DULUXGROUP LIMITED

Appendix 4E
Preliminary Final Report
For the year ended 30 September 2016

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Disclaimer: Statements contained in the Review of Operations contained on pages 5 to 20, particularly those regarding possible or assumed future performance, estimated Company earnings, potential growth of the Company, industry growth or other trend projections are or may be forward looking statements. Such statements relate to future events and expectations and therefore involve unknown risks and uncertainties. Actual results may differ materially from those expressed or implied by these forward looking statements.

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Results for Announcement to the Market

DuluxGroup Limited and its controlled entities results for announcement to the market are set out in the table below:

	September 2016	September 2015	Change $'000	Change %
Consolidated revenue from operations	1,716,259	1,687,834	28,425	1.7%
Profit for the period attributable to ordinary shareholders of DuluxGroup Limited	130,417	112,773	17,644	15.6%
Profit for the period attributable to ordinary shareholders of DuluxGroup Limited, before non-recurring items[1]	130,417	124,694	5,723	4.6%

(1) Represents net profit after tax, excluding non-recurring items outlined on page 16. Directors believe that the result excluding these items provides a better basis for comparison from period to period.

Dividends

	Amount per security Cents	Franked amount per security at 30% tax Cents
Final dividend on ordinary shares for the year ended 30 September 2016 (record date 17 November 2016; payment date 9 December 2016)	12.5	12.5
Interim dividend on ordinary shares for the year ended 30 September 2016	11.5	11.5
Final dividend on ordinary shares for the previous corresponding period	11.5	11.5
Interim dividend on ordinary shares for the previous corresponding period	11.0	11.0

The Company's Dividend Reinvestment Plan (DRP) will operate with respect to the final dividend. The last date for receipt of election notices for participation in the final dividend under the DRP is 18 November 2016.

Explanation of Results

Please refer to the 'Review of Operations' for an explanation of the results.

Other Information

	30 September 2016 Cents	30 September 2015 Cents
Net tangible assets backing per ordinary security	34.4	30.6

Audit Statement

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

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Review of Operations

Result Summary

- **Sales revenue** of $1,716.3M, increased by $28.5M (+1.7%)
  - Heritage DuluxGroup ANZ (Dulux, Selleys, Yates) up 2% ($18.0M), in overall flat markets
  - B&D, Lincoln Sentry and Parchem businesses collectively up 2% ($9.9M) in mixed markets
  - Offshore (Papua New Guinea, Asia and UK) down 3% ($3.5M) driven by weak markets in PNG
- **EBIT** of $201.1M, increased by 14.7%. Excluding the impact of non-recurring items in FY15 (relating to our key supply chain projects), EBIT increased $8.7M (+4.5%)
  - Heritage DuluxGroup ANZ up $11.2M or 6.2%
  - B&D, Lincoln Sentry and Parchem businesses collectively up $2.7M or 8.6%
  - Offshore down $2.7M due to PNG market decline
  - Corporate increased $2.4M due to additional growth expenditure (primarily UK related)
  - Depreciation and amortisation declined by $2.6M, primarily due to a group wide review of useful asset lives
- **Net profit after tax (NPAT)** of $130.4M increased by 15.6%. Excluding the impact of non-recurring items in FY15, NPAT increased by $5.7M or 4.6%
- **Cash conversion** was strong at 87%, favourable to the prior year's 83%
- **Operating cash flow** was $144.9M, a decrease of 7.4%. Excluding the cash impact of non-recurring items, operating cash flow declined 1.0%, primarily due to higher tax payments
- **A final dividend** of 12.5 cents per share, taking total dividends for the year to 24.0 cents per share, fully franked, an increase of 6.7% on the prior corresponding period (pcp) and represents a dividend payout ratio of ~70%

Results	**Full year ended 30 September**		
A$M	**2016**	**2015**	**% Change**
Sales revenue	1,716.3	1,687.8	1.7%
EBITDA	233.4	210.2	11.0%
EBITDA excluding non-recurring items	*233.4*	*227.3*	*2.7%*
Depreciation and Amortisation	(32.3)	(34.9)	7.4%
EBIT	**201.1**	**175.3**	**14.7%**
EBIT excluding non-recurring items	*201.1*	*192.4*	*4.5%*
Net profit after tax (NPAT)	**130.4**	**112.8**	**15.6%**
NPAT excluding non-recurring items	*130.4*	*124.7*	*4.6%*
Operating cash flow	144.9	156.5	(7.4%)
Operating cash flow excluding non-recurring items	*155.0*	*156.5*	*(1.0%)*
Cash Conversion excluding non-recurring items	87%	83%	*4.0 pts*
Net debt inclusive of USPP hedge value	300.6	276.9	(8.6%)
Net debt to EBITDA	1.3	1.2	(8.3%)
Diluted earnings per ordinary share (EPS) (cents)	33.5	29.2	14.7%
Diluted EPS excluding non-recurring items (cents)	*33.5*	*32.3*	*3.7%*
Final dividend per share (cents)	12.5	11.5	8.7%
Total dividend per share (cents)	24.0	22.5	6.7%

Non-recurring items are outlined on page 16
Refer to glossary on page 20 for definition of terms
Note: Numbers in this report are subject to rounding. 'nm' = not meaningful. '~' = approximately

Review of Operations (continued)

Result by Segment

Key components of the result include:

- Consistent EBIT growth from Paints and Coatings ANZ on solid revenue growth, impacted by retail market timing dynamics and the impact of the FY15 Dulux paints exit from Mitre 10 NZ;
- EBIT growth from Consumer and Construction Products ANZ with growth from Selleys, and Parchem flat despite lower revenue (weak resources infrastructure markets);
- EBIT decline in Garage Doors and Openers, driven by one-off costs in the first half and weaker markets in the second half;
- Very strong EBIT growth from Cabinet and Architectural Hardware driven by continued 8%+ revenue growth and benefits from margin improvement initiatives;
- Decline in EBIT in Other businesses driven by weak markets in PNG, partly offset by EBIT improvements in Yates, DGL Camel China and SE Asia; and
- Increase in Corporate costs, reflecting increased investment in growth activities, including costs associated with the acquisition of Craig & Rose in the UK in the second half. Corporate Costs for FY17 are expected to be in line with FY16.

Sales and EBIT by segment	**Full year ended 30 September**		
A$M	**2016**	**2015**	**% Change**
Sales revenue			
Paints & Coatings ANZ	890.6	870.8	2.3%
Consumer & Construction Products ANZ	253.9	266.2	(4.6%)
Garage Doors & Openers	177.9	169.5	5.0%
Cabinet & Architectural Hardware	187.7	172.8	8.6%
Other businesses	217.0	221.6	(2.1%)
Eliminations	(11.0)	(13.1)	16.0%
Total sales revenue	**1,716.3**	**1,687.8**	**1.7%**
EBIT, excluding non-recurring items			
Paints & Coatings ANZ	156.5	146.8	6.6%
Consumer & Construction Products ANZ	29.5	29.2	1.0%
Garage Doors & Openers	16.1	17.1	(5.8%)
Cabinet & Architectural Hardware	12.5	9.0	38.9%
Other businesses	14.5	15.9	(8.8%)
Business EBIT	**229.1**	**217.9**	**5.1%**
Corporate	(28.0)	(25.6)	(9.4%)
Total EBIT, excluding non-recurring items	**201.1**	**192.4**	**4.5%**

Further discussion on the results of the segments follows from page 10.

Review of Operations (continued)

Other Items

Results	Full year ended 30 September		
A$M	**2016**	**2015**	**% Change**
EBIT excluding non-recurring items	**201.1**	**192.4**	**4.5%**
Net finance costs	(19.9)	(21.3)	**6.6%**
Tax expense	(52.1)	(47.9)	**(8.8%)**
Non-controlling interests	1.4	1.5	nm
NPAT excluding non-recurring items	**130.4**	**124.7**	**4.6%**
Non-recurring items (net of tax)	-	11.9	nm
NPAT	**130.4**	**112.8**	**15.6%**
Effective tax rate excluding non-recurring items	*28.8%*	*28.0%*	

- **Net finance costs** included a $2.6M (non-cash) charge relating to the unwinding of discounting of the supply chain and other provisions. The total was $1.4M lower than the pcp due primarily to lower prevailing base interest rates, with an average all-in net cost of debt[1] of 4.8% (5.2% in the pcp)
- **Income tax expense** reflected an effective tax rate of 28.8% (28.0% in the pcp excluding non-recurring items). The effective tax rate for FY17 is expected to be in the range of 29% to 30%
- **Non-recurring items** in FY15 related to the supply chain project provisions – refer page 16

1. All-in net cost of debt – calculated as Net finance costs excluding the unwinding of the discount on provisions and defined benefit fund interest and includes $0.9M of capitalised interest associated with the new paint factory.

Review of Operations (continued)

Balance Sheet

Balance sheet movements are compared to September 2015. Comments by exception are as follows:

- **Trade working capital (TWC)** was adversely impacted during the year by stock building activity in preparation for industrial action at Rocklea and higher inventory balances in businesses impacted by softer sales, such as Parchem. As a result, rolling (or average) TWC as a percent of sales was 16.0%, compared to 15.2% in FY15. However, given the strong focus on working capital improvement initiatives in the second half, year-end TWC as a percent of sales was broadly in line with prior year, at 15.3%. We are targeting improvement in rolling TWC in FY17;
- **Property plant & equipment** increased largely due to the investment in the new paint factory and acquisitions;
- The **defined benefit fund liability** increased by $34.4M from September 2015, following a regular actuarial reassessment of the fund liability during FY16. Key changes include a reduction in the discount rate and an increase in assumed pension take-up rate; and
- **Net debt** inclusive of the USPP hedge value increased by $23.7M during FY16, reflecting cash flow performance, in particular, expenditure on the new paint factory.

Balance sheet	**Full year ended 30 September**	
A$M	**2016**	**2015**
Inventories	218.9	216.0
Trade debtors	252.3	253.2
Trade creditors	(208.3)	(212.6)
Total trade working capital	262.9	256.6
Non trade debtors	13.4	12.6
Deferred tax balances (net)	43.4	37.3
Property, plant & equipment	312.0	261.9
Intangible assets	234.0	232.1
Investments	6.5	6.3
Non trade creditors	(42.8)	(38.3)
Defined benefit fund liability	(56.5)	(22.1)
Provision for income tax	(14.4)	(19.5)
Provisions (excluding tax)	(88.0)	(98.3)
Net debt inclusive of USPP hedge value	(300.6)	(276.9)
Other	(4.8)	(0.4)
Net Assets	**365.2**	**351.2**

Refer to glossary on page 20 for definition of terms

Review of Operations (continued)

Cash Flow

Operating cash flow excluding non-recurring items was $155.0M, $1.5M (1.0%) lower than the pcp. The key drivers offsetting higher EBITDA were:

- **Income taxes paid** ($13.0M unfavourable compared to the pcp) – largely due to the flow on impact of prior period growth in taxable income; and
- **TWC movement** ($9.9M favourable compared to the pcp) – reflects a relatively flat performance in TWC as a % of sales in FY16 compared to an increase in the pcp.

Key drivers of the remainder of the cash flow are:

- Investing cash outflows increased by $32.4M, due primarily to increased capital expenditure relating to the new paint factory ($41M in FY16 compared to $5M in FY15).

Cash conversion excluding non-recurring items was 87%, 4% points favourable to the pcp, with lower maintenance capital expenditure and lower TWC outflow the key drivers.

Statement of Cash Flows	**Full year ended 30 September**		
A$M	**2016**	**2015**	**% Change**
Operating cash flows excluding non-recurring items			
EBITDA	233.4	227.3	2.7%
Trade working capital movement	(8.7)	(18.6)	53.2%
Other	(11.7)	4.2	nm
Income taxes paid	(52.5)	(39.5)	(32.9%)
Net interest paid	(15.5)	(16.9)	8.3%
Operating cash flow	**144.9**	**156.5**	(7.4%)
less non-recurring cash items included above	*(10.1)*	-	*nm*
Operating cash flow excluding non-recurring items	***155.0***	***156.5***	*(1.0%)*
Net investing cash flows			
Capital expenditure	(60.8)	(29.4)	(107%)
Acquisitions	(13.3)	(11.5)	(15.7%)
Disposals	0.5	0.3	66.7%
Dividends received	0.5	-	nm
Investing cash flow	**(73.0)**	**(40.6)**	(79.8%)
Financing cash flow before debt movement	**(93.6)**	**(57.0)**	(64.2%)
Total cash flow before debt movement	**(21.8)**	**58.9**	nm
Cash conversion excluding non-recurring items	**87%**	**83%**	

Refer to glossary on page 20 for definition of terms

Review of Operations (continued)

Segment Commentary – Paints and Coatings ANZ

EBIT of $156.5M, up $9.7M or 6.6% (excluding non-recurring items in prior period).

Strong performance in Australia and strong second half performance in New Zealand.

Paints & Coatings ANZ	**Full year ended 30 September**		
A$M	**2016**	**2015**	**% Change**
Sales revenue	890.6	870.8	2.3%
EBITDA *	172.8	165.1	4.7%
EBIT *	156.5	146.8	6.6%
*EBIT % Sales **	*17.6%*	*16.9%*	
** measures exclude non-recurring items in 2015*			
Non-recurring items	-	(13.8)	

Sales revenue up $19.8M (+2.3%)

- Revenue grew ~3% in the Australian business and was flat in New Zealand
- In Australia, revenue growth largely reflected broadly flat markets overall and modest price benefits reflecting a shift toward premium products (eg. new Dulux Wash & Wear)
- Overall markets were broadly flat with the adverse impact of short term, retail market timing dynamics offsetting growth in other sectors (trade renovation and repaint, new housing and commercial)
  - Within the Australian decorative paint market:
    - The renovation and repaint market (typically ~75% of market volume) declined ~4.5% (compared to ~5% market growth in FY15 and long term average of 1 – 1.5%). The trade sector of this market grew strongly. However, the retail sector declined, largely reflecting the sell-in to retail channels of cheap paint in the prior year, the promotional sell-in of Dulux's new Wash & Wear range in the second half of 2015 and to a lesser extent, the impact of the closure of Masters. Excluding these impacts, we estimate 'sales out' from retail channels was positive, led by Bunnings
    - New housing (typically ~20% of market volume) grew at ~5%, reflecting growth in completions, and the commercial market (~5% of market volume) also grew at ~5%
  - The texture and powder coatings markets grew strongly (new housing driven)
  - The protective coatings market declined (soft construction and mining markets)
- Market share in Australia was maintained despite strong growth in the new housing sector, in which DuluxGroup's share is strategically lower
- Consistent with guidance, New Zealand sales were flat, with strong growth in H2 offsetting the revenue decline in H1. The impact of the Dulux exit from Mitre 10 New Zealand (which impacted H2 FY15 and H1 FY16) has fully cycled through. The NZ market grew modestly

Review of Operations (continued)

EBIT growth of $9.7M (+6.6%) before non-recurring items

- Strong EBIT growth in Australia, reflecting the sales growth together with good fixed cost control and lower depreciation costs
- Input costs increased modestly, reflecting a skew to more premium products
- New Zealand EBIT was effectively flat with a stronger second half largely offsetting the first half decline
- The EBITDA margin improvement was within the trade and specialty coatings businesses, with EBITDA margin flat in the retail businesses

FY17 Outlook

- The fundamentals for the Paints and Coatings ANZ business remain sound. The Masters stock liquidation sale may have a minor transitional impact on the market in the first half of FY17, but we expect underlying demand, particularly in the renovation and repaint market, to continue to grow in line with the historical 1-1.5% growth in volume terms
- Input costs are expected to increase in line with inflation
- We expect some minor commissioning costs associated with the new paint factory in late FY17, which we aim to absorb
- EBIT margins are not expected to increase in FY17

Review of Operations (continued)

Segment Commentary – Consumer and Construction Products ANZ

EBIT of $29.5M excluding non-recurring items, up $0.3M or 1%.

Growth for Selleys and a flat result for Parchem despite challenging markets.

Consumer & Construction Products ANZ	Full year ended 30 September		
A$M	2016	2015	% Change
Sales revenue	253.9	266.2	(4.6%)
EBITDA *	32.6	32.6	0.0%
EBIT *	29.5	29.2	1.0%
*EBIT % Sales **	*11.6%*	*11.0%*	
** measures exclude non-recurring items in 2015*			
Non-recurring items	-	(3.2)	

Sales revenue down $12.3M (-4.6%)

- Selleys sales were marginally below the prior year, with strong growth in strategic hardware and other partners offset by de-stocking activities across the Woolworths hardware group and lower internal sales (eg. exports to our Asian businesses, as we switch to locally sourced products). Excluding these issues, Selleys grew underlying revenue by more than 4%
- Parchem sales were (as expected) adversely impacted by weak markets, particularly the resources infrastructure market in Australia

EBIT up $0.3M excluding non-recurring items (1.0%)

- Selleys EBIT increased, reflecting good cost control and depreciation benefits
- Parchem EBIT was flat, with the impact of the lower revenue offset by the benefit of gross margin initiatives and the cost reduction programs undertaken in FY15 and FY16

FY 17 Outlook

- The fundamentals for Selleys remain strong, underpinned by a recent step up in new product development and marketing. The majority of the Woolworths hardware group de-stocking activities now appear to have been absorbed by the business
- Market conditions remain challenging for Parchem. The annualised impact of the structural and margin initiatives implemented over the last two years, together with a continued re-focus towards civil infrastructure and commercial construction markets, should provide a buffer against some continued market weakness. Further work on optimising the product portfolio, distribution and costs is also likely to be undertaken in FY17

Review of Operations (continued)

Segment Commentary – Garage Doors and Openers

EBIT of $16.1M, down $1.0M or 5.8%.

Challenging second half markets and one-off costs impacted result.

Garage Doors & Openers	Full year ended 30 September		
A$M	2016	2015	% Change
Sales revenue	177.9	169.5	5.0%
EBITDA	22.6	23.4	(3.4%)
EBIT	16.1	17.1	(5.8%)
EBIT % Sales	*9.1%*	*10.1%*	

Sales revenue up $8.4M (+5.0%)

- Australian markets were flat overall, with growth in the first half offset by weakness in the second half, particularly in the last quarter. New Zealand markets were positive with growth across all end markets, particularly new housing
- Share outcomes were positive, driven by New Zealand, the openers business and the WA acquisition (Gliderol's WA business was acquired in November 2015). Price increases were achieved to largely offset input cost increases
- Excluding Gliderol WA, sales increased 2.2%. Growth in new housing was largely offset by a decline in the renovation and repair dealer channel

EBIT decline of $1.0M (-5.8%)

- EBIT decline was largely attributable to one-off costs including the first half centralisation of customer service centres from state based to a national centre (~ $0.5M) and the impact of the second half market weakness, which impacted fourth quarter revenue and margins. Costs were generally well managed in the second half

FY 17 Outlook

- The business has been investing in growth initiatives, including the release of new products (eg. Auto-Lock) and the relaunch of the B&D brand towards the end of FY16
- Given the lower than expected result, and notwithstanding these growth initiatives and the lower cost base following second half restructuring, improvement of this business remains work in progress

Review of Operations (continued)

Segment Commentary – Cabinet and Architectural Hardware

EBIT of $12.5M, up $3.5M or 38.9%.

Continued strong revenue growth and impact of margin improvement initiatives.

Cabinet & Architectural Hardware	**Full year ended 30 September**		
A$M	**2016**	**2015**	**% Change**
Sales revenue	187.7	172.8	8.6%
EBITDA	14.8	11.4	29.8%
EBIT	12.5	9.0	38.9%
EBIT % Sales	*6.7%*	*5.2%*	

Sales revenue up $14.9M (+8.6%)

- Sales growth was led by the cabinet hardware business, in solid markets, primarily focused on the renovation of existing homes
- Share outcomes were positive, particularly in cabinet hardware
- Positive price outcomes were consistent with supplier price increases together with improved pricing discipline

EBIT growth of $3.5M (+38.9%)

- EBIT growth was driven by the flow through of the sales growth, together with fixed cost leverage and margin improvement initiatives

FY17 Outlook

- The business remains well positioned for continued growth

Review of Operations (continued)

Segment Commentary – Other businesses

EBIT of $14.5M, down $1.4M or 8.8%.

EBIT improvement in Yates, China and South East Asia was more than offset by a decline in PNG due to weak economic conditions.

Other businesses	Full year ended 30 September		
A$M	2016	2015	% Change
Sales revenue	217.0	221.6	(2.1%)
EBITDA	17.3	19.1	(9.4%)
EBIT	14.5	15.9	(8.8%)
EBIT % Sales	*6.7%*	*7.2%*	

- **Yates ANZ** revenue declined modestly due to soft markets, driven by poor weather conditions in peak selling periods and lower sales to Masters, partly offset by sales from the Munns acquisition (from June 2016). EBIT growth was supported by favourable product mix and good cost control
- **DGL Camel** revenue grew modestly in soft markets due to market share gains associated with the Camel Professional paint relaunch in Hong Kong and China. Modest EBIT improvement reflected margin improvement initiatives
- The **South East Asian** business produced higher sales and EBIT largely driven by strong growth in Vietnam
- The **PNG** business was significantly impacted by weaker economic conditions, which deteriorated further in the second half. For the full year, EBIT declined by more than $3M due to lower sales and a weakening Kina. Despite this, the PNG business remains profitable
- The Craig & Rose **UK paints business** acquired in August now forms part of this segment. No material contribution was made during the year

FY17 Outlook

- We expect growth in Yates, China and South East Asia to more than offset the management, sales and marketing investment we plan to make in the UK
- The outlook for the PNG economy remains weak, with an improvement in economic conditions dependent on international investment in major resources projects. Costs are being reduced within the business with the objective to mitigate any further short term market weakness

Review of Operations (continued)

Non-recurring items

There were no non-recurring items impacting EBIT or NPAT in FY16. However, cash flow was adversely impacted by the utilisation of the supply chain restructuring provisions (provided for in FY15).

The non-recurring items recognised are outlined below:

Non-recurring items	**Full year ended 30 September**		
A$M	**EBIT**	**NPAT**	**Operating cash flow**
2016			
Supply chain provision payments			(10.1)
Total	**-**	**-**	**(10.1)**
2015			
Supply chain restructuring provisions	(17.0)	(11.9)	-
Total	**(17.0)**	**(11.9)**	**-**

Review of Operations (continued)

Supply Chain Investments

The first of the two supply chain investment projects, the NSW distribution centre, successfully commenced operation in July. The new paint factory remains on time and budget.

NSW Distribution Centre
The new distribution centre was completed on schedule and budget in early June. Transition from the Selleys Moorebank and Dulux Padstow distribution centres occurred during June and July and the new centre was fully operational from 25th July 2016. The centre is owned and operated by Linfox.

New Paint Factory
The new paint factory remains on track to be delivered on time and budget ($165M).

Substantial progress has been made on construction of the new factory during the year. Site works commenced in December 2015 and as at the end of October 2016 the main building is complete and installation of major plant and equipment has commenced.

During the year, capital of $41M was spent on the new paint factory which is below the previous estimate for this financial year of $60M. The lower spend reflects minor delays on non-critical path items and payment terms.

The project is due for commissioning in mid-2017, with production in late calendar 2017. A schedule outlining the latest estimated capital expenditure associated with the new paint factory, together with an outlook for other group capital expenditure follows:

DuluxGroup Capital Expenditure

A$M	2015	2016	2017	2018	Total
New Paint Factory[1]	5	41	90	29	165
Other Projects	25	20	25-30	25-30	
Total	**30**	**61**	**115-120**	**54-59**	

Once the factory opens, the annualised depreciation increase will be ~$7M. For the first full year of operation of the new paint factory (FY19), we expect a neutral EBIT outcome, with operational savings offsetting incremental depreciation. During FY17 and FY18 minor commissioning costs will be incurred.

Acquisitions

During the year, three acquisitions were completed for total consideration of $13.5M.

Craig & Rose
In August 2016 DuluxGroup acquired Craig & Rose, a small UK-based paint business. The acquisition of a premium paint brand in the UK combined with local manufacturing capability is consistent with DuluxGroup's strategy of growing niche positions in offshore markets.

Munns
In June 2016 DuluxGroup acquired the Munns lawn care business. The acquisition expands the Yates brand portfolio in the lawn care segment and provides growth opportunities through Yates' more extensive sales and distribution network.

Gliderol WA
In November 2015 DuluxGroup acquired Gliderol's Western Australian garage door and openers business. The rationale for the acquisition was to obtain a Western Australian sectional door line, and to increase WA market share (given B&D's share in WA has historically been lower than in other states).

1. New paint factory capital expenditure includes capitalised interest.

Review of Operations (continued)

Outlook

Overall

Subject to economic conditions and excluding non-recurring items, we expect that 2017 net profit after tax will be higher than the 2016 equivalent of $130.4M.

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

Markets

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

The key existing home segment exposure (~65%[1] of DuluxGroup revenue) is expected to continue providing resilient and profitable growth, underpinned by:

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

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

The new housing construction market (~15%[1] of DuluxGroup revenue, late cycle) which has experienced strong growth over the past three years, is expected to remain strong in FY17. Although housing approvals have peaked, the lag between approvals and completions should provide a solid pipeline of work, though biased to the multi-residential market. DuluxGroup businesses are strategically less exposed to this lower margin sector.

The outlook for commercial and infrastructure markets (~15%[1] of DuluxGroup revenue) is expected to be subdued overall. In Australia, commercial construction and maintenance markets are expected to remain solid. Engineering construction projects are expected to continue declining in FY17, particularly in the resources sector, before stabilising in FY18. Although the pipeline of public infrastructure projects is building, particularly in major urban transport, increased spending is not sufficient to offset the decline in private sector engineering construction expenditure.

Growth rates in the Chinese and Hong Kong coatings markets are expected to be relatively subdued and the outlook for the PNG economy remains weak, with an improvement in economic conditions dependent on international investment in major resources projects.

Outlook comments from the Business Segments

Paints and Coatings ANZ:

- The fundamentals for the Paints and Coatings ANZ business remain sound. The Masters stock liquidation sale may have a minor transitional impact on the market in the first half of FY17, but we expect underlying demand, particularly in the renovation and repaint market, to continue to grow in line with the historical 1-1.5% growth in volume terms
- Input costs are expected to increase in line with inflation
- We expect some minor commissioning costs associated with the new paint factory in late FY17, which we aim to absorb
- EBIT margins are not expected to increase in FY17

1. Indicative revenue splits for DuluxGroup

Review of Operations (continued)

Consumer and Construction Products

- The fundamentals for Selleys remain strong, underpinned by a recent step up in new product development and marketing. The majority of the Woolworths hardware group de-stocking activities now appear to have been absorbed by the business
- Market conditions remain challenging for Parchem. The annualised impact of the structural and margin initiatives implemented over the last two years, together with a continued re-focus towards civil infrastructure and commercial construction markets, should provide a buffer against some continued market weakness. Further work on optimising the product portfolio, distribution and costs is also likely to be undertaken in FY17

Garage Doors and Openers

- The business has been investing in growth initiatives, including the release of new products (eg. Auto-Lock) and the relaunch of the B&D brand towards the end of FY16
- Given the lower than expected result, and notwithstanding these growth initiatives and the lower cost base following second half restructuring, improvement of this business remains work in progress

Cabinet and Architectural Hardware

- The business remains well positioned for continued growth

Other businesses

- We expect growth in Yates, China and South East Asia to more than offset the management, sales and marketing investment we plan to make in the UK
- The outlook for the PNG economy remains weak, with an improvement in economic conditions dependent on international investment in major resources projects. Costs are being reduced within the business with the objective to mitigate any further short term market weakness

Other:

- Corporate costs for the FY17 year are expected to be in line with FY16
- The effective tax rate is expected to be 29-30%
- DuluxGroup is targeting operating cash conversion of 80%+, excluding non-recurring cash flow items (e.g. utilisation of the Rocklea restructuring provision)

Glossary

1. Acquisitions – represents 'payments for purchase of businesses'.
2. Capital expenditure – represents the 'payments for property, plant and equipment' and 'payments for intangible assets' per the financial statements.
3. Cash conversion – is calculated as EBITDA excluding non-recurring items, less movement in trade working capital and other operating cash flow movements excluding interest and tax, less minor capital spend (capital expenditure less than $5.0M), as a percentage of EBITDA excluding non-recurring items.
4. Diluted EPS excluding non-recurring items – represents diluted EPS adjusted for the non-recurring items outlined on page 16.
5. Disposals – represents 'proceeds from disposal of property, plant and equipment'.
6. EBIT excluding non-recurring items and EBITDA excluding non-recurring items – refer to note 2 in the financial statements. Directors believe that the result excluding these items provides a better basis for comparison from period to period.
7. EBITDA – represents EBIT plus depreciation and amortisation.
8. Net debt – refer to note 14 in the financial statements.
9. Net debt inclusive of USPP hedge value and Net debt to EBITDA – are calculated by taking closing net debt, adjusted to include the asset balance relating to the cross currency interest rate swap and interest rate swap established to hedge the United States dollar (USD) currency and interest rate exposures relating to the US Private Placement (USPP) debt. Net Debt to EBITDA reflects this measure as a multiple of the most recent twelve months of EBITDA before non-recurring items.
10. Net profit after tax (NPAT) – represents 'Profit for the year attributable to ordinary shareholders of DuluxGroup Limited' per the financial statements.
11. Non trade creditors – represents the 'other payables' portion of 'trade and other payables'. Balances reflect the management balance sheet, which is based on different classification and groupings than the balance sheet in the financial statements.
12. Non trade debtors – represents the 'other receivables' portion of 'trade and other receivables', and 'other assets'. Balances reflect the management balance sheet, which is based on different classification and groupings than the balance sheet in the financial statements.
13. NPAT excluding non-recurring items – represents NPAT, excluding the non-recurring items outlined on page 16. Directors believe that the result excluding these items provides a better basis for comparison from period to period.
14. 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 16.
15. 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.
16. 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'. Balances reflect the management balance sheet, which is based on different classification and groupings than the balance sheet in the financial statements.

Consolidated Income Statement

For the financial year ended 30 September:

	Notes	**2016 $'000**	2015 $'000
Revenue		**1,716,259**	1,687,834
Other income	3	**2,726**	3,581
Expenses			
Changes in inventories of finished goods and work in progress		**(3,608)**	(8,628)
Raw materials and consumables used and finished goods purchased for resale		**700,532**	703,216
Employee benefits[1]		**385,785**	391,360
Depreciation and amortisation	4	**32,267**	34,898
Repairs and maintenance		**13,901**	12,233
Operating leases		**47,306**	49,116
Outgoing freight		**68,172**	66,828
Other expenses[1,2]		**274,197**	267,968
Share of net profit of equity accounted investment	18	**(676)**	(919)
		1,517,876	1,516,072
Earnings before interest and income tax expense (EBIT)		**201,109**	175,343
Finance income		**224**	355
Finance expenses	4	**(20,122)**	(21,610)
Net finance costs		**(19,898)**	(21,255)
Profit before income tax expense		**181,211**	154,088
Income tax expense	12	**(52,150)**	(42,784)
Profit for the year		**129,061**	111,304
Attributable to:			
Ordinary shareholders of DuluxGroup Limited		**130,417**	112,773
Non-controlling interest in controlled entities		**(1,356)**	(1,469)
Profit for the year		**129,061**	111,304

		cents	cents
Earnings per share			
Attributable to the ordinary shareholders of DuluxGroup Limited:			
Basic earnings per share	5	**34.1**	29.6
Diluted earnings per share	5	**33.5**	29.2

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

(1) Prior year comparative includes restructuring costs relating to the two supply chain projects, which are reported as part of employee benefits expense ($15,918,000) and other expenses ($1,112,000).

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

Consolidated Statement of Comprehensive Income

For the financial year ended 30 September:

	2016	2015
	$'000	$'000
Profit for the year	**129,061**	111,304
Other comprehensive (loss)/income		
Items that may be reclassified to the income statement		
Cash flow hedge reserve		
Effective portion of changes in fair value of cash flow hedges	**(2,945)**	344
Income tax benefit/(expense)	**883**	(103)
Foreign currency translation reserve		
Foreign currency translation (loss)/gain on foreign operations	**(697)**	6,201
Total items that may be reclassified to the income statement, net of tax	**(2,759)**	6,442
Items that will not be reclassified to the income statement		
Retained earnings		
Actuarial losses on defined benefit plan	**(32,551)**	(6,599)
Income tax benefit	**9,765**	1,980
Total items that will not be reclassified to the income statement, net of tax	**(22,786)**	(4,619)
Other comprehensive (loss)/income for the year, net of tax	**(25,545)**	1,823
Total comprehensive income for the year	**103,516**	113,127
Attributable to:		
Ordinary shareholders of DuluxGroup Limited	**104,584**	114,045
Non-controlling interest in controlled entities	**(1,068)**	(918)
Total comprehensive income for the year	**103,516**	113,127

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

Consolidated Balance Sheet

As at 30 September:

	Notes	**2016 $'000**	2015 $'000
Current assets			
Cash and cash equivalents		**39,068**	46,270
Trade and other receivables	7	**256,315**	257,854
Inventories	7	**218,873**	216,036
Derivative financial assets	14	**3,269**	5,207
Other assets		**5,180**	7,085
Total current assets		**522,705**	532,452
Non-current assets			
Other receivables	7	**65**	85
Derivative financial assets	14	**57,040**	70,026
Equity accounted investment	18	**6,518**	6,342
Property, plant and equipment	8	**312,041**	261,865
Intangible assets	9	**234,047**	232,129
Deferred tax assets	12	**59,231**	53,286
Other assets		**4,155**	2,924
Total non-current assets		**673,097**	626,657
Total assets		**1,195,802**	1,159,109
Current liabilities			
Trade and other payables	7	**250,766**	252,781
Interest-bearing liabilities	13	**12,904**	14,650
Derivative financial liabilities	14	**3,229**	1,271
Current tax liabilities		**14,386**	19,492
Provisions	11	**41,432**	48,069
Total current liabilities		**322,717**	336,263
Non-current liabilities			
Other payables	7	**270**	276
Interest-bearing liabilities	13	**388,679**	381,558
Derivative financial liabilities	14	**-**	1,382
Deferred tax liabilities	12	**15,827**	16,035
Provisions	11	**46,605**	50,243
Defined benefit liability	19	**56,466**	22,107
Total non-current liabilities		**507,847**	471,601
Total liabilities		**830,564**	807,864
Net assets		**365,238**	351,245
Equity			
Share capital	15	**264,886**	256,483
Treasury shares	15	**(10,658)**	(159)
Reserves		**(86,344)**	(84,616)
Retained earnings[1]		**197,409**	178,524
Total equity attributable to ordinary shareholders of DuluxGroup Limited		**365,293**	350,232
Non-controlling interest in controlled entities		**(55)**	1,013
Total equity		**365,238**	351,245

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

(1) The retained earnings of the Group includes the profits reserve of the parent entity, DuluxGroup Limited. For details of the parent entity's stand alone profits reserve, refer to note 25.

Consolidated Statement of Changes in Equity

For the financial year ended 30 September:

	Total equity attributable to ordinary shareholders of DuluxGroup Limited									
	Share capital $'000	Treasury shares $'000	Share-based payments reserve $'000	Cash flow hedge reserve[2] $'000	Foreign currency translation reserve $'000	Common control reserve $'000	Retained earnings $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 October 2015	**256,483**	**(159)**	**7,444**	**(824)**	**6,466**	**(97,702)**	**178,524**	**350,232**	**1,013**	**351,245**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**130,417**	**130,417**	**(1,356)**	**129,061**
Other comprehensive loss, net of tax	**-**	**-**	**-**	**(2,062)**	**(985)**	**-**	**(22,786)**	**(25,833)**	**288**	**(25,545)**
Total comprehensive income for the year	**-**	**-**	**-**	**(2,062)**	**(985)**	**-**	**107,631**	**104,584**	**(1,068)**	**103,516**
Transactions with owners, recorded directly in equity										
Purchase of treasury shares	**-**	**(18,313)**	**-**	**-**	**-**	**-**	**-**	**(18,313)**	**-**	**(18,313)**
Shares allocated under the dividend reinvestment plan (DRP)	**-**	**7,623**	**-**	**-**	**-**	**-**	**-**	**7,623**	**-**	**7,623**
Sale of treasury shares	**-**	**32**	**-**	**-**	**-**	**-**	**-**	**32**	**-**	**32**
Share-based payments	**-**	**-**	**3,727**	**-**	**-**	**-**	**-**	**3,727**	**-**	**3,727**
Shares vested under the LTEIP and ESIP[1]	**8,403**	**159**	**(2,408)**	**-**	**-**	**-**	**-**	**6,154**	**-**	**6,154**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**-**	**(88,746)**	**(88,746)**	**-**	**(88,746)**
Balance at 30 September 2016	**264,886**	**(10,658)**	**8,763**	**(2,886)**	**5,481**	**(97,702)**	**197,409**	**365,293**	**(55)**	**365,238**
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 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 year	-	-	-	241	5,650	-	108,154	114,045	(918)	113,127
Transactions with owners, recorded directly in equity										
Shares issued under the DRP	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 $6,154,000 (2015: $4,663,000) comprises of the following:

- Proceeds of $4,795,000 (2015: $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 2012 Long Term Equity Incentive Plan (LTEIP) (2015: 2011 LTEIP).
- Amounts totalling $1,359,000 (2015: $753,000) were applied as settlement for shares vested under the Employee Share Investment Plan (ESIP). Under the ESIP, proceeds collected from employees by way of a salary sacrifice are recognised by the Group as a liability until such time as an employee has the right to sell the shares, at which time the amount is recognised in contributed equity.

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

Consolidated Statement of Cash Flows

For the financial year ended 30 September:

	2016 $'000	2015 $'000
Cash flows from operating activities		
Profit for the year	129,061	111,304
Depreciation and amortisation	32,267	34,898
Amortisation of prepaid supply agreements	1,081	1,060
Share-based payments expense	3,727	3,628
Defined benefit service cost	4,965	4,455
Defined benefit interest cost	828	469
Unwind of discounting	2,667	2,049
Share of net profit of equity accounted investment	(676)	(919)
Impairment/(reversal) of impairment of inventories	1,373	(447)
Impairment of trade and other receivables	836	3,922
Net loss on sale of property, plant and equipment	1,043	250
Net foreign exchange losses/(gains) on operating items	2,732	(233)
Amortisation of prepaid loan establishment fees	806	1,399
Operating cash flows before changes in working capital and provisions	180,710	161,835
Increase in trade and other receivables	(1,625)	(28,896)
Increase in inventories	(2,523)	(10,172)
Increase in other assets	(2,295)	(428)
Increase/(decrease) in deferred taxes payable	4,768	(5,132)
(Decrease)/increase in trade and other payables and provisions	(28,961)	30,862
(Decrease)/increase in current tax liabilities	(5,160)	8,443
Net cash inflow from operating activities	144,914	156,512
Cash flows from investing activities		
Payments for property, plant and equipment	(57,072)	(26,438)
Payments for intangible assets	(3,732)	(2,998)
Payments for purchase of businesses	(13,276)	(11,518)
Proceeds from joint venture distribution	500	-
Proceeds from disposal of property, plant and equipment	537	317
Net cash outflow from investing activities	(73,043)	(40,637)
Cash flows from financing activities		
Proceeds from short term borrowings	8,489	17,195
Repayments of short term borrowings	(8,592)	(19,707)
Proceeds from long term borrowings	2,576,000	1,333,000
Repayments of long term borrowings	(2,558,582)	(1,378,398)
Payments for purchase of treasury shares	(18,313)	-
Proceeds from sale of treasury shares	32	-
Proceeds from employee share plan repayments	5,773	4,856
Dividends paid (net of shares allocated/issued as part of the DRP)	(81,123)	(61,834)
Net cash outflow from financing activities	(76,316)	(104,888)
Net (decrease)/increase in cash held	(4,445)	10,987
Cash at the beginning of the year	46,270	35,118
Effects of exchange rate changes on cash	(2,757)	165
Cash at the end of the year	39,068	46,270
Supplementary information		
Interest received	224	355
Interest paid	(15,740)	(17,224)
Income taxes paid	(52,542)	(39,491)

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

Notes to the Consolidated Financial Statements

For the financial year ended 30 September:

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Notes to the Consolidated Financial Statements

About this report

For the financial year ended 30 September 2016

1 About this report

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 Group' or 'DuluxGroup') have been consistently applied to all the years presented, unless otherwise stated.

Accounting policies specific to one note are described in the note in which they relate. The impact of new and upcoming accounting standards and interpretations are set out in note 27. Accounting policies that are relevant to understanding the financial statements as a whole are set out below.

a) Basis of preparation

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

The consolidated financial statements were approved by the Board of Directors on 8 November 2016 and are presented in Australian dollars, which is the Company's functional and presentation currency.

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

b) Comparatives

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

c) Consolidation

The Group's consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the Group, being the Company (the parent entity) and its subsidiaries as defined in AASB 10 *Consolidated Financial Statements*. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements. The consolidated financial statements include the information and results of each subsidiary from the date on which the Company obtains control until such time as the Company ceases to control such entity. In preparing the consolidated financial statements, all intercompany balances, transactions and unrealised profits arising within the Group are eliminated in full.

d) Foreign currency

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

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

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

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

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

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

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

e) Rounding

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

f) Key accounting estimates and judgements

Management determines the development, selection, disclosure and application of the Group's key accounting policies, estimates and judgements. Management necessarily makes estimates and judgements that have a significant effect on the amounts recognised in the financial statements. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Changes in the assumptions underlying the estimates may result in a significant impact on the financial statements. Management believes the estimates used in preparing the financial statements are reasonable and in accordance with accounting standards.

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

- Note 7 Working capital
- Note 8 Property, plant and equipment
- Note 9 Intangible assets
- Note 10 Impairment testing
- Note 11 Provisions
- Note 12 Income tax
- Note 17 Businesses acquired
- Note 19 Superannuation

2 Segment report

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

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

Defined reportable segments	Products/services
Paints and Coatings Australia and 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 and 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 and Openers	B&D garage doors and electronic openers for residential, commercial and industrial use in Australia and New Zealand.
Cabinet and 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, Papua New Guinea coatings business and Craig & Rose paints business in the United Kingdom. Also includes the 51%-owned DGL Camel business in China and Hong Kong.

Notes to the Consolidated Financial Statements

Financial Performance (continued)

For the financial year ended 30 September

2 Segment report (continued)

	Paints and Coatings ANZ		Consumer and Construction Products ANZ		Garage Doors and Openers		Cabinet and Architectural Hardware		Other businesses		Unallocated[1]		Consolidated	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Revenue														
External revenue	**887,823**	867,593	**246,707**	257,182	**177,950**	169,479	**187,619**	172,736	**216,160**	220,844	**-**	-	**1,716,259**	1,687,834
Inter-segment revenue	**2,810**	3,237	**7,185**	9,056	**-**	-	**74**	78	**884**	732	**(10,953)**	(13,103)	**-**	-
Total revenue	**890,633**	870,830	**253,892**	266,238	**177,950**	169,479	**187,693**	172,814	**217,044**	221,576	**(10,953)**	(13,103)	**1,716,259**	1,687,834
Other income	**714**	2,060	**231**	278	**90**	59	**-**	-	**505**	2,806	**1,186**	(1,622)	**2,726**	3,581
Total revenue and other income	**891,347**	872,890	**254,123**	266,516	**178,040**	169,538	**187,693**	172,814	**217,549**	224,382	**(9,767)**	(14,725)	**1,718,985**	1,691,415
Results														
EBITDA excluding non-recurring items [2]	**172,794**	165,081	**32,602**	32,629	**22,602**	23,354	**14,757**	11,380	**17,299**	19,051	**(26,678)**	(24,224)	**233,376**	227,271
Depreciation and amortisation	**(16,272)**	(18,272)	**(3,084)**	(3,468)	**(6,495)**	(6,292)	**(2,241)**	(2,398)	**(2,819)**	(3,132)	**(1,356)**	(1,336)	**(32,267)**	(34,898)
EBIT excluding non-recurring items	**156,522**	146,809	**29,518**	29,161	**16,107**	17,062	**12,516**	8,982	**14,480**	15,919	**(28,034)**	(25,560)	**201,109**	192,373
Non-recurring items[3]	**-**	(13,813)	**-**	(3,217)	**-**	-	**-**	-	**-**	-	**-**	-	**-**	(17,030)
EBIT													**201,109**	175,343
Finance income													**224**	355
Finance expenses													**(20,122)**	(21,610)
Profit before income tax expense													**181,211**	154,088
Income tax expense													**(52,150)**	(42,784)
Profit for the year													**129,061**	111,304
Acquisitions of PP&E														
Attributable to:														
Ordinary shareholders of DuluxGroup Limited													**130,417**	112,773
Non-controlling interest in controlled entities													**(1,356)**	(1,469)
Profit for the year													**129,061**	111,304
Acquisitions of property, plant and equipment and intangible assets	**66,659**	19,329	**1,810**	2,926	**2,771**	3,248	**943**	748	**3,049**	2,737	**-**	-	**75,232**	28,988

(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. Comparative excludes the items explained in footnote 3 below.
(3) The prior year comparative comprises of restructuring costs relating to supply chain projects totalling $17,030,000. These projects are:

- the construction of a new paint factory in Melbourne which is due for completion in 2017 and will result in reduced activity at the Rocklea manufacturing site; and
- establishment of a new distribution centre in Sydney which was first operational in July 2016 and resulted in the closure of two centres previously operated by the Group.

Revenue from one of the Group's customers was approximately 25% (2015: 25%) of the total Group revenue during the year ended 30 September 2016. This customer operated primarily within the Paints and Coatings and the Consumer and Construction Products segments in Australia and New Zealand.

Notes to the Consolidated Financial Statements

Financial Performance (continued)

For the financial year ended 30 September 2016

2 Segment report (continued)

a) Geographical information

Revenue from external customers is attributed to geographic location based on the location of customers. The revenue from external customers by geographical location for the year ended 30 September is set out below. The location of non-current assets other than financial assets, investments accounted for using the equity method, and deferred tax assets as at 30 September is set out below.

	Revenue		Non-current assets	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Australia	**1,408,410**	1,382,304	**485,852**	440,607
New Zealand	**190,358**	183,186	**47,370**	44,252
Other countries	**117,491**	122,344	**17,021**	12,059
	1,716,259	1,687,834	**550,243**	496,918

b) Accounting policies

(i) Revenue recognition

Revenue from sale of goods
Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and customer rebates. External sales are recognised when the significant risks and rewards of ownership are transferred to the purchaser, recovery of the consideration is probable, the possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. For the purpose of segment reporting, the Group's policy is to transfer products internally at negotiated commercial prices.

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

(ii) Finance income and expenses

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

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

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

Notes to the Consolidated Financial Statements

Financial Performance (continued)

For the financial year ended 30 September 2016

3 Other income

	2016 $'000	2015 $'000
Royalty income	**300**	416
Rental income	**477**	467
Grant income	**1,599**	2,497
Other	**350**	201
	2,726	3,581

4 Expenses

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

	2016 $'000	2015 $'000
Depreciation	**25,111**	27,971
Amortisation	**7,156**	6,927
Depreciation and amortisation	**32,267**	34,898
Interest and finance charges paid/payable for financial liabilities not at fair value through profit and loss	**17,455**	19,561
Provisions: unwinding of discounting	**2,667**	2,049
Finance expenses	**20,122**	21,610
Net loss on disposal of property, plant and equipment	**1,043**	250
Net foreign exchange losses	**757**	393
Cost of goods sold	**958,755**	956,686
Research and development expense	**20,827**	19,818

5 Earnings per share (EPS)

	2016 Cents per share	2015 Cents per share
Attributable to the ordinary shareholders of DuluxGroup Limited		
Basic earnings per share	**34.1**	29.6
Diluted earnings per share	**33.5**	29.2
	$'000	$'000
Earnings used in the calculation of basic and diluted earnings per share		
Profit for the year attributable to ordinary shareholders of DuluxGroup Limited	**130,417**	112,773
	Number	Number
Weighted average number of ordinary shares outstanding used as the denominator:		
Number for basic earnings per share	**382,582,772**	380,362,446
Effect of the potential vesting of shares under the LTEIP and ESIP[1]	**6,379,665**	5,273,875
Number for diluted earnings per share	**388,962,437**	385,636,321

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

6 Dividends

	2016 $'000	2015 $'000
Dividends paid		
Final dividend for 2015 of 11.5 cents per share fully franked (2014: Final dividend of 10.5 cents per share fully franked)	**44,340**	39,918
Interim dividend for 2016 of 11.5 cents per share fully franked (2015: Interim dividend of 11.0 cents per share fully franked)	**44,406**	42,350
	88,746	82,268
Dividend franking account		
Franking credits available to shareholders for subsequent financial years based on a tax rate of 30% (2015: 30%)	**23,391**	23,950

a) Dividends declared after balance date

On 8 November 2016, the Directors determined that a final dividend of 12.5 cents per ordinary share will be paid in respect of the 2016 financial year. The dividend will be fully franked and payable on 9 December 2016. The financial effect of this dividend is not included in the financial statements for the year ended 30 September 2016 and will be recognised in the 2017 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 21 November 2016 to 25 November 2016 inclusive. Ordinary shares issued under the DRP will rank equally with all other ordinary shares.

Notes to the Consolidated Financial Statements

Operating Assets and Liabilities

For the financial year ended 30 September 2016

7 Working capital

	2016 $'000	2015 $'000
Current		
Trade and other receivables[(1)]	**256,315**	257,854
Trade and other payables	**(250,766)**	(252,781)
Inventories:		
Raw materials	**33,558**	35,287
Work in progress	**5,398**	5,412
Finished goods	**179,917**	175,337
	218,873	216,036
Total current	**224,422**	221,109
Non-current		
Other receivables	**65**	85
Other payables	**(270)**	(276)
Total non-current	**(205)**	(191)
Total working capital	**224,217**	220,918

(1) Current receivables is net of $17,612,000 (2015: $22,087,000) rebates payable. The Group has the legal right to offset such balances as they are with the same customers and it is the Group's intention to net settle any outstanding balances.

a) Trade and other receivables and allowance for impairment

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

	2016 Gross $'000	2015 Gross $'000	**2016 Allowance $'000**	2015 Allowance $'000	**2016 Net $'000**	2015 Net $'000
Not past due	**230,120**	228,850	**32**	198	**230,088**	228,652
Past due 0 - 30 days	**15,826**	17,027	**-**	25	**15,826**	17,002
Past due 31 - 60 days	**3,082**	3,762	**16**	38	**3,066**	3,724
Past due 61 - 90 days	**2,347**	2,968	**60**	104	**2,287**	2,864
Past due 91 - 120 days	**3,090**	6,083	**570**	2,614	**2,520**	3,469
Past 120 days	**4,829**	5,395	**2,236**	3,167	**2,593**	2,228
	259,294	264,085	**2,914**	6,146	**256,380**	257,939

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

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

	2016 $'000	2015 $'000
Opening balance	**6,146**	4,149
Allowances made (net of amounts written back)	**836**	3,922
Allowances utilised	**(3,623)**	(2,213)
Foreign currency exchange differences	**(445)**	288
Balance at 30 September	**2,914**	6,146

7 Working capital (continued)

b) Accounting policies

(i) Trade and other receivables

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

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

The 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.

(ii) Trade and other payables

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

(iii) Inventories

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

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

c) Key accounting estimates and judgements

Net realisable value of inventory

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

Customer rebates

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

8 Property, plant and equipment

	Land $'000	Buildings and leasehold improvements $'000	Machinery, plant and equipment $'000	Total $'000
2016				
Cost	**51,685**	**118,295**	**398,562**	**568,542**
Less accumulated depreciation and impairment	**-**	**(39,578)**	**(216,923)**	**(256,501)**
Net book value	**51,685**	**78,717**	**181,639**	**312,041**
Balance at 1 October 2015	**38,557**	**56,994**	**166,314**	**261,865**
Additions	**12,825**	**21,903**	**36,772**	**71,500**
Additions - business acquisitions	**245**	**2,258**	**2,471**	**4,974**
Disposals	**-**	**(203)**[1]	**(1,445)**	**(1,648)**
Depreciation expense	**-**	**(2,874)**	**(22,237)**	**(25,111)**
Foreign currency exchange differences	**58**	**639**	**(236)**	**461**
Balance at 30 September 2016	**51,685**	**78,717**	**181,639**	**312,041**
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

[1] Includes an amount of $68,000 (2015: $128,000) relating to the reassessment of the leased properties restoration provision.

a) Assets under construction

Included in the closing balances above are assets under construction at 30 September 2016 of $70,350,000 (2015: $19,509,000), with the majority of the assets under construction relating to the new paint factory.

b) Accounting policies

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses (refer to note 10). Cost includes expenditure that is directly attributable to the acquisition of the item. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and that the cost of the item can be reliably measured.

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

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

Assets under construction are not depreciated until ready for use.

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

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

c) Key accounting estimates and judgements

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

Notes to the Consolidated Financial Statements

Operating Assets and Liabilities (continued)

For the financial year ended 30 September 2016

9 Intangible assets

	Goodwill	Patents, trademarks and rights	Brand names	Software	Customer contracts	Total
	$'000	$'000	$'000	$'000	$'000	$'000
2016						
Cost	**143,665**	**8,324**	**65,973**	**37,503**	**29,300**	**284,765**
Less accumulated amortisation	**-**	**(5,970)**	**(1,214)**	**(30,127)**	**(13,407)**	**(50,718)**
Net book value	**143,665**	**2,354**	**64,759**	**7,376**	**15,893**	**234,047**
Balance at 1 October 2015	**138,160**	**2,378**	**65,140**	**6,818**	**19,633**	**232,129**
Additions	**-**	**-**	**-**	**3,732**	**-**	**3,732**
Additions - business acquisitions	**5,460**	**-**	**-**	**-**	**-**	**5,460**
Amortisation expense	**-**	**(277)**	**(217)**	**(2,915)**	**(3,747)**	**(7,156)**
Transfers between classes	**-**	**242**	**-**	**(249)**	**7**	**-**
Foreign currency exchange differences	**45**	**11**	**(164)**	**(10)**	**-**	**(118)**
Balance at 30 September 2016	**143,665**	**2,354**	**64,759**	**7,376**	**15,893**	**234,047**
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

a) Intangibles under development

Included in the closing balance above are software assets under development at 30 September 2016 of $3,596,000 (2015: $2,428,000).

b) Accounting policies

Identifiable intangibles

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

Intangible assets, other than intangible assets with indefinite lives, are amortised on a straight-line basis over their useful lives. Estimated useful lives of each class of asset are as follows:

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

Identifiable assets with an indefinite life (selected brand names) are not amortised but the recoverable amount of these assets is tested for impairment at least annually (refer to note 10).

Unidentifiable intangibles

Where the fair value of the consideration paid for a business acquisition exceeds the fair value of the identifiable assets, liabilities and contingent liabilities acquired, the difference is treated as goodwill. Goodwill is not amortised but the recoverable amount is tested for impairment at least annually (refer to note 10).

9 Intangible assets (continued)

c) Key accounting estimates and judgements

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

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

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

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

	Goodwill		**Brand Names**	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Paints Australia	**29,078**	29,078	**26,900**	26,900
Consumer and Construction Products ANZ	**43,299**	43,280	**3,400**	3,400
Yates ANZ	**10,058**	8,143	**14,858**	14,858
Garage Doors and Openers	**39,537**	39,466	**15,000**	15,000
Cabinet and Architectural Hardware	**18,193**	18,193	**2,400**	2,400
DGL International UK	**3,500**	-	**-**	-
	143,665	138,160	**62,558**	62,558

10 Impairment testing

The review for impairment at 30 September 2016 did not result in impairment charges being recognised by the Group (2015: $NIL). For all CGUs apart from Parchem Australia (part of Consumer and Construction Products ANZ segment), a reasonable possible change to impairment model inputs would not cause the recoverable amount to be below their respective carrying amount.

For the Parchem Australia CGU the market outlook remains challenging, observable market data around transaction multiples for similar businesses has reduced, and trading conditions for the business continues to be weaker than expected. The recoverable amount has been determined using a discounted cash flow model prepared under a value-in-use based approach and a sensitivity analysis has been undertaken to examine the effect of any changes in the key variables, which would result in a change in the assessed value in use. If there was a negative variation in a key variable, it could, in the absence of other factors, lead to an impairment of the Parchem Australia CGU.

a) Accounting policies

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

The recoverable amount of an asset is determined as the higher of fair value less costs of disposal and value in use. The recoverable amount is estimated for each individual asset or where it is not possible to estimate for individual assets, it is estimated for the 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.

10 Impairment testing (continued)

a) Accounting policies (continued)

The pre-tax discount rates applied in the discounted cash flow models range between 10% and 15% (2015: 10% and 15%). The sales revenue compound annual growth rates applied in the discounted cash flow models range between 0% and 7% (2015: 0% and 8%).

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

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

b) Key accounting estimates and judgements

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

The determination of recoverable amount on a value in use basis requires the estimation and discounting of future cash flows. The estimation of cash flows considers all information available at balance date which may deviate from actual developments. This includes, amongst other things, changes in discount rates, terminal value growth rates applied in perpetuity, expected sales revenue growth rates in the forecast period, and earnings varying from the assumptions and forecast data used. Management also applies judgement when determining the recoverable amount using fair value less costs of disposal. This judgement is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market based information less incremental costs for disposing of the assets.

11 Provisions

	Employee entitlements $'000	Restructuring[1] $'000	Leased properties $'000	Other $'000	Total $'000
2016					
Current	**36,142**	**750**	**817**	**3,723**	**41,432**
Non-current	**29,204**	**7,508**	**8,749**	**1,144**	**46,605**
Total provisions	**65,346**	**8,258**	**9,566**	**4,867**	**88,037**
Balance at 1 October 2015		**18,078**	**9,149**	**4,585**	
Provisions made (net of amounts written back)		**(778)**	**563**	**5,946**	
Provisions utilised		**(10,587)**	**(1,908)**	**(5,912)**	
Unwind of discounting		**1,545**	**896**	**180**	
Additions - business acquisition		**-**	**897**	**54**	
Foreign currency exchange differences		**-**	**(31)**	**14**	
Balance at 30 September 2016		**8,258**	**9,566**	**4,867**	
2015					
Current	36,426	7,828	680	3,135	48,069
Non-current	30,074	10,250	8,469	1,450	50,243
Total provisions	66,500	18,078	9,149	4,585	98,312
Balance at 1 October 2014		349	10,597	6,574	
Provisions made (net of amounts written back)		17,030	(1,798)	2,874	
Provisions utilised		(416)	(600)	(5,187)	
Unwind of discounting		1,048	827	174	
Foreign currency exchange differences		67	123	150	
Balance at 30 September 2015		18,078	9,149	4,585	

(1) At 30 September 2016 and 30 September 2015 the balance largely comprises the redundancy costs recognised in association with the Group's supply chain projects. Refer to note 2 for further details.

11 Provisions (continued)

a) Accounting policies

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

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

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

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

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

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

Leased properties
The Group is required to restore certain leased premises to their original condition at the end of the respective lease terms. A provision has been recognised for the estimated expenditure required to restore these premises to an acceptable condition. These costs have been capitalised as part of the cost of buildings and leasehold improvements. Where this provision is reassessed in subsequent reporting periods, to the extent possible, an equal and offsetting adjustment is made to the corresponding asset balance. Where the reassessment results in a decrease to the provision which exceeds the carrying value of the corresponding asset, any excess is recognised in the income statement.

Payments to be made under leases with fixed rent escalation clauses are recognised in the income statement on a straight-line basis over the term of the lease contract.

The Group has also identified certain leased sites that were surplus to its requirements. Where these sites have non-cancellable leasing arrangements and the Group is unable to sub-lease the sites at a rate that would allow it to recover its rental costs, a provision is recognised for the shortfall in rental income.

Other

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

b) Key accounting estimates and judgements

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

Employee entitlements

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

Restructuring

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

Leased properties

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

12 Income tax

a) Income tax expense

	2016 $'000	2015 $'000
Current tax expense	**48,406**	49,973
Deferred tax expense/(benefit)	**4,837**	(5,143)
Over provision in prior years	**(1,093)**	(2,046)
Income tax expense	**52,150**	42,784
Deferred tax expense/(benefit) included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets	**4,976**	(3,070)
Decrease in deferred tax liabilities	**(139)**	(2,073)
	4,837	(5,143)
Reconciliation of prima facie tax expense to income tax expense		
Profit before income tax expense	**181,211**	154,088
Prima facie income tax expense calculated at 30% of profit before income tax expense	**54,363**	46,226
Tax effect of items which (decrease)/increase tax expense:		
Foreign tax rate differential	**(829)**	(790)
Non-taxable income and profits, net of non-deductible expenditure	**(2,174)**	(3,396)
Share of net profit of equity accounted investment	**(203)**	(276)
Tax losses not recognised	**886**	1,147
Sundry items	**107**	(127)
Income tax expense	**52,150**	42,784

b) Deferred tax assets and liabilities

	Deferred tax assets		Deferred tax liabilities	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000
The balance comprises temporary differences attributable to:				
Trade and other receivables	**552**	779	**-**	-
Inventories	**3,704**	3,513	**-**	-
Property, plant and equipment	**5,035**	5,855	**2,998**	2,412
Intangible assets	**4,196**	4,352	**12,339**	13,456
Trade and other payables	**1,256**	2,443	**61**	60
Provisions	**6,479**	9,494	**-**	-
Employee entitlements	**36,100**	26,160	**-**	-
Tax losses	**222**	174	**-**	-
Other	**1,687**	516	**429**	107
Total	**59,231**	53,286	**15,827**	16,035
Expected to be recovered/settled:				
Within 12 months	**18,633**	20,229	**490**	168
After more than 12 months	**40,598**	33,057	**15,337**	15,867
	59,231	53,286	**15,827**	16,035
Movements:				
Opening balance	**53,286**	48,046	**16,035**	16,972
Additions - business acquisitions	**441**	84	**-**	1,020
Credited to profit or loss	**-**	3,070	**(139)**	(2,073)
Charged to profit or loss	**(4,976)**	-	**-**	-
Credited to other comprehensive income	**10,648**	1,877	**-**	-
Foreign currency exchange differences	**(168)**	209	**(69)**	116
Balance at 30 September	**59,231**	53,286	**15,827**	16,035

12 Income tax (continued)

c) Unrecognised deferred tax assets and liabilities

	2016 $'000	2015 $'000
Tax losses and other deferred tax assets not recognised in:		
China[1]	**9,229**	9,435
Hong Kong	**539**	545
Malaysia	**327**	-
	10,095	9,980

[1] Expiration dates between 2016 and 2021 (2015: between 2015 and 2020).

A deferred tax liability of $2,303,000 (2015: $2,512,000) has not been recognised in respect of temporary differences arising as a result of the translation of the financial statements of the Company's subsidiaries. The deferred tax liability will only be realised in the event of disposal of the Company's subsidiaries and no such disposal is expected in the foreseeable future.

d) Accounting policies

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

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

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

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

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

e) Key accounting estimates and judgements

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

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

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

13 Interest-bearing liabilities

	2016 $'000	2015 $'000
Current		
Unsecured		
Bank loan - RMB denominated[(1)]	**10,873**	10,039
Bank loan - HKD denominated[(2)]	**2,031**	4,611
	12,904	14,650
Non-current		
Unsecured		
Bank loan - AUD denominated[(3)]	**126,686**	108,540
United States Private Placement (USPP)[(4)]	**261,993**	273,018
	388,679	381,558

(1) The current Chinese Reminbi (RMB) unsecured bank loan amount comprises of RMB 55,325,000 (AUD 10,873,000) (2015: RMB 44,624,000 (AUD 10,039,000)) drawn under an overseas bank loan facility.
(2) The current Hong Kong Dollar (HKD) unsecured bank loan amount comprises of HKD 12,000,000 (AUD 2,031,000) (2015: HKD 25,000,000 (AUD 4,611,000)) drawn under an overseas bank loan facility.
(3) The non-current AUD denominated unsecured bank loan amount comprises of AUD 128,000,000 (2015: AUD 110,000,000) drawn under the Group's syndicated bank loan facilities, net of unamortised prepaid loan establishment fees of AUD 1,314,000 (2015: AUD 1,460,000).
(4) The carrying value of the USPP is net of unamortised prepaid loan establishment fees of AUD 960,000 (2015: AUD 1,038,000).

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:

	2016 $'000	2015 $'000
USPP - carrying amount	**261,993**	273,018
add back USPP prepaid loan establishment fees	**960**	1,038
CCIRS	**(56,018)**	(69,016)
IRS	**(5,870)**	(3,975)
Net USPP debt	**201,065**	201,065

b) Assets pledged as security

While there were no assets pledged as security by DuluxGroup Limited and its subsidiaries, some of the Group's entities have provided a guarantee in relation to the Group's syndicated bank loan facilities and other overseas bank facilities as detailed in note 16.

c) Defaults and breaches

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

d) Accounting policies

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

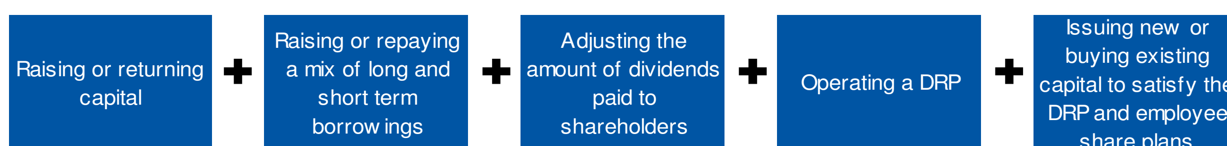
Amortised cost is calculated by taking into account any issue costs and any discount or premium on issuance. Gains and losses are recognised in the income statement in the event that the liabilities are derecognised.

14 Financial and capital management

a) Capital management

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

The Group manages its capital through various means including:



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

	Calculation	2016 $'000	2015 $'000	Metric/Ratio
Net debt to EBITDA	Gross interest-bearing liabilities	**403,857**	398,706	**1.3 times** (2015: 1.2 times)
	Less: Prepaid loan establishment fees	**(2,274)**	(2,498)	
	USPP derivatives[1]	**(61,888)**	(72,991)	
	Cash and cash equivalents	**(39,068)**	(46,270)	
	Net debt	**300,627**	276,947	
	EBITDA excluding non-recurring items[2]	**233,376**	227,271	
Interest cover ratio	EBITDA excluding non-recurring items[2]	**233,376**	227,271	**14.1 times** (2015: 13.1 times)
	Net finance costs	**19,898**	21,255	
	Less: Amortisation of prepaid loan establishment fees	**(806)**	(1,399)	
	Unw ind of discounting	**(2,667)**	(2,049)	
	Defined benefit fund interest	**(828)**	(469)	
	Addback: Capitalised interest	**904**	-	
	Adjusted net finance costs	**16,501**	17,338	
Accounting gearing ratio	Net debt[3]	**300,627**	276,947	**45%** (2015: 44%)
	Net debt plus total equity	**665,865**	628,192	

(1) Foreign currency and interest rate hedges relating to the USPP notes.
(2) Prior year comparative is after excluding restructuring costs relating to supply chain projects. Refer to note 2 for further details.
(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; and
- Credit risk.

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

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

The Group's approach to managing its principle financial risks is set out in sections 14(c) to 14(e) below.

14 Financial and capital management (continued)

c) Market risk

i) Interest rate risk

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

The Group is primarily exposed to interest rate risk on outstanding long term interest-bearing liabilities. Interest rate risk on long term interest-bearing liabilities is managed by adjusting the ratio of fixed interest debt to variable interest debt. Under the Treasury Policy, a maximum of 90% of debt with a maturity of less than five years can be fixed and a maximum 50% of debt with a maturity of five years or greater can be fixed. The Group operated within this range during the financial year ended 30 September 2016. As at 30 September 2016, 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 and the weighted average effective interest rates on financial assets and liabilities at 30 September are set out below:

	2016	2015	**2016**	2015
	$'000	$'000	**% p.a**	%p.a
Cash at bank and on hand	**39,068**	46,270	**0.7**	0.7
Net interest bearing liabilities [1]	**341,969**	325,715	**4.3**	4.5

[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]**	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Interest rates were -10%	**470**	473	**463**	219
Interest rates were +10%	**(470)**	(473)	**(463)**	(219)

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

ii) Foreign exchange risk

Foreign exchange risk - transactional

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

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

The Group is exposed to foreign exchange risk primarily due to purchases and sales being denominated, either directly or indirectly in currencies other than the functional currencies of the Group's subsidiaries. Approximately 30% to 40% of the Group's purchases are denominated in, or are directly linked to the USD, RMB 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):

	AUD/USD		**AUD/NZD**		**AUD/RMB**		**AUD/HKD**		**AUD/EUR**		**AUD/PGK**	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Reported exchange rate	**0.76**	0.70	**1.05**	1.10	**5.09**	4.45	**5.91**	5.42	**0.68**	0.62	**2.50**	2.06
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Cash and cash equivalents	**1,307**	3,073	**3**	1,543	**-**	-	**-**	187	**20**	257	**-**	-
Trade and other receivables	**1,398**	2,507	**161**	73	**-**	-	**-**	-	**62**	99	**522**	-
Trade and other payables	**(4,506)**	(5,370)	**(1,787)**	(1,225)	**(1,903)**	(236)	**(265)**	(316)	**(1,632)**	(1,987)	**(5,937)**	(2,996)
Interest-bearing liabilities	**(740)**	(601)	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Net exposure	**(2,541)**	(391)	**(1,623)**	391	**(1,903)**	(236)	**(265)**	(129)	**(1,550)**	(1,631)	**(5,415)**	(2,996)

14 Financial and capital management (continued)

c) Market risk (continued)

ii) Foreign exchange risk (continued)

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

	AUD/USD		AUD/NZD		AUD/RMB		AUD/HKD		AUD/EUR		AUD/PGK	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000	**2016 $'000**	2015 $'000	**2016 $'000**	2015 $'000	**2016 $'000**	2015 $'000	**2016 $'000**	2015 $'000
Increase/(decrease) in profit after income tax expense[1]												
Foreign exchange rates -10%	**(198)**	(30)	**(126)**	30	**(148)**	(18)	**(21)**	(10)	**(140)**	(127)	**482**	208
Foreign exchange rates +10%	**162**	25	**103**	(25)	**121**	15	**17**	8	**115**	104	**(394)**	(170)
Increase/(decrease) in total equity[1]												
Foreign exchange rates -10%	**(198)**	(30)	**(126)**	30	**(148)**	(18)	**(21)**	(10)	**(140)**	(127)	**482**	208
Foreign exchange rates +10%	**162**	25	**103**	(25)	**121**	15	**17**	8	**115**	104	**(394)**	(170)

[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 2016 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

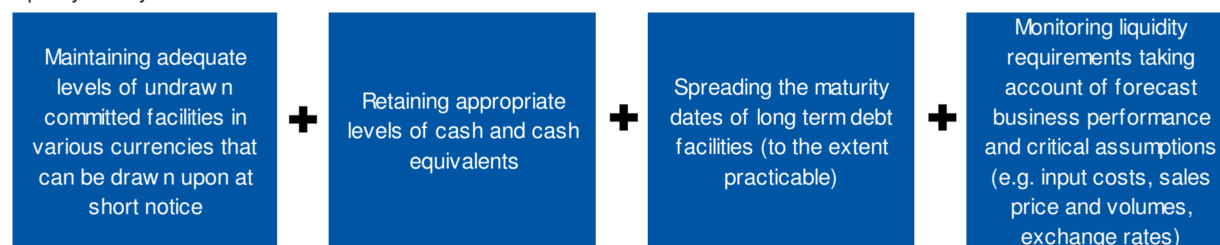
Translational foreign exchange risk refers to the risk that the value of foreign earnings (primarily NZD, PGK and RMB) translated to AUD will fluctuate due to foreign currency rates. The Group's policy allows for economic hedging to be undertaken to reduce the volatility of full year earnings. At 30 September 2016, the Group did not have any outstanding derivative instruments pertaining to foreign currency earnings (2015: NIL).

iii) Commodity price risk

The Group is exposed to commodity price risk from a number of commodities, including titanium dioxide, tin plate, hot rolled coil steel and some petroleum based inputs, for example latex and resin. The cost of these inputs is impacted by changes in commodity prices, foreign currency movements and industry specific factors. To the extent that any increases in these costs cannot be passed through to customers in a timely manner, the Group's profit after income tax and shareholder's equity could be adversely impacted. For major suppliers, this impact is managed through a range of contractual mechanisms which reduce the impact, or provide sufficient visibility over when these impacts will affect the Group's profit.

d) Liquidity risk

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



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]	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000
Amount of committed facilities	**22,695**	22,455	**619,923**	619,913
Amount of committed facilities undrawn	**22,695**	22,455	**277,954**	294,198

[1] The bank overdrafts are payable on demand and are subject to an annual review.

[2] As at the 30 September 2016, the maturity dates of the committed loan facilities range from 8 November 2017 to 19 September 2026 (2015: 8 November 2016 to 19 September 2026).

[3] Includes AUD 400,000,000 (2015: AUD 400,000,000) unsecured multi-currency syndicated bank loan facility, and notes issued under the USPP of AUD 201,065,000 (2015: AUD 201,065,000). Includes the RMB 60,000,000 (AUD 11,793,000) (2015: RMB 60,000,000 (AUD 13,498,000)) unsecured bank loan facility established in China and the unsecured bank loan facility established in Hong Kong for HKD 41,750,000 (AUD 7,065,000) (2015: HKD 19,000,000 (AUD 3,505,000), HKD 10,000,000 (AUD 1,845,000)).

14 Financial and capital management (continued)

d) Liquidity risk (continued)

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

Financial liabilities	Trade and other payables		Bank loans and derivative financial liabilities[1]		Total	
	2016	2015	**2016**	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Carrying amount	**251,036**	253,057	**407,086**	401,359	**658,122**	654,416
Less than 1 year	**250,766**	252,781	**28,416**	28,232	**279,182**	281,013
1 to 2 years	**65**	63	**135,996**	118,631	**136,061**	118,694
2 to 5 years	**205**	200	**62,261**	24,405	**62,466**	24,605
Over 5 years	**207**	276	**183,987**	235,542	**184,194**	235,818
Total	**251,243**	253,320	**410,660**	406,810	**661,903**	660,130

[1] Excludes the impact of the prepaid loan establishment fees.

e) Credit risk

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

The Group has policies in place to ensure customers who wish to trade on credit terms are subject to credit verification procedures, including an assessment of their independent credit rating, financial position, past experience and industry reputation. The Group has some major customers who represent a significant proportion of its revenue (refer note 2). In these instances the customer's size, credit rating and long term history of full debt recovery are indicators of lower credit risk.

Credit risk from derivative financial instruments and cash arises from balances held with counterparty financial institutions. To manage this risk, the Group restricts dealings to highly rated counterparties approved within its credit limit policy. The allowable exposure to the counterparty is directly proportional to their credit rating. The Group does not hold any credit derivatives or collateral to offset its credit exposures. Given the high credit ratings of the Group's counterparties at 30 September 2016, 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 and interest rate options	Fair value is determined using present value of estimated future cash flows based on observable yield curves and market implied volatility
	Forward foreign exchange contracts	Fair value is determined using prevailing forward exchange rates
	Other financial instruments (including Interest bearing liabilities)	Fair value is determined using discounted cash flow

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

Notes to the Consolidated Financial Statements

Capital and Risk Management (continued)

For the financial year ended 30 September 2016

14 Financial and capital management (continued)

g) Financial instruments

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

	Cash and cash equivalents		Financial assets at amortised cost		Financial liabilities at amortised cost		Derivative instruments designated as hedges		Total carrying amount	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	$'000	**$'000**	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	**$'000**
Financial assets										
Cash at bank and on hand	**39,068**	46,270	**-**	-	**-**	-	**-**	-	**39,068**	46,270
Trade and other receivables	**-**	-	**256,380**	257,939	**-**	-	**-**	-	**256,380**	257,939
Derivative financial assets	**-**	-	**-**	-	**-**	-	**60,309**	75,233	**60,309**	75,233
	39,068	46,270	**256,380**	257,939	**-**	-	**60,309**	75,233	**355,757**	379,442
Financial liabilities										
Trade and other payables	**-**	-	**-**	-	**251,036**	253,057	**-**	-	**251,036**	253,057
Interest-bearing liabilities	**-**	-	**-**	-	**401,583** (1)	396,208 (1)	**-**	-	**401,583**	396,208
Derivative financial liabilities	**-**	-	**-**	-	**-**	-	**3,229**	2,653	**3,229**	2,653
	-	-	**-**	-	**652,619**	649,265	**3,229**	2,653	**655,848**	651,918

(1) The fair value of the USPP is $262,679,000 (2015: $272,247,000).

h) Accounting policies

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

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

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

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

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

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

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

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

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

14 Financial and capital management (continued)

h) Accounting policies (continued)

ii) Financial instruments – hedging (continued)

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

Cash flow hedges

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

Fair value hedges

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

Derivatives that do not qualify for hedge accounting

The Group does not hold or issue financial instruments for trading purposes. Certain derivative instruments, however, do not qualify for hedge accounting, despite being commercially valid economic hedges of the relevant risks. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

15 Contributed equity

Movements in contributed equity since 1 October 2015 were as follows:

	Ordinary shares		Treasury shares		Total contributed equity	
Details	**Number of shares**	**2016 $'000**	**Number of shares**	**2016 $'000**	**Number of shares**	**2016 $'000**
Balance at 1 October 2015	389,250,252	256,483	(54,646)	(159)	389,195,606	256,324
Purchase of treasury shares	-	-	(2,890,381)	(18,313)	(2,890,381)	(18,313)
Shares allocated under the DRP [(1)]	-	-	1,199,318	7,623	1,199,318	7,623
Sale of treasury shares	-	-	5,103	32	5,103	32
Shares vested under the LTEIP and ESIP	-	8,403	54,646	159	54,646	8,562
Balance at 30 September 2016	**389,250,252**	**264,886**	**(1,685,960)**	**(10,658)**	**387,564,292**	**254,228**

(1) The Company has established a DRP under which holders of ordinary shares may be able to elect to have all or part of their dividend entitlements satisfied by the issue of new fully paid ordinary shares or shares purchased on-market.

a) Shares issued to subsidiaries

The Group has formed a trust to administer the Group's employee share schemes. Movements in shares held by the trust since 1 October 2015 are as follows:

	Number of shares		
Details	**Issued ordinary capital**	**Treasury**	**Total**
Balance at 1 October 2015	7,267,723	54,646	7,322,369
Shares purchased under the 2015 LTEIP	-	1,685,960	1,685,960
Shares vested under the LTEIP and ESIP	(2,409,549)	(54,646)	(2,464,195)
Balance at 30 September 2016	**4,858,174**	**1,685,960**	**6,544,134**

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 $30,893,471.

b) Accounting policies

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

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

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

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

Notes to the Consolidated Financial Statements

Group Structure

For the financial year ended 30 September 2016

16 Subsidiaries

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

Name of entity	Country of incorporation	Name of entity	Country of incorporation
DuluxGroup (Investments) Pty Ltd[1,2]	Australia	DGL Camel Coatings (Shanghai) Limited[3]	China
DuluxGroup (Finance) Pty Ltd[1,2]	Australia	DGL Camel Powder Coatings (Dongguan) Limited[3]	China
DuluxGroup (New Zealand) Pty Ltd[1,2]	Australia	DGL Camel Coatings (Dongguan) Limited[3]	China
DuluxGroup (Australia) Pty Ltd[1,2]	Australia	Countermast Technology (Dalian) Company Limited	China
Dulux Holdings Pty Ltd[1,2]	Australia	DGL International (Hong Kong) Limited[4]	Hong Kong
DuluxGroup (Employee Share Plans) Pty Ltd[1]	Australia	DGL Camel International Limited[3]	Hong Kong
DuluxGroup Employee Share Plan Trust	Australia	DGL Camel Powder Coatings Limited[3]	Hong Kong
DuluxGroup (Nominees) Pty Ltd[1,2]	Australia	DGL Camel (Hong Kong) Limited[3]	Hong Kong
Alesco Corporation Limited [1,2]	Australia	DGL Camel (China) Limited[3]	Hong Kong
Alesco Finance Pty Ltd[1,2]	Australia	Countermast Limited	Hong Kong
Alesco Holdings Pty Ltd[4]	Australia	DGL International (Malaysia) Sdn Bhd	Malaysia
Alesco No. 1 Pty Ltd[4]	Australia	Alesco New Zealand Limited	New Zealand
Alesco No. 2 Pty Ltd[4]	Australia	Alesco NZ Trustee Limited[4]	New Zealand
B&D Australia Pty Ltd[1,2]	Australia	B&D Doors (NZ) Limited[2]	New Zealand
Automatic Technology (Australia) Pty Ltd[1,2]	Australia	Concrete Plus Limited[2]	New Zealand
Parchem Construction Supplies Pty Ltd[1,2]	Australia	Easy Iron Limited[4]	New Zealand
Robinhood Australia Pty Ltd[1]	Australia	Lincoln Sentry Limited	New Zealand
Lincoln Sentry Group Pty Ltd[1,2]	Australia	Robinhood Limited	New Zealand
Concrete Technologies Pty Ltd	Australia	Supertub Limited[4]	New Zealand
Pargone Pty Ltd[1]	Australia	Dulux Holdings (PNG) Ltd	Papua New Guinea
ACN 009 130 858 Pty Ltd[4]	Australia	DGL Camel (Singapore) Pte Ltd[3]	Singapore
ACN 000 639 252 Pty Ltd[4]	Australia	DuluxGroup (PNG) Pte Ltd[2]	Singapore
Alesco Management Share Plan Trust[4]	Australia	DGL International (Singapore) Pte Ltd	Singapore
ATA Innovations Pty Ltd[4]	Australia	Craig & Rose Limited[5]	United Kingdom
Joinery Products Hardware Supplies Pty Ltd[4]	Australia	DGL International (Vietnam) Limited Company	Vietnam

(1) These subsidiaries have each entered into a Deed of Cross Guarantee with DuluxGroup Limited in respect of relief granted from specific accounting and financial reporting requirements in accordance with the ASIC 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, in which the Group has a 51% equity holding.
(4) These entities were deregistered during the year ended 30 September 2016.
(5) This entity was incorporated during the year ended 30 September 2016.

17 Businesses acquired

2016

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

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

On 10 August 2016, the Group acquired the Craig & Rose business in the United Kingdom. The business manufacturers and markets a range of niche premium paint products.

The acquisition accounting for these transactions is considered provisional due to ongoing work to be carried out on the valuation of the assets acquired. Therefore, the amounts recognised may be subject to change before the 12 month anniversary date of these acquisitions. The assets and liabilities recognised as a result of these acquisitions are as follows:

	Fair value $'000s
Cash Consideration	**13,215**
Deferred Consideration	**250**
Total consideration	**13,465**
Net assets of business acquired	
Trade and other receivables	**630**
Inventories	**3,006**
Other assets	**59**
Property, plant and equipment	**4,974**
Deferred tax assets	**441**
Trade and other payables	**(69)**
Provision for employee entitlements	**(85)**
Provision for leased properties	**(897)**
Other provisions	**(54)**
Net identifiable assets acquired	**8,005**
Goodwill on acquisition(1)	**5,460**

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

2015

On 9 June 2015 the Group acquired Porter's Paints, a manufacturer and marketer of 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 $'000s
Total cash consideration	11,458
Net assets of business acquired	
Inventories	1,678
Property, plant and equipment	294
Intangible assets - 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.

a) Accounting policies

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

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

17 Businesses acquired (continued)

a) Accounting policies (continued)

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

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

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

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

b) Key accounting estimates and judgements

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

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

18 Equity accounted investment

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

	2016 $'000	2015 $'000
Pinegro Products Pty Ltd		
Percentage of ownership interest held[1]	**50%**	50%
Opening balance	**6,342**	5,423
Share of net profit	**676**	919
Proceeds from joint venture distribution	**(500)**	-
Balance at 30 September	**6,518**	6,342

[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:

	2016 $	2015 $
Sales of goods	**375,851**	363,682
Purchases of goods	**3,851,840**	3,108,527
Distributions received	**500,000**	-
Current receivables	**80,146**	123,805
Current payables	**1,500,405**	720,728

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 2016 (2015: $NIL).

19 Superannuation

a) Superannuation plans

The Group contributes to a number of superannuation plans that exist to provide benefits for employees and their dependants on retirement, disability or death. The Group is required to contribute (to the extent required under Superannuation Guarantee legislation) to any choice fund nominated by employees, including self-managed superannuation funds.

Company sponsored plans

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

Government plans

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

Industry plans

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

b) Defined contribution pension plans

The Group contributes to several defined contribution pension plans on behalf of its employees. Contributions are taken to the income statement in the year in which the expense is incurred. The amount recognised as an expense for the financial year ended 30 September 2016 was $21,050,000 (2015: $20,467,000).

c) Defined benefit pension plans

DuluxGroup (Australia) Pty Ltd is the sponsoring employer of the defined benefit post-employment section of The DuluxGroup Super Fund (the Fund) in Australia. Funding for post-employment benefits is carried out in accordance with the requirements of the Trust Deed for the Fund and the advice of the Fund’s actuarial adviser. The fund is closed to new members.

The plan exposes the Group to a number of risks, asset volatility, changes in bond yields and inflation risks. Derivatives are not used to manage risk, instead investments are well diversified, such that failure of any single investment would not reasonably be expected to have a material impact on the overall level of assets. The process used to manage risk has not changed from previous periods. The principal actuarial assumptions used to calculate the net defined benefit liability are a discount rate (corporate bond rate) of 3.3% (2015: 4.1%), pension take up rate of 40% (2015: 20%), future salary increases of 3.8% (2015: 3.8%) and future inflation of 2.5% (2015: 2.5%).

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

	2016 $'000	2015 $'000
Present value of the defined benefit obligations	**200,841**	167,558
Fair value of defined benefit plan assets	**(144,375)**	(145,451)
Net defined benefit liability at 30 September	**56,466**	22,107
Opening balance	**22,107**	14,468
Actuarial losses[1]	**32,551**	6,599
Current service cost[2]	**4,965**	4,455
Interest cost[2]	**828**	469
Employer contributions[3]	**(3,985)**	(3,884)
Balance at 30 September	**56,466**	22,107

[1] Actuarial losses are recognised in other comprehensive income.
[2] Current service cost and interest cost are recognised in the consolidated income statement as part of employee benefits and finance expenses respectively.
[3] Employer contributions are cash payments which are recognised as part of movement in trade and other payables and provisions in the cash flow statement.

The Group’s external actuaries have forecasted total employer contributions to the Fund of $3,656,000 for the financial year ending 30 September 2017.

19 Superannuation (continued)

c) Defined benefit pension plans (continued)

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

	2016	2015
Cash and other assets	**31%**	28%
Equity instruments	**40%**	41%
Fixed interest securities	**15%**	17%
Property	**14%**	14%

d) Key accounting estimates and judgements

Defined benefit pension plans

In calculating the net defined benefit liability, management judgement is required in determining the following key assumptions: future salary and wages increases; pension take up rates; and rates of exits. Management uses external actuaries to assist in determining these assumptions and in valuing the net defined benefit liability, and any movements in these assumptions will impact the valuation of this liability.

20 Share-based payments

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

	2016	2015
	$	$
DuluxGroup LTEIP[1]	**2,754,934**	2,672,737
DuluxGroup ESIP	**972,453**	955,063
	3,727,387	3,627,800

[1] In accordance with AASB 2 *Share-based Payment*, represents the expense incurred during the year in respect of current incentive allocations to executives. These amounts are therefore not amounts actually received by executives during the year. Whether an executive receives any value from the allocation of long term incentives in the future will depend on the performance of the Company's shares. The minimum potential future value of grants under LTEIP is $NIL (2015: $NIL).

a) DuluxGroup LTEIP

The LTEIP has been established to incentivise executives to generate shareholder wealth. Detailed remuneration disclosures, including the link between the LTEIP and shareholder wealth, are provided in the Remuneration Report section of the Directors' Report.

Under the LTEIP, eligible executives are provided with an interest free, non-recourse loan from the Group for the sole purpose of acquiring shares in the Company. Executives may not deal with the shares while the loan remains outstanding and any dividends paid on the shares are applied (on an after-tax basis) towards repaying the loan. Executives are entitled to exercise the voting rights attaching to their DuluxGroup ordinary shares from the date of allocation of those shares. If the executive leaves the Group within the vesting period the shares allocated are returned to the Group, subject to discretion retained by the Directors.

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

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

Notes to the Consolidated Financial Statements

Other Disclosures (continued)

For the financial year ended 30 September 2016

20 Share-based payments (continued)

a) DuluxGroup LTEIP (continued)

Details of shares issued under these plans are as follows:

							Number of shares				
Grant date	Life of share options (years)	Expiry date	Grant date share price	Fair value at grant date	Risk free interest rate	Share price volatility	Balance at start of year	Granted during year	Lapsed during year	Exercised during year	Balance at end of year
30 Nov 12	3.1	Jan 16	$3.50	$0.99	2.6%	22.5%	1,922,559	-	(22,926)	(1,899,633)	-
28 Jun 13	2.6	Jan 16	$4.21	$1.26	2.8%	22.5%	178,480	-	-	(178,480)	-
29 Nov 13	3.1	Jan 17	$5.45	$1.71	3.0%	22.5%	1,906,525	-	(158,545)	-	1,747,980 [(1)]
28 Nov 14	3.1	Jan 18	$5.71	$1.72	2.5%	22.5%	1,998,351	-	(173,704)	-	1,824,647
27 Nov 15	3.1	Jan 19	$6.30	$1.92	2.1%	22.5%	-	1,936,022	(65,122)	-	1,870,900

(1) Since the end of the financial year, these shares have met the applicable DuluxGroup LTEIP performance condition and vested on 8 November 2016. The restriction on trading these shares will be lifted upon repayment of the loan. The loan must be repaid during the period from 18 November 2016 to 20 January 2017.

b) DuluxGroup ESIP

In December 2015, 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 2014: $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 2014: NZD 390 with NZD 390 matching). A share allocated to a participating employee under the ESIP has trade restrictions attached until the earlier of the end of three years after the date of allocation and the time when the participant ceases to be employed by DuluxGroup Limited or any of its subsidiaries. At the end of the restriction period, the employee will be able to sell or otherwise deal with their DuluxGroup shares.

Details of restricted shares issued under these plans is as follows:

Allocation date	Number of shares unvested at 30 September 2016
20 Dec 13	256,726
19 Dec 14	274,312
17 Dec 15	281,754

c) Accounting policies

i) DuluxGroup LTEIP

Shares issued/allocated under the LTEIP in conjunction with non-recourse loans are accounted for as options and as such the amounts receivable from employees in relation to these loans are not recognised in the financial statements. Settlement of share loans upon vesting are recognised as contributed equity.

The options are externally measured at fair value at the date of grant using an option valuation model being an adjusted form of the Black-scholes option pricing model. This valuation model generates possible future share prices based on similar assumptions that underpin relevant option pricing models to calculate the fair value (as at grant date) of options granted.

The assumptions underlying the options valuations are:

- exercise price of the option;
- life of the option;
- current price of the underlying securities;
- expected volatility of the share price;
- dividends expected on the shares ($Nil is adopted where participants will fully benefit from dividend receipts during the life of the investments);
- risk-free interest rate for the life of the option;
- specific factors relating to the likely achievement of performance hurdles;
- employment tenure; and
- vesting and performance conditions (including the potential to be awarded loan forgiveness).

The fair value determined at the grant date of the award is recognised as a SBP expense in the income statement on a straight-line basis over the relevant vesting period. The expense recognised is reduced to take account of the costs attributable to participating employees who do not remain in the employment of the Group throughout the vesting period.

ii) DuluxGroup ESIP

Where shares are issued under the ESIP at a discount, a SBP expense for the fair value of the discount on the granted shares is recognised.

21 Director and executive disclosures

a) Key Management Personnel (KMP) compensation summary

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

	2016	2015
	$	$
Short term employee benefits	**6,858,794**	6,622,771
Other long term benefits	**100,603**	57,481
Post employment benefits	**175,462**	168,894
Share-based payments	**1,559,265**	1,347,967
Total	**8,694,124**	8,197,113

Information regarding the compensation of individual KMP and some equity instruments disclosure as required by Corporation Regulation 2M.3.03 is provided in the Remuneration Report section of the Directors' Report.

b) KMP transactions in shares and options

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

	2016	2015
	Number	Number
Number of options and rights for fully paid ordinary shares	**2,692,890**	2,826,302
Number of fully paid ordinary shares	**2,468,030**	2,069,611

c) Other transactions and balances with KMP

All transactions with KMPs are made on normal commercial terms and conditions and in the ordinary course of business. At 30 September 2016, travel expense claims, consulting and subsidiary board fees of $43,750 (2015: $48,750) 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 2016.

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.

22 Commitments

a) Capital expenditure commitments

	2016	2015
	$'000	$'000
Capital expenditure on property and plant and equipment contracted but not provided for and payable:		
- New paint factory	**41,516**	13,287
- Other	**480**	1,553
	41,996	14,840

22 Commitments (continued)

b) Lease commitments – non-cancellable operating leases

The Group leases offices, warehouses, retail bulky goods and manufacturing sites under non-cancellable operating leases. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated. There are no restrictions placed upon the lessee by entering into these leases. Excess space is sub-let to third parties also under non-cancellable operating leases. Not included in the commitments below are contingent rental payments which may arise as part of rental increases indexed to the Consumer Price Index (CPI), or the higher of a fixed rate or CPI.

	2016 **$'000**	2015 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
- No later than one year	**47,339**	39,321
- Later than one, no later than five years	**105,530**	115,023
- Later than five years	**58,908**	72,337
	211,777	226,681
Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases	**6,285**	7,226

23 Contingent liabilities

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

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

24 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 16. 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

	2016 **$'000**	2015 $'000
Profit before income tax expense	**172,573**	144,922
Income tax expense	**(48,301)**	(38,072)
Profit for the year	**124,272**	106,850
Retained earnings		
Opening balance	**145,974**	126,065
Profit for the year	**124,272**	106,850
Actuarial losses on defined benefit plan recognised directly in retained earnings (net of tax)	**(22,786)**	(4,619)
Dividends paid - ordinary shares	**(88,818)**	(82,322)
Balance at 30 September	**158,642**	145,974

Notes to the Consolidated Financial Statements

Other Disclosures (continued)

For the financial year ended 30 September 2016

24 Deed of cross guarantee (continued)

b) Consolidated statement of comprehensive income

	2016	2015
	$'000	$'000
Profit for the year	**124,272**	106,850
Other comprehensive loss		
Items that may be reclassified to the income statement		
Cash flow hedge reserve		
Effective portion of changes in fair value of cash flow hedges	**(2,945)**	344
Income tax benefit/(expense)	**883**	(103)
Foreign currency translation reserve		
Foreign currency translation gain on foreign operations	**3,885**	1,258
Total items that may be reclassified to the income statement, net of tax	**1,823**	1,499
Items that will not be reclassified to the income statement		
Retained earnings		
Actuarial losses on defined benefit plan	**(32,551)**	(6,599)
Income tax benefit	**9,765**	1,980
Total items that will not be reclassified to the income statement, net of tax	**(22,786)**	(4,619)
Other comprehensive loss for the year, net of tax	**(20,963)**	(3,120)
Total comprehensive income for the year	**103,309**	103,730

Notes to the Consolidated Financial Statements

Other Disclosures (continued)

For the financial year ended 30 September 2016

24 Deed of cross guarantee (continued)

c) Consolidated balance sheet

	2016 $'000	2015 $'000
Current assets		
Cash and cash equivalents	**18,678**	23,482
Trade and other receivables	**271,894**	279,064
Inventories	**196,956**	193,875
Derivative financial assets	**3,269**	5,207
Other assets	**4,496**	6,094
Total current assets	**495,293**	507,722
Non-current assets		
Other receivables	**8**	8
Derivative financial assets	**57,040**	70,026
Investment in controlled entities	**62,485**	52,286
Equity accounted investment	**6,518**	6,342
Property, plant and equipment	**295,925**	248,915
Intangible assets	**229,882**	229,822
Deferred tax assets	**56,632**	50,384
Other assets	**4,155**	2,924
Total non-current assets	**712,645**	660,707
Total assets	**1,207,938**	1,168,429
Current liabilities		
Trade and other payables	**232,089**	239,317
Interest-bearing liabilities	**8,354**	5,465
Derivative financial liabilities	**3,229**	1,271
Current tax liabilities	**14,359**	17,665
Provisions	**39,190**	45,961
Total current liabilities	**297,221**	309,679
Non-current liabilities		
Other payables	**259**	276
Interest-bearing liabilities	**388,679**	381,558
Derivative financial liabilities	**-**	1,382
Deferred tax liabilities	**15,161**	15,343
Provisions	**45,373**	48,851
Defined benefit liability	**56,466**	22,107
Total non-current liabilities	**505,938**	469,517
Total liabilities	**803,159**	779,196
Net assets	**404,779**	389,233
Equity		
Share capital	**292,481**	292,745
Reserves	**(46,344)**	(49,486)
Retained earnings	**158,642**	145,974
Total equity	**404,779**	389,233

Notes to the Consolidated Financial Statements

Other Disclosures (continued)

For the financial year ended 30 September 2016

25 Parent entity disclosures

a) Summary financial information

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

Summary financial information

	2016 $'000	2015 $'000
Current assets	**125,381**	141,510
Non-current assets	**229,263**	229,268
Total assets	**354,644**	370,778
Current liabilities	**9,661**	14,816
Total liabilities	**9,661**	14,816
Net assets	**344,983**	355,962
Equity		
Contributed equity	**292,481**	292,745
Profits reserve[1]	**40,358**	55,000
Other reserves	**7,751**	6,432
Retained earnings	**4,393**	1,785
	344,983	355,962
Profit before income tax expense[2]	**75,834**	87,112
Income tax benefit	**950**	881
Profit for the year	**76,784**	87,993
Total comprehensive income of the parent entity	**76,784**	87,993

(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 $79,000,000 declared by DuluxGroup (New Zealand) Pty Ltd during the financial year ended 30 September 2016 (2015: $90,000,000).

b) Guarantees

Details of guarantees entered into by the parent entity in relation to external banking facilities as at 30 September 2016 are set out in note 16. 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 2016 (2015: $NIL).

d) Contingent liabilities

Refer to note 23 for information relating to contingent liabilities of the parent entity.

26 Auditors' remuneration

	2016 $	2015 $
Audit services - audit and review of financial reports		
KPMG Australia	**676,500**	725,500
Overseas KPMG firms[1,2]	**469,742**	546,363
	1,146,242	1,271,863
Other services[3]		
Other assurance services - KPMG Australia	**68,608**	106,275
Other assurance services - Overseas KPMG firms[2]	**14,690**	11,856
	83,298	118,131

(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.

Notes to the Consolidated Financial Statements

Other Disclosures (continued)

For the financial year ended 30 September 2016

27 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 2015.

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

Reference	Title	Application
AASB 2015-9	Amendments to Australian Accounting Standards - Scope and Application Paragraphs [AASB 8, AASB 133 & AASB 1057]	1 Oct 2015
AASB 2015-10	Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128	1 Oct 2015
AASB 2016-1	Amendments to Australian Accounting Standards- Recognition of Deferred Tax Assets for Unrealised Losses	1 Oct 2015
AASB 2016-5	Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions	1 Oct 2015

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. Other than the implications of AASB 16 *Leases* outlined below, these standards are not expected to have a material impact on the Group’s financial position and performance. However, increased disclosures will be required in the Group’s financial statements.

Reference	Title	Application
AASB 2015-8	Amendments to Australian Accounting Standards - Effective Date of AASB 15	1 Oct 2018
AASB 2016-2	Amendments to Australian Accounting Standards- Disclosure Initiative: Amendments to AASB 107	1 Oct 2017
AASB 15	Revenue from Contracts with Customers	1 Oct 2018
AASB 2014-5	Amendments to Australian Accounting Standards arising from AASB 15	1 Oct 2018
AASB 2016-3	Amendments to Australian Accounting Standards - Clarifications to AASB 15	1 Oct 2018
AASB 2014-3	Amendments to Australian Accounting Standards - Accounting for Acquisitions of Interests in Joint Operations	1 Oct 2016
AASB 2014-4	Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation	1 Oct 2016
AASB 16	Leases	1 Oct 2019

AASB16 Leases

AASB 16 *Leases* was released in February 2016 by the Australian Accounting Standards Board. AASB 16 requires companies to bring on-balance sheet most leases, in particular those leases that were previously classified as operating leases under the previous standard, by recognising a right-of-use asset and a lease liability. As a result there is likely to be changes to the timing, amounts and nature of items recognised in the consolidated income statement. The new standard is mandatory for annual reporting periods beginning on or after 1 January 2019, but may in some circumstances be early adopted. The Group is yet to assess the impact of the standard on its financial statements and would expect to make a more detailed assessment of the effect over the next 12 months.

28 Subsequent events

Details of the final dividend declared since balance date is set out in note 6.

The Directors have not become aware of any other significant matter or circumstance that has arisen since 30 September 2016, that has affected or may affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent years, which has not been covered in this report.

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF DULUXGROUP LIMITED

REPORT ON THE FINANCIAL REPORT

Opinion

We have audited the accompanying Financial Report of DuluxGroup Limited (the Company), which comprises the consolidated balance sheet as at 30 September 2016, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes 1 to 28, 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.

In our opinion:

(a) the accompanying Financial Report of DuluxGroup Limited 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 2016 and of its financial 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 (a).

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the Financial Report is free from material misstatement.

Our responsibilities under those Standards are further described in the *Auditor’s Responsibility* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the relevant ethical requirements of the Accounting Professional and Ethical Standards Board’s APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Report of the current period.

This matter was addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

The key audit matter	How the matter was addressed in our audit
Carrying value of property, plant and equipment, and intangible assets ($546.1m). Refer to notes 8 & 9 in the Financial Report	

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KPMG

The Group's Cash Generating Units (CGUs) are subject to the cyclical nature of expenditure in the sectors in which those CGUs operate which include infrastructure, construction, and mining. These sectors have experienced the impacts of reductions in capital expenditure, constrained government spending, cost reduction mandates and project cancellations and deferrals, along with volatile commodity prices.

The level of activity in those sectors impacts the current performance and the forecast cash flows used in the value in use models of the Group's CGUs that operate in those sectors. Given the reduced level of activity, the value of goodwill and intangible assets is a key audit matter. Other conditions giving rise to our focus on this area included the significant level of judgement in respect of inputs such as:

- The determination of CGUs;
- Budgeted future revenue and cost cash flows;
- Discount rates; and
- Terminal growth rate.

Management have identified the Parchem CGU as having sensitivity to impairment due to the fact that a reasonably possible negative change in projected cash flows may result in the carrying value of the CGU exceeding its recoverable amount. We paid particular attention to these conditions.

Our procedures included, amongst others:

- We assessed the goodwill and intangible assets impairment assessment process and tested controls such as the review of forecasts by management.
- We assessed management's determination of the Group's CGUs based on our understanding of the nature of the Group's business units. We also analysed the internal reporting of the Group to assess how the CGUs are monitored and reported, and the implications to CGU identification in accordance with the accounting standards.
- We compared the cash flows in the value in use models to the FY17 budget and the FY18- FY19 business plan.
- For the Parchem CGU, we performed a range of sensitivity analyses including the discount rate and growth inputs to inform the focus of our further testing.
- We assessed key inputs to the value in use models including forecast revenue, costs, discount rates and terminal growth rates. We challenged these key inputs by corroborating market growth rates to external analyst and industry reports, and compared the discount rate to comparable companies. For non-market based inputs, such as revenue and costs, we compared forecasts to actual performance currently being achieved.
- We assessed the historical accuracy of the Group's forecasts, by comparing the forecasts used in the prior year models to the actual performance of the business in the current year. These procedures enabled us to determine the accuracy of the forecasting process. We applied increased scepticism to current period forecasts in areas where previous forecasts were not achieved and/or where future uncertainty is greater or volatility is expected.
- We evaluated the competence of the external expert management engaged to assist them in determining the discount rates.
- We assessed the allocation of corporate overheads to CGUs by comparing the allocation methodology to our understanding of the business.
- We assessed the Group's disclosures for the valuation of goodwill and intangible assets, by comparing these disclosures to our business understanding and accounting standards requirements.

KPMG

Other Information

Other Information is financial and non-financial information in the annual report which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor’s Report was the Operating and Financial Review, Safety and Sustainability Report, Corporate Governance Report and Directors’ Report. The remaining Other Information is expected to be made available to us after the date of the Auditor's Report.

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

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor’s Report, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

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 gives a true and fair view and is free from material misstatement, whether due to fraud or error. In note 1 (a), the Directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the Financial Report complies with International Financial Reporting Standards.

In preparing the Financial Report, the Directors are responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor’s Responsibility

Our responsibility is to express an opinion on the Financial Report based on our audit. Our objectives are to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and to issue an Auditor’s Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.

An audit involves performing procedures to obtain audit evidence about 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.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error. This is because fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors, as well as evaluating the overall presentation of the Financial Report.

We conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the Financial Report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the Group to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the Financial Report, including the disclosures, and whether the Financial Report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Financial Report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control identified during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the Financial Report of the current period and are therefore the Key Audit Matters. We describe these matters in our Auditor's Report unless law or regulation precludes public disclosure about the matter; or when, in extremely rare circumstances, we determine that a matter should not be communicated because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON THE REMUNERATION REPORT

We have audited the Remuneration Report included in the Director's Report for the year ended 30 September 2016. 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 Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of DuluxGroup Limited for the year ended 30 September 2016, complies with Section 300A of the *Corporations Act 2001*.

KPMG

Gordon Sangster	James Dent
Partner	*Partner*

Melbourne

8 November 2016