

ASX Announcement

27 February 2024

Appendix 4D and Interim Financial Report

Attached for release is Reece Limited's Appendix 4D and Interim Financial Report for the 6 month period ended 31 December 2023.

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This announcement has been authorised by Chantelle Duffy, Company Secretary at the direction of the Reece Limited Board.

About the Reece Group

Reece Group is a leading distributor of plumbing, waterworks and HVAC-R products to commercial and residential customers through approximately 900 branches in Australia, New Zealand and the United States.

Established in 1920 and listed on the Australian Securities Exchange (ASX: REH), Reece Group has approximately 9,000 employees committed to improving the lives of its customers by striving for greatness every day.

For further information on Reece Group and its portfolio of businesses please visit group.reece.com/au.

Appendix 4D
Half-year report for six months ended 31 December 2023
Reece Limited
(ABN 49 004 313 133)

1. Reporting period

This Appendix 4D and financial report presents the results of Reece Limited and its controlled entities ('the Group' or 'Reece') for the half-year ended 31 December 2023. The information in this report should be read in conjunction with the most recent annual financial report for the year ended 30 June 2023.

Previous corresponding periods are the financial year ended 30 June 2023 and half-year ended 31 December 2022.

2. Results for announcement to the market

	\$000's³	
Revenue from sale of goods	4,537,273	Up 2.5%
Statutory EBIT	367,102	Up 12.8%
Statutory NPAT	223,631	Up 20.3%
Statutory net profit for the period attributable to members	223,631	Up 20.3%
Adjusted EBITDA ¹	526,132	Up 7.7%
Adjusted NPAT ²	223,631	Up 6.4%

	Amount per security	Franked amount per security
Dividends		
Interim dividend	8 cents	100%
Previous corresponding period - interim dividend	8 cents	100%

Record date for determining entitlements to the dividend is 28 March 2024 to be paid on 10 April 2024.

Review of Operations

Reece delivered a solid result despite a subdued demand environment in the first half of FY24. Sales revenue increased 2.5% to \$4,537m (HY23: \$4,427m). The impact of product inflation was neutral at a group level, with demand subdued across regions.

Adjusted EBITDA¹ was up 8% to \$526m (HY23: \$488m) driven by disciplined operational cost management and continued focus on executing the fundamentals of the Reece model. Statutory EBIT was up 13% to \$367m (HY23: \$325m). Group costs increased by 5% for the half, principally driven by higher employee expenses and an increase in depreciation and amortisation from recent investments in the network (organic and inorganic) and digital capabilities. Statutory NPAT was up 20% to \$224m (HY23: \$186m), while adjusted NPAT² increased 6% to \$224m (HY23: \$210m).

In the Australia and New Zealand (ANZ) region, sales revenue increased 2% to \$1,972m (HY23: \$1,928m), driven by moderating inflation and supported by a backlog of activity. Adjusted EBITDA¹ was up 7% to \$307m (HY23: \$287m). Statutory EBIT increased 18% to \$233m (HY23: \$198m), with the prior period impacted by a goodwill impairment of \$29m related to the Metalflex business.

In ANZ, the business continued its focus on operational excellence and disciplined cost management following a period of significant growth. The network delivered five branch relocations, six refurbishments, one new branch opening and one branch closure during the period. At the end of the half-year there was a total of 655 branches across the ANZ network with a pipeline of incremental network activity planned for the second half.

¹ EBITDA adjusted to exclude government incentive scheme income (Boosting Apprenticeship Commencements 'BAC' income), impairment expenses and business acquisition costs (refer to Note 2 Segment Reporting).

² NPAT adjusted to exclude tax effected BAC income of \$Nil (HY23: \$5m) and impairment expenses of \$Nil (HY23: \$29m).

³ All figures in this Appendix 4D are in Australian dollars unless otherwise stated. Any discrepancies in the calculation of percentage movements in financial amounts from one period to another are due to rounding.

Appendix 4D
Half-year report for six months ended 31 December 2023
Reece Limited
(ABN 49 004 313 133)

Review of Operations (cont.)

In the US region, sales revenue increased 3% to \$2,566m (HY23: \$2,500m), with the headline growth benefiting from favourable foreign exchange movements between the periods. In US dollars, sales were flat, driven by a subdued trading environment and modest deflation for the half. Adjusted EBITDA increased 8% to \$219m (HY23: \$202m). Statutory EBIT increased 5% to \$134m (HY23: \$127m).

In the US, we continue to focus on uplifting all aspects of the business and building scale. During the half, nine new branches were opened, bringing the total branch network to 240. The Reece brand rollout continued, with 62 branches now trading as Reece across the US. We also continued our focus on training and developing our team and building a strong employee value proposition in the US.

As we look ahead toward the second half, the Group expects subdued demand across our business with a softening in the environment in ANZ. We take a long-term view and will continue to invest to build a stronger business and deliver on our 2030 vision of being our trade's most valuable partner.

3. Details of entities over which control has been gained during the period

There have been no material acquisitions during the six months ended 31 December 2023.

4. Net tangible assets per security

	31 Dec 2023	31 Dec 2022
Net tangible asset backing per ordinary security	258 cents	229 cents

5. Dividends

	31 Dec 2023	31 Dec 2022
	\$000's	\$000's
Dividends paid during the half-year (fully franked)	109,817	96,898

The final dividend relating to the year ended on 30 June 2023 of 17 cents (30 June 2022: 15 cents) was paid on 25 October 2023. On 27 February 2024, the directors declared a fully franked dividend of 8 cents per fully paid ordinary share (31 December 2022: 8 cents) with a record date of 28 March 2024 and payment date of 10 April 2024.

6. Associate entities

The table below shows investments in associate entities held by the Group:

	Ownership		Consolidated carrying amount	
	31 Dec 2023	30 Jun 2023	31 Dec 2023	30 Jun 2023
	%	%	\$000's	\$000's
True Pillars Pty Ltd	43.0%	40.1%	10,500	10,000
Fieldpulse Pty Ltd	20.9%	26.1%	10,874	10,086

Reece Limited invested an additional \$0.5m in equity in its associate True Pillars Pty Ltd, and invested an additional \$0.8m in equity in its associate Fieldpulse Pty Ltd during the half year.

7. Financial information

The financial information provided in Appendix 4D is based on the half-year financial report (attached).

8. Independent review of the financial report

The consolidated financial report for the half-year ended 31 December 2023, upon which this report is based, has been independently reviewed by KPMG.

The Reece logo, consisting of the word "reece" in a white, lowercase, sans-serif font inside a dark blue rounded rectangle.

Financial Report

for the half year to 31 December 2023



Reece Limited
(ABN 49 004 313 133)
and controlled entities

This half year financial report is to be
read in conjunction with the financial
report for the year ended 30 June 2023.

Reece Limited
Financial Report for the half-year ended 31 December 2023

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Reece Limited
Financial Report for the half-year ended 31 December 2023

Directors' Report

The Directors of Reece Limited and its controlled entities (the 'Group' or 'Reece') present their report together with the consolidated financial statements for the six months ended 31 December 2023 and the independent review report thereon.

Directors

The names of the Directors in office at any time during the period until the date of this report are set out below. Directors were in office for the entire period unless otherwise stated.

Tim Poole
Peter Wilson
L. Alan Wilson
Bruce C. Wilson
Megan Quinn
Andrew Wilson
Karen Penrose (appointed 18 December 2023)

Review of operations

Reece has delivered a solid result despite a softening demand environment in the half-year ended 31 December 2023 (HY24). Sales revenue increased 2.5% to \$4,537m (HY23: \$4,427m). The impact of product inflation was neutral at a group level, with demand subdued across regions. Statutory EBIT increased 13% to \$367m (HY23: \$325m), the prior period impacted by a goodwill impairment of \$29m. Statutory net profit after tax increased 20% to \$224m (HY23: \$186m). A review of operations for the Group during the half-year and the results of these operations are set out in the Appendix 4D and HY24 Results Announcement.

Significant changes in state of affairs

There have been no significant changes in the Group's state of affairs during the financial period.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* in relation to the review of the half-year is provided with this report.

Rounding of amounts to nearest thousand dollars

In accordance with *ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191*, the amounts in the directors' report and in the financial report have been rounded to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the board of directors:



T.M. Poole
Chair



P.J. Wilson
Group Chief Executive Officer & Deputy Chair

Melbourne
27 February 2024



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

To the Directors of Reece Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Reece Limited for the half-year ended 31 December 2023 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Julie Carey

Partner

Melbourne

27 February 2024

**Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the half-year ended 31 December 2023**

	Note	31 Dec 2023 (\$000's)	31 Dec 2022 (\$000's)
Revenue			
Revenue from sale of goods		4,537,273	4,427,290
Cost of sales	3	(3,228,275)	(3,180,134)
Gross profit		1,308,998	1,247,156
Other revenue		6,612	9,734
Selling and administrative expenses		(948,508)	(902,565)
Impairment of goodwill		-	(28,949)
Earnings before interest and tax		367,102	325,376
Finance costs (net)	3	(46,006)	(37,314)
Profit before income tax expense		321,096	288,062
Income tax expense	5	(97,465)	(102,132)
Net profit after tax		223,631	185,930
Other comprehensive income			
<i>Items that may be reclassified subsequently to the profit or loss:</i>			
Exchange differences on translation of foreign operations, net of tax		(61,894)	32,256
Change in fair value of effective cash flow hedges, net of tax		(7,309)	(12,118)
Total comprehensive income, net of tax		154,428	206,068
Basic earnings per share		34.6 cents	28.8 cents
Diluted earnings per share		34.6 cents	28.8 cents

**Condensed Consolidated Statement of Financial Position
as at 31 December 2023**

	Note	31 Dec 2023 (\$'000's)	30 Jun 2023 (\$'000's)
Current assets			
Cash and cash equivalents		336,700	372,706
Trade and other receivables		1,229,902	1,338,414
Inventories	6	1,441,347	1,504,892
Derivative financial instruments	11	-	3,047
Total current assets		3,007,949	3,219,059
Non-current assets			
Property, plant and equipment	7	829,199	786,922
Right-of-use assets	7	811,446	799,379
Investments		24,881	25,424
Intangible assets	8	1,952,733	2,020,888
Deferred tax assets		77,201	72,614
Total non-current assets		3,695,460	3,705,227
Total assets		6,703,409	6,924,286
Current liabilities			
Trade and other payables		1,041,193	1,179,405
Lease liabilities		132,917	131,360
Current tax liability		6,370	11,440
Provisions		100,545	98,823
Derivative financial instruments	11	4,262	-
Total current liabilities		1,285,287	1,421,028
Non-current liabilities			
Interest-bearing liabilities	9	947,006	1,097,490
Lease liabilities		749,316	732,917
Deferred tax payable		26,982	23,818
Provisions		22,004	23,609
Total non-current liabilities		1,745,308	1,877,834
Total liabilities		3,030,595	3,298,862
Net assets		3,672,814	3,625,424
Equity			
Contributed equity		1,246,918	1,246,918
Reserves		125,870	192,294
Retained earnings		2,300,026	2,186,212
Total equity		3,672,814	3,625,424

**Condensed Consolidated Statement of Changes in Equity
for the half-year ended 31 December 2023**

	Note	Contributed Equity (\$000's)	Reserves (\$000's)	Retained Earnings (\$000's)	Total Equity (\$000's)
Balance at 1 July 2022		1,246,918	126,769	1,947,182	3,320,869
Profit for the half-year		-	-	185,930	185,930
Exchange differences on translation of foreign operations, net of tax		-	32,256	-	32,256
Change in fair value of effective cash flow hedges, net of tax		-	(12,118)	-	(12,118)
Total comprehensive income for the half-year		-	20,138	185,930	206,068
Transactions with owners in their capacity as owners:					
Share-based payments	10	-	1,568	-	1,568
Shares purchased for employee share trust		-	(5,279)	-	(5,279)
Dividends paid	4	-	-	(96,898)	(96,898)
Balance as at 31 December 2022		1,246,918	143,196	2,036,214	3,426,328
Balance at 1 July 2023		1,246,918	192,294	2,186,212	3,625,424
Profit for the half-year		-	-	223,631	223,631
Exchange differences on translation of foreign operations, net of tax		-	(61,894)	-	(61,894)
Change in fair value of effective cash flow hedges, net of tax		-	(7,309)	-	(7,309)
Total comprehensive income for the half-year		-	(69,203)	223,631	154,428
Transactions with owners in their capacity as owners:					
Share-based payments	10	-	2,779	-	2,779
Dividends paid	4	-	-	(109,817)	(109,817)
Balance as at 31 December 2023		1,246,918	125,870	2,300,026	3,672,814

**Condensed Consolidated Statement of Cash Flows
for the half-year ended 31 December 2023**

	31 Dec 2023	31 Dec 2022
	(\$000's)	(\$000's)
Cash flows from operating activities		
Receipts from customers	4,963,551	4,847,639
Payments to suppliers and employees	(4,435,172)	(4,532,663)
Interest received	5,073	1,631
Finance costs paid	(34,740)	(24,427)
Interest repayments on leases	(16,339)	(14,518)
Income tax paid	(104,633)	(90,132)
Net cash flows from operating activities	377,740	187,530
Cash flows from investing activities		
Purchases of property, plant and equipment	(102,573)	(73,892)
Proceeds from sale of property, plant and equipment	8,021	6,770
Payment for intangible assets	(12,377)	(13,584)
Purchase of controlled entities and investments, net of cash required	(1,082)	(49,155)
Net cash flows used in investing activities	(108,011)	(129,861)
Cash flows from financing activities		
Proceeds from borrowings	438,596	107,660
Repayments of borrowings	(562,716)	(85,330)
Dividends paid	(109,817)	(96,898)
Principal repayment on leases	(68,445)	(58,662)
Payments for shares purchased for employee share trust	-	(5,278)
Net cash used in financing activities	(302,382)	(138,508)
Net decrease in cash and cash equivalents	(32,653)	(80,839)
Net foreign exchange translation difference	(3,353)	2,161
Cash and cash equivalents at the beginning of the half year	372,706	220,483
Cash and cash equivalents at the end of the half year	336,700	141,805

Notes for the half-year ended 31 December 2023

Note 1: Notes to the condensed half-year financial report

About this report

This condensed half-year financial report covers Reece Limited and its controlled entities (the 'Group' or 'Reece') for the six months ended 31 December 2023 and was authorised for issue in accordance with a resolution of the directors on 27 February 2024. The information in this report should be read in conjunction with the most recent annual financial report for the year ended 30 June 2023.

Reece Limited is a company limited by shares, incorporated and domiciled in Australia. Reece Limited is a for-profit entity for the purpose of preparing the financial statements. The registered offices of Reece Limited is 57 Balmain St, Cremorne, Victoria, 3121.

Reece is a leading distributor of plumbing, waterworks and heating, ventilation, air-conditioning and refrigeration products to commercial and residential customers, operating for more than 100 years. Reece has strong market positions across its global footprint spanning Australia, New Zealand and the United States. The Group's businesses are supported by leading innovation and service solutions.

Basis of preparation

These interim financial statements are general purpose financial statements prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*, and with IAS 34 *Interim Financial Reporting*.

They do not include all the information required for a complete set of annual financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at, and for the year ended, 30 June 2023.

Statement of material accounting policies

The half-year condensed consolidated financial statements have been prepared using consistent accounting policies as used in the annual financial statements for the year ended 30 June 2023.

Several amendments and interpretations also applied to the Group for the first time from 1 July 2023, but do not have a material impact on the condensed half-year financial report of the Group.

The Group has not early adopted any standards or interpretations.

Rounding amounts

The Group has applied the relief available under the *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, and accordingly, the amounts in the Directors' Report and in the condensed half-year financial report have been rounded to the nearest thousand dollars, unless otherwise stated.

Key judgements and estimates

In the process of applying Group accounting policies, management applies judgements and estimates of future events. These key accounting judgments and estimates have not changed materially from those described in the notes to the financial statements for the year ended 30 June 2023.

Notes

for the half-year ended 31 December 2023

Note 2: Segment Reporting

Segment information is presented in a manner which is consistent with the internal reporting to the Group Chief Executive Officer who is the entity's chief operating decision maker for the purpose of performance assessment and resource allocation. The Group's segments are based on the geographical operations of the business and comprise Australia and New Zealand (ANZ) and United States of America (United States).

	ANZ		United States		Total	
	31 Dec 2023 (\$000's)	31 Dec 2022 (\$000's)	31 Dec 2023 (\$000's)	31 Dec 2022 (\$000's)	31 Dec 2023 (\$000's)	31 Dec 2022 (\$000's)
Revenue from sale of goods	1,971,597	1,927,736	2,565,676	2,499,554	4,537,273	4,427,290
Adjusted EBITDA ¹	307,294	286,583	218,838	201,806	526,132	488,389
Other revenue						
Government grant BAC income ²	-	6,600	-	-	-	6,600
Expenses						
Depreciation	(64,264)	(61,270)	(61,661)	(50,120)	(125,925)	(111,390)
Amortisation	(9,721)	(4,404)	(23,294)	(24,379)	(33,015)	(28,783)
Impairment	-	(28,949)	-	-	-	(28,949)
Business acquisition costs	-	(165)	(90)	(326)	(90)	(491)
Finance costs (net)	(4,187)	(9,109)	(41,819)	(28,205)	(46,006)	(37,314)
Segment profit before tax	229,122	189,286	91,974	98,776	321,096	288,062
Income tax expense	(71,933)	(73,643)	(25,532)	(28,489)	(97,465)	(102,132)
Segment profit after tax	157,189	115,643	66,442	70,287	223,631	185,930
	31 Dec 2023	30 Jun 2023	31 Dec 2023	30 Jun 2023	31 Dec 2023	30 Jun 2023
	(\$000's)	(\$000's)	(\$000's)	(\$000's)	(\$000's)	(\$000's)
Current assets	1,361,816	1,452,069	1,646,133	1,766,990	3,007,949	3,219,059
Non-current assets	1,311,710	1,305,606	2,383,750	2,399,621	3,695,460	3,705,227
Total Assets	2,673,526	2,757,675	4,029,883	4,166,611	6,703,409	6,924,286
Total Liabilities	975,189	1,102,816	2,055,406	2,196,046	3,030,595	3,298,862

1. EBITDA adjusted to exclude government incentive scheme income (BAC income²), impairment expenses and business acquisition costs. The Group previously reported Normalised EBITDA in the segment report however has changed to Adjusted EBITDA in the current period to align with revised internal reporting.

2. Boosting Apprenticeship Commencements (BAC) income.

Notes
for the half-year ended 31 December 2023

Note 3: Expenses

	31 Dec 2023	31 Dec 2022
	(\$000's)	(\$000's)
Cost of sales	3,228,275	3,180,134
Employee benefits expense	517,994	499,111
Depreciation	125,925	111,390
Amortisation	33,015	28,783
Business acquisitions costs	90	490
Other expenses	271,484	262,791
Finance costs		
Interest on debt and borrowings	29,667	22,796
Interest on lease liabilities	16,339	14,518
Total finance costs (net)	46,006	37,314

Note 4: Dividends paid and proposed

	31 Dec 2023	31 Dec 2022
	(\$000's)	(\$000's)
Dividends paid and/or proposed for the financial year:		
Dividends paid at 17 cents per share fully franked (2022: 15 cents) paid on 25 October 2023 (2022: 26 October 2022)	109,817	96,898
Proposed dividends not recognised at the end of the half-year at 8 cents per share fully franked (2022: 8 cents) payable on 10 April 2024 (2022: 5 April 2023)	51,679	51,679

Note 5: Income tax expense

	31 Dec 2023	31 Dec 2022
	(\$000's)	(\$000's)
Income tax expense	97,465	102,132
At the effective income tax rate of 30% (31 Dec 2022: 35%)	97,465	102,132

The Group's consolidated effective tax rate in respect of continuing operations for the half-year ended 31 December 2023 was 30% (31 December 2022: 35%). The higher effective tax rate in the prior period was due to:

- an under provision for tax payable, which increased the HY23 tax expense in the prior financial year by \$6.7m.
- a non-deductible impairment expense was recognised in the Group's statutory net profit before tax, which increased the HY23 tax expense by \$8.7m.

Notes
for the half-year ended 31 December 2023

Note 6: Inventories

	31 Dec 2023 (\$000's)	30 Jun 2023 (\$000's)
Finished goods, at lower of cost and net realisable value	1,542,912	1,601,128
Less: Allowance for slow moving or obsolete inventory	(101,565)	(96,236)
	1,441,347	1,504,892

Note 7: Property, plant and equipment and right-of-use assets

	Property, plant and equipment		Right-of-use assets	
	Half-year ended	Year ended	Half-year ended	Year ended
	31 Dec 2023 (\$000's)	30 Jun 2023 (\$000's)	31 Dec 2023 (\$000's)	30 Jun 2023 (\$000's)
Net book value at 1 July	786,922	729,405	799,379	763,515
Additions through business combinations	-	209	-	7,394
Additions	102,573	151,667	62,204	90,231
Reassessments	-	-	39,154	76,517
Disposals	(5,117)	(9,309)	(2,265)	(17,723)
Depreciation	(50,218)	(93,113)	(75,707)	(134,292)
Net foreign exchange impact	(4,961)	8,063	(11,319)	13,737
Net book value at period end	829,199	786,922	811,446	799,379

Note 8. Goodwill and intangible assets

Management reviewed its cash generating units (CGUs) for indications of significant impairment since the end of FY23. No indicators of impairment were noted.

In the Group's most recent annual report for the year ended 30 June 2023, management identified that a reasonably possible adverse change in gross margins could have caused the carrying amount to exceed the recoverable amount for Metalflex, one of the Group's CGUs. The gross margin for the forecast 5-year period would have needed to change by more than 200 basis points before the recoverable amount of Metalflex would equal the carrying amount.

For the half-year ended 31 December 2023, no material adverse changes were noted in the gross margin for Metalflex.

Notes
for the half-year ended 31 December 2023

Note 8. Goodwill and intangible assets (cont.)

	Half-year ended 31 Dec 2023 (\$'000's)	Year ended 30 June 2023 (\$'000's)
Goodwill		
Carrying amount at beginning of year	1,523,491	1,477,243
Additions through business combinations	(2,340)	23,411
Impairment	-	(28,949)
Net foreign currency exchange movements	(42,645)	51,786
Carry amount at end of period	1,478,506	1,523,491
Brand names		
Carrying amount at beginning of year	49,800	49,800
Carry amount at end of period	49,800	49,800
Customer contracts and relationships		
Carrying amount at beginning of year	366,300	329,617
Additions through business combinations	8,492	43,504
Additions	-	14,821
Amortisation	(19,554)	(35,338)
Net foreign currency exchange movements	(10,571)	13,696
Carry amount at end of period	344,667	366,300
Trade names		
Carrying amount at beginning of year	21,808	14,972
Additions through business combinations	-	7,217
Additions	-	14,398
Amortisation	(3,210)	(15,068)
Net foreign currency exchange movements	(32)	289
Carry amount at end of period	18,566	21,808
Software		
Carrying amount at beginning of year	32,146	13,627
Additions through business combinations	-	150
Additions	12,377	25,811
Amortisation	(7,760)	(8,074)
Net foreign currency exchange movements	(166)	632
Carry amount at end of period	36,597	32,146
Other intangible assets		
Carrying amount at beginning of year	27,343	21,081
Additions through business combinations	-	10,131
Amortisation	(2,491)	(4,020)
Net foreign currency exchange movements	(255)	151
Carry amount at end of period	24,597	27,343
Total intangible assets		
Carrying amount at beginning of year	2,020,888	1,906,340
Additions through business combinations	6,152	84,413
Additions	12,377	55,030
Impairment	-	(28,949)
Amortisation	(33,015)	(62,500)
Net foreign currency exchange movements	(53,669)	66,554
Carry amount at end of period	1,952,733	2,020,888

Notes
for the half-year ended 31 December 2023

Note 9: Interest-bearing liabilities

	31 Dec 2023 (\$000's)	30 Jun 2023 (\$000's)
Loan - non-current	947,006	1,097,490
	947,006	1,097,490

In December 2023, the Group completed a US\$300m unsecured note issuance in the US private placement (USPP) market. The notes have fixed coupon rates with a mixture of 7 and 10 year maturities which has enabled the Group to diversify funding sources, reduce variable interest rate exposure and increase overall debt maturity profile. The USPP note proceeds were used to repay drawn debt under the existing syndicated facility agreement (SFA) and increase the Group's available liquidity.

The Group's available debt facilities are displayed in the following table:

Facility	Term	Drawn USD (\$000's)	Drawn AUD (\$000's)	Total drawn AUD (\$000's)	Limit AUD (\$000's)	Maturity date
SFA A ¹	3 year revolving credit facility	-	-	-	114,025	16 Dec 2024
SFA B	4 year revolving credit facility	105,000	50,000	203,509	350,000	16 Dec 2025
SFA C	5 year revolving cash advance facility	210,000	-	307,018	900,000	16 Dec 2026
SFA D	3 year revolving cash advance facility	-	-	-	200,000	31 Jan 2026
Bilateral	3 year bilateral facility	-	-	-	73,099	6 Apr 2026
Senior USPP note	7 year notes	100,000	-	146,199	146,199	20 Dec 2030
Senior USPP note	10 year notes	200,000	-	292,398	292,398	20 Dec 2033

1. SFA A includes an additional ancillary facility of A\$36m to support Australian banking facilities.

Note 10: Share-based payments

On 26 October 2023 at the Annual General Meeting, shareholders approved a grant to the Group CEO under the Reece Group Long Term Incentive Plan (the Plan).

During the period, the Group CEO was granted 248,227 performance rights, and Senior Executives were granted 435,906 performance rights under the Plan. The fair value of the performance rights at the grant date was \$16.91 per right.

The performance rights have a three-year vesting period from 1 July 2023 to 30 June 2026 and expire on 13 October 2038 for Australian participants and on 1 July 2026 for US participants. The performance rights will vest subject to achieving the performance hurdles. No performance rights or options have been exercised, vested, or expired during the period, however 84,837 performance rights were forfeited during the period.

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were \$2,779,168 (31 December 2022: \$1,567,523).

Notes
for the half-year ended 31 December 2023

Note 11: Fair value measurements

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The table below provides information about how the Group determines the fair value of various derivative financial instruments used for managing financial risk. All derivative financial instruments are determined by a third party based on observable market inputs and categorised as Level 2 financial instruments using discounted cash flows and standard option models. There were no transfers between categories during the period.

The carrying amounts of financial assets and financial liabilities recognised at amortised cost in the consolidated financial statements approximate their fair value.

	31 Dec 2023		Consolidated Entity 30 Jun 2023	
	Current (\$000's)	Non-current (\$000's)	Current (\$000's)	Non-current (\$000's)
Financial assets				
Cash	336,700	-	372,706	-
Trade and other receivables	1,229,902	-	1,338,414	-
Derivative financial instruments				
- forward foreign exchange contracts	-	-	3,047	-
Total financial instrument assets at fair value	1,566,602	-	1,714,167	-
Financial liabilities				
Trade and other payables	1,041,193	-	1,179,405	-
Borrowings	-	947,006	-	1,097,490
Lease liabilities	132,917	749,316	131,360	732,917
Derivative financial instruments				
- forward foreign exchange contracts	4,262	-	-	-
Total financial instrument liabilities at fair value	1,178,372	1,696,322	1,310,765	1,830,407

Note 12: Business Combination

There have not been any material business combinations in the half-year ended 31 December 2023.

Note 13: Subsequent events

There have been no material events subsequent to the end of the half-year that require recognition or disclosure in the half-year financial report, except for the proposed interim dividend as detailed in note 4.

Reece Limited
Financial Report for the half-year ended 31 December 2023

Directors' Declaration

In the opinion of the directors of Reece Limited and its controlled entities (the 'Group'):

1. the condensed consolidated financial statements and notes set out on pages 8 to 18, are in accordance with the *Corporations Act 2001* including:
 - (a) giving a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the six months ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
2. there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.



T.M. Poole
Chair



P.J. Wilson
Group Chief Executive Officer & Deputy Chair

Melbourne
27 February 2024



Independent Auditor's Review Report

To the shareholders of Reece Limited

Report on the Condensed Half-year Financial Report

Conclusion

We have reviewed the accompanying **Condensed Half-year Financial Report** of Reece Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Condensed Half-year Financial Report of Reece Limited does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 31 December 2023 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Condensed Half-year Financial Report** comprises:

- Condensed Consolidated statement of financial position as at 31 December 2023
- Condensed Consolidated statement of profit or loss and other comprehensive income, Condensed Consolidated statement of changes in equity and Condensed Consolidated statement of cash flows for the Half-year ended on that date
- Notes 1 to 13 including selected explanatory notes
- The Directors' Declaration.

The **Group** comprises Reece Limited (the Company) and the entities it controlled at the Half year's end or from time to time during the Half-year.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with these requirements.



Responsibilities of the Directors for the Condensed Half-year Financial Report

The Directors of the Company are responsible for:

- the preparation of the Condensed Half-year Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*; and
- such internal control as the Directors determine is necessary to enable the preparation of the Condensed Half-year Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Condensed Half-year Financial Report

Our responsibility is to express a conclusion on the Condensed Half-year Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Condensed Half-year Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and its performance for the Half-Year ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a Condensed Half-year Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

KPMG

Julie Carey

Partner

Melbourne

27 February 2024