board has declared a final dividend of 14.0 cents per share, fully franked, taking the full year dividend to 28.0 cents, an increase of 5.7% on the prior year and representing a payout ratio of 72% on NPAT.

Diluted earnings per share (EPS) were 38.9 cents, an increase of 6.0%. This continues our record of year-on-year EPS growth since demerger in 2010.

Over that period, DuluxGroup has delivered Total Shareholder Return (TSR) of 313% while the ASX200 Accumulation Index has delivered TSR of 104%.[1]

DuluxGroup's superior shareholder returns over time are underpinned by its strong cash generation combined with maintaining appropriate levels of debt to fund value-generating expansion.

Our balance sheet remains strong, with net debt to Earnings before Interest Tax, Depreciation and Amortisation (EBITDA) at 1.3x, even after investment in the new Dulux paint factory at Merrifield. We have sufficient headroom in our debt facilities to fund growth opportunities that might arise.

DuluxGroup is well placed, with a portfolio of market leading businesses, strong financial metrics and several paths to growth.

(1) Based on closing share price at 28 September 2018

DuluxGroup's board and management are also committed to delivering strong financial results in a safe and environmentally and socially sustainable way.

Our strategy remains consistent; to deliver stable and sustainable year-on-year growth by building on DuluxGroup's leading positions in Australia and New Zealand while taking a measured approach to developing a meaningful business offshore.

DuluxGroup's board and management are also committed to delivering strong financial results in a safe and environmentally and socially sustainable way. We made steady progress towards our goals during the year. Our safety performance remains at leading levels for our industry, and we are always focussed on improving.

This commitment to taking care of others extends to our communities. Throughout the year, our people and businesses continued to help those in need, through fundraising, volunteering and donating products and expertise to more than 250 local community organisations.

I would like to pay tribute to Peter Kirby who retired during the year. As inaugural DuluxGroup Chairman, Peter oversaw a period of significant growth, with the company more than tripling its market capitalisation over the past eight years. Peter's association with, and affection for, Dulux long precedes his time as Chairman, with his career in Dulux both locally and internationally spanning more than 40 years.

One of Peter's last official duties was to open Dulux's new water-based paint factory at Merrifield in Melbourne on DuluxGroup's 100th birthday in May. This $165 million investment will underpin growth in Dulux – our largest business – for decades to come. We have built a factory for the future, with capacity to grow and flexibility to meet the changing needs of our customers. This large and complex project was commissioned on time and within budget. It is fully operating and meeting production targets.

Long standing director Garry Hounsell also retired during the year and I would also like to thank him for his significant contribution since our demerger. With these changes, we welcomed new directors, Jane Harvey and Joanne Crewes. These appointments are consistent with ensuring your Board has the optimal combination of expertise and experience to protect and enhance long term shareholder value.

On behalf of my fellow board members, I thank all DuluxGroup employees for their continued dedicated efforts this year.

And finally, I would like to thank shareholders for your continued support. DuluxGroup is well placed, with strong market positions, multiple growth opportunities and a performance-driven culture focussed on ongoing success.

I feel proud and privileged to be appointed Chairman and I look forward to the next opportunity to update you on your company's performance.

GRAEME LIEBELT
14 NOVEMBER 2018

150.7^M

Net profit after tax (NPAT)

257.7^M

Earnings before interest, tax, depreciation and amortisation (EBITDA)

DEAR SHAREHOLDER

PROFIT GROWTH THIS YEAR WAS DRIVEN BY SOLID RESULTS ACROSS ALL OF OUR AUSTRALIAN AND NEW ZEALAND BUSINESS SEGMENTS, LED BY THE CONTINUED STRONG PERFORMANCE FROM OUR DULUX ANZ BUSINESS.

THIS CONTINUES DULUXGROUP'S RECORD OF UNDERLYING PROFIT AND DIVIDEND GROWTH EVERY YEAR SINCE DEMERGER.

GROUP PERFORMANCE

Net profit after tax (NPAT) increased 5.4% to $150.7 million.

Sales revenue increased by 3.3% to $1.84 billion. Excluding the China coatings business, which was divested early in the year, sales revenue grew 4.5%.

Earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 5.0% to $257.7 million.

Earnings before interest and tax (EBIT) increased by 4.2% to $223.2 million.

BUSINESS PERFORMANCE

The Dulux ANZ business, which contributes approximately 70% of Group business EBIT, increased sales revenue by 4.8% and EBIT by $7.8 million or 4.7%, maintaining EBIT margin at 17.6%.

This was an excellent result for our largest business, as it effectively managed significant increases in raw material costs and the higher depreciation due to the new Merrifield factory. The business held its EBIT margin, reflecting pricing discipline and good cost control.

Dulux's strong performance was well supported by our other ANZ segments – Selleys & Parchem ANZ, B&D Group and Lincoln Sentry – which collectively grew EBIT by $3.1 million or 4.7%.

EBIT in the "Other businesses" segment declined by $0.6 million or 5.3%. Growth in Yates and PNG was more than offset by planned investment in our business in the United Kingdom and Indonesian joint venture.

SAFETY AND SUSTAINABILITY

While our recordable injury rate increased by 3% (representing an increase from 69 to 70 recordable injuries out of approximately 4,000 employees), the level of serious injuries decreased 18% to a historic low level. Pleasingly we had our best performance ever against fatality prevention measures, with 'serious near miss incidents' at a record low. This injury prevention mindset is reflected in the best performance ever for our employees' reporting of anything that has potential to cause harm.

We improved energy efficiency across our businesses during the year. While waste generation and water consumption increased, primarily due to the start-up of Dulux Merrifield, we have plans in place to improve in 2019.

STRATEGIC FOCUS

Our strategy, which has delivered consistent profit growth and long term shareholder value, remains consistent. We put our consumers and customers at the centre of everything we do, and we focus on three key areas:

1. Defend and extend our market-leading Dulux, Selleys and related businesses in Australia, New Zealand and Papua New Guinea, which represent 80% of business EBIT.

   We see a good runway of growth for these businesses by continuing our long term track record of market share gains and granular product range extensions in resilient markets biased to the maintenance of existing homes. In Australia, 70% of the 10 million existing homes are more than 20 years old.

   The new $165 million Dulux Merrifield factory is an important investment to support growth in Dulux for decades to come and is fully operational and meeting expectations.

2. Secondly, our other home improvement businesses – Yates, B&D Group and Lincoln Sentry – are all premium branded, domestic market leaders with good growth potential. We continue to see further opportunities to improve revenue growth and EBIT margins as we expand their range and evolve their operating models. The acquisition of Organic Crop Protectants by Yates and our new 'B&D to You' mobile showroom are two examples this year.

3. Finally, we continue to seek opportunities to transfer our specialty paints, coatings, sealants & adhesives product portfolio offshore, in a risk-measured manner. Whilst our offshore businesses are still small, we have made good progress in this regard during the year in Asia and the UK.

CULTURE

The success of our strategy is underpinned by an understanding that it's not only about the results we achieve, but how we achieve them. This is reflected in our four Values & Behaviours, which unite our employees across businesses and geographies. I am proud to lead a team of approximately 4,000 people who are focussed on doing the right things in the right way, ensuring they earn and maintain the respect and trust of all stakeholders including consumers, customers, suppliers, community, fellow employees, and of course you – our shareholders.

THANK YOU

It has been a special year, in which we celebrated the centenary of DuluxGroup. Your company has evolved, from its origins as an Australian and New Zealand paints & coatings company in 1918 to a broader portfolio of businesses and premium brands, with multiple streams of growth ahead.

I would like to thank all DuluxGroup employees for their contribution this year. They have been critical to delivering another year of profitable growth and positioning our businesses for ongoing success.

I would like to acknowledge and thank outgoing Chairman Peter Kirby for his tremendous support, not only during his time as Chairman, but throughout our collective years at DuluxGroup. I would like to thank Graeme Liebelt and the Board for their ongoing support and counsel. Finally, I thank you, our shareholders, for your continued investment in DuluxGroup.

PATRICK HOULIHAN
14 NOVEMBER 2018

[1] Injury rate is a measure of Recordable Case Rate, which is defined as the total number of employee or contractor injuries requiring any time off work, restricted duties or medical treatment per 200,000 hours worked.

Markets and Sectors

DULUXGROUP IS PREDOMINANTLY AN AUSTRALIAN AND NEW ZEALAND PAINTS, COATINGS, SEALANTS 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, coatings, sealants 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.

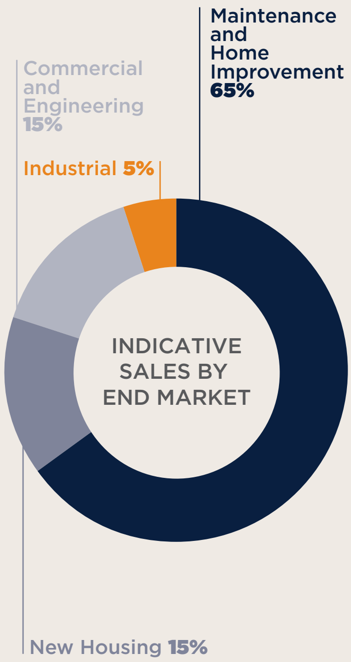
DuluxGroup invests in its iconic brands and provides innovative product solutions to drive growth through its retail and trade customers.

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.

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.

MANUFACTURING FACILITIES

Dulux Decorative Paints
- Merrifield, Victoria, Australia
- Rocklea, Queensland, Australia
- Mascot, New South Wales, Australia (Porter's Paints)
- Gracefield, Wellington, New Zealand
- Lae, Papua New Guinea
- 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
- Dandenong, Victoria, Australia
- Auckland, New Zealand

Dulux Protective Coatings
- Dandenong, Victoria, Australia

Selleys Sealants & Adhesives
- Padstow, New South Wales, Australia
- Surabaya, Indonesia
- Guangdong Province, China

Parchem Construction Chemicals
- Wyong, New South Wales, Australia

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

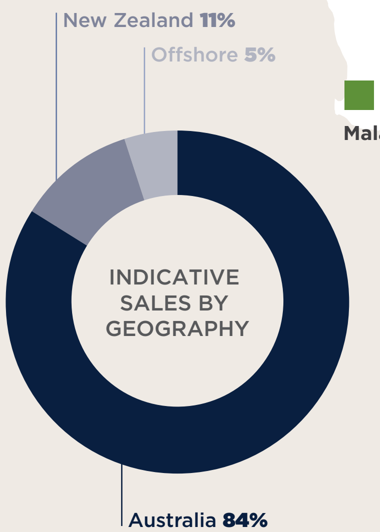
B&D Group Garage Doors
- Hornby, Christchurch, New Zealand
- East Tamaki, Auckland, New Zealand
- Revesby, New South Wales, Australia
- Clontarf, Queensland, Australia
- Kilsyth, Victoria, Australia
- Malaga, Western Australia

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
- 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:

- 24 Manufacturing facilities
- 24 Distribution centres
- approximately 120 company owned trade outlets

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.

imagine a better place

Our Strategy

Our strategy is to put our consumers and our customers at the centre of everything we do.

With this foundation, we aim to build on our market leadership positions in Australia and New Zealand to deliver consistent and sustainable year-on-year growth as we progress developing a material offshore business in a measured way.

We aim to do this by:

- leveraging and continuing to invest in our **core capabilities** across our portfolio of businesses including brands, consumer engagement and marketing, innovation and technology, retail and trade customer service and experience, architectural and engineering specification, and supply chain excellence;
- focussing 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;
- focussing on **categories** that are premium, branded and that leverage innovation, technology and supply chain excellence; and
- continuing to foster our **strong culture**, underpinned by our values and behaviours and our focus on encouraging diversity and developing our talented workforce.

PAINT, COATINGS, SEALANTS, ADHESIVES

Dulux, Selleys & Parchem ANZ / PNG

- Defend & extend in resilient markets, biased to existing homes
- Continue to build on 20+ year track record of resilient growth
- Good runway of growth:
  - **Dulux & Selleys:** Ongoing share gains (retail and trade), premium product innovation, product range extensions, margin management
  - **Parchem:** Fosroc-led 'civil' growth, distribution optimisation

67%	82%	35%+
Group sales	Business EBIT	RONA*

LEVERAGE: technology, marketing, sales, retail

DGL International

- Explore and develop pathways to a meaningful offshore business
- Measured approach to seeding/testing
  - **Western DIY retail markets:** Craig & Rose premium niche paints & Selleys in UK
  - **Asian 'DIFM' markets:** Avian Selleys JV in Indonesia and re-focused Selleys in China following coatings sale
- Seek out and consider opportunities in other markets

5% Group sales

OTHER HOME IMPROVEMENT

Yates, Lincoln Sentry, B&D Group

- Home improvement businesses with attractive characteristics where DuluxGroup can be a 'natural owner':
  - Profitable, premium, branded, market leaders, primarily biased to existing homes
- Growth through share gains, margin improvement and product/market extension

28%	20%	20%
Group sales	Business EBIT	RONA

* Numbers presented on MAT basis. Net assets adjusted to include new Dulux Merrifield paint factory capital expenditure of $165M.

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

1. Defend and extend our market-leading Dulux, Selleys and Parchem businesses in Australia, New Zealand and Papua New Guinea;
2. Grow our Other Home Improvement businesses (Yates, B&D Group and Lincoln Sentry) so they realise their potential; and
3. Continue to explore and develop pathways to build a meaningful offshore business in a measured way through extending our coatings and Selleys capabilities into new markets.

DuluxGroup aims to deliver growth through a combination of organic strategies (e.g. continuing to increase market share whilst maintaining margins) as well as joint ventures and acquisitions where they make strategic sense.

Our Global Approach

Western DIY Retail Markets

UK – Evaluate capability transfer:

- Craig & Rose premium niche paint, distributed via big box hardware, own stores and online
- Selleys sealants & adhesives: tight, locally adapted range distributed via big box hardware

Seek growth into other markets (e.g. Europe, US)

- Access to retail DIY distribution channels and cost effective supply chain will be critical

Asian DIFM Trade Markets

Selleys sealants & adhesives focus

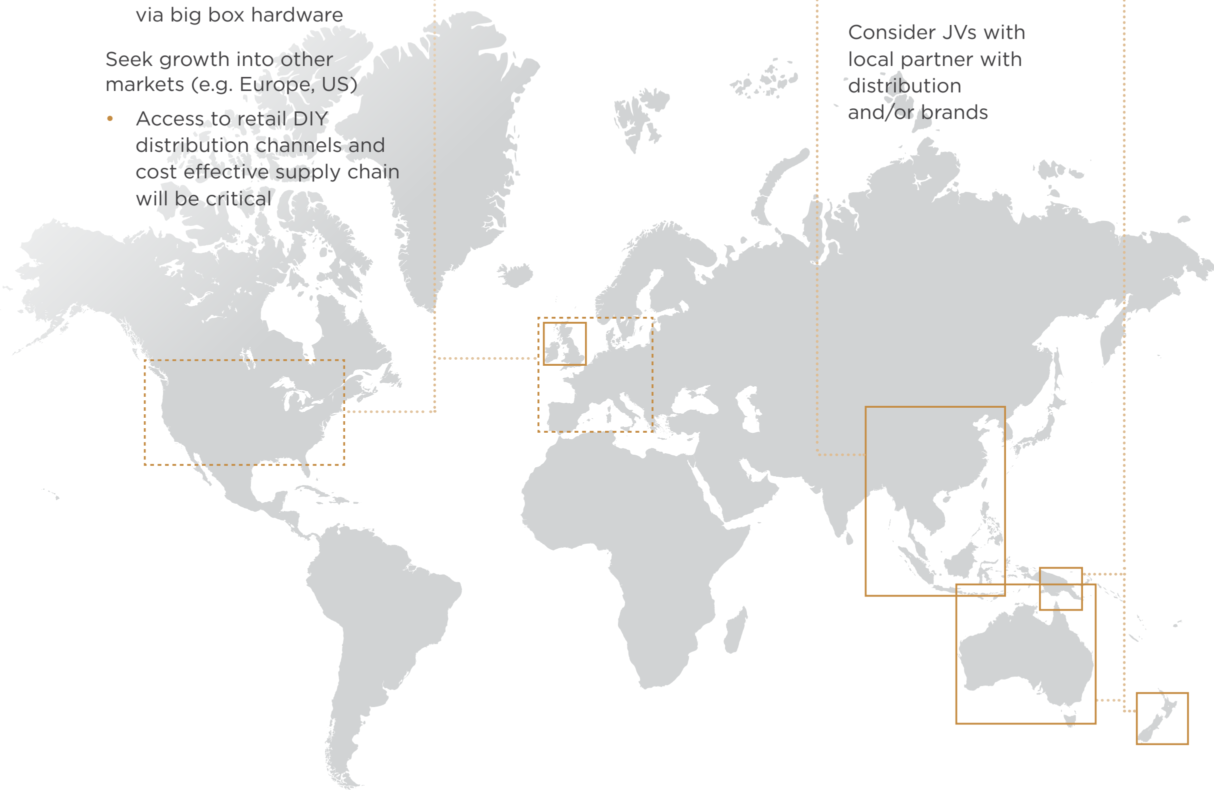
- Avian Selleys JV in Indonesia
- Refocused China/Hong Kong business following coatings sale

Consider JVs with local partner with distribution and/or brands

Australia/ NZ/PNG

Clear market leaders with strong brands

- Paints, coatings, sealants, adhesives and construction chemicals
- Other home improvement



In 2018 the company has made good strategic progress:

DEFEND AND EXTEND

- Continued strong performance of Dulux ANZ, maintaining margins in a higher input cost environment. Core Selleys and Parchem businesses delivered solid revenue and EBIT growth
- The new $165 million Merrifield paint factory in Melbourne is fully operational and meeting production targets

REALISE THE POTENTIAL

- Strong financial performance from all three businesses (Yates, B&D Group and Lincoln Sentry)
- Acquisition of Organic Crop Protectants (OCP) will strengthen Yates' competitive position in the natural and organic home garden and bio-horticulture segments
- Successful launch of Lincoln Sentry online store
- B&D launch of 'B&D to You', an in-driveway direct consumer sales channel to complement existing distribution network

EXPLORE PATHWAYS FOR MEANINGFUL OFFSHORE GROWTH

- Sale of our decorative coatings business and exit from our joint venture in China and Hong Kong with our focus now on growing our Selleys business in the region
- Preparing our PT Avian Selleys joint venture in Indonesia to commence trading early in the 2019 financial year – this joint venture combines the outstanding local distribution and selling capabilities of Avian Paints with Selleys' brand, innovation, technology, marketing and supply chain capabilities
- Opening two Craig and Rose stores in the UK, focused on the high end/niche design focused decorative coatings market

Result Summary

- **Sales revenue** of $1,843.7M, an increase of $59.2M (+3.3%)
  - Excluding the divested China coatings business, sales revenue grew 4.5%
  - Dulux ANZ, the largest segment, grew 4.8%, consistent with its long term trend
- **EBIT** of $223.2M, an increase of $9.0M (+4.2%)
  - Dulux ANZ delivered a $7.8M (+4.7%) EBIT increase, continuing its track record of consistent earnings growth
  - Other ANZ segments (Selleys & Parchem ANZ, B&D Group and Lincoln Sentry) delivered a combined $3.1M (+4.7%) EBIT increase
- **NPAT** of $150.7M, an increase of 5.4%
- **Cash generated from operations** was $213.9M, a decrease of 6.6%, mainly due to impacts associated with the sale of China and Rocklea redundancy payments
- **Cash conversion** (adjusted for non-recurring items including the China sale, Rocklea redundancies, Merrifield start-up and other one-off costs) was 83%, slightly unfavourable to the prior year's 86% but in line with '80%+' guidance
- **Net debt to EBITDA** improved slightly to 1.3x, notwithstanding the Merrifield capital expenditure
- **A final dividend** of 14.0 cents per share, fully franked, an increase of 0.5 cents. Full year dividend increased 5.7% to 28.0 cents per share, representing a dividend payout ratio of 72%

RESULTS	YEAR ENDED 30 SEPTEMBER		
A$M	2018	2017	% CHANGE
Sales revenue	**1,843.7**	**1,784.5**	**3.3%**
EBITDA	257.7	245.5	5.0%
EBIT	**223.2**	**214.2**	**4.2%**
EBIT % to Sales	12.1%	12.0%	0.1 pts
NPAT	**150.7**	**142.9**	**5.4%**
Diluted earnings per ordinary share (EPS) (cents)	38.9	36.7	6.0%
Total dividend per share (cents)	28.0	26.5	5.7%
Cashflow generated from operations	213.9	229.1	(6.6%)
Cash conversion excluding non-recurring items	83%	86%	(3) pts
Net debt to EBITDA	1.3	1.4	7.1%

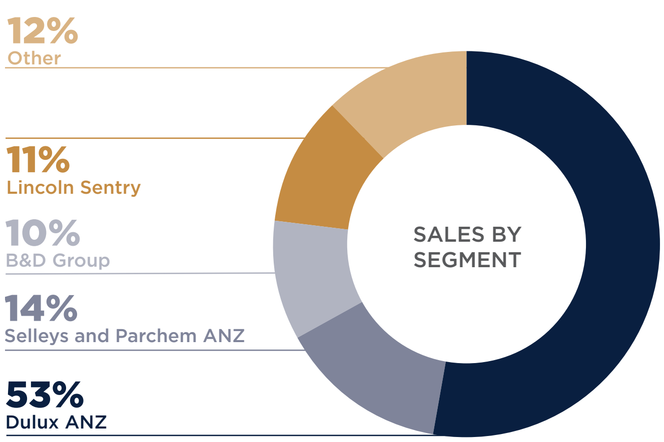
The Old Vicarage by Element 17 Ltd, 2017 Dulux Colour Awards finalist.
Photo by Michael Holleman

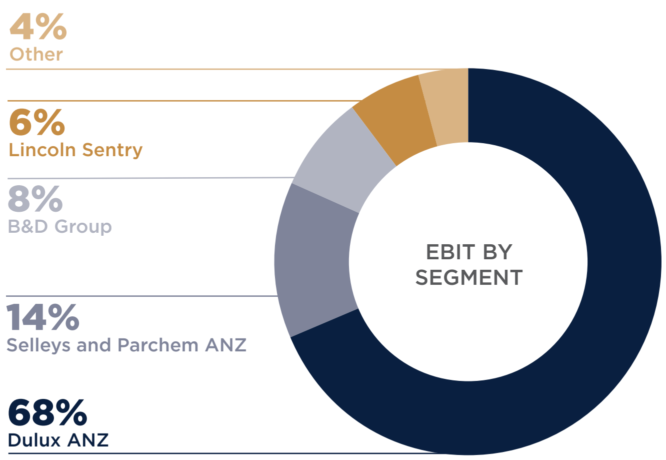
Note: Numbers in the report are subject to rounding. 'nm' = not meaningful. '~' = approximately
Refer to glossary on page 31 for definition of terms

Result by Segment

The summary of sales and EBIT by segment is shown below, with further discussion included on the following pages.

SALES AND EBIT BY SEGMENT	YEAR ENDED 30 SEPTEMBER		
A$M	2018	2017	% CHANGE
Sales revenue			
Dulux ANZ	982.2	937.3	4.8%
Selleys & Parchem ANZ	269.2	260.7	3.3%
B&D Group	188.7	182.5	3.4%
Lincoln Sentry	203.5	195.2	4.3%
Other businesses	214.3	222.2	(3.6%)
Eliminations	(14.2)	(13.5)	(5.2%)
Total sales revenue	**1,843.7**	**1,784.5**	**3.3%**
EBIT			
Dulux ANZ	172.8	165.0	4.7%
Selleys & Parchem ANZ	34.0	33.7	0.9%
B&D Group	19.7	18.2	8.2%
Lincoln Sentry	15.8	14.5	9.0%
Other businesses	10.7	11.3	(5.3%)
Business EBIT	**252.9**	**242.6**	**4.2%**
Corporate	(29.7)	(28.4)	(4.6%)
Total EBIT	**223.2**	**214.2**	**4.2%**





DULUX ANZ

Paints and Coatings

CONTINUED STRONG PERFORMANCE IN A HIGHER INPUT COST ENVIRONMENT

DULUX IS AUSTRALIA'S LEADING MARKETER AND MANUFACTURER OF PREMIUM BRANDED DECORATIVE PAINTS, WOODCARE COATINGS AND TEXTURE COATINGS.

WITH A HERITAGE DATING BACK TO 1918, DULUX HAS GROWN TO BECOME THE NUMBER ONE BRAND FOR HOME OWNERS AND TRADE PROFESSIONALS, HAS INDUSTRY LEADING BRAND RECOGNITION AND IS REGULARLY VOTED ONE OF AUSTRALIA'S 'MOST TRUSTED BRANDS'.

Dulux is also one of New Zealand's leading decorative paint brands, and manufactures and markets protective coatings, industrial and powder coatings products for the Australia and New Zealand markets.

DULUX ANZ	YEAR ENDED 30 SEPTEMBER			
A$M	2018	2017	$ CHANGE	% CHANGE
Sales revenue	982.2	937.3	44.9	4.8%
EBITDA	191.7	179.7	12.0	6.7%
EBIT	172.8	165.0	7.8	4.7%
EBIT % Sales	*17.6%*	*17.6%*		

EBIT

$172.8M ↑4.7%

SALES REVENUE UP $44.9M (+4.8%)

- Revenue grew 5.3% in the Australian business (~90% of segment) and grew 2.6% in New Zealand (flat in Australian dollars).
- In Australia, revenue reflected positive markets (~2.5% growth), modest share gains and positive price benefits to partially mitigate significant raw material price increases.
- The Australian decorative paint market grew at 3.3%, with the first half growing ~5% and the second half reverting to ~1.5%:
  - The renovation and repair market (typically ~75% of market volume) grew ~4.5%, driven by a strong first half (cycling a lower prior corresponding period (pcp), which was impacted by Masters' liquidation), with the second half reverting to ~2% growth; and
  - New construction markets (new housing and commercial) increased modestly.
- The woodcare, powder, protective and texture coatings markets increased modestly.
- In New Zealand, modest revenue growth reflected good second half growth following a flat first half (driven by the exit of woodcare products from Mitre 10 in 2017).

EBIT GROWTH OF $7.8M (+4.7%)

- A strong result, with EBIT margin maintained, notwithstanding a higher raw material price environment (titanium dioxide and latex increased well above inflation) and higher Merrifield depreciation.
- $3M of Merrifield start-up expenses (duplicated costs of operating the existing Rocklea factory and Merrifield during ramp-up) have been recognised in the Corporate segment (consistent with guidance at the half year result).

FY19 OUTLOOK

- The division is targeting continued revenue and EBIT growth and maintenance of full year EBIT margin.
- Revenue growth is likely to be slightly biased to the second half given the very strong market growth in the first half of FY18 and the later timing of Easter in 2019.
- Raw material increases are moderating. Net input costs (including mitigation) are expected to increase low to mid-single digits, with the rate of increase higher in the first half, before reverting to inflation level increases in the second half.
- Depreciation is likely to increase by approximately $3M over FY18, predominately reflecting a full year of Merrifield depreciation. This increase will be largely biased to the first half.
- Given the above, EBIT growth is expected to be biased to the second half.


COLEDALE S.L.S.C.
Est
1913
Dulux
Weathershield

SELLEYS & PARCHEM ANZ

Sealants, Adhesives, Fillers and Construction Chemicals

MODEST EARNINGS GROWTH REFLECTED GOOD GROWTH IN CORE BUSINESSES AND WEAKER CONTRIBUTION FROM THE SELLEYS TRADE CHANNEL AND PARCHEM NEW ZEALAND

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 and paint preparation 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	YEAR ENDED 30 SEPTEMBER			
A$M	2018	2017	$ CHANGE	% CHANGE
Sales revenue	269.2	260.7	8.5	3.3%
EBITDA	36.7	36.5	0.2	0.5%
EBIT	34.0	33.7	0.3	0.9%
EBIT % Sales	*12.6%*	*12.9%*		

EBIT

$34.0M ↑0.9%

△ Licensed brand

SELLEYS (~65% OF DIVISIONAL REVENUE)

- Selleys grew revenue 3.5% and EBIT grew marginally.
- The core Selleys retail business (95% of revenue) grew both revenue and EBIT at ~5%, driven by a strong performance with key retail customers in positive markets.
- Revenue and EBIT declined in the small Selleys trade business.

PARCHEM (~35% OF DIVISIONAL REVENUE)

- Parchem grew revenue 2.5% and EBIT was flat.
- The Australian business (94% of revenue) grew revenue by ~4% and EBIT by ~6%, reflecting good progress in growing the Fosroc construction chemicals business and reshaping the Avista decorative concrete and Flextool equipment businesses.
- Revenue and EBIT declined in Parchem New Zealand.

FY19 OUTLOOK

- The core Selleys and Parchem businesses are positioned for earnings growth, and plans are in place to improve performance in Selleys trade and Parchem New Zealand.


AEG
INSTANT HOLD
LIQUID NAILS

B&D GROUP

Garage Doors and Openers

EARNINGS GROWTH DRIVEN BY REVENUE AND MARGIN IMPROVEMENT

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	YEAR ENDED 30 SEPTEMBER			
A$M	2018	2017	$ CHANGE	% CHANGE
Sales revenue	188.7	182.5	6.2	3.4%
EBITDA	26.2	24.9	1.3	5.2%
EBIT	19.7	18.2	1.5	8.2%
EBIT % Sales	*10.4%*	*10.0%*		

EBIT

$19.7M ↑8.2%

SALES REVENUE UP $6.2M (+3.4%)

- Overall market growth, led by the Australian existing home market and commercial.
- Positive price outcomes reflected improved mix with a shift towards premium products.

EBIT GROWTH OF $1.5M (+8.2%)

- EBIT increase was driven by revenue growth and margin improvement, while increasing investment in marketing and growth projects (e.g. 'B&D to You' vans).

FY19 OUTLOOK

- The business continues to target revenue and profit growth through new and traditional distribution channels.

LINCOLN SENTRY

Cabinet and Architectural Hardware Distribution

CONTINUED REVENUE AND PROFIT GROWTH

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	YEAR ENDED 30 SEPTEMBER			
A$M	2018	2017	$ CHANGE	% CHANGE
Sales revenue	203.5	195.2	8.3	4.3%
EBITDA	16.9	16.6	0.3	1.8%
EBIT	15.8	14.5	1.3	9.0%
EBIT % Sales	*7.8%*	*7.4%*		

EBIT

$15.8M ↑9.0%

*

SALES REVENUE UP $8.3M (+4.3%)

- Revenue growth was led by the cabinet hardware business, in generally positive markets (biased to renovations) with modest share growth and positive price outcomes.

EBIT GROWTH OF $1.3M (+9.0%)

- EBIT growth was driven by revenue, good fixed cost control and lower amortisation, partly offset by margin pressures in competitive markets.

FY19 OUTLOOK

- The business continues to target revenue and profit growth in markets that remain competitive.

OTHER BUSINESSES

Yates garden care, Dulux PNG, DGL Asia, PT Avian-Selleys Indonesia and DGL UK

GROWTH FROM YATES AND PNG MORE THAN OFFSET BY INVESTMENT IN THE UK AND INDONESIA

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 in decorative paint**
- **DGL Asia – China, Hong Kong* and South East Asian markets including Vietnam, Malaysia and Singapore; and the 50.01% owned PT Avian Selleys joint venture business in Indonesia**
- **DGL UK – the Craig & Rose paints business in the United Kingdom and Selleys**

OTHER BUSINESSES	YEAR ENDED 30 SEPTEMBER			
A$M	2018	2017	$ CHANGE	% CHANGE
Sales revenue	214.3	222.2	(7.9)	(3.6%)
EBITDA	13.4	14.3	(0.9)	(6.3%)
EBIT	10.7	11.3	(0.6)	(5.3%)
EBIT % Sales	*5.0%*	*5.1%*		

EBIT

$10.7M ↓5.3%

Yates

Papua New Guinea

DGL International

- **Yates ANZ** grew revenue and EBIT complemented by the Organic Crop Protectants (OCP) acquisition (in June 2018).
- The **Dulux PNG** business increased revenue and EBIT in continued weak economic conditions.
- **DGL Asia** delivered a flat EBIT result. An improved EBIT outcome in China and Hong Kong (largely due to reduced losses from the exited coatings businesses) was offset by a lower result from SE Asia (lower Acratex revenue in Malaysia and higher input costs (silicone)).
- The **PT Avian-Selleys Indonesia** joint venture (formed in August 2017) made a small EBIT loss ($0.5M) due to establishment costs. The joint venture is expected to commence trading by the end of the calendar year.
- The **DGL UK** business increased revenue due to channel distribution expansion of paint sales into Homebase, own stores and online. The EBIT loss was slightly higher than prior year due to the planned investment in sales, marketing and product innovation.

FY19 OUTLOOK

- The Other businesses segment is targeting solid profit growth. Yates will benefit from the full year impact of the OCP acquisition; China will continue to transition towards a 100% owned break even Selleys business, though ~$2M of final costs associated with this transition are expected, biased toward the first half; Investment will continue in the UK, as the business seeks to build distribution; The PT Avian-Selleys Indonesia JV will incur a slightly larger loss in its first year of operation.
- The sales revenue impact due to the divestiture of the coatings businesses in China and Hong Kong is ~$45M on an annualised basis. Of this, the FY18 impact was ~$20M, with the remainder expected to occur in FY19.

* DuluxGroup divested the Camel Coatings business in China and Hong Kong during the first half of FY18, such that the DGL International business in China and Hong Kong is now principally comprised of Selleys. DuluxGroup is moving from its previous 51% ownership to 100% ownership of DGL International China and Hong Kong in FY19.

\# Joint Venture

** 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.

Other Profit & Loss items – Corporate, Interest, Tax

OTHER ITEMS

RESULTS	YEAR ENDED 30 SEPTEMBER		
A$M	2018	2017	% CHANGE
Business EBIT	**252.9**	**242.6**	**4.2%**
Corporate	(29.7)	(28.4)	(4.6%)
EBIT	**223.2**	**214.2**	**4.2%**
EBIT % to Sales	12.1%	12.0%	
Net finance costs	(16.9)	(17.3)	2.3%
Tax expense	(57.7)	(57.3)	(0.7%)
Non-controlling interests	2.1	3.3	(36.4%)
NPAT	**150.7**	**142.9**	**5.4%**

CORPORATE

The corporate result includes a $6.1M profit on sale of the Glen Waverley site (recognised in the first half), fully offset over the full year by start-up expenses for Merrifield of $3M and investment in one-off growth and other initiatives of $3.1M.

Corporate in FY19 is estimated to be ~$31M.

NET FINANCE COSTS

The table below shows the components included within net finance costs.

RESULTS	YEAR ENDED 30 SEPTEMBER		
A$M	2018	2017	% CHANGE
Net finance costs	**16.9**	**17.3**	**2.3%**
Discounting of provisions	(0.9)	(2.1)	57.1%
Defined benefit fund interest	(1.2)	(1.8)	33.3%
Capitalised interest on Merrifield	1.4	2.9	(51.7%)
Interest component of tax write-back	–	0.6	*nm*
Net interest on bank loans and other borrowings	**16.2**	**16.9**	**4.1%**
All-in net cost of debt[1]	*3.9%*	*4.3%*	

Net finance costs in FY19 are expected to be ~$18.5M excluding the impact of interest rate movements.

INCOME TAX EXPENSE

The table below shows a reconciliation between the headline tax expense and the adjusted (or underlying) tax expense (and effective tax rate). The tax provision write-back in both years related to a matter which was closed during the first half, so no further write-backs are expected. The utilisation of carried forward capital losses related to the Glen Waverley profit on sale.

RESULTS	YEAR ENDED 30 SEPTEMBER		
A$M	2018	2017	% CHANGE
Tax expense	**57.7**	**57.3**	**(0.7%)**
Tax provision write-back	2.8	2.5	12.0%
Utilisation of carried forward capital losses	1.1	–	*nm*
Adjusted tax expense	**61.6**	**59.8**	**(3.0%)**
Effective tax rate	*28.0%*	*29.1%*	
Adjusted effective tax rate	*29.9%*	*30.5%*	

The effective tax rate in FY19 is expected to be ~30.5%.

(1) **All-in net cost of debt** – calculated as Net finance costs excluding the $2.1M unwinding of the discount on provisions and defined benefit fund interest and including $1.4M of capitalised interest associated with the Dulux Merrifield paint factory

Cash Flow

STATEMENT OF CASH FLOWS	YEAR ENDED 30 SEPTEMBER		
A$M	2018	2017	% CHANGE
EBITDA	**257.7**	**245.5**	**5.0%**
Non-cash items in EBITDA	(0.9)	10.1	*nm*
Changes in Trade Working Capital	(31.2)	(25.3)	(23.3%)
Changes in Other Working Capital	(3.9)	(1.1)	(255%)
Rocklea redundancy payments	(7.7)	–	*nm*
Cash generated from operations	**213.9**	**229.1**	**(6.6%)**
Net income tax and interest paid	(73.7)	(63.1)	(16.8%)
Net cash from operating activities	**140.2**	**166.0**	**(15.5%)**
Minor capital expenditure	(21.9)	(18.1)	(21.0%)
Major capital expenditure (paint factory)	(33.3)	(77.9)	57.3%
Net (Acquisitions)/Disposals	26.2	(0.4)	*nm*
Net cash from investing activities	**(29.0)**	**(96.5)**	**69.9%**
Net cash from operating and investing activities	**111.2**	**69.5**	**60.0%**
Dividends paid	(97.2)	(92.1)	(5.5%)
Equity and other movements	(20.3)	(11.0)	(84.5%)
Change in net debt	**(6.3)**	**(33.6)**	**81.3%**
Headline cash conversion	**75%**	**86%**	
Cash conversion excluding non-recurring items	**83%**	**86%**	

Cash generated from operations was $213.9M, $15.2M (6.6%) lower than the prior year. There were several non-recurring items that impacted this outcome:

- A $9M decline in cash generated from operations compared to the pcp in China, driven by impacts of the China coatings sale structure and restructuring costs. Net sale proceeds of $21.0M (recognised within investing cash flows) more than offset this decline;
- A $6.1M outflow due to one-off costs, including Merrifield start-up costs and other one-off projects. These costs were incurred within Corporate, offsetting the $6.1M gain on sale for Glen Waverley. The cash benefit of this sale ($12.9M net sale proceeds) was recognised within investing cash flows; and
- A $7.7M cash flow item relating to the payment of Rocklea redundancy provisions.

Excluding these non-recurring impacts, cash generated from operations was favourable, driven by higher EBITDA, partly offset by a higher trade working capital (TWC) outflow (refer balance sheet section for explanation).

Investing cash flows were lower, driven by reduced Merrifield expenditure and the proceeds from the China and Glen Waverley sales, partially offset by the acquisition of OCP.

Cash conversion excluding the impact of the above non-recurring items was 83%, slightly lower than the prior year's 86% but within our 80%+ guidance, with the higher TWC the key driver. Headline cash conversion was 75%.

Parklands by AAA – Arkhefield, ARM and Archipelago Architects, 2018 Dulux Colour Awards finalist. *Photo by John Gollings*

Refer to glossary on page 31 for definition of terms

Investing activities

DULUX MERRIFIELD PAINT FACTORY

The new Dulux paint factory was successfully completed on time and within its $165M budget. Beneficial production was achieved (1 February 2018) and the factory ramped up to full production (by July 2018).

During the year, capital of $33.3M was spent on the factory, inclusive of $1.4M of capitalised interest. The remaining $5M of capital expenditure for optimisation works will occur during the first half of the 2019 financial year.

SALE OF DGL CHINA & HONG KONG COATINGS PORTFOLIO

Following a strategic review of the joint venture businesses in China and Hong Kong, DGL Camel International (51% owned by DuluxGroup) entered into an agreement in January 2018 to sell most of the coatings portfolio, including the Camel brand, to Yip's Chemical Holdings Limited. The sale transaction was completed on 1 February 2018, with $21.0M of net proceeds received in the year. A total profit impact of $0.4M ($0.2M attributable to DuluxGroup) was recognised during the year, consisting of a profit on sale and associated restructuring costs. For further detail, refer Note 19.

DGL China & Hong Kong has retained the Selleys business and a small coatings business in Hong Kong. DuluxGroup transferred these businesses to 100% owned entities early in FY19. The joint venture will remain in place during FY19 as some of the final costs associated with the transition and exit will be incurred.

SALE OF GLEN WAVERLEY SITE

The Glen Waverley site, which was acquired just after the Rocklea flood in 2011 and retained as back-up during construction of the Merrifield factory, was sold during the year for $12.9M. A $6.1M profit on sale has been recognised.

ACQUISITION OF ORGANIC CROP PROTECTANTS (OCP)

In June 2018 DuluxGroup acquired OCP, an Australian company which has been developing and manufacturing eco-friendly and registered organic horticultural, nutritional and plant protection products since 1991. The business comprises both commercial and retail divisions. The acquisition will strengthen Yates' competitive position in the natural and organic gardening segment and leverage Yates' sales, marketing and distribution network.

Balance Sheet

	YEAR ENDED 30 SEPTEMBER		
A$M	2018	2017	$ CHANGE
Trade working capital	302.0	283.3	18.8
Other working capital and provisions	(121.0)	(132.1)	11.1
Property, plant & equipment	383.2	371.8	11.4
Intangible assets	231.6	228.7	2.9
Net other assets/(liabilities)	(14.9)	(10.2)	(4.7)
Capital employed	**781.0**	**741.5**	**39.5**
Net debt (inclusive of USPP hedge)	(340.5)	(334.2)	(6.3)
Net assets/Total shareholders' equity	**440.5**	**407.3**	**33.2**
TWC to rolling sales (point in time) %	16.4%	15.9%	*(0.5) pts*
Rolling TWC to rolling sales %	16.2%	15.8%	*(0.4) pts*
Net debt to EBITDA (Gearing %)	1.3	1.4	7.1%
Return on capital employed %	28.6%	28.9%	*(0.3) pts*
Return on equity %	34.0%	34.8%	*(0.8) pts*

Refer to glossary on page 31 for definition of terms

Trade Working Capital

- **Rolling** (or average) **TWC** as a percent of sales was 16.2%, 0.4% points unfavourable to the prior year. This was mainly impacted by inventory build associated with the Dulux Merrifield manufacturing transition; and
- Point in time **TWC** was 0.5% points unfavourable to the prior year, largely due to higher year-end inventory in a number of businesses (partly driven by higher input costs), as well as additional working capital in relation to the recently acquired OCP business.

Debt Facilities

During the year, the $100M tranche of the syndicated loan facility was extended for a further five years, from November 2018 to 2023. As at reporting date, the weighted average maturity profile of the committed debt facilities (combined limit of $601M, excluding offshore minor working capital facilities) was ~3.6 years, in-line with the prior year (3.7 years).

Available headroom in the committed debt facilities was ~$217M.

Glossary

1. **EBITDA** – represents EBIT plus depreciation and amortisation.
2. **EBIT** – represents earnings before interest and tax.
3. **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 projects less than $5.0M), as a percentage of EBITDA.
14. **Return on capital employed** – is calculated as EBIT (excluding non-recurring items) divided by capital employed.
15. **Return on equity** – is calculated as NPAT (excluding non-recurring items) divided by shareholders' equity attributable to ordinary shareholders of DuluxGroup Limited.

Future Financial Prospects

DULUXGROUP CONSIDERS A RANGE OF EXTERNAL INDICATORS IN ASSESSING FUTURE FINANCIAL PROSPECTS.

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 generally positive, supported by GDP growth in Australia and New Zealand and low interest rates.

The key existing home segment exposure 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% of these are more than 20 years old.

Underlying 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 moderate in FY19, however completions are expected to remain at FY18 levels given the pipeline of work. DuluxGroup's businesses are strategically less exposed to this sector.

Within commercial and engineering construction markets, non-residential construction is expected to grow, while relevant engineering construction and maintenance markets are expected to be flat overall.

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

INPUT COSTS

DuluxGroup has a wide range of input costs. The two largest are raw materials that are used in the manufacture of paint – titanium dioxide and latex resin. Input costs are expected to increase by low to mid-single digits, with the rate of increase higher in the first half, before reverting to inflation level increases in the second half.

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 the 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.

The remaining $5M of capital expenditure for optimisation works on the Dulux Merrifield paint factory is expected to occur during the first half of the 2019 financial year.

(1) Indicative revenue splits for DuluxGroup

OVERALL OUTLOOK

IMPACT OF FAVOURABLE ONE-OFF ITEMS IN FY18

As outlined at the half year result and in this report, a number of one-off items recognised in the first half of FY18 will not occur in FY19. The phasing and annual impact of these items on both EBIT and NPAT is shown below.

- **EBIT impact:** Whilst these items had an immaterial impact on EBIT across the year, they will impact the *phasing* of EBIT between the first half and second half.

A$M	H1 2018	H2 2018	FY 2018
EBIT	**114.0**	**109.2**	**223.2**
Glen Waverley profit on sale	6.1	–	6.1
Merrifield start-up costs and other one-off projects	(3.2)	(2.9)	(6.1)
Sale of China and associated restructuring costs	2.5	(2.1)	0.4
Subtotal – one-off items	5.4	(5.0)	0.4
Adjusted EBIT	**108.6**	**114.2**	**222.8**

- **NPAT impact:** As most of the items relate to interest and tax, they will impact NPAT growth *across the year*, as well as *phasing*.

A$M	H1 2018	H2 2018	FY 2018
NPAT	**79.2**	**71.5**	**150.7**
Sale of Glen Waverley (tax effected, net of capital losses)	5.3	–	5.3
Merrifield start-up and other one-off costs (tax effected)	(2.2)	(2.0)	(4.2)
Sale of China and associated restructuring costs (after NCI)	1.2	(1.0)	0.2
Tax provision write-back	2.8	–	2.8
Capitalised interest (tax effected)	1.0	–	1.0
Subtotal – one-off items	8.1	(3.0)	5.1
Adjusted NPAT	**71.1**	**74.5**	**145.6**

Management believes that adjusted NPAT is the appropriate base to assess future performance.

2018 Dulux Colour Awards Finalist,
"Fitzroy North Townhouse"
by Lisa Breeze Architects,
Photo by Caitlin Mills

Overall Outlook

Subject to economic conditions, and excluding non-recurring items, 2019 full year NPAT is expected to be higher than the 2018 NPAT of $150.7M.

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

- The division is targeting continued revenue and EBIT growth and maintenance of full year EBIT margin.
- Revenue growth is likely to be slightly biased to the second half given the very strong market growth in the first half of FY18 and the later timing of Easter in 2019.
- Raw material increases are moderating. Net input costs (including mitigation) are expected to increase low to mid-single digits, with the rate of increase higher in the first half, before reverting to inflation level increases in the second half.
- Depreciation is likely to increase by approximately $3M over FY18, predominately reflecting a full year of Merrifield depreciation. This increase will be largely biased to the first half.
- Given the above, EBIT growth is expected to be biased to the second half.

SELLEYS & PARCHEM ANZ

- The core Selleys and Parchem businesses are positioned for earnings growth, and plans are in place to improve performance in Selleys trade and Parchem New Zealand.

B&D GROUP

- The business continues to target revenue and profit growth through new and traditional distribution channels.

LINCOLN SENTRY

- The business continues to target revenue and profit growth in markets that remain competitive.

OTHER BUSINESSES

- The Other businesses segment is targeting solid profit growth. Yates will benefit from the full year impact of the OCP acquisition; China will continue to transition towards a 100% owned break even Selleys business, though ~$2M of final costs associated with this transition are expected, biased toward the first half. Investment will continue in the UK, as the business seeks to build distribution. The PT Avian-Selleys Indonesia JV will incur a slightly larger loss in its first year of operation.
- The sales revenue impact due to the divestiture of the coatings businesses in China and Hong Kong is ~$45M on an annualised basis. Of this, the FY18 impact was ~$20M, with the remainder expected to occur in FY19.

OTHER OUTLOOK ITEMS FOR FY19

- Annual depreciation and amortisation expense is expected to be ~$38.5M.
- Corporate is expected to be ~$31M.
- Net finance costs are expected to be ~$18.5M excluding the impact of interest rate movements.
- The effective tax rate is expected to be ~30.5%.
- Capital expenditure is expected to be ~$35M, including the remaining $5M Merrifield factory expenditure.
- We are targeting full-year cash conversion to be 80%+ excluding non-recurring items.

'Barney' by BayleyWard & Larritt-Evans,
2018 Dulux Colour Awards finalist.
Photo by Eve Wilson

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 (e.g. execution risk, attracting and retaining talent risk) or macro risks such as significant changes in economic growth, inflation, interest rates, access to capital markets, 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
STRATEGIC RISKS		
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.	• Annual consolidated strategy development and Board oversight of growth activities • Conservative balance sheet and funding plan to provide access to a range of financing options • Experienced internal growth and M&A capability supported by external advisers as appropriate
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
Competitive threats/market disruption	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 (including digital marketing) • 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

RISK	NATURE OF RISK	CONTROLS AND FURTHER ACTIONS TO MITIGATE
MANUFACTURING AND SUPPLY RISKS		
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.	• New water-based only decorative paint factory in Merrifield significantly reduces the consequences of fire and flood risks inherent at the Rocklea manufacturing facility • Rocklea has additional capacity to manufacture water-based paint which can be recommissioned if required • Disaster recovery plans in place for all major sites and critical IT systems • Continued investment to address cyber security threats to key IT systems • 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
Key input volatility	Supply disruption and declines in the availability of key input materials, price volatility (including the effect of foreign exchange fluctuations) could negatively impact revenue and/or operating margins.	• Utilisation of a range of suppliers • Robust supplier selection processes • Contingency supply arrangements • Insurance policies including business interruption cover • Active raw material cost and gross margin forecasting processes • Foreign exchange hedging program
Industrial relations	DuluxGroup product supply could be materially impacted by prolonged industrial disputes related to the renegotiation of collective agreements.	• Site based enterprise agreements with a 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 • Ongoing development of industrial relations capability • DuluxGroup has multiple manufacturing and distribution sites which form part of business continuity plans
BRAND AND PRODUCT RISKS		
Erosion of brand equity	DuluxGroup has a portfolio of strong, premium brands with products which are trusted and 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 processes • Investment in product innovation • Investment in brands • Brand governance and brand health metrics monitoring
Product liability	Litigation relating to product liability or product recall could result in reputational damage or a materially adverse financial impact.	• Investment in quality assurance and governance practices • Well-developed customer service and complaints response processes • Insurance policies
SAFETY AND REGULATORY RISKS		
Safety incident	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*
Regulatory requirements and appropriate business culture and conduct	DuluxGroup's reputation and license to operate is dependent upon consistently demonstrating its stated Values and Behaviours and its ability to comply with regulatory requirements including safety and environmental practices, competition and consumer law, and anti-corruption legislation.	• Embedded Values and Behaviours • Policies, standards and procedures that provide guidance and drive compliance • Development and deployment of targeted training programs to relevant personnel • Monitoring via oversight and reporting • Investment in systems to support compliance
Loss or exposure of sensitive data	Sensitive data relating to DuluxGroup, its employees, suppliers, customers or consumers may be lost or exposed resulting in adverse financial, reputational or regulatory impacts	• Adoption of the National Institute of Standards and Technology (NIST) cybersecurity framework • IT security policies, procedures and practices including cybersecurity awareness programs • Security incident and event management system implemented to improve detection capabilities • Incident response plan is in place and tested annually

imagine

a better place

DULUXGROUP CORPORATE SUSTAINABILITY REPORT 2018

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

AT DULUXGROUP, OUR CORE PURPOSE TO *IMAGINE A BETTER PLACE* ANCHORS OUR APPROACH TO SUSTAINABILITY.

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 environment, our employees and our shareholders.

Whilst DuluxGroup has not formally adopted the Global Reporting Initiative (GRI) framework, this report has been prepared by referencing the relevant core principles of the GRI reporting framework as it relates to our environmental, social and governance practices and performance.

Over the past year, we have made good progress towards our sustainability goals, further improved our safety performance and increased participation in our local communities.

We have much more to achieve and we remain focussed on improving. In coming years, we intend to conduct and publish a formal assessment of material risks in relation to sustainability. We are committed to further improving our climate-related disclosures and adopting the key recommendations of the Taskforce on Climate-related and Financial Disclosures (TCFD). Our current status in relation to the TCFD is outlined on page 49.

DuluxGroup

www.duluxgroup.com.au

FOR MORE INFORMATION, VISIT DULUXGROUP.COM.AU

OUR PRODUCTS

7 million

kilograms of waste paint and packaging collected through Paintback since the paint industry-wide scheme was launched in 2016

92,000

litres of paint and 183,500 containers collected from store drop-off points via the New Zealand Paint Take-Back recovery program

110

Yates acquired OCP (Organic Crop Protectants) in 2018, adding 110 products to its portfolio, meeting growing demand for organic garden products in Australia and New Zealand

Plans established for **69%** of high concern chemicals in our products.

45 planned improvement actions from existing plans were implemented across the businesses

609

calls to our Emergency Response Service to help our community

Yates was awarded overall

Garden Supplier of the Year

in Victoria and Tasmania by the Hardware Association

DuluxGroup ranked 40

in the Australian Financial Review Most Innovative Companies – 2018

OUR PEOPLE

75% of our graduate intake, **41%** of new hires and **49%** of internal promotions are female

43%

of our board members are female

~180

leaders participated in formal leadership programs in FY18

>24 years

fatality free

13% record low

Serious near misses (Category 3) decreased 13% to a record low of 20 incidents

18% record low

Serious injuries (Category 3 recordable cases), involving more than 10 days of lost and/or restricted time, decreased 18% to a historic low level of 28 injuries

3%

The Recordable Case Rate, or total number of employee and contractor injuries requiring time off work, restricted duties or medical treatment per 200,000 hours, increased 3% to 1.67 (or from 69 injuries in 2017 to 70 in 2018 from our approximately 4,000 employees)

10%

Total hazard and near miss reporting (Total General Learning Incidents) increased 10% to a positive, record high of 4.3 per employee

OUR OPERATIONS

In May 2018 we opened Australia's largest paint factory, at Merrifield Victoria. It has equal to the

most sophisticated manufacturing technology of any paint factory in the world.

It features 300kW solar power generation, rain harvesting and on-site waste water treatment

3%

Energy consumption (gigajoules per tonne of production) decreased 3% to 0.71 GJ/t

2%

Water consumption (kilolitres per tonne of production) increased 2% to 0.63 kL/t primarily due to start-up of Dulux Merrifield

36%

waste to landfill primarily due to start-up of Dulux Merrifield, with plans to significantly reduce in FY19

Completed new environmental specialist audits at four sites and implemented actions from audits of four sites completed in 2017

OUR COMMUNITIES

>250

local community organisations assisted

200th

Surf Life Saving Club painted in Australia as part of Dulux Weathershield partnership

>100

conservation huts and historic assets painted in New Zealand since 2013

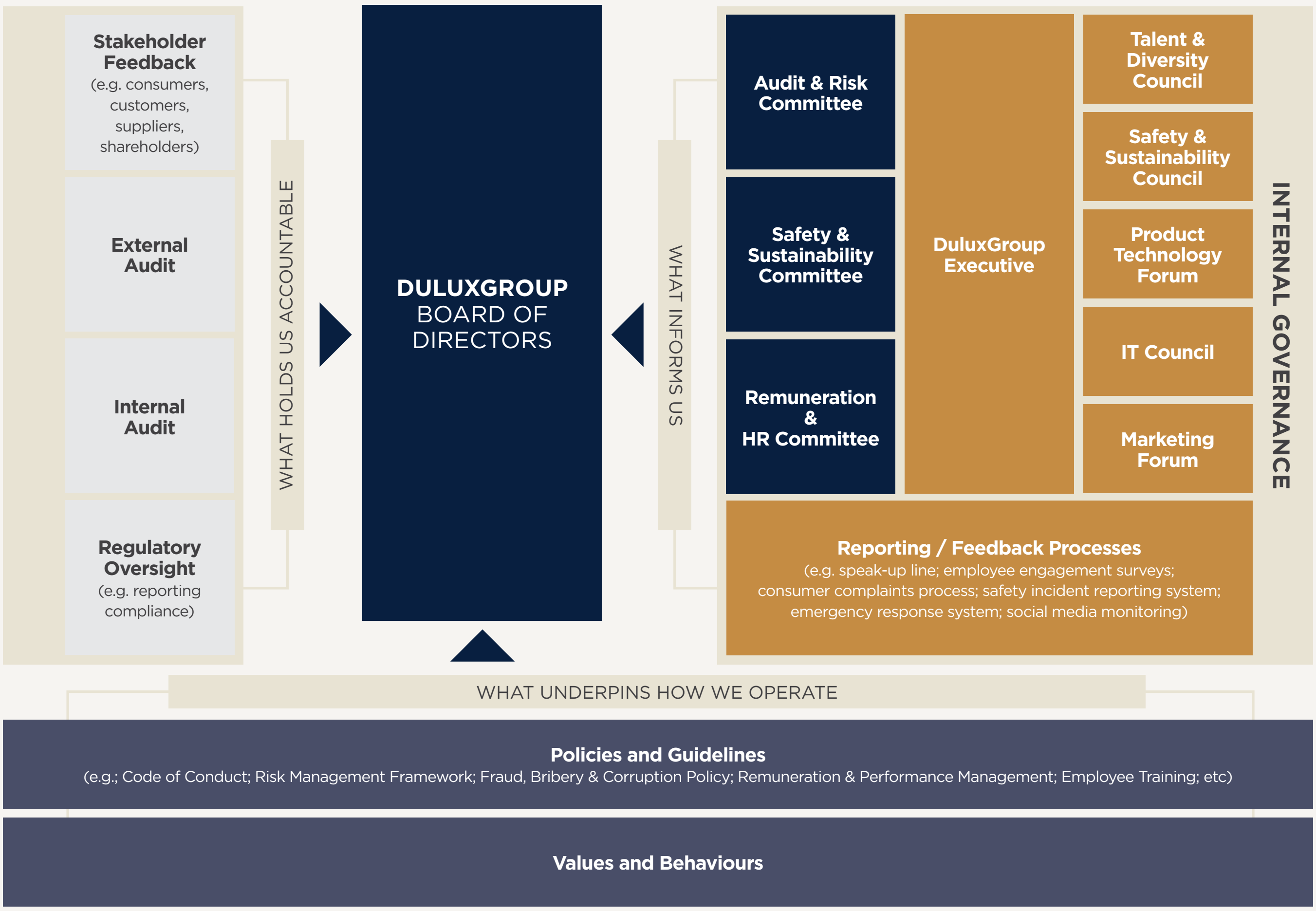
6,000 litres

of paint donated to Habitat for Humanity in NZ – to paint 18 new and more than 20 existing homes for people in need

>1600 hours

volunteered by our people to help communities in need

DuluxGroup Corporate Sustainability Governance Model



Governance of corporate sustainability

THE BOARD IS ULTIMATELY RESPONSIBLE FOR STEERING DULUXGROUP TOWARDS BUSINESS PERFORMANCE THAT IS ENVIRONMENTALLY, SOCIALLY AND ECONOMICALLY SUSTAINABLE.

The Board Safety & Sustainability Committee's mandate includes oversight of DuluxGroup's sustainability goals and performance. Sustainability leadership and accountability is reinforced by the integration of sustainability considerations into our policies, audit & reporting processes and decision making. There is also a direct link between executive remuneration and sustainability outcomes to drive improvement. This is underpinned by a culture that rewards and celebrates sustainable business performance.

For an overview of our corporate governance at DuluxGroup see page 74.

OUR PRODUCTS

DULUXGROUP HAS EVOLVED AND GROWN ITS MARKET LEADING BRANDS OVER THE PAST 100 YEARS BY CONTINUALLY INVESTING IN NEW PRODUCT TECHNOLOGIES.

Continuous innovation – in the products we make, the way we serve our customers, and the way we reach, understand and communicate with our consumers – ensures we anticipate and meet the needs and wants of our consumers and customers over time.

DuluxGroup has a strong record of new product development and commercialisation. We are one of the biggest employers of industrial chemists and technologists in Australia, and have a long history of collaboration with the tertiary sector and other publicly funded research organisations.

DULUXGROUP IS ONCE AGAIN NAMED IN AUSTRALIA'S TOP 50 INNOVATIVE COMPANIES

In 2018, DuluxGroup was again included in the top 50 most innovative organisations in Australia, ranking in 40th position. Selleys was highlighted as a great example of DuluxGroup's innovation focus, with the launch of Liquid Nails Instant Hold. Liquid Nails Instant Hold is a construction adhesive that allows you to stick any building materials (weighing up to 400kg/m^2) onto any surface (including vertical surfaces) without the use of fasteners or clamps.

Selleys and other DuluxGroup businesses continue to build capabilities in consumer-driven innovation by absorbing macro trends and cultural insights to identify new product opportunities.

Product Innovation

CONTINUING TO LEAD IN A FAST-CHANGING MARKETPLACE

We know that sustainable businesses are built on innovation. Our approach to innovation is expressed clearly in our values to *Be consumer driven, customer focussed* and *Unleash your Imagination* and realised in investment in research and product development.

During the year, our businesses continued to develop and launch new products and services to delight and inspire our consumers to 'Imagine a better place'.

DULUX INNOVATION IS HELPING COMMUNITIES TO FIGHT GRAFFITI

In December 2017, Dulux joined with Western Sydney's local residents and artists to rejuvenate the Kings Langley Baseball Club by covering its façade in a beautiful hand painted mural.

With a coating of Dulux Precision Anti-Graffiti coating, the mural is future-proofed and will be part of the community for years to come.

The new precision anti-graffiti paint helps to provide a protective coating that prevents any graffiti from ruining surfaces. Any graffiti will just wash away with high pressure water. This means no harsh solvents need to be used in cleaning – which is better for the environment.

"These projects are important for our community and other communities that have issues with graffiti. It's great to be a part of something that changes the life and the look of the place. This is about bringing pride back to our communities," Danielle RG, community leader and street artist.

"We're so pleased to be part of this project. Seeing our products make a real difference to how people feel about their local places and spaces is why we do what we do," said Briana Keenahan, Dulux Senior Brand Manager.

DULUX TECHNOLOGY IMPROVING SUSTAINABILITY OF ASSETS

In 2017 Dulux Protective Coatings launched its first water-based metal protection range. Called 'Duration', the range offers an environmentally friendly, low VOC, alternative to traditional solvent-based technologies. The range includes epoxies, polyurethanes and fluoropolymer technologies designed to protect and decorate structural steel, in mild corrosive environments.

Duration T80 is a premium water based fluoropolymer that offers outstanding gloss and colour retention properties, keeping assets looking better for longer. It has been used on a number of commercial projects, including the 'Oculus' of the QV1 building in Perth (pictured below).

DULUXGROUP EMPLOYS

130+

Scientists and technologists

18

Scientists in our Graduate Program

Research and development

INVESTING FOR THE FUTURE

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 18 graduate scientists as part of its three year graduate program. In addition to our formal graduate program, DuluxGroup has long-standing collaborations to support university students through industry projects, placements and scholarships.

Supporting Australian science and innovation

Staying at the forefront of technology and innovation is fundamental to building a sustainable business. 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 2018, our businesses worked with the University of Melbourne, the University of Sydney, The University of New South Wales, Monash University, the University of Warwick (UK) and CSIRO.

The 2018 'Dulux Prize' is presented to Dingchen Wen, BSc (Chemistry) Honours student at the University of Melbourne, by Dr Tim Davey, Dulux Exterior Products Technical Manager. Dulux has sponsored the award since 1987, to foster academic excellence in chemistry.

INNOVATION THROUGH COLLABORATION

Dulux's Exterior Coatings Technology Manager Dr Tim Davey is a Board Member of the Australian Innovation Research Group (AIRG). The AIRG is an industry led Association that supports the innovation and R&D initiatives of its members by increasing collaboration opportunities, facilitating peer-to-peer mentoring, enabling cross-sector learning, and providing access to international best practice for effective management of research and development and innovation.

Monthly roundtable discussions have been running successfully in Melbourne and have recently launched in Sydney. The group's ambition is to begin the program in other major Australian cities.

airg Australian Innovation Research Group

Product Stewardship

IMPROVING THE IMPACTS OF OUR PRODUCTS OVER THEIR LIFE CYCLE

Improving the impacts of our products throughout their life cycle (cradle to grave) remained a key focus in 2018, continuing our historic attention to this area. Our continuous improvement approach is driven by an annual product risk assessment process to identify actions in the priority areas of:

- consumer safety;
- product misuse;
- post-consumer waste;
- raw material impacts;
- packaging and labelling; and
- distribution.

Our product stewardship knowledge and management approach has evolved over time. During the 2017 refresh of our sustainability strategy we identified a number of opportunities to continue this journey, including:

- adding customer and consumer insights to our stewardship assessment and planning tool;
- implementing a life cycle assessment tool; and
- development of performance metrics.

The stewardship process complements other improvement processes dedicated to managing sourcing and chemicals of concern risks. Managing the risks associated with hazardous chemicals used in the formulation of our products, especially those with potential for long term health or environmental effects ("chemicals of concern"), is an important priority. Scientific knowledge, regulations, and community concerns for many chemicals are constantly evolving, requiring a rigorous management approach.

In 2017 we began development of risk management plans for chemicals we identify as high or moderate concern (based on toxicological and/or regulatory classifications). This includes chemicals that may only be present in minor or trace quantities, however we endeavour to ensure all potential risks are evaluated. The plans are designed to check that if any current or future risks exist, they are identified and managed to acceptable levels via improvement actions to reduce or eliminate risks (e.g. changes to formulations, packaging, labelling, sourcing, marketing).

Performance metrics help to improve our understanding of the life cycle impacts of our products, identify the improvement priorities for action, and measure the outcomes of those improvements. Development of the metrics has begun, for implementation in 2019. Examples include:

- sales of sustainable products;
- total carbon footprint;
- use of renewable raw materials;
- packaging intensity; and
- consumption of chemicals of concern.

MANAGING THE RISKS ASSOCIATED WITH HAZARDOUS CHEMICALS USED IN THE FORMULATION OF OUR PRODUCTS, IS AN IMPORTANT PRIORITY.

Parklands by AAA – Arkhefield, ARM and Archipelago Architects, 2018 Dulux Colour Awards finalist.
Photo by John Gollings

DULUX EPDs LEAD TO GREEN STAR RATINGS

In 2018, Dulux paints made Environmental Product Declarations (EPDs) available to assist architects, specifiers and construction industry members to achieve sustainable and Green Star certified projects.

EPDs detail the environmental impact of Dulux paints throughout the life cycle of the product, from the production and processing of raw materials, to manufacturing, distribution and application. The documentation also covers any waste generated throughout the life cycle, and opportunities for recycling of packaging.

Dulux EPDs for Wall Paints, Ceiling Paints and Preparation Paints provide comprehensive data on selected products within each paint range. The EPDs are prepared in accordance with international standards and independently verified. The EPDs are available on the Australasian and International Environmental Product Declaration websites (www.environdec.com).

Dulux 2018 Colour Awards Finalist 'Parklands' on the Gold Coast in Queensland. Parklands is a pilot project for the new Green Star Communities rating tool and has achieved 6-Star rating.

REDUCING PAINT WASTE

Dulux is a founding member of Paintback®, an Australian initiative to responsibly dispose of unwanted paint and packaging by establishing collection and treatment facilities around Australia. As well as responsibly collecting the paint, Paintback® repurposes the valuable materials in leftover paint into recycled packaging, alternative energy fuel as well as water resources and is funding research to find better uses for unwanted paint & packaging waste. The program is funded by a 15 cent per litre levy on products sold by Australia's major paint manufacturers.

Paintback® has expanded rapidly over the past 12 months, doubling the number of major collection sites to more than 100. Since inception Paintback® has collected 7 million kilograms of waste paint and packaging for responsible disposal showing strong growth from 4 million kilograms collected the previous year.

In 2009 Dulux New Zealand launched its 'Dulux Paint and Packaging Takeback Programme'. Trade painters return unused paint and packaging to Dulux Trade Stores, which is collected, recycled and repurposed as much as possible to minimise environmental impact. Since its inception, more than 360,000 litres of paint and 779,000 packages have been diverted from landfill.

FOCUS AREA	2018 PRIORITIES
Product Stewardship	• Implemented actions in 2018 stewardship improvement plans and completion of annual assessments and plans for 2019 across all businesses • Redesigned the stewardship assessment and planning tool to include new aspects such as consumer insights and a scoring system to measure progress • Continued development of new risk management plans for priority chemicals of concern and implementation of actions identified in existing 2017 plans • Establishment of a rigorous monitoring process to stay abreast of any emerging regulatory or social concerns for priority chemicals • Commenced sustainability engagement with key customers to identify common stewardship concerns, priorities and opportunities • Commenced implementation of a life cycle assessment software tool to enable our technologists to assess the sustainability attributes for different product formulation scenarios • Submitted a consolidated DuluxGroup report and action plan under the Australian Packaging Covenant, replacing individual business reports in prior years

2018 PERFORMANCE

- **Improvement:** Over 90 product stewardship improvement actions were implemented across the group during the year. Examples include:
  - Dulux Australia continued to be an active, founding member of Paintback, a recovery scheme for leftover paint and packaging. More than 100 collection points have now been established across Australia and 7 million kilograms has been collected since the scheme was launched in 2016
  - Dulux New Zealand continued their Paint Take Back recovery program, with 92,000 litres of paint and 183,500 containers collected from store drop-off points during the year. New 10L plastic pails currently contain 1% recycled plastic and Dulux will shortly transition to 5%, with the recycled plastic sourced from the take-back program
  - Acratex extended their program of direct distribution to customers and from local manufacturers for render products, reducing transport and fuel use by more than 18%
  - Dulux Australia transitioned from custom made timber exhibition stands to reusable modular systems, reducing annual landfill waste by $65m^3$ and costs by 25%. Use of solvent based technologies for colour collateral was also eliminated, saving 7.5 tonnes of VOCs
  - Porter's reviewed sourcing of European timbers for flooring products manufactured in China to ensure all are derived from sustainably managed, certified sources
  - Dulux Protective Coatings ceased sale of 60 litre containers of thinners, eliminating a significant manual handling risk for both customers and employees
- **Chemicals of concern:** Development of risk management plans continued, with plans now established for 69% of high concern chemicals. 45 planned improvement actions from existing plans were implemented across the businesses. Examples include:
  - Selleys commenced successful production trials for sealant and adhesive products free of alkylphenol ethoxylate (APE) surfactants, with products on track for introduction in 2019
  - Dulux New Zealand moved to toluene-free formulations for a range of spraypack products and Selleys deleted a toluene-based sealant product, continuing a multi-year program across all businesses to reduce toluene exposure risks, particularly via deliberate inhalation (sniffing)
  - Parchem replaced carbendazim biocides in all products with a less hazardous alternative, reducing end user risks from any inadvertent exposure
  - Yates ceased production of a boron-based ant bait and further improved rat bait packaging, reducing potential harm to children and animals via inadvertent exposure to these products
- **Incidents and Compliance:** No serious (Category 3) product or distribution incidents involving customer, consumer or community harm occurred, consistent with 2017. Two years free of such incidents is our best performance on record. Three regulatory improvement and/or infringement notices were received, compared with none in the prior year, all of which were fully addressed. Our emergency response service provider managed 609 calls, compared with 599 in 2017. This service provides advice 24 hours a day to customers and members of the public with any emergency concerns involving our products, with most calls involving minor, inadvertent human and animal exposures

The Joyful House by Mihaly Slocombe Architects, 2018 Dulux Colour Awards finalist.
Photo by Tatjana Plitt
Styling by Pip + Coop

OUR GOAL IS TO ONLY WORK WITH SUPPLIERS THAT ARE HONEST, TRANSPARENT AND COMMITTED TO CONTINUOUS IMPROVEMENT.

Sourcing

ENSURING ETHICAL AND RESPONSIBLE SOURCING

We are committed to sourcing products in an ethical and responsible manner, and closely managing risks associated with significant expenditure on sourcing.

Through our Sustainable Procurement Policy and Standard, we embed environmental, health and safety, labour conditions and human rights considerations (including modern slavery) 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.

The importance of a viable, productive network of suppliers is recognised, including the many small businesses who make up our supply chain. DuluxGroup is a signatory to the *Australian Supplier Payment Code*, consistent with our procurement practices and timely payment of suppliers.

In 2016, we commenced formal supplier evaluations against the requirements of our policy and standard with key outsourced manufacturers. In 2018, the evaluations extended to other key suppliers. These evaluations require supplier completion of questionnaires and provision of supporting evidence, followed by review by our procurement and safety and sustainability specialists. These reviews identify the need for any further evidence or verification via site visits, the priority of any required improvements, and ultimately an approval rating. Any suppliers unwilling to address significant priority improvements within a reasonable timeframe are prohibited from supply.

FOCUS AREA	2018 PRIORITIES
Sourcing	• Continued evaluation of key outsourced manufacturers (>$10,000 per annum spend) • Commenced evaluation of other key suppliers (>AUD100k p.a. spend)
	2018 PERFORMANCE
	• 66% of key outsourced manufacturers have been evaluated to date, with 48 formally approved and 8 conditionally approved pending completion of some agreed improvements. One supplier has been prohibited and their manufacture of all DuluxGroup branded products and formulations has ceased. • 17% of other key suppliers have confirmed their commitment and compliance to our policy to date and completion of questionnaires are in progress, with reviews and approvals to be finalised early in 2019.

MANY OF OUR PRODUCTS HAVE POSITIVE SUSTAINABILITY ATTRIBUTES.

Climate Change

TRANSITIONING TO A LOW CARBON FUTURE

DuluxGroup recognises that climate change presents both risks and opportunities. We are committed to reducing our impacts, while adapting to the effects of climate change and transitioning to a low carbon future.

We have completed some work to identify material climate-related risks, such as Integrated Sustainability Analysis (ISA) of upstream impacts, and are currently working to further develop our understanding in this area, including an assessment of total carbon footprint. In 2019 this will include formal assessment of our climate change risks and opportunities, together with development of a prioritised improvement plan. Our largest climate-related risk exposures are upstream (e.g. sourcing of energy intensive raw materials for use in our products) and downstream (e.g. outsourced product distribution, post-consumer product waste disposal) of our operations. Many of our products have positive sustainability attributes and further innovation in this area (e.g. improved substrate protection, low carbon products) is a key climate-related opportunity.

We are committed to further improving our climate-related disclosures and adopting the key recommendations of the Taskforce on Climate-related and Financial Disclosures (TCFD). Our current status is summarised below.

TCFD ELEMENT	CURRENT STATUS
Governance	• Our Board Safety & Sustainability (S&S) Committee and Executive S&S Council regularly review strategies, objectives and performance. A priority for 2019 will include our progress against the TCFD recommendations.
Strategy	• New sustainability actions commenced in 2018 (e.g. new metrics, life cycle assessments), including beginning to identify climate-related risks and opportunities • During 2019 we will formally identify all risks and opportunities for different climate-related scenarios and develop a targeted improvement strategy
Risk management	• Our product stewardship process was revised during the year to improve assessment of upstream and downstream impacts (e.g. via life cycle assessments) • Site energy efficiency opportunities are being actioned following a 2017 review (see Our Operations), while business continuity plans manage supply risks • These risk management processes will be revised once the targeted improvement strategy is developed
Metrics and targets	• Current metrics include Australian Scope 1 and 2 emissions (see Our Operations) • New metrics currently in development include global Scope 1 and 2 emissions, total carbon footprint (Scope 3) and sales of sustainable products • Targets will be established once new metrics are fully implemented

OUR PEOPLE

AT DULUXGROUP, WE KNOW THAT OUR PEOPLE ARE CRITICAL TO OUR SUCCESS. WE STRIVE TO CREATE AN ENVIRONMENT WHERE OUR PEOPLE ARE SAFE, VALUED AND ENGAGED.

Across our brands and locations, our people are bound together by our Values and our Core Purpose to 'Imagine a better Place'.

YATES RECEIVES SAFEWORK NSW AWARD FOR FORKLIFT SAFETY CONTROLS

The Yates factory and warehouse at Mount Druitt in New South Wales operates with up to 70 people on site, depending on the season, across multiple shifts and handles hundreds of pallet movements by forklift each day. The site has been recognised by SafeWork NSW for its Forklift Safety programme, which is being used as an example of best practice for industries throughout NSW.

13% record low

Serious near misses (Category 3) decreased 13% to a record low.

>24 years

fatality free

OUR APPROACH IS TO INVEST IN RISK REDUCTION VIA CHANGES TO WORKPLACE AND EQUIPMENT DESIGN, CONDUCT RISK ASSESSMENTS AND TRAINING IN STANDARD OPERATING PROCEDURES, CONDUCT HEALTH ASSESSMENTS AND MONITORING, REPORT HAZARDS, AND TO ADOPT EARLY INJURY INTERVENTION.

Safety

FATALITY AND INJURY PREVENTION

Protecting our people from harm is a key priority. We adopt a differentiated approach between fatality and injury prevention. This recognises that common fatality risks across the business (e.g. forklifts, work at heights, driving) are not the same risks involved in everyday injuries (e.g. manual handling strains, cuts, slips/trips) and often require different controls.

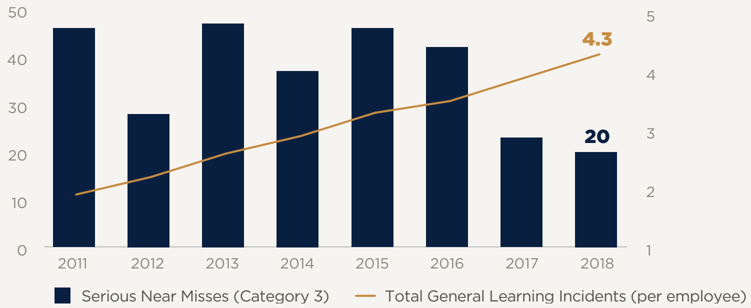
We have been fatality-free for more than 24 years and recognise through benchmarking that this is exceptional performance. However, it can never be taken for granted, which requires a focus on constant improvement. The foundations of our fatality prevention approach are:

- 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 mandatory risk controls.

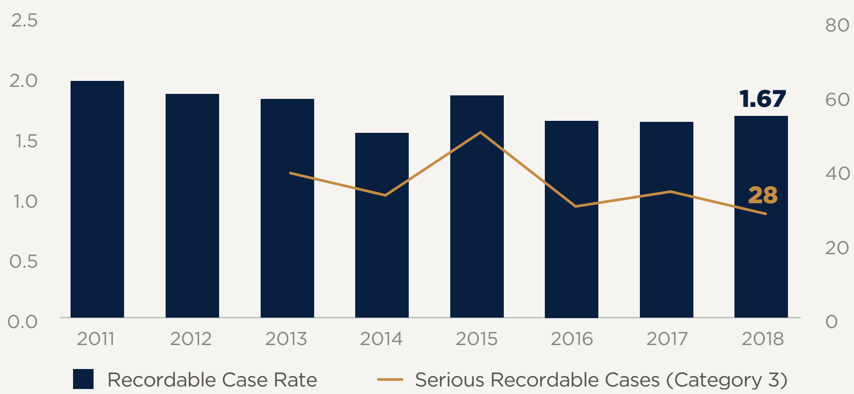
Our focus on hazard and near miss reporting ("Total General Learning Incidents") is critical for risk awareness, especially for high consequence risks, so that we can take action before harm occurs. These reporting levels have increased year on year, which is a positive indicator that our risk awareness culture continues to improve.

The majority of our injuries involve strains from manual handling. Benchmarking indicates that our recordable injury rate of recent years (range 1.6 – 1.7) is strong performance compared to organisations with high levels of manual handling risks, and we continue striving to improve further. This includes prevention of injuries occurring, reducing the severity of injuries that do occur, and managing compensation claims to minimise cost impacts. Our approach is to invest in risk reduction via changes to workplace and equipment design, conduct risk assessments and training in standard operating procedures, conduct health assessments and monitoring, report hazards, and to adopt early injury intervention.

FOCUS AREA	2018 PRIORITIES
Fatality prevention	• Completed in-depth protocol best practice reviews at nine sites and implemented actions from reviews conducted at the 14 largest sites in 2017 • Commenced a new action plan for contractors and truck drivers working at height • Completed a specialist safety culture survey across 14 priority sites
	2018 PERFORMANCE
	• There were no major near misses (Category 4) involving fatality risks. More than three years has elapsed since the last such incident. Serious near misses (Category 3) decreased 13% to a record low of 20 incidents, while our total hazard and near miss reporting (Total General Learning Incidents) increased 10% to a positive, record high of 4.3 per employee. Each of these three measures represent our best performance on record.



FOCUS AREA	2018 PRIORITIES
Injury prevention	• Continued implementation of targeted reduction plans for 20 priority sites/areas • Completed over 1,500 health assessments and 500 hygiene tests to monitor employees working with chemicals or high-risk activities • Developed a new mental health awareness program for managers and employees, with sessions delivered across several workgroups
	2018 PERFORMANCE
	• **Injury prevention**: Serious injuries (Category 3 recordable cases), involving more than 10 days of lost and/or restricted time, decreased 18% to a historic low level of 28 injuries. Most of these injuries were strains and sprains. The Recordable Case Rate, or total number of employee and contractor injuries requiring time off work, restricted duties or medical treatment per 200,000 hours, increased 3% to 1.67 (representing 70 recordable injuries, versus 69 in 2017). • **Claims**: Compensation claims performance remained relatively steady. Claims numbers declined 1% to a historic low level, while our premium increased 5% due to a small number of prior year strain and sprain injuries involving lengthy recoveries. • **Compliance**: No regulatory prosecutions or prohibition notices were received during the year, consistent with 2017. Four improvement and/or infringement notices were received compared with three in the prior year, all of which were fully addressed.



Culture and Engagement

MAKING OUR WORKPLACE "A BETTER PLACE"

Our Values are the foundation of the way we work at DuluxGroup. However, having clearly stated values does not, of itself, guarantee behaviour that meets the expectations of our stakeholders.

The Board and the Executive team play a key role in setting, leading and monitoring our culture and our Values are reinforced in our leadership programs, employee awards and recognition, our remuneration structure and the behaviour of our senior leaders.

The Board monitors the culture through multiple mechanisms:

- Regular reporting on HR metrics including employee engagement, turnover, absenteeism;
- DuluxGroup has a 'Speak-Up' line for employees to anonymously report concerns without fear of reprisals. The Board receives regular reports on the issues raised;
- Direct engagement with our employees via site visits, presentations to Board sub-committees and management updates;
- Monthly reporting to the Board of any material consumer or customer complaints; and
- Regular employee engagement surveys across the group.

We recognise and reward people who best demonstrate our Values and Behaviours in action. Peer nominated monthly awards in each business lead to DuluxGroup's four winners of our annual Imagine a Better Place awards (one winner for each of our four Values).

OUR VALUES

JAY'S INITIATIVE BRINGS ENVIRONMENTAL AND COMMERCIAL BENEFITS

Jay Jagadeeswar is a process control technician in Dulux Powder Coatings in New Zealand. He won DuluxGroup's 2017 *Value people, work safely and respect the environment award* for taking exceptional initiative in developing a solution for the hundreds of tonnes of waste – such as overspray powder, obsolete stock and bag house powder – which is sent to landfill in New Zealand every year.

During a holiday to his native India, Jay spoke to powder coating applicators and agents to see if they could use these waste materials and found interested parties who agreed to a trial.

This has since turned into a significant outlet for our waste materials, with plans for the waste product to be used to coat satellite dishes in India.

Jay said the win was "the best thing that has happened to me in my 15-year career at Dulux. Our value to "run the business as your own" meant that I could initiate this project and see it through."

Jay's award win recognised his drive to respect the environment, while also running the business as his own, and building relationships that add value.

Jay Jagadeeswar (right) receives his *Imagine a Better Place* award from DuluxGroup Managing Director and CEO Patrick Houlihan

CUSTOMER FOCUS AND A WINNING MINDSET

Tori Clutten has made a significant impact since she joined the Cabot's sales team in 2016, winning the 2018 Cabot's Sales Professional of the Year award in just her second year in the role. The award recognised her particularly strong work with paint specialist store customers and going above and beyond what was expected of her.

Tori's effort was so significant that she was invited to present at a customer's annual conference overseas. "I actively focussed on improving ranging, organizing in-store promotions and worked very closely with our customers to drive sales – and it worked". Asked why she went the extra mile Tori reflected that "I guess just doing the job description wasn't quite enough for me and I saw a real opportunity to help my customer win so I went for it. It's nice to be recognised for that."

Tori wishes that she could nominate a Cabot's product as her favourite but she doesn't have a deck yet! "When I do I'll definitely be using the Feast Watson Scandinavian Oil." Until then Tori's favourite product is Yates Pyrethrum Insect Control Spray "I use it on my indoor plants to kill the bugs and it works really well!"

2018 PRIORITIES

- Continued induction of new employees into our values, including our expectations of their behaviour
- Ongoing reporting on our culture and HR statistics to the Executive team and the Board

"I LOVE OUR BRANDS. DULUXGROUP HAS SUPPORTED ME A LOT THROUGH COACHING, MANAGEMENT COURSES, STUDY TOURS AND I'VE BEEN REALLY ENCOURAGED BY MY MANAGERS TO STEP UP."

Hadley Vaughan

STRONG BRANDS AND STRONGER PEOPLE

Hadley Vaughan joined DuluxGroup in 2011 and has progressed through a range of roles to become marketing manager for Dulux New Zealand.

Hadley attributes his success over seven years at DuluxGroup to the support and training he has received and the great team around him.

"I love our brands. Duluxgroup has supported me a lot through coaching, management courses, study tours and I've been really encouraged by my managers to step up. It's a great feeling to be enabled to work across the entire business. I'm very proud that we recently launched the Dulux NZ Website. It is already a fantastic way to engage with our consumers and help them get stuck into more projects."

Hadley recently just got stuck into his own project – a major renovation of his home. "I have Weathershield in Dulux Pukaki on the exterior and Wash & Wear in Dulux Okarito on the interior with a feature wall in Dulux Rangitikei River half. It looks fantastic."

Jemma received a 2017 DuluxGroup Achiever Award

DEVELOPING OUR LEADERS

Jemma Carison, B&D Channel Business Manager, has had a 'big' 18 months. She has stepped into a new role in a completely different business, completed an MBA and welcomed a baby daughter to the world. It's a good thing she thrives on challenge.

"The thing I love about DuluxGroup is that you get great support to challenge yourself and 'step up'," says Jemma.

Since commencing with DuluxGroup in 2012 as Berger Paints brand manager, Jemma has progressed to Dulux Weathershield brand manager and then to Cabot's Marketing Manager before her current role.

"Each new role has been a progression, allowing me to step outside of my comfort zone and 'prove myself'. Along the way DuluxGroup has invested in my career with various training and development opportunities. They also supported me in completing my MBA.

"When I took maternity leave, I felt completely included, with the business staying in touch. When I said I wanted to broaden my skills and step into a sales management role following my leave, I was offered the channel business manager role at B&D. I've enjoyed getting more diverse experience and learning a completely different business.

Last year, Jemma received a DuluxGroup Achiever Award.

"I see my future with DuluxGroup. I like coming to work. I feel constantly challenged and always supported not only in my career but also in staying connected to my daughter."

Leadership and Development

INVESTING IN OUR PEOPLE

We have a long-standing and well-regarded suite of leadership programs designed to equip our leaders with the skills and knowledge to create an environment where they, and their teams, can perform at their best.

We offer a comprehensive suite of transition-based leadership programs to support our people to progress their careers through the organisation from first time leaders through to senior leaders.

DuluxGroup graduate program participants 2018: Our three-year graduate program puts graduates in real jobs from day one and supports them with a comprehensive development program over three years.

GRADUATE PROGRAM OPENS UP CONTINUOUS LEARNING OPPORTUNITIES

Madhuri Ranjan is a third year science graduate who works as a Dulux specialty coatings development chemist. This year she undertook a four-month secondment with an overseas paint company, with which DuluxGroup has had a long-standing collaborative relationship.

"I was excited by the opportunity," says Madhuri.

"For me, it was like an accelerated learning experience with exposure to a different lab environment, different areas of focus and ways of thinking. To be able to work with a different group of experienced and talented people and see how they operate and interact with suppliers, really accelerated my understanding of the paint industry.

"It was a great opportunity to view the industry through their lens and in the context of their market and customers. It was also a great way for me to further develop my personal skills and has given me more confidence to apply new ideas in my role here."

Secondments are offered each year as part of an exchange program between Dulux and overseas peers.

2018 PRIORITIES

- Continued to enhance our leadership and professional skills curriculum
- Promoted our comprehensive learning curriculum across the business
- Talent acceleration programs for high potentials, including focused development, senior executive mentoring and active career management to support achievement of career goals
- Implemented and refreshed our established learning curriculum across functions, including sales and marketing, and comprehensive training on our extensive product range

2018 PERFORMANCE

- In FY18, almost 180 leaders, participated in formal leadership programs. 43% of these were women
- Implemented new 12-month leadership program for frontline leaders in our supply chain and store network. Approximately 50 frontline leaders are currently participating
- We have approximately 70 future leaders in our talent acceleration pool

CAMERON MURCOTT – FRONTLINE LEADER

In 2018, Trade Centre Manager Cameron Murcott participated in the Frontline Leader program. Here's what he had to say:

"The Frontline Leaders Program has been a great way for me to develop my skills and learn from others. The format worked really well. Each session covered a specific topic, with a month in between to apply what I'd learnt and explore the ideas the course the exposed me to. Allowing for feedback on the previous month at the beginning of each session let us see practical responses to the topics from the people who implemented them – what worked, what didn't, and how to improve.

I also really appreciated the chance to learn from people in other parts of DuluxGroup. My group included an export manager from B&D Garage Doors & Openers and a warehouse supervisor from our Lincoln Sentry Cabinet & Architectural Hardware. The blending of people from different parts of the business worked perfectly."

DuluxGroup's Frontline Leader program is designed to equip people leaders with the skills, knowledge and tools to increase their effectiveness in leading high-performance teams. The program provides theory and practical workplace exercises in 8 sessions over 12 months.

Cameron Murcutt, DuluxTrade Centre Manager, Dandenong, Victoria

"THE FRONTLINE LEADERS PROGRAM HAS BEEN A GREAT WAY FOR ME TO DEVELOP MY SKILLS AND LEARN FROM OTHERS"

Cameron Murcutt

Diversity

BUILDING A DIVERSE WORKFORCE

We recognise that building a diverse and inclusive workforce is a critical enabler to achieving our strategic goals. We believe that diversity of gender, culture and age as well as experience, skills and thinking enriches our decision making processes and strengthens our connection with our consumer base. This leads to better solutions for the benefit of our customers, our consumers and our overall results.

DuluxGroup's key diversity objectives are to:

1. INCREASE THE NUMBER OF WOMEN IN DULUXGROUP
2. INCREASE THE NUMBER OF WOMEN IN LEADERSHIP POSITIONS IN DULUXGROUP
3. BUILD A DIVERSE AND INCLUSIVE WORKFORCE IN DULUXGROUP (INCLUDING GENDER, AGE AND CULTURAL BACKGROUND)

The policy can be found on our website at www.duluxgroup.com.au.

2018 PRIORITIES

- Continued attraction and recruiting of talented women through our strong brand and employee value proposition
- Retaining women in the middle years of their career through active career management as well as through our flexible working and parental support programs
- Accelerating talented women through providing promotion and development opportunities
- Inclusive leadership principles embedded in leadership development programs
- In our store and sales network, we focus on recruiting individuals who reflect the cultural and language background of our customers
- Celebrating initiatives that encourage diverse & inclusive work cultures

2018 PERFORMANCE

- 41% of new hires were female, demonstrating that our employee value proposition resonated with females
- 43% of leadership program attendees were female
- Identified and accelerated females through our talent acceleration programs (54% of our high potential cohort are female)
- Promoted talented women (49% of internal promotions were female)
- Through our annual gender pay equity analysis ensured there was no gender differential when setting salary and awarding incentives
- Enhanced and promoted our workplace flexibility and parental support offering, with 56% of surveyed employees indicating that they work flexibly
- Supported females during pivotal points in their careers, such as returning to work after parental leave (85% of females return to work)
- Voluntary turnover of females dropped slightly to 13%. Overall Group turnover was 14.5%

A CHANCE SHINES FOR A NEW CAREER

Ali Assi, 36, is the son of Lebanese migrants who grew up and went to school in Preston in Melbourne's northern suburbs and began working immediately after completing year 12.

Ali worked for 12 years at a large manufacturer supplying local car manufacturers. As the Australian car industry scaled back production before final closure in October 2016, Ali 'saw the writing on the wall' and took redundancy.

Around that time Dulux had the unique opportunity to build a workforce for its new paint factory in Merrifield from scratch – creating a range of new opportunities for workers.

Dulux wanted to build a team of people who would look out for each other and take pride in their work. They were also determined to create a diverse workforce which reflected the local community in the north of Melbourne, which they did by directly engaging with local community groups and running inclusive advertising for the roles.

"As soon as I saw the Dulux ad, that was the job I was determined to get," says Ali.

"I'm getting the chance to do things I never thought I'd be doing."

Ali was one of three former automotive industry employees offered a new start at Dulux Merrifield.

GENDER DIVERSITY KEY STATISTICS

NUMBER AND PERCENTAGE OF WOMEN	2018		2017	
	NUMBER	PERCENTAGE	NUMBER	PERCENTAGE
Board	3 of 7	43%	1 of 7	14%
Non-Executive Directors	3 of 5	60%	1 of 5	20%
DuluxGroup Executive	2 of 9	22%	2 of 9	22%
Senior Leadership[1]		27%		25%
Organisation[2]		34%		31%
Graduates[3] (ANZ)		66%		46%

(1) 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.

(2) Inclusive of our global workforce

(3) Graduates in our three-year development program

WE REPORT OUR DIVERSITY PROGRESS EXTERNALLY TO THE WORKPLACE GENDER EQUALITY AGENCY (WGEA) ON AN ANNUAL BASIS. THE REPORT CAN BE FOUND ON OUR WEBSITE: WWW.DULUXGROUP.COM.AU **AND** WWW.WGEA.GOV.AU/PUBLIC-REPORTS-0

PIP WELCOMES OPPORTUNITY TO LEAD

Pip Smith joined DuluxGroup as B&D Garage Doors & Openers Operations Manager in 2016. From a background in paint, she welcomed the opportunity to 'step out of her comfort zone' into something new. Supply chain and manufacturing are historically male-dominated areas, and she is pleased to be part of a gradual, but accelerating, wave of change.

"Women's perceptions of operations and engineering is really changing. Women are seeing that they have the skills and ability to work in these roles – and that's really exciting.

"There are so many opportunities here, in terms of roles, training, networking. My message to young women is don't let yourself get in the way of your goals or great opportunities.

"My background was in paint, but at DuluxGroup I feel like I have the opportunity to work at any one of our more than 20 manufacturing sites.

"When I first applied here, I had no idea of the breadth of great brands and businesses – besides Dulux and B&D, household names like Selleys, Yates, British Paints and more.

"One of the things I most value here is that there are so many different types of people with different backgrounds and experience, there's always an opportunity to hear new ideas. I love the collaboration and the innovation.

"We have a product that lets you open your garage door remotely from the other side of the world – I love telling family & friends about that."

LONG CAREER NEVER GETS OLD

During a career that started 45 years ago, Ron Mur has done everything from manufacturing, quality testing, warehouse management and leading state sales teams before becoming a Dulux state distribution manager for the past 20 years.

"More than four decades across different roles, businesses and working environments – in the factory, in the lab, on the road, in the office or warehouse – I've had the chance to see from almost all perspectives," says Ron.

"And, I've been applying that to my current role. Particularly, helping my team to see things from our customers' point of view."

Ron reflects that his proudest achievement, in fact, has been managing the recent move to DuluxGroup's new, purpose-built, Victorian Distribution Centre.

"It is extremely satisfying to be a part of the big projects because they are the most challenging. This one was complex and took a lot of careful planning. It was special because we all worked together and pulled it off seamlessly; it's a testament to the team that we did it within a week while hitting all of our deliveries and keeping seamless service for our customers."

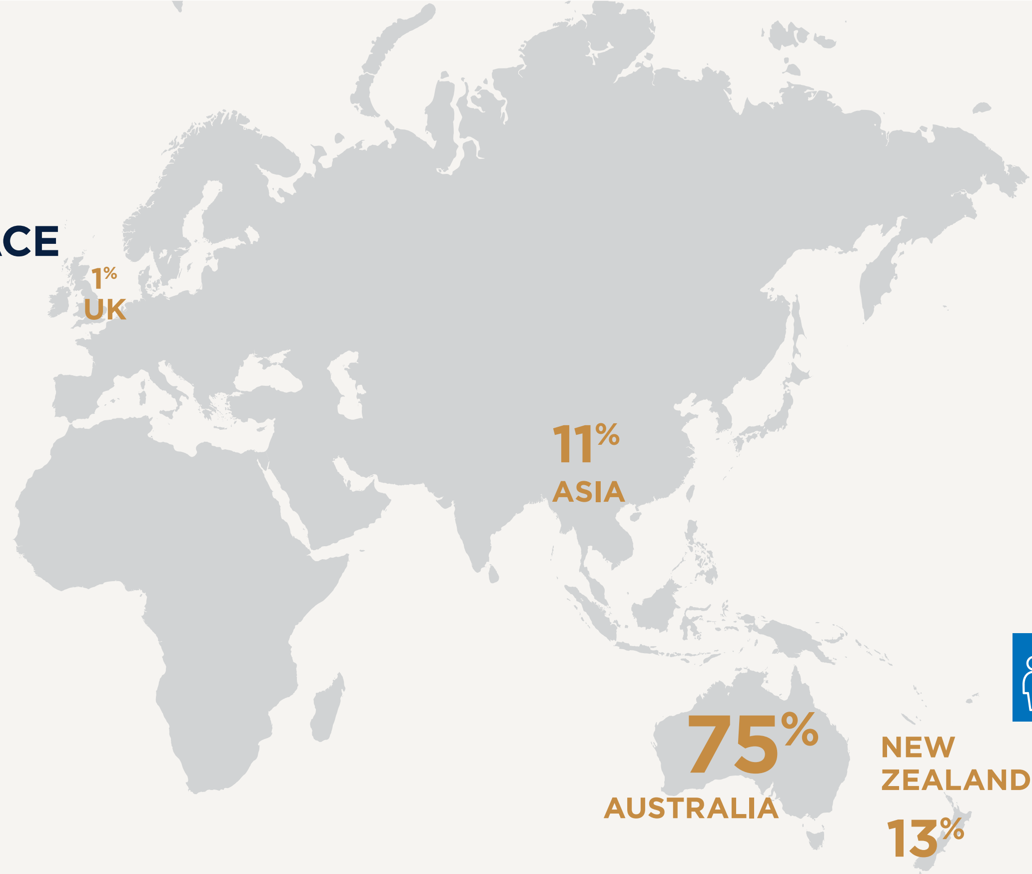
Asked what keeps him at DuluxGroup, he says: "It's fun, usually interesting and often challenging. The business has changed so much over that time, there's always something new to challenge you."

Ron's favourite product is Intergrain Ultradeck. "I've got it on my deck and then anywhere else I can put it on. I love my timber clears."

WORKPLACE PROFILE

EMPLOYEE LOCATION

% of workforce based in:



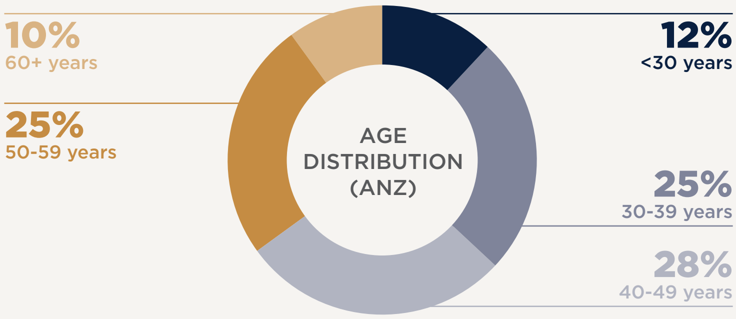
WORK TYPE (ANZ)

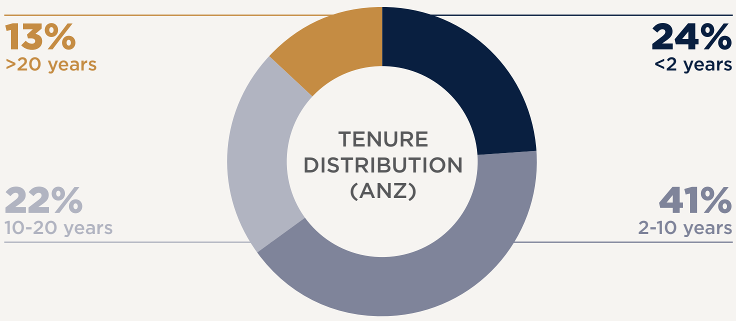
FULL TIME	PART TIME	CASUAL
84%	9%	7%

FEMALES IN SENIOR LEADERSHIP

Year	%
2018	27%
2017	25%
2016	23%
2015	19%

Female		Male
34%	GENDER (GLOBAL)	66%
41%	2018 NEW HIRES (ANZ)	59%
49%	2018 INTERNAL PROMOTIONS (ANZ)	51%





OUR OPERATIONS

DULUXGROUP'S GLOBAL OPERATIONS AND SUPPLY CHAIN COMPRISE 24 MANUFACTURING FACILITIES, 24 DISTRIBUTION CENTRES AND MORE THAN 100 COMPANY OWNED TRADE CUSTOMER STORES ACROSS AUSTRALIA, NEW ZEALAND, THE UNITED KINGDOM AND PARTS OF ASIA.

We are committed to protecting our people, assets and the safety of our operations as we focus on providing leading service to our customers.

Terrarium House by architect John Ellway Architect, 2018 Dulux Colour Awards finalist.
Photo by Toby Scott

Energy consumption (gigajoules per tonne of production)

decreased 3% to 0.71 GJ/t

Safety

DISASTER PREVENTION

Prevention of disasters, such as a major fire or explosion from manufacturing process safety risks (e.g. flammable solvents, combustible dusts) and handling of dangerous goods across our operations network continues to be a priority focus.

More than 34 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.

Our in-depth periodic hazard study process, which involves deep hazard analysis at factories with process safety risks, checks that effective critical risk controls are being implemented and sustained. Specialist progress reviews are conducted every six months, including updating 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, combustible dust and dangerous goods risks.

FOCUS AREA	2018 PRIORITIES
Process Safety	• Completion of new Periodic Hazard Studies at Yates Mt Druitt and Dulux Lae, plus implementation of actions at sites where studies have previously been completed • Disaster prevention protocol and lead indicator scorecard reviews at each site • Continued implementation of best practice improvements identified during the 2016 external specialist review of our process safety management framework
	2018 PERFORMANCE
	• No major near miss (Category 4) incidents involving process safety risks occurred, with the last such incident occurring 2.9 years ago, and there was a 50% reduction in serious near misses (Category 3) to four incidents. Both outcomes represent our best performance on record

FOCUS AREA	2018 PRIORITIES
Dangerous Goods	• Completion of specialist dangerous goods audits and actions at priority sites
	2018 PERFORMANCE
	• No serious incidents involving storage and handling of dangerous goods occurred, consistent with 2017

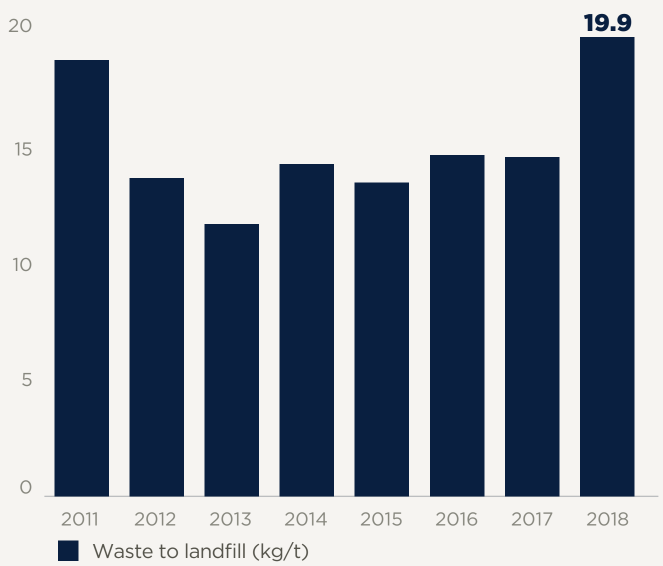
Waste

A NEW FOCUS ON TOTAL WASTE GENERATED/DIVERTED AND MATERIALS EFFICIENCY

Waste reduction is a key operational sustainability priority, due to the environmental impacts associated with use of finite resources and the significant operational costs.

Historically, our focus has been on waste to landfill. These levels have reduced by more than 25% over the last decade, remaining relatively static in recent years. During 2018 we changed our focus to total waste generated and diverted, in order to improve our understanding of total waste impacts and the potential reduction opportunities. This has been supported by developing and piloting a new materials efficiency review process (replacing historic waste audits) that will be applied at priority sites from 2019 and used to develop targeted reduction plans.

FOCUS AREA	2018 PRIORITIES
Waste	• Implementation of new metrics for total waste generated and diverted • Review of stockpiled waste levels and management procedures • Piloting of new materials efficiency review process at Selleys Padstow
	2018 PERFORMANCE
	• Total waste generated was 83 kg/t (kilograms per tonne of production) and total waste diverted was 45%. Waste to landfill increased 36% to 19.9 kg/t. Our performance was strongly influenced by the start-up of Dulux Merrifield. Now that the plant has reached planned production rates, significant improvement in all waste metrics are expected in 2019. Excluding Merrifield, total waste generated was 65 kg/t, total waste diverted was 62%, and waste to landfill was 18.6 kg/t (27% increase over 2017). This landfill increase was primarily due to a number of one-off stockpiled waste clean-ups (e.g. Selleys Padstow, Dulux Gracefield) and project construction wastes (e.g. Parchem Wyong), plus the loss of available recycling suppliers (e.g. Dulux Glenfield). We expect significant improvement in 2019.



Energy and Water

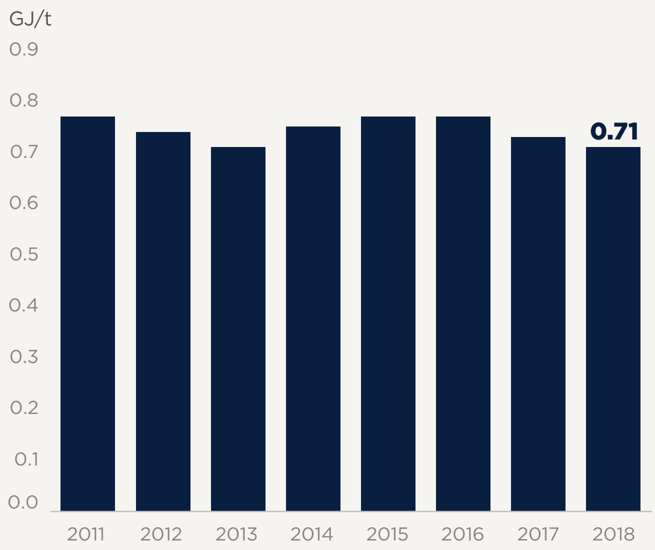
FOCUS ON EFFICIENCY

Benchmarking indicates that our energy and water consumption levels are not highly significant compared to peer organisations and this is consistent with the nature of our manufacturing operations (mixing, blending).

Our greatest supply chain impacts are upstream and downstream of our operations and this is our evolving priority focus area (see Climate Change in Our Products), while recognising the need for operational efficiency improvements to manage potential business impacts (e.g. energy prices and reliability). A number of our operating sites have implemented energy and water efficiency improvements over time and in 2017 we completed a review of energy efficiency opportunities. This review identified LED lighting upgrades and solar panel systems on new or upgraded plants as key improvement opportunities. A review of water efficiency opportunities will be completed in the next 2-3 years.

We will be implementing new metrics to capture consolidated emissions (e.g. greenhouse gases, VOCs (volatile organic compounds)) across the group in 2019. Energy consumption and scope 1 and scope 2 greenhouse gas emissions for our Australian activities are reported under the National Greenhouse and Energy Reporting (NGER) scheme. 82% of these reported greenhouse gas emissions arise from electricity consumption with the remainder associated with use of natural gas, diesel and LPG fuels (including fleet vehicles). 65% of the reported energy consumption is raw material solvents used in product formulation (i.e. the solvents are not combusted or used as an energy source).

FOCUS AREA	2018 PRIORITIES
Energy	• Continued installation of LED lighting upgrades • Installation of solar panel system at Dulux Merrifield
	2018 PERFORMANCE
	• Our energy consumption (gigajoules per tonne of production) decreased 3% to 0.71 GJ/t. This reduction was primarily associated with LED lighting upgrades across B&D and Lincoln Sentry, and DGL Camel plant shutdown. • **National Greenhouse and Energy Reporting (Australia):** Total energy consumption (including solvents in products) reported was 575,500 GJ and total greenhouse gas emissions (Scope 1 and 2) were 32,500 tonnes (CO2-e or equivalent carbon dioxide emissions). Compared with 2017 these results were 5% and 4% higher respectively, due to increases in absolute electricity use and solvent consumption. On a production rate basis, energy consumption increased 2% and there was no change in greenhouse gas emissions. These differences were primarily due to Dulux Merrifield electricity consumption and Dulux Rocklea solvent consumption.



A NUMBER OF OUR OPERATING SITES HAVE IMPLEMENTED ENERGY AND WATER EFFICIENCY IMPROVEMENTS

FOCUS AREA

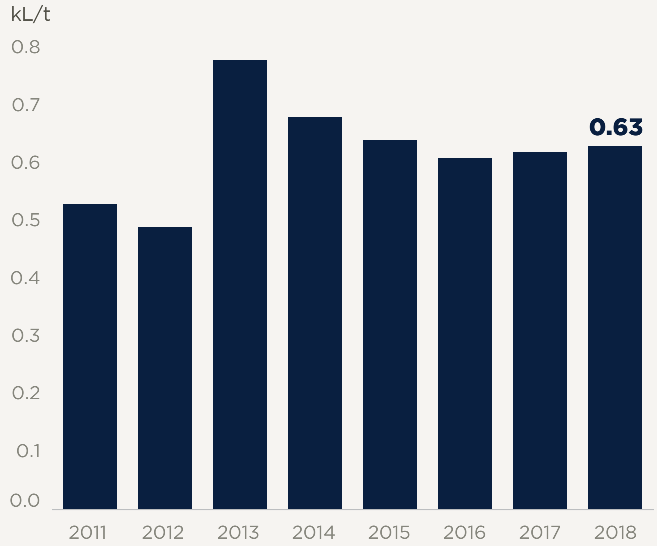
Water

2018 PRIORITIES

- Installation of rainwater recovery system for utilities at Dulux Merrifield

2018 PERFORMANCE

- Water consumption (kilolitres per tonne of production), including water used in production processes and in products as a raw material, increased 2% to 0.63 kL/t, primarily due to the start-up of Dulux Merrifield. The paints and coatings businesses account for 75% of group water consumption, with approximately 40% of this water used as raw material in formulation of water-based products.



Environment

MINIMISING THE IMPACT OF OUR LOCAL OPERATIONS

Managing operational environmental risks (e.g. air, odour, noise, waste, effluent, land) at all of our sites to meet regulatory standards and community expectations is a key commitment in preventing harm.

In 2017, we introduced a new program of environmental specialist audits at our manufacturing sites to check all environmental risks and compliance requirements are managed effectively. These audits continued throughout 2018.

Prevention and management of soil and groundwater contamination is also an important priority, particularly for our sites handling chemicals. We apply a targeted assessment and monitoring approach to all sites to identify and manage any risks. As reported previously, localised, stable contamination associated with historic activities exists on some older sites, however no remediation is currently required.

FOCUS AREA

Environment

2018 PRIORITIES

- Completed new environmental specialist audits at four sites and implemented actions from audits of four sites completed in 2017
- Completed further soil and groundwater investigation works, including routine monitoring

2018 PERFORMANCE

- **Soil and groundwater:** No new significant issues requiring intervention or remediation works were identified.
- **Compliance:** There were no serious community or environmental incidents (Category 3) in 2018, consistent with 2017. There were three regulatory improvement and/or infringement notices received compared with two in the prior year, and all have been fully addressed.

OUR COMMUNITIES

DULUXGROUP AIMS TO BE A WELCOME AND POSITIVE PARTICIPANT IN ALL OF THE COMMUNITIES IN WHICH WE WORK.

This means creating products and services in a sustainable way to help our consumers to 'Imagine a Better Place' and contributing to our local communities.

We do this by:

- giving back to our local communities to help them thrive by donating products, funds and employee volunteer hours;
- employing thousands of local people and supporting thousands of local businesses throughout our operations and supply chain;
- ensuring that our products and operations cause no harm;
- contributing positively to public policy debate to best represent the interests of our shareholders, employees, customers and community;
- supporting the development of science and innovation through collaboration and investment; and
- paying our fair share of taxes in all regions in which we operate.

JOY THROUGH COLOUR AND MOVEMENT

Dulux Australia is pleased to support e.motion21, a not-for-profit organisation that provides dance and fitness programs for children and young adults with Down Syndrome. Dulux's annual 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 always on hand to lend support.

DULUX PROVIDES SO MUCH COLOUR BEYOND BLUE

Dulux Australia's Craig Blinco presents $22,600 to Nathan Thompson from Beyond Blue, raised with generous donations from Dulux's Accredited Painters at the 2018 Dulux Accredited National Conference in Melbourne. Over the past three years, Dulux Accredited has raised more than $50,000 for Beyond Blue.

2018 PRIORITIES

- Began a project to consolidate and quantify DuluxGroup's total contribution to the community, while maintaining the mandate for businesses to support local communities as appropriate
- Our individual businesses developed community support criteria and guidelines relevant to their respective brands
- Conducted an employee survey to understand what our people knew about our community contributions, and where they believed DuluxGroup could focus its efforts

2018 PERFORMANCE

During 2018, our businesses and employees helped more than 250 local community organisations through fundraising, volunteering, provision of products and direct donations. Some of the organisations that benefited during the year were:

- Beyond Blue
- e.motion21 in support of World Down Syndrome Day
- The Victoria Police 'Head to Head' Walk in support of mental health
- Kids Under Cover
- Habitat for Humanity, New Zealand
- Schools, garden clubs and community organisations throughout Australia and New Zealand as part of Yates community support program
- Men's Shed

A cross-business Community Working Group was formed to break down the employee survey results and work on a community investment strategy.

OUR EMPLOYEES CONTRIBUTED HUNDREDS OF HOURS VOLUNTEERING FOR COMMUNITY PROJECTS, TO RAISE FUNDS AND PROVIDE MENTORING OR TECHNICAL EXPERTISE FOR THOSE IN NEED.

In addition, our employees contributed hundreds of hours volunteering for community projects, to raise funds and provide mentoring or technical expertise for those in need. Organisations we helped during 2018 included:

- The Royal Womens Hospital Accommodation Foundation in Melbourne, where 56 Dulux employees worked over three days to repair and paint apartments used by patients' families who travel from regional and interstate locations to be near loved ones in the hospital's care. Dulux also donated all of the paint for the project
- RSPCA's "Million Paws Walk" 2018, which Dulux employees in a number of states supported over different weekends
- Moonlit Animal Sanctuary in Victoria, where 28 Cabot's employees worked over two days to restore decking and public areas
- Dulux Protective Coatings donated products, labour and equipment to repair and coat the floor of Surf Life Saving Australia's emergency rescue helicopter hangar in Brisbane
- Dulux New Zealand employees joined with customers to repair and paint the Salvation Army's Auckland Safe Centre
- DuluxGroup employees throughout Australia volunteered for Foodbank
- Yates New Zealand employees volunteered time, expertise and products to re-establish a community garden for patients to enjoy at Otara Spinal Rehabilitation Unit

DULUX TECHNOLOGY INNOVATION AND COMMUNITY SPIRIT COMBINE FOR A CAUSE

Dulux Protective Coatings partnered with Kennards Hire and Quince Paint to donate more than $15,000 in products, labour and equipment to repair and coat the concrete floor of Surf Life Saving Australia's emergency rescue helicopter hangar on Queensland's Sunshine Coast.

The team of volunteers applied Luxafloor FCF to the hangar's concrete floor. In 2018 Dulux was the first company in Australia to commercialize the new completely novel fast drying technology of this product. This ensured that the hangar, which is an essential community service, was up & running the next day, where conventional technologies require about a week's drying (cure) time. Dulux also donated paint for the walls and offices as an added bonus.

YATES INSPIRES THE NEXT GENERATION OF GARDENERS

Yates has partnered with Life Education Australia to develop a program with 'Healthy Harold' school curriculum content, promoting good gardens and good habits. This has been taken nationally, with 50,000 school kids participating to date.

Yates has also launched the Growing Good Garden Grants program and awarded 15 schools a $1000 garden grant each to bring their garden project to life.

Strong Community Partnerships

Alongside supporting the tremendous community work that our employees are encouraged and empowered to undertake at their own initiative, DuluxGroup's businesses have formal partnerships to support community organisations. These include:

- The Dulux Colour Awards, which celebrate the most creative and considered use of colour in residential, commercial and student architecture and interior design. Over 32 years these highly coveted awards have grown in prestige, and in 2018 attracted a record number of entries.
- 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.
- The Dulux Study Tour, which supports Australia's next generation of talented architects
- Dulux is helping to paint every Surf Life Saving Club in Australia – helping to protect the assets that protect and support our community.
- 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.
- Yates partners with Life Education Australia to develop a program with Healthy Harold school curriculum content promoting good gardens and good habits. This year, 50,000 school children throughout Australia participated.
- Yates launched the Growing Good Garden Grants program and awarded 15 schools a $1000 garden grant each to bring their garden project to life.
- Yates New Zealand inspires young gardeners with its 'Kids Go Gardening' program, which provides $8,000 and more than 1,000 packets of seeds.
- Dulux New Zealand sponsors the Department of Conservation walking trail huts throughout New Zealand, ensuring they are restored and protected in Dulux Weathershield using the 'Colours of New Zealand' colour range.
- Every year Yates donates a generous amount of growing media and seeds to the wonderful initiative sponsored by the Royal Botanic Gardens Sydney – called Community Greening. This program is taken around Sydney suburbs and many communities are united in their love and passion for gardening. With more than 100,000 participants each year it is embraced by kids, parents, seniors and all to start communal gardens and develop new friendships.

YATES BRINGS JOY OF THE GARDEN TO SPINAL PATIENTS

Yates New Zealand donated products, labour and horticultural expertise to re-establish a community garden for patients to enjoy at Otara Spinal Rehabilitation Unit in Auckland.

SAFEGUARDING THOSE WHO SAFEGUARD US

Since 2012, Dulux Australia has partnered with Surf Life Saving Australia to paint surf clubs around in the country in Dulux Weathershield, made to withstand Australia's toughest coastal conditions. In 2018, Lorne Life Saving Club on Victoria's Bellarine Peninsula became the 200th club painted.

2018 Dulux Study Tour participants.

Supporting our next generation of architects

The Dulux Study Tour is a coveted award that inspires Australia's next generation of architects by exposing them to some of the world's most brilliant architecture and most innovative architecture practices. This year's five participants were selected by a panel of esteemed architects. The tour took them to London, Berlin and Milan to visit iconic projects including the 'Tin House' by Henning Strummel in London and the Koenig Gallery in Berlin. They also got an insight into some of the best practices at firms such as Foster & Partners, David Chipperfield and Piuarch who work closely with Dolce & Gabbana. Dulux is proud to continue supporting our emerging architectural 'stars' by helping them see through the global lens to find solutions to the modern challenges of their industry.

"One of the strongest lessons that the Dulux Study Tour offers is the insight, if only briefly, into the character and personality of a place. And with that insight, the understanding that architecture is so heavily informed by or exists in relationship to that place; and to its community, its history and its environment," Kim Bridgland.

"I previously hadn't considered what benefits there would be in spending time with the Dulux team, and the sort of questions and thinking that came from the strategising of an organisation like Dulux was an unexpected & valuable contribution," Dirk Yates.

NEW MERRIFIELD FACTORY IS PART OF THE LOCAL FABRIC

Dulux's new $165M factory at Merrifield in Melbourne's north is equal to the most technically advanced paint factories anywhere in the world. In choosing Merrifield as the location for this 'once in a generation' investment, Dulux has aimed to be an integrated part of this growing community from day one.

"The fact that the Merrifield Business Park was also part of a mixed-use community with a city centre and residential aspect resonated with us," says Dulux Chief Operating Officer Patrick Jones.

"We could see the potential for us to be in the community over the long term. With Merrifield being in a growth area, we can grow with the community, which is especially important for Dulux. It also provides access to a skilled workforce in a growing region to support the business now and into the future."

"WITH MERRIFIELD BEING IN A GROWTH AREA, WE CAN GROW WITH THE COMMUNITY, WHICH IS ESPECIALLY IMPORTANT FOR DULUX"

Dulux Chief Operating Officer Patrick Jones.

Providing local job opportunities

The new factory created more than 60 new jobs, with most of the new employees drawn from the local area.

"We wanted to ensure that our workforce reflected and was committed to the local community. We have assembled a team of people who are diverse in age, gender, cultural background and previous work experience. What they all have in common is an enthusiasm and excitement to be part of something new and leading edge with a strong future," says Dulux Merrifield site manager David King.

DULUX MERRIFIELD GIVES OMUR A NEW START

Omur joined DuluxGroup in August 2017 looking for greater career opportunities and says he found that, and much more, working at the brand new state-of-the-art Dulux Merrifield factory.

Omur comes from a background of shift work. "I used to work irregular hours where I would often start at 3 or 4 in the morning every day," he says.

Omur reflects he is much happier and feels supported since he joined DuluxGroup. "Working at Dulux has improved my work life balance a lot. I now start at 6:30 in the morning and finish around 2:30 in the afternoon which lets me pick up my kids from school every day."

Omur is celebrating his recent promotion to manufacturing co-ordinator and is looking forward to learning more about batch control and also to a special holiday to Europe next year to visit he and his wife's family with his young children.

Omur used to work for a company building other people's houses, and when he came to build his own house he made sure he used Dulux products. "The company didn't use the quality of Dulux on the houses I built in my previous job, but I made sure I used it on my own. I remember painting with Weathershield tinted to Colorbond Monument to match my roof and It was easy to apply, looks fantastic and has held up great."

Bringing the world's best innovation and technology

In designing the new factory, Dulux visited 20 of the world's leading factories to ensure we built a paint factory that is world's best right here in Australia. By drawing on technologies used in the pharmaceuticals industry, together with advanced control systems, Dulux can continue to provide high quality, market leading products and be even more responsive to our customers. It is considered a world-class example of advanced digital manufacturing in the process chemical industry.

Victorian Industry Minister Ben Carroll (right) and DuluxGroup Chairman Peter Kirby at the Official Opening of Dulux Merrifield on DuluxGroup's 100th Birthday in May 2018

Supporting our local economy

Of the $165M investment in the new Dulux factory at Merrifield in Melbourne's North, approximately $135M was spent with Australian suppliers, $130M of that in Victoria.

$165M investment in the new Dulux factory at Merrifield

Dulux Merrifield team restores Banksia Gardens Community Centre

A group of enthusiastic Merrifield team members went along to Banksia Gardens Community Centre in Autumn 2018 to volunteer their time. The team all got involved in rejuvenating the exterior garden surrounding a new portable building that will house the new alliance hub building, adding to the centre's already successful project, 'Second Chance'.

Banksia Gardens has been part of the Broadmeadows community for 30 years. Their success in turning around youth crime and juveniles undergoing sentencing through their 'Second Chance' initiative has lead Hume council to rely on their support to educate and equip individuals with skills that can gain them employment within the wider community.

SUSTAINABLE BUSINESSES ARE BUILT ON SOLID AND FAIR PARTNERSHIPS

DuluxGroup partners with thousands of suppliers – small, medium and large – throughout its supply chain. It is a signatory to the Australian Supplier Payment Code, which is a voluntary, industry-led initiative that enshrines the importance of prompt and on-time payment for small business suppliers. Each year we reinforce these partnerships by celebrating excellent customer service at the DuluxGroup Supplier of the Year Awards.

Recognising our valued partners

DuluxGroup and its businesses partner with thousands of suppliers throughout our supply chain. Each year, we celebrate the very best of our valued supply chain partners at the Annual DuluxGroup Supplier of the Year Awards. Now in their 28th year, the awards are highly regarded.

Celebrating our DuluxGroup Suppliers of the Year 2018

Contributing to public policy and debate

In 2018 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 Chemistry Australia
- 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

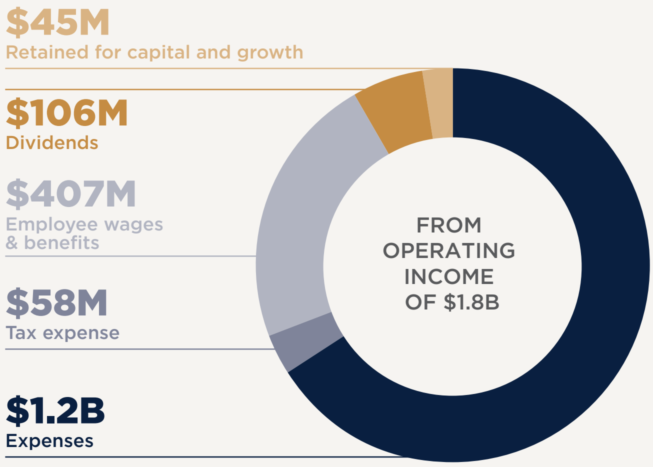
Some of the key issues raised included incentives for Australian industry to invest in genuine research and development that generates Australian jobs and delivers a long term economic and community benefit, and policies to ensure energy security and affordability that allows Australian manufacturers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

DuluxGroup Managing Director and CEO Patrick Houlihan participates in the Business Council of Australia's 'Strong Australia' community forum at Broadmeadows in Melbourne.

DuluxGroup in the community 2018 –

PAYING OUR FAIR SHARE

Of our $1.8 billion in revenue this year, approximately: $407 million went to wages and benefits for our 4,000 employees; $58 million approximately in taxes; $106 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.

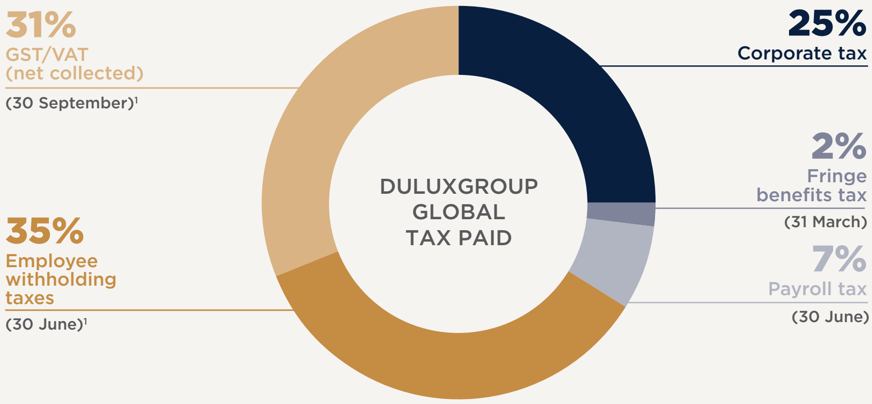


Tax transparency

DuluxGroup's tax culture aligns with community expectations that DuluxGroup pays its fair share of taxes. 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 enables more informed tax policy debate and builds community confidence in the integrity of Australia's taxation system. It also highlights the significant contribution made by Australian businesses.

Right is a summary of the taxes paid by DuluxGroup in regard to our global operations in 2018. Please refer to our Tax Contribution Report 2018 for more detailed information, which is available at www.duluxgroup.com.au.



Note 1: Tax contributions for our operations in China are based on a 31 December year end.

2018 DULUXGROUP TAX CONTRIBUTIONS	TOTAL $M
Corporate tax (30 September)	58
Fringe benefits tax (31 March)	5
Payroll tax (30 June)	15
Employee withholding taxes (30 June)	80
GST/VAT (net collected) (30 September)	71
Total	**229**

OUR COMMUNITY EXPECTS THAT DULUXGROUP PAYS ITS FAIR SHARE OF TAXES – AND WE DO

OUR GOVERNANCE

AS A BOARD, WE BELIEVE THAT A STRONG CORPORATE GOVERNANCE FRAMEWORK AND CULTURE TRANSLATES TO A STRONG COMPANY THAT DELIVERS FOR ITS SHAREHOLDERS.

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. The Board, together with the management team, leads by example. 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 engaged Board of directors with a diverse range of skills and experience supported by an effective Board Committee structure.	Clear and transparent communication with our shareholders.	Strong risk management and assurance processes and culture.	Our Values and Behaviours and supporting policies that underpin the way we behave and meet our strategic objectives.

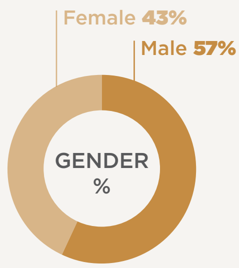
DuluxGroup's corporate governance framework complies with the 3rd edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (**ASX Principles**).

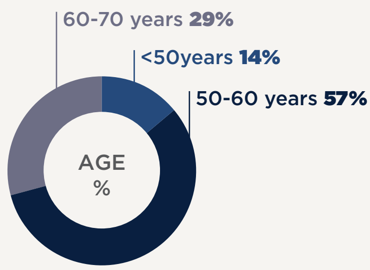
BOARD AND COMMITTEES

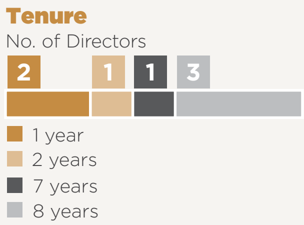
The Board's primary role is to enable the protection and enhancement of long term shareholder value taking into account the interests of all stakeholders including employees, customers, suppliers and the wider community. The Board has four standing Committees that play an important role in assisting the Board perform its role and discharge 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 enables a broad range of viewpoints which facilitates effective governance and decision making.

Board Skills, Experience and Diversity







The Board has an active professional development program in place for directors and is incorporated as part of the annual Board cycle. This varies each year and may include internal presentations, discussions with key external subject matter experts, customers and/or suppliers as well as visits to DuluxGroup sites and other places of interest.

DURING THE 2018 FINANCIAL YEAR, THE BOARD'S PROFESSIONAL DEVELOPMENT PROGRAM INCLUDED, AMONG OTHER THINGS:

- focussed sessions at each Board meeting addressing topical issues facing one or more of the business units or functions;
- a visit to the B&D Group manufacturing site in Revesby, NSW and the Selleys manufacturing site in Padstow, NSW;
- a tour of 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 macro-economics, information technology, continuous disclosure, capital markets and accounting developments.

More information on our Board members can be found on pages 78 and 79. 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. Consistent with the company's primary objective to enhance long term shareholder value, this includes operational, financial and strategic delivery, risk management and compliance, leadership and organisational culture, and the provision of accurate, timely and clear information to enable the Board to perform its responsibilities. 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. This can be found in the corporate governance section of our website at www.duluxgroup.com.au. There is also a formal structure setting out the delegations from the CEO to management and other employees. More information on our DuluxGroup executive team can be found on pages 80 and 81.

SHAREHOLDER ENGAGEMENT

DuluxGroup is committed to open, clear and timely communications with its shareholders. The company has a Shareholder Communications Policy and investor relations program in place that encompasses the company's commitment to providing transparent two-way communications with all shareholders through a number of channels. These include:

- the company's website at www.duluxgroup.com.au;
- the company's AGM;
- the company's Annual Report, which is available in hard copy and on the company's website;
- disclosures and other major announcements released to the Australian Securities Exchange (ASX); and
- communications with analysts, investors and governance bodies as well as media briefings.

Read our Corporate Governance Statement and our Shareholder Communications Policy for more information at www.duluxgroup.com.au.

RISK MANAGEMENT PRACTICES

Effective assurance and risk management practices help DuluxGroup to achieve its strategic objectives, enable compliance with its legal obligations and protect the best interests of the company and its shareholders. The 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 and other internal control policies and procedures. We also have crisis management and disaster recovery plans in place.

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

- The Audit and Risk Committee reviews DuluxGroup's risk management policy and framework on an annual basis to ensure that it remains sound. Such a review took place in the 2018 financial year.
- The Group's risk register, containing material financial and non-financial risks, is systematically and formally reviewed by the Board and/or the Audit and Risk Committee, the DuluxGroup Executive and each of the key business and functional units within the company on (at least) an annual basis. The reviews by the Board and key business and functional units were conducted during the 2018 financial year. The DuluxGroup Executive assessment was conducted in October 2018.
- The key identified risks are then systematically reviewed by the DuluxGroup Executive during the year to ensure controls remain sound and improvement actions are progressed. The results of these risk reviews are then reported to the Board or the relevant Board Committee tasked with oversight of the relevant risk.
- Formal risk reporting is then provided to the Board on an ongoing basis.
- Risk assessments are also performed for individual material projects, capital expenditure, products and country risks as required.

GOVERNANCE POLICIES

DuluxGroup people are united by shared values which underpin the way we meet our strategic objectives and ultimately deliver our core purpose. These values are supported by our Code of Conduct and policy framework. It is expected that directors, executives, employees and contractors observe the highest ethical standards of corporate and business behaviour.

DuluxGroup's governance policy framework includes the following.

- **Code of Conduct,** which sets out the standards of business conduct required of all employees (including directors and senior management) and contractors of the company. A Speak Up line enables employees to report (on an anonymous and confidential basis) breaches of the Code of Conduct. The 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 as appropriate for investigation and action. DuluxGroup prohibits retaliatory action against any employee, officer or director who reports a possible violation. A management committee monitors and reviews the effectiveness of the Speak Up line on a periodic basis.
- **Fraud, Bribery and Corruption Control:** We have a zero tolerance stance towards fraud, bribery and other improper behaviour. So 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. Our policies, as well as our training and monitoring programs, meet the highest standards globally including those required under the relevant UK and US legislation.
- **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. No such donations were approved in 2018. However, from time to time we attend events hosted by political parties, where relevant topics are discussed.
- **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.
- **Share Trading Policy,** which reinforces the requirements of the Corporations Act 2001 in relation to the prohibition against insider trading.
- **Continuous Disclosure,** which establishes detailed procedures for identifying and disclosing material and price sensitive information in accordance with the Corporations Act 2001 and the ASX Listing Rules. This policy was refreshed in the 2018 financial year and the Board undertook specific training from external subject matter experts. A program is in place whereby senior executives are also provided training to ensure appropriate awareness of how the continuous disclosure obligations apply to DuluxGroup.

GRAEME LIEBELT

BEc (Hons)

Non-executive Director since June 2016 and Chairman since 1 July 2018. Chairman 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 was the Managing Director and CEO of Orica Limited from 2005 to 2012 and Executive Director of Orica Limited from 1997 to 2012. He 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.

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.

JANE HARVEY

BCom, MBA

Non-executive Director since February 2018. Chair of the Audit and Risk Committee, member of the Remuneration and Human Resources Committee, member of the Nominations Committee.

Director of IOOF Holdings Limited since October 2005. Jane was a Director of David Jones Limited from 2012 to 2014, a Director of UGL Limited from 2015 to 2017, and a Director of DUET Finance Limited, a stapled entity within the ASX listed DUET Group, from 2013 to 2017. Jane has more than 30 years' experience in the financial and advisory services industry and is a former Partner of PricewaterhouseCoopers.

STUART BOXER

BEng (Hons)

Executive Director and Chief Financial Officer since July 2010. Member of the Nominations Committee.

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

JUDITH SWALES

BSc Microbiology and Virology

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

JOANNE CREWES

BBus

Non-executive Director since February 2018. Member of the Remuneration and Human Resources Committee, member of the Safety and Sustainability Committee and member of the Nominations Committee.

Non-Executive Director of oOh! Media Ltd since September 2017. Joanne held a number of senior roles at Procter & Gamble Co from 1988 to 2014 including President of Global Prestige, Singapore & Geneva, Marketing Director ANZ and Marketing Director Japan.

ANDREW LARKE

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

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

Chairman of L1 Long Short Fund Limited since January 2018, Director of Diversified United Investment Limited since March 2015 and 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.

SIMON BLACK

LLB, BCom, Cert Gov (Admin)

Company Secretary and General Counsel since July 2010. Executive General Manager – M&A, Legal and Corporate Affairs since 2018.

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.

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.

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.

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.

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.

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.

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.

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).

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, and 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 and Board Member at retailer Inspirations Paint and Board Member at the Camp Quality Children's Cancer Charity.

Financial Report

Directors' Report

As at 14 November 2018

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 2018 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 85 to 98;
- the Operating and Financial Review on pages 12 to 37;
- details of the current Directors and the Company Secretary on pages 78 to 79;
- Note 23 (Director and executive disclosures) to the financial statements accompanying this report;
- Note 28 (Auditor's remuneration) to the financial statements accompanying this report; and
- the auditor's independence declaration required under section 307C of the Corporations Act 2001 on page 99.

Directors

Peter Kirby	Chairman and Non-executive Director (resigned effective on 30 June 2018)
Graeme Liebelt	Chairman (effective from 1 July 2018) and Non-executive Director
Patrick Houlihan	Managing Director and Chief Executive Officer
Stuart Boxer	Executive Director and Chief Financial Officer
Andrew Larke	Non-executive Director
Judith Swales	Non-executive Director
Joanne Crewes	Non-executive Director (effective from 1 February 2018)
Jane Harvey	Non-executive Director (effective from 1 February 2018)
Garry Hounsell	Non-executive Director (resigned effective on 31 December 2017)

Particulars of the current Directors' and the Company Secretary's qualifications, experience, period of appointment and special responsibilities are detailed on pages 78 to 79 of the Annual Report.

Company Secretary

Simon Black is the Company Secretary.

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		SAFETY AND SUSTAINABILITY COMMITTEE		NOMINATIONS COMMITTEE	
	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED
Peter Kirby	7	7	3	3	3	3	–	–	5	5
Graeme Liebelt	8	8	–	–	3	3	4	4	5	5
Patrick Houlihan	8	8	–	–	–	–	4	4	5	5
Stuart Boxer	8	8	–	–	–	–	–	–	5	5
Andrew Larke	8	8	4	4	4	4	–	–	5	5
Judith Swales	8	8	4	4	–	–	4	4	5	5
Joanne Crewes	5	5	–	–	3	3	–	–	2	2
Jane Harvey	5	5	3	3	1	1	–	–	2	2
Garry Hounsell	3	3	1	1	1	1	–	–	3	3

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

Directors' interests in share capital

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

	NUMBER OF FULLY PAID ORDINARY SHARES[1]	NUMBER OF SHARES HELD PURSUANT TO THE 2015 DULUXGROUP LONG TERM EQUITY INCENTIVE PLAN (LTEIP) OFFER[2]	NUMBER OF SHARES HELD PURSUANT TO THE 2016 AND 2017 DULUXGROUP LTEIP OFFERS[3]	NUMBER OF SHARES HELD PURSUANT TO THE DULUXGROUP EMPLOYEE EQUITY PLAN (EEP)[4]
Graeme Liebelt	51,270	–	–	–
Patrick Houlihan	1,167,018	416,341	808,245	15,330
Stuart Boxer	427,650	159,152	308,990	6,704
Andrew Larke	172,156	–	–	–
Judith Swales	60,000	–	–	–
Joanne Crewes	1,714	–	–	–
Jane Harvey	3,154	–	–	–

(1) Unrestricted shares 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. The restriction on trading these shares will be lifted upon repayment of the loan.

(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.

(4) These shares are held pursuant to the terms of the DuluxGroup EEP – Deferred STI (details of which are set out in the Remuneration Report) and are subject to a restriction on trading until the relevant service condition is met.

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 14 to 15 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 37 of the Annual Report.

Dividends paid in the year ended 30 September 2018

In respect of the 2017 financial year, a fully franked final dividend of 13.5 cents per ordinary share was paid on 13 December 2017. The financial effect of this dividend has been included in the financial statements for the year ended 30 September 2018.

In respect of the 2018 financial year, a fully franked interim dividend of 14 cents per ordinary share was paid on 12 June 2018. The financial effect of this dividend has been included in the financial statements for the year ended 30 September 2018.

Since the end of the financial year, the Directors have determined a final dividend to be paid at the rate of 14.0 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 2018 are as follows:

- Total assets of $1,325.5 million increased by $63.4 million on the prior year.
- Year-end net debt of $340.5 million increased by $6.3 million on the prior year.
- Total equity attributable to the ordinary shareholders of DuluxGroup Limited of $443.2 million increased by $32.5 million on the prior year.

Events subsequent to balance date

On 14 November 2018, the Directors determined that a final dividend of 14.0 cents per ordinary share will be paid in respect of the 2018 financial year. The dividend will be fully franked and payable on 12 December 2018. The financial effect of this dividend is not included in the financial statements for the year ended 30 September 2018 and will be recognised in the 2019 financial statements. The Company's dividend reinvestment plan (DRP) has been suspended and therefore will not operate with respect to the final dividend.

The Directors have not become aware of any other matter or circumstance that has arisen since 30 September 2018, that has significantly affected or may significantly 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.

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 38 to 77 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 99 and forms part of this Directors' Report.

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

Graeme Liebelt
Chairman, 14 November 2018

Remuneration Report (Audited)

Dear shareholders,

On behalf of the Board, and as the new Chairman of the Remuneration and Human Resources Committee, I am pleased to introduce DuluxGroup's 2018 Remuneration Report.

Since our demerger from Orica in 2010 with a share price of $2.50 we have exceeded S&P/ASX200 index growth and delivered strong and consistent performance for shareholders. The changes we have made to the report this year are intended to clearly and simply show how our 2018 performance, and our longer term performance track record, are linked to the remuneration outcomes of our executives.

In particular, we have included:

- A summary of FY18 performance and remuneration outcomes, in the table below.
- A new section of the report which charts performance and outcomes for the last five years. *Please refer to section 3 of this report.*

DuluxGroup has a structured, target-driven approach to remuneration which is designed to deliver appropriate reward for real and tangible company outcomes. The Board retains overarching discretion so that remuneration is not 'fixed', and it is aligned to shareholder expectations.

The share-based remuneration provided under our programs, along with the minimum shareholding requirements, creates strong alignment between our executives and our shareholders.

Information on minimum shareholding requirements and current shareholdings is provided in section 5 of this report.

The Committee is responsible for other Human Resources matters across the Group, including diversity and inclusion, talent, capability culture and engagement.

More information is provided in Our Corporate Sustainability Report.

The DuluxGroup Remuneration Report has always received strong support from shareholders.

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

Andrew Larke
Remuneration and Human Resources Committee Chairman
14 November 2018

Alignment between performance and remuneration

WHAT DID DULUXGROUP ACHIEVE?	WHAT DID THE EXECUTIVES RECEIVE?
FY18 Performance	
• Sales revenue grew by 4.5% (excluding China exited businesses) • NPAT increased 5.4% to $150.7 million • Group EBIT increased 4.2% – with the Australian and New Zealand businesses collectively continuing their consistent track record of earnings growth • Serious near misses involving disaster and fatality risks, together with serious injuries, all declined further to our lowest levels on record • A full year dividend of 28 cents per share *(an increase of 5.7% from 2017)*, representing a payout ratio of more than 70 per cent of NPAT	Short Term Incentive (STI) outcomes are based on financial measures (60% to 70%), safety and sustainability (10% to 20%) and the delivery of key projects (20%): • The CEO received 65.4% of his maximum STI opportunity • The other executive KMP each received between 37.8% and 65.4% of their maximum STI opportunity *More information is provided in sections 4.2 and 4.3 of this report.*
Three-year performance to FY18	
• **2014 LTEIP:** Total Shareholder Return (TSR) over the three years to November 2017 was 55.69%, being 70th percentile performance against our peers (*an improvement from 57th percentile last year*) • **2015 LTEIP:** Compound annual EPS growth over the three financial years to September 2018 was 6.4%	• **2014 LTEIP:** 25.8% loan forgiveness was provided on vested 2014 LTEIP awards as a result of this performance over the three years to November 2017 (*compared with 14.9% for the previous LTEIP grant*) • **2015 LTEIP:** Vesting of the 2015 LTEIP will occur in the 2019 financial year, as compound EPS performance for the three years to 2018 was in excess of the 4.0% threshold (*Note: any loan forgiveness in relation to these vested awards is yet to be determined*) *More information is provided in section 4.4 of this report.*

Other remuneration changes

Following a comprehensive review of remuneration for comparable positions in similar organisations, the Board determined:

- New fixed remuneration for each executive
  Details in section 4.1 of this report.
- The quantum and stretch of short-term and long-term incentives remained appropriate
- Alignment of fees for each of the three Board Committees
  Details in section 8 of this report.

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 2018 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 and those other employees 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 2018 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	
Graeme Liebelt	Chairman from 1 July 2018 Non-Executive Director (full year)
Peter Kirby	Chairman & Non-Executive Director to 30 June 2018
Joanne Crewes	Non-Executive Director from 1 February 2018
Jane Harvey	Non-Executive Director from 1 February 2018
Garry Hounsell	Non-Executive Director to 31 December 2017
Andrew Larke	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 (COO) – Dulux Paints and Coatings
Brad Hordern	Executive General Manager (EGM) – DuluxGroup Supply Chain
Martin Ward	Executive General Manager (EGM) – Selleys

2. Remuneration strategy and framework – driving a performance culture

2.1 Remuneration strategy

Our remuneration strategy is unchanged. It sets the direction for the remuneration framework, and drives the design and application of remuneration programs across the Group, including for executives.

Our 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 opposite, including detail of how performance outcomes will impact remuneration outcomes for executives.

2.2 Our focus on performance

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

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

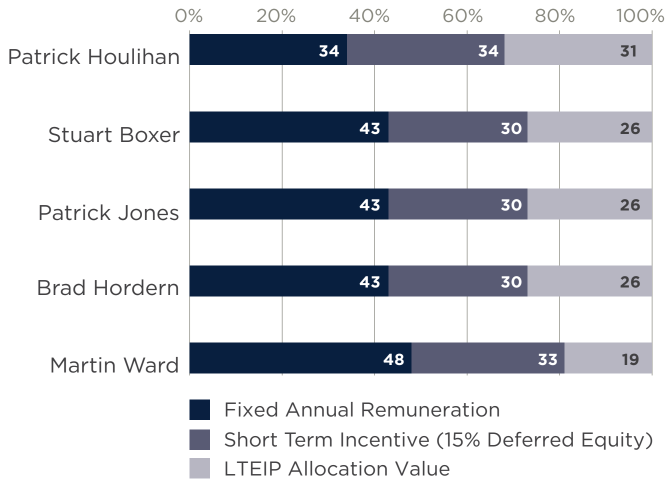
Sections 3 and 4 of this report describe performance outcomes and how they have impacted remuneration outcomes over the past five years, and in the current year.

Variable remuneration as a percentage of FAR effective 30 September 2018

	FIXED ANNUAL REMUNERATION (FAR)	STI[(1)] AS % OF FAR IF THE STRETCH LEVEL PERFORMANCE IS ACHIEVED	LONG TERM INCENTIVE ALLOCATION VALUE AS % OF FAR
Executive Directors			
Patrick Houlihan	1,250,000	100%	90%
Stuart Boxer	690,000	70%	60%
Other KMP			
Patrick Jones	690,000	70%	60%
Brad Hordern	600,000	70%	60%
Martin Ward	475,000	70%	40%

(1) Stretch STI opportunities include both cash and Deferred STI as described in the framework diagram opposite.

Remuneration mix



2.3 Executive remuneration framework

The Board is satisfied that the remuneration framework for executives continues to align with the Group's strategic objectives, but will continue to conduct ongoing reviews. At this time, no significant changes to the key elements are anticipated in 2019.

	PERFORMANCE CONDITIONS	REMUNERATION STRATEGY/PERFORMANCE LINK
Fixed Annual Remuneration (FAR) Salary and other benefits (including statutory superannuation) *Refer section 4.1 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, 4.2 and 4.3 for more details*	**'Gateway' Net Profit After Tax (NPAT)** – minimum NPAT threshold performance level that must be achieved before any STI is payable • Sets 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 60 to 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 to 20 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 measurable. A large proportion of outcomes are subject to earnings targets of the Group or business unit, depending on the role of the executive and line of sight to outcomes. The Board maintains discretion to exclude non-recurring items (e.g. in order to provide a better comparison from period to period and an appropriate measure of underlying performance). The inclusion of other financial measures helps to maintain strong operational discipline. 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 provide a challenging but meaningful incentive. The Board has discretion to adjust STI outcomes up or down to be satisfied that individual outcomes are appropriate – e.g. to reflect that 'how' results are achieved must be 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 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 sections 3, 4.4 and 7 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 check that 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.

[1] The LTEIP comparator group comprises peer companies listed in the S&P/ASX 200 Index at the date of grant (excluding those that delist during the performance period as a result of corporate actions). 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.

3. Performance and remuneration

This new section of the report describes how the remuneration for our executives has aligned to Company performance over the last five years.

3.1 Five years of STI outcomes

The structure of our STI performance scorecard and the primary metrics have been consistent over time and consistent for all executives, supporting alignment of purpose and focus across the management team.

The scorecard weightings place a strong focus on annual financial performance, balanced with key non-financial metrics which the Board has determined are critical for DuluxGroup.

This structure is as follows:

- 60 – 70% weighting on financial measures (including NPAT, EBIT, and other key measures for the relevant year),
- 10 to 20% weighting on safety and sustainability targets and improvements (depending on the role), and
- 20% weighting on the delivery of key projects that are critical to the sustainable growth of the Group (depending on the role).

More detail on FY18 STI measures and performance is provided in sections 4.2 and 4.3.

Executives' STI outcomes will therefore not correlate perfectly to headline performance on any single financial measure. While the weightings provide a strong focus on financial performance, and on NPAT and EBIT in particular, they reflect performance across a range of financial measures, including the performance of individual businesses (as applicable for each role).

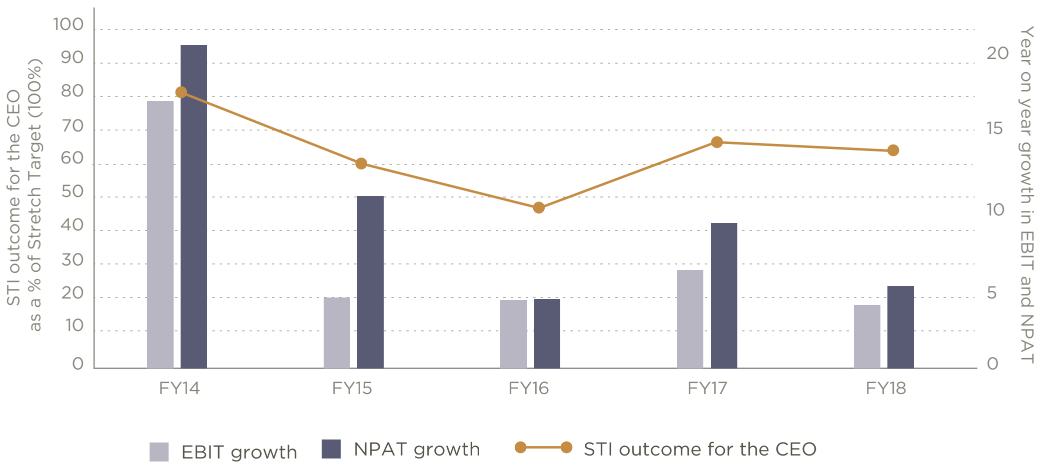
In addition, remuneration will reflect the achieved level of performance against the Stretch Target for each measure set by the Board at the beginning of each financial year. The real and challenging nature of these targets is reflected in the fact that key metrics such as NPAT and EBIT may show growth from one year to the next, but this does not necessarily play out in higher STI outcomes for individuals if the targets set for that year were more challenging.

Indeed, if NPAT is not at least the same as the prior financial year, no STI would be awarded at all.

More information on this gateway for STI is provided in sections 2.3 and 4.3.

This is illustrated in the graph below, where the STI outcome for the CEO for each of the last five years is shown relative to NPAT and EBIT growth over the same period.

CEO STI outcome relative to profit and earnings growth



Profit and earnings measures over the past five years

	FY14	FY15	FY16	FY17	FY18
NPAT before non-recurring items ($M)[1]	111.9	124.7	130.4	142.9	150.7
Group EBIT before non-recurring items ($M)[1]	183.8	192.4	201.1	214.2	223.2

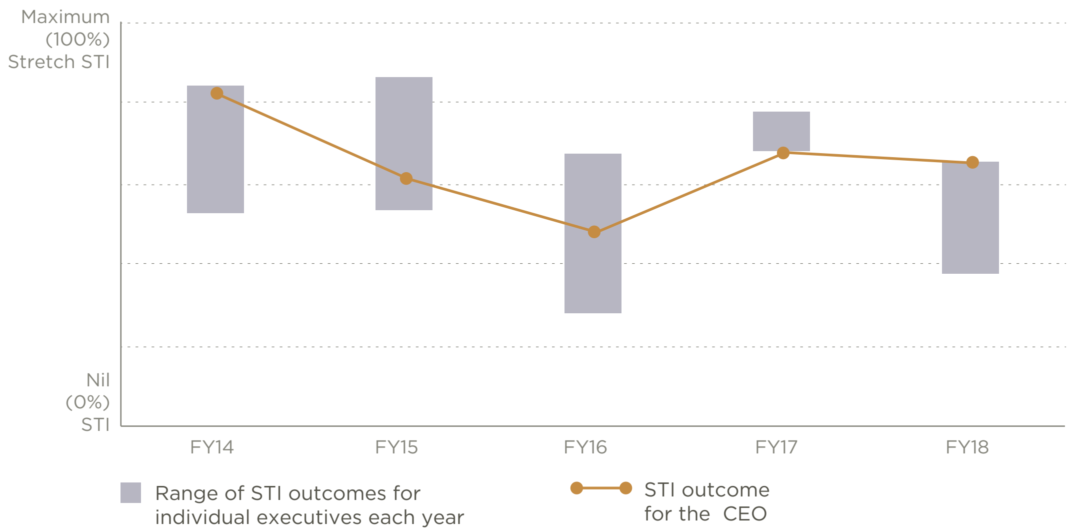
[1] Profit and earnings excluding non-recurring income and expenses may be considered by the Board to be a better basis for comparison from period to period (depending on the nature of the non-recurring items). It is also the primary measure of earnings considered by management in operating the business and by the Board in determining dividends. Non-recurring items in FY14 and FY15 included one-off costs related to the acquisition of the Alesco businesses, impairments related to the China joint venture, and Supply Chain related provisions, with full details provided in each Annual Report. There have not been any non-recurring items since FY15.

3.2 Variation in STI outcomes for individuals each year

The graph overleaf shows STI outcomes for executives over the last five years. Maximum Stretch STI is intended to be very challenging and would only be provided where performance is truly exceptional on all of the scorecard measures. The graph shows that each year there is a range of outcomes, and that STI payments are truly 'at risk' and variable. In FY17, the range of STI outcomes was narrower because performance for the key financial measures was more consistent across the Group. There was still considerable variation in individual assessments on safety and sustainability measures, and for key projects (as described in the Company's 2017 Remuneration Report).

The Company's structured, target-driven approach to remuneration is designed to deliver the appropriate reward for real and tangible company outcomes. The Board applies appropriate judgement when determining performance against the measures, and also retains overarching discretion (both up and down) so that STI remuneration is not 'fixed', is aligned to shareholder expectations, and appropriately reflects the performance of the Group and of the individual (including confirming that performance is achieved in line with the Company values).

Individual STI outcomes for executives over the last five years



3.3 Five years of LTI outcomes

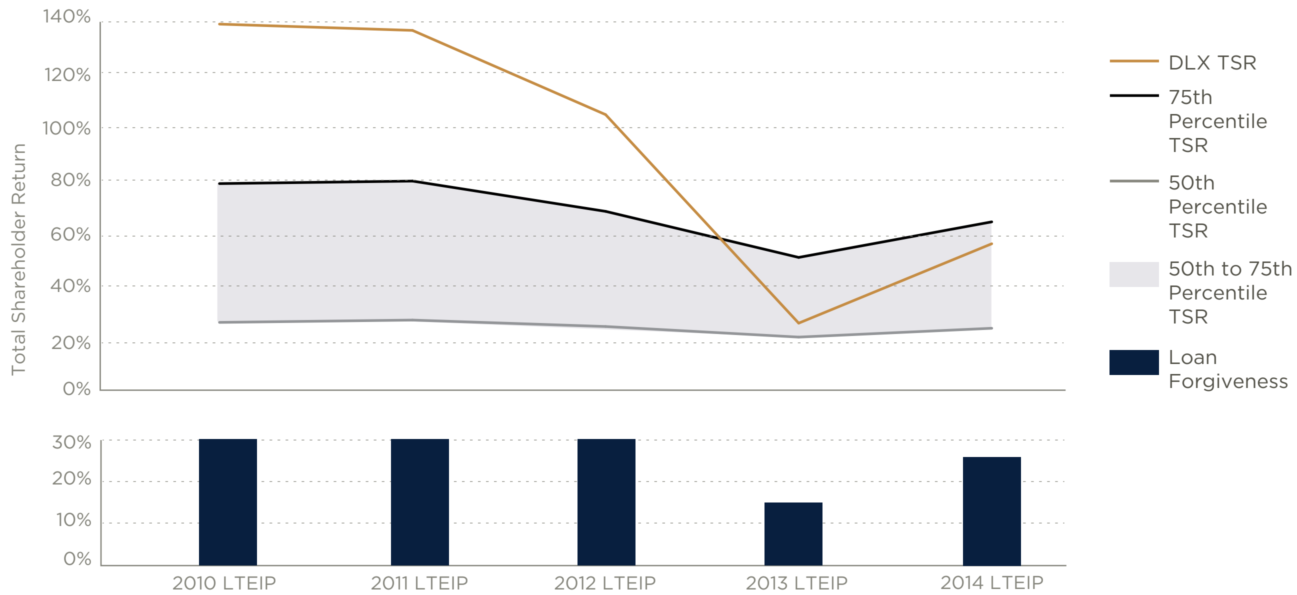
Sustained company performance is reflected in the benefits for executives through long term incentives under the LTEIP program. The vesting of the awards relies on achievement of threshold earnings per share growth over a three-year performance period.

The actual benefit for executives depends on the Company's share price and dividends, and on the level of loan forgiveness provided for each award (from zero to a maximum of 30 per cent).

The level of loan forgiveness is based on DuluxGroup's three-year TSR performance relative to that of peer companies over the same time frame. The result is subject to Board confirmation, so that any loan forgiveness is only provided where DuluxGroup outperforms its peers in providing benefits to shareholders.

The variation in DuluxGroup's percentile ranking and loan forgiveness for each vested award is shown in the diagram below.

LTEIP loan forgiveness outcomes over the past five years



Dividends and share price over the past five years

	2014	2015	2016	2017	2018
Dividends declared per share (cents)(1)	20.5	22.5	24.0	26.5	28.0
Closing share price for the financial year(2) ($)	5.56	5.35	6.60	7.00	7.67

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

(2) The opening share price for 2014 was $5.28.

4. Performance and remuneration outcomes for 2018

4.1 Fixed Annual Remuneration outcomes

Regular reviews of remuneration levels are a key element of the Board's role, and a comprehensive market review was conducted for each executive position in 2018.

The Committee's independent adviser provided data and analysis on comparable positions in similar Australian-based organisations, including fixed remuneration and performance-based pay. No remuneration recommendations as defined in section 9B of the *Corporations Act 2001* were provided.

Taking into account the market data, and relativities across the executive team, the Board determined new fixed remuneration (effective 1 January 2018) for each executive as shown in section 2.2 of this report. The CEO received a 6.2% increase in fixed remuneration, and the COO – Dulux Paints and Coatings received a 7.1% increase. Increases of between zero and 2.4% were applied for other executives.

The Board believes that these changes result in appropriate, market-competitive fixed remuneration, which remains modest compared to peer organisations.

4.2 STI performance weighting for 2018

Based on the market review, the Board determined that current performance-based pay for executives continued to be appropriate – both in terms of quantum and the degree of challenge.

The weighting of performance measures for 2018, is shown in the table below. Along with our executives, other members of the DuluxGroup Executive and senior management also participate in the STI plan, providing consistency of purpose and focus on aligned performance measures and outcomes.

Structure of STI performance measures for 2018

PERFORMANCE MEASURES FOR STI	P HOULIHAN S BOXER	P JONES M WARD	B HORDERN[1]
DuluxGroup financial	70%	10%	30%
Business unit financial	–	60%	30%
Safety & Sustainability	10%	10%	20%
Personal – key projects	20%	20%	20%

[1] The greater weighting on Safety & Sustainability in the scorecard for Mr Hordern reflects his responsibility for manufacturing and supply chain activities. Mr Hordern's Business unit financial measures include accountability for the successful delivery of supply chain projects to schedule and budget and with seamless business continuity.

4.3 STI measures and outcomes for 2018

Performance for each measure is assessed on a range from Hurdle to Stretch. Stretch for each measure is set by the Board at a level that would result in maximum STI only being provided where performance has truly and substantially exceeded expectations on all of the scorecard measures.

STI GATEWAY

- The STI gateway for 2018 was set at the prior year's NPAT (being $142.9 million), and was exceeded with Group NPAT of $150.7 million.

The gateway is a minimum threshold measure of NPAT growth which must be achieved before any STI is awarded. Once it is met, it is performance against the following measures which determines actual individual awards.

FINANCIAL MEASURES (60% TO 70%)

- **NPAT and Group EBIT:** NPAT increased 5.4% to $150.7 million, which was at the Stretch end of the targeted performance range, while growth in Group EBIT of 4.2% was around the range Midpoint.
- **EBIT for relevant businesses:** Collectively the Australian and New Zealand businesses continued their consistent track record of earnings growth, but Selleys & Parchem performance was not as strong, as reflected in the STI outcome for the EGM Selleys.
- **Revenue growth:** Sales revenue for DuluxGroup (excluding China exited businesses) grew 4.5%, with consistent growth in particular from Dulux Paints and Coatings.
- **Management of operating cash and working capital:** Outcomes on these measures were less favourable than last year's strong performance.
- **Key financial measures for EGM – DuluxGroup Supply Chain:** The new Dulux paint factory at Merrifield was successfully completed on time and within its $165 million budget. Beneficial production was achieved in February 2018 and the factory ramped up to full production by July 2018. Given its potentially considerable impact on Group financial results, the delivery of this project comprised a substantial 40% of the 2018 STI measures for the EGM – DuluxGroup Supply Chain. The excellent results are reflected in his STI outcome.

SAFETY AND SUSTAINABILITY (10% – 20%)

- The nature of the Group's business operations demands a strong focus on Safety & Sustainability (S&S) performance and improvement each and every year.
- Improvement is driven via a balanced focus on both lead indicators (e.g. improvement action implementation) and lag indicators (e.g. incident and injury rates).
- Good progress was made in most areas, and S&S outcomes for individuals reflect the level of challenge in our targets (as shown in the graphs opposite).
- **Safety:** Serious near misses involving disaster and fatality risks, together with serious injuries, all declined further to the lowest levels on record. The total recordable injury rate rose 3 per cent to 1.67, reflecting one additional injury.
- **Sustainability[1]:** There were no serious sustainability incidents involving our products or operating sites for the second consecutive year, the best performance on record. Waste generation increased significantly, primarily due to one-off Merrifield start-up impact, while energy efficiency improved 3 per cent.

[1] Sustainability includes both the stewardship of sustainable products, and the reduction of waste and efficient use of resources in our operations.

Please refer to Our Corporate Sustainability Report for more information on the role that our focus on safety plays in supporting our company culture and the way that we work with and value our customers and consumers.

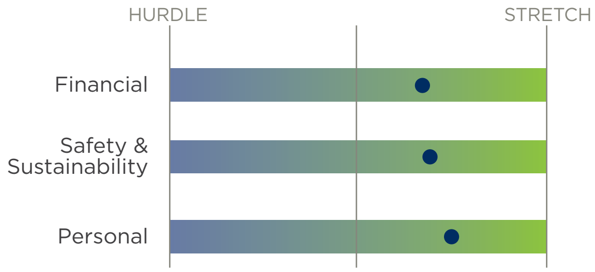
PERSONAL – KEY PROJECTS (20%)

- Key projects vary by role and from year to year.
- 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 2018, these measures were in regard to investing for domestic and international growth.

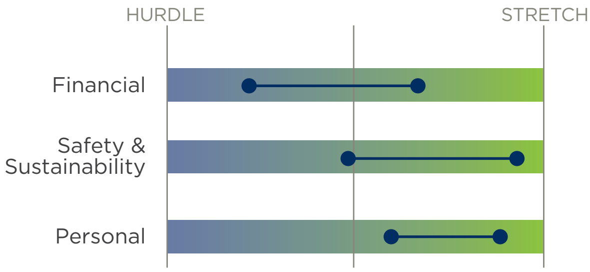
The Board generally considers NPAT and EBIT excluding non-recurring items for the purposes of the STI gateway and targets, as this is often a better basis for comparison from period to period, and a better measure of underlying performance. This depends on the nature of the non-recurring items. There have not been any non-recurring items since 2015.

The 2018 performance described opposite translates to the following individual assessments for the CEO and for other executives:

CEO



Other executives



● FY18 performance

●—● FY18 Range of performance

These individual assessments are considered by the Board in determining the actual STI award for each executive. The Board considers both the performance assessments, and also considers the whole of the STI award for each executive in the context of company performance and individual contribution for the year. This application of judgement, and the discretion to adjust individual outcomes enables the Board to confirm that the actual award for each individual is appropriate.

Individual awards are shown in the table below. These range from 37.8 to 65.4 per cent of the maximum potential award under the STI plan. The maximum award would only be earned for Stretch performance on all STI measures, and if the Board determines that to be appropriate.

2018 STI outcomes

NAME	2018 STI AWARD[(1)] $	MAXIMUM (STRETCH) STI[(2)] $	STI AWARDED IN 2018[(3)] % OF STRETCH	STI AWARDED IN 2017[(3)] % OF STRETCH	STI FORFEITED[(3)] % OF STRETCH	AWARD AS % OF FAR[(2)]
Executive Directors						
Patrick Houlihan	817,938	1,250,000	65.4%	68.0%	34.6%	65.4%
Stuart Boxer[(4)]	316,051	483,000	65.4%	74.1%	34.6%	45.8%
Other KMP						
Patrick Jones	289,703	483,000	60.0%	77.7%	40.0%	42.0%
Brad Hordern	252,021	420,000	60.0%	73.1%	40.0%	42.0%
Martin Ward	125,685	332,500	37.8%	71.0%	62.2%	26.5%

(1) STI award earned during the 2018 financial year. In December 2018, 85 per cent of this amount will be paid in cash. The remaining 15 per cent will be provided under the Deferred STI program 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.

(2) The maximum STI payable and awarded as a percentage of FAR is based on FAR as at 1 January 2018. 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 2017 STI awarded figures are a percentage of the maximum STI available (for Stretch performance) in 2017, as published in the 2017 Remuneration Report.

4.4 LTI performance measures and outcomes

2014 LTEIP grant – vesting determined during 2018

The performance conditions for the LTEIP granted in December 2014 were tested for vesting in 2018. As reported in the Company's 2017 remuneration report, the EPS growth gateway[(1)] was exceeded and this grant subsequently vested.

Relative TSR performance was tested during the one week following the release of the 2017 Group results to determine the percentage of the related loans to be forgiven. The Company's TSR was 55.69 per cent over the period from November 2014 to November 2017. This was at the 70th percentile of the comparator group, resulting in the loan forgiveness of 25.8 per cent being applied.

(1) Section 2.3 provides more detail on the EPS gateway. The EPS gateway is generally calculated using NPAT excluding non-recurring items, as this is often a better basis for comparison from period to period and a better measure of the underlying performance of the Group. There have not been any non-recurring items since 2015.

2015 LTEIP grant – performance measured to the end of 2018

The performance condition for the LTEIP granted in December 2015 will be measured for vesting in 2019.

For the 2015 LTEIP, the baseline EPS based on 2015 NPAT was 32.2 cents per share. The corresponding calculation as at 30 September 2018 was an EPS of 38.9 cents per share. The Company's compound annual EPS growth over the performance period was 10.0 per cent when calculated using diluted EPS on a statutory basis and 6.4 per cent using EPS excluding non-recurring items. The EPS growth gateway of four per cent compound annual growth over the performance period has therefore been exceeded, and the awards will vest in 2019 (subject to Board confirmation).

Loans become 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 2018 results in November 2018, 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 2018 Annual General Meeting and details will be set out in the Company's 2019 remuneration report.

5. Run the business as your own

5.1 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.

Minimum shareholding requirements

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 the COO – Dulux Paints and Coatings,
- the value of 60 per cent of FAR for the EGM – DuluxGroup Supply Chain, and
- the value of 40 per cent of FAR for the EGM – Selleys.

Non-Executive Directors

Non-Executive Directors have three years from their appointment in which to establish this shareholding level. Voluntary application of remuneration to Company shares under the Sacrifice Share Acquisition Plan (SSAP) may assist Non-Executive Directors in achieving this target.

Details of the plan and its operation are provided in section 8.

Executives

Executives are expected to grow their shareholding on a progressive basis to the minimum shareholding requirement 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.

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 (dependent on EPS performance conditions being achieved, and individual service conditions). LTEIP awards are not included toward the minimum requirements prior to achievement of the performance conditions and subsequent vesting;
- A portion of any STI awarded to executives is deferred into rights to shares under the Deferred STI plan. These are 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. STI awards are included toward the minimum requirements; and
- A progressive balance of shareholdings may also be built by executives through investment in shares on market, and through voluntary application of remuneration to Company shares under the SSAP.

The operation of the LTEIP and the Deferred STI plans, and shares provided under each plan during the year, is set out in section 7. Information on the SSAP is included in section 8.

Current shareholdings relative to the requirements

The table below shows current shareholdings in DuluxGroup for each of the current KMP at the end of the financial year, against the minimum shareholding requirements.

It does not include unvested executive holdings under the LTEIP, which are subject to performance and vesting conditions and repayment of the related loan obligation. It does include STI awards held under the Deferred STI plan.

Minimum shareholding requirements for current KMP

NAME	SHAREHOLDING %[1]	TARGET SHAREHOLDING %[1]
Non-Executive Directors		
Graeme Liebelt	92%	100%
Joanne Crewes	7%	100%
Jane Harvey	11%	100%
Andrew Larke	618%	100%
Judith Swales	215%	100%
Executive Directors		
Patrick Houlihan	725%	100%
Stuart Boxer	483%	100%
Other KMP		
Patrick Jones	417%	100%
Brad Hordern	369%	60%
Martin Ward	109%	40%

[1] *The current and target % for each individual 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 2018. The calculation assumes a share price of $7.67, being the closing share price on 30 September 2018, and is based on the Closing Balance of shares for each individual as shown in section 7.2 (for executives) and section 8.2 (for Non-Executive Directors).*

All directors' and executives' holdings were in excess of the minimum shareholding policy on 30 September 2018, other than those for Ms Crewes, Ms Harvey and Mr Liebelt. Ms Crewes and Ms Harvey both commenced with DuluxGroup on 1 February 2018, and Mr Liebelt's remuneration increased upon his appointment as Chairman. Each of these directors is expected to establish the target minimum shareholding by the relevant due date.

For more details of DuluxGroup share plans, and changes in individual holdings during the year, please refer to section 7 (executives) and section 8.2 (directors).

6. Remuneration governance

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

The RHC is responsible for aligning the Group's remuneration strategy for executives 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 checks that the Group's management team adopts appropriate people programs 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 RHC's Charter and 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 2018, 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 2018.

6.2 Board discretion

The Company has a structured and objective approach to remuneration. However, the RHC and the Board are able to exercise judgement and discretion as is required to provide remuneration outcomes for executives that 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 applies judgement when determining performance against STI measures to confirm that they accurately reflect the achievement of real and tangible 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 up or down (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 of EPS performance (for the purposes of the LTEIP gateway) for individually material non-recurring items on a case by case basis so that the EPS measurement reflects the underlying performance of the Group.

Comparator group for the LTEIP TSR performance condition

The LTEIP comparator group comprises peer companies listed in the S&P/ASX 200 Index (excluding those that delist during the performance period as a result of corporate actions). 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 so 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 so 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.

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).

6.3 Terms of executive service agreements

Remuneration and other terms of employment for executives are formalised in service agreements. The Committee has determined the terms of these agreements in order to provide certainty and orderly transitions:

- The term of the agreements is not fixed.
- Each executive must provide 6-months' notice of resignation.
- DuluxGroup must provide a termination payment of 12 months' FAR (inclusive of any payment in lieu of notice) if it terminates the executive's employment other than for cause.
- Mr Houlihan and Mr Boxer may also terminate their employment agreements 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.

7. Details of executive remuneration

7.1 Remuneration for 2018

Details of executive remuneration for the financial year ended 30 September 2018 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] $	SUB-TOTAL $	SHARE-BASED PAYMENT (SBP) EXPENSE[6] $	FBT ON LTEIP DEBT FORGIVE-NESS[7] $	TOTAL $	PERFOR-MANCE RELATED REMUNER-ATION[8,9] %	OPTION RELATED REMUNER-ATION[9] %
Executive Directors											
Patrick Houlihan	2018	1,211,580	695,247	9,570	20,169	1,936,566	856,149	583,560	3,376,275	46%	25%
	2017	1,150,776	680,222	8,730	19,724	1,859,452	817,897	346,882	3,024,231	50%	27%
Stuart Boxer	2018	666,081	268,643	7,600	20,169	962,493	329,665	223,073	1,515,231	39%	22%
	2017	651,526	297,500	12,827	19,724	981,577	314,992	133,995	1,430,564	43%	22%
Other KMP											
Patrick Jones	2018	658,331	246,248	7,678	20,169	932,426	301,659	187,381	1,421,466	39%	21%
	2017	620,776	297,917	6,781	19,724	945,198	276,904	111,663	1,333,765	43%	21%
Brad Hordern	2018	588,164	214,218	7,219	20,169	829,770	199,819	102,317	1,131,906	37%	18%
	2017	468,776	217,605	6,411	19,724	712,516	153,085	61,042	926,643	40%	17%
Martin Ward	2018	452,081	106,832	16,559	20,169	595,641	153,708	102,315	851,664	31%	18%
	2017	441,776	196,058	12,011	19,724	669,569	145,758	38,151	853,478	40%	17%

(1) FAR includes any salary sacrifice arrangements implemented by the executives, including additional superannuation contributions and any salary sacrifice under the SSAP. Mr Ward elected to sacrifice 10% of his FAR into DuluxGroup shares from 1 November 2017. The value of these shares is included in, and is not additional to, Mr Ward's Base Salary (refer section 7.2).

(2) Details in relation to FAR increases during the year are set out in section 4.1.

(3) Cash STI is 85 percent of the award relating to 2018 performance as shown in the table in section 4.3. The remaining portion of the 2018 STI award is provided in the form of rights to shares under the Deferred STI program 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.

(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 amortised amounts in respect of the 2015, 2016 and 2017 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 section 2.3. This column also includes the SBP expense provided under the Deferred STI program.

(7) This benefit includes the fringe benefits tax paid on debt forgiveness for the 2014 LTEIP grant.

(8) The percentages shown include both the value of STI earned in 2018 and the value of the SBP expense for 2018 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 described in section 7.3, 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.

7.2 Deferred STI and executive shareholdings

A portion of any STI awarded to executives is deferred into rights to shares under the Deferred STI program, which was implemented in the 2017 financial year. Deferred STI awards are subject to forfeiture for two years on leaving employment with 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 rights are exercised into shares for the duration of the forfeiture period so that executives receive dividends in respect of the shares and are fully-aligned shareholders.

The purpose of this program is to increase the retention of executives, to support the achievement of the minimum shareholding guidelines, and to enable the forfeiture of awards from key executives under the Company's malus and clawback policy. Rights and shares allocated under the Deferred STI plan are included for the purposes of the shareholding guidelines, as they are generally only forfeited where employment ceases. The EGM – Selleys also chose to salary sacrifice a portion of his fixed remuneration under the SSAP (described in section 8).

The following table shows executive holdings under these programs, and those arising from LTEIP awards (as set out in section 7.3 below), along with any ordinary shares acquired or held in DuluxGroup by executives.

KMP holdings (excluding unvested LTEIP awards)

	NUMBER OF SHARES (OR RIGHTS TO SHARES)					
NAME	OPENING BALANCE[1]	DEFERRED STI[2]	SSAP[3]	NET SHARES RETAINED FROM LTEIP EXERCISE[4]	NET OTHER MOVEMENTS[5]	CLOSING BALANCE
Executive Directors						
Patrick Houlihan	1,067,018	15,330	–	100,000	–	1,182,348
Stuart Boxer	388,085	6,704	–	39,565	–	434,354
Other KMP						
Patrick Jones	320,117	6,714	–	42,434	5,436	374,701
Brad Hordern	257,542	4,904	–	17,774	8,446	288,666
Martin Ward	23,906	4,418	2,997	35,998	–	67,319

(1) Opening balances include ordinary 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 2017.

(2) Deferred STI awards represented 15% of the value of 2017 STI (as set out in last year's Remuneration Report) divided by $7.83 (being the volume weighted share price over the five trading days prior to the Company's AGM on 21 December 2017), and were allocated to executives on 22 December 2017. The awards were exercised, and shares allocated prior to the May 2018 dividend date. The shares are subject to service conditions until December 2019.

(3) Mr Ward elected to sacrifice 10% of his FAR into DuluxGroup shares from 1 November 2017. The value of these shares is included in, and is not additional to, Mr Ward's Base Salary as disclosed in section 7.1. Mr Ward received these rights under the SSAP on 24 May 2018, on the same basis as those allocated to directors on that date as shown in the table in section 8.2. His sacrificed contributions to the plan from 1 May 2018 will result in a further allocation of rights under the plan in November 2018. 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.

(4) As described in section 4.4, the 2014 LTEIP vested and loan forgiveness was applied during 2018. Executives sold shares, including to repay the value of the related loan obligations, and this column shows the net number of shares retained by each executive after these LTEIP transactions.

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

7.3 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. 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, and it is important that the loan obligation is always taken into account alongside the face value of shares under the LTEIP awards.

More detail on the operation of the LTEIP, including a worked example, is provided in section 7.5 below.

Australian Accounting Standards require the LTEIP awards be treated as options for accounting purposes due to the structure of the plan. The number and value of notional options held by executives under the LTEIP during the financial year ended 30 September 2018 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[3]	LAPSED DURING THE YEAR	CLOSING BALANCE	VESTED AND EXERCISABLE AT 30 SEPTEMBER 2018[4]	LTEIP VALUE AT GRANT DATE ISSUED DURING THE YEAR $[2][5]	LTEIP VALUE INCLUDED IN COMPENSATION FOR THE YEAR $[6]
Executive Directors								
Patrick Houlihan	1,316,421	351,747	(443,582)	–	1,224,586	416,341	756,256	775,239
Stuart Boxer	503,225	134,482	(169,565)	–	468,142	159,152	289,136	296,362
Other KMP								
Patrick Jones	442,697	128,306	(142,434)	–	428,569	133,687	275,858	269,649
Brad Hordern	238,906	119,540	(77,774)	–	280,672	72,997	257,011	174,418
Martin Ward	230,797	61,629	(77,773)	–	214,653	72,997	132,502	135,891

(1) The combination of shares and the non-recourse loan provided to fund those shares constitutes an option under Australian Accounting Standards. The awards 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 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 (the following January/February). For awards granted since December 2016, the loan repayment period continues for an additional two years to encourage management to hold more LTEIP shares for a longer period. The options expire if the loan is not repaid within the relevant payment window.

(2) The grant date of the 2017 LTEIP awards for accounting purposes is 15 December 2017. The share price on that date was $7.73 and the fair value of each award for accounting purposes was $2.15. This fair value takes into account the performance conditions, along with other factors as set out Note 22 of the financial statements.

(3) The 2014 LTEIP vested following achievement of the EPS hurdle in September 2017, and these awards were 'exercised' when loans were repaid via the sale of shares. The net number of shares retained by each executive from the 2014 LTEIP is included in the table in section 7.2.

(4) Since the end of the reporting period, the EPS vesting condition for the 2015 LTEIP awards granted in December 2015 has been met. 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 2018 to 2 February 2019. The number of options that have vested and are not exercisable is NIL.

(5) 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

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

7.4 Loans to executives under LTEIP

The details of non-recourse loans provided to executives under the LTEIP during the financial year ended 30 September 2018 are set out in the table below.

Executive LTEIP loans

NAME	OPENING BALANCE $	ADVANCES DURING THE YEAR $	LOAN FORGIVENESS GRANTED DURING THE YEAR $(1)	REPAYMENTS DURING THE YEAR $(2)	CLOSING BALANCE $	INTEREST FREE VALUE $	HIGHEST INDEBTEDNESS $
Executive Directors							
Patrick Houlihan	7,615,679	2,754,179	(658,054)	(1,906,102)	7,805,702	619,746	9,616,725
Stuart Boxer	2,911,227	1,052,994	(251,550)	(728,634)	2,984,037	237,062	3,676,326
Other KMP							
Patrick Jones	2,561,969	1,004,636	(211,301)	(616,140)	2,739,164	185,645	2,771,263
Brad Hordern	1,382,472	935,998	(115,378)	(339,726)	1,863,366	141,457	2,185,837
Martin Ward	1,335,192	482,555	(115,376)	(334,191)	1,368,180	94,269	1,384,258

(1) Loan forgiveness amounts under LTEIP in relation to the 2014 LTEIP grant.

(2) Repayments by the participants, including after tax dividends paid on the shares applied against the loan, and repayment of the loan related to the 2014 LTEIP.

7.5 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 program.

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, and 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 achieve policy adherence.

Illustrative example of how LTEIP operates

The table below 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 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. The Group incurs fringe benefits tax on the loan forgiveness.

8. Non-Executive Directors' remuneration

8.1 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.

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.

A comprehensive market review was conducted in 2018. The Remuneration and Human Resources Committee's (RHC's) independent adviser provided data and analysis on fee levels in similar Australian-based organisations. No remuneration recommendations as defined in section 9B of the Corporations Act 2001 were provided. Taking this market data into account, the Board determined that the RHC and the Safety & Sustainability Committee fees would be increased to match those of the Audit and Risk Committee, to reflect the equal importance of each of the committees to DuluxGroup. The new Committee fees are provided in the table below.

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

Following the review, the Board approved the following base fees effective 1 January 2018 (inclusive of statutory superannuation) as shown in the table below:

Non-Executive Director fees

	BASE FEES	AUDIT AND RISK COMMITTEE	REMUNERATION AND HUMAN RESOURCES COMMITTEE	SAFETY AND SUSTAINABILITY COMMITTEE
Non-executive Chairman	$425,400	–	–	–
Non-executive Director	$158,500	–	–	–
Committee Chair	–	$36,850	$36,850	$36,850
Committee Member	–	$18,450	$18,450	$18,450

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.

Non-Executive Directors do not receive any retirement allowances.

8.2 Alignment with shareholders and the Sacrifice Share Acquisition Plan (SSAP)

The minimum shareholding policy for Non-Executive Directors, and their current shareholdings are detailed in section 5.

The Company's SSAP contribution-based share plan was implemented in 2016. It allows Australian-based Non-Executive Directors, executives, and other members of the DuluxGroup Executive 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. Approval was sought at the 2017 AGM to allow for future shares for Non-Executives Directors under this plan to be either purchased on market or newly issued for a three-year time period.

The rights issued under the SSAP do not have performance conditions and are exchanged for shares in November and/or 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).

Three of the current Non-Executive Directors, including the Chairman, have received rights under the plan. Changes in the shareholdings of Non-Executive Directors during the year are shown in the table below.

Non-Executive Director Shareholdings

	NUMBER OF SHARES (OR RIGHTS TO SHARES)			
NAME	OPENING BALANCE 1 OCT 2017[1]	ACQUIRED UNDER THE SSAP[2]	NET OTHER MOVEMENTS[3]	CLOSING BALANCE 30 SEP 2018[1]
Graeme Liebelt	36,575	14,695	–	51,270
Joanne Crewes	–	1,714	–	1,714
Jane Harvey	–	3,154	–	3,154
Garry Hounsell	154,762	–	2,623	157,385
Peter Kirby	211,150	27,480	–	238,630
Andrew Larke	172,156	–	–	172,156
Judith Swales	60,000	–	–	60,000

(1) The opening and closing balances include ordinary 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. The opening balance for KMP who joined the company during the year is shown as at their commencement date, and similarly the closing balance for those leaving during the year is at their departure date. Relevant dates are provided in section 2.

(2) Mr Liebelt received 719 rights on 23 November 2017, at a price of $6.95 per right, in respect of a sacrificed travel allowance. These were exercised into shares on 24 November 2017. The remaining rights (for all directors) in this column were received on 24 May 2018 in respect of sacrificed fees and allowances between 1 November 2017 and 30 April 2018, based on the volume-weighted share price over the five trading days prior to 24 May 2018 of $7.74, and exercised into shares on 25 May 2018. Sacrificed contributions to the plan from 1 May 2018 will result in a further allocation of rights in November 2018. 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.

(3) Acquisition and disposal transactions other than those covered in other columns of the table.

Remuneration for 2018

Details of Non-Executive Director remuneration for the financial year ended 30 September 2018 are set out in the table below.

Non-Executive Director remuneration

NAME	FINANCIAL YEAR	DIRECTORS BASE FEES $	AUDIT AND RISK COMMITTEE $	SAFETY AND SUSTAINABILITY COMMITTEE $	REMUNERATION AND HUMAN RESOURCES COMMITTEE $	SUPERANNUATION[1] $	OTHER BENEFITS[2] $	TOTAL $
Graeme Liebelt	2018	225,225	3,071	25,850	12,938	–	5,000	272,084
	2017	155,893	–	29,525	11,138	–	5,000	201,556
Joanne Crewes[3]	2018	99,249	–	1,444	11,553	7,258	5,000	124,504
Jane Harvey[3]	2018	101,083	23,502	–	1,470	5,716	5,000	136,771
Garry Hounsell[3]	2018	36,187	8,413	–	3,391	4,559	–	52,550
	2017	143,950	33,459	–	13,482	18,135	10,000	219,026
Peter Kirby[3]	2018	315,709	–	–	–	3,341	–	319,050
	2017	423,050	–	–	–	–	10,000	433,050
Andrew Larke	2018	150,760	17,549	–	31,145	10,085	5,000	214,539
	2017	149,476	17,389	–	13,999	9,862	10,000	200,726
Judith Swales	2018	144,749	16,849	17,428	–	17,007	–	196,033
	2017	143,950	16,747	13,481	–	16,547	5,000	195,725

(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 Crewes and Ms Harvey commenced with DuluxGroup, and Mr Hounsell and Mr Kirby ceased with DuluxGroup during 2018. Their 2018 fees are therefore for a part-year period only.

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 2018 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
14 November 2018

Consolidated Income Statement
For the financial year ended 30 September

	NOTES	2018 $'000	2017 $'000
Revenue		**1,843,714**	1,784,468
Other income	3	**21,175**	4,227
Expenses			
Changes in inventories of finished goods and work in progress		**(7,400)**	(6,339)
Raw materials and consumables used and finished goods purchased for resale		**769,900**	726,836
Employee benefits		**406,705**	389,791
Depreciation and amortisation	4	**34,467**	31,282
Repairs and maintenance		**13,458**	13,281
Operating leases		**54,698**	53,593
Outgoing freight		**75,927**	73,070
Purchased services		**118,116**	118,088
Other expenses[1]		**177,963**	176,118
Share of net profit of equity accounted investment	20	**(2,139)**	(1,235)
		1,641,695	1,574,485
Earnings before interest and income tax expense (EBIT)		**223,194**	214,210
Finance income		**504**	189
Finance expenses	4	**(17,442)**	(17,483)
Net finance costs		**(16,938)**	(17,294)
Profit before income tax expense		**206,256**	196,916
Income tax expense	13	**(57,727)**	(57,255)
Profit for the year		**148,529**	139,661
Attributable to:			
Ordinary shareholders of DuluxGroup Limited		**150,674**	142,941
Non-controlling interest in controlled entities		**(2,145)**	(3,280)
Profit for the year		**148,529**	139,661

		Cents	Cents
Earnings per share			
Attributable to the ordinary shareholders of DuluxGroup Limited:			
Basic earnings per share	5	**39.4**	37.3
Diluted earnings per share	5	**38.9**	36.7

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

(1) Largely comprises of commissions, royalties and other fixed and variable costs.

Consolidated Statement of Comprehensive Income

For the financial year ended 30 September

	2018 $'000	2017 $'000
Profit for the year	**148,529**	139,661
Other comprehensive income		
Items that may be reclassified to the income statement		
Cash flow hedge reserve		
Effective portion of changes in fair value of cash flow hedges	**61**	1,991
Income tax expense	**(18)**	(597)
Foreign currency translation reserve		
Foreign currency translation gain/(loss) on foreign operations	**1,812**	(4,344)
Total items that may be reclassified to the income statement, net of tax	**1,855**	(2,950)
Items that will not be reclassified to the income statement		
Retained earnings		
Actuarial (losses)/gains on defined benefit plan	**(11,676)**	21,759
Income tax benefit/(expense)	**3,503**	(6,528)
Total items that will not be reclassified to the income statement, net of tax	**(8,173)**	15,231
Other comprehensive income for the year, net of tax	**(6,318)**	12,281
Total comprehensive income for the year	**142,211**	151,942
Attributable to:		
Ordinary shareholders of DuluxGroup Limited	**144,401**	155,240
Non-controlling interest in controlled entities	**(2,190)**	(3,298)
Total comprehensive income for the year	**142,211**	151,942

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

Consolidated Balance Sheet
As at 30 September

	NOTES	2018 $'000	2017 $'000
Current assets			
Cash and cash equivalents		**55,315**	38,974
Trade and other receivables	7	**288,760**	277,677
Inventories	7	**243,947**	229,394
Derivative financial assets	15	**3,944**	3,847
Other assets		**9,777**	6,613
Assets held for sale	8	**–**	6,814
Total current assets		**601,743**	563,319
Non-current assets			
Other receivables	7	**8**	35
Derivative financial assets	15	**42,536**	36,945
Equity accounted investment	20	**9,892**	7,753
Property, plant and equipment	9	**383,228**	371,805
Intangible assets	10	**231,592**	228,670
Deferred tax assets	13	**50,301**	50,436
Other assets		**6,185**	3,138
Total non-current assets		**723,742**	698,782
Total assets		**1,325,485**	1,262,101
Current liabilities			
Trade and other payables	7	**264,699**	264,912
Interest-bearing liabilities	14	**11,395**	16,570
Derivative financial liabilities	15	**428**	619
Current tax payable		**11,093**	18,567
Provisions	12	**74,658**	77,369
Total current liabilities		**362,273**	378,037
Non-current liabilities			
Other payables	7	**363**	249
Interest-bearing liabilities	14	**432,394**	398,116
Deferred tax liabilities	13	**29,518**	28,096
Provisions	12	**11,946**	13,339
Defined benefit liability	21	**48,526**	36,964
Total non-current liabilities		**522,747**	476,764
Total liabilities		**885,020**	854,801
Net assets		**440,465**	407,300
Equity			
Share capital	16	**289,432**	277,282
Treasury shares	16	**(41,060)**	(22,286)
Reserves		**(98,627)**	(101,444)
Retained earnings		**293,425**	257,101
Total equity attributable to ordinary shareholders of DuluxGroup Limited		**443,170**	410,653
Non-controlling interest in controlled entities		**(2,705)**	(3,353)
Total equity		**440,465**	407,300

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

Consolidated Statement of Changes in Equity

For the financial year ended 30 September

	TOTAL EQUITY ATTRIBUTABLE TO ORDINARY SHAREHOLDERS OF DULUXGROUP LIMITED									
	SHARE CAPITAL $'000	TREASURY SHARES $'000	SHARE-BASED PAYMENTS RESERVE $'000	CASH FLOW HEDGE RESERVE[3] $'000	FOREIGN CURRENCY TRANS-LATION RESERVE $'000	COMMON CONTROL RESERVE[4] $'000	RETAINED EARNINGS $'000	TOTAL $'000	NON-CONTROL-LING INTEREST $'000	TOTAL EQUITY $'000
Balance at 1 October 2017	**277,282**	**(22,286)**	**8,103**	**(1,492)**	**1,155**	**(109,210)**	**257,101**	**410,653**	**(3,353)**	**407,300**
Profit/(loss) for the year	–	–	–	–	–	–	**150,674**	**150,674**	**(2,145)**	**148,529**
Other comprehensive income/(loss), net of tax	–	–	–	**43**	**1,857**	–	**(8,173)**	**(6,273)**	**(45)**	**(6,318)**
Total comprehensive income for the year	–	–	–	**43**	**1,857**	–	**142,501**	**144,401**	**(2,190)**	**142,211**
Transactions with owners, recorded directly in equity										
Purchase of treasury shares	–	**(27,756)**	–	–	–	–	–	**(27,756)**	–	**(27,756)**
Shares allocated under the dividend reinvestment plan (DRP)	–	**8,937**	–	–	–	–	–	**8,937**	–	**8,937**
Sale of treasury shares	–	**45**	–	–	–	–	–	**45**	–	**45**
Non-controlling interest on incorporation of a subsidiary[1]	–	–	–	–	–	–	–	–	**2,838**	**2,838**
Share-based payments	–	–	**4,742**	–	–	–	–	**4,742**	–	**4,742**
Shares vested under the LTEIP and ESIP[2]	**12,150**	–	**(3,825)**	–	–	–	–	**8,325**	–	**8,325**
Dividends paid	–	–	–	–	–	–	**(106,177)**	**(106,177)**	–	**(106,177)**
Balance at 30 September 2018	**289,432**	**(41,060)**	**9,020**	**(1,449)**	**3,012**	**(109,210)**	**293,425**	**443,170**	**(2,705)**	**440,465**
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 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[2]	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

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

(1) Represents the non-controlling interest on establishment of the PT Avian Selleys business. PT Avian Selleys was incorporated on 19 September 2017.

(2) The total amount of $8,325,000 (2017: $8,551,000) comprises the following:

- Proceeds of $6,642,000 (2017: $7,317,000) (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 2014 Long Term Equity Incentive Plan (LTEIP).
- Amounts totalling $1,683,000 (2017: $1,234,000) 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 DuluxGroup as a liability until such time as an employee has the right to on-sell the shares, at which time the amount is recognised in contributed equity.

(3) Includes the foreign currency basis reserve which represents changes in the fair value of the Cross Currency Interest Rate Swap attributable to movement in the foreign currency basis spread.

(4) The prior year Common control reserve has been restated to account for the deferred tax liability on indefinite life intangibles. Further details are available in the Group's 30 September 2017 Annual Report.

Consolidated Statement of Cash Flows

For the financial year ended 30 September

	2018 $'000	2017 $'000
Cash flows from operating activities		
Profit before income tax expense	**206,256**	196,916
Adjustments for:		
Depreciation and amortisation	**34,467**	31,282
Amortisation of prepaid supply agreements	**1,298**	1,296
Share-based payments expense	**4,725**	3,330
Defined benefit service cost	**4,215**	5,750
Research and development grant income	**(802)**	(962)
Share of net profit of equity accounted investment	**(2,139)**	(1,235)
Profit on disposal of business assets	**(11,628)**	–
Impairment of inventories, trade and other receivables	**6,372**	3,380
Impairment of property, plant and equipment and intangible assets	**2,015**	–
Net (profit)/loss on sale of property, plant and equipment	**(5,631)**	234
Net foreign exchange losses/(gains) on operating items	**713**	(1,792)
Net finance cost	**16,938**	17,294
	256,799	255,493
Changes in assets and liabilities:		
Increase in trade, other receivables and other assets	**(21,154)**	(26,740)
Increase in inventories	**(18,137)**	(13,338)
Decrease in trade and other payables and provisions	**(3,574)**	13,695
Cash generated from operations	**213,934**	229,110
Interest received	**435**	189
Interest paid	**(14,704)**	(13,628)
Income taxes paid	**(59,435)**	(49,701)
Net cash inflow from operating activities	**140,230**	165,970
Cash flows from investing activities		
Payments for property, plant and equipment and intangible assets	**(55,215)**	(96,073)
Payments for purchase of businesses	**(8,047)**	(571)
Proceeds from disposal of business assets	**20,996**	–
Proceeds from disposal of property, plant and equipment and asset held for sale	**13,297**	191
Net cash outflow from investing activities	**(28,969)**	(96,453)
Cash flows from financing activities		
Proceeds from borrowings	**2,807,204**	2,890,779
Repayments of borrowings	**(2,786,069)**	(2,857,650)
Payments for purchase of treasury shares	**(27,756)**	(18,002)
Proceeds from sale of treasury shares	**45**	8
Proceeds from employee share plan repayments	**8,420**	8,551
Dividends paid (net of shares allocated/issued as part of the DRP)	**(97,240)**	(92,114)
Contribution from non-controlling interest on establishment of business	**2,838**	–
Other financing activities	**(4,000)**	–
Net cash outflow from financing activities	**(96,558)**	(68,428)
Net increase in cash held	**14,703**	1,089
Cash at the beginning of the year	**38,974**	39,068
Effects of exchange rate changes on cash	**1,638**	(1,183)
Cash at the end of the year	**55,315**	38,974

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 2018

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 29. 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 14 November 2018 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

i) 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).

ii) 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.

iii) 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 10 Intangible assets
- Note 11 Impairment testing
- Note 12 Provisions
- Note 13 Income tax
- Note 21 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.

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; 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, Papua New Guinea coatings business and Craig & Rose decorative paints business and Selleys business in the United Kingdom. Also includes the 51% owned DGL business in China and Hong Kong and the 50.01% owned PT Avian Selleys business in Indonesia.

2. Segment report (continued)

	DULUX ANZ		SELLEYS & PARCHEM ANZ		B&D GROUP		LINCOLN SENTRY		OTHER BUSINESSES		CORPORATE & UNALLOCATED[3]		CONSOLIDATED	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Revenue														
External revenue	**979,865**	934,172	**261,311**	252,033	**188,652**	182,532	**203,421**	195,121	**210,465**	220,610	**-**	-	**1,843,714**	1,784,468
Inter-segment revenue	**2,373**	3,145	**7,911**	8,682	**5**	-	**82**	49	**3,835**	1,588	**(14,206)**	(13,464)	**-**	-
Total revenue	**982,238**	937,317	**269,222**	260,715	**188,657**	182,532	**203,503**	195,170	**214,300**	222,198	**(14,206)**	(13,464)	**1,843,714**	1,784,468
Other income[1]	**3,114**	3,208	**328**	495	**21**	253	**(13)**	-	**11,670**	254	**6,055**	17	**21,175**	4,227
Total revenue and other income	**985,352**	940,525	**269,550**	261,210	**188,678**	182,785	**203,490**	195,170	**225,970**	222,452	**(8,151)**	(13,447)	**1,864,889**	1,788,695
Results														
EBITDA[2]	**191,729**	179,675	**36,702**	36,480	**26,238**	24,877	**16,896**	16,606	**13,447**	14,338	**(27,351)**	(26,484)	**257,661**	245,492
Depreciation and amortisation	**(18,967)**	(14,706)	**(2,700)**	(2,813)	**(6,564)**	(6,674)	**(1,130)**	(2,140)	**(2,718)**	(3,074)	**(2,388)**	(1,875)	**(34,467)**	(31,282)
EBIT	**172,762**	164,969	**34,002**	33,667	**19,674**	18,203	**15,766**	14,466	**10,729**	11,264	**(29,739)**	(28,359)	**223,194**	214,210
Finance income													**504**	189
Finance expenses													**(17,442)**	(17,483)
Profit before income tax expense													**206,256**	196,916
Income tax expense													**(57,727)**	(57,255)
Profit for the year													**148,529**	139,661
Attributable to:														
Ordinary shareholders of DuluxGroup Limited													**150,674**	142,941
Non-controlling interest in controlled entities													**(2,145)**	(3,280)
Profit for the year													**148,529**	139,661
Acquisitions of property, plant and equipment and intangible assets	**36,067**	85,176	**1,831**	2,804	**2,512**	2,162	**1,300**	798	**3,797**	2,864	**-**	-	**45,507**	93,804

(1) Included in other income in the Corporate and unallocated segment is the net profit on disposal of the Glen Waverley site of $6,063,000.

(2) Earnings before interest, income tax expense, depreciation and amortisation.

(3) Comprises of centrally managed income, costs, assets and liabilities relating to properties, tax, treasury and the Group's defined benefit pension plan. Within EBITDA, $3,000,000 of costs associated with the start-up of the Merrifield paint factory has been recognised within the Corporate and unallocated segment.

Revenue from one of the Group's customers was approximately 26% (2017: 25%) of the total Group revenue during the year ended 30 September 2018. 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 2018 and 2017.

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	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Australia	**1,545,398**	1,468,431	**561,077**	543,019
New Zealand	**201,499**	199,280	**41,122**	44,086
Other countries	**96,817**	116,757	**14,806**	16,508
	1,843,714	1,784,468	**617,005**	603,613

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

	2018 $'000	2017 $'000
Net profit on disposal of business assets (note 19)	**11,628**	–
Net profit on disposal of property, plant and equipment[1]	**5,631**	–
Royalty income	**276**	805
Rental income	**1,322**	994
Research and development grant income	**802**	962
Other	**1,516**	1,466
	21,175	4,227

[1] Includes $6,063,000 of profit on disposal of the Glen Waverley site during the period. The net book value of this site of $6,814,000 was presented as an asset held for sale within the Consolidated Balance Sheet as at 30 September 2017. Proceeds of $12,862,000 net of agency fees were received during the year ended 30 September 2018.

4. Expenses

Profit before income tax includes the following expense items not otherwise detailed in these financial statements:

	2018 $'000	2017 $'000
Depreciation	**28,144**	24,164
Amortisation	**6,323**	7,118
Depreciation and amortisation	**34,467**	31,282
Interest and finance charges paid/payable for financial liabilities not at fair value through profit or loss	**16,569**	15,410
Provisions: unwinding of discounting	**873**	2,073
Finance expenses	**17,442**	17,483
Net loss on disposal of property, plant and equipment	**–**	234
Net foreign exchange losses	**492**	413
Research and development expense	**20,758**	20,608

5. Earnings per share

	2018 CENTS PER SHARE	2017 CENTS PER SHARE
Attributable to the ordinary shareholders of DuluxGroup Limited		
Basic earnings per share	**39.4**	37.3
Diluted earnings per share	**38.9**	36.7

	$'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	**150,674**	142,941

	NUMBER	NUMBER
Weighted average number of ordinary shares outstanding used as the denominator:		
Number for basic earnings per share	**382,575,907**	382,868,053
Effect of the potential vesting of shares under the LTEIP and ESIP[1]	**4,908,230**	6,158,229
Number for diluted earnings per share	**387,484,137**	389,026,282

[1] The calculation of the weighted average number of shares has been adjusted for the effect of these potential ordinary shares from the earlier of the date of issue or the beginning of the year.

6. Dividends

	2018 $'000	2017 $'000
Dividends paid		
Final dividend for 2017 of 13.5 cents per share fully franked (2016: Final dividend of 12.5 cents per share fully franked)	**52,138**	48,278
Interim dividend for 2018 of 14.0 cents per share fully franked (2017: Interim dividend of 13.0 cents per share fully franked)	**54,039**	50,202
	106,177	98,480
Dividend franking account		
Franking credits available to shareholders for subsequent financial years based on a tax rate of 30% (2017:30%)	**29,823**	28,745

a) Dividends declared after balance date

On 14 November 2018, the Directors determined that a final dividend of 14.0 cents per ordinary share will be paid in respect of the 2018 financial year. The dividend will be fully franked and payable on 12 December 2018. The financial effect of this dividend is not included in the financial statements for the year ended 30 September 2018 and will be recognised in the 2019 annual financial statements. The Company's DRP has been suspended and therefore will not operate with respect to the final dividend.

7. Working capital

	2018 $'000	2017 $'000
Current		
Trade and other receivables[1]	**288,760**	277,677
Trade and other payables	**(264,699)**	(264,912)
Inventories:		
Raw materials	**44,911**	37,758
Work in progress	**8,312**	6,697
Finished goods	**190,724**	184,939
	243,947	229,394
Total current	**268,008**	242,159
Non-current		
Other receivables	**8**	35
Other payables	**(363)**	(249)
Total non-current	**(355)**	(214)
Total working capital	**267,653**	241,945

[1] Current receivables is net of $20,327,000 (2017: $20,036,000) 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:

	2018 GROSS $'000	2017 GROSS $'000	2018 ALLOWANCE $'000	2017 ALLOWANCE $'000	2018 NET $'000	2017 NET $'000
Not past due	**261,934**	249,448	**12**	33	**261,922**	249,415
Past due 0 – 30 days	**15,945**	15,201	**394**	6	**15,551**	15,195
Past due 31 – 60 days	**3,617**	3,207	**150**	10	**3,467**	3,197
Past due 61 – 90 days	**2,270**	3,275	**93**	22	**2,177**	3,253
Past due 91 – 120 days	**2,988**	2,316	**363**	173	**2,625**	2,143
Past 120 days	**6,601**	7,110	**3,575**	2,601	**3,026**	4,509
	293,355	280,557	**4,587**	2,845	**288,768**	277,712

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:

	2018 $'000	2017 $'000
Opening balance	**2,845**	2,914
Allowances made (net of amounts written back)	**3,518**	1,796
Allowances utilised	**(1,868)**	(1,819)
Foreign currency exchange differences	**92**	(46)
Balance at 30 September	**4,587**	2,845

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 was $6,814,000 inclusive of both land and machinery, plant and equipment. Accordingly, the asset associated to the Glen Waverley site was presented as an asset held for sale within the Consolidated Balance Sheet at 30 September 2017. This asset was sold during the year ended 30 September 2018, (refer note 3). No assets are held for sale at 30 September 2018.

9. Property, plant and equipment

	LAND $'000	BUILDINGS AND LEASEHOLD IMPROVEMENTS $'000	MACHINERY, PLANT AND EQUIPMENT $'000	TOTAL $'000
2018				
Cost	**46,645**	**139,707**	**493,001**	**679,353**
Less accumulated depreciation and impairment	**–**	**(44,349)**	**(251,776)**	**(296,125)**
Net book value	**46,645**	**95,358**	**241,225**	**383,228**
Balance at 1 October 2017	**45,254**	**75,240**	**251,311**	**371,805**
Additions	**–**	**1,622**	**40,481**	**42,103**
Business acquisitions	**–**	**–**	**225**	**225**
Disposals	**–**	**(264)**[(1)]	**(863)**	**(1,127)**
Business disposal	**–**	**–**	**(161)**	**(161)**
Depreciation	**–**	**(3,466)**	**(24,678)**	**(28,144)**
Impairment	**–**	**–**	**(1,961)**	**(1,961)**
Transfer between classes[(2)]	**1,384**	**22,315**	**(23,699)**	**–**
Foreign currency exchange differences	**7**	**(89)**	**570**	**488**
Balance at 30 September 2018	**46,645**	**95,358**	**241,225**	**383,228**
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
Business acquisitions	–	–	44	44
Fair value adjustment on business acquisitions	–	(490)	–	(490)
Disposals	–	(12)[(1)]	(425)	(437)
Depreciation	–	(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

(1) Includes an amount of $264,000 (2017: $12,000) relating to the reassessment of the leased properties restoration provision.

(2) Transfers relate primarily to the finalisation of the new paint factory.

a) Assets under construction

Included in the closing balances above are assets under construction at 30 September 2018 of $12,280,000 (2017: $145,300,000).

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 judgments

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
2018						
Cost	**152,033**	**8,246**	**63,717**	**41,590**	**29,299**	**294,885**
Less accumulated amortisation	**–**	**(6,143)**	**(727)**	**(36,134)**	**(20,289)**	**(63,293)**
Net book value	**152,033**	**2,103**	**62,990**	**5,456**	**9,010**	**231,592**
Balance at 1 October 2017	**144,637**	**2,217**	**64,582**	**5,378**	**11,856**	**228,670**
Additions	**–**	**64**	**–**	**3,340**	**–**	**3,404**
Business acquisitions	**7,157**	**–**	**–**	**5**	**–**	**7,162**
Business disposal	**–**	**–**	**(1,497)**	**–**	**–**	**(1,497)**
Amortisation	**–**	**(178)**	**(89)**	**(3,210)**	**(2,846)**	**(6,323)**
Impairment	**–**	**–**	**–**	**(54)**	**–**	**(54)**
Foreign currency exchange differences	**239**	**–**	**(6)**	**(3)**	**–**	**230**
Balance at 30 September 2018	**152,033**	**2,103**	**62,990**	**5,456**	**9,010**	**231,592**
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
Business acquisitions	194	–	–	–	–	194
Amortisation	790	–	–	–	–	790
Transfers between classes	–	(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

a) Intangibles under development

Included in the closing balance above are software assets under development at 30 September 2018 of $3,243,000 (2017: $1,441,000).

b) Accounting policies

i) 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.

ii) 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 judgments

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	
	2018 $'000	**2017 $'000**	**2018 $'000**	**2017 $'000**
Dulux ANZ	**29,272**	29,272	**26,900**	26,900
Selleys & Parchem ANZ	**43,283**	43,285	**3,400**	3,400
B&D Group	**39,537**	39,537	**15,000**	15,000
Lincoln Sentry	**18,193**	18,193	**2,400**	2,400
Yates[(1)]	**17,196**	10,039	**14,858**	14,858
DGL International UK [(1)]	**4,552**	4,311	**–**	–
	152,033	144,637	**62,558**	62,558

(1) Included within the 'Other Businesses' segment in note 2.

11. Impairment

During the year ended 30 September 2018, impairment of property, plant and equipment and intangible assets (software) totalling $2,015,000 was recognised as a result of restructuring following the sale of the Group's coatings business in China (refer note 19). The review for impairment at 30 September 2018 did not result in any further impairment charges being recognised by the Group (2017: $NIL). For all Cash-Generating Units (CGUs) apart from the UK 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 UK CGU, the business is still in its start-up phase. The recoverable amount has been determined using a value-in-use based approach. If there was a negative variation in any key assumption, in the absence of other factors, this may lead to an impairment of the UK CGU. The UK CGU includes $9,534,000 of non-current assets and $17,927,000 of total assets at 30 September 2018.

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, 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.

The pre-tax discount rates applied in the discounted cash flow models range between 8% and 14% (2017: 10% and 15%). The sales revenue terminal growth rates applied in the discounted cash flow models range between 0% and 3% (2017: 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.

11. Impairment (continued)

a) Accounting policies (continued)

i) 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 judgments

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 ENTITLEMENTS $'000	RESTRUCTURING[1] $'000	LEASED PROPERTIES $'000	OTHER $'000	TOTAL $'000
2018					
Current	**63,901**	**6,579**	**574**	**3,604**	**74,658**
Non-current	**4,416**	**–**	**6,200**	**1,330**	**11,946**
Total provisions	**68,317**	**6,579**	**6,774**	**4,934**	**86,604**
Balance at 1 October 2017		**9,710**	**8,443**	**4,454**	
Provisions made (net of amounts written back)		**6,337**	**(1,243)**	**4,673**	
Provisions utilised		**(9,490)**	**(1,169)**	**(4,346)**	
Unwind of discounting		**–**	**690**	**148**	
Foreign currency exchange differences		**22**	**53**	**5**	
Balance at 30 September 2018		**6,579**	**6,774**	**4,934**	
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	

[1] At 30 September 2018 the closing balance largely comprises the restructuring costs in association with the sale of the Group's coatings business in China (refer note 19). As at 30 September 2017 the closing balance largely comprises the redundancy costs recognised in association with the Group's supply chain projects.

Current employee benefit liabilities include $26,782,000 (2017: $26,046,000) in respect of long service leave due at 30 September 2018. Amounts expected to be settled during the 2019 financial year amount to approximately $2,234,000.

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.

i) 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.

ii) 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.

iii) 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.

iv) Other

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

b) Accounting estimates and judgments

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

	2018 $'000	2017 $'000
Current tax expense	**52,661**	55,195
Deferred tax expense	**5,066**	2,060
Income tax expense	**57,727**	57,255
Deferred tax expense included in income tax expense comprises:		
Decrease in deferred tax assets	**3,711**	1,611
Increase in deferred tax liabilities	**1,355**	449
	5,066	2,060
Reconciliation of prima facie tax expense to income tax expense		
Profit before income tax expense	**206,256**	196,916
Prima facie income tax expense calculated at 30% of profit before tax	**61,877**	59,075
Tax effect of items which (decrease)/increase tax expense:		
Foreign tax rate differential	**(981)**	69
Non-taxable income and profits, net of non-deductible expenditure	**(3,014)**	(1,290)
Share of net profit of equity accounted investment	**(642)**	(370)
Tax losses and other deferred tax assets not recognised	**2,919**	1,422
Sundry items	**384**	1,054
Amounts over provided in prior years	**(2,816)**	(2,705)
Income tax expense	**57,727**	57,255

b) Deferred tax assets and liabilities

	DEFERRED TAX ASSETS		DEFERRED TAX LIABILITIES	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
The balance comprises temporary differences attributable to:				
Trade and other receivables	**383**	424	**–**	–
Inventories	**3,333**	3,549	**–**	–
Property, plant and equipment	**4,624**	4,840	**5,694**	3,786
Intangible assets	**2,577**	2,669	**21,693**	22,719
Trade and other payables	**752**	671	**60**	91
Provisions	**3,642**	6,196	**–**	–
Employee entitlements	**34,600**	31,019	**–**	–
Tax losses	**–**	249	**–**	–
Other	**390**	819	**2,071**	1,500
Total	**50,301**	50,436	**29,518**	28,096
Expected to be recovered/settled:				
Within 12 months	**25,092**	20,502	**2,131**	1,592
After more than 12 months	**25,209**	29,934	**27,387**	26,504
	50,301	50,436	**29,518**	28,096
Movements:				
Opening balance	**50,436**	59,231	**28,096**	27,335
Additions – business acquisitions	**44**	–	**–**	–
Adjustment – prior year acquisitions	**–**	36	**–**	336
Charged to profit or loss	**(3,711)**	(1,611)	**1,355**	449
Credited/(charged) to other comprehensive income	**3,485**	(7,126)	**–**	–
Foreign currency exchange differences	**47**	(94)	**67**	(24)
Balance at 30 September	**50,301**	50,436	**29,518**	28,096

c) Unrecognised deferred tax assets and liabilities

	2018 $'000	2017 $'000
Tax losses and other deferred tax assets not recognised in:		
Australia[1]	**–**	1,086
China[2]	**10,827**	7,918
Hong Kong	**598**	577
Indonesia[3]	**83**	–
Malaysia	**462**	237
United Kingdom	**2,415**	994
	14,385	10,812

(1) Capital losses.

(2) Expiration dates between 2018 and 2023 (2017: between 2017 and 2022).

(3) Expiration date during 2023.

A deferred tax liability of $1,199,000 (2017: $1,000,000) 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.

i) 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 judgments

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

	2018 $'000	2017 $'000
Current – Unsecured		
Bank loan – RMB denominated	**2,255**	10,040
Bank loan – HKD denominated	**7,802**	6,530
Bank loan – MYR denominated	**1,338**	–
	11,395	16,570
Non-current – Unsecured		
Bank loan – AUD denominated[(1)]	**131,163**	156,427
Bank loan – NZD denominated	**51,376**	–
United States Private Placement (USPP)[(2)]	**248,301**	241,689
Loan from non-controlling interest – RMB denominated	**1,554**	–
	432,394	398,116

(1) The non-current AUD denominated unsecured bank loan amount comprises of AUD 132,000,000 (2017: AUD 157,000,000) drawn under the Group's committed bank loan facilities, net of unamortised prepaid loan establishment fees of AUD 837,000 (2017: AUD 573,000).

(2) The carrying value of the USPP is net of unamortised prepaid loan establishment fees of AUD 769,000 (2017: AUD 865,000).

a) USPP

The USPP comprises 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:

	2018 $'000	2017 $'000
USPP – carrying amount	**248,301**	241,689
add back USPP prepaid loan establishment fees	**769**	865
CCIRS	**(44,739)**	(38,275)
IRS	**(3,266)**	(3,214)
Net USPP debt	**201,065**	201,065

b) Analysis of changes in interest-bearing liabilities

	BANK & NON-CONTROLLING INTEREST LOANS		NET USPP DEBT	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Balance at 1 October	**172,997**	139,590	**241,689**	261,993
Cash flows:				
Proceeds from borrowings	**2,807,204**	2,890,779	**–**	–
Repayments of borrowings	**(2,786,069)**	(2,857,650)	**–**	–
Non-cash changes – carrying value:				
Changes in fair value	**–**	–	**6,516**	(20,399)
Foreign exchange	**1,030**	(613)	**–**	–
Other movements	**326**	891	**96**	95
Balance at 30 September	**195,488**	172,997	**248,301**	241,689

c) 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 committed bank loan facilities, USPP and other overseas bank facilities as detailed in note 17.

d) Defaults and breaches

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

e) 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	2018 $'000	2017 $'000	METRIC/RATIO
Net debt to EBITDA	Gross interest-bearing liabilities	**445,395**	416,124	**1.3 times** (2017: 1.4 times)
	Less:			
	Prepaid loan establishment fees	**(1,606)**	(1,438)	
	USPP derivatives[1]	**(48,005)**	(41,489)	
	Cash and cash equivalents	**(55,315)**	(38,974)	
	Net debt	**340,469**	334,223	
	EBITDA	**257,661**	245,492	
Interest cover ratio	EBITDA	**257,661**	245,492	**16.3** (2017: 16.0 times)
	Net finance costs	**16,938**	17,294	
	Less:			
	Amortisation of prepaid loan establishment fees	**(382)**	(987)	
	Unwind of discounting	**(873)**	(2,073)	
	Defined benefit fund interest	**(1,243)**	(1,812)	
	Addback:			
	Capitalised interest	**1,370**	2,922	
	Adjusted net finance costs	**15,810**	15,344	
Accounting gearing ratio	Net debt[2]	**340,469**	334,223	**44%** (2017: 45%)
	Net debt plus total equity	**780,934**	741,523	

(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.

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) on the following page.

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 2018. As at 30 September 2018, the Group had no fixed 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:

	2018 $'000	2017 $'000	2018 % P.A.	2017 % P.A.
Cash at bank and on hand	**55,315**	38,974	**1.0**	0.6
Other financial asset[1]	**4,000**	–	**5.5**	–
Net interest bearing liabilities[2]	**397,390**	374,635	**3.6**	3.8

[1] Comprises a $4,000,000 non-current interest-bearing loan receivable recorded as part of other assets in the consolidated balance sheet (2017: $NIL).

[2] 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		INCREASE/(DECREASE) IN TOTAL EQUITY	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Interest rates were -10%	**991**	857	**991**	857
Interest rates were +10%	**(991)**	(857)	**(991)**	(857)

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 Group's foreign currency exposures are USD, NZD, RMB, HKD, EUR, GBP 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.

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/PGK	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Increase/(decrease) in profit after income tax expense[1]				
Foreign exchange rates -10%	**(386)**	(279)	**381**	455
Foreign exchange rates +10%	**268**	228	**(312)**	(372)
Increase/(decrease) in total equity[1]				
Foreign exchange rates -10%	**(386)**	(279)	**381**	455
Foreign exchange rates +10%	**268**	228	**(312)**	(372)

[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 2018 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, GBP 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 2018, the Group did not have any outstanding derivative instruments pertaining to foreign currency earnings (2017: 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.

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 BANK OVERDRAFT, USPP AND LOAN FACILITIES[2,3]	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Amount of facilities available	**10,422**	10,439	**626,719**	620,989
Amount of facilities undrawn	**10,422**	10,439	**229,329**	246,354

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

(2) As at the 30 September 2018, the maturity dates of the committed loan facilities range from 7 January 2019 to 19 September 2026 (2017: 7 January 2018 to 19 September 2026).

(3) Includes AUD 250,000,000 (2017: AUD 250,000,000) unsecured multi-currency syndicated bank loan facility, AUD 100,000,000 (2017: AUD 100,000,000) unsecured bilateral loan facility, AUD 50,000,000 (2017: AUD 50,000,000) unsecured overdraft facility and notes issued under the USPP of AUD 201,065,000 (2017: AUD 201,065,000). Includes other working capital facilities denominated in RMB, HKD and MYR totalling an equivalent AUD 25,654,000 (2017: 19,922,000).

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	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Carrying amount	**265,062**	265,161	**445,823**	416,743	**710,885**	681,904
Less than 1 year	**264,699**	264,912	**25,832**	29,228	**290,531**	294,140
1 to 2 years	**68**	67	**194,290**	165,529	**194,358**	165,596
2 to 5 years	**215**	210	**61,669**	60,477	**61,884**	60,687
Over 5 years	**62**	136	**172,572**	177,685	**172,634**	177,821
Total	**265,044**	265,325	**454,363**	432,919	**719,407**	698,244

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

15. Financial and capital management (continued)

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 customers 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 2018, 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 TECHNIQUES
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/ (LIABILITIES) AT AMORTISED COST		DERIVATIVE INSTRUMENTS DESIGNATED AS HEDGES		TOTAL CARRYING AMOUNT	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Financial assets								
Cash at bank and on hand	**55,315**	38,974	**–**	–	**–**	–	**55,315**	38,974
Trade and other receivables	**–**	–	**288,768**	277,712	**–**	–	**288,768**	277,712
Derivative financial assets	**–**	–	**–**	–	**46,480**	40,792	**46,480**	40,792
Other financial assets	**–**	–	**4,000**	–	**–**	–	**4,000**	–
	55,315	38,974	**292,768**	277,712	**46,480**	40,792	**394,563**	357,478
Financial liabilities								
Trade and other payables	**–**	–	**(265,062)**	(265,161)	**–**	–	**(265,062)**	(265,161)
Interest-bearing liabilities[1]	**–**	–	**(443,789)**	(414,686)	**–**	–	**(443,789)**	(414,686)
Derivative financial liabilities	**–**	–	**–**	–	**(428)**	(619)	**(428)**	(619)
	–	–	**(708,851)**	(679,847)	**(428)**	(619)	**(709,279)**	(680,466)

[1] The fair value of the USPP is $251,046,000 (2017: $242,550,000).

h) Hedge accounting

The following section summarises the derivative financial instruments held by the Group:

TYPES OF HEDGE	DESCRIPTION	DERIVATIVE
Cash flow hedges	A derivative or financial instrument to hedge the exposure to variability in cash flows attributable to a particular risk associated with an asset, liability or forecast transaction.	Exchange derivative contracts to hedge future foreign currency operational payments (forwards, swaps or options). Interest rate derivative contracts to hedge future interest payments (forwards, swaps or options). Foreign exchange derivative contracts (FECs) to hedge future capital expenditure payments (forwards or options).
Fair value hedges	A derivative or financial instrument designated as hedging the change in fair value of a recognised asset or liability.	Contracts to hedge the fair value movements of designated assets or liabilities.

15. Financial and capital management (continued)

h) Hedge accounting (continued)

The Group held the following derivatives as at 30 September:

				CUMULATIVE BALANCE				DURING THE PERIOD	
				CARRYING AMOUNT OF THE HEDGING INSTRUMENT					
	MATURITY (YEARS)	HEDGE RATES	NOMINAL AMOUNT OF HEDGING INSTRUMENT AND HEDGED ITEM $'000	ASSETS $'000	LIABILITIES $'000	CUMULATIVE FAIR VALUE ADJUSTMENT ON HEDGED ITEM $'000	BALANCE OF GAINS/ (LOSSES) DEFERRED IN RESERVES(1,2) $'000	GAINS/ (LOSSES) RECOGNISED IN RESERVES(2) $'000	GAINS/ (LOSSES) RECLASSIFIED FROM RESERVES(2,3) $'000
2018									
Cash flow hedges									
FECs and options – operating expenditure	0 – 1	Various(4)	(33,895)	703	(89)	–	418	418	(300)
FECs – capital expenditure	0 – 1	Various(5)	(1,145)	13	–	–	13	13	–
CCIRS(6)	0 – 9	Floating	161,065	43,599	–	(46,149)	(2,501)	15,905	16,575
Total cash flow hedges				**44,315**	**(89)**	**(46,149)**	**(2,070)**	**16,336**	**16,275**
Fair value hedges									
CCIRS(6)	0 – 9	Floating	161,065	(1,410)	–	1,410	–	–	–
IRS	0 – 7	Floating	40,000	3,266	–	(3,266)	–	–	–
Total fair value hedges				**1,856**	**–**	**(1,856)**	**–**	**–**	**–**
Economic hedges not hedge accounted									
FECs	0 – 1	Various(7)	6,037	309	(339)	–	–	–	–
Total economic hedges				**309**	**(339)**	**–**	**–**	**–**	**–**
Total				**46,480**	**(428)**	**(48,005)**	**(2,070)**	**16,336**	**16,275**
2017									
Cash flow hedges									
FECs and options – operating expenditure	0 – 1	Various(4)	(44,126)	470	(182)	–	(300)	(345)	(1,060)
FECs – capital expenditure(8)	0 – 1	–	–	–	–	–	–	–	(149)
CCIRS(6)	0 – 9	Floating	161,065	27,562	–	(29,575)	(1,831)	(6,022)	(5,554)
IRS	0 – 1	2.91%	150,000	–	–	–	–	–	(1,595)
Total cash flow hedges				**28,032**	**(182)**	**(29,575)**	**(2,131)**	**(6,367)**	**(8,358)**
Fair value hedges									
CCIRS(6)	0 – 9	Floating	161,065	8,700	–	(8,700)	–	–	–
IRS	0 – 7	Floating	40,000	3,214	–	(3,214)	–	–	–
Total fair value hedges				**11,914**	**–**	**(11,914)**	**–**	**–**	**–**
Economic hedges not hedge accounted									
FECs	0 – 1	Various(7)	(19,924)	846	(437)	–	–	–	–
Total economic hedges				**846**	**(437)**	**–**	**–**	**–**	**–**
Total				**40,792**	**(619)**	**(41,489)**	**(2,131)**	**(6,367)**	**(8,358)**

(1) The balance of gains/(losses) deferred in reserves is net of hedge ineffectiveness (inclusive of credit value adjustment and foreign currency basis spreads) and option premiums. These are not shown separately in this table as they are not considered material.

(2) Before tax.

(3) Gains and losses recognised in the reserve will be reclassified to the income statement in the same period when the hedged item affects the income statement or in line with the cost of hedging.

(4) Hedge rates range between: AUD/USD 0.70-0.79 (2017: AUD/USD 0.74-0.79), AUD/RMB 4.81-5.13 (2017: AUD/RMB 5.17-5.37), AUD/EUR 0.60-0.64 (2017: AUD/EUR 0.67-0.69), AUD/JPY 81.90-82.90 (2017: AUD/JPY NIL).

(5) Hedge rates range between: AUD/USD 0.72-0.73, AUD/EUR 0.61-0.63.

(6) The CCIRS is designated into cash flow and fair value hedge relationships in relation to the USPP financial liabilities. During the period the $16,575,000 gain (2017: $5,554,000 loss) derived from the CCIRS foreign currency hedging impact was fully offset by the foreign currency translation movement on the USPP financial liabilities.

(7) Hedge rates range between: AUD/RMB 4.96-4.97 (2017: AUD/RMB 5.22-5.29), AUD/GBP 0.55-0.57 (2017: AUD/GBP 0.58-0.62), HKD/RMB 0.85-0.89 (2017: HKD/RMB 0.83-0.86), USD/SGD 1.36-1.37 (2017: USD/SGD 1.35-1.36), AUD/NZD NIL (2017: AUD/NZD 1.07-1.09), AUD/MYR NIL (2017: AUD/MYR 3.40-3.41), AUD/SGD NIL (2017: AUD/SGD 1.06-1.08).

(8) During the financial year ended 30 September 2017, $149,000 was reclassified from the reserve to the cost of property, plant and equipment.

i) 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 2017 were as follows:

	ORDINARY SHARES		TREASURY SHARES		TOTAL CONTRIBUTED EQUITY	
DETAILS	NUMBER OF SHARES	2018 $'000	NUMBER OF SHARES	2018 $'000	NUMBER OF SHARES	2018 $'000
Balance at 1 October 2017	389,250,252	277,282	(3,659,160)	(22,286)	385,591,092	254,996
Purchase of treasury shares	–	–	(3,552,090)	(27,756)	(3,552,090)	(27,756)
Shares allocated under the DRP[1]	–	–	1,153,964	8,937	1,153,964	8,937
Sale of treasury shares	–	–	5,796	45	5,796	45
Shares vested under the LTEIP and ESIP	–	12,150	–	–	–	12,150
Balance at 30 September 2018	**389,250,252**	**289,432**	**(6,051,490)**	**(41,060)**	**383,198,762**	**248,372**

[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 2017 are as follows:

	NUMBER OF SHARES		
DETAILS	ISSUED ORDINARY CAPITAL	TREASURY	TOTAL
Balance at 1 October 2017	2,734,477	3,659,160	6,393,637
Purchase of treasury shares	–	3,552,090	3,552,090
Shares allocated under the DRP	–	(1,153,964)	(1,153,964)
Sale of treasury shares	–	(5,796)	(5,796)
Shares vested under the LTEIP and ESIP	(2,120,631)	–	(2,120,631)
Balance at 30 September 2018	**613,846**	**6,051,490**	**6,665,336**

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 $37,205,284.

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 Pty Ltd[1]	Australia
Alesco Finance Pty Ltd[3]	Australia
Alesco Holdings Pty Ltd[4]	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
Lincoln Sentry Group Pty Ltd[1,2]	Australia
Concrete Technologies Pty Ltd	Australia
Pargone Pty Ltd	Australia
Countermast Technology (Dalian) Company Limited	China
DGL Chemicals Technology (Shanghai) Limited (formerly DGL Camel Coatings (Shanghai) Limited)[5]	China
DGL Chemicals (Dongguan) Limited (formerly DGL Camel Coatings (Dongguan) Limited)[5]	China
DGL Chemicals (Shanghai) Limited[6]	China
DGL Powder Coatings Dongguan (formerly DGL Camel Powder Coatings (Dongguan) Limited)[5]	China
DGL International (Hong Kong) Limited (formerly DGL Camel International Limited)[5]	Hong Kong
DGL Powder Coatings (Hong Kong) Limited (formerly DGL Camel Powder Coatings Limited)[5]	Hong Kong
DGL (Hong Kong) Limited (formerly DGL Camel (Hong Kong) Limited)[5]	Hong Kong
DGL (China) Limited (formerly DGL Camel (China) Limited)[5]	Hong Kong
Countermast Limited	Hong Kong
DGL Chemicals (Hong Kong) Limited[6]	Hong Kong
PT Avian Selleys Indonesia[7]	Indonesia
DGL International (Malaysia) Sdn Bhd	Malaysia
DGL International Myanmar Co Ltd	Myanmar
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
DuluxGroup (PNG) Pte Ltd[2]	Singapore
DGL International (Singapore) Pte Ltd	Singapore
DGL Chemical (Singapore) Pte Ltd (formerly DGL Camel (Singapore) Pte Ltd)[5]	Singapore
Craig & Rose Limited	United Kingdom
Automatic Technology America LLC	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) This entity was deregistered during the year ended 30 September 2018.

(4) This entity was re-registered and then deregistered during the financial year ended 30 September 2018.

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

(6) These entities were incorporated during the year ended 30 September 2018.

(7) This entity forms part of the PT Avian Selleys business, in which the Group has a 50.01% equity holding.

18. Businesses acquired

2018

On 12 June 2018, the Group acquired the Organic Crop Protectants (OCP) business in Australia. The business develops and manufactures quality eco-friendly and registered organic horticultural, nutritional and plant protection products.

The acquisition accounting for this transaction is provisional and as allowed under Australian Accounting Standards any adjustments made to these provisional numbers will be reflected in future financial periods. Finalisation is expected no later than 11 June 2019.

The provisional assets and liabilities recognised as a result of this acquisition are as follows:

	FAIR VALUE $'000
Cash consideration	8,022
Deferred consideration	900
Total consideration	8,922
Net assets of business acquired:	
Inventories	1,680
Property, plant and equipment and software	230
Deferred tax assets	44
Provision for employee entitlements	(189)
Net identifiable assets acquired	1,765
Goodwill on acquisition[1]	7,157

[1] None of the goodwill recognised is expected to be deductible for tax purposes.

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.

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.

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. Businesses disposed

2018

Following a strategic review of the DGL Camel Coatings portfolio, DGL Camel International (joint venture company 51% owned by DuluxGroup) entered in to an agreement to sell most of the coatings portfolio to Yip's Chemical Holdings Limited on 3 January 2018. The transaction was completed on 1 February 2018, with cash consideration received during the year ended 30 September 2018.

Profit on disposal before tax has been calculated as follows:

	2018 $'000
Cash consideration	**21,842**
Deferred consideration	**963**
Transaction costs	**(846)**
Net proceeds	**21,959**
Book value of assets sold:	
Trade receivables	**5,518**
Inventories	**3,155**
Brand names	**1,497**
Property, plant and equipment	**161**
Profit on disposal of business assets	**11,628**
Attributable to:	
Ordinary shareholders of DuluxGroup Limited	**5,930**
Non-controlling interest in controlled entities	**5,698**
Profit on disposal of business assets	**11,628**

The profit on disposal is included in 'Other income' in the income statement (refer to note 3) and is disclosed as part of 'Other businesses' in the segment report (refer note 2).

As a consequence of the sale, the Group has incurred further one-off restructuring costs of $11,225,000, comprising redundancies, impairment of property, plant and equipment, software intangible assets, onerous lease and other provisions. These costs are included as part of purchased services, other expenses and employee benefits expense in the Consolidated Income Statement. Accordingly, the impact of the disposal together with the associated restructuring costs on net profit was $403,000, with $206,000 attributable to DuluxGroup Limited shareholders.

2017

No business disposals occurred during the financial year ended 30 September 2017.

20. 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:

	2018 $'000	2017 $'000
Pinegro Products Pty Ltd		
Percentage of ownership interest held[(1)]	**50%**	50%
Opening balance	**7,753**	6,518
Share of net profit	**2,139**	1,235
Balance at 30 September	**9,892**	7,753

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

a) Transactions and balances with joint ventures

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

	2018 $	2017 $
Joint ventures		
Sales of goods	**418,792**	340,963
Purchases of goods	**8,539,822**	7,044,441
Current receivables	**51,836**	36,255
Current payables	**1,745,870**	1,902,544

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 2018 (2017: $NIL).

21. 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.

i) 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.

ii) 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.

iii) 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 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 2018 was $21,686,000 (2017: $20,586,000).

c) Defined benefit 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 4.2% (2017: 4.3%), pension take up rate of 50% (2017: 40%), future salary increases of 3.8% (2017: 3.8%) and future inflation of 2.5% (2017: 2.5%).

The amounts recognised in the balance sheet and a reconciliation of the movement in the net defined liability are as follows:

	2018 $'000	2017 $'000
Present value of the defined benefit obligations	**203,244**	190,823
Fair value of defined benefit plan assets	**(154,718)**	(153,859)
Net defined benefit liability at 30 September	**48,526**	36,964
Opening balance	**36,964**	56,466
Actuarial losses/(gains)(1)	**11,676**	(21,759)
Current service cost(2)	**4,215**	5,750
Interest cost(2)	**1,243**	1,812
Employer contributions(3)	**(5,572)**	(5,305)
Balance at 30 September	**48,526**	36,964

(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 $6,283,000 for the financial year ending 30 September 2019.

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

	2018	2017
Cash and other assets	**31%**	32%
Equity instruments	**40%**	35%
Fixed interest securities	**15%**	17%
Property	**14%**	16%

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.

22. 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:

	2018 $	2017 $
DuluxGroup LTEIP(1,2)	**3,418,293**	3,185,263
DuluxGroup ESIP	**1,017,944**	–
Deferred short term incentive	**287,889**	144,552
	4,724,126	3,329,815

(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 (2017: $NIL).

(2) During the year ended 30 September 2018, $16,700 of share based payments expense relating to the LTEIP was capitalised to the cost of intangibles under construction.

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.

22. Share-based payments (continued)

a) DuluxGroup LTEIP (continued)

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[1]	LAPSED DURING YEAR	EXERCISED DURING YEAR	BALANCE AT END OF YEAR
28 Nov 14	3.1	Jan 18	$5.71	$1.72	2.5%	22.5%	1,731,918	–	(20,238)	(1,711,680)	–
27 Nov 15	3.1	Jan 19	$6.30	$1.92	2.1%	22.5%	1,709,851	160,338	(77,007)	–	1,793,182[2]
7 Dec 16	3.1	Jan 20	$5.89	$1.73	1.9%	20.0%	2,064,692	171,480	(102,860)	–	2,133,312
15 Dec 17	3.1	Jan 21	$7.73	$2.15	2.0%	20.0%	–	1,866,154	(50,450)	–	1,815,704

(1) During the financial year ended 30 September 2018, LTEIP shares were granted in respect of prior year plans to one executive upon joining the Group.

(2) Since the end of the financial year, these shares have met the applicable DuluxGroup LTEIP performance condition and will vest on 8 December 2018. The restriction on trading these shares will be lifted upon repayment of the loan. The loan must be repaid during the period from 8 December 2018 to 2 February 2019.

b) DuluxGroup ESIP

In December 2017, eligible Australian employees of the Group were invited to acquire DuluxGroup ordinary shares to the value of $500 through salary sacrifice with $500 matching from the Group (December 2016: $1,000 with no matching). Eligible employees in New Zealand were invited to acquire ordinary shares to the value of NZD $390 through salary sacrifice with $390 matching from the Group (December 2016: NZD $780 with no matching). For the first time, eligible employees in PNG were invited to acquire ordinary shares between Kina $129 – $1,289 through salary sacrifice with the equivalent matching from the Group. For the first time, eligible employees in the UK were invited to acquire ordinary shares to the value of £295 before tax through salary sacrifice with the post-tax value matched from the Group.

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 2018
17 December 2015	**226,196**
16 December 2016	**192,628**
15 December 2017	**241,026**

c) Deferred Short Term Incentive (STI)

A portion of any STI awarded to eligible executives is deferred into rights to shares under the Deferred STI program, which was implemented in the 2017 financial year. Deferred STI awards are subject to forfeiture on leaving employment with the Group during the two-year deferral period 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 rights are exercised into shares for the duration of the forfeiture period so that executives receive dividends in respect of the shares; and are fully-aligned shareholders. The purpose of this program is to increase the retention of executives, to support the achievement of the minimum shareholding guidelines, and to enable the forfeiture of awards from key executives under the Company's malus and clawback policy.

d) 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.

23. 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.

	2018 $	2017 $
Short term employee benefits[1]	**7,683,526**	7,024,479
Other long term benefits[2]	**103,593**	73,583
Post employment benefits	**148,811**	146,687
Share-based payments	**1,841,000**	1,708,636
Total	**9,776,930**	8,953,385

[1] Short term employee benefits includes the movement in the annual leave entitlement for the period of $61,264 (2017: $(12,018)).

[2] Other long term benefits includes the movement in the long service leave entitlement for the period of $103,593 (2017: $73,583).

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 KMP, including their related parties, in the share capital and options of the Company at 30 September are set out in the table below:

	2018 NUMBER	2017 NUMBER
Number of options and rights for fully paid ordinary shares	**2,616,622**	2,778,622
Number of fully paid ordinary shares	**2,347,388**	2,757,791

c) Other transactions and balances with KMP

All transactions with KMP 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 2018.

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.

24. Commitments

a) Capital expenditure commitments

Capital expenditure as at 30 September 2018 on property, plant and equipment contracted but not provided for and payable was $5,730,000 (2017: $5,373,000).

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.

	2018 $'000	2017 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
No later than one year	**48,123**	46,390
Later than one, no later than five years	**118,292**	112,513
Later than five years	**41,982**	47,574
	208,397	206,477
Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases	**6,651**	6,713

25. Contingent liabilities

During the normal course of business, the Company or Group is subject to various claims, litigation and regulatory investigations. These are evaluated on a case-by-case basis and, where appropriate, independent specialist advice is sought to assess the potential outcome. Provisions are recognised where appropriate, although the outcome of any pending or future claims, litigation and regulatory investigations cannot be predicted with certainty.

26. 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

	2018 $'000	2017 $'000
Profit before income tax expense	**212,015**	196,348
Income tax expense	**(54,656)**	(53,412)
Profit for the year	**157,359**	142,936
Retained earnings		
Opening balance	**218,290**	158,642
Profit for the year	**157,359**	142,936
Actuarial (losses)/gains on defined benefit plan recognised directly in retained earnings (net of tax)	**(8,173)**	15,231
Dividends paid – ordinary shares	**(106,145)**	(98,519)
Balance at 30 September	**261,331**	218,290

b) Consolidated statement of comprehensive income

	2018 $'000	2017 $'000
Profit for the year	**157,359**	142,936
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	**61**	1,991
Income tax expense	**(18)**	(597)
Foreign currency translation reserve		
Foreign currency translation loss on foreign operations	**(369)**	(2,863)
Total items that may be reclassified to the income statement, net of tax	**(326)**	(1,469)
Items that will not be reclassified to the income statement		
Retained earnings		
Actuarial (losses)/gains on defined benefit plan	**(11,676)**	21,759
Income tax benefit/(expense)	**3,503**	(6,528)
Total items that will not be reclassified to the income statement, net of tax	**(8,173)**	15,231
Other comprehensive (loss)/income for the year, net of tax	**(8,499)**	13,762
Total comprehensive income for the year	**148,860**	156,698

c) Consolidated balance sheet

	2018 $'000	2017 $'000
Current assets		
Cash and cash equivalents	**86,604**	19,823
Trade and other receivables	**319,019**	294,798
Inventories	**220,697**	204,491
Derivative financial assets	**3,944**	3,847
Other assets	**7,678**	5,896
Assets held for sale	**–**	6,814
Total current assets	**637,942**	535,669
Non-current assets		
Other receivables	**7**	8
Derivative financial assets	**42,536**	36,945
Investment in controlled entities	**66,929**	62,485
Equity accounted investment	**9,892**	7,753
Property, plant and equipment	**370,571**	353,392
Intangible assets	**226,384**	227,624
Deferred tax assets	**48,477**	48,528
Other assets	**6,185**	3,138
Total non-current assets	**770,981**	739,873
Total assets	**1,408,923**	1,275,542
Current liabilities		
Trade and other payables	**250,630**	243,901
Interest-bearing liabilities	**67,248**	13,674
Derivative financial liabilities	**428**	619
Current tax liabilities	**10,030**	17,233
Provisions	**66,233**	74,529
Total current liabilities	**394,569**	349,956
Non-current liabilities		
Other payables	**345**	236
Interest-bearing liabilities	**430,840**	398,116
Deferred tax liabilities	**28,820**	26,944
Provisions	**10,991**	11,798
Defined benefit liability	**48,526**	36,964
Total non-current liabilities	**519,522**	474,058
Total liabilities	**914,091**	824,014
Net assets	**494,832**	451,528
Equity		
Share capital	**292,961**	293,413
Reserves	**(59,460)**	(60,175)
Retained earnings	**261,331**	218,290
Total equity	**494,832**	451,528

27. Parent entity disclosures

a) Summary financial information

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

	2018 $'000	2017 $'000
Current assets	**86,940**	93,341
Non-current assets	**229,260**	229,263
Total assets	**316,200**	322,604
Current liabilities	**10,278**	15,750
Total liabilities	**10,278**	15,750
Net assets	**305,922**	306,854
Contributed equity	**292,961**	293,413
Other reserves	**8,009**	7,093
Retained earnings	**4,952**	6,348
Equity	**305,922**	306,854
Profit before income tax expense[1]	**103,808**	59,074
Income tax benefit	**1,004**	1,053
Profit for the year	**104,812**	60,127
Total comprehensive income of the parent entity	**104,812**	60,127

[1] Profit before income tax expense includes dividend income totalling $107,162,000 declared by DuluxGroup (New Zealand) Pty Ltd ($90,000,000) and DuluxGroup (Nominees) Pty Ltd ($17,162,000) during the year ended 30 September 2018 (2017: DuluxGroup (New Zealand) Pty Ltd $54,000,000 and DuluxGroup (Nominees) Pty Ltd $8,585,000).

b) Guarantees

Details of guarantees entered into by the parent entity in relation to external banking facilities as at 30 September 2018 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 2018 (2017: $NIL).

d) Contingent liabilities

Refer to note 25 for information relating to contingent liabilities of the parent entity.

28. Auditors' remuneration

	2018 $	2017 $
Audit services – audit and review of financial reports		
KPMG Australia	**668,000**	663,000
Overseas KPMG firms[1,2]	**539,604**	461,334
	1,207,604	1,124,334
Other services[3]		
Other assurance services – KPMG Australia	**187,650**	106,742
Board and executive remuneration services – KPMG Australia	**207,375**	128,500
Other assurance services – Overseas KPMG firms[2]	**92,932**	16,737
	487,957	251,979

[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.

29. 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 2017.

The Group has adopted the following new and amended accounting standards.

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 2017-4	Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments	1 Oct 2017
AASB 2017-5	Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections	1 Oct 2017
AASB 2017-7	Amendments to Australian Accounting Standards – Long-term interests in Associates and Joint Ventures	1 Oct 2017
AASB 2018-1	Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle	1 Oct 2017

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

The Group adopted the amendments to AASB 107 during the current period. The amendments require disclosure regarding the changes in liabilities, including cash and non-cash changes, arising from financing activities. A reconciliation has been provided in note 14(b).

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 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 2017-6	Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation	1 Oct 2019
AASB 2018-2	Amendments to Australian Accounting Standards – Plan Amendment. Curtailment or Settlement	1 Oct 2019

i) AASB 16 *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. The Group is in the process of performing its impact assessment and has progressed in its implementation plan, focusing on the collation of data to support the evaluation of the accounting impact and the assessment of the need for changes to systems and processes.

As at 30 September 2018 the Group has non-cancellable undiscounted lease commitments as disclosed in note 24. These commitments predominantly relate to property, equipment and vehicle leases and will require ROU assets and associated lease liabilities. The nature of the expenses relating to these leases will change as the new standard will require a depreciation charge for the ROU asset and an interest expense on the lease liability, rather than a straight-line operating lease expense. Key financial ratios will be impacted for these changes.

More detailed quantitative and qualitative disclosures will be provided once the impact assessment is completed during the financial year ended 30 September 2019.

29. New accounting standards and interpretations (continued)

a) Issued but not yet effective (continued)

ii) 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.

The Group has continued to progress its assessment of the impact of the new standard. A detailed review of material revenue streams and key customers contracts and agreements has been performed in line with the five step model required under the new standard. Based upon this continuing assessment, the impact of AASB 15 is not expected to be material.

AASB 15 is mandatory for reporting periods beginning after 1 January 2018 and the Group will apply the new standard in the financial year commencing 1 October 2018.

30. 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 2018, 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

The Directors of DuluxGroup Limited declare that:

(a) in the directors' opinion the financial statements and notes of the DuluxGroup for the year ended 30 September 2018 set out on pages 100 to 140, 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 2018 and of their performance for the financial year ended on that date; and

  (ii) complying with the 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 26; 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 *Corporation Act 2001* for the financial year ended 30 September 2018.

This declaration is made in accordance with a resolution of the Directors.

Graeme R. Liebelt
Chairman

Melbourne
14 November 2018

KPMG

Independent Auditor's Report

To the shareholders 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 2018 and 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 2018
- The consolidated income statement, the consolidated statement of comprehensive income, the consolidated statements of changes in equity, and the consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- 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.

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.

KPMG

The carrying value of property, plant and equipment, and intangible assets ($614.8M)	
Refer to Note 9 and 10 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, UK and Asia. These markets and regions are subject to cyclical demand characteristics which can significantly impact the financial performance of each CGU and consequently their carrying values. The carrying value of property, plant and equipment and intangible assets was considered a key audit matter because of: • the size of the balances (being 46.4% of the Group's total assets); and • the level of judgement applied by us in evaluating the reasonableness of the inputs used in assessing the Group's assessment of the recoverable value of each CGU. The UK CGU was a specific area of focus in performing the annual impairment testing as during the year certain conditions arose (exit of a major customer) impacting the UK CGU. This increased the possibility of property, plant and equipment and intangible assets being impaired for the UK CGU and increased the risk of inaccurate forecasts and a wider range of possible outcomes for us to consider. This increased the level of judgement applied by us when evaluating the inputs used by the Group in assessing the recoverable amount of the UK CGU and consequently further increased the level of audit effort from senior audit team members. The increased judgement resulted in a valuation specialist being engaged to supplement the senior audit team members in assessing the discount rate applied in determining the recoverable value of the UK CGU.	Our procedures included: • Testing key controls in the Group's impairment assessment process including the approval of forecasts by the Group; • Assessing 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 accounting standards requirements; • Comparing forecast cash flows in the value in use models to Board approved budgets and business plans; • Assessing key inputs into the value in use models including forecast revenue, costs, discount rates and terminal growth rates. We challenged these key inputs by comparing market growth rates to industry reports and the discount rate for the Australian and UK CGUs to comparable companies. For non-market based inputs such as revenue and costs, we compared forecasts to actual performance currently being achieved; • Assessing the allocation of corporate overheads to CGUs by comparing the allocation methodology to our understanding of the business; • Assessing the historical accuracy of the Group's forecasts by comparing the forecasts used in 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 future uncertainty is greater or volatility is expected; • Challenging the discount rate used by the Group for the UK and Australian CGUs through using our valuation specialists to

	independently evaluate the rate; • Performing a sensitivity analysis on key assumptions used in the models to identify those assumptions at higher risk of bias or inconsistency in application; and • Assessing the Group's disclosures regarding reasonable possible changes that may impact the valuation of the UK CGU, by comparing these disclosures to our business understanding and accounting standard 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.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report.

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
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. 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_responsibilities/ar1.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 2018, 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 2018.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

KPMG

Gordon Sangster

Partner

Melbourne

14 November 2018

Shareholder Statistics

As at 26 October 2018

Distribution of ordinary shareholders and shareholdings

RANGE	TOTAL HOLDERS	UNITS	% OF ISSUED CAPITAL
1 – 1,000	18,219	8,966,494	2.30
1,001 – 5,000	16,884	38,480,055	9.89
5,001 – 10,000	2,957	20,895,712	5.37
10,001 – 100,000	1,669	35,883,660	9.22
100,001 or more	85	285,024,331	73.22
Rounding			**0.00**
Total	**39,814**	**389,250,252**	**100.00**

Included in the above total are 768 shareholders holding less than a marketable parcel of 70 shares.
The holdings of the 20 largest holders of fully paid ordinary shares represent 69.32% of that class of shares.

Twenty largest ordinary fully paid shareholders

RANK	NAME	UNITS	% OF UNITS
1.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	117,645,315	30.22
2.	J P MORGAN NOMINEES AUSTRALIA LIMITED	78,242,723	20.10
3.	CITICORP NOMINEES PTY LIMITED	36,107,575	9.28
4.	NATIONAL NOMINEES LIMITED	7,940,382	2.04
5.	ARGO INVESTMENTS LIMITED	3,881,512	1.00
6.	BNP PARIBAS NOMINEES PTY LTD <DRP>	3,827,792	0.98
7.	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	3,315,347	0.85
8.	AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	3,028,849	0.78
9.	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	2,575,476	0.66
10.	MR PATRICK HOULIHAN	2,406,934	0.62
11.	MILTON CORPORATION LIMITED	1,655,184	0.43
12.	AMP LIFE LIMITED	1,605,907	0.41
13.	IOOF INVESTMENT MANAGEMENT LIMITED <IPS SUPER A/C>	1,243,321	0.32
14.	AUSTRALIAN EXECUTOR TRUSTEES LIMITED <NO 1 ACCOUNT>	1,171,817	0.30
15.	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	1,147,972	0.29
16.	BOND STREET CUSTODIANS LIMITED <COCKEJ – F01832 A/C>	857,029	0.22
17.	MR STUART BOXER	841,996	0.22
18.	MR PATRICK JONES	803,270	0.21
19.	PELMAVIGEL PTY LTD	801,132	0.21
20.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	744,910	0.19
TOTAL		**269,844,443**	**69.32**

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
19 October 2018	AUSTRALIANSUPER PTY LTD	25,161,985	6.46

Five Year Financial Statistics

A$M	NOTES	2018	2017	2016	2015	2014
Income Statement						
Sales revenue (reported)	**1**	**1,843.7**	**1,784.5**	**1,716.3**	**1,687.8**	**1,611.5**
EBITDA (reported)	1	257.7	245.5	233.4	210.2	210.3
EBITDA (excluding non-recurring items)	2	257.7	245.5	233.4	227.3	219.0
EBIT (reported)	**1**	**223.2**	**214.2**	**201.1**	**175.3**	**175.1**
EBIT (excluding non-recurring items)	2	223.2	214.2	201.1	192.4	183.8
NPAT (reported)	**1**	**150.7**	**142.9**	**130.4**	**112.8**	**104.5**
NPAT (excluding non-recurring items)	2	150.7	142.9	130.4	124.7	111.9
Non-recurring items (post-tax)		–	–	–	(11.9)	(7.3)
EBIT margin (excluding non-recurring items)		12.1%	12.0%	11.7%	11.4%	11.4%
Diluted EPS (reported) (cents)		38.9	36.7	33.5	29.2	27.5
Diluted EPS (excluding non-recurring items) (cents)		38.9	36.7	33.5	32.3	29.4
Dividends per share – fully franked (cents)		28.0	26.5	24.0	22.5	20.5
Dividend payout ratio (%)		72.3%	72.2%	71.6%	70.2%	70.2%
Interest cover (times)		13.2	12.4	10.1	9.0	7.0
Effective interest rate	7	3.6%	3.8%	4.3%	4.5%	4.9%
Effective tax rate (excluding non-recurring items)		28.0%	29.1%	28.8%	28.0%	30.1%
Balance Sheet						
Trade working capital		302.0	283.3	262.9	254.4	234.2
Non trade working capital	3	(153.5)	(159.3)	(173.8)	(143.9)	(121.8)
Property, plant & equipment		383.2	371.8	312.0	261.9	262.0
Intangible assets		231.6	228.7	234.0	232.1	224.9
Net other assets/(liabilities)		17.6	17.0	19.2	23.7	24.5
Capital employed		**781.0**	**741.5**	**654.4**	**628.2**	**623.9**
Net debt (inclusive of USPP hedge)		(340.5)	(334.2)	(300.6)	(276.9)	(332.2)
Net Assets/Total Shareholders' Equity		**440.5**	**407.3**	**353.7**	**351.2**	**291.7**
Shareholders' Equity attributable to DLX shareholders		**443.2**	**410.7**	**353.8**	**350.2**	**289.7**
Rolling trade working capital %		16.2%	15.8%	16.0%	15.2%	15.1%
Net debt/equity %		0.8	0.8	0.8	0.8	1.1
Net debt/EBITDA	6	1.3	1.4	1.3	1.2	1.5
Return on capital employed (%)		28.6%	28.9%	30.7%	30.6%	29.5%
Return on equity, attributable to DLX shareholders (excluding non-recurring items) %		34.0%	34.8%	36.9%	35.6%	38.6%
Cash flow						
Reported net operating cash flow		**140.2**	**166.0**	**144.9**	**156.5**	**120.2**
Net operating cash flow (excluding non-recurring items)		163.0	166.0	155.0	156.5	143.5
Minor capital expenditure	4	(21.9)	(18.1)	(19.5)	(24.7)	(30.6)
Major capital expenditure	5	(33.3)	(77.9)	(41.4)	(4.8)	–
Acquisitions/divestments		26.2	(0.4)	(12.7)	(11.2)	11.0
Cash conversion (excluding non-recurring items) %		83%	86%	87%	83%	83%

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.
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.
7. Effective interest rate is the weighted average effective interest rate on drawn debt.

Shareholder Information

Securities 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. If you have not elected to be paid by direct credit, 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.

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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Clayton, Victoria 3168
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Investor Relations

Telephone: +613 9263 5678
Email: company.info@duluxgroup.com.au

SHAREHOLDER TIMETABLE*

31 March 2019	**DuluxGroup 2019 Half Year End**
15 May 2019	Announcement of Half Year Financial Results
30 September 2019	**DuluxGroup 2019 Year End**
13 November 2019	Announcement of Full Year Financial Results
19 December 2019	**Annual General Meeting 2019**

* Timing of events is subject to change.

CREATED BY DESIGNATE

100 YEARS
CELEBRATING
OUR CENTENARY

DULUXGROUP HAS EVOLVED OVER 100 YEARS FROM ITS ORIGINAL HERITAGE AS DULUX PAINTS AND COATINGS IN AUSTRALIA AND NEW ZEALAND.

100 YEARS

TODAY, 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.

www.duluxgroup.com.au

DULUXGROUP'S CENTENARY

2018
Acquisition of Organic Crop Protectants by Yates

2017
Formation of PT Avian Selleys Joint Venture in Indonesia

2016
Acquisition of Craig & Rose Paints, UK

Acquisition of Munns Lawn Care, Australia, by Yates

2015
Acquisition of Porter's Original Paints

2012
Acquisition of Alesco Corporation Limited including Parchem Construction products, B&D Garage doors & openers, and Lincoln Sentry cabinet and architectural hardware

2010
Demerger of Consumer Products from Orica. DuluxGroup listed as an independent company on the ASX

2003
Acquisition of Yates Garden Care

1997
Establishment of Orica Consumer Products Group, comprising Dulux, British Paints, Berger, Walpamur, Cabot's and Selleys

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

1988
Acquisition of Berger Group's operations in Australia, New Zealand and Fiji, adding Berger Paints, British Paints and Selleys to the company

1987
Acquisition of Acratex Materials Pty Ltd

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

1971
Change of BALM Paints name to Dulux Australia

1968
Dulux establishes in Papua New Guinea

1939
BALM commences manufacturing in New Zealand

1918
Creation of BALM Paints in Sydney

DuluxGroup