DuluxGroup Limited

ABN 42 133 404 065

ASX Announcement

12 November 2014

DULUXGROUP DELIVERS STRONG PROFIT GROWTH

DuluxGroup today reported a 21.4% increase in net profit after tax (NPAT) (excluding non-recurring items[1]) to $111.9 million for the 12 months ended 30 September 2014 compared with the 2013 equivalent NPAT of $92.2 million.

Managing Director Patrick Houlihan said the result was driven by strong profitable sales growth in strengthening Australian and New Zealand markets, the contribution of a full 12 months of Alesco earnings and effective margin improvement initiatives.

“The business has delivered more than 20% profit growth, underpinned by strong financial discipline. At the same time we continued to increase our investment in marketing, innovation and customer service, and DuluxGroup is well placed for ongoing growth,” he said.

The Board has declared a final dividend of 10.5 cents per share, fully franked, taking total dividend for the year to 20.5 cents per share, which represents a 17.1% increase on the 2013 equivalent and a 70.2% payout ratio on NPAT before non-recurring items.

Sales revenue increased 8.5% to $1.6 billion, assisted by a full 12 months of Alesco earnings compared with 10 months in 2013. Including a full 12 months ‘pro forma’ Alesco contribution in 2013, sales grew 3.6%.

Earnings before interest and tax (EBIT), excluding non-recurring items[1], was $183.8 million, an increase of 19.4% on the prior year, and an increase of 12.0% on a pro forma basis.

Net debt to EBITDA further reduced from 1.98 in 2013 to 1.53, assisted by strong cash generation.

Strategic market focus

Increased housing activity saw solid growth across trade and retail channels. However, the component of investment directed to the new housing sector is of less significance to DuluxGroup earnings.

“Consistent with our long term strategy, we have continued to focus on more profitable market segments, limiting our exposure to lower margin sectors. Our premium brand positions, predominantly centred around the improvement of existing homes, continue to be resilient and provide a stable platform for generating ongoing growth,” said Mr Houlihan.

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[1] Non-recurring items are outlined on p.[14] of the Profit Report and resulted in an adverse impact of $7.4 million after tax ($8.7 million pre-tax). Directors believe that the result excluding these items provides a better basis for comparison from year to year and a better understanding of the underlying performance of the business. Non-recurring items included integration costs of $5.3 million, a $5.9 million gain from the reversal of an excess provision for the New Zealand OCN tax matter which had been held as a contingent liability, and a non-cash impairment charge of $9.2 million (pre and post tax) relating to DuluxGroup’s business in China.

Review of Operating Segments

DuluxGroup's largest operating segment, Paints and Coatings Australia and New Zealand grew sales by 6.1% to $821.6 million and EBIT by 12.1% to $138.9 million. Market growth of approximately 4% was driven by increased housing activity in both Australia and New Zealand, positively impacting retail and trade channels. Double digit earnings growth reflects DuluxGroup's strategic focus on profitable market segments and disciplined cost control.

Consumer and Construction Products Australia and New Zealand, comprising the Selleys and Parchem businesses in Australia and New Zealand, grew pro forma EBIT by 3.1% to $29.8 million on flat pro forma sales. A strong performance from Selleys offset the slight decline in Parchem earnings, which were affected by the continued downturn in engineering construction markets.

The Garage Doors and Openers business, comprising B&D and other brands, grew pro forma sales by 5.8% and pro forma EBIT by 4.6%. Excluding net insurance gains in the prior year, pro forma EBIT grew by 8.9%. This strong result was achieved while the business increased its advertising activity and implemented a strategic move away from lower margin, non-aligned customer channels.

Cabinet and Architectural Hardware grew pro forma sales by 8.5% and pro forma EBIT by 25.4% to $8.9 million, driven by market share gains and cost reductions from a restructured business model. Profitable market share gains were underpinned by continued investment in sales effectiveness and new customer marketing programs.

DuluxGroup's Other businesses segment - comprising the Yates garden care business and DuluxGroup's Papua New Guinea (PNG), China, Hong Kong and South East Asia businesses – grew EBIT[2] by 34.1% to $12.2 million on sales[2] that declined 5.2%. EBIT growth was driven by a strong performance from Yates, improved earnings in China and margin improvement initiatives generally. The PNG business remains a profitable market leader in decorative paints, but was impacted by slowing investment in industrial and mining sectors.

"Overall this has been a very successful year, with strong performances across all of our segments," said Mr Houlihan.

"We have largely integrated the new businesses, delivering $9 million in synergies since acquisition. At the same time, we have made good strategic progress across these businesses, tightening the focus on profitable segments and limiting exposure to low-margin sectors. We are also beginning to see the benefits from a more efficient, fit-for-purpose cost base and increased focus on the fundamentals of marketing, sales capability and customer service.

"During 2014 DuluxGroup has continued to deliver profitable growth. We have maintained our focus on extending our core market leadership positions, while developing our growth options in adjacent product and customer market segments. This has DuluxGroup very well positioned for ongoing growth."

Outlook for 2015

Lead market indicators for our key markets are largely positive.

Subject to economic conditions, and excluding non-recurring items, we expect that 2015 net profit after tax will be higher than the 2014 equivalent of $111.9 million.

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[2] Sales and EBIT comparisons with prior period exclude 10 months of sales in 2013 from the divested Robinhood business and the non-cash impairment charge in 2013 and 2014 relating to DuluxGroup's business in China.

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DuluxGroup Limited results for the financial year ended 30 September 2014

Results [1]	Full year ended 30 September		
A$M	**2014 Actual**	**2013 [1] Actual**	**% Change**
Sales revenue	1,611.5	1,484.6	8.5%
EBITDA [2]	210.3	157.2	33.8%
EBIT [3]	**175.1**	**124.9**	**40.2%**
EBIT before non-recurring items [4]	*183.8*	*153.9*	*19.4%*
Net interest expense	(26.2)	(28.1)	6.8%
Tax expense	(46.1)	(33.2)	(38.9%)
Non-controlling interests	1.7	11.4	(85.1%)
Net profit after tax (NPAT) [5]	**104.5**	**75.0**	**39.4%**
NPAT before non-recurring items [6]	*111.9*	*92.2*	*21.4%*
Operating cash flow	120.2	118.2	1.7%
Operating cash flow before non-recurring items [7]	*143.5*	*133.8*	*7.2%*
Net debt [8] (closing)	345.7	388.7	11.1%
Net debt to EBITDA [9]	1.53	1.98	22.7%
Diluted earnings per ordinary share (EPS) (cents)	27.5	20.1	36.8%
Diluted EPS before non-recurring items (cents) [10]	*29.4*	*24.7*	*19.0%*
Final dividend per share (cents)	10.5	9.5	10.5%
Total dividend per share (cents)	20.5	17.5	17.1%

Result Summary

- **Sales revenue** of $1,611.5M increased by $126.9M (+8.5%) on the prior year corresponding period ('pcp'). On a pro forma basis (including a full 12 months Alesco contribution in the pcp), sales grew 3.6%.
- **EBIT** [3] of $175.1M, increased by 40.2%. Excluding non-recurring items, EBIT was $183.8M, an increase of $29.9M (+19.4%) on the pcp and an increase of 12.0% on a pro forma basis.
- **Net profit after tax (NPAT)** [5] was $104.5M, an increase of 39.4%. NPAT before non-recurring items [6] was $111.9M, an increase of 21.4% over the pcp equivalent of $92.2M.
- **Operating cash flow** was $120.2M, an increase of 1.7%. Excluding non-recurring items, operating cash flow increased 7.2%.
- **Net debt to EBITDA** [8,9] ended the period at 1.53 times, which represents an improvement from 1.98 times in the pcp.
- A **final dividend** of 10.5 cents per share, taking total dividends for the year to 20.5 cents, an increase of 17.1% on the pcp.

Note: Numbers in this profit report are subject to rounding. 'nm' = not meaningful. '~' = approximately

1. Other than as indicated in subsequent footnotes, the financial information contained in this document is directly extracted or calculated from the Financial Statements included in the Appendix 4E which has been subject to audit. Please note that the pcp has been restated as a result of a change in accounting standard for employee benefits. Please refer to note 1 in the Appendix 4E.
2. EBITDA – represents 'Profit from operations' plus 'depreciation and amortisation expense' per Appendix 4E.
3. EBIT – the equivalent of 'Profit from operations' per Appendix 4E.
4. EBIT before non-recurring items – represents 'profit from operations', excluding the non-recurring items outlined on page 14. Directors believe that the result excluding these items provides a better basis for comparison from year to year.
5. Net profit after tax (NPAT) – represents 'Profit for the year attributable to ordinary shareholders of DuluxGroup Limited'.
6. NPAT before non-recurring items – represents NPAT, excluding the non-recurring items per page 14. Directors believe that the result excluding these items provides a better basis for comparison from year to year.
7. Operating cash flow before non-recurring items – the equivalent of 'Net cash inflow from operating activities' per Appendix 4E, less the cash component of the non-recurring items outlined on page 14, and as further outlined on page 5.
8. Net debt – represents 'interest bearing liabilities' less 'cash and cash equivalents'.
9. Net debt to EBITDA – is calculated by taking closing net debt (adjusted to include the asset balance relating to the cross currency interest rate swap established to hedge the USD currency and interest rate exposures relating to the US Private Placement debt), as a percentage of the most recent twelve months of EBITDA before non-recurring items. For 2013, this has been calculated on a pro forma basis (i.e. taking twelve months EBITDA from the Alesco businesses).
10. Diluted EPS before non-recurring items – represents EPS adjusted for the non-recurring items outlined on page 14.

Result Summary

Components of Sales and EBIT A$M	Full year ended 30 September 2014 Actual	2013 Actual	% Change
Sales revenue			
Sales revenue as reported	1,611.5	1,484.6	8.5%
add pro forma adjustment for Alesco businesses	-	87.1	nm
less Robinhood sales	-	(16.7)	nm
Pro forma sales revenue	**1,611.5**	**1,555.0**	3.6%
EBIT			
EBIT as reported	175.1	124.9	40.2%
add pro forma adjustment for Alesco businesses	-	8.4	nm
add Robinhood EBIT loss	-	1.7	nm
Pro forma EBIT, including non-recurring items	**175.1**	**135.0**	29.7%
less non-recurring items (costs)	8.7	29.0	nm
Pro forma EBIT, excluding non-recurring items	**183.8**	**164.1**	12.0%

As previously advised, given the statutory results in 2013 include only ten months of operating performance for the Alesco businesses, pro forma results (excluding non-recurring items) are presented for 2013 below, and throughout this report, to provide a more meaningful comparative to the 2014 performance. Please note that whilst the 2013 statutory numbers include the result from the Robinhood business, the pro forma numbers exclude Robinhood given it was divested at the end of 2013.

Sales and EBIT by segment A$M	Full year ended 30 September 2014 Actual	2013 Actual/ Pro forma [1]	% Change
Sales revenue			
Paints & Coatings ANZ	821.6	774.2	6.1%
Consumer & Construction Products ANZ	265.9	267.0	(0.4%)
Garage Doors & Openers	169.8	160.5	5.8%
Cabinet & Architectural Hardware	159.6	147.1	8.5%
Other businesses	207.7	219.2	(5.2%)
Eliminations	(13.0)	(13.1)	0.8%
Total sales revenue	**1,611.5**	**1,555.0**	**3.6%**
EBIT, excluding non-recurring items			
Paints & Coatings ANZ	138.9	123.9	12.1%
Consumer & Construction Products ANZ	29.8	28.9	3.1%
Garage Doors & Openers	18.2	17.4	4.6%
Cabinet & Architectural Hardware	8.9	7.1	25.4%
Other businesses	12.2	9.1	34.1%
Business EBIT	**208.1**	**186.6**	**11.5%**
Corporate	(24.3)	(22.5)	(8.0%)
Total EBIT, excluding non-recurring items	**183.8**	**164.1**	**12.0%**

Discussion on the results of the revised segments follows from page seven.

1. Excludes Robinhood results in 2013.

Result Summary

Non-recurring Items

Non-recurring items for 2014 and 2013 are detailed later in this report. The major items are:

2014: Adverse impact of $8.7M pre-tax; $7.4M post-tax

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

2013: Adverse impact of $29.0M pre-tax ($20.7M DuluxGroup share); $17.2M post-tax

- Refer to the September 2013 full year profit report for further details.

Other Items

Net interest expense [1] of $26.2M reflects an average all-in net cost of debt of 5.8% (including commitment fees and amortisation of facility establishment fees, but excluding discounting of provisions). Interest expense was $1.9M lower than the pcp due to a combination of lower prevailing interest rates and lower average debt throughout the year compared to the pcp.

Income tax expense of $46.1M. Excluding non-recurring items, the effective tax rate was 30.1%. This is consistent with our future expected rate of ~30%.

Final dividend of 10.5 cents per share fully franked, taking the full year total to 20.5 cents fully franked, which represents a 70.2% payout ratio based on NPAT before non-recurring items.

1. Net interest expense – represents 'net finance costs' per Appendix 4E.

Balance Sheet

Balance Sheet A$M	Sept 2014 Actual	Sept 2013 Actual
Inventories	203.7	195.8
Trade debtors	227.9	221.9
Trade creditors	(197.4)	(193.3)
Total trade working capital [1]	234.2	224.4
Non trade debtors [4]	15.8	15.3
Tax balances (net)	20.4	16.2
Property, plant & equipment	262.0	263.8
Intangible assets	224.9	235.8
Investments	5.4	4.7
Non trade creditors [5]	(54.2)	(55.1)
Defined benefit fund liability	(14.5)	(8.3)
Provisions (excluding tax)	(68.9)	(77.4)
Net debt	(345.7)	(388.7)
Net other assets	12.2	0.3
Net Assets	**291.7**	**231.0**
Total equity attributable to ordinary shareholders of DuluxGroup Limited	289.7	226.2
Non-controlling interest in controlled entities	1.9	4.7
Total Shareholders' Equity	**291.7**	**231.0**

Comments by exception are as follows:

- **Trade working capital** [1] (TWC) increased by $9.8M from September 2013, reflecting the higher level of sales. TWC as a percentage to sales at year end remained at a similar level to the pcp at 14.5%;
- **Rolling TWC to rolling sales** [2, 3] was 15.1% at September 2014, marginally unfavourable to both the half year result (15.0%) and the pcp (15.0%);
- **Intangible assets** decreased by $10.9M, largely as a result of the write down in DGL Camel due to impairment;
- The **defined benefit fund liability** increased by $6.2M from the pcp, due to the outcome of the annual actuarial reassessment of the fund liability at September 2014;
- **Provisions (excluding tax)** have decreased by $8.5M from the pcp, largely due to the settlement of the New Zealand OCN tax matter during the year;
- **Net other assets** have increased by $11.9M, which is mainly due to the recognition of a non-current derivative financial asset associated with the hedging of the USD principal and interest rate exposures relating to the recently completed US private debt placement; and
- **Brand names** – we remind shareholders that the values of a number of DuluxGroup's brands, including Dulux and Selleys, are not reflected on the balance sheet.

1. Trade working capital (TWC) – represents the trade receivables portion of 'trade and other receivables' plus 'inventory', less the trade payables portion of 'trade and other payables', per Appendix 4E.
2. Rolling TWC – the 12 month rolling average of month end TWC balances.
3. Rolling TWC to rolling sales – calculated as the rolling TWC (above) divided by the most recent 12 months sales revenue. This figure is not directly extracted from the Appendix 4E.
4. Non trade debtors – represents the 'other receivables' portion of 'trade and other receivables', and 'other assets' per Appendix 4E.
5. Non trade creditors – represents the 'other payables' portion of 'trade and other payables', per Appendix 4E.

Cash Flow

Statement of Cash Flows	Full year ended 30 September		
A$M	**2014 Actual**	**2013 Actual**	**% Change**
Net operating cash flows			
EBIT	175.1	124.9	40.2%
less: Profit on sale of major assets (investing) [1]	-	(8.2)	nm
less: (Profit)/loss on disposal of business (investing) [2]	(3.7)	1.1	nm
add: Depreciation	27.7	26.6	4.1%
add: Amortisation	7.5	5.7	31.6%
Adjusted EBITDA	206.6	150.1	37.6%
Trade working capital movement	(14.7)	(1.9)	nm
Non trade working capital movement	(0.4)	(5.3)	nm
Other non cash	2.0	28.8	nm
Income taxes paid	(48.0)	(30.6)	(56.9%)
Net interest paid	(25.3)	(23.1)	(9.5%)
Operating cash flow	**120.2**	**118.2**	1.7%
Net investing cash flows			
Capital expenditure [3]	(30.6)	(28.9)	(5.9%)
Acquisitions [4]	(0.2)	(145.4)	nm
Disposals [5]	11.2	12.5	(10.4%)
Dividends received	0.3	0.3	0.0%
Investing cash flow	**(19.3)**	**(161.6)**	88.1%
Financing cash flow before debt movement	**(42.1)**	**(37.2)**	(13.2%)
Total cash flow before debt movement	**58.8**	**(80.7)**	nm
Operating cash flow before non-recurring items	**143.5**	**133.8**	**7.2%**
Cash conversion [6]	**79%**	**95%**	
Cash conversion excluding non-recurring items	**84%**	**85%**	

The operating cash flow for both the current period and pcp have been impacted by non-recurring items, summarised as follows and detailed later in this report:

- **2014** ($23.3M adverse): Alesco integration costs, the payment of the New Zealand Inland Revenue Department OCN tax penalty, and creditors paid and other costs relating to the divested Opel business in DGL China (offset by the sale proceeds included within investing cash flows); and
- **2013** ($15.7M adverse): Alesco integration and transaction costs.

Excluding these non-recurring amounts (which impacted a number of different lines on the cash flow), operating cash flow was $9.7M higher, with higher EBITDA partly offset by a larger TWC movement and higher cash tax and interest payments. Key drivers:

- **TWC movement** (~$6M unfavourable compared to the pcp excluding non-recurring items in both periods);

1. Profit on sale of major assets – represents 'net profit on sale of property, plant and equipment' per note 4 of the Appendix 4E. This represents profit on disposal of the O'Connor site in Western Australia in the pcp.
2. (Profit)/loss on disposal of business - represents 'profit on disposal of a business' per note 4 of the Appendix 4E and 'loss on disposal of a business' per note 5 of the Appendix 4E. This represents profit on disposal of the Opel business in China in the current year, and loss on sale of the Robinhood business in the pcp.
3. Capital expenditure – represents the 'payments for property, plant and equipment' and 'payments for intangible assets'.
4. Acquisitions – represents 'payments for purchase of businesses and controlled entities, net of cash acquired', net of 'proceeds from price adjustment on purchase of controlled entities' per the Appendix 4E.
5. Disposals – represents 'proceeds from disposal of business' and 'proceeds from sale of property, plant and equipment' per the Appendix 4E.
6. Cash conversion – is calculated as EBITDA, add/less movement in working capital and other non cash, less minor capital spend (capital project spend less than A$5M), as a percentage of adjusted EBITDA.

Cash Flow

- **Income tax payments** (~$13M unfavourable to the pcp excluding non-recurring items) – in 2014 we have paid two months' extra tax instalments compared to the pcp due to the legislated change from quarterly to monthly PAYG tax payments, combined with the tax on higher earnings and an extra two months of earnings from the Alesco businesses; and
- **Interest paid** (~$2M unfavourable compared to the pcp) – this differs to the interest expense variance in the income statement ($1.9M favourable) due to payment timing changes and some establishment costs associated with the US private placement debt.

Cash conversion excluding these non-recurring items was at 84%, marginally below the pcp and above our guidance of ~80%.

Key drivers of the remainder of the cash flow are:

- Investing cash outflows decreased by $142.3M, due largely to the acquisition of Alesco in the pcp, whilst the current year includes $10.8M gross proceeds from the disposal of the Opel business in China and other minor asset disposals; and
- Capital expenditure increased by $1.6M on the pcp, with a full year of Alesco business capital spend in the current period, compared to ten months in the pcp, contributing to the increase.

Segment Commentary – Paints and Coatings ANZ

Paints and Coatings ANZ EBIT of $138.9M, up 12.1%.

Double-digit earnings growth in positive markets.

Paints & Coatings ANZ	Full year ended 30 September		
A$M	2014 Actual	2013 Actual	% Change
Sales revenue	821.6	774.2	6.1%
EBITDA	156.5	140.6	11.3%
EBIT	138.9	123.9	12.1%
EBIT % Sales	*16.9%*	*16.0%*	

Paints and Coatings ANZ – Dulux Decorative Retail and Trade Paints, Texture Coatings, Protective Coatings and Powder Coatings, and Cabot's Woodcare Coatings in Australia and New Zealand.

Sales revenue up $47.4M (+6.1%)

- Market growth of ~4% driven by increased housing activity in both Australia and New Zealand. Protective coatings remained soft, given the slow down in mining and infrastructure investment.
- In the Australian decorative paint market, existing homes (75% of market volume) grew ~2.5%, new housing (20%) ~10% and commercial (5%) ~3.5%.
- Consistent with our long term strategy, we have continued to focus on higher value, more profitable market segments, biased to renovations of existing homes with premium paint.
- In Australia, we held share within our aligned decorative paint channels and preferred target markets. Overall share reduced slightly with the key driver being the disproportionate growth of new housing, a less profitable sector, where our share is strategically lower than our overall average.
- New Zealand share was flat overall.
- The stronger New Zealand dollar contributed approximately 1.5 points of the revenue increase.

EBIT growth of $15.0M (+12.1%)

- Following the short term input cost relief in the first half, input costs in the second half increased broadly in line with inflation, as foreshadowed.
- Margin improvement was also driven by procurement benefits resulting from internal efficiency programs, continued cost control and, importantly, our continued focus on profitable market segments.

Segment Commentary – Consumer and Construction Products ANZ

Consumer and Construction Products ANZ EBIT of $29.8M, up 3.1% on pro forma 2013 EBIT.

EBIT growth driven by improvement in Selleys, offset by a small decline in Parchem as a result of adverse engineering construction market conditions.

Consumer & Construction Products ANZ	Full year ended 30 September		
A$M	**2014**	**2013**	**% Change**
Statutory (10 months in 2013)			
Sales revenue	265.9	243.2	
EBITDA	33.8	29.9	
EBIT	29.8	26.2	
EBIT % Sales	*11.2%*	*10.8%*	
Pro forma (12 months in 2013)			
Sales revenue	265.9	267.0	(0.4%)
EBITDA	33.8	33.1	2.1%
EBIT	29.8	28.9	3.1%
EBIT % Sales	*11.2%*	*10.8%*	

Consumer and Construction Products ANZ – Selleys sealants, adhesives and other home improvement consumer products, and Parchem construction chemicals and related products in Australia and New Zealand.

Sales revenue down $1.1M (-0.4%) on pro forma 2013 revenue

- Selleys sales revenue grew in Australia and New Zealand in markets that grew modestly.
- Parchem revenue was adversely impacted, especially in the second half, by the significant decline in engineering construction markets, together with a decision to exit some low margin volumes in the decorative concrete resurfacing business.

EBIT growth of $0.9M (+3.1%) on pro forma 2013 EBIT

- Selleys grew profit due to revenue growth, margin control and tight fixed cost management.
- Parchem profit declined slightly, with procurement and other fixed cost savings largely offsetting the impact of revenue declines.

Segment Commentary – Garage Doors and Openers

Garage Doors and Openers EBIT of $18.2M, up 4.6% on pro forma 2013 EBIT.

Solid result achieved during significant strategic changes and given insurance income in pcp. Improved detached new housing growth was tempered by subdued renovation activity.

Garage Doors & Openers	Full year ended 30 September		
A$M	2014	2013	% Change
Statutory (10 months in 2013)			
Sales revenue	169.8	130.4	
EBITDA	24.5	17.8	
EBIT	18.2	12.3	
EBIT % Sales	*10.7%*	*9.4%*	
Pro forma (12 months in 2013)			
Sales revenue	169.8	160.5	5.8%
EBITDA	24.5	24.0	2.1%
EBIT	18.2	17.4	4.6%
EBIT % Sales	*10.7%*	*10.8%*	

Garage Doors and Openers – B&D (and other brands) garage doors and openers in Australia and New Zealand.

Sales revenue up $9.3M (+5.8%) on pro forma 2013 revenue

- The Australian market grew, driven by slight growth in alterations and additions (~52% of revenue) and an improving new housing market (~31%). The New Zealand market grew more strongly due to Christchurch rebuild activity and strong growth in Auckland.
- Australian market share outcomes in the garage doors business were slightly negative in Australia due to a strategic decision to exit low margin, non-aligned business. Share grew in the remaining strategically aligned customer base (eg. the B&D Accredited Dealer network). Share also grew in New Zealand and in industrial openers.
- Positive price impacts resulted from increases implemented to manage the impact of input cost pressures (higher steel prices and weaker Australian dollar) and the exit of low margin business.

EBIT growth of $0.8M (+4.6%) on pro forma 2013 EBIT

- The prior year was positively impacted by net insurance gains resulting from the Christchurch earthquake of $0.7M. Excluding this impact, EBIT grew by $1.5M (8.9%).
- The result included an increase in advertising of ~$1M, with B&D advertising on television with the first national campaign in many years. Total marketing expenditure was only slightly higher than prior year.

Segment Commentary – Cabinet and Architectural Hardware

Cabinet and Architectural Hardware EBIT of $8.9M, up 25.4% on pro forma 2013 EBIT.

EBIT growth driven by market share gains and cost reductions from a restructured business model.

Cabinet & Architectural Hardware	Full year ended 30 September		
A$M	**2014**	**2013**	**% Change**
Statutory (10 months in 2013)			
Sales revenue	159.6	117.6	
EBITDA	11.4	5.9	
EBIT	8.9	4.1	
EBIT % Sales	*5.6%*	*3.5%*	
Pro forma (12 months in 2013)			
Sales revenue	159.6	147.1	8.5%
EBITDA	11.4	9.2	23.9%
EBIT	8.9	7.1	25.4%
EBIT % Sales	*5.6%*	*4.8%*	

Cabinet and Architectural Hardware – Lincoln Sentry cabinet and architectural hardware distribution.

Sales revenue up $12.5M (+8.5%) on pro forma 2013 revenue

- The impact of strong growth in the new residential housing market was somewhat offset by a slower recovery in the residential alterations & additions market.
- Continued investment in sales effectiveness and innovative marketing programs delivered market share gains, particularly in the Cabinet Hardware business.

EBIT growth of $1.8M (+25.4%) on pro forma 2013 EBIT

- Cost of goods was adversely impacted by the decline in the Australian dollar against the Euro and US dollar.
- Fixed costs were lower than the pcp due to tight cost control and a restructure to a lower cost, national business model.

Segment Commentary – Other businesses

EBIT of $12.2M up 34.1% on prior period (excluding Robinhood and non-recurring items).

EBIT growth driven by strong performance in Yates, EBIT improvement in China, partially offset by market softness in Papua New Guinea.

Other businesses	Full year ended 30 September		
A$M	**2014**	**2013**	**% Change**
Statutory (includes 10 months of Robinhood in 2013 and China impairment)			
Sales revenue	207.7	232.3	
EBITDA	6.2	(8.1)	
EBIT	3.0	(12.1)	
EBIT % Sales	*1.4%*	*(5.2%)*	
Excluding Robinhood and China impairment			
Sales revenue	207.7	219.2	(5.2%)
EBITDA	15.4	12.9	19.4%
EBIT	12.2	9.1	34.1%
EBIT % Sales	*5.9%*	*4.2%*	
Robinhood and China impairment			
Robinhood EBIT (pro forma in 2013)	-	(1.7)	nm
Robinhood loss on sale	-	(1.1)	nm
China impairment - 100%	(9.2)	(18.5)	nm
China impairment - equity share	(9.2)	(10.2)	nm

Other businesses – Yates garden care in Australia and New Zealand; DuluxGroup Papua New Guinea (PNG); DGL Camel International, China and Hong Kong (51% owned); and DGL International South East Asia.

- Statutory results for this segment were impacted by the inclusion of ten months of results from Robinhood in the pcp, which was disposed of on 16th September 2013; and the recognition of an impairment expense in both periods in relation to the intangible assets of the DGL Camel business.
- **Yates ANZ** revenue declined marginally compared to the pcp, largely due to proactive product mix initiatives. EBIT grew due to improved margins and fixed cost management, despite an increase in marketing spend.
- **DGL Camel** revenue declined by 11.4%, due to the disposal of the Opel Woodcare business in the first half of the year, partly offset by favourable foreign exchange translation benefits. Excluding Opel sales, revenue was broadly in-line with the pcp in local currency. EBIT improved on the pcp, with margin improvements the major contributor.
- The **PNG** business was impacted by the slowing economy and devaluation of the local currency (kina), particularly in the first half, with a more stable outcome in the second half of the year. Despite a decline in both sales revenue and EBIT, this business remains the premium, profitable market leader in the decorative paints segment in PNG.
- The **South East Asian** business produced a flat operating EBIT result on higher sales, due to investment in fixed costs to broaden the distribution base.

Segment Commentary – Other businesses

China Impairment

A non-cash impairment charge of $9.2M (pre and post-tax) has been recognised in 2014 against the intangible assets relating to our 51%-owned DGL Camel business in China and Hong Kong. This follows an impairment charge of $10.2M (DuluxGroup share) in 2013.

DuluxGroup's goodwill associated with DGL Camel has now been fully written off.

Property, plant and equipment (A$3.3M), working capital (A$1.8M) and the Camel brand name (A$1.8M) remain on the balance sheet, partially offset by our joint venture partner's 49% non-controlling interest share of (A$3.4M).

Strategic progress has been made during the year, including the divestment of the loss-making Opel Woodcare business and further localisation of the Selleys Liquid Nails range. Financial performance has improved, with EBIT improving largely due to higher margins.

However, the sales growth outcome in the period was below the level in the business plan that was required to support the goodwill. In addition, the growth outlook for both China and Hong Kong has softened. These two factors led to the impairment of the goodwill.

DuluxGroup remains committed to the China business, and continues to focus on achieving a break even profit outcome and growth opportunities in Selleys, and coatings in Hong Kong and China.

Segment Commentary – Corporate

Corporate costs of $24.3M, up 8.0% on pro forma 2013 costs.

Corporate Costs	Full year ended 30 September		
A$M	2014 Actual	2013 Actual/ Pro forma	% Change
Corporate costs	(24.3)	(22.5)	(8.0%)

Corporate costs up 8.0%

- Corporate costs increased by $1.8M. The increase reflects fringe benefits tax relating to the debt forgiveness for relevant corporate employees on the close-out of the 2010 Long Term Incentive Scheme ($1.5M) and $0.9M of costs relating to share matching for the Employee Share Investment Plan, partly offset by further Alesco corporate cost synergies.
- Additionally, as outlined at the half year result and on page one of this report, changes in accounting standards have impacted the balances of DuluxGroup's defined benefit superannuation scheme. This charge is reflected in both the current period as well as the pcp. Further details are provided in note 1 of the Appendix 4E.

Non-recurring items

The non-recurring items are detailed below:

Non-recurring items	Year ended 30 September		
A$M	EBIT	NPAT	Operating cash flow
2014			
Alesco integration costs	(5.3)	(3.7)	(5.9)
Reversal of excess NZ OCN tax matter provision	5.9	5.5	(8.4)
China impairment - equity share	(9.2)	(9.2)	-
Sale of Opel Woodcare	-	-	(9.0)
Total	**(8.7)**	**(7.4)**	**(23.3)**
2013			
Non-recurring Alesco PPA adjustments	(1.7)	(1.2)	-
Alesco transaction costs	(6.3)	(5.9)	(6.3)
Alesco integration costs	(9.6)	(6.7)	(9.3)
Robinhood loss on sale	(1.1)	(1.3)	-
Gain on sale of O'Connor site, net of disposal costs	8.1	8.1	-
China impairment - equity share	(10.2)	(10.2)	-
China impairment - non-controlling interests share	(8.3)	-	-
Total	**(29.0)**	**(17.2)**	**(15.7)**

Alesco integration costs refer to the costs associated with integrating the Alesco businesses into DuluxGroup. Costs largely relate to IT and finance shared service integration activities. Total integration costs are in line with previous guidance of $15M.

The **reversal of the excess NZ OCN tax matter provision** relates to a reversal of the excess portion of a contingent liability provision that was held in relation to an Optional Convertible Note (OCN) matter with the New Zealand Commissioner of Inland Revenue. The matter was settled during the first half of the year, and A$5.9M of this provision was written back to the profit and loss during the year.

The **China impairment** relates to the impairment charges against the intangible assets of the DGL Camel business.

The **sale of Opel Woodcare** relates to the operating cash flows associated with the divestment of the Opel Woodcare business in China. These costs are more than offset by the proceeds from disposal (investing cash flows).

Non-recurring Alesco PPA adjustments refer to the non-recurring component of the Purchase Price Allocation adjustments that were made in the pcp as part of the Alesco acquisition accounting process. These primarily relate to the fair value adjustment to finished goods inventory sold in the period.

Alesco transaction costs refer to the transaction costs associated with the acquisition of Alesco, incurred in the pcp. These costs total $9.9M over 2012 and 2013, within the previously supplied guidance of $9M to $10M. No further costs have been incurred.

The **Robinhood loss on sale** largely relates to adviser costs, site exit costs and redundancy payments associated with the sale of this business.

The **gain on sale of the O’Connor site** refers to the profit made upon disposal of the O’Connor site in Western Australia.

Outlook

Subject to economic conditions and excluding non-recurring items, we expect that 2015 net profit after tax will be higher than the 2014 equivalent of $111.9M.

The markets in which DuluxGroup operates in Australia and New Zealand remain generally positive, with primary exposure (62%[1] of DuluxGroup revenue) to the resilient and more profitable, existing homes segment. This proven resilience over recent years is expected to continue.

The new housing construction market (~18%[1] of DuluxGroup revenue, late cycle) is expected to remain strong. Share growth is likely to be limited in this lower margin segment due to pricing discipline and 'top end' focus.

The outlook for commercial and infrastructure (~16%[1] of DuluxGroup revenue) is less positive. In Australia, the outlook for major engineering and infrastructure projects is weak as major capex projects (particularly in the mining sector) wind down, and the pipeline of new infrastructure projects is still some time away.

In China, growth expectations have tempered, in line with the overall economy, and Hong Kong remains weak. Our markets are expected to be relatively soft.

The outlook for the PNG market is for flat to low growth, with any pick up not expected until late 2015.

On the whole, input cost increases appear to be manageable, and are expected to increase more broadly in line with inflation overall. Weakening of the Australian dollar against the major currencies may result in additional input cost pressure, though DuluxGroup will aim to mitigate.

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

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1. Revenue splits as per 2014 full year revenue.