DuluxGroup

ANNUAL REPORT 2015

IMAGINE A BETTER PLACE


MAYVILLE

IMAGINE
A BETTER
PLACE

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

2015 Dulux Colour Awards Finalist, Lady Cilento Children's Hospital by Conrad Cargett Lyons Architects. Photo by Christopher Frederick Jones.

Our Core Purpose

At DuluxGroup we help our consumers to imagine and create better places and spaces in which to live and work. We call this...

IMAGINE
A BETTER
PLACE

DuluxGroup's Strengths

- **PREMIUM BRANDS AND MARKETING**
- **INNOVATION AND TECHNOLOGY**
- **BROAD PRODUCT PORTFOLIO**
- **OUR PEOPLE AND CULTURE**
- **COMPREHENSIVE DISTRIBUTION AND CUSTOMER RELATIONSHIPS ACROSS TRADE AND RETAIL CHANNELS**
- **LEADING CUSTOMER SERVICE**
- **FINANCIAL DISCIPLINE**

2015 Dulux Colour Awards Finalist, Matisse Beach Club by Mike Oldfield Architects. Photo by Cado Lee

Our Values

Be customer focused, consumer driven

Innovate and grow – unleash our potential

Value people, work safely and respect the environment

Run the business as your own

Driven by these values, DuluxGroup people continue to find smarter, market leading solutions for consumers and our retail and trade customers.

Strategy

Our strategy is to develop market leadership positions in premium branded consumer and trade products, enabled with differentiated technologies. We aim to leverage core capabilities to be the 'natural owner', underpinned by a long term commitment to the fundamentals of brand, innovation and customer service. Our enabling capabilities are in marketing and consumer engagement, retail and trade customer service and experience, architectural and engineering specification and supply chain excellence.

REFER TO PAGE 14

How we plan to grow

We seek above-market growth rates by:

- extending our market leading paint, coatings & adhesives businesses in Australia, New Zealand and Papua New Guinea;
- transferring our core marketing, sales and supply chain capabilities to other home improvement categories in Australia and New Zealand; and
- continuing to seek low risk ways to develop positions offshore, including those we have seeded in high growth Asian markets.

DuluxGroup aims to deliver growth by a combination of organic growth and acquisitions.

Our Business Fundamentals

PREMIUM BRANDS

DuluxGroup maintains and develops market leading positions by continually investing in its remarkable portfolio of premium brands. DuluxGroup is home to some of Australia and New Zealand's most recognised and trusted brands, many of which date back generations. As custodians of those brands, DuluxGroup protects and builds on that heritage with a strong investment in consumer research, marketing and innovation.

INNOVATION

DuluxGroup employs more than 120 chemists and technologists. Our world class research and technology centres take inspiration from consumers and a global knowledge base to develop product innovations that surprise and delight consumers. Those innovations are brought to life in products that are rigorously tested to ensure they are worthy of bearing the badge of our iconic brands.

CUSTOMER SERVICE

Our sales force – the biggest and most effective in the business – supports an enviable network of trade professionals and our retail customers in meeting the needs of our end consumers. DuluxGroup operates training academies throughout Australia and New Zealand where our retail customers learn about our products and how to use them. Each year more than 5,000 customers and employees are trained at these academies.

2015 Highlights

A solid operating result, driven by profitable sales growth in Dulux, Selleys and Yates in particular, in generally positive markets.

$124.7m

NET PROFIT AFTER TAX (NPAT), BEFORE NON-RECURRING ITEMS*

11.5% — $111.9m in 2014

$192.4m

EARNINGS BEFORE INTEREST AND TAX (EBIT), BEFORE NON-RECURRING ITEMS*

4.7% — $183.8m in 2014

$1.7b

SALES REVENUE

4.7% — $1.6b in 2014

Strong

CASH GENERATION WITH NET DEBT TO EBITDA AT 1.2X

1.5X in 2014

11.5cps

FINAL DIVIDEND FULLY FRANKED, TAKING THE FULL YEAR DIVIDEND TO 22.5 CENTS, AND 70% PAYOUT RATIO ON NPAT, BEFORE NON-RECURRING ITEMS*

9.8%

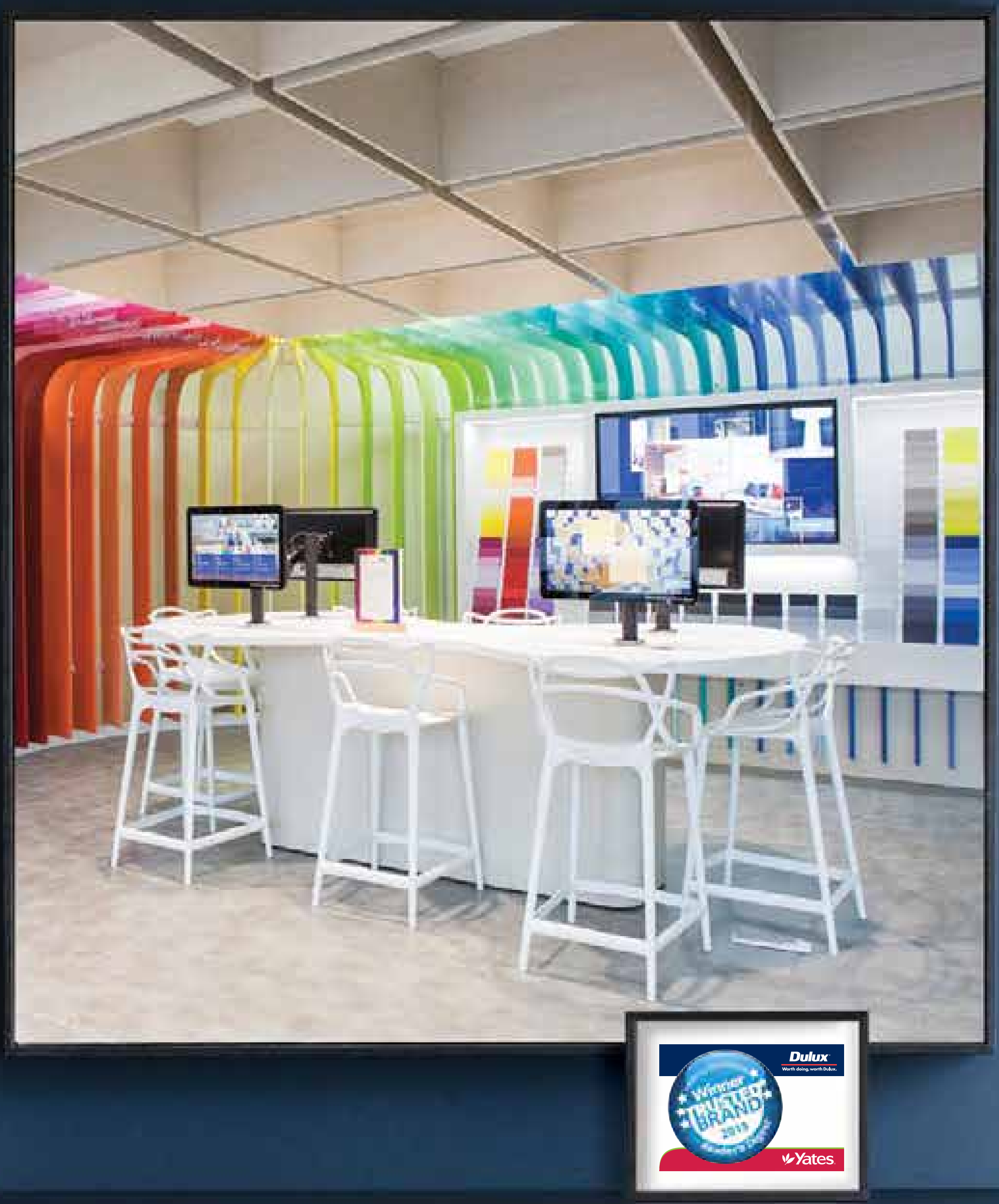
Safety

GOOD OVERALL SAFETY AND SUSTAINABILITY PERFORMANCE, MAKING STEADY PROGRESS TOWARDS OUR VISION OF 'A FUTURE WITHOUT HARM'

*Details of non-recurring items can be found on page 21

Investing for growth

- Continuing to invest in the fundamentals of brands, innovation and customer service to build on our premium branded, market leading positions in core markets
  - Dulux Wash & Wear, 'The best we've ever made' launched – our biggest technology break-through in nearly two decades
  - Dulux and Yates voted most trusted brands again
- New, state-of-the art, water-based paints factory to open in Melbourne in late 2017, which will use the next generation in manufacturing automation and paint technology to support growth in our world class Dulux paints business for decades to come
- Acquired Porter's Paints, a specialist architectural & design paint brand, which broadens opportunities to grow our paints and coatings business within the decorative paint market and potentially offshore
- A new third-party operated distribution centre will support ongoing growth in our Dulux and Selleys businesses in New South Wales and will further improve our customer service in a cost and capital effective way
- Continuing to seed niche growth opportunities in selected Asian markets for longer term growth opportunities
- Continuing to invest in sales and marketing capability in the former Alesco businesses to take these profitable, market leading businesses to the next level of performance



DuluxGroup at a Glance

DuluxGroup's brands are trusted and relied upon for their quality. This reputation is built on more than 100 years of history, rigorous attention to detail, product innovation and investment. Brands such as Dulux, Selleys, Yates, Cabot's and B&D are household names with the highest consumer awareness in their respective markets.

PAINTS AND COATINGS ANZ

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

EBIT

$146.8m[1] ↑ +5.7%

SALES

$870.8m ↑ +6.0%

CONSUMER AND CONSTRUCTION PRODUCTS

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

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

EBIT

$29.2m[1] ↓ -2.0%

SALES

$266.2m ↑ +0.1%

* Distributed brands.

** 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.

1. Excluding non-recurring items (outlined on page 21).

GARAGE DOORS AND OPENERS

Australia and New Zealand's leading manufacturer and marketer of garage doors and automatic openers for the residential, commercial and industrial markets.

EBIT

$17.1m ↓ -6.0%

SALES

$169.5m ↓ -0.2%

CABINET AND ARCHITECTURAL HARDWARE

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

EBIT

$9.0m ↑ +1.1%

SALES

$172.8m ↑ +8.3%

OTHER BUSINESSES

DuluxGroup's 'Other businesses' includes:

- Yates, which is Australia and New Zealand's leading manufacturer and marketer of products for home gardening and small scale commercial horticulture. Products include seeds, pest & disease control, lawn care, fertilisers, pots, potting mix and organic gardening products.
- the paints business in Papua New Guinea, where Dulux has been manufacturing since 1968 and is a clear market leader.
- the DGL Camel business in China and Hong Kong and the DGL International business in South East Asia. These businesses have targeted niche positions across categories, including decorative and specialty coatings, adhesives, and sealants.

EBIT

$15.9m[1] ↑ +30.3%

SALES

$221.6m ↑ +6.7%

Chairman's Report

I am pleased to report that DuluxGroup has continued to grow and increase profits this year, marking five years of continuous profit growth since listing as a standalone company. At the same time we have reinvested to support longer term growth.

Dear fellow shareholders

I am pleased to report that DuluxGroup has continued to grow and increase profits this year, marking five years of continuous profit growth since listing as a standalone company. At the same time we have reinvested to support longer term growth.

Market conditions

Overall, market conditions were positive in 2015.

Our core Australian and New Zealand paints & coatings markets experienced solid growth. The existing home renovation and improvement market – which represents almost two thirds of DuluxGroup revenue – grew steadily. Lead indicators in this core market remain positive. Relatively low interest rates, a buoyant property market and good levels of housing finance approvals augur well for ongoing, steady growth. Existing dwellings in Australia number more than nine million and approximately 70%[1] of those are more than 20 years old requiring ongoing maintenance and improvement, which further underpins this market resilience. Market growth was particularly strong in new housing, a lower margin segment where our businesses deliberately have a smaller presence and where our revenue is derived closer to the construction completion stage. We expect this strength in new housing to continue.

Engineering and infrastructure construction markets continued to be weak, and we expect investment to remain soft in the medium term. Our businesses have adapted well to these conditions, focussing on establishing an appropriate cost base while shaping their customer marketing strategies to capture growth opportunities as they arise.

The result

An 11.5% increase in group net profit after tax, before non-recurring items, was driven by solid revenue and EBIT growth, and assisted by favourable tax and interest outcomes. Diluted Earnings per Share (EPS)[2] growth was 9.9%, continuing a pattern of year-on-year growth since emerging as a separate, publicly listed company in 2010.

Our net debt to EBITDA ratio further reduced this year, mostly as a result of our strong cash generation, which led to lower overall debt levels. Our debt is now at the lower end of our range and provides flexibility in our balance sheet to fund prudent, value adding investments and growth opportunities as they arise. In October 2014 we extended a portion of our debt and secured more favourable pricing for our $400 million syndicated loan facility, further reducing our overall cost of debt.

Shareholder returns

The Board has declared a final dividend of 11.5 cents per share, fully franked, taking the total dividend for the year to 22.5 cents per share, which represents a 9.8% increase on the 2014 equivalent and a 70% payout ratio on NPAT before non-recurring items. The record date for the final dividend is 26 November 2015 and the dividend payment date is 15 December 2015. DuluxGroup's Dividend Reinvestment Plan (DRP) will operate in respect of the final dividend.

July marked five years since DuluxGroup listed as an independent company. Over that time, total shareholder return (TSR) has been 158%[3] compared with 45% for the ASX 200. Your company's market capitalisation has gone from $850 million to approximately $2.3 billion and DuluxGroup is now part of the S&P/ASX100.

Strategy focus

At its core, DuluxGroup remains predominantly a paints, speciality coatings and adhesives company, which represents approximately three quarters of Group revenue. We are largely focussed on market leading positions in Australia and New Zealand, while also developing other opportunities internationally where our capabilities would enable us to capture share in new markets over the longer term.

This is augmented by a presence in other home improvement product categories – such as garden care, garage doors & openers and cabinet & architectural hardware – where our core capabilities as marketers of premium branded products make us the 'natural owner' and have us well placed to generate sustainable growth.

The addition of Porter's Paints during the year was a relatively small acquisition that broadens our offering within the architectural and decorative paints category and provides further opportunities to grow the brand in offshore markets, where it currently has a small presence.

1. Source: ABS 2011 Census; and Housing Completions 2011-2015
2. Excluding non-recurring items
3. Up to 30 September 2015, and not including the 2015 final dividend

July marked five years since DuluxGroup listed as an independent company. Over that time, total shareholder return (TSR) has been 158% compared with 45% for the ASX 200.

New supply chain investments

During the year we announced that we will build a new state-of-the-art water-based paints factory in Melbourne, to open in 2017. This is a significant investment that sets up our world class Dulux paints business, our largest business, for decades to come. It will deliver a solid financial payback through cost savings and will also deliver substantial operational benefits, including the ability to create more advanced paint products. Importantly, it also reduces the fire and flood risk in our paint production. The new factory will make nearly all of Dulux Australia's water-based decorative paints, which are currently manufactured at our 50 year old Rocklea factory in Queensland. The Rocklea factory will continue to make solvent-based decorative paint products.

Additionally we are establishing a new, purpose-built distribution centre in Sydney, replacing two existing distribution centres, which have reached capacity. It will be owned and operated by a third party logistics specialist and support the strong growth in our Dulux and Selleys businesses. It will deliver a strong financial payback and small positive net present value (NPV), driven by lower operating costs.

Our people and operations

DuluxGroup has made steady progress against its safety and sustainability objectives and measures during the year. Our focus on disaster prevention, fatality prevention and personal safety is well embedded with an active program focussed on identifying and addressing potential risks. The number of recordable employee injuries in the newer Alesco businesses continued to significantly improve, reflecting a much greater focus on personal safety since joining DuluxGroup. Regrettably, injuries from non-fatal risks increased in our 'heritage' businesses. This resulted in an overall increase in the rate of injury across the Group, after record lows in the previous two years. Although our injury rate remains very low by industry standards, we are redoubling our efforts to improve in this area.

Approximately 4,000 people throughout the world call themselves DuluxGroup employees. They are united by a strong sense of ownership in the company and driven by their passion for our iconic brands. This is reflected in the fact that almost 70% of eligible employees choose to join you as shareholders of DuluxGroup.

Likewise, our executives continue to build their personal shareholdings in DuluxGroup, and a minimum shareholding requirement applies to senior managers. This helps ensure that individual performance is aligned with the overall interests of DuluxGroup and our shareholders. Our remuneration approach is designed to drive both short and long term shareholder value. The full details of the Remuneration Framework are outlined in the Remuneration Report on page 63.

A truly performance driven culture requires that we attract and retain talented employees with diverse experience and backgrounds. We are predominantly focussed on increasing diversity in relation to gender, age and cultural background. We made good progress this year in increasing the diversity of DuluxGroup's workforce. We have more women in senior leadership roles than at any time in our history and managers are recruiting proportionally more women into DuluxGroup than ever before. Building a pipeline of diverse talent and experience has been a priority and we have proportionally more women now undertaking leadership development programs.

Our employees feel empowered and motivated to do their very best work and this reflects positive leadership. I would like to thank Patrick Houlihan, his management team and all employees for their contribution to a very successful year at DuluxGroup.

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

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

PETER KIRBY
11 NOVEMBER 2015

Managing Director's Report

I am pleased to report that this year DuluxGroup has continued to deliver another year of solid profit growth.

Dear shareholders

I am pleased to report that this year DuluxGroup has continued to deliver another year of solid profit growth.

Group performance

2015 net profit after tax (NPAT) was $124.7 million, an increase of 11.5% (excluding non-recurring items) compared with the 2014 equivalent NPAT of $111.9 million.

The result was driven by strong profitable sales growth in our Dulux, Selleys and Yates businesses, in markets that were good overall.

Sales revenue increased 4.7% to $1.7 billion.

Earnings before interest and tax (EBIT), excluding non-recurring items, was $192.4 million, an increase of 4.7% on the prior year.

Segment performance

DuluxGroup's largest operating segment, Paints & Coatings Australia and New Zealand, grew sales by 6.0% to $870.8 million and EBIT by 5.7% to $146.8 million[1]. Sales growth was largely in line with overall market growth, and the EBIT to sales ratio of 16.9% was maintained.

Consumer & Construction Products produced an EBIT of $29.2 million[1], down 2.0%, or $0.6 million on prior year on flat sales. Growth in Selleys was more than offset by revenue and EBIT decline in the Parchem business. A restructuring program was implemented in Parchem in the second half, which has put the business on a stronger footing for ongoing growth.

In the B&D Garage Doors and Openers business, EBIT declined 6.0% to $17.1 million on flat sales. After declining sales and EBIT in the first half due to transitional issues associated with new product releases and implementation of the dealer distribution strategy, both EBIT and sales grew in the second half.

Cabinet and Architectural Hardware grew EBIT by 1.1% to $9.0 million. Sales growth of 8.3% reflects continued growth in the core cabinet hardware business. Given much of the product range for this business is Euro or US dollar exposed, margins were impacted by the weaker Australian dollar.

DuluxGroup's 'Other businesses' segment grew EBIT by 30.3% to $15.9 million[1] on sales that grew 6.7%. EBIT growth was driven by a continued strong performance from Yates, margin improvement in China, a favourable foreign exchange translation benefit from Papua New Guinea, and improvement in the South East Asian business.

Ongoing focus on the fundamentals

Profitable growth has been delivered in an environment of increased competition from global competitors and ongoing changes within our retail customer channels.

Continued investment in brands, innovation and customer service is fundamental to building our market leadership positions and delivering further growth. Our discipline on costs and pricing has again helped maintain our overall margins.

A number of new product break-throughs across all segments were launched onto the market during the year, most notably the new Dulux Wash & Wear range of interior paints which are bannered as 'the best we've ever made'. This is our most significant innovation in interior paints for two decades and reinforces Dulux's long-held status as Australia's leading paint brand. This year Dulux was once again voted Australia's most trusted paint brand and the second overall most trusted brand in Australia in any product category. Strong investment in our brands was also reflected in Yates once again being voted Australia and New Zealand's most trusted garden care brand and the seventh overall most trusted brand in New Zealand.

Near term strategic priorities

We have also made good progress on our near term strategic imperatives during the year.

We have delivered revenue and profit growth across all of the Paints & Coatings ANZ, Selleys and Yates businesses to maintain and extend our market leadership positions. We are well advanced with integrating the recently acquired Porter's Paints business and are particularly focussed on growing the brand's presence within our established channel of trade and paint specialist customers.

We are continuing to reshape the sales and marketing capabilities of the B&D Garage Doors & Openers, Parchem and Lincoln Sentry businesses as we seek to take these three profitable, market leading businesses to the next level of performance. They are each generating good returns and we have a track record of taking good businesses and making them great. We are confident that we will achieve a similar outcome with these three businesses.

B&D launched a new range of doors and has realigned to more profitable customer dealer channels. The business delivered margin improvement in the second half, following targeted business improvement initiatives, and sales growth from accredited dealers was strong.

1. Excluding non-recurring items (outlined on page 21).

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The development of the broader Consumer & Construction Products platform is well underway. The Parchem business undertook important restructuring and supply chain efficiency initiatives to ensure a sustainable cost base given difficult infrastructure markets. It leaves the year on a stronger 'exit rate' footing.

Leveraging group wide capability in marketing and consumer engagement, retail and trade customer service and experience, architectural and engineering specification and supply chain excellence has been an important focus during the year. Our individual businesses gain from group wide experience and expertise, while maintaining focus on winning in their particular end markets.

Our people

All of our employees, irrespective of geography, job role or seniority, are guided by DuluxGroup's Values and Behaviours.

These values are:

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

Our Employee Engagement Surveys tell us that we have a highly engaged and motivated workforce. During the year DuluxGroup was voted in the top four of Australia's best graduate employers – based on graduates rating their experiences at 75 of Australia's largest graduate employers.

One of the things our employees most recognise and value about working at DuluxGroup is our steadfast commitment to ensuring that it is a safe place to work. We continue to focus on our four pillars of disaster prevention, fatality prevention, personal safety and sustainability. A 12% increase in 'hazard and near miss reporting' marks five continuous years of improvement and is the foundation for preventing disasters and fatalities in our business. A strong focus on personal safety is at the centre of DuluxGroup's industry-low recordable injury rates[1]. The former Alesco businesses have significantly improved in this area since acquisition. An increase in injuries from non-fatal risks in our 'heritage' businesses saw our overall rate increase this year, following two years of record lows, and improvement initiatives have already been implemented to address this.

During the year there were some important changes to our senior team, including the external appointment of Steven Leighton as Executive General Manager, B&D Garage Doors and Openers, replacing Tony Bova, and the internal appointment of Michael Woodlock as General Manager of Parchem, replacing Stephen Cox. We have also continued to invest in senior capability in marketing and digital engagement across our business given how important these are as drivers of growth.

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

I would like to thank the DuluxGroup Board for its ongoing guidance, and I thank you, our shareholders for your continued support for DuluxGroup.

PATRICK HOULIHAN
11 NOVEMBER 2015

1. Recordable Case Rate measures the number of employee and contractor injuries requiring time off work, restricted duties or medical treatment per 200,000 hours worked.

Operating and Financial Review

Markets and Sectors

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

OUR LOCATIONS

DuluxGroup employs approximately 4,000 people in Australia, New Zealand, Papua New Guinea, South East Asia and China and has a comprehensive, world-class, scalable manufacturing base and supply chain across:

- 21 Main Manufacturing Sites
- 21 Distribution Centres
- more than 120 company owned trade outlets

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

WOODCARE
Dandenong, Victoria, Australia

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

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

PROTECTIVE COATINGS
Dandenong, Victoria, Australia

SELLEYS CONSUMER PRODUCTS
Padstow, New South Wales, Australia

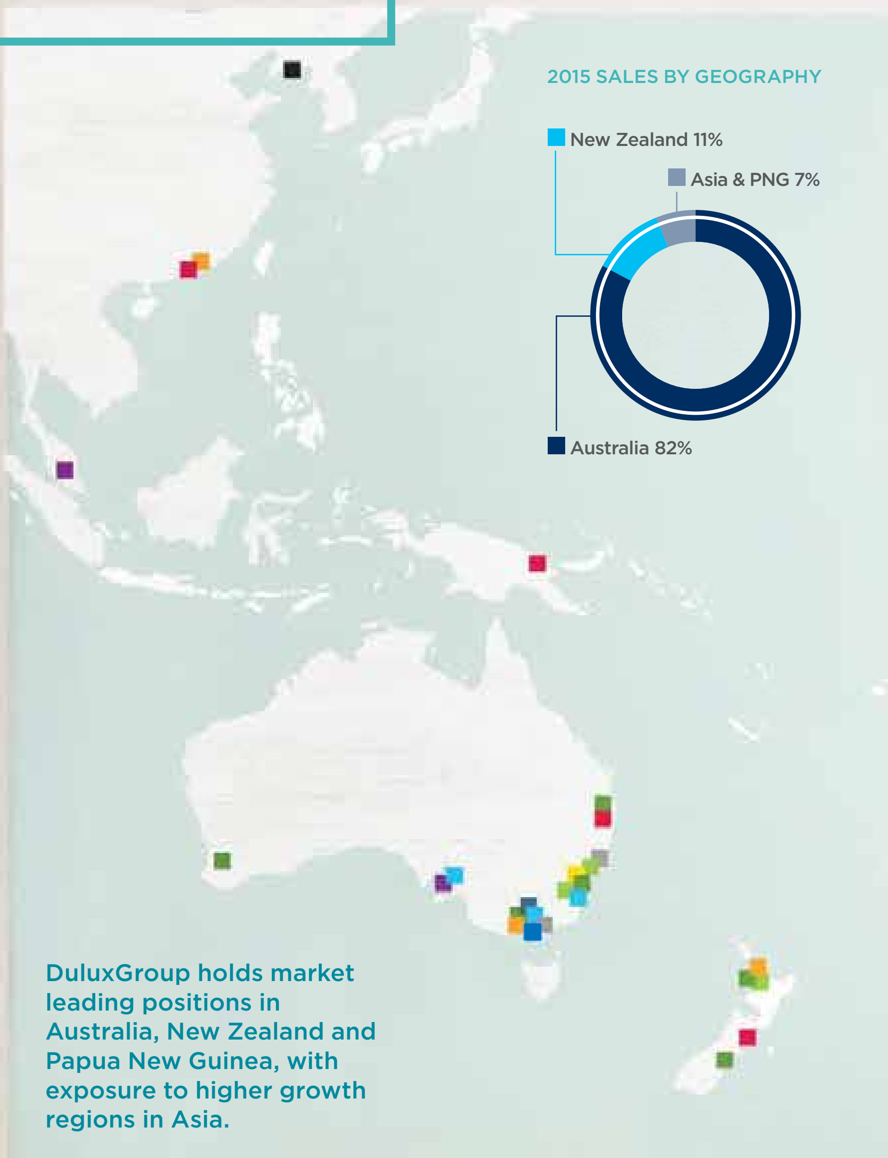
CONSTRUCTION CHEMICALS AND EQUIPMENT
Wyong, New South Wales, Australia
Brunswick, Victoria, Australia

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

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

AUTOMATIC OPENERS
Dalian, China

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



DuluxGroup holds market leading positions in Australia, New Zealand and Papua New Guinea, with exposure to higher growth regions in Asia.

OUR BRANDS

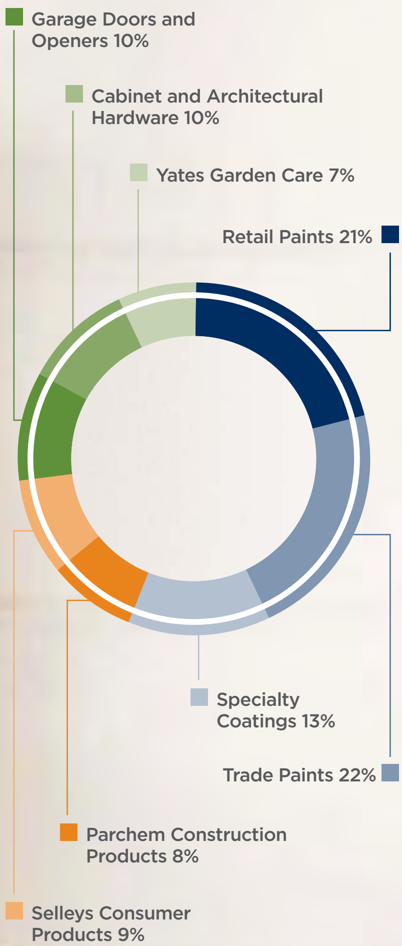
DuluxGroup's brands are trusted and relied upon for their quality. This reputation is built on more than 100 years of history, rigorous attention to detail, product innovation and investment. Brands such as Dulux, Selleys, Yates, Cabot's and B&D are household names with the highest consumer awareness in their respective markets.

OUR PRODUCTS

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

"A broad portfolio of products and markets"

SALES BY BUSINESS SECTORS*



OUR END MARKETS

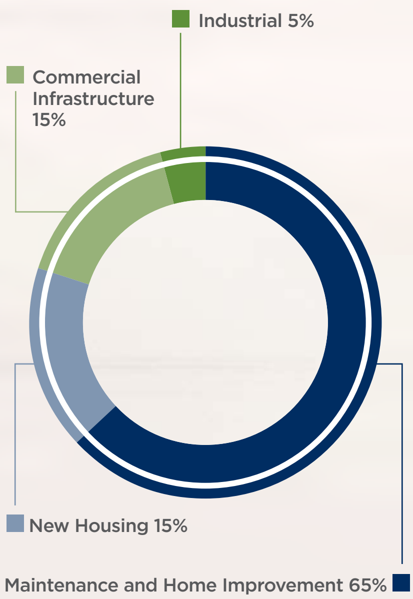
Approximately two thirds of DuluxGroup's business is focussed on the maintenance and improvement of existing homes. Throughout economic cycles consumers have continued to invest in making their homes 'a better place', whether it be through do-it-yourself (DIY) projects or engaging a trade professional.

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

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

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

SALES BY END MARKET*



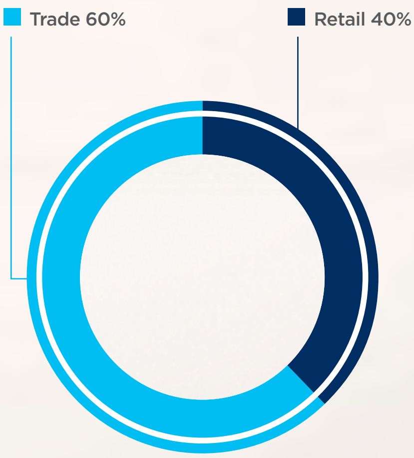
OUR CUSTOMER CHANNELS

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

In addition to our own extensive company 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 focusses on providing innovative product solutions to drive growth and success through its retail and trade customers"

SALES BY CUSTOMER CHANNEL*



* Indicative sales splits

Strategy and Growth

OUR PURPOSE

Our core purpose is to deliver long term shareholder value by focussing on premium branded, innovative products that enable consumers to imagine and create better places and spaces in which to live and work.

STRATEGY

Our strategy is to develop market leadership positions in premium branded consumer and trade products, enabled with differentiated technologies. We aim to leverage core capabilities to be the "natural owner", underpinned by a long term commitment to the fundamentals of brand, innovation and customer service. Our enabling capabilities are in marketing and consumer engagement, retail and trade customer service and experience, architectural and engineering specification and supply chain excellence.

WHERE WE PLAY

Our major focus is on markets and market segments that deliver consistent growth and strong returns, with an emphasis on the relatively stable existing home renovation and maintenance markets (65% of Group revenue). As context, Australia has more than 9 million existing residential dwellings, and approximately 70% are more than 20 years old. This focus is complemented by exposure to new housing (15% of Group revenue) and commercial, infrastructure and industrial sectors (20% of Group revenue).

We focus on well structured markets where our ability to leverage our position, brands and technology allows us to achieve premium margins and returns on capital employed and to continually improve the utilisation rates of existing assets and cost base.

HOW WE PLAN TO GROW

We seek above-market growth rates by:

- extending our market leading paint, coatings & adhesives businesses in Australia, New Zealand and Papua New Guinea;
- transferring our core marketing, sales and supply chain capabilities to other home improvement categories in Australia and New Zealand; and
- continuing to seek low risk ways to develop positions offshore, including those we have seeded in high growth Asian markets.

DuluxGroup aims to deliver growth by a combination of organic growth and acquisitions.

The company's key strategic imperatives are outlined below:

- Extend the market leadership positions of our established and profitable Dulux, Selleys and Yates businesses, by both improving the base business and seeking close to the core opportunities beyond this base;
- Deliver the upside value in B&D, Parchem and Lincoln Sentry through transforming their marketing, sales and supply chain capabilities;
- Lock down medium term growth opportunities, for example in domestic construction chemicals, and in low risk but sensible offshore positions;
- Pursue business improvement opportunities, including the new paint factory and distribution centre projects and company-wide projects to improve productivity; and
- Maximise organisational leverage by sharing group capabilities across the organisation whilst maintaining our strategic business unit (SBU) focus.

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, which affect all companies (e.g. execution risk, key person risk) or macro risks such as significant changes in economic growth, inflation, interest rates, employment, consumer sentiment or business confidence which could have a material impact on the future performance of the Company.

RISK	NATURE OF RISK	ACTION/PLANS TO MITIGATE
Key customer relationships	DuluxGroup's largest retail customers represent a significant portion of total revenue. Loss of revenue from key customers could impact the Company's profitability.	• Ongoing investment in iconic brands (through 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 • Maintain a broad base of retail and trade customers
Catastrophic event/hazard in manufacturing and distribution operations	DuluxGroup's operations could be impacted by accidents, natural disasters or other catastrophic events that have potential to materially disrupt its operations.	• Disaster recovery plans are in place for all major sites. Disaster recovery plans for decorative paint in Australia were successfully utilised in the Paints Australia business following the Queensland floods in January 2011 • In March 2015, the construction of a new water-based decorative paint factory in Melbourne, to open in 2017, was announced by the Company. By separating solvent and water-based paint manufacturing, this will significantly reduce the risk of our water-based paint manufacturing being interrupted by fire, while the location also is subject to a significantly reduced risk of flood • 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

RISK	NATURE OF RISK	ACTION/PLANS TO MITIGATE
Competitive threats	There is a risk that DuluxGroup's existing or future multinational competitors could bring new levels of innovation or lower cost to the Australian market, threatening DuluxGroup's market share and/or operating margins.	• Strong, established brands supported by ongoing marketing investment • Use of multinational suppliers for key decorative paint raw materials to reduce potential technology exposure • Active international product benchmarking program • Significant investment in local innovation and product formulation capability, to ensure products and services are well suited to our markets
Erosion of brand equity	DuluxGroup's portfolio of iconic brands are relied upon for their quality and premium performance. A significant loss of brand equity could have a material adverse effect on revenue and profit.	• Active product stewardship focus • Systematic quality assurance and testing process • Investment in product innovation • Investment in brands
Product liability or other litigation	Litigation relating to product liability, regulatory controls or environmental practices could result in a materially adverse financial impact.	• Investment in quality assurance and governance practices • Well developed customer service and complaints response processes • Insurance policies
Raw material supply	Supply disruption and/or non-availability of key input materials could impact revenue, and/or price volatility could impact operating margins.	• Utilisation of a range of suppliers • Robust supplier selection processes • Contingency supply arrangements • Insurance policies including business interruption • Active raw material cost and gross margin forecasting processes
Regulatory – safety	A death or major injury in the workplace would be devastating for employees and families and could jeopardise the 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 Safety and Sustainability Report for further information*
Growth	An inability to identify and execute sustainable growth opportunities, and/or the risks associated with pursuing further growth, could impact the Company's long-term profitability.	• Experienced internal growth and M&A capability supported by external advisers as appropriate • Board oversight of growth activities
Industrial relations	DuluxGroup product supply could be materially impacted by prolonged industrial disputes related to renegotiation of collective agreements.	• DuluxGroup has multiple manufacturing and distribution sites • Ongoing development of industrial relations capability • Continual focus on site based productivity improvement and positive employee relations • Enterprise agreement negotiations are conducted within established governance structures including defined negotiation frameworks and steering committee oversight
Project execution risk – construction of new water-based paints factory	A significant delay or cost overrun to the project could limit available capital resources for the company and/or damage DuluxGroup's reputation with regard to delivering future large scale projects.	• Rocklea manufacturing facility can continue to manufacture water-based paint, so that in the event of a delay there is no threat to customer supply • Experienced project management team supported by good project governance (e.g. steering committee, Board oversight) • Robust contractor selection processes • Contract works insurance policies to be put in place

Review of Operations

Result Summary

- **Sales revenue** of $1,687.8M increased by $76.3M (+4.7%) on the prior year corresponding period ('pcp').
- **EBIT** of $175.3M, increased by 0.1%. Excluding non-recurring items, EBIT was $192.4M, an increase of $8.6M (+4.7%) on the pcp. The non-recurring items relate to the restructuring provisions associated with the supply chain investments (building a new state-of-the-art paint factory in Melbourne and establishing a new third party operated distribution centre in NSW) that were announced in March 2015.
- **Net profit after tax (NPAT)**[3] was $112.8M, an increase of 7.9% over the pcp equivalent of $104.5M. NPAT excluding non-recurring items[4] was $124.7M, an increase of 11.5% over the pcp equivalent of $111.9M.
- **Operating cash flow** was $156.5M, an increase of 30.2%. Excluding non-recurring items, operating cash flow increased 9.1%.
- **Net debt to EBITDA**[6] ended the period at 1.2 times, which represents an improvement from 1.5 times at both September 2014 and March 2015.
- **A final dividend** of 11.5 cents per share, taking total dividends for the year to 22.5 cents, fully franked, an increase of 9.8% on the pcp.

RESULTS	FULL YEAR ENDED 30 SEPTEMBER		
A$M	2015 ACTUAL	2014 ACTUAL	% CHANGE
Sales revenue	1,687.8	1,611.5	4.7%
EBITDA[1]	210.2	210.3	(0.0%)
EBITDA excluding non-recurring items	*227.3*	*219.0*	*3.8%*
EBIT	**175.3**	**175.1**	**0.1%**
EBIT excluding non-recurring items[2]	*192.4*	*183.8*	*4.7%*
Net finance costs	(21.3)	(26.2)	18.7%
Tax expense	(42.8)	(46.1)	7.2%
Non-controlling interests	1.5	1.7	(11.8%)
Net profit after tax (NPAT)[3]	**112.8**	**104.5**	**7.9%**
NPAT excluding non-recurring items[4]	*124.7*	*111.9*	*11.5%*
Operating cash flow	156.5	120.2	30.2%
Operating cash flow excluding non-recurring items[5]	*156.5*	*143.5*	*9.1%*
Net debt inclusive of USPP hedge value[6]	276.9	332.2	16.6%
Net debt to EBITDA[6]	1.2	1.5	20.0%
Diluted earnings per ordinary share (EPS) (cents)	29.2	27.5	6.2%
Diluted EPS excluding non-recurring items (cents)[7]	*32.3*	*29.4*	*9.9%*
Final dividend per share (cents)	11.5	10.5	9.5%
Total dividend per share (cents)	22.5	20.5	9.8%

Note: Numbers in this Review of Operations are subject to rounding.

1. EBITDA – represents EBIT plus depreciation and amortisation, per the financial statements.
2. EBIT excluding non-recurring items and EBITDA excluding non-recurring items – refer to note 3 in the financial statements. Directors believe that the result excluding these items provides a better basis for comparison from year to year.
3. Net profit after tax (NPAT) – represents 'Profit for the year attributable to ordinary shareholders of DuluxGroup Limited' per the financial statements.
4. NPAT excluding non-recurring items – represents NPAT, excluding the non-recurring items outlined on page 21. Directors believe that the result excluding these items provides a better basis for comparison from year to year.
5. Operating cash flow excluding non-recurring items – the equivalent of 'Net cash inflow from operating activities', less the cash component of the non-recurring items outlined on page 21.
6. Net debt inclusive of US Private Placement (USPP) hedge value and Net debt to EBITDA – refer to note 19 in the financial statements.
7. Diluted EPS excluding non-recurring items – represents diluted EPS adjusted for the non-recurring items outlined on page 21.

Result by Segment

Key components of the result include:

- Business EBIT growth of 4.7% before Corporate costs;
- 5.7% EBIT growth from Paints and Coatings ANZ reflects continued strong performance from the Australian business, partly offset by a modest decline in the New Zealand business following the exit from Mitre 10 New Zealand late in the year;
- The Consumer and Construction Products ANZ result reflects revenue and EBIT growth from Selleys, offset by revenue and EBIT decline in Parchem (tough infrastructure markets and a poor result for the equipment business). Parchem has been restructured and leaves the year with a stronger exit rate;
- The Garage Door and Openers result reflects the net result of a weaker first half (transitional issues associated with new product launch and realignment of dealer network) and growth in the second half;
- The Cabinet and Architectural Hardware result reflects strong revenue growth with modest flow through to EBIT due to FX driven margin compression; and
- EBIT growth in Other businesses due to Yates revenue and margin growth, China margin improvement and Papua New Guinea (PNG) foreign exchange translation benefit.

SALES AND EBIT BY SEGMENT	FULL YEAR ENDED 30 SEPTEMBER		
A$M	2015 ACTUAL	2014 ACTUAL	% CHANGE
Sales revenue			
Paints & Coatings ANZ	870.8	821.6	6.0%
Consumer & Construction Products ANZ	266.2	265.9	0.1%
Garage Doors & Openers	169.5	169.8	(0.2%)
Cabinet & Architectural Hardware	172.8	159.6	8.3%
Other businesses	221.6	207.7	6.7%
Eliminations	(13.1)	(13.0)	(0.8%)
Total sales revenue	**1,687.8**	**1,611.5**	**4.7%**
EBIT, excluding non-recurring items			
Paints & Coatings ANZ	146.8	138.9	5.7%
Consumer & Construction Products ANZ	29.2	29.8	(2.0%)
Garage Doors & Openers	17.1	18.2	(6.0%)
Cabinet & Architectural Hardware	9.0	8.9	1.1%
Other businesses	15.9	12.2	30.3%
Business EBIT	**217.9**	**208.1**	**4.7%**
Corporate	(25.6)	(24.3)	(5.3%)
Total EBIT, excluding non-recurring items	**192.4**	**183.8**	**4.7%**

Further discussion on the results of the segments follows from page 22.

Non-recurring Items

Non-recurring items for 2015 and 2014 are detailed later in this report. The major items are:

2015: Adverse impact of $17.0M pre-tax; $11.9M post-tax

- Provisions associated with the supply chain investments (new paint factory and new distribution centre) announced and recognised in March 2015. Please refer to page 32 for further details.

2014: Adverse impact of $8.7M pre-tax; $7.3M post-tax

- Alesco integration costs totalling $5.3M (pre-tax) and the reversal of an excess tax provision relating to the New Zealand Inland Revenue Department proceedings of $5.9M (pre-tax); and
- A non-cash impairment charge of $9.2M (pre-tax) relating to our investment in China.

Refer to page 21 for further details.

Other Items

Corporate Costs were up $1.3M, or 5.3%. The adverse long service leave provision impact recognised in the first half due to lower bond rates was largely offset in the second half following the required adoption of the Australian Corporate Bond rates for the purpose of discounting the non-current liability (previously government bond rates were used). Other costs were within expectations.

Net finance costs of $21.3M reflects an average all-in net cost of debt of 5.2% (including commitment fees and amortisation of facility establishment fees, but excluding discounting of provisions). Net interest costs also includes an additional $1.0M (non-cash) charge relating to the unwinding of discounting of the supply chain provisions that were recognised in the first half. This unwinding will continue until the projects are complete (please refer to the Supply Chain Investments section on page 32 in this report for further detail).

Despite this, net finance costs were $4.9M lower than the pcp due to a combination of lower prevailing interest rates (both base rates and margins) and lower average debt throughout the year compared to the pcp.

Income tax expense of $42.8M. Excluding non-recurring items, the effective rate was 28.0% due mainly to one-off benefits. We expect to revert to our future expected range of 29-30%.

Final dividend of 11.5 cents per share, taking the full year dividend to 22.5 cents, fully franked, an increase of 9.8% on the pcp, which represents a 70% payout ratio based on NPAT before non-recurring items. The Company's dividend reinvestment plan (DRP) will operate with respect to this dividend. There will be no discount on the DRP. The shares required to satisfy the DRP will be acquired on market.

Balance Sheet

Comments by exception are as follows:

- **Trade working capital (TWC)**[1] increased by $20.2M from September 2014, due to strong September sales, and increased inventory on hand as part of the new Dulux Wash & Wear launch in late 2015. TWC as a percentage to sales was higher than the pcp at 15.1% (pcp 14.5%);
- **Rolling TWC to rolling sales**[2] was 15.2%, marginally unfavourable to September 2014 (15.1%), but slightly favourable to March 2015 (15.3%);
- **Intangible assets** increased by $7.2M, largely due to the acquisition of Porter's Paints;
- The **defined benefit fund liability** increased by $7.6M from September 2014 due largely to the outcome of the annual actuarial reassessment of the fund liability at September 2015. This is a balance sheet adjustment only, with an equal amount reflected in retained earnings;
- **Provisions (excluding tax)** have increased $14.9M from the pcp. This increase is primarily due to the provisions associated with the supply chain investments;
- **Net tax balances** have decreased since September 2014, mainly due to a higher tax provision (higher profits and the timing of tax payments), partly offset by deferred tax balances associated with the supply chain investments; and
- **Net debt** inclusive of the USPP hedge value reduced significantly in FY15, from $332.2M to $276.9M.

BALANCE SHEET	FULL YEAR ENDED 30 SEPTEMBER	
A$M	2015 ACTUAL	2014 ACTUAL
Inventories	216.0	203.7
Trade debtors	253.2	227.9
Trade creditors	(214.8)	(197.4)
Total trade working capital[1]	254.4	234.2
Non trade debtors[3]	14.8	15.8
Tax balances (net)	17.8	20.4
Property, plant & equipment	261.9	262.0
Intangible assets	232.1	224.9
Investments	6.3	5.4
Non trade creditors[4]	(52.8)	(54.2)
Defined benefit fund liability	(22.1)	(14.5)
Provisions (excluding tax)	(83.8)	(68.9)
Net debt inclusive of USPP hedge value[5]	(276.9)	(332.2)
Other	(0.4)	(1.3)
Net Assets	**351.2**	**291.7**

1. 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.
2. 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.
3. Non trade debtors – represents the 'other receivables' portion of 'trade and other receivables', and 'other assets', per the financial statements.
4. Non trade creditors – represents the 'other payables' portion of 'trade and other payables', per the financial statements.
5. Net debt – inclusive of the USPP hedge value – refer to note 19 in the financial statements.

Cash Flow

Operating cash flow excluding non-recurring items was $13.0M or 9.1% higher than the pcp. In addition to higher EBITDA excluding non-recurring items, key drivers were:

- **TWC movement** ($10.3M unfavourable compared to the pcp) due to the higher level of inventory and debtors at September 2015;
- **Interest paid** ($8.4M favourable compared with the pcp) due to the flow through of the lower interest expense and timing of interest payments that adversely affected the pcp; and
- **Income taxes paid** ($3.8M favourable to the pcp) mainly due to two months of extra tax instalments paid in 2014 with the transition from a quarterly to monthly PAYG tax payment schedule.

Cash conversion excluding non-recurring items was 83%, in line with the pcp and our 80%+ target.

Key drivers of the remainder of the cash flow are:

- Investing cash outflows increased by $21.3M, due to the acquisition of Porter's Paints in June 2015 and the disposal of the Opel business in the pcp; and
- Capital expenditure decreased $1.2M on the pcp, despite including $4.7M relating to the new paint factory project.

STATEMENT OF CASH FLOWS	FULL YEAR ENDED 30 SEPTEMBER		
A$M	2015 ACTUAL	2014 ACTUAL	% CHANGE
Operating cash flows excluding non-recurring items			
EBITDA	227.3	219.0	3.8%
Trade working capital movement	(18.6)	(8.3)	(124.1%)
Other	4.2	1.5	180.0%
Income taxes paid	(39.5)	(43.3)	8.8%
Net interest paid	(16.9)	(25.3)	33.2%
Operating cash flow excluding non-recurring items	**156.5**	**143.5**	**9.1%**
Non-recurring items	–	(23.3)	
Operating cash flow	**156.5**	**120.2**	**30.2%**
Net investing cash flows			
Capital expenditure[1]	(29.4)	(30.6)	3.9%
Acquisitions[2]	(11.5)	(0.2)	nm
Disposals[3]	0.3	11.2	(97.3%)
Dividends received	–	0.3	(100.0%)
Investing cash flow	**(40.6)**	**(19.3)**	**(110.4%)**
Financing cash flow before debt movement	**(57.0)**	**(42.1)**	**(35.4%)**
Total cash flow before debt movement	**58.9**	**58.7**	**0.3%**
Cash conversion excluding non-recurring items[4]	**83%**	**83%**	

Note: 'nm' = not meaningful.

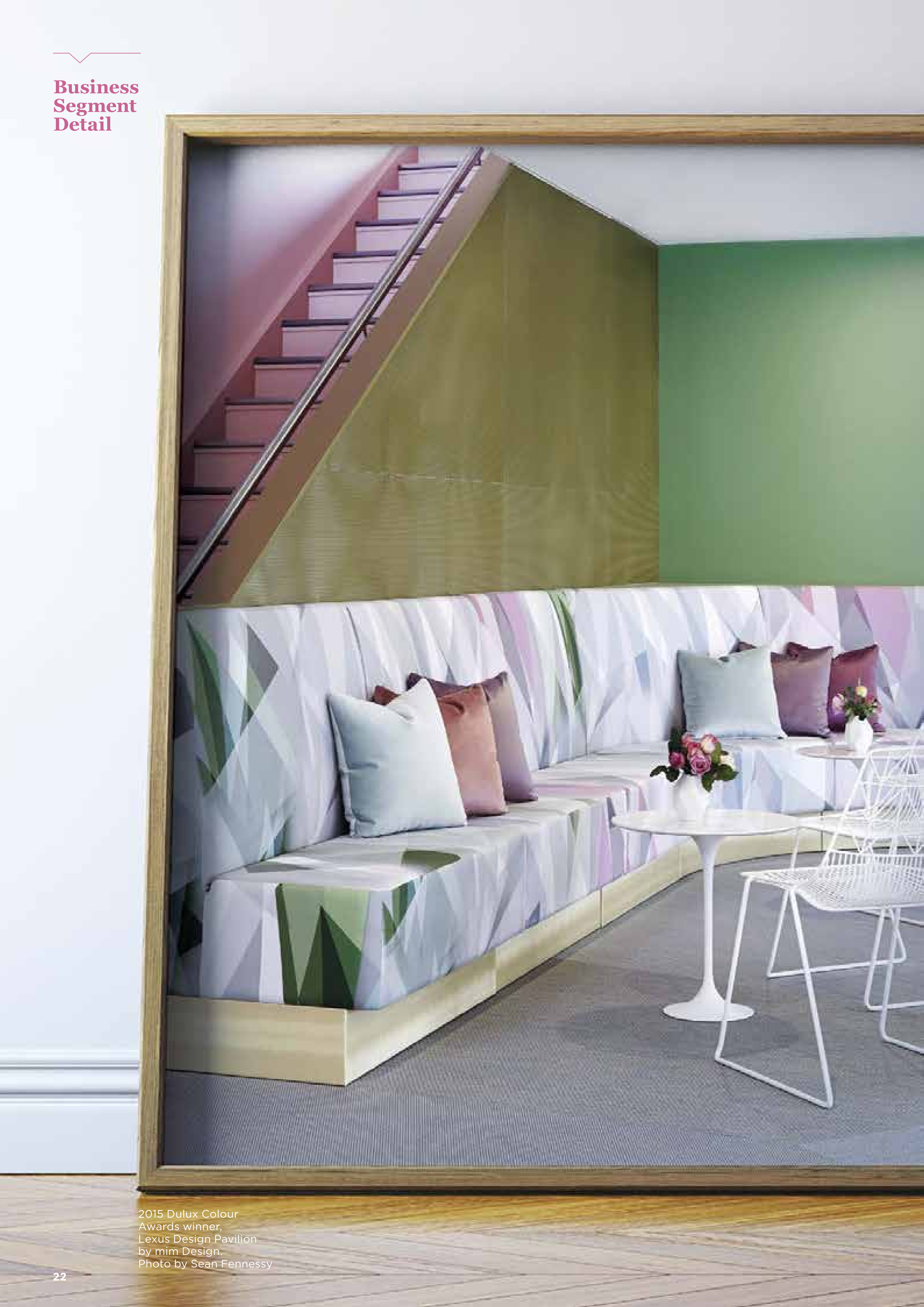
1. Capital expenditure – represents the 'payments for property, plant and equipment' and 'payments for intangible assets' per the financial statements.
2. Acquisitions – represents 'payments for purchase of businesses, net of cash acquired', net of 'proceeds from price adjustment on purchase of controlled entities'.
3. Disposals – represents 'proceeds from disposal of business' and 'proceeds from sale of property, plant and equipment'.
4. Cash conversion – is calculated as EBITDA excluding non-recurring items, add/less movement in trade working capital and other, less minor capital spend (capital expenditure less than $5.0M), as a percentage of EBITDA excluding non-recurring items.

Non-recurring items

The EBIT, NPAT and operating cash flow impacts of the non-recurring items are detailed on the opposite side:

- For further explanation relating to the 2015 provisions please refer to the Supply Chain Investments section on page 32.
- For further explanation relating to the 2014 non-recurring items please refer to the 2014 Annual Report.

NON-RECURRING ITEMS	FULL YEAR ENDED 30 SEPTEMBER		
A$M	EBIT	NPAT	OPERATING CASH FLOW
2015			
Rocklea restructuring provision	(8.7)	(6.1)	–
Distribution centres closure provision	(8.3)	(5.8)	–
Total	**(17.0)**	**(11.9)**	**–**
2014			
Alesco integration costs	(5.3)	(3.7)	(5.9)
Reversal of excess NZ OCN tax matter provision	5.9	5.5	(8.4)
China impairment – equity share	(9.2)	(9.2)	–
Sale of Opel Woodcare	–	–	(9.0)
Total	**(8.7)**	**(7.3)**	**(23.3)**



2015 Dulux Colour Awards winner, Lexus Design Pavilion by mim Design. Photo by Sean Fennessy

Paints and Coatings Australia and New Zealand

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

PAINTS & COATINGS ANZ	FULL YEAR ENDED 30 SEPTEMBER		
A$M	2015 ACTUAL	2014 ACTUAL	% CHANGE
Sales revenue	870.8	821.6	6.0%
EBITDA excluding non-recurring items	165.1	156.5	5.5%
EBIT excluding non-recurring items	146.8	138.9	5.7%
EBIT % Sales excluding non-recurring items	*16.9%*	*16.9%*	
Non-recurring items*	(13.8)	–	

* The non-recurring item in FY15 is the restructuring provision associated with the new paint factory project and 60%[1] of the closure provision associated with the new NSW distribution centre project. Please refer to pages 21 and 32 for further information.

EBIT

$146.8m

EXCLUDING NON-RECURRING ITEMS

↑ **5.7%**

STRONG PERFORMANCE IN AUSTRALIA PARTIALLY OFFSET BY WEAKER NEW ZEALAND PERFORMANCE.

Sales revenue up $49.2M (+6.0%)

- Overall market volume growth of 5%[1]:
  - Within the Australian decorative paint market, the core premium renovation and repaint markets (75%[1] of market volume) grew 5%[1] (excluding additional stock build in Retail channels, we estimate the underlying growth rate to have been 3%[1]), new housing (20%[1] of market volume) grew 15%[1] and commercial (5%[1] of market volume) grew 3.5%[1];
  - The texture coatings market also grew strongly due to new housing market exposure;
  - Other markets including New Zealand and woodcare grew at lower rates; and
  - The protective coatings market continued to decline, reflecting soft infrastructure and mining markets.
- Market share grew in the renovation and repaint market in Australia, particularly late in the year following the launch of the new Dulux Wash & Wear range. In other markets, share generally held, including in new housing where our overall share is lower.
- Price outcomes were neutral overall, consistent with the flat input cost environment (refer below) and there was a small FX benefit from New Zealand.

EBIT growth of $7.9M (+5.7%) before non-recurring items

- As foreshadowed, input costs were relatively flat with the benefit of a lower oil price (which impacts latex) and lower titanium dioxide prices, offset by the impact of a weaker Australian dollar and modest increases in other items.
- EBIT margin was in line with guidance at the half year, and was achieved while increasing marketing spend. The first half EBIT margin skew reflected the earlier timing of Easter compared to the prior year, as outlined at the half. Adjusting for this, EBIT margins were essentially in line with the prior year for both halves.
- The exit from Mitre 10 New Zealand late in the year adversely impacted EBIT, though this impact was absorbed within the overall divisional result. In FY16 we expect that EBIT in New Zealand (which is approximately 10% of this segment's EBIT) will be broadly flat on FY15 for the full year, but with an adverse outcome relative to the prior year in the first half, given the timing of the transition. This business is still delivering excellent returns and we remain confident about the medium term outlook post the FY16 transition.

1. Percentages shown are approximations only.

Viking Building by
MHN Design Union.
Photo by John Gollings

Consumer and Construction Products Australia and New Zealand

This segment consists of Selleys sealants, adhesives and other consumer home improvement products and Parchem construction chemicals and related products in Australia and New Zealand.

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

CONSUMER & CONSTRUCTION PRODUCTS ANZ	FULL YEAR ENDED 30 SEPTEMBER		
A$M	2015 ACTUAL	2014 ACTUAL	% CHANGE
Sales revenue	266.2	265.9	0.1%
EBITDA excluding non-recurring items	32.6	33.8	(3.6%)
EBIT excluding non-recurring items	29.2	29.8	(2.0%)
EBIT % Sales excluding non-recurring items	*11.0%*	*11.2%*	
Non-recurring items*	(3.2)	–	

* The non-recurring item in FY15 is 40%[1] of the closure provision associated with the new NSW distribution centre project. Please refer to pages 21 and 32 for further information.

EBIT

$29.2m

EXCLUDING NON-RECURRING ITEMS

↓2.0%

SELLEYS GROWTH PARTIALLY OFFSET PARCHEM DECLINE

Sales revenue up $0.3M (+0.1%)

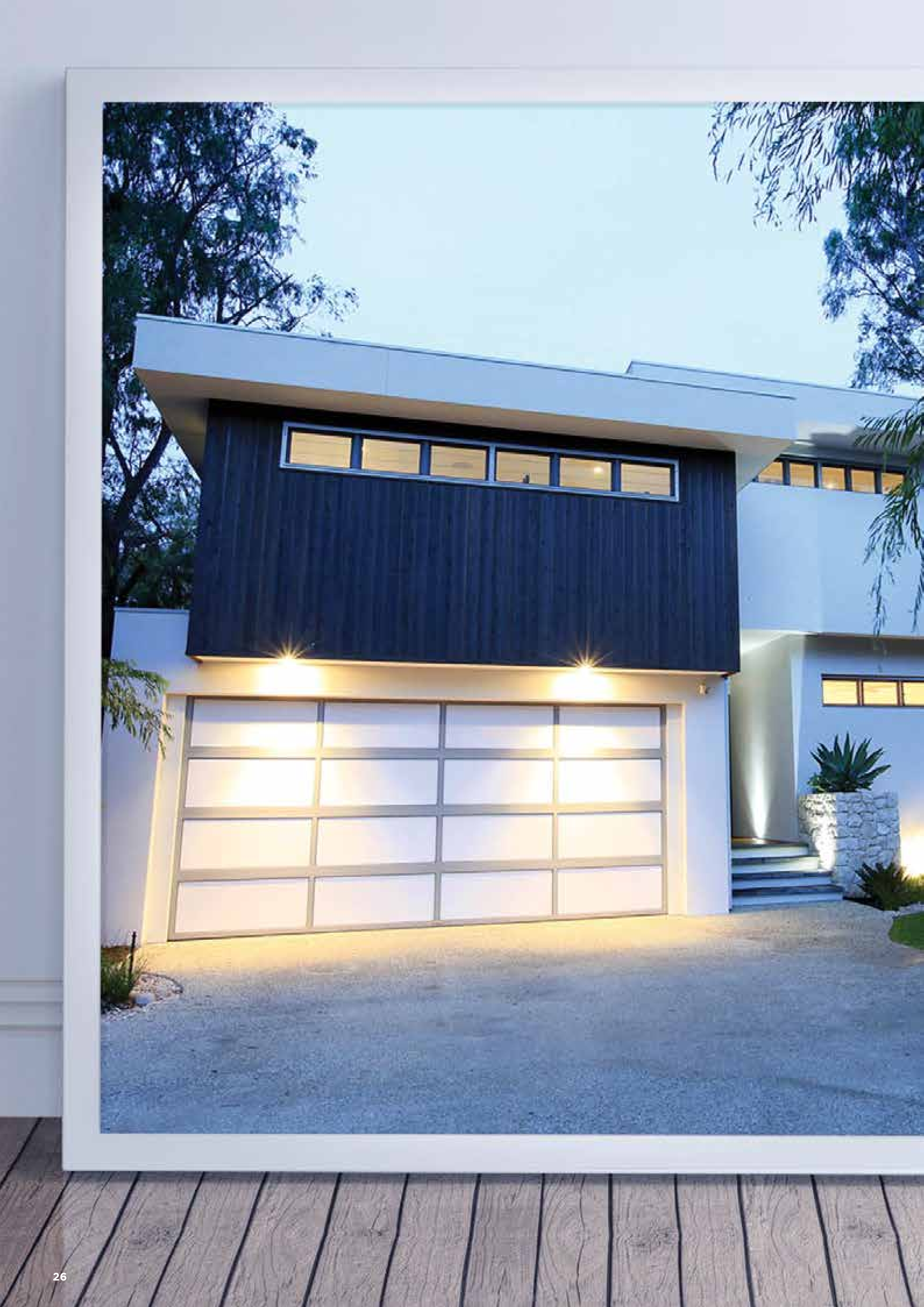
- Selleys sales revenue grew in markets that grew modestly, underpinned by a continued focus on its core sealants and adhesives products.
- Parchem sales were adversely impacted by a decline in resources infrastructure spend. In the core construction chemicals segments (55% of revenue), share gains partially offset market declines. Sales also declined in the decorative concrete business, as we reduce the focus on low margin commodity products to higher margin Avista branded products, and in New Zealand in line with weaker markets in Christchurch. The equipment business (15% of sales) was also weak but stabilised late in the year as our "fix" strategies progressed.

EBIT decline of $0.6M (-2.0%) before non-recurring items

- Selleys profit and EBIT margin increased due to revenue growth together with good margin control due to favourable product mix and cost control. At the same time marketing investment increased.
- Parchem profit declined as a result of the lower sales and some margin compression, given competitive intensity in a soft market.
- During the second half, the first phase of a restructuring program focused on Parchem's construction chemicals business was completed, with the benefits exceeding the implementation costs within the half. The exit rate for the business (on a constant revenue basis) is approximately $2M stronger than the result.
- Further profitability improvement initiatives are planned for 2016. Implementation of these initiatives is expected to adversely impact the first half and full year for FY16 by approximately $0.5M, with a positive impact from FY17.
- The immediate market outlook for Parchem is challenging, particularly given the construction chemicals business has been historically focused on the energy and resources sectors, which are in decline. The growth in future civil and commercial infrastructure projects is unlikely to offset the decline in energy and resources projects in the near term.
- Notwithstanding all of this, and given the exit rate benefits from the restructure program, Parchem is focused on delivering EBIT growth in FY16, though this is likely to be skewed to the second half.

1. Percentages shown are approximations only.

** Distributed brand.



Garage Doors and Openers

B&D was founded in Sydney in 1946. Ten years later, the B&D Roll-A-Door debuted at the Sydney Home Show to immediate success. An icon of the suburban landscape was born. Today DuluxGroup's Garage Doors and Openers business is the Australian and New Zealand market leader in the manufacture and marketing of garage doors and automatic openers for the residential, commercial and industrial markets. The B&D Roll-A-Door has gone on to be named one of Australia's most successful inventions.

GARAGE DOORS & OPENERS	FULL YEAR ENDED 30 SEPTEMBER		
A$M	2015 ACTUAL	2014 ACTUAL	% CHANGE
Sales revenue	169.5	169.8	(0.2%)
EBITDA	23.4	24.5	(4.5%)
EBIT	17.1	18.2	(6.0%)
EBIT % Sales	*10.1%*	*10.7%*	

EBIT

$17.1m

↓ **6.0%**

SECOND HALF IMPROVEMENT OFFSET FIRST HALF REVENUE DECLINE AND ARRESTED EBIT DECLINE.

Sales revenue down $0.3M (-0.2%)

- Flat revenue outcome across the year reflects an improved performance in the second half (+$2M growth over the pcp) following the revenue decline in the first half. Transitional issues associated with the new product launch and new dealer strategy are being progressively addressed.
- Markets were generally positive across the year growing at approximately 4%. Growth was particularly strong in the new detached housing segment in Australia (where B&D's share is strategically lower).
- Modest price increases were achieved to largely offset input cost increases.

EBIT decline of $1.1M (-6.0%)

- Profit declined largely due to the weak sales and EBIT result in the first half.
- Second half EBIT improved by $0.8M, or 7.7% due to the improved second half sales outcome, improved doors margins and lower depreciation, and was achieved despite FX-driven input cost pressures in the openers business.

Cabinet and Architectural Hardware

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. It is a proud supplier of quality brands including Blum, Hera, SecureView, Assa Abloy and Breezway.

CABINET & ARCHITECTURAL HARDWARE	FULL YEAR ENDED 30 SEPTEMBER		
A$M	2015 ACTUAL	2014 ACTUAL	% CHANGE
Sales revenue	172.8	159.6	8.3%
EBITDA	11.4	11.4	0.0%
EBIT	9.0	8.9	1.1%
EBIT % Sales	*5.2%*	*5.6%*	

EBIT

$9.0m

↑1.1%

CONTINUED STRONG REVENUE GROWTH IMPACTED BY FX-DRIVEN MARGIN COMPRESSION.

Sales revenue up $13.2M (+8.3%)

- Sales growth was led by the cabinet hardware business, with the Blum range the key driver. Architectural hardware revenue also grew modestly.
- Markets were generally strong, growing at approximately 4%.
- Share outcomes were positive, particularly in cabinet hardware.
- Inflationary price increases were achieved.

EBIT growth of $0.1M (+1.1%)

- EBIT margin compression reflects gross margin softness due to FX-driven input cost increases (Euro and USD) in increasingly competitive markets.
- Given the strong sales growth turn around over the past two years, the focus is now on margin improvement initiatives, including systems investment, to improve sales productivity and effectiveness.

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

* Distributed brands.

Other businesses

DuluxGroup's 'Other businesses' includes:

- Yates, which is Australia and New Zealand's leading manufacturer and marketer of products for home gardening and small scale commercial horticulture. Products include seeds, pest & disease control, lawn care, fertilisers, pots, potting mix and organic gardening products. From its inception in 1883, Yates has grown into the fabric of the Australian and New Zealand community and is regularly named one of its 'most trusted' brands.
- The paints business in Papua New Guinea, where Dulux has been manufacturing since 1968 and is a clear market leader.
- The DGL Camel business in China and Hong Kong (51% owned by DuluxGroup) and the DGL International business in South East Asia. DuluxGroup has been operating in Asia for more than two decades. These businesses have targeted niche positions across categories, including decorative and specialty coatings, adhesives and sealants.

OTHER BUSINESSES	FULL YEAR ENDED 30 SEPTEMBER		
A$M	2015 ACTUAL	2014 ACTUAL	% CHANGE
Sales revenue	221.6	207.7	6.7%
EBITDA excluding non-recurring items in FY14	19.1	15.5	23.2%
EBIT excluding non-recurring items in FY14	15.9	12.2	30.3%
EBIT % Sales	*7.2%*	*5.9%*	
Non-recurring items	–	(9.2)	

* The non-recurring item in FY14 represents a non cash impairment charge recognised against the intangible assets relating to our 51%-owned DGL Camel business in China and Hong Kong.

EBIT

$15.9m

EXCLUDING NON-RECURRING ITEMS IN FY14

↑30.3%

EBIT GROWTH DRIVEN BY YATES REVENUE AND MARGIN GROWTH, MARGIN IMPROVEMENT IN CHINA AND PNG FX.

- **Yates ANZ** revenue grew due to share gains in a moderately growing market. EBIT grew due to revenue growth and favourable product mix, while increasing marketing spend.
- **DGL Camel** revenue was flat and EBIT improved predominantly due to margin improvement initiatives, cost control and favourable product mix.
- The **PNG** business was impacted by soft economic conditions, particularly in the second half, with sales and EBIT declining in local currency. In Australian dollars, sales and EBIT increased due to a stronger PNG kina.
- The **South East Asian** business produced higher sales and EBIT, largely driven by strong growth in Vietnam.

* 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.

Supply Chain Investments

In March 2015, two significant supply chain investments were announced:

- The construction of a new state-of-the-art factory in Melbourne to manufacture water-based decorative paint ('new paint factory'); and
- The establishment of a new third party operated distribution centre in NSW, to replace two existing distribution centres ('new distribution centre').

The projects are multi-year investments which will deliver significant financial and operational benefits to the business. Please refer to the Company's ASX announcement on 17 March 2015 for further background information on both projects.

The new distribution centre project is progressing well and is scheduled to be operational on time (mid to late 2016) and on budget. This project has a strong payback delivered via cost savings.

The new paint factory is also progressing to plan and is on time (late calendar 2017) and budget. During the 2015 financial year $4.7M was spent on the new paint factory, relating mainly to initial engineering design work and progress payments for land. Whilst this expenditure was below our forecast of $15–20M, this was largely due to improved payment terms for key contracts and land purchase timing. Detailed design work is very well progressed and site works are expected to commence before Christmas.

The expected capital expenditure cost for the new paint factory is $165M, and given capital expenditure savings elsewhere and asset sales, the net incremental outflow for the project (over and above our historic baseline of $30M capex per annum) is $130M. Both these figures are consistent with our March disclosure. This project is expected to be at least NPV neutral, with returns driven by operating cost savings.

The revised timing of this forecast for capital outflow is set out below. The potential timing variance for the $85M net capital outflow forecast for FY16 is +/- $10M.

NET CAPITAL OUTFLOW	FULL YEAR ENDED 30 SEPTEMBER				
A$M	2015 ACTUAL	2016 FORECAST	2017 FORECAST	2018 FORECAST	TOTAL
Incremental net capital outflow *(above our historical $30m capital expenditure "base")*	0	55	65	10	130
DuluxGroup total net capital outflow *(i.e. including DuluxGroup maintenance capex)*	30	85	95	40	

The following provisions totalling $17.0M pre-tax were recognised in the first half of FY15:

- **The Rocklea restructuring provision** ($8.7M) relates to the future costs associated with the transition of the majority of our water-based paint manufacture from Rocklea in Queensland to the new paint factory in Victoria. The manufacture of solvent-based and some water-based paint will remain at Rocklea. The provision will be utilised when staffing levels at Rocklea reduce, which will occur when the new factory opens. The amount recognised includes discounting, which will unwind through interest. The gross provision before discounting is $12.4M.
- **The Distribution centres closure provision** ($8.3M) relates to retrenchments and other costs associated with the closure of the two distribution centres in NSW, concurrent with the opening of the new Linfox-operated NSW distribution centre. The provision will be largely utilised in FY16 when the distribution centres close.
- The amount recognised includes discounting, which will unwind through interest. The gross provision before discounting is $9.6M.

The approximate schedule for the unwinding of the discount of these provisions (recognised in finance expenses) is shown below. This will be reviewed six monthly.

RESTRUCTURING PROVISIONS – UNWINDING OF DISCOUNT	FULL YEAR ENDED 30 SEPTEMBER			
A$M	2015 ACTUAL	2016 FORECAST	2017 FORECAST	2018 FORECAST
Rocklea restructuring provision	0.6	1.3	1.4	0.4
Distribution centres closure provision	0.5	0.8	0.0	0.0
Total	**1.0**	**2.0**	**1.4**	**0.4**

Future Financial Prospects

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

Market

Overall, DuluxGroup's end market exposure is biased to the existing home, with 65%[1] of revenue relating to residential renovation and 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 infrastructure construction. The remaining 5%[1] of revenue relates to industrial markets.

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

In Australia, this existing homes segment has proven in recent years to be resilient and more profitable. This resilience is expected to continue.

The new housing construction market, which has experienced strong growth over the past two years, is expected to remain strong throughout financial year 2016. Although housing approvals are peaking, the lag between approvals and completions should provide a strong pipeline of work. DuluxGroup businesses are strategically less geared to growth in this lower margin, more price competitive sector of the housing market. DuluxGroup's exposure to this segment is late cycle.

The outlook for commercial, infrastructure and industrial markets, representing approximately 20% of DuluxGroup revenue, is expected to be subdued. In Australia, engineering construction projects are expected to continue declining over the next couple of years, particularly in the resources sector. Whilst the pipeline of public infrastructure projects is growing, particularly in major urban transport, full market recovery would appear to be some time away.

In New Zealand, markets are expected to continue to grow but at lower rates than 2015. However, earnings from the New Zealand Paints and Coatings business are expected to be broadly flat in 2016 as a result of the exit from Mitre 10 stores in the second half of 2015.

The Papua New Guinea market is expected to remain soft in 2016 due to continued subdued global commodity prices and drought conditions.

In China and Hong Kong, growth rates are expected to be relatively weak.

Raw materials and other costs

DuluxGroup has a wide range of raw materials. The two largest are latex resin and titanium dioxide, both of which are key ingredients in paint. Input costs are expected to remain relatively flat for paint and coatings in 2016.

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

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

Investment

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

Investment in the new paint factory will require a significant increase in capital expenditure over the next three years. Details of this expenditure profile are outlined on the previous page.

Overall outlook

Subject to economic conditions and excluding non-recurring items, we expect that 2016 net profit after tax will be higher than the 2015 equivalent of $124.7 million.

1. DuluxGroup revenue splits are indicative

Safety and Sustainability Report

Welcome to the 2015 DuluxGroup Safety and Sustainability Report. During the year we continued to make steady progress in improving management of significant risks to prevent harm, with good outcomes achieved in several areas.

OUR STRATEGY

In order to achieve DuluxGroup's safety and sustainability vision of 'A Future Without Harm', our improvement priorities are focussed on ensuring effective identification and management of the material risks associated with our products, operations and people.

This includes all facets of our business activities to ensure we meet the expectations of all stakeholders, including our customers and consumers. An integrated approach to management of our risks means that all DuluxGroup businesses operate within a common safety and sustainability strategic framework that is focussed on four differentiated risk areas.

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

Disaster prevention

Strategic Focus
Prevention of disasters such as a major fire or explosion from chemical manufacturing (process safety) and handling of dangerous goods

Key 2015 Outcome
No serious incidents or near misses involving chemical process safety or dangerous goods

Fatality prevention

Strategic Focus
Prevention of fatalities from common significant hazards such as forklifts, working at height and driving

Key 2015 Outcome
A 12% increase in hazard and near miss reporting, which represents the five consecutive years of improvement. This reporting is a foundation of fatality prevention and in 2015 we remained fatality free

Personal safety

Strategic Focus
Prevention of non-fatal injuries and illnesses from everyday hazards such as manual handling, sharp objects and exposure to noise or chemicals

Key 2015 Outcome
Good improvement across the former Alesco businesses, including B&D and Lincoln Sentry where injury rates were 75% and 64% lower respectively when compared with acquisition in 2013. This was offset by an increase in injuries from non-fatal risks (e.g. manual handling) across the heritage businesses, where implementation of new improvement plans has commenced. Workers compensation claims declined 20%, average claim costs declined 26%, and premiums were sustained at 35% less than two years ago

Sustainability

Strategic Focus
Prevention of community and environmental harm from all activities, including product stewardship, resource efficiency and land protection

Key 2015 Outcome
Continued product stewardship improvements (e.g. product reformulation, packaging redesign) to prevent potential harm to our customers, consumers and the environment. Further operating site resource efficiency improvements, including a 6% reduction in waste to landfill and a 6% reduction in water consumption.

GOVERNANCE

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

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

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

PERFORMANCE

1. DISASTER PREVENTION

Our priority focus on prevention of high consequence incidents such as a major fire or explosion from chemical manufacturing process safety hazards in our factories (e.g. flammable solvents, combustible dusts) or from handling of dangerous goods continued during the year. Many years has elapsed since our last serious harm incident (major fire) involving a chemical process safety risk, however we continue to regularly see high consequence events involving solvents and dusts in industries around the world. This serves as a potent reminder of the risks we are working with every day and the need for constant improvement.

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

PROCESS SAFETY
Manufacturing with flammable solvents and combustible dusts

2015 PRIORITIES	2015 PERFORMANCE
• Completion of Periodic Hazard Studies at two more factories (DGL Camel Dongguan Coatings and Parchem Wyong) • Continued implementation of multi-year improvement plans at all nine factories where studies have been completed in prior years, including independent six-monthly progress reviews and use of lead indicator scorecards • Independent process safety protocol reviews at all relevant factories and implementation of actions to address any identified significant gaps	• There were no serious process safety near miss incidents during the year, which compares with two such incidents in 2014 (two small solvent fires in China). There have now been no such incidents across our factories in Australia and New Zealand in five years, which represents significant improvement compared with historic performance levels.

DANGEROUS GOODS
Storage, handling and distribution of dangerous goods

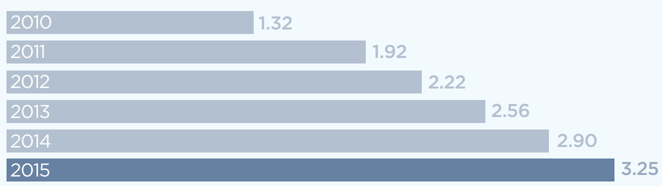
2015 PRIORITIES	2015 PERFORMANCE
• Completion of a specialist dangerous goods audit in Papua New Guinea where we store and distribute high consequence dangerous goods, including chlorine and acids, and implementation of actions to address any identified significant gaps	• There were no serious incidents involving storage and handling of dangerous goods (e.g. loss of containment) across the business during the year.

2. FATALITY PREVENTION

Our priority focus on prevention of fatalities also continued during the year. The foundations of our fatality prevention strategy are near miss reporting, auditing of significant risks, risk management basics (e.g. permit to work, management of change), and implementation of protocols that prescribe higher levels of mandatory risk controls than traditional, historic standards. Hazard and near miss reporting (‘Total General Learning Incidents’) is a foundation of maintaining risk awareness, especially for high consequence disaster and fatality risks, so that we can take action before harm occurs.

During 2015 we continued this improvement work in order to protect our people and ensure we sustain our long-term fatality-free performance. From benchmarking with peer ASX 100 organisations in similar risk sectors we know that this is exceptional safety performance, however we recognise that it cannot ever be taken for granted and that we need to constantly improve our management of significant fatality risks.

FATALITY RISKS
Common fatality risks, including: forklifts, racking, falls, electrical safety, machine guarding, lifting equipment, traffic management and driving

2015 PRIORITIES	2015 PERFORMANCE
• Continued implementation and verification of forklifts and racking protocols across B&D, Parchem, Lincoln Sentry and DGL Camel. This included investment to upgrade forklifts, improve racking and segregate pedestrians. • Implementation of electrical and falls protocols across Dulux, Selleys and Yates. This included improvements to upgrade electrical installations, ensure effective isolation and improve training. • Completion of specialist machine guarding audits at factories and ensuring any identified fatality risk improvements have been actioned. • Development of new protocols for traffic management and lifting equipment, plus further significant risk audits and completion of actions.	• Serious near miss incidents involving fatality risks increased 39% due to a DGL Camel China focus on improved reporting and improved identification as implementation of new protocols commenced across other businesses. Across our heritage Dulux, Selleys and Yates businesses, serious near misses remained close to their lowest level on record, which represents a 50% reduction since 2010 and 2011 when numbers peaked following the introduction of near miss reporting in 2007. • All businesses continued to focus on reporting of hazards and near misses (‘Total General Learning Incidents’) during the year, with a 12% increase over the prior year to a level of 3.25 per employee, which represents the fifth consecutive year of reporting improvement. Total General Learning Incidents 

Dulux has partnered with Surf Life Saving Australia to paint every Surf club across the country.

3. PERSONAL SAFETY

During 2015 we maintained our focus on prevention of common injuries and associated compensation claims from non-fatal risks such as manual handling, hazardous chemicals and slips, trips and falls. Manual handling risks are our major source of injuries and we continue to invest in reducing these risks via changes to workplace and equipment design. This is supported by risk assessments, training in standard operating procedures, health assessments and monitoring, and near miss reporting.

INJURIES AND HEALTH

Common non-fatal injury risks and associated compensation claims, including: manual handling, sharp objects and tools, chemicals, noise, slips, trips and falls, health and well-being

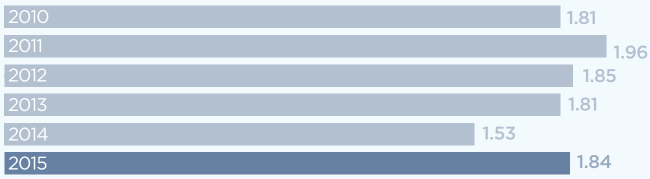
2015 PRIORITIES

- Commenced implementation of new targeted plans for the 10 largest sites that are focused on the specific injury and claim risks at each site
- Invested in new equipment to further reduce manual handling risks at several sites, including Lincoln Sentry Bayswater and Prestons, Selleys Padstow, Dulux Rocklea and B&D Clontarf
- Continued actions to improve management of compensation claims and premiums
- Completed 2,000 health assessments and 500 occupational hygiene tests to monitor employees working with chemicals or high-risk activities
- Conducted well-being activities across all businesses, including examples such as walking and fitness programs, and a variety of health initiatives (e.g. mental health, skin health, diet)

2015 PERFORMANCE

- Our Recordable Case Rate, or the number of employee and contractor injuries requiring time off work, restricted duties or medical treatment per 200,000 hours, increased 20% to 1.84.

Recordable Case Rate



- This increase in numbers of injuries from non-fatal risks occurred primarily in our heritage Dulux, Selleys and Yates businesses, where implementation of new improvement plans to address this performance commenced during the latter part of the year. Across the former Alesco businesses there was particularly good year-on-year improvement achieved in the B&D and Lincoln Sentry businesses, where 2015 injury rates were 75% and 64% lower respectively when compared with the first year of acquisition in 2013.
- Workers compensation performance improved further on 2014, with a 20% reduction in claim numbers, 26% reduction in average claim costs, and premiums sustained at 35% less than two years ago.

4. SUSTAINABILITY

Sustainability priorities during the year remained product stewardship, resource efficiency, land protection, and prevention of community harm. Our annual product stewardship assessment and improvement process is focussed on enabling all businesses to deliver product enhancements that reduce our sustainability impacts and ensure we continue building on our strong heritage in this area. Management of operating site impacts and community safety are focussed on continuous improvement in management of relevant significant risks and ensuring we meet community expectations.

Participating in, and engaging with, the communities where we work continued to be an important priority during the year. Our focus is on supporting these communities with our products and resources to jointly enable our safety and sustainability vision of 'A Future Without Harm'.

PRODUCTS

Product stewardship risks, including: post-consumer waste, renewable resources, consumer safety, chemicals of concern and packaging

2015 PRIORITIES	2015 PERFORMANCE
• Delivery of annual product stewardship improvement plans and completion of annual product group assessments across all SBUs • Review of contract (toll) manufacture management and piloting of a revised evaluation and monitoring process to manage significant sourcing risks	**Post consumer waste** • Dulux worked with Sustainability Victoria and Australian Paint Manufacturers' Federation in developing a waste paint product stewardship scheme. Subject to regulatory approval, the scheme is expected to commence during 2016. • B&D commenced a review of post-consumer waste management with dealers to identify recycling options for product packaging following door installation. **Renewable resources** • Lincoln Sentry introduced new window louvre products with wood components obtained from Forest Stewardship Council certified sustainable sources. **Consumer safety and chemicals of concern** • Parchem reformulated a concrete sealer stripper product to eliminate two hazardous solvents. • Selleys launched new adhesive and sealant products based on non-hazardous silicone technology as alternatives to traditional polyurethane based products. • Cabot's reformulated a deck clean product to eliminate a highly corrosive chemical. • Dulux implemented redesigned aerosol can caps for a new product launch that contain a locking mechanism to prevent inadvertent trigger application. • Yates proactively phased out a range of fungicides, encouraging customers to adopt less hazardous alternatives. **Packaging and labelling** • Cabot's redesigned decking oil applicator poles to reduce the amount of packaging required and the space needed during distribution. • Dulux, Selleys and Yates commenced a major project to update labels and safety data sheets to ensure GHS (Globally Harmonized System) compliance for all products classified as hazardous chemicals before the end of 2016.

FAR LEFT: Berger Paints has teamed with Legacy Australia and Inspirations Paint stores to restore the homes of families of defence force personnel.

LEFT: DuluxGroup's Padstow New South Wales team participated in 'Clean Up Australia Day' for the 16th year in a row.

OPERATIONS

Resource efficiency (waste, water, energy) and land protection

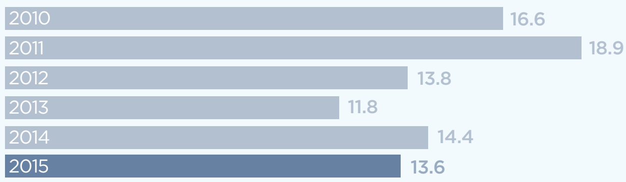
2015 PRIORITIES

- Improved waste and water reporting across the former Alesco businesses in preparation for new reduction plan development in 2016
- Continued monitoring and investigation of historic soil and groundwater contamination risks

2015 PERFORMANCE

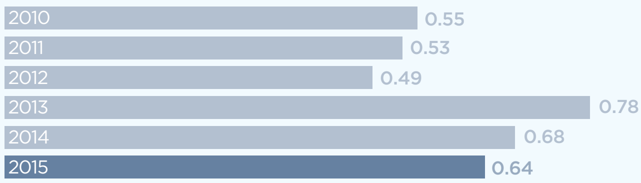
- **Waste Generation:** Waste to landfill (kilograms per tonne of production) decreased 6% from 14.4 kg/t in 2014 to 13.6 kg/t, primarily due to a 24% reduction at Dulux Rocklea following implementation of bulk bag recycling.

Waste to Landfill (kg/t)



- **Water Consumption:** Water consumption (kilolitres per tonne of production) decreased 6% from 0.68 kL/t in 2014 to 0.64 kL/t, primarily due to efficiency improvements across DGL Camel China. More than 40% of water consumed across our coatings manufacturing sites is used as raw material in the formulation of water based products.

Water Consumption (kL/t)



- **Energy Consumption:** Total energy consumption (gigajoules per tonne of production) increased 3% from 0.75 GJ/t in 2014 to 0.77 GJ/t, primarily due to variations in product mix across the Yates business. DuluxGroup meets the Australian National Greenhouse and Energy Reporting System (NGERS) reporting criteria, due to use of solvents in formulation of products. Excluding raw material use, the operational energy consumption and greenhouse gas emissions from our Australian sites and businesses are below the NGERS reporting thresholds. The total greenhouse gas emissions (Scope 1 and 2) from our Australian sites and business activities were 34,024 tonnes (CO2-e or equivalent carbon dioxide emissions), 2% higher than 2014, primarily due to the variations in Yates product mix. Total energy consumed was 523,898 GJ, 3% lower than 2014, primarily due to decreased solvent consumption at Dulux Rocklea and Selleys Padstow.
- **Land Protection:** The company has undertaken a number of investigations in prior years to ensure potential soil and groundwater contamination issues are identified and managed. Further monitoring was completed during the year and no significant new issues were identified.

The British Paints team in Melbourne helps the 'Arty Farty' kids get creative with paint.

COMMUNITY

Community safety, regulatory compliance and community engagement

2015 PRIORITIES	2015 PERFORMANCE
• Continued management of all significant risks to prevent community harm and ensure regulatory compliance • Conduct of a broad range of community engagement activities across all businesses	**Community safety** • The company's emergency response service responded to 614 calls during the year, compared with 693 calls in 2014. This service provides emergency support 24 hours a day, with more than 98% of calls involving minor human and animal exposures to products during use. None of the calls received in 2015 involved serious harm or damage to people, community or the environment. • There was one serious distribution incident during the year, compared with no such incidents in 2014. The incident involved spillage of paint when a truck was run off the road. The spill was fully cleaned up and there was no damage. **Regulatory compliance** • There were no regulatory prosecutions or prohibition notices received during the year, compared with one prohibition notice in 2014. There were five improvement and/or infringement notices received compared with five in the prior year, all of which were fully investigated and addressed. **Community engagement** • Dulux Australia continued its partnership with Surf Life Saving Clubs Australia to paint every surf life saving club across the country, with more than 140 clubs (45%) painted. • Dulux New Zealand continued its three year conservation partnership with the Department of Conservation to paint and protect 973 lodges and huts across the country, with more than 130 painted. • DuluxGroup businesses and employees donated time and resources to work on a wide variety of community projects. Examples included: – Yates sales employees in western Sydney helped develop and plant raised garden beds for a local school for students with intellectual disabilities. – Lincoln Sentry employees in Perth helped their local Foodbank distribution centre sort through donated produce that would otherwise go to landfill. – Dulux donated paint for restoration and maintenance of the heritage listed railway station in Gundagai, which attracts more than 6,500 visitors a year. – Berger paints were donated for restoration of 40 homes for families and widows of defence service personnel supported by Legacy Australia. • Selleys, Yates, Dulux and Parchem employees at Padstow participated in the Clean Up Australia program for the 16th consecutive year.

OTHER

Integration of acquisitions to ensure effective management and targeted improvement of all significant safety and sustainability risks remained an important priority during the year. Continuing to develop the safety and sustainability leadership capability of our managers, and thereby ensure we maintain and support the optimum culture, also remained an important priority during the year. This focus recognises that our culture ultimately determines the degree of success we can achieve in aspiring to prevent all harm and that our leaders create the culture.

ACQUISITION INTEGRATION

Effective management of significant risks in acquired businesses

2015 PRIORITIES	2015 PERFORMANCE
• Reviewed the 2013/2014 integration of Alesco to identify any improvements to our integration process for future acquisitions • Commenced integration of the Porter's Paints business	• Acquisition integration: We completed significant risk audits of all Porter's Paints operating sites and commenced implementation of prioritised improvement actions to address audit findings and ensure medium term alignment of standards, processes and culture.

LEADERSHIP AND CULTURE

Continuous development of leadership capability and culture

2015 PRIORITIES	2015 PERFORMANCE
• Further delivery of our Safety and Sustainability Management Program, launched in 2013, which provides managers with the contemporary understanding of how to effectively manage risks • Further delivery of our Safety and Sustainability Leadership Program, launched in 2012, which is designed to help managers understand how their actions influence and create culture • Commenced rollout of our new tailored management programs for store managers and operations team leaders • Completed a pilot version of the leadership program for operational employees at Dulux Rocklea	• We delivered Safety and Sustainability Leadership Programs to 40 senior managers and Safety and Sustainability Management Programs to 100 operations and commercial managers. More than 150 and 300 managers have now completed the leadership and management programs respectively. We also delivered the tailored management program to 40 store managers and piloted the team leader version at three operating sites.

KEY FOCUS AREAS 2016

DuluxGroup's key priorities during 2016 will be the continued focus on our four primary improvement strategies and the supporting elements to those strategies

Disaster prevention

Completion of new periodic hazard studies at two additional sites with process safety risks, together with continued implementation and review of improvement actions from studies at sites completed in prior years

Fatality prevention

Continued focus on near miss reporting and implementation of fatality prevention protocols, with particular focus on prevention of falls, electrical safety, traffic management and lifting equipment

Personal safety

Implementation of targeted risk reduction plans for the 20 operating sites and business areas that account for the majority of non-fatal injuries and workers compensation claims across the company

Sustainability

Continued implementation of product stewardship and waste reduction plans, including development of new solid and liquid waste reduction plans for the largest sites

Leadership

Continued delivery of our leadership and management programs across all levels of the organisation, including operations and commercial managers, operations team leaders and store managers

Board Members

PETER KIRBY

BEc (Hons), MA (Econ), MBA

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

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

PATRICK HOULIHAN

BSc (Hons), MBA

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

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

STUART BOXER

BEng (Hons)

Executive Director and Chief Financial Officer since July 2010.

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.

GARRY HOUNSELL

BBus (Accounting) FCA, CPA

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

Director of Treasury Wine Estates Limited since September 2012, Spotless Group Holdings Limited since March 2014 and Integral Diagnostics Limited since October 2015. Garry was Chairman of PanAust Limited from 2008 to 2015 and was a Director of Qantas Airways Limited from 2005 until 2015, Director of Orica Limited from 2004 until 2013, Director of Mitchell Communication Group Limited from 2006 until 2010, Director of Nufarm Limited from 2004 until 2012, and is a former Senior Partner of Ernst & Young and Chief Executive Officer and Country Managing Partner of Arthur Andersen.

GAIK HEAN CHEW

BPharm (Hons)

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

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

ANDREW LARKE

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

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

Chairman of IXOM Limited (formerly the Chemicals Division of Orica) since October 2015 and non-executive Director of Diversified United Investment Limited since March 2015. Andrew was Managing Director and Chief Executive of IXOM Limited prior to his appointment as Chairman. Andrew was also Group General Manager, Mergers & Acquisitions, Strategy and Technology at Orica for 12 years and Group General Manager of Orica's Chemicals Division from 2012 until 2014. Prior to that he was General Manager of Strategy and Mergers & Acquisitions at North Limited.

JUDITH SWALES

BSc Microbiology and Virology

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

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

SIMON BLACK

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

Company Secretary and General Counsel since July 2010.

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

Group Executive

PATRICK HOULIHAN
BSc (Hons), MBA
Managing Director and Chief Executive Officer

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

STUART BOXER
BEng (Hons)
Executive Director and Chief Financial Officer

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

PATRICK JONES
BBus (Hons), CPA
Executive General Manager – Dulux Paints and Coatings

Patrick joined DuluxGroup in 1995 and was appointed to his current position in May 2011. Patrick has undertaken a variety of commercial and business management roles including General Manager of the Paints New Zealand Business from May 2008. Other roles previously held by Patrick include National Retail Manager for Dulux Paints Australia, Bunnings Business Manager, Independents Business Manager and State Sales Manager.

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 – Consumer and Construction Products

Martin was appointed to his current role in April 2014. He has extensive business leadership and management 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 brand marketing roles during more than 20 years with DuluxGroup. Martin was also a partner at Origin Capital Group in the merchant banking sector and Company Director at retailer Inspirations Paint Stores.

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.

STEVEN LEIGHTON
Executive General Manager – B&D Garage Doors and Openers
Steven will join DuluxGroup and commence his role on 30 November 2015. Prior to joining DuluxGroup, Steven held various roles for 20th Century Fox Home Entertainment, Inc including Managing Director of Australia, Managing Director of UK and, most recently, Executive Vice President of Northern Europe, Asia Pacific and Latin America. Steven was also Chief Executive Officer of the Hawthorn Football Club in Melbourne from 2003 to 2004, Managing Director for Heinz (Australia and then Asia) and has held General Manager positions at Mayne Nickless Express, Berrivale Orchards and Cadbury.

JULIA MYERS
BSc (Hons)
Executive General Manager – Selleys Australia and New Zealand
Julia was appointed to her current role in January 2014. Julia joined DuluxGroup in 1990 as a business analyst based in Slough, UK. Since then, Julia has undertaken a variety of functional, commercial and business management roles including Group IT Manager, Sales Force Effectiveness Manager, Dulux Independents Business Manager and Cabot's Business Manager. Most recently, Julia was Executive General Manager of Dulux Paints New Zealand.

RICHARD HANSEN
BBus (Marketing and Management)
Executive General Manager – Dulux Paints New Zealand
Richard was appointed to his current role in January 2014. During more than 15 years with DuluxGroup, Richard has held a range of sales, marketing and business management roles in the Dulux, Selleys and Yates businesses. Most recently he was Business Manager for Selleys Australia and New Zealand.

ALAN PRESTON
BBus (Marketing), MBA
Executive General Manager – DGL International Asia
Alan was appointed to his current role in February 2011. Alan has more than 17 years' paints industry experience and has held a number of domestic and international roles with DuluxGroup including General Manager of Paints New Zealand, Cabot's General Manager, CEO of ICI Paints Philippines and General Manger of Sales, Marketing and R&D for ICI Paints Asia. Alan left the business in 2004 to pursue other business interests before rejoining DuluxGroup in his current role in 2011. Prior to joining DuluxGroup, Alan had various roles in fast moving consumer goods with Bowater Scott and Rexona.

Corporate Governance Report

AS AT 11 NOVEMBER 2015

As a Board, we believe that a strong corporate governance framework and culture translates to a strong company that delivers for its shareholders.

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

DuluxGroup's directors and management are committed to conducting business in an ethical, fair and transparent manner in accordance with high standards of corporate governance. 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**).

1. OUR BOARD

1.1 THE ROLE AND RESPONSIBILITIES OF THE BOARD AND MANAGEMENT

The Board

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

In particular, the Board's responsibilities include:

- approving the strategic objectives and direction of the company and overseeing management's implementation of those strategic objectives;
- monitoring the company's operational performance generally, including its financial state and the effectiveness of the company's safety and sustainability strategy;
- approving major expenditures, transactions, budgets, funding plans and capital management initiatives;
- monitoring the integrity, effectiveness and consistency of the company's risk management framework, controls and systems;
- setting the overall remuneration framework for the company and overseeing executive succession planning;
- appointing, assessing the performance and setting the remuneration of the CEO, as well as approving the appointment and remuneration of senior management and overseeing their performance;
- influencing the corporate culture, ethical standards and reputation of the company; and
- monitoring the effectiveness of the company's governance practices including overseeing shareholder reporting and engagement as well as compliance with the company's continuous disclosure obligations.

The Board has adopted a Board Charter, which details its role and responsibilities. The Board Charter can be found in the corporate governance/charters section of our website at www.duluxgroup.com.au.

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/governance policies 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.

1.2 BOARD COMPOSITION AND SUCCESSION

DuluxGroup is committed to ensuring that the composition of the Board continues to comprise directors who, as a whole, possess the diversity of skills and experience required to fulfil the role and responsibilities of the Board.

The Board currently comprises seven directors, including five non-executive directors.

NON-EXECUTIVE DIRECTORS	APPOINTED	EXECUTIVE DIRECTORS	APPOINTED
Mr Peter Kirby, Chairman	July 2010	Mr Patrick Houlihan, CEO	July 2010
Ms Gaik Hean Chew	August 2010	Mr Stuart Boxer, CFO	July 2010
Mr Garry Hounsell	July 2010		
Mr Andrew Larke	October 2010		
Ms Judith Swales	April 2011		

Details of the qualifications and experience of our directors are set out on page 42.

Skills and diversity

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

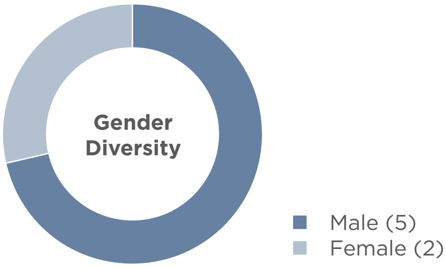
The Board believes that having a range of different skills, backgrounds, experience and gender ensures a diversity of viewpoints which facilitates effective governance and decision making.

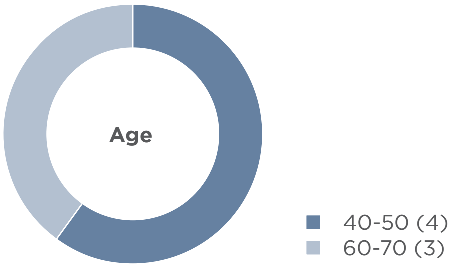
The Board's Remuneration and Nominations Committee has primary responsibility for conducting assessments of the current mix of skills and experience of directors, taking into account the business and strategic needs of the company, as well as broader succession planning issues for both the Board and management.

The company's Board skills matrix sets out the mix of skills, experience and diversity of the current Board. The matrix below addresses:

- the skills, experience and diversity that collectively support the three key components of DuluxGroup's strategy and growth agenda; and
- other skills and experience relevant to enable the Board to properly perform its role.

STRATEGIC PRIORITY AREAS	BOARD SKILLS MATRIX	
1. Build on our core market leading positions in ANZ 2. Capability led growth in adjacent home improvement categories in ANZ 3. Build longer term growth options offshore	• Paints and coatings industry • Manufacturing/industrial • Consumer marketing/branding • Retail sales/distribution • General business management	• M&A/strategy • Science and technology • China and broader Asia • Other international experience
Other areas	• CEO experience • Other board experience • Remuneration	• Finance/accounting/audit • Governance/legal • Risk management





The Board also considers that additional skills, including information technology, supply chain and human resources, are valuable to its decision making. To the extent that any skills are not directly represented on the Board, they are augmented through management and external advisers.

Further information on the company's diversity policy and progress against the company's diversity objectives is provided in section 6 of this Corporate Governance Report.

Our Chairman

Our Chairman, Mr Peter Kirby, is an independent non-executive director. He has been an independent non-executive director and Chairman of DuluxGroup since July 2010. The Chairman's overarching responsibilities include providing leadership for the Board, facilitating the effective contribution of all directors, managing the dynamics of Board discussion, setting the Board agenda and ensuring adequate time is available for discussion on all agenda items, in particular, on strategic issues. The Chairman is also responsible for fostering constructive relations between directors and between Board and management, and promoting the interests of the company with shareholders and other key external stakeholders. Importantly, the roles of Chairman and CEO of DuluxGroup are not fulfilled by the same person.

Details of the qualifications and experience of our Chairman are set out on page 42.

Our Company Secretary

Our Company Secretary, Mr Simon Black, reports directly to the Board through the Chairman, and all directors have access to the Company Secretary. The Company Secretary's role in respect of matters relating to the proper functioning of the Board includes: (a) advising the Board and its Committees on governance matters, (b) monitoring that Board and Committee policies and procedures are followed, (c) coordinating all Board business including the timely despatch of Board and Committee papers, (d) acting as a point of reference for dealings between the Board and management, (e) retaining independent professional advisors as required, (f) helping to organise and facilitate the induction and professional development of directors, and (g) ensuring proper compliance with relevant statutory requirements relating to DuluxGroup's registered office, annual returns and lodgement of other documents with ASIC and ASX.

Details of the qualifications and experience of our Company Secretary are set out on page 43.

Independence

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

> The Board has determined that, in respect of the 2015 financial year, the Chairman and all non-executive directors are independent of executive management and free of any business or other relationship that could materially interfere with the exercise of unfettered and independent judgement or compromise their ability to act in the best interests of the company.

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

The Board has adopted guidelines based on the factors set out in the ASX Principles in assessing the independent status of a director. The independence of each director is considered on a case by case basis from the perspective of both the company and the director. Materiality is assessed by reference to each director's individual circumstances, rather than by applying general materiality thresholds. In summary, the test of whether a relationship could, or could be perceived to, materially interfere with the independent exercise of a director's judgement is based on the nature of the relationship and the circumstances of that director. The Board may determine that a director is independent notwithstanding the existence of an interest, position, association or relationship of the type described in Box 2.3 of the ASX Principles. However, in such a case, the Board will disclose why it is of the opinion that the interest, position, association or relationship does not compromise the independence of the director.

The Board assesses the independence of its new directors upon appointment and otherwise on an annual basis. Each director is obliged to immediately inform the company of any fact or circumstance which may affect the director's independence.

Succession

As part of its annual review, the Board continues to consider the issue of Board succession driven partly by the fact that our directors were all appointed on, or shortly after, DuluxGroup's demerger from Orica Limited in 2010. In addition, the Board's succession plan is focussed on continually identifying suitable candidates for future appointment to the Board, having regard to the Board's current skills mix and desirable future skills, to ensure that the Board remains proactive and renewal occurs in an orderly manner over time.

Where a need is identified or arises, the Remuneration and Nominations Committee considers potential candidates based on the skills required by the Board and the qualities and experience of the candidate. The Committee, with the assistance of professional consultants as necessary, will undertake a search process and shortlisted candidates will be interviewed by the Chairman and other directors before being recommended to the full Board for appointment. Nominations for appointment to the Board are considered by the Remuneration and Nominations Committee and approved by the Board as a whole.

Appropriate checks are undertaken on any potential candidates before a person is appointed by the Board or put forward to shareholders as a candidate for election as a director.

1.3 DIRECTOR APPOINTMENT, INDUCTION AND PROFESSIONAL DEVELOPMENT

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

The company provides shareholders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

During the 2015 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 Garage Doors manufacturing site in Revesby, New South Wales;
- a tour of selected south east Asian countries to give the Board insight into our operations, growth opportunities and the relevant markets; and
- presentations from subject matter experts on issues including workplace health and safety duties, superannuation and updates on accounting developments.

New directors are provided with a formal letter of appointment that sets out the key terms and conditions of appointment including, among other things, duties, rights and responsibilities, the time commitment envisaged and the Board's expectations regarding involvement with Board Committee work. New directors also participate in a formal induction program which includes site visits, one-on-one meetings with relevant members of management and provision of relevant policies, charters and other materials.

An active professional development program is also in place for directors and is incorporated as part of the annual Board cycle. This comprises internal presentations, discussions with key external subject matter experts, customers and/or suppliers as well as visits to DuluxGroup sites and other places of interest. The purpose of this program is to provide appropriate opportunities for directors to develop and maintain their skills and knowledge needed to perform their role as directors.

1.4 BOARD MEETINGS

The Board typically holds at least eight meetings per year, unless the business of the company requires additional meetings. For example, two additional meetings of the full Board were held during the 2015 financial year to consider specific matters.

Directors receive comprehensive papers in advance of the Board meetings. As well as holding regular board meetings, the Board sets aside a two day meeting annually to comprehensively review company strategy. Directors also receive regular updates in relation to key issues facing DuluxGroup's businesses from time to time including a comprehensive set of management reports during the months where a Board meeting is not scheduled. The Board calendar also includes site visits to DuluxGroup operations to meet with employees, customers and other stakeholders.

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

1.5 CONFLICTS OF INTEREST

Directors are required to avoid conflicts of interest and immediately inform their fellow directors should a conflict of interest arise. Directors are also required to advise the company of any relevant interest that may result in a conflict. The Board has adopted the use of formal declarations of interests that are tabled at Board meetings where directors disclose any new material personal interests or if there is any change in the nature or extent of a previously disclosed interest. This includes a director's appointment or retirement from boards of other companies.

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

1.6 ACCESS TO MANAGEMENT, INFORMATION AND PROFESSIONAL ADVICE

All directors have unrestricted access to the senior executives and other employees of DuluxGroup through the Chairman, CEO or the Company Secretary. Directors may seek briefings from senior executives outside the regular presentations made by senior executives at Board meetings. In addition, directors have access to all relevant company records and information held by DuluxGroup employees and external advisers.

Corporate Governance Report

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

Pursuant to a deed executed by the company and each director, a director also has the right to have access to all documents which have been presented to meetings or made available to the Board or any Board Committee whilst in office, including materials referred to in those documents.

1.7 BOARD AND EXECUTIVE PERFORMANCE AND REMUNERATION

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

> The Board undertook a performance evaluation of Mr Kirby and Ms Swales in November 2014 prior to the Board endorsing them for re-election at Dulux Group's 2014 AGM. The Board also evaluated the performance of Mr Garry Hounsell and Mr Stuart Boxer, who are standing for re-election at the Company's 2015 AGM, prior to the Board endorsing their nomination for re-election.

Board review

The Board has a formal Board Evaluation Policy, under which it carries out an evaluation of its performance each year. This process is overseen by the Chairman. It is the Board's general practice that this is externally facilitated every third year with the next such external review scheduled for the 2016 financial year.

The Board undertook a broad internal review of its performance during the 2015 financial year. The overall conclusion was that the Board continues to operate effectively in the discharge of its duties and oversight of DuluxGroup. The Board also undertook a specific internal review of the effectiveness of Board meetings during which a number of improvement actions were identified and have since been implemented.

Board committee review

Each Board Committee also reviews its performance against its annual objectives. As appropriate, the Board may also provide feedback from time to time as to the effectiveness with which it considers the Board Committees assist the Board in the discharge of its functions. The Board's Audit and Risk Committee and Remuneration and Nominations Committee undertook a review of its performance against its annual objectives during the 2015 financial year. The Board's Safety and Sustainability Committee reviewed its performance against its annual objectives during its meeting in October 2015.

Director review

The Board undertakes performance evaluations of individual directors prior to the Board endorsing them for re-election. The Board considers the skills, knowledge and experience of the individual director, their overall performance, their attendances and participation at Board and Committee meetings, and their contributions to matters discussed.

Management review

The non-executive directors are responsible for regularly evaluating the performance of the CEO based on specific criteria including the company's business performance, short and long term strategic objectives and the achievement of personal objectives that are approved annually.

All DuluxGroup executives are subject to an annual performance review. These reviews, which were conducted in the 2015 financial year, involve an executive being evaluated by their immediate superior by reference to their specific performance objectives for the year, including the completion of key performance indicators and contribution to specific business and company plans. This review is aligned to the company's remuneration framework and is considered for, among other things, the purposes of determining any increases to fixed remuneration and outcomes under the company's short term incentive plan.

The Remuneration Report contained in the DuluxGroup 2015 Annual Report sets out details regarding the company's remuneration policy, fees paid to directors and specific details of executive remuneration.

2. OUR BOARD COMMITTEES

The Board has three standing Committees that play an important role in assisting the Board perform its role and discharge its responsibilities.

As at the date of this statement, and for all of the 2015 financial year, the following Committees assist the Board by focussing in more detail on specific areas of DuluxGroup's operations and governance framework:

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

These Committees, generally, review matters on behalf of the Board and refer matters to the Board for decision with a recommendation from the Committee. The Committee papers, including minutes of meetings, are circulated to the Board members. Additionally, any director is welcome to attend any Committee meeting.

An overview of the membership, composition and responsibilities of each standing Committee as at the date of this statement is as follows:

	AUDIT & RISK	REMUNERATION & NOMINATIONS	SAFETY & SUSTAINABILITY
Membership	Mr Garry Hounsell (Chair) Mr Peter Kirby Mr Andrew Larke Ms Judith Swales	Mr Peter Kirby (Chair) Ms Gaik Hean Chew Mr Garry Hounsell Mr Andrew Larke	Ms Gaik Hean Chew (Chair) Mr Patrick Houlihan Ms Judith Swales
Composition	The Committee is to comprise of at least three non-executive directors, all of whom satisfy the criteria for independence and who, between them, have relevant financial, commercial and risk management experience. The Committee is to be chaired by an independent director who is not chair of the Board.	The Committee is to comprise of at least three non-executive directors, the majority of whom satisfy the criteria for independence. The Committee is to be chaired by an independent director.	The Committee is to comprise at least two directors including at least one non-executive director and the Chief Executive Officer.
Responsibilities	• Review the full year and half year financial reports of the Group, including the accounting policies and practices of the Group. • Monitor and assess the adequacy of the internal systems for financial and operating controls, risk management and legal compliance. • Oversee the scope, conduct and outcomes of internal and external audits (including audit programs, external audit independence and auditor performance). • Make recommendations to the Board on the appointment, performance and remuneration of the company's auditors. • Review and assess non-audit services provided by the external auditor.	• Review and make recommendations to the Board on the remuneration of directors and senior executives, including fixed annual remuneration, short term and long term incentive arrangements and performance targets. • Monitor and review the company's organisational strategy, including employee relations, performance evaluation, talent management and senior leadership succession. • Oversee the effectiveness of the company's diversity policy including monitoring performance against agreed diversity objectives. • Review the size and composition of the Board and Board Committees including the mix of skills and experience of directors as well as succession planning.	• Review the effectiveness of the company's safety and sustainability strategies, objectives and targets. • Monitor and review safety and sustainability issues that have strategic, financial and/or reputational implications for the company, including significant safety incident reports. • Oversee compliance with legal and regulatory safety and sustainability requirements. • Monitor best practice safety standards, procedures and management approaches and assess implications for the company. • Foster appropriate safety and sustainability leadership and culture.

Details of the qualifications, experience and meeting attendances of each Committee member, as well as the number of Committee meetings held during the 2015 financial year, are set out in the Directors' Report contained in the DuluxGroup 2015 Annual Report. Full details of the role and responsibilities of each Committee are set out in the relevant Committee's Charter which can be found in the corporate governance/charters section of our website at www.duluxgroup.com.au.

In addition to the standing committees, the Board may also establish special or ad hoc committees to oversee or implement significant projects as they arise.

3. OUR SHAREHOLDERS

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 or 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.

The Shareholder Communications Policy can be found in the corporate governance/governance policies section of our website at www.duluxgroup.com.au.

The company values effective two-way communication with shareholders and recognises that it is important to not only provide relevant information as quickly and efficiently as possible, but to listen, understand and respond to the perspectives of those shareholders. To promote this two way dialogue, shareholders are encouraged to attend and ask questions at the AGM to ensure accountability and identification with DuluxGroup's strategy and goals. For those shareholders who are unable to attend in person, the company webcasts its AGM on its website and provides a full transcript of the Chairman's and the CEO's speeches on its website.

DuluxGroup is committed to continually improving its online and electronic communications, including improving the functionality of its website. We encourage shareholders to electronically communicate with us and our share registry, Computershare. Further details on how to do this can be found in the investor centre section of our website at www.duluxgroup.com.au. Shareholders are also encouraged to electronically lodge direct votes or proxies for the company's AGMs.

4. OUR RISK MANAGEMENT PRACTICES

Effective assurance and risk management practices help DuluxGroup to achieve its strategic objectives, ensure compliance with its legal obligations and protect the best interests of the company and its shareholders.

4.1 INTEGRITY OF REPORTING

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

In accordance with the company's system of internal sign offs prior to approval of its financial statement for a relevant period, both the CEO and the CFO provide declarations to the Board that, having made appropriate enquiries, in their opinion:

- the financial records of the Group have been properly maintained; and
- the financial statements of the Group comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Group; and

that the opinion has been formed on the basis of a sound system of risk management and internal control that is operating effectively.

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

In addition, comprehensive practices have been adopted to require that:

- capital expenditure, transaction and other commitments above a certain size obtain CEO and Board approval (as required under the company's formal delegation of authority);
- safety and sustainability standards and management systems achieve high standards of performance and compliance; and
- business transactions are properly authorised and executed.

The company's full year financial statements are subject to an external audit by an independent, professional auditor who also reviews the company's half-yearly financial statements. DuluxGroup currently engages KPMG as its independent external auditor. In accordance with statutory requirements, the lead partner on the company's audit is required to rotate at the completion of a five year term. The lead partner also attends the company's AGM and is available to answer questions from shareholders relevant to their audit of the company. The Audit and Risk Committee is responsible for overseeing the audit process on behalf of the Board.

4.2 RISK IDENTIFICATION AND MANAGEMENT

The Board has established policies for the oversight and management of material business risks and internal controls. The Audit and Risk Committee oversees the policies, internal controls and procedures that the company uses to identify business risks and ensure compliance with relevant regulatory and legal requirements. The design and implementation of the risk management and internal control systems to manage the company's material business risks is the responsibility of management.

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

- The Audit and Risk Committee reviews DuluxGroup's risk management framework on an annual basis to ensure that it remains sound. Such a review took place in the 2015 financial year.
- Material financial and non-financial business risks are systematically and formally identified and assessed by the Board, 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. These assessments were conducted in the 2015 financial year.
- 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 relevant Board Committee tasked with oversight of the relevant risk. The outcomes of these Committee reviews are then reported to the Audit and Risk Committee.
- Formal risk reporting is provided to the Board on an ongoing basis.
- Risk assessments are performed for individual material projects, capital expenditure, products and country risks as required.

The company's internal audit function comprises a Risk Manager who is supported by an independent external firm of accountants in designing and conducting a specific internal audit program. The role that the internal audit function performs is to bring a systematic and disciplined approach to managing risk. This includes reviewing and recommending improvements to controls, processes and procedures used by the company across its corporate and business activities.

Any material exposures to economic, environmental and social sustainability risks, and how the company manages those risks, are disclosed in the Operating and Financial Review.

4.3 SAFETY AND SUSTAINABILITY

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

The Board has instituted a process whereby the directors receive a report on current safety and sustainability issues and performance at each Board meeting. In addition, the Safety and Sustainability Committee is responsible for reviewing and monitoring safety and sustainability issues in more detail. This is supported by the Company's remuneration framework that links at least 10% of senior executives' short term incentive award opportunities to the achievement of challenging safety and sustainability targets.

The actions being undertaken by DuluxGroup to continuously improve its safety and sustainability performance is further detailed in the Safety and Sustainability Report.

5. OUR CODE OF CONDUCT

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:

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

The Board acknowledges that 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 Code of Conduct and policy framework includes the following policies. These policies are consistent with the recommendations set out in the ASX Principles.

- **Code of Conduct**, which sets out the standards of business conduct required of all employees and contractors of the company. A Speak Up line has been established to enable employees to report (on an anonymous basis) breaches of the Code of Conduct. If a report is made, it is escalated as appropriate for investigation and action. A management committee monitors and reviews the effectiveness of the Speak Up line on a periodic basis. A report is also prepared for review by the Remuneration and Nominations Committee on a quarterly basis.
- **Share Trading Policy**, which reinforces the requirements of the Corporations Act 2001 in relation to the prohibition against insider trading. Outside of the trading windows set out in the Policy and as determined by the Board from time to time, directors and senior executives must obtain consent to trade in DuluxGroup shares. The policy also provides that, among other things, employees are not permitted to: (a) enter into or otherwise deal in securities via a margin loan arrangement; or (b) create a derivative or other transaction that limits the economic risk, in relation to securities which are unvested, held 'at risk' or held subject to restrictions under a DuluxGroup employee share plan.

- **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. A formal program is in place whereby senior executives are provided training to ensure appropriate awareness of how the continuous disclosure obligations apply to DuluxGroup, including consideration of materiality guidelines relevant to the company. In addition, specific and targeted training is provided on a case by case basis as the need arises and advice is also cascaded to the broader organisation on a periodic basis.

Additional information about our Code of Conduct and policy framework (including full details of these and other relevant policies) can be found in the corporate governance/governance policies section of our website at www.duluxgroup.com.au.

6. DIVERSITY AT DULUXGROUP

Building a diverse and inclusive workforce remains a key priority for DuluxGroup's management team and the Board.

A core value of DuluxGroup is to Value People, Work Safely and Respect the Environment. To support this, everyone at DuluxGroup commits to 'behave with respect and integrity and embrace diversity'. DuluxGroup strongly believes that an environment where different views are respected creates a climate of robust decision making and a feeling that each employee can contribute in a meaningful way. This aligns with DuluxGroup's Values and Behaviours and forms a core part of the way we do business. We continue to challenge ourselves to develop an inclusive culture where all employees can contribute, enjoy career development and success, and be part of the future.

DULUXGROUP'S APPROACH TO DIVERSITY

The business case for improving diversity at DuluxGroup is well documented. At DuluxGroup we want to ensure we can attract, motivate and retain talented employees. We also believe that a diverse range of employees helps us to understand our customers and consumers, and that robust decision making is enabled by diversity of thought, making for better outcomes for ourselves and our stakeholders.

DuluxGroup established a Diversity Council, chaired by the CEO, in 2011. The Council comprises three DuluxGroup Executive members and three other senior managers who represent a range of functions and businesses. Membership of the Council changes from time to time to ensure fresh thinking and to broaden representation and advocacy across the company. The Council meets quarterly to review key metrics, progress against agreed initiatives, and to consider new proposals to advance the agenda.

DuluxGroup Manager IT Professional Services Julie Challinor (left) and Dulux Trade Stores ANZ Manager Angela Krol.

The scope of our diversity approach is gender, age and cultural background. The company's Diversity Policy can be found in the corporate governance/governance policies section of our website at www.duluxgroup.com.au.

OUR GENDER DIVERSITY OBJECTIVES

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

OUR PROGRESS

- Women make up 30% of DuluxGroup's workforce
- Of the five non-executive directors on the DuluxGroup Board, two are women (40%)
- Two of the ten members of the DuluxGroup Executive team are women, both in business management roles
- Over 100 senior managers have now undertaken Unconscious Bias training
- Managers are recruiting proportionally more women into DuluxGroup
- There are more women in senior leadership roles now than in our history (19%)
- Trade Centres are now recruiting for specific language skills to broaden our cultural background diversity and meet customer needs
- Women make up 39% of participants in leadership development programs
- See the table below for the key 2015 gender diversity statistics

ATTRACTION, SELECTION AND RECRUITMENT

The focus on attracting more female candidates has paid off with proportionally more women being appointed to roles than applying. The investment in Unconscious Bias training has ensured that managers are even more aware of how they make decisions on appointments, especially to senior roles, where we continue to challenge ourselves on the concept of merit and the experience required for success. The appointment of several women into management roles in trade facing businesses during the year has shown the company's willingness to think beyond the traditional view of requirements to be successful.

During 2015, 39% of placements were female candidates, from a pool where 31% of applicants were female. 72% of short lists featured both male and female candidates.

We continue to work towards increasing the percentage of women in leadership as well as the percentage of women in stores, sales and supply chain. In other functional areas, such as finance, research & development, human resources and marketing, the proportion of women is about equal to men.

WOMEN IN LEADERSHIP – BUILDING THE PIPELINE

We continue to focus on Women in Leadership roles, with specific attention to the number of women not only in senior roles, but in management teams across the business. Women bring different life experiences and approaches to many issues, and this provides more diversity of thought and useful debate to management teams. Building a pipeline of women to be promoted onto management teams in the future is a key area for action.

Internally, we have reviewed our bench strength of future leaders and have highlighted high potential women, to ensure they are supported to succeed and progress. Sponsorship, mentoring and focused development have enabled us to retain high potential women across all job families. Women have been over-represented on leadership development programs during 2015.

DuluxGroup's three year graduate development program attracts our best and brightest.

COMMUNICATION, TRAINING AND DEVELOPMENT

During 2015 we made significant improvements to our employee development planning processes which has resulted in a much larger proportion of employees being engaged in career and development planning, many for the first time.

Leadership development programs at operational leader and strategic leader levels feature modules related to diversity and inclusion to ensure current and future leaders develop the core competencies to build a diverse and inclusive workforce. This, in conjunction with Unconscious Bias training, has ensured that all of our senior leaders have been exposed to the business case for diversity and inclusion, plus examined their own beliefs and behaviour. This activity will continue into 2016 as we focus on sales managers, who are the most frequent recruiting managers and who are instrumental in creating the culture for a large proportion of the workforce.

Internal communication on the topic of diversity has continued with well attended International Women's Day events on three sites, articles and stories on the intranet and management meeting agenda topics throughout the year.

TRADE STORES CHANGE IN PROFILE

Within the Dulux Trade Centres network across Australia and New Zealand, the profile of our employee population is changing. Stores is one of the four key focus areas for improving the percentage of women in DuluxGroup (as well as supply chain, sales and leadership), and for the last few years the percentage within stores has increased. We have also reviewed our customer profile and started to recruit for specific language skills to better service customers from different cultural backgrounds. In Western Sydney and Auckland in particular, we have had significant success in attracting and recruiting store managers and other employees whose language skills, including Mandarin, Korean, Hindi and Middle Eastern languages, are helping us to build strong relationships with customers from a variety of cultural backgrounds.

This focus, along with recruiting more women, is changing the profile of the stores network and giving DuluxGroup not only a more inclusive and more balanced culture, but a real competitive advantage.

AGE DIVERSITY – A NEW FOCUS AREA

Building on the progress we have made in the area of gender diversity, we have turned our attention to the area of age. A working group was established to conduct a detailed diagnostic, including surveying employees to fully understand their concerns and issues related to the topic. The recommendations from this group include a significant increase in support for older employees, especially those planning for retirement. This will be implemented during 2016.

EXTERNAL FOCUS

We continue to benchmark our activities and outcomes with other organisations, through membership of the Diversity Council of Australia (DCA), National Association of Women in operations (NAWO), the Equal Employment Trust in New Zealand (EEO Trust) and through the annual Workplace Gender Equity Agency (WGEA) reporting processes. We have also engaged with key customers and other external organisations to discuss best practice and initiatives that make a difference.

KEY GENDER DIVERSITY STATISTICS

NUMBER AND PERCENTAGE OF WOMEN	2015		2014	
	Number	%	Number	%
Board	2 of 7	29	2 of 7	29
Non-Executive Directors	2 of 5	40	2 of 5	40
DuluxGroup Executive	2 of 10	20	3 of 12	25
Leadership (JG 37+)*		19		17
Organisation		30		30
Graduates		41		52

* Leadership is defined as those employees at DuluxGroup Job Grade 37 and above. This generally equates to 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.

7. OTHER INFORMATION

This Corporate Governance Report was approved by the Board of DuluxGroup on 11 November 2015 and the information contained in it is current as at that date, unless stated otherwise.

This statement (as part of DuluxGroup's 2015 Annual Report), together with our 2015 ASX Appendix 4G (which is a checklist that cross-references the ASX Principles to the relevant disclosures in this statement and our website) have both been lodged with the ASX and can also be found in the corporate governance/key corporate governance documents section of our website at www.duluxgroup.com.au.

More information on governance at DuluxGroup, including Board and Executive member profiles, Board and Committee charters, DuluxGroup's constitution and key governance policies, can be found in the corporate governance section of our website.

Financial Report

Contents

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 2015 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 63 to 85;
- the Operating and Financial Review on pages 12 to 33;
- details of the current Directors and the Company Secretary on pages 42 to 43; and
- Note 23 (Director and executive disclosures) to the financial statements accompanying this report.

Directors

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

Peter Kirby – Chairman and Non-executive Director

Patrick Houlihan – Managing Director and Chief Executive Officer

Stuart Boxer – Executive Director and Chief Financial Officer

Gaik Hean Chew – Non-executive Director

Garry Hounsell – Non-executive Director

Andrew Larke – Non-executive Director

Judith Swales – Non-executive Director

Particulars of the current Directors' and the Company Secretary's qualifications, experience, period of appointment and special responsibilities are detailed on pages 42 to 43 of the Annual Report.

Company Secretary

Simon Black is the Company Secretary and General Counsel.

Directors' meetings

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

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

(1) The Scheduled Board Meetings include the 2014 Annual General Meeting.

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 2012 DuluxGroup Long Term Equity Incentive Plan (LTEIP) Offer [(2)]	Number of shares held pursuant to the 2013 and 2014 DuluxGroup LTEIP Offers [(3)]
Peter Kirby	130,000	-	-
Gaik Hean Chew	111,030	-	-
Garry Hounsell	143,580	-	-
Andrew Larke	152,156	-	-
Judith Swales	60,000	-	-
Patrick Houlihan	800,000	612,021	897,340
Stuart Boxer	308,210	154,595	344,845

(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 and vested on 11 November 2015. The restriction on trading these shares will be lifted upon repayment of the loan. The loan must be repaid during the period from 27 November 2015 to 22 January 2016.

(3) These shares are held pursuant to the terms of the DuluxGroup LTEIP (details of which are set out in the Remuneration Report) and are subject to a restriction on trading until the relevant performance condition is met and the loans have been repaid.

Principal activities

The principal activities of the consolidated entity in the course of the financial year were the manufacture, marketing, sale and distribution of premium branded paint, coatings, adhesives, garden care and other building products to the residential home improvement, commercial and infrastructure markets across Australia, New Zealand and Papua New Guinea, with niche positions in China and South East Asia. 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 12 to 33 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 is contained on pages 12 to 33 of the Annual Report.

Dividends paid in the year ended 30 September 2015

In respect of the 2014 financial year, a fully franked final dividend of 10.5 cents per ordinary share was paid on 17 December 2014. The financial effect of this dividend has been included in the financial statements for the year ended 30 September 2015.

In respect of the 2015 financial year, a fully franked interim dividend of 11.0 cents per ordinary share was paid on 19 June 2015. The financial effect of this dividend has been included in the financial statements for the year ended 30 September 2015.

Since the end of the financial year, the Directors have determined a final dividend to be paid at the rate of 11.5 cents per share, details of which are set out in the section below entitled 'Events subsequent to balance date'.

Changes in the state of affairs

Particulars of significant changes in the state of affairs of the consolidated entity during the year ended 30 September 2015 are as follows:

- Total assets of $1,159.1 million increased by $124.0 million on the prior year.
- Year end net debt[1] of $276.9 million decreased by $55.3 million on the prior year.
- Total equity attributable to the ordinary shareholders of DuluxGroup Limited of $350.2 million increased by $60.5 million on the prior year.

Events subsequent to balance date

On 11 November 2015, the Directors determined that a final dividend of 11.5 cents per ordinary share will be paid in respect of the 2015 financial year. The dividend will be fully franked and payable on 15 December 2015. The financial effect of this dividend is not included in the financial statements for the year ended 30 September 2015 and will be recognised in the 2016 financial statements.

The Directors have not become aware of any other matter or circumstance that has arisen since 30 September 2015, that has significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent years, which has not been covered in this report.

Environmental regulations

The Company recognises that commitment to sustainable management of our financial, environmental and social impacts is fundamental to the success and well-being of both our business and our stakeholders. More specific details about the Company's safety and sustainability initiatives and performance can be found in the Safety and Sustainability Report on pages 34 to 41 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.

[1] Net debt inclusive of USPP hedge value - refer to note 19 in the financial statements.

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 86 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 8 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 Class Order 98/100 dated 10 July 1998.

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

Peter M. Kirby
Chairman
11 November 2015

Dear shareholders,

On behalf of the Board, I am pleased to introduce DuluxGroup's 2015 Remuneration Report, for which we seek your support at our Annual General Meeting (AGM) in December.

Group Net Profit After Tax (NPAT) excluding non-recurring items increased to $124.7 million in 2015 from $111.9 million in 2014 and cash flow performance was strong. The profit result was underpinned by continued growth in Dulux Paints & Coatings, Selleys and Yates in generally positive markets, with softer results in the B&D Garage Doors & Openers and Parchem businesses. DuluxGroup has continued to invest in future growth, including the acquisition of Porter's Paints and the announcement of construction of a new water-based paint factory in Melbourne.

Performance against our four key safety and sustainability focus areas was steady and we achieved good outcomes in most areas. This included remaining fatality free for the twenty-first consecutive year, reductions in waste generation and water consumption, and further product stewardship improvements. However, after several years of improvement, our personal injury rates increased during the year, which was disappointing, and whilst our injury rates are low compared to our peers we are focused on reversing this trend.

The Company's share price has increased over the last five years from $2.73 (opening price on 1 October 2010) to $5.35 at 30 September 2015, exceeding the ASX200 index growth for the past five years, whilst maintaining a dividend payout ratio of 70 per cent of NPAT (excluding non-recurring items).

The remuneration outcomes for our Key Management Personnel (KMP) reflect the above outcomes. Short term incentive payments for our KMP range from 53 per cent to 86 per cent of their potential maximum.

The earnings gateway that applied to the 2012 Long Term Equity Incentive Plan (LTEIP) award has now been met, and accordingly shares allocated under that award have vested. The relative total shareholder return performance condition, which will determine the portion of loan forgiveness to apply, will be tested during the trading window following release of our 2015 financial results.

The Board takes great care to ensure that DuluxGroup's remuneration frameworks are aligned to the Group's strategy and performance and result in appropriate remuneration outcomes for executives, particularly executive directors. The Board remains satisfied that the current approach to remuneration remains effective at driving performance that creates both short and long term shareholder value. The combination of profit gateways that apply to our short term incentive and long term incentive plans, clear Group and business unit profit and cash flow measures and external verification of individual performance results provide confidence that our assessment of individual performance and subsequent reward outcomes for KMP is robust and objective.

Fixed remuneration levels for the executive team remain modest relative to peers of similar market capitalisation and are in line with a generally restrained approach to fixed remuneration. Our experience with our short term and long term incentives is that the value generated for executives appropriately reflects shareholder outcomes.

Encouraging employee share ownership continues to be a key aspect of the Group's culture. The introduction of our minimum shareholding policy in 2013, combined with past LTEIP vesting, has resulted in high levels of individual executive holdings. We believe that this has had a positive impact in encouraging executives to think and act like shareholders in 'running the business as their own'. In addition, almost 70% of the Company's Australian and New Zealand employees are shareholders, which further increases alignment with our owners.

The 2015 Remuneration Report format remains largely consistent with last year following positive shareholder feedback on the clarity it provides. I hope that the report clearly demonstrates the links between our strategy, our performance and executive remuneration outcomes. 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

PM Kirby

Peter M Kirby
Chairman

Contents

1 Introduction

The Directors of DuluxGroup Limited (the Company) present the Remuneration Report for the Company and its controlled entities (collectively 'the Group' or 'DuluxGroup') for the financial year ended 30 September 2015 prepared in accordance with the requirements of the *Corporations Act 2001* and its regulations.

The Report outlines the remuneration arrangements in place for the KMP of DuluxGroup which comprises all Directors (executive and non-executive) and those executives who have authority and responsibility for planning, directing and controlling the activities of the Group. In this report, 'Executives' refers to members of the Group Executive team identified as KMP.

The following table details the Group's KMP during the 2015 financial year.

Table 1

Name	Role
Non-executive directors	
Peter Kirby	Chairman and Non-executive Director
Gaik Hean Chew	Non-executive Director
Garry Hounsell	Non-executive Director
Andrew Larke	Non-executive Director
Judith Swales	Non-executive Director
Executive directors	
Patrick Houlihan	Managing Director and Chief Executive Officer (CEO)
Stuart Boxer	Executive Director and Chief Financial Officer (CFO)
Other KMP	
Patrick Jones	Executive General Manager - Dulux Paints Australia
Brad Hordern	Executive General Manager - DuluxGroup Supply Chain
Martin Ward	Executive General Manager - Consumer and Construction Products

2 Remuneration strategy

The remuneration strategy sets the direction for the remuneration framework and policies, and drives the design and application of remuneration programs for all senior managers across the Group, including KMP. The Group's remuneration strategy is to:

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

The Board reviewed the remuneration framework and associated programs in 2015, and is satisfied that they continue to effectively meet the Group's strategic objectives. No significant changes to the key elements of the remuneration framework were deemed necessary this year.

The diagram overleaf outlines the links between the components of remuneration for senior managers, the relevant performance measures, and the strategic objectives of DuluxGroup that these components are designed to achieve.

Component	Performance measure	Strategic objective / performance link
FIXED ANNUAL REMUNERATION (FAR) **Salary and other benefits (including statutory superannuation)**	**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 environment. ▪ For executives who are new to their roles, the Company's aim is to set fixed remuneration at relatively modest levels compared to their peers and to progressively increase as they prove themselves in their roles (i.e. performance based).
+		
SHORT TERM INCENTIVE **(STI)** **Delivered through cash**	**NPAT STI 'gateway' - minimum threshold performance level below which no STI is payable** ▪ Minimum threshold NPAT ensures a minimum acceptable level of Group profit before executives receive any STI reward. **Financial measures (generally at least 70% of available STI)** ▪ Group NPAT; ▪ Group EBIT; ▪ Business / Region EBIT (where appropriate); ▪ Cash flow; ▪ Trade working capital. **Safety & Sustainability measures (generally a maximum of 10% of the available STI)** ▪ Includes a combination of lead improvement objectives for disaster prevention, fatality prevention and sustainability, plus Recordable Injury Case Rate targets. **Personal objectives (generally a maximum of 20% of the available STI)** aligned to the strategic objectives of the Group.	▪ Performance conditions designed to support the financial and strategic direction of the company (the achievement of which are intended to translate through to shareholder return). ▪ Large proportion subject to earnings targets (Group or business unit, depending on the role of the executive to ensure line of sight). ▪ Other financial targets to ensure strong discipline maintained. ▪ Outcomes reviewed by way of "agreed upon procedure" by independent auditors to maintain the integrity of the award. ▪ Non-financial targets aligned to core values and key strategic and growth objectives.
+		

LONG TERM EQUITY INCENTIVE PLAN
(LTEIP)
Delivered through DuluxGroup shares – allocated upfront, pursuant to a company loan
	'Gateway' EPS condition:
	▪ The EPS gateway must be met before any shares will vest. Once shares vest, the loan needs to be repaid.
	
	Total Shareholder Return (TSR) performance condition:
	▪ A portion of the loan may be forgiven at the end of the performance period, based on relative TSR performance (defined as the total return to shareholders over the period, taking into account share price growth and dividends paid) against a comparator group. The portion of loan forgiven will increase as the company outperforms the peer group. No loan forgiveness applies if DuluxGroup's TSR performance is below the 51st percentile relative to the comparator group. Refer section 5.3 for further details.
		▪ Allocation of shares upfront encourages executives to 'behave like shareholders' from grant date.
		▪ Designed to encourage executives to focus on the key performance drivers which underpin sustainable growth in shareholder value.
		▪ Key benefits to participants under the plan are:
		  ▪ capital appreciation in DuluxGroup shares consistent with shareholder interest;
		  ▪ the value of after tax dividends applied towards repaying the loan thereby increasing equity over the loan period;
		  ▪ potential partial loan forgiveness (on a sliding scale to a maximum of 30%) if the Group's TSR outperforms the comparator group.
		▪ EPS gateway provides a 'counterbalance' to the relative TSR performance condition, designed to ensure the quality of the share price growth is supported by company earnings performance, not just market buoyancy. This gateway is currently 4% compound annual EPS growth over the three year performance period.

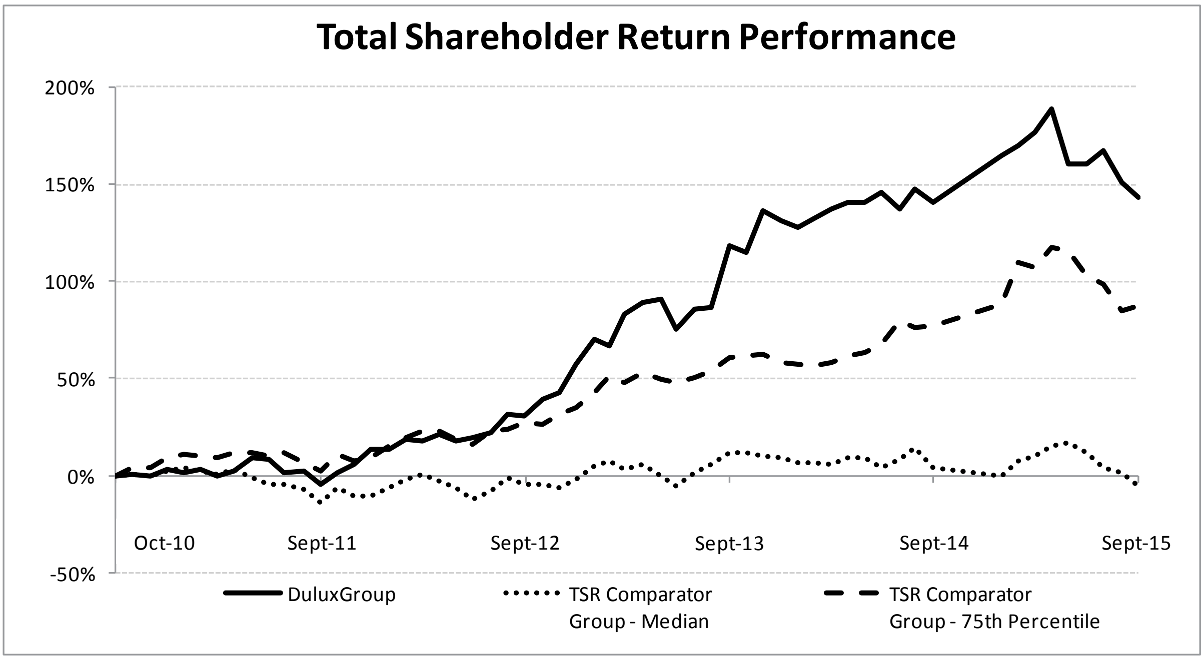
=		
TOTAL REMUNERATION	The total remuneration mix is designed to attract, retain and motivate appropriately qualified and experienced individuals, encourage a strong focus on performance, support the delivery of outstanding returns to DuluxGroup shareholders over the short and long term and to align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

3 Group performance and remuneration outcomes for 2015

3.1 Performance outcomes

As described in section 2, the strategic aims applied in the design of the executive remuneration framework and policy focus specifically on aligning the outcomes of executive reward with shareholder outcomes, with at-risk components of executives' remuneration designed to drive and reward performance against the Group's strategic objectives and results.

The Company has demonstrated consistently strong performance in the last five years, both on an absolute basis and relative to other companies in the S&P/ASX 200 Index. Over this period, the Company's share price has increased from $2.73 (opening share price as at 1 October 2010) to $5.35 (as at 30 September 2015). The following graph presents comparative TSR performance for the Company since 1 October 2010, compared with TSR performance at the median and 75th percentile of those companies in the S&P/ASX 200 Index as at 1 October 2010 that remained listed for the duration of the period (companies classified as mining, financial services, listed property trusts and overseas domiciled companies have been excluded as they are not considered by the Board to be relevant competitors for capital).



Consistent with the Group's focus on long term, stable performance, the Company's share price growth has exceeded the ASX200 index growth since 1 October 2010. In addition, the Company has maintained a dividend payout ratio of 70 per cent of NPAT excluding non-recurring items during this period. Further details of how this performance is reflected in remuneration outcomes are presented in section 3.2.

The table below provides relevant Group performance information for the key financial measures over the last five years.

Table 2

	2011	2012	2013	2014	2015
NPAT attributable to ordinary shareholders of DuluxGroup Limited ($m)	93.2	89.5	75.0	104.5	112.8
NPAT before non-recurring items ($m)(1)	77.6	79.6	92.2	111.9	124.7
Diluted EPS (cents)	25.7	24.3	20.1	27.5	29.2
Diluted EPS before non-recurring items (cents)(1,2)	21.2	21.6	24.7	29.4	32.2
Dividends paid per share (cents)	10.5	15.0	16.0	19.5	21.5
Opening share price for the financial year ($)	2.73	2.52	3.30	5.28	5.56
Closing share price for the financial year ($)	2.52	3.30	5.28	5.56	5.35
DuluxGroup Indicative TSR %(3)	-4.7%	37.4%	66.7%	10.4%	0.8%
Median TSR for S&P/ASX 200 Index(4)	-14.1%	16.0%	22.3%	0.8%	-3.3%
Recordable injury case rate (RCR)(5)	1.96	1.85	1.81	1.53	1.84

Definitions: NPAT – Net Profit After Tax, EPS – Earnings Per Share, TSR –Total Shareholder Return

(1) Earnings excluding non-recurring income and expenses are considered by the Board to be a better basis for comparison from period to period as well as more comparable with future performance. 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 that were excluded were positive in 2011 ($15.6 million) and 2012 ($9.9 million), and negative in 2013 ($17.2 million), 2014 ($7.4 million), and 2015 ($11.9 million). Details of non-recurring items in respect of 2015 are set out in section 3.2.

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

(3) DuluxGroup's indicative TSR percentage has been calculated based on the change in the share price for the period and dividends paid and assuming dividends are reinvested into new shares.

(4) Indicative TSR performance at the median of those companies in the S&P/ASX 200 Index as at the beginning of the period that remained listed for the duration of the period excluding companies classified as mining, financial services, listed property trusts and overseas domiciled companies and assuming dividends are reinvested into new shares.

(5) The RCR is the number of injuries and illnesses resulting in lost time, restricted duties, or medical treatment per 200,000 hours worked (US OHSA system), which is equivalent to the hours worked by 100 people in a year. The RCR includes both DuluxGroup employees and contractors.

3.2 Remuneration outcomes

Solid Group performance across most of the key performance indicators is reflected directly in the 2015 remuneration outcomes for senior managers.

Fixed remuneration	
2015 outcomes	A review of fixed remuneration for executives, including Executive Directors, was undertaken by the Remuneration and Nominations Committee (RNC) in the 2015 financial year, with regard to the Group's continued growth and strong performance as well as individual performance and market benchmarks (based on independent external advice of ASX listed companies of a comparable market capitalisation and our key industry peers). The Board resolved to increase fixed remuneration for all executive KMP by 3.0 per cent from 1 January 2015. The Board notes that fixed remuneration levels remain conservative relative to peer companies of similar market capitalisation, and modest increases appear to be in line with a general restrained approach to fixed remuneration in the market.
Short term incentive	
2015 outcomes	The net profit gateway condition, which requires a minimum level of NPAT growth to be achieved before STI can be awarded, was exceeded in respect of the 2015 STI. This gateway was set at prior year's NPAT before non-recurring items which was \$111.9 million. The 2015 NPAT before non-recurring items was \$124.7 million. The Board believes that earnings before non-recurring items provides a better basis for comparison from year to year and allows for better comparability between years. Non-recurring items excluded in 2015 relate to the provision for restructuring costs of \$11.9 million associated with supply chain investments (new paint factory and new distribution centre) announced in March 2015. The Board notes that it has approved exclusions in the past that have worked both in favour and against management and considers that this year, management should not be penalised for incurring costs in the current year that are for the long term benefit of the Group and, therefore deliver shareholder value. It should be noted that the profit gateway was met even before exclusion of this provision. As a result of strong performance during the year: • The Group NPAT result was above target and approaching stretch. • EBIT was slightly above target. • Performance against cash management measures across the Group ranged from slightly below the hurdle to above target. • Group safety performance did not meet the hurdle for lag indicators; although performance on lead indicators met stretch targets. • Personal performance objectives for Executives, which included strategic growth and business improvement measures, were rated between target and stretch. Personal performance objectives for 2015 for the CEO were linked directly to strategic business objectives, and included progress against a range of medium to long term growth initiatives. STI awards for Executives vested in the range of 53 per cent to 86 per cent of their potential maximum. Variance in individual business performance was a key driver of the differentiation in vesting levels between those Executives with specific business unit responsibility. Details of the STI awards for 2015 are outlined in section 5.2.

Long term incentive	
2015 outcomes	**2011 LTEIP grant** The LTEIP granted in December 2011 was tested for vesting as at 30 September 2014. As reported in the Company's 2014 remuneration report, this grant vested given that the EPS gateway condition was exceeded. As set out in last year's report, relative TSR performance for the same period was to be tested during the trading window after the release of the 2014 results to determine the percentage of loans to be forgiven. Relative TSR was at the 92nd percentile of the comparator group and resulted in the maximum loan forgiveness for participants of 30 per cent being applied. Absolute TSR for the period was 137 per cent. Following loan forgiveness, the 2011 LTEIP scheme participants repaid loans totalling $3,910,000 to the Company. In accordance with the terms of the LTEIP, the Company paid fringe benefits tax of $1,648,000 on the portion of loans forgiven (which constitutes part of the overall remuneration benefit available to participants under LTEIP). **2012 LTEIP grant** The LTEIP granted in December 2012 to executives was tested for vesting as at 30 September 2015. For the purpose of the 2012 LTEIP, the baseline EPS was 21.6 cents per share, being the EPS on 2012 NPAT before non-recurring items. The EPS growth gateway, which was set at 4 per cent compound annual growth over the loan period, was tested and was exceeded. Accordingly, the shares for all continuing participants under this grant vested on 11 November 2015. DuluxGroup's compound annual EPS growth over the period was 6.3 per cent, calculated using diluted EPS on a statutory basis and 14.2 per cent using EPS excluding non-recurring items. As at the date of this report the value of the 2012 LTEIP loans for all participants is $7,315,000. However the final value of the loans to be repaid will not be known until after the relative TSR performance has been tested and any resulting debt forgiveness has been calculated. The Company's relative TSR against the comparator group will be determined by Ernst and Young after the release of the 2015 results and the outcome will determine the percentage of loans to be forgiven. This will be communicated at the 2015 AGM and full details set out in the Company's 2016 remuneration report.

4 Remuneration governance

4.1 Role of the Remuneration and Nominations Committee (RNC)

The RNC is responsible for ensuring that the Group's remuneration strategy for senior managers aligns with both short and longer term business objectives.

The RNC reviews and makes recommendations to the Board on the remuneration arrangements for the non-executive directors, the CEO and CFO and the Group Executive team. Details of the composition and accountabilities of the RNC are set out on page 51.

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

During the financial year ended 30 September 2015, the Group engaged independent remuneration consultants to provide insights on remuneration trends, regulatory updates, and market data in relation to the remuneration of non-executive directors, the CEO and the Group Executive team. No remuneration recommendations as defined in section 9B of the *Corporations Act 2001* were obtained during the financial year ended 30 September 2015.

4.2 Minimum shareholding policy

A core value of DuluxGroup is to *run the business as your own*.

The Board believes that senior managers should be exposed to share price fluctuations, further promoting the alignment of executive and shareholder interests. While the LTEIP achieves this in part (in that, over time, participants generally acquire a 'rolling' three years' worth of shares under the LTEIP), the Board considers that senior managers should also maintain an unrestricted holding to effectively drive the Group's employee share ownership culture. Accordingly, minimum shareholding guidelines are in place to encourage executives to acquire a minimum unrestricted shareholding over a period of five years from the later of 14 August 2013 (the date of adoption of the Policy) and their appointment. The level of shareholding relative to the executives' FAR is determined based on their level of seniority. This level is set at one times FAR for the CEO, CFO and Executive General Manager (EGM) Dulux Paints Australia and 40 per cent of FAR for the other Executives. The Board notes that the current holdings for the CEO and CFO significantly exceed this minimum requirement, by three times and two times respectively.

In order to promote alignment with shareholders for non-executive directors, the Board has also adopted a policy that establishes a minimum shareholding for non-executive directors equivalent to the value of one times pre-tax Board and Committee fees for each member. Non-executive directors have three years from their appointment in which to establish this shareholding level.

A summary of Executives' and non-executive directors' current shareholdings in DuluxGroup Limited as at 30 September 2015 is set out overleaf.

Table 3

	Number of shares						
	Opening balance[1]	Granted under LTEIP during the year	Net movement due to other changes[2]	Closing balance	Total unrestricted shares	Unrestricted shareholding as percentage of FAR[3]	Minimum unrestricted shareholding target as percentage of FAR
Executive Directors							
Patrick Houlihan	2,300,729	443,582	(434,950)	2,309,361	800,000	381%	100%
Stuart Boxer	708,085	169,565	(70,000)	807,650	308,210	256%	100%
Other KMP							
Patrick Jones	543,570	142,434	(72,402)	613,602	192,431	190%	100%
Brad Hordern	391,322	77,774	(37,241)	431,855	163,204	197%	40%
Martin Ward[4]	58,906	77,773	-	136,679	9,000	11%	40%

	Number of shares				
	Opening balance	Net movement due to other changes[2]	Closing balance	Shareholding as percentage of annual base fees[5]	Shareholding target as percentage of annual base fees
Non-executive directors					
Peter Kirby	130,000	-	130,000	172%	100%
Gaik Hean Chew	106,966	4,064	111,030	309%	100%
Garry Hounsell	128,699	14,881	143,580	385%	100%
Andrew Larke	152,156	-	152,156	447%	100%
Judith Swales	40,000	20,000	60,000	176%	100%

(1) The opening and closing balances reported in Table 3 include both: (a) shares allocated and restricted pursuant to the LTEIP (in the case of Executives); and (b) unrestricted shares held directly, indirectly or beneficially by each KMP or close members of their family or an entity over which the person or the family member has either direct or indirect control, joint control or significant influence, as at 1 October 2014 and 30 September 2015 respectively.

(2) 'Net movement' reports the impact of acquisition and disposal transactions (including, in respect of Executives, the sale of LTEIP shares to repay loans in accordance with the LTEIP rules).

(3) Unrestricted shareholding (which excludes shares held pursuant to LTEIP) as at 30 September 2015 calculated as a percentage of FAR assuming a share price of $5.35 being the closing share price on that date.

(4) Mr Ward commenced in the role on 1 April 2014, and unlike other Executives has not yet accrued any shares as a result of LTEIP vesting.

(5) Shareholding calculated as a percentage of annual base board and committee fees as at 30 September 2015 assuming a share price of $5.35 being the closing share price on that date.

5 Executive remuneration – driving a performance culture

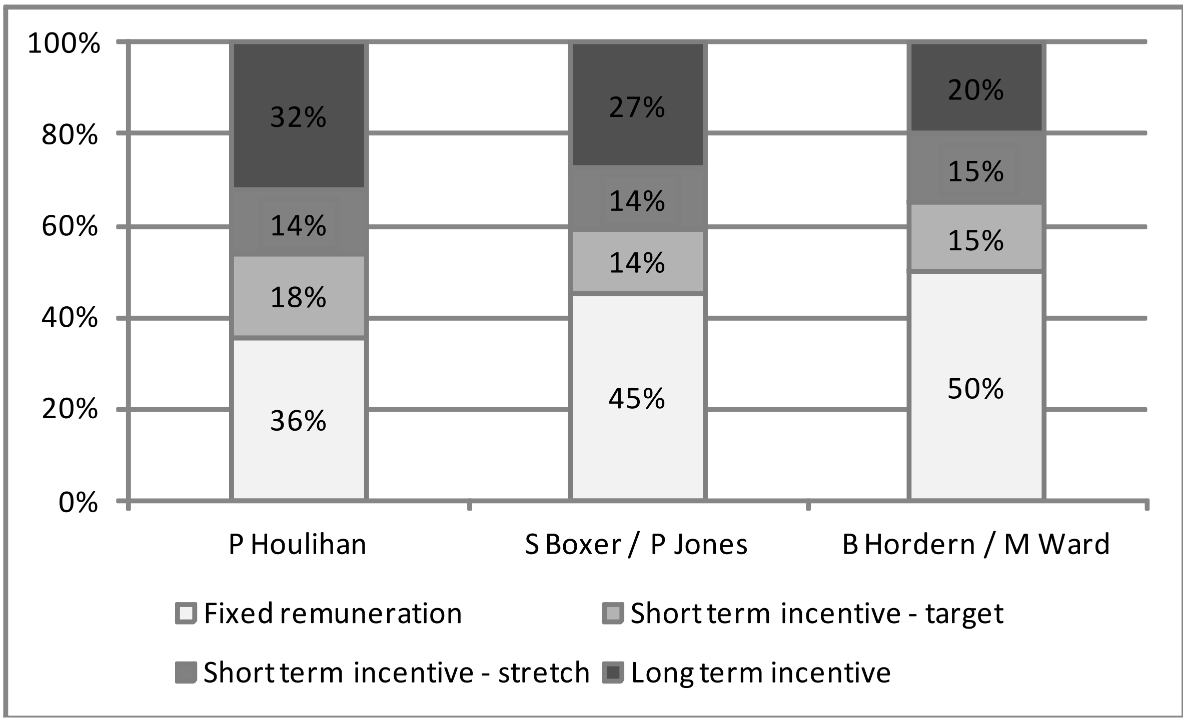
5.1 Policy and approach to setting remuneration – remuneration mix

The Board believes that remuneration packages of senior managers, including Executives, should include both a *fixed* component and an *at-risk* or *performance-related* component (comprising both short term and long term incentives). The weighting of at-risk remuneration reflects the Board's commitment to performance-based reward. The table below summarises the remuneration mix policy for Executives applicable for the financial year ended 30 September 2015.

Table 4

		% of Fixed annual remuneration – reward opportunity levels		
		Short term incentive		Long term incentive
Name	**Fixed annual remuneration $**	**Assuming a 'Target' level of performance is achieved**	**Assuming a 'Stretch' level of performance is achieved**	
Executive Directors				
Patrick Houlihan	1,122,700	50%	90%	90%
Stuart Boxer	643,750	30%	60%	60%
Other KMP				
Patrick Jones	540,750	30%	60%	60%
Brad Hordern	442,900	30%	60%	40%
Martin Ward	442,900	30%	60%	40%

The graph below shows the relative weighting of remuneration elements as a proportion of total potential remuneration for Executives, for the financial year ended 30 September 2015.



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

The DuluxGroup STI is the Group's at risk short term incentive component of the remuneration mix for senior managers, including Executives. Details of how the STI Plan operates in respect of the grant made during the year are set out below.

Form and purpose of the plan	
What is the STI?	An annual cash incentive plan that involves linking a portion of senior managers' reward opportunity to specific performance conditions. All senior managers, including the Group executive team and KMP, participate in the STI.
Why does the Board consider the STI an appropriate incentive?	The STI is designed to put a meaningful proportion of senior managers' remuneration at-risk, to be delivered based on the achievement of targets linked to DuluxGroup's annual business objectives.
Does the STI comprise a deferred component?	The Board has considered this again in 2015, and in light of the immediate share ownership senior managers acquire through LTEIP, the minimum shareholding guidelines, and actual holdings in excess of the minimum requirement, determined not to introduce a deferred component to the STI at this time.
Governance	
When are targets set and reviewed?	Targets are set at the beginning of each financial year, while performance against these targets is reviewed at the end of the financial year. Any payments are then made in December following the end of the financial year.
How are performance conditions and outcomes approved and assessed?	All performance conditions under the STI are clearly defined and measurable. The CEO sets the targets and determines the extent to which the targets have been met for the CFO and other executives, taking into consideration the advice of the RNC. These are approved by the Board. The Board, on recommendation from the RNC, approves the targets and assesses the performance outcomes of the CEO. The Board has adopted a rigorous process for assessing performance under the STI plan which includes external verification of the payments for the Group Executive team. The Board has discretion to adjust STI outcomes up or down based on the achievement of results consistent with the Group's strategic priorities that enhance shareholder value and are delivered in line with Group values.
Gateway and performance conditions	
Is there an STI 'gateway' and how is it determined?	Yes. The Board considers it important that, in general, the Group should achieve a minimum acceptable level of profit before any payments are made under the STI plan, in reflection of returns to shareholders. No STI is awarded (upon achievement of either financial or non-financial metrics) if minimum performance across DuluxGroup does not achieve a threshold NPAT performance level. The NPAT gateway for the STI is determined by the Board each year, with reference to a range of factors. While prior year NPAT is referred to as a starting point, economic conditions, industry trends and practices and other relevant circumstances are also factored in to the Board's decision. For the purpose of the 2015 STI, the minimum performance level was set at the prior year NPAT before non-recurring items of $111.9 million.

What are the STI performance conditions and why were they chosen?	The performance conditions for 2015 included both financial and non-financial targets. Overall performance measures are chosen in order to align with the Group's annual budget, targets and longer term plan and therefore, reinforce and drive business strategy. Details of the 2015 performance conditions, and the strategic objectives that they support, are set out on page 66. In setting the hurdles for the STI plan (that is, the minimum level of performance required for any award to be payable), the RNC is conscious to ensure that all targets are measurable and provide a challenging but meaningful incentive to scheme participants. The Board also considers it important that senior managers have a clear line of sight to the targets and are able to affect results through their actions. Accordingly, performance conditions and weightings are directly linked to individual executives' responsibilities. The Board considers the 2015 performance measures to be appropriate as they are ultimately aligned with the Group's objectives of delivering profitable growth and shareholder return. The Board believes that the largest component of an executive's STI payment should be affected by the financial performance of the Group, and accordingly 70 per cent of executives' awards are financial metrics. Performance measures are set at both a DuluxGroup and business unit level, and for those Executives with business unit responsibility STI is directly linked to the performance of their business. Non-financial metrics are based on performance against some of our core values – including safety and sustainability. In the event of a fatality, the Board retains complete discretion to adjust any STI incentive payment. Non-financial metrics also include other individual measures such as the successful implementation of specific Group or business unit strategies, achievement of specific customer or consumer based measures and the delivery of targeted, sustainable growth objectives. An overview of the CEO's non-financial metrics during 2015 is set out in section 3.2. Detailed below is a breakdown of the structure of the 2015 STI performance conditions for executives.

Performance conditions for STI	P Houlihan/S Boxer	P Jones/M Ward	B Hordern
DuluxGroup financial	70%	15%	70%
Business unit financial	-	55%	-
Safety & Sustainability	10%	10%	20%
Personal objectives	20%	20%	10%

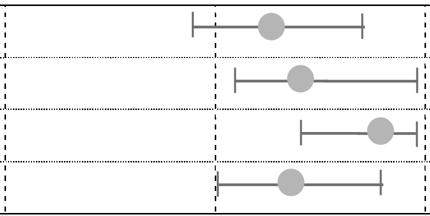
Cessation of employment, clawback or change of control

If an individual ceases employment during the year, will they receive a payment?	The individual will not be eligible for a payment if terminated due to misconduct or poor performance nor in general, if they resign. In certain appropriate circumstances (such as redundancy), the Board may consider eligibility for a pro-rata payment.
Is there ability to claw back awards in appropriate circumstances?	Yes. The Group has a formal Clawback Policy that provides the Board with broad discretion to ensure that no unfair benefit or detriment is derived by any participant in the case of a material misstatement in Group financial results or serious misconduct by a participant, including where the Group suffers material reputational damage. This includes discretion to reduce, forfeit or reinstate unvested awards, or reset or alter the performance conditions applying to the applicable award.
How would a change of control of the Group impact on STI entitlements?	The Board has absolute discretion in relation to STI entitlements on a change of control, which it would exercise in the best interests of the Group. Unless the Board determines otherwise, the STI will be considered to have been met at target for the full performance year, notwithstanding the date of change of control.

2015 outcomes

A detailed discussion of the 2015 STI outcomes is presented in section 3.2. The diagram below presents the range of achievements in 2015 for the performance measures in the STI plan and the average outcome (indicated by a circle) for Executives.

Measures	Hurdle	Target	Stretch
Financial (70%)			
Safety & Sustainability (generally 10%)			
Personal (generally 20%)			
Total STI as a percentage of 'stretch'			



The STI payments shown in the table below reflect the performance achieved and amounts payable for Executives in the current financial year. The variance in outcomes between Executives is reflective of individual business unit outcomes for those Executives with specific business unit responsibility.

Table 5

For the financial year ended 30 September 2015	2015 STI award $[1]	STI payable at 'Stretch' $[2]	Actual STI as percentage of 'Stretch'	Percentage of 'Stretch' STI payment forfeited	Actual STI payment as a percentage of FAR[2]
Executive Directors					
Patrick Houlihan	621,465	1,010,430	61.5%	38.5%	55.4%
Stuart Boxer	234,427	386,250	60.7%	39.3%	36.4%
Other KMP					
Patrick Jones	280,008	324,450	86.3%	13.7%	51.8%
Brad Hordern	157,035	265,740	59.1%	40.9%	35.5%
Martin Ward	141,777	265,740	53.4%	46.6%	32.0%

(1) STI constitutes a cash incentive earned during the 2015 financial year, which is expected to be paid in December 2015.
(2) The STI payable assuming a 'Stretch' level of performance and actual STI payment as a percentage of FAR have been calculated based on the FAR as at 30 September 2015.

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

The DuluxGroup LTEIP is the long term incentive component of remuneration for the Group's most senior managers (including executives).

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

Form and purpose of the plan	
How does the LTEIP operate?	Under the LTEIP, eligible senior managers are provided with a non-recourse loan from DuluxGroup for the sole purpose of acquiring company shares. The shares are granted upfront but are restricted and subject to a risk of forfeiture until the end of the vesting/performance period and while the loan remains outstanding. Subject to the achievement of an earnings gateway, part of the loan may be forgiven at the end of the loan period at a level based on the achievement of a relative TSR performance condition. To gain access to the shares, the executives must repay the outstanding loan following testing of the performance condition.
How does the LTEIP drive performance?	The LTEIP facilitates immediate share ownership by senior managers, including Executives, and links a significant proportion of their 'at-risk' remuneration to the Company's ongoing share price and returns to shareholders over the performance period. It is designed to encourage senior managers to focus on the key performance drivers which underpin sustainable growth in shareholder value. The Board believes the LTEIP promotes behaviour that should achieve superior performance over the long term through both an earnings gateway that must be achieved before any shares vest and a TSR performance condition which provides for a portion of the loan to be forgiven where DuluxGroup performs well against its market comparators.

How does the plan align participant's interests with shareholders?	The immediate share ownership aligns a participant's interests with those of shareholders from the outset. Annual grants, subject to a three year performance period, combined with the minimum shareholding requirements, mean that Executives have a direct holding in the Company that is directly aligned with the outcomes delivered to shareholders.
How does a participant derive value from LTEIP?	Participants can derive value from LTEIP in three ways: • through appreciation of DuluxGroup's share price over the loan period; and/or • the value of after tax dividends applied in repaying the loan thereby increasing their equity over the loan period; and/or • through potential loan forgiveness of a portion of the loan as a reward for superior performance against the Group's market comparators.
Vesting and performance condition	
What is the vesting/performance period?	The gateway and performance condition are tested once approximately three years after the grant is made.
What is the 'gateway'?	The Board has implemented a 'gateway' level of minimum acceptable growth in EPS performance below which no shares vest. The EPS gateway in respect of the offer made during the 2015 financial year is that compound annual growth over the three year period from 1 October 2014 must equal or exceed 4 per cent per annum. Where the EPS gateway is met, at the end of the performance period there is potentially value to senior managers if the value of the LTEIP shares is greater than the outstanding LTEIP loan balance that must be repaid.
Why does the Board consider the gateway appropriate?	While the Board considers share price growth to be the primary indicator of DuluxGroup's success at present, the EPS gateway is designed to ensure that the quality of share price growth is supported by Group performance, not market buoyancy alone. For this reason, the Board considers that it is appropriate to set a minimum level of operating performance, and that EPS growth is an appropriate measure for this purpose. During the year the Board considered that the 4 per cent EPS growth remains appropriate, noting that it is set as a minimum level of growth. The real benefit to senior managers is achieved through superior performance against the relative TSR condition that determines the level of loan forgiveness.
What is EPS and how is it calculated?	EPS growth measures the growth in earnings on a per share basis. EPS is calculated by dividing DuluxGroup's NPAT by the weighted average number of ordinary shares on issue during the relevant period. The Board has retained discretion to adjust EPS for individually material non-recurring items on a case by case basis when determining whether the EPS performance gateway condition has been met.
How is the relative TSR performance hurdle applied to the plan?	If the EPS gateway is met and the shares vest, a portion of the outstanding loan may be forgiven in order to reward superior performance. The level of loan forgiveness (if any) depends on the Company's TSR performance against the comparator group.
How is the forgiveness amount determined?	There is no loan forgiveness amount if the Company's TSR is below the 51st percentile relative to the comparator group. If DuluxGroup Limited's TSR is equal to the 51st percentile, participants become entitled to 10 per cent loan forgiveness which increases to a maximum of 30 per cent based on the Company's relative performance on the 'sliding scale' shown below.

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

Who is the relative TSR comparator group?	The comparator group comprises peer companies in the ASX 200 at the date of grant which remain listed throughout the performance period. The Board has approved the exclusion of companies that operate in very different markets (mining, financial services, listed property trusts and overseas domiciled companies) from the peer group. These approved exclusions from the comparator group enables the performance of DuluxGroup to be compared to those companies that most relevantly compete with DuluxGroup for capital, that is, Australian industrial, retail, manufacturing and distribution businesses included in the ASX 200. The Board has considered the reasonableness of the comparator group given the Group's growth over recent years, and believes that it remains appropriate.
Is the performance condition re-tested?	No, the performance condition is only tested once at the end of the performance period.
Nature of the loan	
Is the loan 'interest free'?	The loan is 'interest free' in that there is no annual interest charge to the senior manager on the loan. An interest component, however, is taken into account in determining the level of performance based debt forgiveness benefit that may be awarded to participants.
Are dividends applied to the loan balance?	Yes. A portion of the dividends paid on the shares during the loan period is paid to the participant (after withholding tax) to fund their tax liability on the dividends received, and the remainder is applied in part repayment of the loan.
As the loans are non-recourse, do senior managers have to repay their loans?	Yes, to access the shares, senior managers must repay their loan. Following the end of the vesting period, assuming the earnings 'gateway' is achieved, the senior manager can either repay the loan directly or sell some or all of their shares and apply the proceeds to repay the loan. Shares remain restricted until the loan is repaid. If the value of the shares is less than the outstanding loan balance at the end of the performance period, or if the 'earnings gateway' is not achieved, the senior manager surrenders and forfeits the shares to the Company in full settlement of the loan balance and no benefit accrues to the senior manager. This is known as a 'non-recourse loan'. In respect of the 2012 LTEIP grant, loans will become repayable by participants to the Company following testing of the relative TSR performance condition. As at the date of this report the value of these loans is $7,315,000. However the final value of the loans to be repaid will not be known until after the relative TSR performance has been tested, any resulting debt forgiveness has been calculated, and final dividends have been applied to the loan balance. This testing commences after the release of the 2015 results. The results of this testing will be communicated at the AGM and full details will be set out in the Company's 2016 remuneration report.
Why is a non-recourse loan provided?	The Board has structured the remuneration policy for senior managers to include a significant proportion of 'at risk' pay under the LTEIP. Accordingly, where the outstanding loan at the end of the performance period exceeds the value of the shares, or if the 'earnings gateway' is not achieved, the Board believes the loss of any remuneration value from the LTEIP in these circumstances is a sufficient penalty to the senior managers.
Structure of awards	
How are the participation levels for Executives determined?	The amount of the loan offered to each participant is based on the relevant long term incentive component target amount of their remuneration multiplied by an externally determined 'value' (calculated using an adjusted Black-Scholes option pricing valuation model).
How are shares acquired for allocation to Executive Directors under the LTEIP?	The Company has the flexibility under the LTEIP Rules to acquire shares on-market, issue new shares or reallocate forfeited shares to participants in the LTEIP. For the offer to the CEO and the CFO under the LTEIP to be made in December 2015 (which is subject to shareholder approval at the 2015 AGM), DuluxGroup proposes to acquire the shares on-market.
Cessation of employment or a change of control	
What happens if a LTEIP participant ceases employment prior to vesting and repayment of the loan?	In general, all 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.

Is there ability to 'claw back' in appropriate circumstances?	Yes. The Group has a formal Clawback Policy that provides the Board with broad discretion to ensure that no unfair benefit or detriment is derived by any participant in the case of a material misstatement in Group financial results or serious misconduct by a participant, including where the Group suffers material reputational damage. This includes discretion to reduce, forfeit or reinstate unvested awards, or rest or alter the performance conditions applying to the applicable award.
How would a change of control of the Group impact on LTEIP entitlements?	The Board has absolute discretion in relation to LTEIP entitlements on a change of control, which it would exercise in the best interests of the Group. 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 the default level of debt forgiveness (which is currently set at 20 per cent).
Hedging policy	
Do any restrictions apply on LTEIP shares prior to vesting?	The Group has a policy that prohibits senior managers from entering into an arrangement to limit the risk attached to (i.e. hedging) LTEIP shares prior to vesting (i.e. prior to the relevant performance conditions being met) or while they continue to be subject to restrictions under the LTEIP. DuluxGroup treats compliance with this policy as a serious issue and takes appropriate measures to ensure policy adherence.

Illustrative example of how LTEIP works

The following example is based on a senior manager resident in Australia and assumes that:

- Initial share price at grant date is $5 and 15,000 shares are allocated (i.e. initial loan of $75,000).
- Total dividends paid of $2,400, less 46.5 per cent to cover the participants' individual tax obligations (note that as dividends are 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.

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

(1) This amount is determined net of interest charges.
(2) In addition the Group incurs fringe benefits tax on the loan forgiveness.

6 Details of Executive remuneration

Details of Executive remuneration are set out in the table below.

Table 6

For the financial year ended 30 September 2015		Short term employee benefits			Post employment benefits						
	FY	FAR[1,2] $	STI payment[3] $	Other benefits[4] $	Superannuation benefits[5] $	Other long term benefits[6] $	Total excluding share-based payment expense $	Share based payment expense[7] $	Total $	% of performance related remuneration[8,9]	% of remuneration consisting of options[9]
Executive Directors											
Patrick Houlihan	2015	1,095,742	621,465	533,109	18,783	25,109	2,294,208	710,497	3,004,705	44%	24%
	2014	1,058,349	807,145	740,813	18,027	40,100	2,664,434	691,123	3,355,557	45%	21%
Stuart Boxer	2015	620,279	234,427	133,565	18,783	10,581	1,017,635	242,415	1,260,050	38%	19%
	2014	600,724	308,542	202,233	18,027	12,358	1,141,884	204,867	1,346,751	38%	15%
Other Executives											
Patrick Jones	2015	518,029	280,008	116,884	18,783	8,282	941,986	204,182	1,146,168	42%	18%
	2014	500,724	265,230	122,797	18,027	16,046	922,824	169,634	1,092,458	40%	16%
Brad Hordern	2015	420,892	157,035	88,931	18,783	6,519	692,160	124,288	816,448	34%	15%
	2014	406,974	200,667	103,240	18,027	9,306	738,214	106,847	845,061	36%	13%
Martin Ward[10]	2015	420,892	141,777	42,389	18,783	6,990	630,831	66,585	697,416	30%	10%
	2014	205,860	67,936	(5,936)	9,140	3,612	280,612	14,434	295,046	28%	5%
Former Executive											
Mike Kirkman[11]	2015	-	-	-	-	-	-	-	-	-	-
	2014	199,863	-	25,021	8,887	7,854	241,625	33,919	275,544	12%	12%
Total remuneration	**2015**	**3,075,834**	**1,434,712**	**914,878**	**93,915**	**57,481**	**5,576,820**	**1,347,967**	**6,924,787**		
	2014	2,972,494	1,649,520	1,188,168	90,135	89,276	5,989,593	1,220,824	7,210,417		

Footnotes to Table 6

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

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

(3) STI payment includes payments relating to 2015 performance accrued but not paid.

(4) These benefits include relocation costs, medical costs, movement in annual leave accrual, spousal travel, insurances and costs associated with services related to employment (inclusive of any applicable fringe benefits tax) in addition to the fringe benefits tax paid on debt forgiveness for the 2011 LTEIP grant.

(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 benefit includes the movement in long service leave accrual.

(7) This amount includes the value calculated under AASB 2 *Share-based Payment*. The share-based payment expense represents the charge incurred during the year in respect of current incentive allocations to Executives. These amounts relate to the value of the 2011, 2012, 2013 and 2014 LTEIP grants calculated under AASB 2 and not the amounts actually received by Executives during the year. Whether Executives receive any value from the allocation of long term incentives in the future will depend on the performance of the Company's shares. The gateway and performance condition which determine whether or not long term incentives vest in the future and the value to be derived by participants is described in section 5.3.

(8) The percentages shown relate to accrued STI payments in 2015 and the value of the 2011, 2012, 2013 and 2014 LTEIP grants calculated under AASB 2 as a proportion of the executive's total remuneration.

(9) As explained in section 6.1, shares acquired under the LTEIP are treated as options for accounting purposes under the Australian Accounting Standards. The percentages shown relate to the value of the 2011, 2012, 2013 and 2014 LTEIP grants calculated under AASB 2 and not the amounts actually received by Executives during the year as a proportion of total remuneration.

(10) Mr Ward became an executive of DuluxGroup on 1 April 2014. The table includes his remuneration, including STI, from this date.

(11) Mr Kirkman ceased being an Executive of DuluxGroup from 31 March 2014.

6.1 DuluxGroup equity instruments granted to Executives

Under the LTEIP, senior managers acquire shares in DuluxGroup Limited funded by a non-recourse loan from the Group as described in section 5.3. While shares are acquired under the plan for legal and taxation purposes, Australian Accounting Standards require the shares be treated as options for accounting purposes. These options are not subject to an exercise price and the amounts receivable from senior managers in relation to these loans are not recognised in the consolidated financial statements. Refer to Table 8 of section 6.2 for details of non-recourse loans provided to eligible Executives for the sole purpose of acquiring shares in the Company.

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

Table 7

For the financial year ended 30 September 2015	Number held at 1 October 2014[1]	Number granted during the year	Number exercised during the year	Number lapsed during the year	Number held at 30 September 2015	Number vested and exercisable at 30 September 2015[2]	Value of options at grant date issued during the year $[3]	Value of options included in compensation for the year $[4]
Executive Directors								
Patrick Houlihan	1,774,522	443,582	(708,743)	-	1,509,361	612,021	762,961	710,497
Stuart Boxer	508,901	169,565	(179,026)	-	499,440	154,595	291,652	242,415
Other KMP								
Patrick Jones	436,280	142,434	(157,543)	-	421,171	132,670	244,986	204,182
Brad Hordern	272,781	77,774	(81,904)	-	268,651	111,027	133,771	124,288
Martin Ward	49,906	77,773	-	-	127,679	-	133,770	66,585

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

(2) Since the end of the reporting period, the shares granted on 30 November 2012 have met the applicable vesting condition and vested on 11 November 2015. The restriction on trading these shares will be lifted upon repayment of the loan. The loan must be repaid during the period from 27 November 2015 to 22 January 2016. The number of options that have vested and are not exercisable is NIL.

(3) 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.

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

6.2 Loans to Executives under DuluxGroup long term incentive plans

Table 8

For the financial year ended 30 September 2015	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	6,468,794	2,550,597	(617,584)	(1,426,681)	6,975,126	544,185	8,302,123
Stuart Boxer	1,954,689	974,999	(156,000)	(370,738)	2,402,950	182,867	2,745,099
Other KMP							
Patrick Jones	1,664,900	818,996	(137,280)	(324,521)	2,022,095	152,984	2,046,881
Brad Hordern	1,035,649	447,201	(71,370)	(174,220)	1,237,260	94,035	1,253,069
Martin Ward	263,828	447,195	-	(10,318)	700,705	48,086	708,220

(1) Constitutes loan forgiveness amounts under LTEIP in relation to the 2011 LTEIP grant.

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

6.3 Share-based payment expenses

In regards to the DuluxGroup LTEIP, a share-based payment expense is recognised in the income statement over the vesting period. Repayments of share loans are recognised as share capital when the outstanding loan balance is repaid in full.

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

Table 9

Grant	Grant date share price	Share price volatility	Expected dividends on shares	Risk free interest rate	Fair value at grant date
2012 LTEIP grant (granted 30 November 2012)	$3.50	22.5%	NIL	2.6%	$0.99
2012 LTEIP grant (granted 28 June 2013)	$4.21	22.5%	NIL	2.8%	$1.26
2013 LTEIP grant (granted 29 November 2013)	$5.45	22.5%	NIL	3.0%	$1.71
2014 LTEIP grant (granted 28 November 2014)	$5.71	22.5%	NIL	2.5%	$1.72

7 Executive service agreements

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

Table 10

Name	Term of agreement	Notice period by executive	Group notice period and termination benefits[2]
Executive Directors			
Patrick Houlihan[1]	Open	6 months	12 months FAR
Stuart Boxer[1]	Open	6 months	12 months FAR
Other KMP			
Patrick Jones	Open	6 months	12 months FAR
Brad Hordern	Open	6 months	12 months FAR
Martin Ward	Open	6 months	12 months FAR

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

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

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

8 Non-executive directors' remuneration

8.1 Policy and approach to setting fees

<table>
<tr><td>Overview of policy</td><td> 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. In setting non-executive directors' fees, the Board has formulated a remuneration policy based on external professional advice to pay fees that are competitive with comparable companies (those with a similar market capitalisation), at a level to attract and retain directors of the appropriate calibre and recognising the anticipated time commitments and responsibilities of directors. In order to maintain independence and impartiality, non-executive directors are not entitled to any form of incentive payments and the level of their fees is not set with reference to measures of company performance. </td></tr>
<tr><td>Aggregate fees approved by shareholders</td><td>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 $1,650,000 per annum as approved by shareholders at the 2014 AGM.</td></tr>
<tr><td>Alignment with shareholders</td><td>The Board has adopted a minimum shareholding policy that applies to non-executive directors, details of which are set out in section 4.2.</td></tr>
<tr><td>Reviews</td><td> Non-executive director fees are reviewed annually and set and approved by the Board based on independent advice received from external remuneration consultants from time to time. A review of non-executive director fees was undertaken in respect of the 2015 calendar year. Within the shareholder approved maximum aggregate fee amount, the Board approved an increase of 3 per cent to the base fees for non-executive directors so as to ensure these fees remain competitive with comparable companies (utilising benchmark data provided by Ernst and Young), and to reflect the calibre, increased time commitment and responsibilities of the Directors as the Group continues to grow. A review of committee fees indicated that they were well below the market, and in line with the Group's policy to attract and retain experienced, high calibre directors, fees were adjusted to better align with median market fees for comparable companies. The increases to committee fees were between 20 per cent and 49 per cent. </td></tr>
<tr><td>Base fees and travel allowance</td><td> Following the review earlier this year, the Board approved the following base fees effective 1 January 2015 (inclusive of statutory superannuation):
<table>
<tr><th>Base fees</th><th></th><th></th></tr>
<tr><td>Non-executive Chairman [1]</td><td>$405,500</td><td></td></tr>
<tr><td>Non-executive Director</td><td>$150,500</td><td></td></tr>
<tr><th>Committee fees</th><th>Committee chair</th><th>Committee member</th></tr>
<tr><td>Audit and Risk Committee</td><td>$35,000</td><td>$17,500</td></tr>
<tr><td>Remuneration and Nominations Committee</td><td>N/A[1]</td><td>$14,000</td></tr>
<tr><td>Safety and Sustainability Committee</td><td>$28,000</td><td>$14,000</td></tr>
</table>
(1) The Non-executive Chairman chairs the Remuneration and Nominations Committee and is a member of the Audit and Risk Committee. He receives a base fee only. No separate committee fees are paid.
The Directors do not receive any retirement allowances.
In addition, 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. </td></tr>
</table>

8.2 Remuneration for 2015

Details of non-executive director remuneration are set out below.

Table 11

Non-executive directors	Year	Directors base fees $	Audit and Risk Committee $	Safety and Sustainability Committee $	Remuneration and Nominations Committee $	Superannuation[(1)] $	Other benefits[(2)] $	Total $
Peter Kirby	2015	385,933	-	-	-	16,567	2,500	405,000
	2014	380,699	-	-	-	9,013	2,500	392,212
Gaik Hean Chew	2015	136,416	-	23,459	12,260	16,353	116,124[(3)]	304,612
	2014	132,269	-	16,981	10,600	14,887	105,000[(3)]	279,737
Garry Hounsell	2015	136,416	30,628	-	12,260	17,034	2,500	198,838
	2014	132,269	26,404	-	10,600	16,408	22,500[(4)]	208,181
Andrew Larke	2015	139,918	16,638	-	13,425	9,457	2,500	181,938
	2014	136,592	13,071	-	10,887	9,537	22,500[(4)]	192,587
Judith Swales	2015	136,416	16,638	10,816	-	15,568	2,500	181,938
	2014	132,269	12,727	10,600	-	14,491	2,500	172,587
Total non-executive directors remuneration	**2015**	**935,099**	**63,904**	**34,275**	**37,945**	**74,979**	**126,124**	**1,272,326**
	2014	914,098	52,202	27,581	32,087	64,336	155,000	1,245,304

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

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

(3) This benefit represents Ms Chew's allowance for international travel totaling $17,500 (2014: $17,500), her fees of $43,750 (2014: $43,750) as a Director of DGL Camel International Limited (a subsidiary of the Group), remuneration of $43,750 (2014: $43,750) in respect of an ongoing consulting services agreement to assist the Group in seeking strategic growth opportunities in Asia and support totaling $11,124 for the preparation of her annual tax returns in both Australia and Hong Kong (2014: $NIL).

(4) This benefit to Messrs Larke and Hounsell represents an allowance for international travel of $2,500 each and payments of $20,000 each during 2014 for the additional workload associated with being members of the special Board Committee formed in relation to the Group's US Private Placement.

KPMG

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

To: the directors of DuluxGroup Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 September 2015 there have been:

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

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

KPMG

KPMG

Gordon Sangster
Partner

Melbourne

11 November 2015

Consolidated Income Statement

For the financial year ended 30 September

	Notes	2015 $'000	2014 $'000
Revenue		**1,687,834**	1,611,490
Other income	5	**4,729**	6,209
Expenses			
Changes in inventories of finished goods and work in progress		**(8,628)**	(8,727)
Raw materials and consumables used and finished goods purchased for resale		**703,216**	667,553
Employee benefits [1]		**391,360**	367,217
Depreciation and amortisation	6	**34,898**	35,181
Repairs and maintenance		**12,233**	11,961
Operating leases		**49,116**	48,510
Outgoing freight		**66,828**	62,707
Other expenses [1,2]		**269,116**	259,164
Share of net profit of equity accounted investment	12	**(919)**	(995)
		1,517,220	1,442,571
Earnings before interest and income tax expense (EBIT)		**175,343**	175,128
Finance income		**355**	601
Finance expenses	6	**(21,610)**	(26,783)
Net finance costs		**(21,255)**	(26,182)
Profit before income tax expense		**154,088**	148,946
Income tax expense	9	**(42,784)**	(46,124)
Profit for the financial year		**111,304**	102,822

Attributable to:			
Ordinary shareholders of DuluxGroup Limited		**112,773**	104,528
Non-controlling interest in controlled entities		**(1,469)**	(1,706)
Profit for the financial year		**111,304**	102,822

		cents	cents
Earnings per share			
Attributable to ordinary shareholders of DuluxGroup Limited:			
Basic earnings per share	7	**29.6**	28.1
Diluted earnings per share	7	**29.2**	27.5

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

(1) Includes restructuring costs relating to supply chain projects, which are reported as part of employee benefits expense ($15,918,000) and purchased services ($1,112,000). Refer to note 4.

(2) Largely comprises of advertising and marketing expenditure, commissions, royalties, impairment losses and other fixed and variable costs.

Consolidated Statement of Comprehensive Income

For the financial year ended 30 September

	2015 **$'000**	2014 $'000
Profit for the financial year	**111,304**	102,822
Other comprehensive income		
Items that may be reclassified subsequently to the income statement		
Cash flow hedge reserve		
Effective portion of changes in fair value of cash flow hedges	**344**	(1,523)
Income tax expense	**(103)**	457
Foreign currency translation reserve		
Foreign currency translation gain on foreign operations	**6,201**	2,240
Total items that may be reclassified subsequently to the income statement, net of tax	**6,442**	1,174
Items that will not be reclassified to the income statement		
Retained earnings		
Actuarial losses on defined benefit plan	**(6,599)**	(6,139)
Income tax benefit	**1,980**	1,842
Total items that will not be reclassified to the income statement, net of tax	**(4,619)**	(4,297)
Other comprehensive income for the financial year, net of tax	**1,823**	(3,123)
Total comprehensive income for the financial year	**113,127**	99,699
Attributable to:		
Ordinary shareholders of DuluxGroup Limited	**114,045**	102,511
Non-controlling interest in controlled entities	**(918)**	(2,812)
Total comprehensive income for the financial year	**113,127**	99,699

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

Consolidated Balance Sheet

As at 30 September

	Notes	2015 $'000	2014 $'000
Current assets			
Cash and cash equivalents		**46,270**	35,118
Trade and other receivables	10	**257,854**	232,969
Inventories	11	**216,036**	203,739
Derivative financial assets	19	**5,207**	507
Other assets		**7,085**	7,269
Total current assets		**532,452**	479,602
Non-current assets			
Trade and other receivables	10	**85**	30
Derivative financial assets	19	**70,026**	11,715
Investment accounted for using the equity method	12	**6,342**	5,423
Property, plant and equipment	13	**261,865**	261,994
Intangible assets	14	**232,129**	224,916
Deferred tax assets	9	**53,286**	48,046
Other assets		**2,924**	3,372
Total non-current assets		**626,657**	555,496
Total assets		**1,159,109**	1,035,098
Current liabilities			
Trade and other payables	15	**267,277**	251,282
Interest-bearing liabilities	17	**14,650**	14,765
Derivative financial liabilities	19	**1,271**	-
Current tax liabilities		**19,492**	10,657
Provisions	16	**33,573**	28,129
Total current liabilities		**336,263**	304,833
Non-current liabilities			
Trade and other payables	15	**276**	292
Interest-bearing liabilities	17	**381,558**	366,092
Derivative financial liabilities	19	**1,382**	-
Deferred tax liabilities	9	**16,035**	16,972
Provisions	16	**50,243**	40,780
Defined benefit liability	18	**22,107**	14,468
Total non-current liabilities		**471,601**	438,604
Total liabilities		**807,864**	743,437
Net assets		**351,245**	291,661
Equity			
Share capital	20	**256,483**	236,114
Treasury shares	20	**(159)**	(7,625)
Reserves		**(84,616)**	(91,397)
Retained earnings (1)		**178,524**	152,638
Total equity attributable to ordinary shareholders of DuluxGroup Limited		**350,232**	289,730
Non-controlling interest in controlled entities		**1,013**	1,931
Total equity		**351,245**	291,661

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

(1) The retained earnings of the consolidated entity includes the profits reserve of the parent entity, DuluxGroup Limited. For details of the parent entity's stand alone profits reserve, refer to note 30.

Consolidated Statement of Changes in Equity

For the financial year ended 30 September 2015

	Total equity attributable to ordinary shareholders of DuluxGroup Limited									
	Share capital $'000	Treasury shares $'000	Share-based payments reserve $'000	Cash flow hedge reserve $'000	Foreign currency translation reserve $'000	Common control reserve $'000	Retained earnings $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 October 2014	**236,114**	**(7,625)**	**6,554**	**(1,065)**	**816**	**(97,702)**	**152,638**	**289,730**	**1,931**	**291,661**
Profit for the financial year	**-**	**-**	**-**	**-**	**-**	**-**	**112,773**	**112,773**	**(1,469)**	**111,304**
Other comprehensive income, net of tax	**-**	**-**	**-**	**241**	**5,650**	**-**	**(4,619)**	**1,272**	**551**	**1,823**
Total comprehensive income for the financial year	**-**	**-**	**-**	**241**	**5,650**	**-**	**108,154**	**114,045**	**(918)**	**113,127**
Transactions with owners, recorded directly in equity										
Shares issued under the DuluxGroup dividend reinvestment plan	**20,434**	**-**	**-**	**-**	**-**	**-**	**-**	**20,434**	**-**	**20,434**
Share-based payments	**-**	**-**	**3,628**	**-**	**-**	**-**	**-**	**3,628**	**-**	**3,628**
Shares vested under the LTEIP and ESIP[(1)]	**(65)**	**7,466**	**(2,738)**	**-**	**-**	**-**	**-**	**4,663**	**-**	**4,663**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**-**	**(82,268)**	**(82,268)**	**-**	**(82,268)**
Balance at 30 September 2015	**256,483**	**(159)**	**7,444**	**(824)**	**6,466**	**(97,702)**	**178,524**	**350,232**	**1,013**	**351,245**

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

(1) The total amount of $4,663,000 comprises of the following:

- Proceeds of $3,910,000 (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 2011 LTEIP.
- Amounts totalling $753,000 were applied as settlement for shares vested under the ESIP. Under the ESIP, proceeds collected from employees by way of a salary sacrifice are recognised by the Group as a liability until such time as an employee has the right to sell the shares, at which time the amount is recognised in contributed equity.

Consolidated Statement of Changes in Equity

For the financial year ended 30 September 2014

	Total equity attributable to ordinary shareholders of DuluxGroup Limited									
	Share capital $'000	Treasury shares $'000	Share-based payments reserve $'000	Cash flow hedge reserve $'000	Foreign currency translation reserve $'000	Common control reserve $'000	Retained earnings $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 October 2013	201,099	(7,716)	7,514	1	(2,530)	(97,702)	125,559	226,225	4,743	230,968
Profit for the financial year	-	-	-	-	-	-	104,528	104,528	(1,706)	102,822
Other comprehensive income, net of tax	-	-	-	(1,066)	3,346	-	(4,297)	(2,017)	(1,106)	(3,123)
Total comprehensive income for the financial year	-	-	-	(1,066)	3,346	-	100,231	102,511	(2,812)	99,699
Transactions with owners, recorded directly in equity										
Shares issued under the DuluxGroup dividend reinvestment plan	24,206	-	-	-	-	-	-	24,206	-	24,206
Share-based payments	-	-	3,449	-	-	-	-	3,449	-	3,449
Shares vested under the LTEIP and ESIP(1)	10,809	91	(4,409)	-	-	-	-	6,491	-	6,491
Dividends paid	-	-	-	-	-	-	(73,152)	(73,152)	-	(73,152)
Balance at 30 September 2014	236,114	(7,625)	6,554	(1,065)	816	(97,702)	152,638	289,730	1,931	291,661

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

(1) The total amount of $6,491,000 comprises of the following:

- Proceeds of $5,723,000 (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 2010 LTEIP.
- Amounts totalling $768,000 were applied as settlement for shares vested under the ESIP. Under the ESIP, proceeds collected from employees by way of a salary sacrifice are recognised by the Group as a liability until such time as an employee has the right to sell the shares, at which time the amount is recognised in contributed equity.

Consolidated Statement of Cash Flows

For the financial year ended 30 September

	2015 $'000	2014[(1)] $'000
Cash flows from operating activities		
Profit for the financial year	**111,304**	102,822
Depreciation and amortisation	**34,898**	35,181
Share-based payments expense	**3,628**	3,449
Share of net profit of equity accounted investment	**(919)**	(995)
Profit on disposal of business	**-**	(3,714)
(Reversal of impairment)/impairment of inventories	**(447)**	512
Impairment of trade and other receivables	**3,939**	2,740
Impairment of intangible assets	**-**	9,228
Net loss on sale of property, plant and equipment	**250**	854
Unrealised foreign exchange gain	**(233)**	(73)
Amortisation of prepaid loan establishment fees	**1,399**	2,203
Operating cash flows before changes in working capital and provisions	**153,819**	152,207
Increase in trade and other receivables	**(28,913)**	(14,692)
Increase in inventories	**(10,172)**	(9,012)
Decrease/(increase) in other assets	**632**	(260)
(Decrease)/increase in deferred taxes payable	**(5,132)**	3,457
Increase/(decrease) in trade and other payables and provisions	**37,835**	(6,210)
Increase/(decrease) in current tax liabilities	**8,443**	(5,337)
Net cash inflow from operating activities	**156,512**	120,153
Cash flows from investing activities		
Payments for property, plant and equipment	**(26,438)**	(27,468)
Payments for intangible assets	**(2,998)**	(3,084)
Payments for purchase of businesses, net of cash acquired	**(11,518)**	(950)
Proceeds from joint venture distributions	**-**	250
Proceeds from disposal of business	**-**	10,776
Proceeds from sale of property, plant and equipment	**317**	473
Proceeds from price adjustment on purchase of controlled entities	**-**	710
Net cash outflow from investing activities	**(40,637)**	(19,293)
Cash flows from financing activities		
Proceeds from short term borrowings	**17,195**	8,306
Repayments of short term borrowings	**(19,707)**	(9,824)
Proceeds from long term borrowings	**1,333,000**	5,363,565
Repayments of long term borrowings	**(1,378,398)**	(5,432,575)
Proceeds from employee share plan repayments	**4,856**	6,830
Dividends paid (net of shares issued as part of DuluxGroup's dividend reinvestment plan)	**(61,834)**	(48,946)
Net cash outflow from financing activities	**(104,888)**	(112,644)
Net increase/(decrease) in cash held	**10,987**	(11,784)
Cash at the beginning of the financial year	**35,118**	46,374
Effects of exchange rate changes on cash	**165**	528
Cash at the end of the financial year	**46,270**	35,118
Supplementary information		
Interest received	**355**	601
Interest paid	**(17,224)**	(25,912)
Income taxes paid	**(39,491)**	(48,004)

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

(1) The consolidated statement of cash flows has been presented for the first time using the alternative permissible presentation method, being the indirect method.

Notes to the Consolidated Financial Statements
For the financial year ended 30 September 2015

1 Accounting policies

DuluxGroup Limited (the 'Company') is a company domiciled in Australia which has shares that are publicly traded on the Australian Securities Exchange. The significant accounting policies adopted in preparing the consolidated financial statements of the Company and its subsidiaries (collectively 'the consolidated entity' or 'the Group' or 'DuluxGroup') are stated below to assist in a general understanding of this financial report. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments, investments in financial assets (other than 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 11 November 2015 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) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises 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.

e) 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 2014.

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

Reference	Title	Application
AASB 2013-9	Amendments to Australian Accounting Standards Conceptual Framework, Materiality and Financial Instruments: Part B: Materiality and Part C: Financial Instruments	1 Oct 2014
AASB 9	Financial Instruments (amendments to December 2013)	1 Oct 2014
AASB 2014-1	Amendments to Australian Accounting Standards Part E: Financial Instruments	1 Oct 2014
AASB 2014-2	Amendments to AASB 1053 – Transition to and between Tiers, and related Tier 2 Disclosure Requirements	1 Oct 2014
AASB 2014-9	Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements	1 Oct 2014
AASB 2014-10	Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 Oct 2014
AASB 2015-1	Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012-2014 Cycle	1 Oct 2014
AASB 2015-2	Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101	1 Oct 2014
AASB 2015-3	Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality	1 Oct 2014
AASB 2014-7	Amendments to Australian Accounting Standards arising from AASB 9	1 Oct 2014

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

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. 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 Jan 2017
AASB 2014-5	Amendments to Australian Accounting Standards arising from AASB 15	1 Jan 2017

f) Revenue recognition

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

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

1 Accounting policies (continued)

f) Revenue recognition (continued)

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 three 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.

g) Finance income and expenses

Finance income
Finance income includes interest income on funds invested and recognised in the income statement. Interest income is recognised 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 as incurred unless they relate to qualifying assets.

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

h) Taxation

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

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

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

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

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

i) Trade and other receivables

Trade receivables are carried at amounts due. Receivables that are not past due and not impaired are considered recoverable. Payment terms are generally 30 days from the end of the month in which the invoice is issued. A risk assessment process is used for all accounts, with a stop credit process in place for most long overdue accounts.

The collectability of trade receivables is assessed continuously and at balance date specific allowances are made for any doubtful trade receivables based on a review of all outstanding amounts at year end. Bad debts are written off during the year in which they are identified.

The following basis has been used to assess the allowance for doubtful trade receivables:

- a statistical approach to determine the historical allowance rate for various tranches of receivables;
- an individual account by account assessment based on past credit history; and
- prior knowledge of debtor insolvency or other credit risk.

j) Inventories

Inventories are valued at the lower of cost or net realisable value, 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.

k) Property, plant and equipment and depreciation

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the item. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the consolidated entity and that the cost of the item can be measured reliably.

Property, plant and equipment, other than freehold land, is depreciated on a straight-line basis at rates calculated to allocate the cost less the estimated residual value over the estimated useful life of each asset to the consolidated entity. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at least annually.

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

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

l) Intangible assets and amortisation

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

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

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.

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

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

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

1 Accounting policies (continued)

l) Intangible assets and amortisation (continued)

Unidentifiable intangibles
Where the fair value of the consideration paid for a business acquisition exceeds the fair value of the identifiable assets, liabilities and contingent liabilities acquired, the difference is treated as goodwill. Goodwill is not amortised but the recoverable amount is tested for impairment at least annually.

m) Impairment of other assets

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 defined benefit fund assets, 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 Cash-Generating Unit (CGU) to which the asset belongs.

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

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

In calculating recoverable amount using a valuation model, estimated future cash flows based on Board approved budgets, four year business plans and related strategic reviews are discounted to their present values using a pre-tax discount rate. Cash flow projections beyond the four year period are extrapolated using estimated growth rates, which are not expected to exceed the long term average growth rates in the applicable markets.

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

The pre-tax discount rate used for a:

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

The pre-tax discount rates applied in the discounted cash flow models range between 10% and 15% (2014: 10% and 16%). The average sales revenue compound annual growth rates applied in the discounted cash flow models range between 0% and 8% (2014: 0% and 9%).

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

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

n) Interest-bearing liabilities

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

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

o) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year, 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.

p) Provisions

A provision is recognised when there is a legal or constructive obligation as a result of a past event and it is probable that a future sacrifice of economic benefits will be required to settle the obligation and the amount can be reliably estimated.

If the effect is material, a provision is determined by discounting the expected future cash flows (adjusted for expected future risks) required to settle the obligation at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwind of the effect of discounting on provisions is recognised as a finance expense.

Leased premises restoration
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.

q) Employee entitlements

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

Long service leave
Liabilities for long service leave are accrued at the present value of expected future payments to be made resulting from services provided by employees. Liabilities for long service leave entitlements, which are not expected to be paid or settled within 12 months, are accrued at the present value of future amounts expected to be paid. With effect from 30 June 2015, the present value has been determined using the Corporate bond rates (2014: relevant state Government bond rates) with similar maturity terms. The impact of this change at 30 June 2015 was a decrease to the provision of $1,564,000 and a corresponding benefit to earnings before interest and income tax expense.

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

Share-based payments
i) Long Term Equity Incentive Plan (LTEIP)
Shares issued 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.

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;

1 Accounting policies (continued)

q) Employee entitlements (continued)

- 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 share-based payment 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) Employee Share Investment Plan (ESIP)
Where shares are issued under the ESIP at a discount, a share-based payment expense for the fair value of the discount on the granted shares is recognised.

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

r) Foreign currency

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

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

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

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

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

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

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

s) 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.

t) 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, foreign exchange options and forward exchange contracts held for hedging purposes are accounted for as either cash flow 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. Any difference between the change in fair value of the derivative and the hedged risk constitutes ineffectiveness of the hedge and is recognised immediately in the income statement.

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.

u) Contributed equity

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.

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 scheme. This trust is consolidated, as the substance of the relationship is that the trust is controlled by the Company.

1 Accounting policies (continued)

u) Contributed equity (continued)

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

v) 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 the ASIC Class Order 98/100 dated 10 July 1998.

2 Critical accounting estimates and judgements

Management determines the development, selection and disclosure of the consolidated entity's critical accounting policies, estimates and judgements and the application of these policies, estimates and judgements. Management necessarily makes estimates and judgements that have a significant effect on the amounts recognised in the financial statements. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. 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 most critical of these assumptions and judgements are:

a) Provisions against current assets

In the course of normal trading activities, management uses its judgement in establishing the net realisable value of various elements of working capital – principally inventory and trade receivables. Provisions are established for obsolete or slow moving inventories and bad or doubtful receivables. Actual expenses in future periods may be different from the provisions established and any such differences would affect future earnings of the Group.

b) Property, plant and equipment and definite lived intangible assets

The Group's property, plant and equipment and intangible assets, other than intangible assets with indefinite lives, are depreciated/amortised on a straight-line basis over their useful lives. Management reviews the appropriateness of useful lives of assets at least annually. Any changes to useful lives affect prospective depreciation rates and asset carrying values.

The useful lives of intangible assets are assessed to be either finite or indefinite. Brand names that have indefinite lives are not amortised. 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.

c) Impairment of assets

Consistent with the impairment accounting policy, assets are impaired when their carrying value exceeds their recoverable amount. The Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets are impaired. The recoverable amount of those assets, or CGUs, is measured as the higher of their fair value less costs of disposal and value in use.

In making the assessment for impairment, assets that do not generate independent cash inflows are allocated to an appropriate CGU. Management necessarily 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.

d) Environmental

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

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

Given the inherent difficulties in estimating liabilities in this area, it cannot be guaranteed that additional costs will not be incurred beyond the amounts provided.

e) Warranty

The Group generally offers warranties for its products. Management estimates the provision for future warranty claims based on historical warranty claim information, as well as recent trends that might suggest that past cost information may differ from future claims. Factors that could impact the estimated future warranty claims include information on future parts and changes in labour costs.

f) Business acquisitions

The consolidated financial statements include the information and results of each subsidiary from the date on which the Company obtains control until such time as the Company ceases to control such entity.

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 is considered including voting rights in an investee and Board and management representation.

A business acquisition also requires judgement with respect to the determination of the fair value of purchase consideration given and the fair value of identifiable net assets and liabilities acquired. Many of these assets and liabilities either given up or acquired are not normally traded in active markets, and thus management judgement is required in determining their fair values. Management judgement is also required in ascertaining the assets and liabilities which should be recognised, in particular with respect to intangible assets such as brand names, customer relationships, patents and trademarks and contingent liabilities.

g) Supply chain projects

The Group is investing in two significant supply chain projects (refer note 4) which has resulted in an obligation for restructuring costs. A provision for these restructuring costs has been recognised 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.

h) Taxation

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.

2 Critical accounting estimates and judgements (continued)

h) Taxation (continued)

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.

3 Segment report

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

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

Defined reportable segments	Products/services
Paints and Coatings Australia & New Zealand (ANZ)	Dulux decorative paints, woodcare, texture, protective, powder and industrial coatings in Australia and New Zealand for both consumer and professional trade markets.
Consumer & Construction Products 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.
Garage Doors & Openers	B&D garage doors and electronic openers for residential, commercial and industrial use in Australia and New Zealand.
Cabinet & Architectural Hardware	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, South East Asia specialty coatings and adhesives businesses, and Papua New Guinea coatings business. Also includes the 51%-owned DGL Camel business in China and Hong Kong.

Reportable segments 2015 $'000	Paints & Coatings ANZ	Consumer & Construction Products ANZ	Garage Doors & Openers	Cabinet & Architectural Hardware	Other businesses	Total reportable segments	Unallocated (1)	Consolidated
Revenue								
External revenue	867,593	257,182	169,479	172,736	220,844	1,687,834	-	1,687,834
Inter-segment revenue	3,237	9,056	-	78	732	13,103	(13,103)	-
Total revenue	870,830	266,238	169,479	172,814	221,576	1,700,937	(13,103)	1,687,834
Other income	2,060	278	59	-	2,806	5,203	(474)	4,729
Total revenue and other income	872,890	266,516	169,538	172,814	224,382	1,706,140	(13,577)	1,692,563
Results								
EBITDA excluding non-recurring items (2)	165,081	32,629	23,354	11,380	19,051	251,495	(24,224)	227,271
Depreciation and amortisation	(18,272)	(3,468)	(6,292)	(2,398)	(3,132)	(33,562)	(1,336)	(34,898)
EBIT excluding non-recurring items	146,809	29,161	17,062	8,982	15,919	217,933	(25,560)	192,373
Non-recurring items (3)	(13,813)	(3,217)	-	-	-	(17,030)	-	(17,030)
EBIT								175,343
Finance income								355
Finance expenses								(21,610)
Profit before income tax expense								154,088
Income tax expense								(42,784)
Profit for the financial year								111,304
Investment accounted for using the equity method	-	-	-	-	6,342	6,342	-	6,342
Acquisitions of property, plant and equipment and intangible assets	19,329	2,926	3,248	748	2,737	28,988	-	28,988
Impairment/(reversal of impairment) of inventories	408	(291)	(739)	(98)	273	(447)	-	(447)
Impairment of trade and other receivables	794	359	168	315	2,303	3,939	-	3,939
Share-based payments expense	927	176	221	49	76	1,449	2,179	3,628
Share of net profit of equity accounted investment	-	-	-	-	919	919	-	919

(1) Comprises of centrally managed income, costs, assets and liabilities relating to properties, tax, treasury and the Group's defined benefit pension plan.
(2) Earnings before interest, income tax expense, depreciation and amortisation after excluding the items explained in footnote 3 below.
(3) Comprises of restructuring costs relating to supply chain projects, refer to note 4.

Revenue from one of the Group's customers was approximately 24% (2014: 23%) of the total Group revenue during the year ended 30 September 2015. This customer operated primarily within the Paints and Coatings and the Consumer and Construction Products segments in Australia and New Zealand.

3 Segment report (continued)

Reportable segments 2014 $'000	Paints & Coatings ANZ	Consumer & Construction Products ANZ	Garage Doors & Openers	Cabinet & Architectural Hardware	Other businesses	Total reportable segments	Unallocated (1)	Consolidated
Revenue								
External revenue	817,649	257,469	169,775	159,499	207,098	1,611,490	-	1,611,490
Inter-segment revenue	3,949	8,440	-	74	582	13,045	(13,045)	-
Total revenue	821,598	265,909	169,775	159,573	207,680	1,624,535	(13,045)	1,611,490
Other income	546	3	15	(20)	3,359	3,903	2,306	6,209
Total revenue and other income	822,144	265,912	169,790	159,553	211,039	1,628,438	(10,739)	1,617,699
Results								
EBITDA excluding non-recurring items (2)	156,525	33,814	24,496	11,404	15,491	241,730	(22,765)	218,965
Depreciation and amortisation	(17,643)	(3,976)	(6,284)	(2,460)	(3,284)	(33,647)	(1,534)	(35,181)
EBIT excluding non-recurring items	138,882	29,838	18,212	8,944	12,207	208,083	(24,299)	183,784
Non-recurring items (3)	-	-	-	-	(9,228)	(9,228)	572	(8,656)
EBIT								175,128
Finance income								601
Finance expenses								(26,783)
Profit before income tax expense								148,946
Income tax expense								(46,124)
Profit for the financial year								102,822
Investment accounted for using the equity method	-	-	-	-	5,423	5,423	-	5,423
Acquisitions of property, plant and equipment and intangible assets	20,423	2,034	3,608	1,329	3,488	30,882	-	30,882
Impairment of intangible assets	-	-	-	-	9,228	9,228	-	9,228
Impairment/(reversal of impairment) of inventories	148	(383)	(127)	(135)	1,009	512	-	512
Impairment/(reversal of impairment) of trade and other receivables	1,151	259	178	(162)	1,314	2,740	-	2,740
Share-based payments expense	872	151	208	53	49	1,333	2,116	3,449
Share of net profit of equity accounted investment	-	-	-	-	995	995	-	995

(1) Comprises of centrally managed income, costs, assets and liabilities relating to properties, tax, treasury and DuluxGroup's defined benefit pension plan.
(2) Earnings before interest, income tax expense, depreciation and amortisation after excluding the items explained in footnote 3 below.
(3) Comprises of impairment to recoverable amount of intangible assets in China ($9,228,000) recognised in Other Businesses, and integration costs associated with the Alesco acquisition ($5,345,000) and reversal of the provision for contingent liabilities from business acquisitions relating to the Option Convertible Note (OCN) tax matter ($5,917,000) recognised in Unallocated.

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 is as follows:

	2015 $'000	2014 $'000
Australia	**1,382,304**	1,320,784
New Zealand	**183,186**	176,911
Other countries	**122,344**	113,795
	1,687,834	1,611,490

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

	2015 $'000	2014 $'000
Australia	**440,607**	436,785
New Zealand	**44,252**	43,632
Other countries	**12,059**	9,865
	496,918	490,282

4 Supply chain projects

On 17 March 2015, the Group announced:

- The construction of a new state-of-the-art paint factory in Melbourne, which will produce almost all of Dulux Australia's water-based decorative paints that are currently manufactured at the Rocklea factory in Queensland. The Rocklea factory will be retained, but will operate at a reduced manning level, focusing on the production of solvent-based decorative paint products. The reduced activity at Rocklea will result in some redundancies. A discounted provision of $8,721,000 (expected future cash outflow of $12,384,000) has been recognised and included in EBIT during the financial year, with payment to occur once the new site is fully operational. The project is targeting completion in late calendar year 2017. The new paint factory is an important investment that will set up the Group's Australian decorative paints business for decades.
- The establishment of a new distribution centre in Sydney, built, owned and operated by Linfox, which is scheduled to be operational in mid to late calendar year 2016. This new distribution centre will result in the closure of the two existing distribution centres currently operated by the Group, resulting in the redundancy of roles at those sites and some closure costs. A discounted provision of $8,309,000 (expected future cash outflow of $9,552,000) has been recognised and included in EBIT during the financial year, with payment largely expected to occur when the new distribution centre is operational.

A summary of the movement in the projects' provisions since announcement is as follows:

	Rocklea restructuring provision $'000	Distribution centres closure provision $'000	Total supply chain restructuring provision $'000
Discounted provision recognised at 17 March 2015	8,721	8,309	17,030
Unwind of discounting (reported in finance expenses)	574	474	1,048
Restructuring provision as at 30 September 2015	**9,295**	**8,783**	**18,078**

5 Other income

	2015 $'000	2014 $'000
Profit on disposal of business	-	3,714
Royalty income	1,564	747
Rental income	467	404
Grant income	2,497	19
Other	201	1,325
	4,729	6,209

6 Expenses

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

	2015 $'000	2014 $'000
Depreciation	27,971	27,688
Amortisation	6,927	7,493
Depreciation and amortisation	34,898	35,181
Interest and finance charges paid/payable for financial liabilities not at fair value through profit and loss	19,561	25,040
Provisions: unwind of discounting	2,049	1,743
Finance expenses	21,610	26,783
Net loss on sale of property, plant and equipment	250	854
Net foreign exchange losses	393	337
Research and development	19,818	18,411

7 Earnings per share (EPS)

As reported in the consolidated income statement	2015 Cents per share	2014 Cents per share
Total attributable to ordinary shareholders of DuluxGroup Limited		
Basic earnings per share	29.6	28.1
Diluted earnings per share	29.2	27.5
	$'000	$'000
Earnings used in the calculation of basic and diluted earnings per share		
Profit for the financial year attributable to ordinary shareholders of DuluxGroup Limited	112,773	104,528
	Number	Number
Weighted average number of ordinary shares outstanding used as the denominator:		
Number for basic earnings per share	380,362,446	372,114,217
Effect of the potential vesting of shares under the LTEIP and ESIP[1]	5,273,875	8,621,717
Number for diluted earnings per share	385,636,321	380,735,934

(1) The calculation of the weighted average number of shares has been adjusted for the effect of these potential shares from the date of issue or the beginning of the financial year.

8 Auditors' remuneration

	2015 $	2014 $
Total remuneration received, or due and receivable, by the auditors of the Company for:		
Audit services - audit and review of financial reports		
KPMG Australia	**725,500**	742,900
Overseas KPMG firms [1,2]	**546,363**	427,632
	1,271,863	1,170,532
Other services [3]		
Other assurance services - KPMG Australia	**106,275**	87,500
Other assurance services - Overseas KPMG firms [2]	**11,856**	48,136
	118,131	135,636

(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.

9 Income tax

a) Income tax expense recognised in the consolidated income statement

	2015 $'000	2014 $'000
Current tax expense	**49,973**	46,165
Deferred tax (benefit)/expense	**(5,143)**	3,259
Over provision in prior years	**(2,046)**	(3,300)
Total income tax expense in the consolidated income statement	**42,784**	46,124
Deferred tax (benefit)/expense included in income tax expense comprises:		
(Increase)/decrease in deferred tax assets	**(3,070)**	4,093
Decrease in deferred tax liabilities	**(2,073)**	(834)
	(5,143)	3,259
Reconciliation of prima facie tax expense to income tax expense		
Profit before income tax expense	**154,088**	148,946
Prima facie income tax expense calculated at 30% of profit before income tax expense	**46,226**	44,684
Tax effect of items which (decrease)/increase tax expense:		
Foreign tax rate differential	**(790)**	41
Non-taxable income and profits, net of non-deductible expenditure	**(3,396)**	(1,827)
Share of net profit of equity accounted investment	**(276)**	(299)
Impairment of intangible assets	**-**	2,307
Tax losses not recognised/(recognised)	**1,147**	(97)
Sundry items	**(127)**	1,315
Income tax expense reported in the consolidated income statement	**42,784**	46,124

9 Income tax (continued)

b) Deferred tax assets

	2015 $'000	2014 $'000
The balance comprises temporary differences attributable to:		
Trade and other receivables	**779**	860
Inventories	**3,513**	3,423
Property, plant and equipment	**5,855**	6,188
Intangible assets	**4,352**	4,778
Trade and other payables	**6,515**	7,809
Provisions	**9,494**	4,754
Employee entitlements	**22,088**	19,608
Tax losses	**174**	78
Other	**516**	548
Deferred tax assets	**53,286**	48,046
Expected to be recovered within 12 months	**20,229**	19,387
Expected to be recovered after more than 12 months	**33,057**	28,659
	53,286	48,046
Movements:		
Opening balance	**48,046**	48,906
Additions - business acquisitions	**84**	108
Adjustment - prior year acquisitions	**-**	655
Credited/(charged) to profit or loss	**3,070**	(4,093)
Credited to other comprehensive income	**1,877**	2,299
Foreign currency exchange differences	**209**	171
Balance at 30 September	**53,286**	48,046

c) Deferred tax liabilities

	2015 $'000	2014 $'000
The balance comprises temporary differences attributable to:		
Property, plant and equipment	**2,412**	3,045
Intangible assets	**13,456**	13,416
Trade and other payables	**60**	63
Other	**107**	448
Deferred tax liabilities	**16,035**	16,972
Expected to be settled within 12 months	**168**	511
Expected to be settled after more than 12 months	**15,867**	16,461
	16,035	16,972
Movements:		
Opening balance	**16,972**	17,802
Additions - business acquisitions	**1,020**	198
Reduction - business disposal	**-**	(244)
Credited to profit or loss	**(2,073)**	(834)
Foreign currency exchange differences	**116**	50
Balance at 30 September	**16,035**	16,972

d) Unrecognised deferred tax assets and liabilities

	2015 $'000	2014 $'000
Tax losses and other deferred tax assets not recognised in:		
China[(1)]	**9,435**	9,264
Hong Kong	**545**	536
	9,980	9,800

(1) Expiration dates between 2015 and 2020 (2014: between 2014 and 2019).

A deferred tax liability of $2,512,000 (2014: $652,000) 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.

e) New Zealand Inland Revenue Department proceedings

On 14 February 2014, the Group announced that it had reached a settlement with the New Zealand Commissioner of Inland Revenue in relation to its Option Convertible Note (OCN) tax matter. The total provision, recognised as part of provisions for contingent liabilities from business acquisitions and current tax, immediately prior to the settlement was NZD 15,238,000. This total liability was recognised as part of the acquisition accounting for Alesco Limited in the financial year ended 30 September 2014. As a result of the settlement, the total provision was substantially utilised during the financial year ended 30 September 2014, with the Group making cash payments totalling NZD 8,931,000 (AUD 8,452,000) and recognising a reversal of provisions of NZD 6,307,000 (AUD 5,917,000) (recognised as part of other expenses in the consolidated income statement).

10 Trade and other receivables

	2015 $'000	2014 $'000
Current		
Trade receivables	**259,309**	231,918
Less allowance for impairment	**(6,144)**	(4,048)
	253,165	227,870
Other receivables	**4,689**	5,099
	257,854	232,969
Non-current		
Other receivables	**85**	30

a) Trade receivables

Current receivables is net of $22,087,000 (2014: $24,694,000) 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.

b) Trade receivables and allowance for impairment

The aging of trade receivables according to their due date is as follows:

	2015 Gross $'000	2015 Allowance $'000	2014 Gross $'000	2014 Allowance $'000
Not past due	**224,434**	**198**	202,812	123
Past due 0 - 30 days	**16,788**	**25**	14,675	40
Past due 31 - 60 days	**3,700**	**38**	3,462	128
Past due 61 - 90 days	**2,912**	**104**	2,675	135
Past due 91 - 120 days	**6,083**	**2,614**	3,537	940
Past 120 days	**5,392**	**3,165**	4,757	2,682
	259,309	**6,144**	231,918	4,048

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.

10 Trade and other receivables (continued)

c) Movement in allowance for impairment of trade receivables

	2015 $'000	2014 $'000
Opening balance	**4,048**	3,079
Allowances made (net of written back) during the year	**3,939**	2,740
Allowances utilised during the year	**(2,129)**	(1,849)
Foreign currency exchange differences	**286**	78
Balance at 30 September	**6,144**	4,048

11 Inventories

	2015 $'000	2014 $'000
Raw materials	**35,287**	32,934
Work in progress	**5,412**	5,209
Finished goods	**175,337**	165,596
	216,036	203,739

The cost of goods sold recognised in the consolidated income statement for the financial year ended 30 September 2015 amounted to $956,686,000 (2014: $917,972,000).

12 Investment accounted for using the equity method

The consolidated entity has an interest in the following joint venture arrangement:

	2015 $'000	2014 $'000
Pinegro Products Pty Ltd		
Percentage of ownership interest held(1)	**50%**	50%
Opening balance	**5,423**	4,678
Contribution to net profit	**919**	995
Proceeds from joint venture distributions	**-**	(250)
Balance at 30 September	**6,342**	5,423

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

a) Transactions and balances with joint venture

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

	2015 $	2014 $
Joint ventures		
Sales of goods	**363,682**	265,043
Purchases of goods	**3,108,527**	2,618,182
Distributions received	**-**	250,000
Current receivables	**123,805**	17,897
Current payables	**720,728**	698,889

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 2015 (2014: $NIL).

13 Property, plant and equipment

	Land $'000	Buildings and leasehold improvements $'000	Machinery, plant and equipment $'000	Total $'000
2015				
Cost	**38,557**	**94,144**	**370,948**	**503,649**
Less accumulated depreciation and impairment	**-**	**(37,150)**	**(204,634)**	**(241,784)**
Net book value	**38,557**	**56,994**	**166,314**	**261,865**
Balance at 1 October 2014	**37,148**	**58,638**	**166,208**	**261,994**
Additions	**1,343**	**1,405**	**23,242**	**25,990**
Additions - business acquisitions	**-**	**-**	**294**	**294**
Disposals	**-**	**(128)**[(1)]	**(567)**	**(695)**
Depreciation expense	**-**	**(3,242)**	**(24,729)**	**(27,971)**
Foreign currency exchange differences	**66**	**321**	**1,866**	**2,253**
Balance at 30 September 2015	**38,557**	**56,994**	**166,314**	**261,865**
2014				
Cost	37,148	91,207	346,333	474,688
Less accumulated depreciation and impairment	-	(32,569)	(180,125)	(212,694)
Net book value	37,148	58,638	166,208	261,994
Balance at 1 October 2013	37,112	60,541	166,156	263,809
Additions	-	739	27,033	27,772
Adjustment - prior year acquisitions	-	-	(1,124)	(1,124)
Disposals	-	(68)[(1)]	(1,317)	(1,385)
Depreciation expense	-	(2,674)	(25,014)	(27,688)
Foreign currency exchange differences	36	100	474	610
Balance at 30 September 2014	37,148	58,638	166,208	261,994

(1) Includes an amount of $128,000 (2014: $58,000) relating to the reassessment of the leased properties restoration provision.

Included in the above are assets under construction at 30 September 2015 of $19,509,000 (2014: $11,877,000).

14 Intangible assets

	Goodwill $'000	Patents, trademarks and rights $'000	Brand names $'000	Software $'000	Customer contracts $'000	Total $'000
2015						
Cost	**138,160**	**8,145**	**66,176**	**33,754**	**29,300**	**275,535**
Less accumulated amortisation	**-**	**(5,767)**	**(1,036)**	**(26,936)**	**(9,667)**	**(43,406)**
Net book value	**138,160**	**2,378**	**65,140**	**6,818**	**19,633**	**232,129**
Balance at 1 October 2014	**130,838**	**2,801**	**61,495**	**6,712**	**23,070**	**224,916**
Additions	**-**	**100**	**-**	**2,898**	**-**	**2,998**
Additions - business acquisitions	**7,301**	**-**	**3,400**	**-**	**-**	**10,701**
Disposals	**-**	**-**	**-**	**(26)**	**-**	**(26)**
Amortisation expense	**-**	**(530)**	**(179)**	**(2,781)**	**(3,437)**	**(6,927)**
Foreign currency exchange differences	**21**	**7**	**424**	**15**	**-**	**467**
Balance at 30 September 2015	**138,160**	**2,378**	**65,140**	**6,818**	**19,633**	**232,129**
2014						
Cost	130,838	7,962	62,282	30,698	29,300	261,080
Less accumulated amortisation	-	(5,161)	(787)	(23,986)	(6,230)	(36,164)
Net book value	130,838	2,801	61,495	6,712	23,070	224,916
Balance at 1 October 2013	138,404	3,143	62,538	6,694	24,979	235,758
Additions	-	-	-	3,110	-	3,110
Additions - business acquisitions	716	386	-	-	-	1,102
Adjustment - prior year acquisition	1,601	-	-	-	1,500	3,101
Disposals	(917)	-	(981)	(13)	-	(1,911)
Amortisation expense	-	(728)	(285)	(3,071)	(3,409)	(7,493)
Impairment	(9,228)	-	-	-	-	(9,228)
Foreign currency exchange differences	262	-	223	(8)	-	477
Balance at 30 September 2014	130,838	2,801	61,495	6,712	23,070	224,916

Included in the above are software assets under development at 30 September 2015 of $2,428,000 (2014: $68,000).

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

The allocation of goodwill and brand names with indefinite useful lives to cash-generating units is as follows:

	Goodwill		Brand Names	
	2015 $'000	2014 $'000	**2015 $'000**	2014 $'000
Paints Australia	**29,078**	21,777	**26,900**	23,500
Consumer and Construction Products ANZ	**43,280**	43,271	**3,400**	3,400
Yates ANZ	**8,143**	8,131	**14,858**	14,858
Garage Doors and Openers	**39,466**	39,466	**15,000**	15,000
Cabinet and Architectural Hardware	**18,193**	18,193	**2,400**	2,400
	138,160	130,838	**62,558**	59,158

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

The review for impairment at 30 September 2015 did not result in impairment charges being recognised by the Group (2014: $9,228,000 relating to the China CGU).

15 Trade and other payables

	2015	2014
	$'000	$'000
Current		
Trade payables	**214,760**	197,384
Other payables	**52,517**	53,898
	267,277	251,282
Non-current		
Other payables	**276**	292
	276	292

16 Provisions

	Employee entitlements	Restru-cturing	Deferred income - customer loyalty programme	Leased properties	Warranty	Contingent liability from business acquisition	Other	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2015								
Current	**21,930**	**7,828**	**1,625**	**680**	**1,366**	**-**	**144**	**33,573**
Non-current	**30,074**	**10,250**	**1,439**	**8,469**	**-**	**-**	**11**	**50,243**
Total provisions	**52,004**	**18,078**	**3,064**	**9,149**	**1,366**	**-**	**155**	**83,816**
Balance at 1 October 2014		**349**	**3,262**	**10,597**	**1,521**	**695**	**1,096**	
Provisions made (net of amounts written back) during the year		**17,030**	**1,832**	**(1,798)**	**2,811**	**(843)**	**(926)**	
Provisions utilised during the year		**(416)**	**(2,204)**	**(600)**	**(2,968)**	**-**	**(15)**	
Unwind of discounting		**1,048**	**174**	**827**	**-**	**-**	**-**	
Foreign currency exchange differences		**67**	**-**	**123**	**2**	**148**	**-**	
Balance at 30 September 2015		**18,078**	**3,064**	**9,149**	**1,366**	**-**	**155**	
2014								
Current	21,629	349	2,018	821	1,521	695	1,096	28,129
Non-current	29,760	-	1,244	9,776	-	-	-	40,780
Total provisions	51,389	349	3,262	10,597	1,521	695	1,096	68,909
Balance at 1 October 2013		464	2,540	12,250	1,570	8,025	4,938	
Adjustment - prior year acquisition		-	-	-	-	2,475	(32)	
Provisions made (net of amounts written back) during the year		1,750	1,699	(255)	2,718	(5,917)	(315)	
Provisions utilised during the year		(1,865)	(1,195)	(2,954)	(2,770)	(4,484)	(3,496)	
Unwind of discounting		-	218	1,525	-	-	-	
Foreign currency exchange differences		-	-	31	3	596	1	
Balance at 30 September 2014		349	3,262	10,597	1,521	695	1,096	

a) Other

Other provisions largely comprises of amounts for environmental matters and sales returns.

17 Interest-bearing liabilities

	2015 $'000	2014 $'000
Current		
Unsecured		
Bank loan - AUD denominated	**-**	6,000
Bank loan - RMB denominated[(1)]	**10,039**	8,175
Bank loan - HKD denominated[(2)]	**4,611**	590
	14,650	14,765
Non-current		
Unsecured		
Bank loan - AUD denominated[(3)]	**108,540**	152,598
United States Private Placement (USPP)[(4)]	**273,018**	213,494
	381,558	366,092

(1) The current Chinese Reminbi (RMB) unsecured bank loan amount comprises of RMB 44,624,000 (AUD 10,039,000) (2014: RMB 44,106,000 (AUD 8,175,000)) drawn under an overseas bank loan facility.
(2) The current Hong Kong Dollar (HKD) unsecured bank loan amount comprises of HKD 25,000,000 (AUD 4,611,000) (2014: HKD 4,000,000 (AUD 590,000)) drawn under an overseas bank loan facility.
(3) The non-current AUD denominated unsecured bank loan amount comprises of AUD 110,000,000 (2014: AUD 154,000,000) drawn under the Group's syndicated bank loan facilities, net of unamortised prepaid loan establishment fees of AUD 1,460,000 (2014: AUD 1,402,000).
(4) The fair value of the USPP is net of unamortised prepaid loan establishment fees of AUD 1,038,000 (2014: AUD 1,097,000).

a) United States Private Placement (USPP)

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

	2015 $'000	2014 $'000
USPP - carrying amount	**273,018**	213,494
add back: USPP prepaid loan establishment fees	**1,038**	1,097
USPP - fair value	**274,056**	214,591
CCIRS	**(69,016)**	(12,594)
IRS	**(3,975)**	(932)
Net USPP debt	**201,065**	201,065

b) Assets pledged as security

While there were no assets pledged as security by DuluxGroup Limited and its subsidiaries, entities have provided a guarantee in relation to the Group's syndicated bank loan facilities and other overseas bank facilities as outlined in note 26.

c) Defaults and breaches

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

18 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 superannuation plans cover company sponsored plans, other qualifying plans and multi-employer industry/union plans. The Group is required to contribute (to the extent required under Superannuation Guarantee legislation) to any choice fund nominated by employees, including self-managed superannuation funds.

Company sponsored plans

- The principal benefits are pensions or lump sum payments for members on resignation, retirement, disability or death. The benefits are provided on either a defined benefit basis or a defined contribution basis.
- Employee contribution rates are either fixed by the rules of the plans or selected by members from time to time from a specified range of rates. The employing entities contribute the balance of the cost required to fund the defined benefits or, in the case of defined contribution plans, the amounts required by the rules of the plan.
- The contributions made by the employing entities to defined contribution plans are in accordance with the requirements of the governing rules of such plans or as required under law.

Government plans

- Some subsidiaries participate in government plans on behalf of certain employees, which provide pension benefits. There exists a legally enforceable obligation on employer entities to contribute as required by legislation.

Industry plans

- Some subsidiaries participate in industry plans on behalf of certain employees.
- These plans operate on an accumulation basis and provide lump sum benefits for members on resignation, retirement, disability or death.
- The employer entities have a legally enforceable obligation to contribute a regular amount for each employee member of these plans.
- The employer entities have no other legal liability to contribute to the plans.

b) Defined contribution pension plans

The consolidated entity 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 2015 was $20,467,000 (2014: $18,955,000).

c) Defined benefit pension plans

DuluxGroup (Australia) Pty Ltd is the sponsoring employer of the defined benefit post-employment section of The DuluxGroup Super Fund (the Fund) in Australia.

Funding for post-employment benefits is carried out in accordance with the requirements of the Trust Deed for the Fund and the advice of the Fund's actuarial adviser. The fund is closed to new members.

The principal actuarial assumptions used to calculate the net defined benefit liability are a discount rate (Corporate bond rate) of 4.1% (2014: 3.8% average State Government bond yield), future salary increases of 3.8% (2014: 3.8%) and future inflation of 2.5% (2014: 2.5%). The discount rate used for the purpose of estimating the net defined benefit liability was changed from the average State Government bond yields to the Corporate bond rate on 30 June 2015, the impact was a decrease to the net obligation of $13,640,000 and a corresponding increase to other comprehensive income.

18 Superannuation (continued)

c) Defined benefit pension plans (continued)

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

	2015 $'000	2014 $'000
Present value of the defined benefit obligations	167,558	158,994
Fair value of defined benefit plan assets	(145,451)	(144,526)
Net defined benefit liability at 30 September	**22,107**	14,468
Opening balance	14,468	8,266
Actuarial losses (1)	6,599	6,139
Current service cost(2)	4,455	4,082
Interest cost(2)	469	289
Employer contributions (3)	(3,884)	(4,308)
Balance at 30 September	**22,107**	14,468

(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 payments to suppliers and employees in the cash flow statement.

The Group's external actuaries have forecasted total employer contributions to the Fund of $4,098,000 for the financial year ending 30 September 2016.

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

	2015	2014
Cash and other assets	28%	26%
Equity instruments	41%	42%
Fixed interest securities	17%	18%
Property	14%	14%

19 Financial and capital management

a) Capital management

The Group's objectives when managing capital (net debt and total equity) are to safeguard the consolidated entity'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 dividend reinvestment plan (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	2015 $'000	2014 $'000	Metric/Ratio
Net debt to EBITDA	Gross interest-bearing liabilities	**398,706**	383,356	**1.2 times** (2014: 1.5 times)
	Less: Prepaid loan establishment fees	**(2,498)**	(2,499)	
	USPP derivatives [1]	**(72,991)**	(13,526)	
	Cash and cash equivalents	**(46,270)**	(35,118)	
	Net debt	**276,947**	332,213	
	EBITDA excluding non-recurring items [2]	**227,271**	218,965	
Interest cover ratio	EBITDA excluding non-recurring items [2]	**227,271**	218,965	**13.1 times** (2014: 10.0 times)
	Net finance costs	**21,255**	26,182	
	Addback : Amortisation of prepaid loan establishment fees	**(1,399)**	(2,203)	
	Unwind of discounting	**(2,049)**	(1,743)	
	Defined benefit fund interest	**(469)**	(289)	
	Adjusted net finance costs	**17,338**	21,947	
Accounting gearing ratio	Net debt[3]	**276,947**	332,213	**44%** (2014: 53%)
	Net debt plus total equity	**628,192**	623,874	

(1) Foreign currency and interest rate hedges relating to the USPP notes.
(2) Earnings before interest, income tax expense, depreciation and amortisation (EBITDA) after excluding restructuring costs relating to supply chain projects, refer to note 4 (2014: EBITDA after excluding impairment to recoverable amount of intangible assets in China ($9,228,000), and integration costs associated with the Alesco acquisition ($5,345,000) and reversal of the provision for contingent liabilities from business acquisitions relating to the OCN tax matter ($5,917,000)).
(3) 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
- 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 and forward exchange contracts.

The Group's approach to managing its principle financial risks is set out in sections 19(c) to 19(e) below.

19 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 current year. As at 30 September 2015, the Group has fixed the base interest rate applicable on AUD 150,000,000 of debt to August 2017, using interest rate swap transactions.

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

	2015 $'000	**2015 %p.a**	2014 $'000	2014 %p.a
Cash at bank and on hand	**46,270**	**0.7**	35,118	1.5
Net interest bearing liabilities [1]	**325,715**	**4.5**	369,830	4.9

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

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

	Increase/(decrease) in profit after income tax expense [1]		**Increase/(decrease) in total equity [1]**	
	2015 $'000	2014 $'000	**2015 $'000**	2014 $'000
Interest rates were -10%	**473**	668	**219**	695
Interest rates were +10%	**(473)**	(668)	**(219)**	(695)

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

ii) Foreign exchange risk

Foreign exchange risk - transactional

Transactional foreign exchange risk refers to the risk that the value of a financial commitment, recognised asset or liability or cash flow will fluctuate due to changes in foreign currency rates. The primary foreign currency exposures are USD, NZD, RMB, HKD and EUR.

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 consolidated entity's subsidiaries. Approximately 30% to 40% of the Group's purchases are denominated in, or are directly linked to the major currency exposures USD, RMB and EUR.

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

	2015					2014				
	USD	**NZD**	**RMB**	**HKD**	**EUR**	USD	NZD	RMB	HKD	EUR
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	$'000	$'000	$'000	$'000	$'000
Reported exchange rate	**0.700**	**1.100**	**4.445**	**5.421**	**0.622**	0.874	1.123	5.395	6.783	0.689
Cash	**3,073**	**1,543**	**-**	**187**	**257**	1,490	7,678	-	1,136	168
Trade and other receivables	**2,507**	**73**	**-**	**-**	**99**	2,551	10	-	-	-
Trade and other payables	**(5,370)**	**(1,225)**	**(236)**	**(316)**	**(1,987)**	(7,075)	(555)	(5,060)	(57)	(778)
Interest-bearing liabilities	**(601)**	**-**	**-**	**-**	**-**	(118)	(5,210)	-	-	-
Net exposure	**(391)**	**391**	**(236)**	**(129)**	**(1,631)**	(3,152)	1,923	(5,060)	1,079	(610)

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 into account the current level of exchange rates and the volatility observed on a historical basis.

	Increase/(decrease) in profit after income tax expense[(1)]					**Increase/(decrease) in total equity**[(1)]				
	USD	**NZD**	**RMB**	**HKD**	**EUR**	**USD**	**NZD**	**RMB**	**HKD**	**EUR**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
2015										
Foreign exchange rates -10%	**(30)**	**30**	**(18)**	**(10)**	**(127)**	**(30)**	**30**	**(18)**	**(10)**	**(127)**
Foreign exchange rates +10%	**25**	**(25)**	**15**	**8**	**104**	**25**	**(25)**	**15**	**8**	**104**
2014										
Foreign exchange rates -10%	(245)	271	(394)	84	(47)	(245)	271	(394)	84	(47)
Foreign exchange rates +10%	201	(222)	322	(69)	39	201	(222)	322	(69)	39

(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 2015 is not exposed to these arrangements, the fluctuations of the AUD/EUR and AUD/USD exchange rate will impact on the AUD amount ultimately invoiced to the Group.

Foreign exchange risk – translational

Translational foreign exchange risk refers to the risk that the value of foreign earnings (primarily NZD, PGK and RMB) translated to AUD will fluctuate due to foreign currency rates.

The Group's policy allows for economic hedging to be undertaken to reduce the volatility of full year earnings. At 30 September 2015, the Group did not have any outstanding derivative instruments pertaining to foreign currency earnings (2014: 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 impacted adversely. For major suppliers, this impact is managed through a range of contractual mechanisms which assist to minimise the impact, or provide sufficient visibility over when these impacts will affect the Group's profit.

19 Financial and capital management (continued)

d) Liquidity risk

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

- Maintaining an adequate level of undrawn committed facilities in various currencies that can be drawn upon at short notice;
- Retaining appropriate levels of cash and cash equivalent assets;
- To the extent practicable, the spreading of the maturity dates of long term debt facilities; and
- Monitoring expected liquidity requirements on an ongoing basis taking account of forecast business performance and critical assumptions such as input costs, sales price and volumes, exchange rates and capital expenditure.

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

	Unsecured bank overdraft facilities[1]		**Committed standby and loan facilities**[2,3]	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Amount of committed facilities	**22,455**	22,343	**619,913**	616,461
Amount of committed facilities undrawn	**22,455**	16,343	**294,198**	252,631

(1) The bank overdrafts are payable on demand and are subject to an annual review.
(2) As at the 30 September 2015, the maturity dates of the committed loan facilities range from 8 November 2016 to 19 September 2026 (2014: 8 November 2015 to 19 September 2026).
(3) Includes AUD 400,000,000 (2014: AUD 400,000,000) unsecured multi-currency syndicated bank loan facility, and AUD 201,065,000 (2014: AUD 201,065,000) USPP Bond. Includes the RMB 60,000,000 (AUD 13,498,000) (2014: RMB 60,000,000 (AUD 11,121,000)) unsecured bank loan facility established in China and two unsecured bank loan facilities established in Hong Kong for HKD 19,000,000 (AUD 3,505,000) (2014: HKD 19,000,000 (AUD 2,801,000)) and HKD 10,000,000 (AUD 1,845,000) (2014: HKD 10,000,000 (AUD 1,474,000)) respectively. The Group has a 51% share in all three of the loan facilities established in China and Hong Kong.

The contractual maturity of the Group's fixed and floating rate financial liabilities and derivatives, based on the 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:

2015	**Carrying amount $'000**	**Less than 1 year $'000**	**1 to 2 years $'000**	**2 to 5 years $'000**	**Over 5 years $'000**	**Total $'000**
Financial liabilities						
Trade and other payables	**267,553**	**267,276**	**63**	**200**	**277**	**267,816**
Bank loans and derivative financial liabilities	**398,861**[1]	**28,232**	**118,631**	**24,405**	**235,542**	**406,810**
	666,414	**295,508**	**118,694**	**24,605**	**235,819**	**674,626**
2014						
Financial liabilities						
Trade and other payables	251,574	251,282	292	-	-	251,574
Bank loans and derivative financial liabilities	380,857[1]	35,295	20,210	184,858	248,704	489,067
	632,431	286,577	20,502	184,858	248,704	740,641

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

e) Credit risk

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

The Group has policies in place to ensure customers who wish to trade on credit terms are subject to credit verification procedures, including an assessment of their independent credit rating, financial position, past experience and industry reputation. The Group has some major customers who represent a significant proportion of its revenue. However, 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 consolidated entity 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 2015, 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 finacial instruments are as follows:

	Instruments	Valuation technique
Carrying amount approximates fair value	Cash	Carrying amount is fair value due to the liquid nature of these assets
	Receivables/payables	Carrying amount approximates fair value due to the short term nature of these financial instruments
Measured at fair value[1]	Interest rate swaps	Fair value is determined using present value of estimated future cash flows based on observable yield curves
	Forward foreign exchange contracts	Fair value is determined using prevailing forward exchange rates at balance sheet date
	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.

19 Financial and capital management (continued)

g) Financial instruments

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

	Cash and cash equivalents $'000	Financial assets at amortised cost $'000	Financial liabilities at amortised cost $'000	Derivative instruments designated as hedges $'000	Total carrying amount $'000
2015					
Financial assets					
Cash at bank and on hand	**46,270**	**-**	**-**	**-**	**46,270**
Trade and other receivables	**-**	**257,939**	**-**	**-**	**257,939**
Derivative financial assets	**-**	**-**	**-**	**75,233**	**75,233**
	46,270	**257,939**	**-**	**75,233**	**379,442**
Financial liabilities					
Trade and other payables	**-**	**-**	**267,553**	**-**	**267,553**
Interest-bearing liabilities	**-**	**-**	**396,208**	**-**	**396,208**
Derivative financial liabilities	**-**	**-**	**-**	**2,653**	**2,653**
	-	**-**	**663,761**	**2,653**	**666,414**
2014					
Financial assets					
Cash at bank and on hand	35,118	-	-	-	35,118
Trade and other receivables	-	232,999	-	-	232,999
Derivative financial assets	-	-	-	12,222	12,222
	35,118	232,999	-	12,222	280,339
Financial liabilities					
Trade and other payables	-	-	251,574	-	251,574
Interest-bearing liabilities	-	-	380,857	-	380,857
	-	-	632,431	-	632,431

20 Contributed equity

Movements in contributed equity since 1 October 2014 were as follows:

	Ordinary shares		Treasury shares		Total contributed equity	
Details	**Number of shares**	**2015 $'000**	**Number of shares**	**2015 $'000**	**Number of shares**	**2015 $'000**
Balance at 1 October 2014	383,503,942	236,114	(2,625,070)	(7,625)	380,878,872	228,489
Shares issued under the DuluxGroup dividend reinvestment plan (DRP)[1]	3,598,245	20,434	-	-	3,598,245	20,434
Shares issued under the 2014 LTEIP and ESIP	2,148,065	-	-	-	2,148,065	-
Shares vested under the LTEIP and ESIP	-	(65)	2,570,424	7,466	2,570,424	7,401
Balance at 30 September 2015	**389,250,252**	**256,483**	**(54,646)**	**(159)**	**389,195,606**	**256,324**

(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.

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.

Movements in shares held by the trust since 1 October 2014 are as follows:

	Number of shares		
Details	**Issued ordinary capital**	**Treasury**	**Total**
Balance at 1 October 2014	5,189,985	2,625,070	7,815,055
Shares issued under the 2014 LTEIP and ESIP	2,148,065	-	2,148,065
Shares issued under the DuluxGroup DRP	4,259	-	4,259
Shares vested under the LTEIP and ESIP	(74,586)	(2,570,424)	(2,645,010)
Balance at 30 September 2015	**7,267,723**	**54,646**	**7,322,369**

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 $28,770,000.

21 Dividends

	2015	2014
	$'000	$'000
Dividends paid		
Final dividend for 2014 of 10.5 cents per share fully franked (2013: Final dividend of 9.5 cents per share fully franked)	**39,918**	35,419
Interim dividend for 2015 of 11.0 cents per share fully franked (2014: Interim dividend of 10.0 cents per share fully franked)	**42,350**	37,733
	82,268	73,152
Dividend franking account		
Franking credits available to shareholders for subsequent financial years based on a tax rate of 30% (2014: 30%)	**23,950**	21,753

a) Dividends declared after balance date

Details of the final dividend declared since balance date is set out in note 31.

22 Share-based payments

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

	2015	2014
	$	$
DuluxGroup Long Term Equity Incentive Plan(1)	**2,672,737**	2,514,125
DuluxGroup Employee Share Investment Plan	**955,063**	934,575
	3,627,800	3,448,700

(1) In accordance with AASB 2 *Share-based Payment*, represents the expense incurred during the financial year in respect of current incentive allocations to executives. These amounts are therefore not amounts actually received by executives during the financial year. Whether an executive receives any value from the allocation of long term incentives in the future will depend on the performance of the Company's shares. The minimum potential future value of grants under LTEIP is $NIL (2014: $NIL).

22 Share-based payments (continued)

a) DuluxGroup Long Term Equity Incentive Plan (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 2015 Annual 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. Settlement of share loans upon vesting are recognised as contributed equity. 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. Shares allocated under this plan in conjunction with non-recourse loans are accounted for as options. A share-based payments expense is recognised in the income statement over the vesting period based on the fair value of the options.

The Board has implemented a gateway level of minimum performance for the DuluxGroup LTEIP below which no benefit accrues, being a Board determined compound annual EPS growth over the three year period calculated from the 30 September preceding the grant date. The gateway for the unvested plans is 4%. This gateway is a minimum level of acceptable performance for any of the LTEIP shares to vest.

Where the gateway EPS level of performance is met, the relative Total Shareholder Return (TSR) performance hurdle is used to determine the level of loan forgiveness which may apply (the forgiveness amount). There is no loan forgiveness amount if the Group's relative TSR is below the 51st percentile against a comparator group. If the Group's relative TSR is greater than or equal to the 51st percentile, a proportion of the initial loan balance (on a 'sliding scale' from 10% at the 51st percentile up to a maximum of 30% at or above the 75th percentile) is forgiven.

Details of shares issued under these plans are as follows:

							Number of shares				
Grant date	**Life of share options (years)**	**Expiry date**	**Grant date share price**	**Fair value at grant date**	**Risk free interest rate**	**Share price volatility**	**Shares at start of year**	**Granted during year**	**Lapsed during year**	**Exercised during year**	**Balance at end of year**
LTEIP plans											
2 Dec 11	3.1	Jan 15	$2.88	$0.94	3.2%	25.0%	2,211,901	-	-	(2,211,901)	-
30 Nov 12	3.1	Jan 16	$3.50	$0.99	2.6%	22.5%	1,975,233	-	(52,674)	-	1,922,559[1]
28 Jun 13	2.6	Jan 16	$4.21	$1.26	2.8%	22.5%	286,447	-	(107,967)	-	178,480[1]
29 Nov 13	3.1	Jan 17	$5.45	$1.71	3.0%	22.5%	2,077,503	-	(170,978)	-	1,906,525
28 Nov 14	3.1	Jan 18	$5.71	$1.72	2.5%	22.5%	-	2,123,354	(125,003)	-	1,998,351

(1) Since the end of the financial year, these shares have met the applicable DuluxGroup LTEIP performance condition and vested on 11 November 2015. The restriction on trading these shares will be lifted upon repayment of the loan. The loan must be repaid during the period from 27 November 2015 to 22 January 2016.

b) DuluxGroup Employee Share Investment Plan (ESIP)

In December 2014, eligible Australian employees of the Group were invited to acquire DuluxGroup ordinary shares to the value of $500 (through salary sacrifice) with the Group matching this participation up to a further $500 (December 2013: $500 with $500 matching). Eligible employees in New Zealand were invited to acquire ordinary shares to the value of NZD 390 (through salary sacrifice) with the Group matching this participation up to a further NZD 390 (December 2013: NZD 390 with NZD 390 matching). In accordance with AASB 2 the accounting expense to the Group for any matching is recognised in full at the time of the offer.

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 2015
19 Dec 12	233,400
28 Jun 13	48,546
20 Dec 13	296,182
19 Dec 14	312,520

23 Director and executive disclosures

a) Key Management Personnel compensation summary

In accordance with the requirements of AASB 124 *Related Party Disclosures*, the Key Management Personnel (KMP) include Non-Executive Directors and members of the Group Executive Team who have authority and responsibility for planning, directing and controlling the activities of DuluxGroup. A summary of KMP compensation is set out in the table below.

	2015	2014
	$	$
Short term employee benefits	**6,622,771**	6,991,150
Other long term benefits	**57,481**	89,276
Post employment benefits	**168,894**	154,471
Share-based payments	**1,347,967**	1,220,824
Total	**8,197,113**	8,455,721

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 2015 Annual Report.

b) Key Management Personnel transactions in shares and options

The total relevant interests of KMPs, including their related parties, in the share capital and options of the Company at 30 September are set out in the table below.

	2015	2014
	Number	Number
Number of options for fully paid ordinary shares	**2,826,302**	3,042,390
Number of fully paid ordinary shares	**2,069,611**	1,518,043

c) Other transactions and balances with Key Management Personnel

All transactions with KMPs are made on normal commercial terms and conditions and in the ordinary course of business. At 30 September 2015, travel expense claims, consulting and subsidiary board fees of $48,750 (2014: $43,750) remain unpaid to Ms Chew. There were no other transactions during the financial year nor balances owing to or from KMP as at 30 September 2015.

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 2015 on property and plant and equipment contracted but not provided for and payable was $14,840,000 (2014: $1,384,000).

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.

	2015	2014
	$'000	$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
- No later than one year	**39,321**	28,722
- Later than one, no later than five years	**115,023**	64,007
- Later than five years	**72,337**	17,093
	226,681	109,822

Not included in the above commitments are contingent rental payments which may arise as part of rental increases indexed to the Consumer Price Index (CPI) or the higher of a fixed rate or the CPI.

	2015	2014
	$'000	$'000
Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases	**7,226**	6,566

25 Contingent liabilities

The nature of the Group's consumer products business and its geographic diversity means that the Company receives a range of claims from various parties and is from time to time required to make its own assessment of obligations arising from legislation across the jurisdictions in which it operates. These claims, and actual or potential obligations, are evaluated on a case-by-case basis considering the information and evidence available as well as specialist advice as required to assess the appropriate outcome.

The outcome of currently pending and future litigation cannot be predicted with certainty. Accordingly, an adverse decision in a lawsuit could result in additional costs that are not covered, either wholly or partially, under insurance policies and that could materially affect the financial position, results of operations or cash flows of the Company or Group. Litigation and other judicial proceedings raise difficult legal issues and are subject to many complexities. Upon resolution of a legal matter, the Company or Group may incur charges in excess of the presently established provisions and related insurance coverage. Where it is considered probable that a future obligation will result in a material outflow of resources, then this is accounted for accordingly by the Company or Group.

26 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.

Name of entity	Country of incorporation /registration	Equity holding 2015 %	2014 %
DuluxGroup (Investments) Pty Ltd (1,2)	Australia	**100**	100
DuluxGroup (Finance) Pty Ltd (1,2)	Australia	**100**	100
DuluxGroup (New Zealand) Pty Ltd (1,2)	Australia	**100**	100
DuluxGroup (Australia) Pty Ltd (1,2)	Australia	**100**	100
Dulux Holdings Pty Ltd (1,2)	Australia	**100**	100
DuluxGroup (Employee Share Plans) Pty Ltd (1)	Australia	**100**	100
DuluxGroup Employee Share Plan Trust	Australia	**100**	100
DuluxGroup (Nominees) Pty Ltd (1,2)	Australia	**100**	100
Alesco Corporation Limited (1,2)	Australia	**100**	100
Alesco Finance Pty Ltd (1,2)	Australia	**100**	100
Alesco Holdings Pty Ltd (1)	Australia	**100**	100
Alesco No. 2 Pty Ltd (1)	Australia	**100**	100
Alesco No. 1 Pty Ltd (1)	Australia	**100**	100
B&D Australia Pty Ltd (1,2)	Australia	**100**	100
Automatic Technology (Australia) Pty Ltd (1,2)	Australia	**100**	100
Parchem Construction Supplies Pty Ltd (1,2)	Australia	**100**	100
Robinhood Australia Pty Ltd (1)	Australia	**100**	100
Lincoln Sentry Group Pty Ltd (1,2)	Australia	**100**	100
Concrete Technologies Pty Ltd (1)	Australia	**100**	100
Pargone Pty Ltd (1)	Australia	**100**	100
ACN 009 130 858 Pty Ltd (1)	Australia	**100**	100
ACN 000 639 252 Pty Ltd (1)	Australia	**100**	100
Joinery Products Hardware Supplies Pty Ltd (1)	Australia	**100**	100
ATA Innovations Pty Ltd (1)	Australia	**100**	100
Alesco Management Share Plan Trust	Australia	**100**	100
DGL International (Shenzhen) Co Ltd (4)	China	**-**	100
DGL Camel Coatings (Shanghai) Limited (3)	China	**51**	51
DGL Camel Powder Coatings (Dongguan) Limited (3)	China	**51**	51
DGL Camel Coatings (Dongguan) Limited (3)	China	**51**	51
Countermast Technology (Dalian) Company Limited	China	**100**	100
DGL International (Hong Kong) Ltd	Hong Kong	**100**	100
DGL Camel International Limited (3)	Hong Kong	**51**	51
DGL Camel Powder Coatings Limited (3)	Hong Kong	**51**	51
DGL Camel (Hong Kong) Limited (3)	Hong Kong	**51**	51
DGL Camel (China) Limited (3)	Hong Kong	**51**	51
Countermast Limited	Hong Kong	**100**	100
DGL International (Malaysia) Sdn Bhd	Malaysia	**100**	100
Alesco New Zealand Limited	New Zealand	**100**	100
Alesco NZ Trustee Limited	New Zealand	**100**	100
B&D Doors (NZ) Limited (2)	New Zealand	**100**	100
Concrete Plus Limited (2)	New Zealand	**100**	100
Easy Iron Limited	New Zealand	**100**	100
Lincoln Sentry Limited	New Zealand	**100**	100
Robinhood Limited	New Zealand	**100**	100
Supertub Limited	New Zealand	**100**	100

26 Subsidiaries (continued)

Name of entity	Country of incorporation /registration	Equity holding 2015 %	2014 %
Dulux Holdings (PNG) Ltd	Papua New Guinea	**100**	100
DGL Camel (Singapore) Pte Ltd[(3)]	Singapore	**51**	51
DuluxGroup (PNG) Pte Ltd[(2)]	Singapore	**100**	100
DGL International (Singapore) Pte Ltd	Singapore	**100**	100
DGL International (Vietnam) Limited Company	Vietnam	**100**	100

(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 Class Order 98/1418.
(2) In addition to DuluxGroup Limited, these subsidiaries have provided a guarantee in relation to the Group's syndicated bank loan facilities and other overseas bank facilities.
(3) These entities form part of the DGL Camel International Group.
(4) Entity deregistered as at 30 September 2015.

27 Businesses acquired

2015

On 9 June 2015, the Group acquired Porter's Paints. Porter's Paints manufactures and markets a range of high quality architectural and decorative paints, wallpaper and finished timber floor and wall coverings, predominately targeted at architects and designers. The assets and liabilities recognised as a result of this acquisition are as follows:

	Fair value $'000
Total cash consideration	**11,458**
Net assets of business acquired	
Inventories	**1,678**
Property, plant and equipment	**294**
Intangible asset - brand name	**3,400**
Deferred tax assets	**84**
Trade and other payables	**(110)**
Provision for employee entitlements	**(169)**
Deferred tax liabilities	**(1,020)**
Net identifiable assets acquired	**4,157**
Goodwill on acquisition[(1)]	**7,301**

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

2014

On 21 July 2014 the Group acquired Smart Openers, a manufacturer and designer of garage door and gate openers. The assets recognised as a result of this acquisition are as follows:

	Fair value $'000
Consideration	
Cash	950
Deferred consideration	360
Total consideration	1,310
Net assets of business acquired	
Inventories	100
Intangibles	386
Deferred tax assets	108
Net identifiable assets acquired	594
Goodwill on acquisition[(1)]	716

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

28 Businesses disposed

2015

No business disposals occurred during the financial year ended 30 September 2015.

2014

On 18 December 2013, the Group entered into an agreement to dispose of the Opel business in China for RMB 55,453,000 (AUD 10,315,000), net of sales related taxes, to Nippon Paint (China) Co., Limited. This transaction was completed on 15 January 2014, with the sale proceeds received in full during the year ended 30 September 2014.

The income statement includes a profit on disposal before tax of $3,714,000 ($3,714,000 net of tax) after allowing for a charge of $917,000 for the Group's 51% share of goodwill pertaining to the partial disposal of the China CGU. The Group's share of this profit is $1,445,000, with the balance of $2,269,000 attributable to non-controlling interests.

As a consequence of the disposal of Opel business, the Group incurred further restructuring costs totalling $2,798,000 relating to the exit of this business. The Group's share of these costs is $1,427,000, with the balance of $1,371,000 attributable to non-controlling interests.

The net impact of this transaction on net profit attributable to DuluxGroup shareholders, inclusive of associated restructuring costs and allocation of goodwill pertaining to the part of the cash generating unit disposed, was $18,000.

29 Deed of cross guarantee

Entities which are party to a Deed of Cross Guarantee (Closed Group), entered into in accordance with ASIC Class Order 98/1418 are disclosed in note 26. 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

	2015 $'000	2014 $'000
Profit before income tax expense	**144,922**	130,886
Income tax expense	**(38,072)**	(40,719)
Profit for the financial year	**106,850**	90,167
Retained earnings		
Opening balance	**126,065**	113,373
Profit for the financial year	**106,850**	90,167
Actuarial losses on defined benefit plan recognised directly in retained earnings (net of tax)	**(4,619)**	(4,297)
Dividends paid - ordinary shares	**(82,322)**	(73,178)
Balance at 30 September	**145,974**	126,065

29 Deed of cross guarantee (continued)

b) Consolidated statement of comprehensive income

	2015 $'000	2014 $'000
Profit for the financial year	**106,850**	90,167
Other comprehensive income		
Items that may be reclassified subsequently to the income statement		
Cash flow hedge reserve		
Effective portion of changes in fair value of cash flow hedges	**344**	(1,523)
Income tax expense	**(103)**	457
Foreign currency translation reserve		
Foreign currency translation gain on foreign operations	**1,258**	(271)
Total items that may be reclassified subsequently to the income statement, net of tax	**1,499**	(1,337)
Items that will not be reclassified to the income statement		
Retained earnings		
Actuarial losses on defined benefit plan	**(6,599)**	(6,139)
Income tax benefit	**1,980**	1,842
Total items that will not be reclassified to the income statement, net of tax	**(4,619)**	(4,297)
Other comprehensive income for the financial year, net of tax	**(3,120)**	(5,634)
Total comprehensive income for the financial year	**103,730**	84,533

c) Consolidated balance sheet

	2015 $'000	2014 $'000
Current assets		
Cash and cash equivalents	**23,482**	20,372
Trade and other receivables	**279,064**	249,420
Inventories	**193,875**	181,668
Derivative financial assets	**5,207**	507
Other assets	**6,094**	6,544
Total current assets	**507,722**	458,511
Non-current assets		
Trade and other receivables	**8**	-
Derivative financial assets	**70,026**	11,715
Investment in controlled entities	**52,286**	52,260
Investment accounted for using the equity method	**6,342**	5,423
Property, plant and equipment	**248,915**	250,825
Intangible assets	**229,822**	223,092
Deferred tax assets	**50,384**	45,742
Other assets	**2,924**	3,372
Total non-current assets	**660,707**	592,429
Total assets	**1,168,429**	1,050,940
Current liabilities		
Trade and other payables	**252,697**	239,704
Interest-bearing liabilities	**5,465**	5,332
Derivative financial liabilities	**1,271**	-
Current tax liabilities	**17,665**	9,103
Provisions	**32,581**	25,804
Total current liabilities	**309,679**	279,943
Non-current liabilities		
Trade and other payables	**276**	292
Interest-bearing liabilities	**381,558**	366,092
Derivative financial liabilities	**1,382**	-
Deferred tax liabilities	**15,343**	16,338
Provisions	**48,851**	39,739
Defined benefit liability	**22,107**	14,468
Total non-current liabilities	**469,517**	436,929
Total liabilities	**779,196**	716,872
Net assets	**389,233**	334,068
Equity		
Contributed equity	**292,745**	259,910
Reserves	**(49,486)**	(51,907)
Retained earnings	**145,974**	126,065
Total equity	**389,233**	334,068

30 Parent entity financial information

a) Summary financial information

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

	2015 $'000	2014 $'000
Current assets	**141,510**	87,687
Non-current assets	**229,268**	229,273
Total assets	**370,778**	316,960
Current liabilities	**14,816**	395
Total liabilities	**14,816**	395
Net assets	**355,962**	316,565
Equity		
Contributed equity	**292,745**	259,910
Profits reserve[(1)]	**55,000**	47,248
Other reserves	**6,432**	5,542
Retained earnings	**1,785**	3,865
	355,962	316,565
Profit before income tax expense[(2)]	**87,112**	78,980
Income tax benefit	**881**	1,800
Profit for the financial year	**87,993**	80,780
Total comprehensive income of the parent entity	**87,993**	80,780

(1) Represents an appropriation of amounts from retained earnings for the payment of future dividends. On consolidation, this reserve is included as part of the consolidated retained earnings.

(2) Profit before income tax expense includes dividend income of $90,000,000 declared by DuluxGroup (New Zealand) Pty Ltd during the financial year ended 30 September 2015 (2014: $85,000,000).

b) Guarantees

Details of guarantees entered into by the parent entity in relation to external banking facilities as at 30 September 2015 are set out in note 26. 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 2015 (2014: $NIL).

d) Contingent liabilities

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

31 Events subsequent to balance date

On 11 November 2015, the Directors determined that a final dividend of 11.5 cents per ordinary share, fully franked and payable, will be paid in respect of the 2015 financial year. The dividend will be fully franked and payable on 15 December 2015. The financial effect of this dividend is not included in the financial statements for the year ended 30 September 2015 and will be recognised in the 2016 financial statements.

The Company's DRP will operate with respect to the final dividend. The DRP pricing period will be the five trading days from 30 November 2015 to 4 December 2015 inclusive. Ordinary shares issued under the DRP will rank equally with all other ordinary shares.

The Directors have not become aware of any other significant matter or circumstance that has arisen since 30 September 2015, that has affected or may affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent years, which has not been covered in this report.

Directors' Declaration

For the financial year ended 30 September 2015

The directors of DuluxGroup Limited declare that:

(a) in the directors' opinion the financial statements and notes of the Group for the year ended 30 September 2015 set out on pages 87 to 134, 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 2015 and of their performance for the financial year ended on that date; and

  (ii) complying with Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;

(b) in the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 26 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 29; and

(d) a statement of compliance with the International Financial Reporting Standards as issued by the International Accounting Standards Board has been included in note 1 to the financial statements.

The directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001* for the financial year ended 30 September 2015.

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

Peter M. Kirby
Chairman

Melbourne
11 November 2015

KPMG

Independent auditor's report to the members of DuluxGroup Limited

Report on the financial report

We have audited the accompanying financial report of DuluxGroup Limited ("the Company"), which comprises the consolidated balance sheet as at 30 September 2015, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 31 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

KPMG

Independence

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

Auditor's opinion

In our opinion:

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

  (i) giving a true and fair view of the Group's financial position as at 30 September 2015 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

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

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 September 2015. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of DuluxGroup Limited for the year ended 30 September 2015, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Gordon Sangster
Partner

James Dent
Partner

Melbourne

11 November 2015

Shareholder Statistics
As at 22 October 2015

DISTRIBUTION OF ORDINARY SHAREHOLDERS AND SHAREHOLDINGS

RANGE	TOTAL HOLDERS	UNITS	% OF ISSUED CAPITAL
1 – 1,000	18,030	9,047,249	2.32
1,001 – 5,000	15,614	35,395,186	9.09
5,001 – 10,000	2,750	19,611,811	5.04
10,001 – 100,000	1,542	32,264,852	8.29
100,001 or more	93	292,931,154	75.26
Rounding			**0.00**
Total	**38,029**	**389,250,252**	**100.00**

Included in the above total are 769 shareholders holding less than a marketable parcel of 90 shares.

The holdings of the 20 largest holders of fully paid ordinary shares represent 70.29% of that class of shares.

TWENTY LARGEST ORDINARY FULLY PAID SHAREHOLDERS

RANK	NAME	UNITS	% OF UNITS
1.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	73,310,054	18.83
2.	J P MORGAN NOMINEES AUSTRALIA LIMITED	68,380,229	17.57
3.	CITICORP NOMINEES PTY LIMITED	40,208,358	10.33
4.	NATIONAL NOMINEES LIMITED	33,108,329	8.51
5.	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <PI POOLED A/C>	16,482,066	4.23
6.	BNP PARIBAS NOMS PTY LTD <DRP>	12,543,154	3.22
7.	ARGO INVESTMENTS LIMITED	3,881,512	1.00
8.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	3,143,778	0.81
9.	UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	2,807,500	0.72
10.	AMP LIFE LIMITED	2,667,680	0.69
11.	AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	2,556,058	0.66
12.	MR PATRICK HOULIHAN	2,309,361	0.59
13.	WARBONT NOMINEES PTY LTD <UNPAID ENTREPOT A/C>	2,291,024	0.59
14.	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	1,878,611	0.48
15.	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <PIIC A/C>	1,572,019	0.40
16.	MILTON CORPORATION LIMITED	1,445,184	0.37
17.	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	1,420,052	0.36
18.	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	1,326,912	0.34
19.	SANDHURST TRUSTEES LTD <HARPER BERNAYS LTD A/C>	1,236,480	0.32
20.	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LTD <BKMINI A/C>	1,093,632	0.28
TOTAL		**273,606,993**	**70.30**

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
22 October 2015	BT INVESTMENT MANAGEMENT LIMITED	19,494,840	5.01
14 October 2015	PERPETUAL LIMITED AND SUBSIDIARIES	34,166,468	8.78
2 September 2015	WESTPAC BANKING CORPORATION AND SUBSIDIARIES	19,756,227	5.08

Five Year Financial Statistics

A$M	NOTES	2015	2014	2013	2012	2011
Income Statement						
Sales revenue (reported)	**1**	**1,687.8**	**1,611.5**	**1,484.6**	**1,067.8**	**996.4**
EBITDA (reported)	1	210.2	210.3	157.2	155.5	159.2
EBITDA (excluding non-recurring items)	2	227.3	219.0	186.2	148.6	154.6
EBIT (reported)	**1**	**175.3**	**175.1**	**124.9**	**132.2**	**139.2**
EBIT (excluding non-recurring items)	2	192.4	183.8	153.9	125.3	134.7
NPAT (reported)	**1**	**112.8**	**104.5**	**75.0**	**89.5**	**93.2**
NPAT (excluding non-recurring items)	2	124.7	111.9	92.2	79.6	77.6
Non-recurring items (post-tax)		(11.9)	(7.3)	(17.2)	9.9	15.6
EBIT margin (excluding non-recurring items)		11.4%	11.4%	10.4%	11.7%	13.5%
Diluted EPS (reported) (cents)		29.2	27.5	20.1	24.3	25.7
Diluted EPS (excluding non-recurring items) (cents)		32.3	29.4	24.7	21.6	21.4
Dividends per share – fully franked (cents)		22.5	20.5	17.5	15.5	15.0
Dividend payout ratio (%)		70.2%	70.2%	71.6%	71.9%	71.0%
Interest cover (times)		9.0	7.0	5.5	5.8	5.8
Effective interest rate	7	4.5%	4.9%	5.3%	6.4%	8.4%
Effective tax rate (excluding non-recurring items)		28.0%	30.1%	29.2%	28.2%	30.5%
Balance Sheet						
Trade working capital		254.4	234.2	224.4	132.5	132.1
Non trade working capital	3	(143.9)	(121.8)	(125.4)	(83.9)	(82.5)
Property, plant & equipment		261.9	262.0	263.8	199.1	196.4
Intangible assets		232.1	224.9	235.8	96.8	87.0
Net other assets/(liabilities)		96.7	38.1	21.2	68.7	27.6
Capital employed		**701.2**	**637.4**	**619.7**	**413.2**	**360.6**
Net debt		(349.9)	(345.7)	(388.7)	(230.3)	(222.1)
Net Assets/Total Shareholders' Equity		**351.2**	**291.7**	**231.0**	**182.9**	**138.5**
Shareholders' equity attributable to DLX shareholders		**350.2**	**289.7**	**226.2**	**169.9**	**138.5**
Rolling trade working capital (%)		15.2%	15.1%	15.0%	13.3%	12.1%
Net debt/equity (%)		1.0	1.2	1.7	1.3	1.6
Net debt/EBITDA	6	1.2	1.5	2.0	1.6	1.4
Return on capital employed (%)		27.4%	28.8%	24.8%	30.3%	37.4%
Return on equity, attributable to DLX shareholders (excluding non-recurring items) (%)		35.6%	38.6%	40.8%	46.9%	56.0%
Cash flow						
Reported net operating cash flow		**156.5**	**120.2**	**118.2**	**116.5**	**86.1**
Net operating cash flow (excluding non-recurring items)		156.5	143.5	133.8	101.7	95.5
Minor capital expenditure	4	(24.7)	(30.6)	(28.8)	(23.7)	(31.1)
Major capital expenditure	5	(4.8)	–	(0.2)	(3.8)	(31.0)
Acquisitions/divestments		(11.2)	11.0	(132.9)	(39.7)	(4.3)
Cash conversion (excluding non-recurring items) (%)		83%	83%	85%	86%	78%

Notes:

1. Items shown as 'reported' are equivalent to statutory amounts disclosed in Annual Reports.
2. Items shown as 'excluding non-recurring items' are equivalent to statutory amounts disclosed in Annual Reports, adjusted for non-recurring items.
3. Non trade working capital consists of non-trade debtors, non-trade creditors and total provisions, as disclosed in the Balance Sheet commentary in the Review of Operations.
4. Minor capital expenditure is capital expenditure on projects that are less than $5M.
5. Major capital expenditure is capital expenditure on projects that are greater than $5M.
6. Net Debt/EBITDA is calculated by taking closing net debt (adjusted to include the asset balance relating to the cross currency interest rate swap established to hedge the USD currency and interest rate exposures relating to the US Private Placement debt), as a percentage of the most recent twelve months of EBITDA before non-recurring items. For 2013, this has been calculated on a pro forma basis (i.e. taking twelve months EBITDA from the Alesco businesses).
7. Effective interest rate is the effective interest rate on bank loans and the US Private Placement bond.

Shareholder Information

STOCK EXCHANGE LISTING

DuluxGroup's shares are listed on the Australian Securities Exchange (ASX) and are traded under the code DLX.

DULUXGROUP SHARE REGISTRY

Computershare Investor Services Pty Limited
Yarra Falls
452 Johnston Street
Abbotsford, Victoria 3067, Australia

Telephone (within Australia): 1300 090 835
Telephone (international): +613 9415 4183
Facsimile: +613 9473 2500
Website: **www.computershare.com**

TAX AND DIVIDEND PAYMENTS

For Australian registered shareholders who have not quoted their Tax File Number (TFN) or Australian Business Number (ABN), the company is obliged to deduct tax at the top marginal rate plus Medicare levy from unfranked and/or partially franked dividends. If you have not already quoted your TFN/ABN, you may do so by contacting our Share Registry (see above for contact details).

DIVIDEND PAYMENTS

Your dividends will be paid in Australian dollars by cheque mailed to the address recorded on the share register, unless you have elected to be paid by direct credit or are a participant in the Dividend Reinvestment Plan (DRP). If you have not elected to be paid by direct credit or fully participate in the DRP, why not have us bank your dividend payments for you so you can have immediate access to your dividend payment? Your dividend payments can be credited directly into any nominated bank, building society or credit union account in Australia.

Dividends paid by direct credit appear in your account as cleared funds, thus allowing you to access them on payment date. You may elect to receive your dividends by way of direct credit by going to our Share Registry's website www.investorcentre.com.

DIVIDEND REINVESTMENT PLAN (DRP)

The DRP enables DuluxGroup's fully paid ordinary shareholders (having a registered address or being resident in Australia or New Zealand) to reinvest all or part of their dividends in additional DuluxGroup fully paid ordinary shares. Applications are available by going to our Share Registry website www.investorcentre.com.

CONSOLIDATION OF MULTIPLE HOLDINGS

If you have multiple issuer sponsored holdings that you wish to consolidate into a single account, please notify the Share Registry in writing, quoting your full registered names and Securityholder Reference Number (SRN) for these accounts and nominating the account to which the holdings are to be consolidated.

CHANGE OF NAME AND/OR ADDRESS

For issuer sponsored holdings: please notify the Share Registry in writing if you change your name and/or address (please supply details of your new/previous name, your new/previous address and your SRN), or change the details online by going to our Share Registry website www.investorcentre.com. For CHESS holdings: please notify your sponsor (usually your broker) in writing if you change your name and/or address.

SHARE ENQUIRIES

Shareholders seeking information about their shareholding should contact the DuluxGroup Share Registry, Computershare Investor Services Pty Limited. Contact details are above. Before you call, make sure you have your SRN or Holder Identification Number (HIN) handy. You can do so much more online via the internet by visiting our Share Registry website **www.investorcentre.com**. You can access a wide variety of holding information and make some changes online or download forms including:

- Check your current and previous holding balances
- Choose your preferred annual report option
- Update your address details (Issuer Sponsored holdings)
- Update your bank details
- Confirm whether you have lodged your TFN or ABN or exemption
- Register your TFN/ABN/exemption
- Check transaction and dividend history
- Enter your email address
- Check share prices and graphs
- Download a variety of instruction forms
- Subscribe to email announcements

You can access this information via a security login using your SRN or HIN as well as your surname (or company name) and postcode/Country code (must be the postcode/Country code recorded for that holding).

Shareholder Timetable*

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.

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Facsimile: +613 9263 5030
Email: company.info@duluxgroup.com.au

AUDITORS

KPMG

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ABN 42 133 404 065

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INVESTOR RELATIONS

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31 March 2016	**DuluxGroup 2016 Half Year End**
16 May 2016	Announcement of Half Year Financial Results
30 September 2016	**DuluxGroup 2016 Year End**
9 November 2016	Announcement of Full Year Financial Results
20 December 2016	**Annual General Meeting 2016**

* Timings of events are subject to change

CREATED BY DESIGNATE

DuluxGroup