DuluxGroup Limited

ABN 42 133 404 065

DuluxGroup Limited results for the financial year ended 30 September 2010

8 November 2010

Effective 9 July 2010, DuluxGroup Limited ceased to be a subsidiary of Orica Limited and became a separately listed entity on the Australian Securities Exchange on 12 July 2010. As required for statutory reporting purposes, the consolidated financial report for DuluxGroup has been presented for the financial year ended 30 September 2010 and the comparative period from the date of incorporation on 24 September 2008 to 30 September 2009.

The consolidated financial results presented for DuluxGroup for the financial year ended 30 September 2010 in the Appendix 4E do not reflect the full 12 months results for several operations that comprise DuluxGroup currently and at the time of the separation from Orica Limited. Upon incorporation, DuluxGroup Limited contained no material assets until the acquisition of SOPEL in China in November 2008. The results as presented for the 2009 comparative year therefore include only this business from the date of acquisition. During the current 2010 financial year, as part of the preparation for the demerger, significant operating assets and liabilities owned by other entities within the Orica Group were legally acquired by DuluxGroup Limited. These include the assets and liabilities of Paints Australia, Paints New Zealand and Selleys Yates on 1 December 2009, the Malaysian operation on 1 March 2010, the Hong Kong operation on 1 April 2010 and the Papua New Guinea operations on 30 June 2010. The results of these operations have only been included in the Appendix 4E from the date of acquisition by DuluxGroup, as required by applicable Australian Accounting Standards.

In addition, the consolidated results of DuluxGroup Limited presented in the Appendix 4E include the impact of the various financial transactions between Orica Limited and DuluxGroup Limited to effect the demerger itself.

Given the above, this profit report largely includes financial results prepared as if DuluxGroup owned all of its businesses for the full 12 months of each financial year. This information is referred to as “Pro forma”. This profit report includes a comparison between the Appendix 4E financials and the pro forma financials.

Note: Numbers in this profit report are subject to rounding.

Pro Forma Result Summary

Results	**Year ended 30 September**		
A$M	**2010 Pro forma**	**2009 Pro forma**	**% Change**
Sales revenue	963.9	944.7	2.0%
EBITDA	156.0	146.2	6.7%
EBIT before ongoing standalone costs	**136.5**	**128.9**	**5.9%**
Pro forma ongoing standalone costs	(13.0)	*	*
EBIT after ongoing standalone costs	**123.5**	*	*
Pro forma net interest expense	(22.1)	*	*
Pro forma tax expense	(29.9)	*	*
Pro forma NPAT before one-off demerger costs	**71.5**	*	*
One-off demerger costs (net of tax)	(2.8)	*	*
Pro forma NPAT after one-off demerger costs	**68.7**	*	*
Operating cash flow, excl. tax and interest	162.3	151.2	7.3%
Cash conversion (%)	92.9%	94.2%	(1.3%)
Net debt (closing)	204.9	*	*
Diluted pro forma earnings per ordinary share (cents)	19.7	*	*
Final dividend per share (cents)	3.0	*	*
Dividend payout ratio (pro-rated) (%)	70.0%	*	*

* Not calculated for 2009.

Result Highlights – Pro forma basis

On a like-for-like 12-month basis (i.e. before one-off demerger costs and the new costs associated with becoming a standalone listed company) revenue, EBIT and operating cash flow all improved:

- **Sales revenue** of $963.9M increased by $19.2M (+2.0%) on prior year (+4.0% excluding adverse translational foreign exchange (FX) movements).
- **EBIT** of $136.5M increased by $7.6M (+5.9%) on the prior year.
- **Operating Cash Flow** (before tax, interest and dividends) of $162.3M, an increase of $11.1M (+7.3%).

2010 pro forma net profit after tax has been calculated to reflect management's estimate of what DuluxGroup's result would have been if DuluxGroup was operating as a standalone listed company for the full 12 months of 2010:

- **Pro forma Net Profit after Tax (NPAT)** of $71.5M, before one-off demerger costs.
- **Final Dividend** of 3.0 cents per share fully franked, reflecting a pro-rated 70% payout ratio.
- **Year end Net Debt** at $204.9M, down from $245.0M at demerger, reflecting the typical strong seasonal trading since demerger and some beneficial timing impacts.

Outlook

We expect 2011 DuluxGroup net profit after tax (before individually material items) to be higher than $71.5 million, being the 2010 pro forma net profit after tax before one-off demerger costs, subject to economic conditions.

Pro Forma Profit and Loss

Sales revenue of $963.9M increased by $19.2M (+2.0%) on last year. Excluding adverse FX movements of $19.0M related to the translation of non-Australian revenues (approximately 20% of Group revenue), underlying sales were up 4.0%.

The sales result was driven by:

- Volume growth from a modest improvement in Australian markets, particularly in trade;
- Continued profitable share growth in Paints Australia and Selleys businesses; and
- Contribution from price relating primarily to a continued focus on premium product mix supported via new product development and targeted marketing and sales initiatives.

Partly offset by:

- Flat market conditions in New Zealand;
- Soft garden-care market conditions in both Australia and New Zealand; and
- Adverse foreign exchange translation impact.

EBIT (before ongoing standalone costs) of $136.5M increased by $7.6M (+5.9%) on the previous year, due to:

- Flow through effects of increased sales revenue;
- A recovery in gross margin from a below trend low in 2009, supported by the favourable movement of the Australian dollar and complemented by a continued focus on premium product mix; and
- Ongoing productivity initiatives.

Partly offset by:

- Ongoing investment in marketing, innovation and sales initiatives;
- One-off costs associated with the New Zealand paint factory upgrade project;
- Further investment in longer term business development options, particularly in China; and
- Adverse foreign exchange translation impact.

Pro forma segment revenue and EBIT results are shown below:

Segment Results	**Year ended 30 September**		
A$M	**2010 Pro forma**	**2009 Pro forma**	**% Change**
Sales revenue			
Paints Australia	556.5	530.5	4.9%
Paints New Zealand	79.4	81.0	(2.0%)
Selleys Yates	230.8	233.6	(1.2%)
Offshore and Other	123.5	123.5	0.0%
Unallocated/eliminations	(26.3)	(23.9)	(10.0%)
Total sales revenue	**963.9**	**944.7**	**2.0%**
EBIT			
Paints Australia	91.9	87.0	5.6%
Paints New Zealand	10.3	11.4	(9.6%)
Selleys Yates	28.9	27.9	3.6%
Offshore and Other	9.9	9.6	3.1%
Corporate costs	(4.6)	(6.9)	33.3%
Total EBIT before ongoing standalone costs	**136.5**	**128.9**	**5.9%**

Pro forma segment results are discussed in more detail later in this profit report.

Pro Forma Profit and Loss

Pro forma NPAT before one-off demerger costs of $71.5M. Given that this is the first result for DuluxGroup as a standalone company, this pro forma NPAT has been calculated to reflect management's view of what DuluxGroup's NPAT would have been if the company had been operating as a standalone company for the full 12 months ended 30 September 2010. It has been calculated based on the full 12 months operating EBIT, less the full annualised $13.0M of ongoing standalone costs, an estimate of pro forma net interest expense (based on underlying cash flows) and an estimate of pro forma income tax expense (based on a 29.5% effective tax rate). Further detail in relation to these pro forma amounts is included later in this profit report.

Given the above pro forma adjustments, a comparative NPAT result for the year ended 30 September 2009 is not presented.

One-off Demerger Costs for the year of $2.8M after tax ($4.0M before tax) relate to one-off transition costs relating to re-branding and separation activities resulting from the demerger. This is consistent with the amount outlined in the demerger Scheme Booklet, per section 14.8.

EPS has been calculated on a diluted basis using pro forma NPAT before one-off demerger costs.

Final Dividend of 3.0 cents per share fully franked, representing a 70% payout ratio on pro forma NPAT before one-off demerger costs, pro-rated to reflect the 2.7 months of operation since demerger.

Balance Sheet

Balance Sheet	Year ended 30 September	
A$M	2010 Appendix 4E	2009 Pro forma
Inventories	113.4	107.9
Trade debtors	137.8	139.2
Trade creditors	(135.4)	(131.7)
Total trade working capital	115.9	115.3
Net property, plant & equipment	153.9	142.0
Intangible assets	89.0	92.1
Non trade creditors	(44.0)	(43.4)
Provisions (excluding tax)	(40.1)	(32.0)
Net other assets	10.2	10.9
Net Assets - before demerger items	**284.9**	**284.9**
Tax balances (DTA, ITP and DTL)	18.3	
Defined benefit fund liability	(13.3)	
Net Assets before net debt	**289.9**	
Net debt	(204.9)	
Net Assets	**85.0**	
Shareholders' Equity	**85.0**	

Due to the demerger from Orica, certain balance sheet items are new, such as taxation balances (deferred tax assets, income tax provision, deferred tax liabilities), defined benefit superannuation fund liability, net external debt and shareholders' equity. There is no comparative year information provided for these items, as they did not exist in the prior year within DuluxGroup.

Key movements in the Balance Sheet since September 2009 are:

- **Trade working capital** (TWC) has increased by $0.6M compared to last year, which when measured as a percentage of sales, reflects a year on year improvement from 12.2% to 12.0%. Rolling TWC to rolling sales improved from 12.9% at September 2009 to 11.6% at September 2010, demonstrating a sustained improvement in trade working capital management.
- **Net property, plant and equipment** increased by $11.9M from last year, largely due to spend on renewal/growth projects ($16.3M) and sustenance capital ($17.3M); partly offset by depreciation ($17.5M). Refer to cash flow for further information.
- **Intangible assets** reduced by $3.1M mainly due to FX translation impacts ($2.4M).
- **Non trade creditors** remained at a similar level to the prior year.
- **Provisions** increased by $8.1M from last year, predominantly due to various demerger-related items and an increase in employee entitlement provisions.
- **Net other assets** are at a similar level to 2009.

Net debt has reduced from $245.0M at demerger to a year end balance of $204.9M, due to the typical strong seasonal trading in the last quarter of 2010, and a number of one-off timing benefits including the absence of tax and dividend payments in the period since demerger.

Pro Forma Cash Flow

Abridged Statement of Cash Flows *	Year ended 30 September		
A$M	**2010 Pro forma**	**2009 Pro forma**	**% Change**
Net operating cash flows (excl. tax and interest)			
EBIT	136.5	128.9	5.9%
Add: Depreciation	17.5	15.6	(12.2%)
Add: Amortisation	2.0	1.7	(17.6%)
EBITDA	156.0	146.2	6.7%
Trade working capital movement	(0.6)	(0.1)	(500.0%)
Non trade working capital movement	5.4	5.4	0.0%
Other non cash	1.5	(0.3)	600.0%
Operating cash flows	**162.3**	**151.2**	7.3%
Net investing cash flows			
Sustenance capital	(17.3)	(13.5)	(28.1%)
Growth capital	(16.3)	(5.5)	(196.4%)
Acquisitions	-	(24.6)	100.0%
Dividends from associates	0.5	0.7	(28.6%)
Investing cash flows	**(33.1)**	**(42.9)**	22.8%
Cash conversion [1]	**92.9%**	**94.2%**	

* Includes operating items only. Excludes one-off demerger costs and ongoing standalone costs. Excludes interest, tax and all funding.

[1] Cash conversion is calculated as EBITDA add/less movement in working capital and other non cash, less sustenance capital spend, as a percentage of EBITDA.

Note: The above abridged pro forma cash flow has been prepared for 2010 and 2009 to reflect the underlying cash flows of the businesses as if DuluxGroup Limited owned all of its businesses for the full 12 months. The cash flows have been derived based on management accounts. Given this, interest, tax, dividends and debt funding have not been included. Further, to enable like-for-like comparison between years, one-off demerger costs and ongoing standalone costs have also been excluded.

- Net operating cash flows before interest and tax payments, and excluding one-off demerger cost and standalone costs, increased by 7.3% due to the increase in EBITDA, and ongoing working capital management
- Investing cash outflows decreased by $9.8M
  - $3.8M increase in sustenance capital expenditure (which remained below total depreciation and amortisation)
  - $10.8M increase in renewal/growth capital expenditure to $16.3M, of which $11.2M related to the New Zealand factory upgrade and a new protective coatings factory in Melbourne (which are both on track for completion in 2011 within the combined $38M budget) and the remainder related largely to a new distribution centre and sales office in Western Australia
  - no spend on acquisitions in 2010 (2009 included the acquisition of SOPEL in China and Hillmark in Australia)
- Cash conversion remained high at 92.9%, though below the prior year level of 94.2%, due to sustenance capital expenditure slightly increasing.

A comparison of the key line items between these pro forma cash flows and the statutory cash flow statement is included as an appendix to this report.

Pro Forma Segment Commentary – Paints Australia

Paints Australia EBIT up 5.6% to $91.9M

Revenue and profit growth outperforming in a mildly improving market

Paints Australia	Year ended 30 September		
A$M	2010 Pro forma	2009 Pro forma	% Change
Sales revenue	556.5	530.5	4.9%
EBIT	91.9	87.0	5.6%

Sales revenue up $26.0M (+4.9%)

- Driven primarily by volume growth from both market and share increases.
- Modest recovery in the Australian Architectural & Decorative Paint Market with approximately 1.0% volume growth, following a decline in 2009 during the financial crisis.
  - The trade paint market experienced above trend growth supported by government related infrastructure spending and some recovery in new residential housing.
  - The retail paint market experienced a slight market decline led by a negative second half primarily resulting from the removal of government consumer stimulus and more recently exacerbated by adverse un-seasonal weather conditions.
  - The woodcare sector grew at above trend rates supported by market stimulation activity such as Cabot's "Clever Deck" marketing campaign.
- Further profitable market share gains, with particular strength in the trade related businesses.
- Modest contribution from price increase.

EBIT growth up $4.9M (+5.6%)

- A recovery in gross margin, post 2009 low, supported by the favourable movement of the Australian dollar, procurement effectiveness and complemented by a continued focus on premium product mix.
- Continued focus on underlying productivity to support ongoing reinvestment in key business fundamentals: brand investment and marketing effectiveness, innovation and technology supporting new product development, sales-force effectiveness and supply chain excellence.

Paints Australia – Outlook

- Further moderate market growth expected, driven by GDP recovery supporting new housing and renovation activity, and increased investment by key retailers.
- Changing competitive landscape post Nippon Paints exit from Australia and the acquisition of Wattyl by Valspar.
- Continued focus on managing operating gross margins in an environment of increasing pressure on input costs associated with global demand for certain key raw materials such as Titanium Dioxide, the need to manage pricing within the changing competitive and customer landscape, and currency fluctuation.
- Construction and commissioning of the new protective coatings factory to be completed during 2011.
- Business priorities in 2011 include focus on:
  - strength of brand portfolio;
  - continued investment in innovation;
  - retail brand-channel management in a changing landscape;
  - leveraging the trade distribution network; and
  - continued supply chain excellence.

Pro Forma Segment Commentary – Paints New Zealand

Paints New Zealand EBIT down 9.6% to $10.3M

Profit growth in a flat market, offset by adverse FX and site upgrade costs

Paints New Zealand	Year ended 30 September		
A$M	2010 Pro forma	2009 Pro forma	% Change
Sales revenue	79.4	81.0	(2.0%)
EBIT	10.3	11.4	(9.6%)

Sales revenue down $1.6M (-2.0%)

- Impacted adversely by the foreign exchange translation effects of a strong Australian dollar. On a constant currency basis, sales were at $82.1M, up 1.3% on the previous period.
- The New Zealand Architectural & Decorative Paint Market remained flat and appears to have bottomed after an approximate 20% cumulative decline over the previous two years in a recessionary environment.
- Modest market share gains were made for the year, predominantly driven by strong activity in the trade segment and continued growth focus on commercial projects.

EBIT decline of $1.1M (-9.6%)

- Adversely impacted by the translation effects of the strong Australian dollar by $0.4M and expenses of $1.1M relating to the significant upgrade of the New Zealand paint factory.
- On a constant currency basis and excluding the upgrade-related expenses, EBIT was up 3.5% on the previous year, reflecting full year productivity benefits derived from a significant cost restructuring program undertaken in 2009.

Paints New Zealand – Outlook

- Expectations are that the New Zealand market will return to growth within the next year, despite a degree of uncertainty hanging over future market conditions as households continue to reduce debt. While the retail market faces subdued conditions, the overall market should be underpinned by increased trade activity as a result of increased levels of building work.
- As per the Paints Australia outlook, input costs are expected to come under pressure as global demand increases.
- Investment in the New Zealand paint factory is progressing to plan. Completion is due by September 2011.

Pro Forma Segment Commentary – Selleys Yates

Selleys Yates EBIT up 3.6% to $28.9M

EBIT growth despite revenue decline due to soft garden care market

Selleys Yates	Year ended 30 September		
A$M	2010 Pro forma	2009 Pro forma	% Change
Sales revenue	230.8	233.6	(1.2%)
EBIT	28.9	27.9	3.6%

Sales revenue down $2.8M (-1.2%)

- Sales revenue for Selleys grew in relatively flat Australian and New Zealand markets, led by profitable market share increases resulting from continued focus on marketing effectiveness, new product development and continued expansion into adjacent product segments.
- Yates revenue declined due to softer conditions in the Garden Care market, particularly in New Zealand. Revenues in the first half were adversely impacted by lower than expected consumer demand in the prior spring season resulting in lower refill sales to customer channels. While second half sales improved, they remained lower than last year, reflecting the general soft retail environment in the absence of prior year government stimulus, and unfavourable weather conditions in New Zealand.

EBIT growth up $1.0M (+3.6%)

- Profit improvement was achieved through Selleys sales growth and ongoing productivity initiatives, together with the flow on effect of Yates Australia's prior year restructuring and business integration initiatives.
- The strengthening Australian dollar improved input costs in some areas.

Selleys Yates – Outlook

- Consistent with the Paints segment outlook, further moderate market growth is expected.
- The Australian Garden Care market is experiencing favourable conditions with the continued easing of water restrictions for most major capital cities and is expected to have a positive impact on volumes for Yates.
- Focus will remain on stimulating consumer market demand and growing market share through new product development and adjacent category growth.
- Business performance will continue to be underpinned by industry leading customer service through sales force effectiveness and supply chain excellence.

Pro Forma Segment Commentary – Offshore and Other

Offshore and Other EBIT up 3.1% to $9.9M

Profit growth diluted by adverse FX impacts

Offshore and Other A$M	Year ended 30 September 2010 Pro forma	 2009 Pro forma	 % Change
Sales revenue	123.5	123.5	0.0%
EBIT	9.9	9.6	3.1%

The "Offshore and Other" segment consists of the Dulux Powder and Industrial Coatings Australia and New Zealand business, the Dulux Papua New Guinea business and the South East Asian and China businesses (known as DGL International).

Sales revenue in line with the previous year

- Adversely affected by FX translational impacts of a stronger Australian dollar equating to $14.9M. Excluding this, sales increased by 12.1% from 2009.

EBIT growth of $0.3M (+3.1%)

- Reflecting productivity improvements, which more than offset adverse FX translation impacts. Underlying EBIT growth of $1.6M or approximately 16.7%.
- The ***Dulux Powder and Industrial*** **Coatings** business experienced recovering Australian housing related sectors, along with new product launches, which drove volume increases. Productivity improvements associated with the new manufacturing facility in Dandenong, Victoria, have also assisted this business.
- The ***Dulux Papua New Guinea*** business increased volumes as market growth was assisted by local investment associated with the ExxonMobil LNG project. However the deterioration of the Kina against the Australian dollar has adversely impacted the translation of these earnings.
- The performance of the ***DGL International Asia*** business in China was slightly lower than the previous year, despite revenue increases, as the business continued to invest to establish a platform for the medium to long-term.

Offshore and Other - Outlook

- Volumes to increase, as further market growth is expected across most markets in this segment in 2011.
- Earnings growth is expected to be tempered as we continue to invest in Asia to secure long term growth.

Safety and Sustainability

During 2010, DuluxGroup continued to focus on the management of Safety and Sustainability impacts associated with our people, operations and products, underpinned by our vision of "A Future Without Harm".

People

Positive achievements included a significant 110% increase in the reporting of “near miss” incidents to help identify and address hazards before harm to people, the environment or community can occur and a 50% reduction in numbers of employees being injured while working on customer sites. Despite this, the company’s overall safety performance remained flat with a recordable injury rate of 1.8 injuries per 200,000 hours worked. Supporting our local communities remained an important business focus during the year, with activities ranging from rubbish clean-ups in our operating site communities to volunteering with organisations that provide support to disadvantaged members of the community.

Operations

Highlights in managing the impacts associated with our operating sites included improved process safety management with the completion of periodic hazard studies at two manufacturing sites, a 13% reduction in quantities of waste sent to landfill and modest reductions in energy and water usage at 2% and 3% respectively. There were, however, two recorded breaches of environmental regulatory licence conditions (odour level at the Yates plant in Wyee, New South Wales and organic solvent emissions to atmosphere at the Dulux site in Rocklea, Queensland). A number of improvement actions to achieve full compliance have been progressed at both sites (eg. improved odour release detection at Wyee, new mixer seals at Rocklea) and the company continues to liaise with the relevant regulatory authorities. Work continued on integration of the China SOPEL acquisition to deliver improvements in operational risk management at the Shanghai manufacturing plant.

Products

Another positive achievement in 2010 has been the 29% reduction in serious distribution incidents involving the transport of our products to customers. There were also a number of significant improvements delivered in the important area of product stewardship during the year, ranging from new packaging with lower environmental impacts, to labelling that will assist consumers in the selection of products with less impact.

Safety and Sustainability Improvement

While we did make good progress in a number of areas, more remains to be done and our focus on personal safety, process safety, fatality prevention and sustainability will be maintained during 2011 to ensure we continue moving towards our DuluxGroup safety and sustainability vision of “A Future Without Harm”.

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Appendix: Other Information

Ongoing standalone costs for the 2010 year reflect the costs associated with DuluxGroup being listed on the ASX and no longer being a division within Orica Limited.

Ongoing standalone costs (incurred & pro forma)	Year ended 30 September	
A$M	**2010**	**2009**
Incurred (stub) standalone costs	(2.2)	
Pro forma adjustment to reflect 12 months	(10.8)	
Total ongoing standalone costs	**(13.0)**	**N/A**

Following the demerger from Orica, DuluxGroup became a standalone entity listed on the ASX, and is now incurring additional corporate operating costs relative to its position as a division of Orica. These costs include share registry costs, company secretariat costs and the costs of maintaining a separate board of directors. DuluxGroup has also incurred costs associated with certain services and internal management systems that had previously been provided by or in conjunction with Orica, such as information technology, insurance, accounting, treasury, legal and taxation services. Additionally, FX gains and losses on cash deposits and borrowings is an item that was previously recognised by Orica, and is now incurred by DuluxGroup. Overall, it is estimated that these additional costs will be approximately $13.0M per year, as outlined in the Scheme Booklet, section 6.2.

Net interest expense reflects interest costs associated with the Group's debt facilities. Pro forma interest cost for the year has been estimated at approximately $22.1M, based on management's analysis of what DuluxGroup's cash flows would have been if DuluxGroup had been operating as a standalone listed company for the full twelve months of 2010. This analysis included assumed dividend and tax payments and also took account of the full $13.0M of ongoing stand alone costs.

The analysis showed that the average daily debt balance for the year was approximately $40.0M higher than the simple average of the opening and closing balances. The drivers of this difference are intra-month working capital movements (timing of receipts and payments) and seasonality of cash flows across the year.

Net Interest expense was modelled to reflect the commercial terms of DuluxGroup's current debt facility and trade card facility. The analysis resulted in an average net interest rate of approximately 8.5%.

Income tax expense reflects an effective tax rate of 29.5% in the pro forma calculations. The effective tax rate per the Appendix 4E is 28.5%, which reflects some additional one-off items in 2010.

Appendix: Comparison between Appendix 4E and Pro forma Figures

Profit and Loss comparison	Appendix 4E	Pro forma	%
Revenue	775.7	963.9	80.5%
EBIT before standalone costs	105.3	136.5	77.2%
Standalone costs	(2.2)	(13.0)	16.9%
EBIT post standalone costs	103.1	123.5	83.5%
Net Interest	(13.4)	(22.1)	60.8%
Tax expense (pre one-off demerger costs)	(25.6)	(29.9)	85.7%
NPAT pre one-off demerger costs	64.1	71.5	89.6%
One-off demerger costs (net of tax)	(2.8)	(2.8)	100.0%
NPAT post one-off demerger costs	61.3	68.7	89.2%

As stated earlier, the 2010 results in the Appendix 4E include the progressive transfer of DuluxGroup's operations into the DuluxGroup Limited ownership structure, and therefore do not reflect a full 12 month operating result. The Australian and New Zealand businesses were transferred in on 1 December 2009 and the others were progressively transferred over the remainder of the year, as outlined at the front of this report. Therefore, for revenue and EBIT, the variation between statutory Appendix 4E numbers and the pro forma numbers is predominantly due to the trading results before the businesses were transferred (e.g. October and November results for Australian and New Zealand businesses). In relation to net interest expense, the Appendix 4E figures include a blend of inter-company interest (pre-demerger) and external interest (post-demerger). The pro forma figures reflect management's estimate of the net external interest expense that would have been incurred if DuluxGroup had been a standalone listed company with external borrowings for the full 12 months. Appendix 4E tax expense reflects the lower income (for the reasons outlined above) plus various demerger related one-off adjustments. The effective tax rate per the Appendix 4E is 28.5%. Pro forma Tax has been calculated using an effective tax rate of 29.5%.

Appendix: Comparison between Appendix 4E and Pro forma Figures

Cash flow comparison	Appendix 4E	Pro forma
Cash flows from operating activities		
EBITDA	119.5	156.0
Movement in trade working capital	(81.9)	(0.6)
Movement in non-trade working capital	7.1	5.4
Interest received	0.2	*
Interest paid	(9.2)	*
Income taxes paid	(25.1)	*
Other	0.0	1.5
Net cash inflow from operating activities	**10.7**	**162.3**
Cash flows from investing activities		
Payments for property, plant and equipment	(29.8)	(33.6)
Payments for intangibles	(0.7)	*
Payments for purchase of businesses and controlled entities	(310.7)	*
Proceeds from joint venture distributions	0.5	0.5
Proceeds from sale of property, plant and equipment	0.7	*
Net cash outflow from investing activities	**(340.1)**	**(33.1)**
Net cash inflow from financing activities	**371.9**	*

* Not calculated in 2010 for pro forma.

The above table is provided to compare key line items between the statutory cash flow in the Appendix 4E and the abbreviated pro forma cash flow.

The abbreviated pro forma cash flow has been based on the underlying operating figures of the DuluxGroup businesses as if they were owned by DuluxGroup Limited for the full 12 months. However, the pro forma cash flow has not been adjusted to reflect the impact of a "capital structure". Therefore, interest, tax, debt and equity movements (including dividends) have not been included. In addition, one-off demerger costs and ongoing standalone costs have been excluded. For any other items where there is a value in the Appendix 4E cash flow and no corresponding value in the pro forma cash flow, this typically reflects demerger related transactions.

The EBITDA difference is due to the same drivers as outlined in the profit and loss comparison on the previous page. The significant adverse trade working capital movement in the statutory cash flow reflects the structuring within the demerger itself, predominantly relating to the transfer of working capital balances for the Australian businesses in December 2009.

For all other items where there is a comparison, the differences primarily relate to the progressive transfer of the assets from Orica to DuluxGroup.