

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

Half-year information for the six months ended 31 December 2017
provided to the ASX under listing rule 4.2A.3

This half-year financial report is to be read in conjunction with
the financial report for the year ended 30 June 2017

Appendix 4D

Half-year report for the six months to 31 December 2017

Reece Limited
(ABN 49 004 313 133)

1. Reporting period

Report for the half-year ended 31 December 2017.

Previous corresponding period is the financial year ended 30 June 2017 and half-year ended 31 December 2016.

2. Results for announcement to the market

			\$A'000
Revenues from ordinary activities	Up	10.0% to	1,332,306
Profit before tax	Up	10.0% to	151,118
Profit from ordinary activities after tax attributable to members	Up	10.0% to	105,718
Net profit for the period attributable to members	Up	10.0% to	105,718

Dividends	Amount per security	Franked amount per security
Interim dividend	6.0 cents	6.0 cents
Previous corresponding period – interim dividend	5.8 cents	5.8 cents
Record date for determining entitlements to the dividend		20 March 2018

Commentary

Sales revenue for the six months ended 31 December 2017 was up 10.0% to \$1,332.3M (2016: \$1,210.7M). Net profit before tax was \$151.1M, up 10.0% on the prior year (2016: \$137.4M). As a result, net profit after tax for the six months ended 31 December 2017 was up 10.0% to \$105.7M (2016: \$96.1M).

The business continued to pursue its growth strategy with a commitment to invest in inventory to support the sales growth and new product development, as well as reinvesting in the existing branch network and also seeking other business opportunities. The Viadux acquisition was completed during September 2017 and allows Reece to provide a complete offering of Civil products to customers.

Reece has enhanced the online offering for both trade and retail customers, making it easier for customers to engage with Reece. The first half of FY 2018 has seen an increase in online orders, and the number of visits to the Reece Group websites. Additionally, work has progressed on digitising processes and integrating and developing best of breed software solutions into the Reece Group technology platform.

During the past six months Reece launched several new products that have gained traction in the market and we expect to see the full benefits in future trading periods. The Company launched new exclusive products across HVAC, Plumbing, Bathroom and Irrigation to further enhance the existing product range.

The New Zealand distribution centre commenced operations in September 2017, completing significant investment in the supply network. Reece has a market leading logistics capability that underpins and supports the growth of the company.

The Board has declared an interim dividend of 6.0 cents per share (2016: 5.8 cents per share), fully franked. The interim dividend will be paid on 29 March 2018, with a record date of 20 March 2018.

Appendix 4D

Half-year report for the six months to 31 December 2017

Reece Limited
(ABN 49 004 313 133)

	2017 \$A'000	2016 \$A'000
3. Net tangible assets per security		
Net tangible asset backing per ordinary security	187 cents	169 cents
4. Dividends*		
Ordinary shares		
Dividends paid during the half-year (fully franked)	70,716	64,740

The final dividend relating to the year ended on 30 June 2017 was paid on 26 October 2017.

Subsequent events

Since the end of the half-year the directors have declared the following interim dividend:

6.0 cents (2016: 5.8 cents) per ordinary share fully franked	29,880	28,884
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**In December 2017, a share capital split was approved on the basis of every 1 share be subdivided into 5 shares.*

The interim dividend relating to the half-year ended on 31 December 2017 has not been included as a provision in the financial statements because the dividend was declared after balance date.

Date dividend is payable 29 March 2018

Record date to determine entitlements to the dividend 20 March 2018

Amount per ordinary security

		Amount per security	Franked amount per security
Interim dividend:	Current year	6.0 cents	6.0 cents (at 30% tax rate)
	Previous year	5.8 cents	5.8 cents (at 30% tax rate)

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

6. Independent review of the financial report

The financial report has been independently reviewed. The financial report is not subject to a qualified independent review statement.



22 February 2018
Melbourne

Gavin Street
Company Secretary

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

Financial report for the half-year ended 31 December 2017

This half-year financial report is to be read in conjunction with
the financial report for the year ended 30 June 2017

Reece Limited and controlled entities
Financial report for the half-year ended 31 December 2017

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Reece Limited and controlled entities

Directors' Report

The Directors present their report together with the condensed financial report of the consolidated entity consisting of Reece Limited and the entities it controlled, for the half-year ended 31 December 2017 and independent review report thereon. This financial report has been prepared in accordance with AASB 134 *Interim Financial Reporting*.

Directors' Names

The names of the Directors in office at any time during or since the end of the half-year are:

Name	Period of directorship
Mr L.A. Wilson	48 years
Mr B.W.C. Wilson	47 years
Mr P.J. Wilson	20 years
Mr R.G. Pitcher, AM	15 years
Mr A.T. Gorecki	9 years (retired August 2017)
Mr T.M. Poole	1 year
Mr B.C. Wilson	1 year
Ms M.L. Quinn	4 months (appointed September 2017)
Ms G. Williams	4 months (appointed September 2017)

Each Director has been in office since the start of the financial period to the date of this report unless otherwise stated.

Review of Operations

Sales revenue for the six months ended 31 December 2017 was up 10.0% to \$1,332.3M (2016: \$1,210.7M). Net profit before tax was \$151.1M, up 10.0% on the prior year (2016: \$137.4M). As a result, net profit after tax for the six months ended 31 December 2017 was up 10.0% to \$105.7M (2016: \$96.1M).

The business continued to pursue its growth strategy with a commitment to invest in inventory to support the sales growth and new product development, as well as reinvesting in the existing branch network and also seeking other business opportunities. The Viadux acquisition was completed during September 2017 and allows Reece to provide a complete offering of Civil products to customers.

The cost of doing business was \$283.1M, up 11.8% on the prior period (2016: \$253.3M). Reece has continued to invest in people, technology and new products. Four new branches were opened during the first half of the year and an additional eight branches added through the Viadux acquisition. The company has continued to invest in the branch refurbishment program.

Reece has enhanced the online offering for both trade and retail customers, making it easier for customers to engage with Reece. The first half of FY 2018 has seen an increase in online orders, and the number of visits to the Reece Group websites. Additionally, work has progressed on digitising processes and integrating and developing best of breed software solutions into the Reece Group technology platform.

Reece Limited and controlled entities

Directors' Report

Review of Operations, continued

During the past six months Reece launched several new products that have gained traction in the market and we expect to see the full benefits in future trading periods. The Company launched new exclusive products across HVAC, Plumbing, Bathroom and Irrigation to further enhance the existing product range.

The New Zealand distribution centre commenced operations in September 2017, completing significant investment in the supply network. Reece has a market leading logistics capability that underpins and supports the growth of the company.

The Board has declared an interim dividend of 6.0 cents per share (2016: 5.8 cents per share), fully franked. The interim dividend will be paid on 29 March 2018, with a record date of 20 March 2018.

Significant changes in the state of affairs

There have been no significant changes in the consolidated 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 for the half-year is provided with this report.

Rounding of amounts to nearest thousand dollars

In accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, the amounts in the directors' report and in the financial report have been rounded to the nearest one thousand dollars, or in certain cases, to the nearest dollar (where indicated).

Signed in accordance with a resolution of Directors.



L.A. Wilson
Executive Chairman



P.J. Wilson
Chief Executive Officer

Melbourne
22 February 2018

**Auditor's Independence Declaration
To The Directors of Reece Limited And Controlled Entities**

In relation to the independent auditor's review for the half-year ended 31 December 2017, to the best of my knowledge and belief there have been:

- (i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) no contraventions of APES 110 *Code of Ethics for Professional Accountants*.

This declaration is in respect of Reece Limited and the entities it controlled during the period.



P.A. JOSE
Partner
22 February 2018



PITCHER PARTNERS
Melbourne

Reece Limited and controlled entities

**Condensed Consolidated Statement of Profit and Loss
for the half year ended 31 December 2017**

	Half-year	
	2017	2016
	\$A'000	\$A'000
Revenue		
Sales revenue	1,332,306	1,210,681
Other income	1,798	1,678
	1,334,104	1,212,359
Less: expenses		
Cost of sales	899,867	821,795
Employee benefits expense	145,729	130,172
Depreciation	25,169	23,671
Finance costs	2,672	3,213
Other expenses	109,549	96,273
	1,182,986	1,075,124
Profit before gain on foreign exchange contracts and Income tax	151,118	137,235
Gain on foreign exchange contracts	-	141
Profit before income tax expense	151,118	137,376
Income tax expense	45,400	41,229
Profit from continuing operations	105,718	96,147
Profit for the half-year	105,718	96,147
Basic EPS	21.2 cents	19.3 cents
Diluted EPS	21.2 cents	19.3 cents

The accompanying notes form part of these financial statements

Reece Limited and controlled entities

Condensed Consolidated Statement of Comprehensive Income
for the half year ended 31 December 2017

	Half-year	
	2017	2016
	\$A'000	\$A'000
Profit for the half-year	105,718	96,147
Other comprehensive income		
Items that may be reclassified subsequently to profit and loss:		
Exchange differences on translation of foreign operations, net of tax	(956)	107
Cash flow FX hedge, net of tax	(1,208)	3,985
Total comprehensive income	103,554	100,239

The accompanying notes form part of these financial statements

Reece Limited and controlled entities

**Condensed Consolidated Statement of Financial Position
as at 31 December 2017**

	31 December 2017 \$A'000	30 June 2017 \$A'000
Current assets		
Cash and cash equivalents	50,255	101,805
Trade and other receivables	362,699	360,912
Inventories	495,415	457,063
Total current assets	908,369	919,780
Non-current assets		
Property, plant and equipment	543,400	528,908
Intangible assets	222,449	205,169
Deferred tax assets	36,517	34,089
Total non-current assets	802,366	768,166
Total assets	1,710,735	1,687,946
Current liabilities		
Payables	349,180	353,942
Current tax payable	5,147	16,171
Provisions	59,652	54,585
Total current liabilities	413,979	424,698
Non-current liabilities		
Long term payables	2,469	1,863
Long term borrowings	100,000	100,000
Provisions	3,148	3,084
Total non-current liabilities	105,617	104,947
Total liabilities	519,596	529,645
Net assets	1,191,139	1,158,301
Equity		
Contributed Equity	9,960	9,960
Reserves	1,584	3,748
Retained earnings	1,179,595	1,144,593
Total equity	1,191,139	1,158,301

The accompanying notes form part of these financial statements

Reece Limited and controlled entities

**Condensed Consolidated Statement of Changes in Equity
for the half year ended 31 December 2017**

	Contributed equity	Reserves	Retained earnings	Total equity
	\$A'000	\$A'000	\$A'000	\$A'000
Balance as at 1 July 2016	9,960	4,640	1,026,426	1,041,026
Profit for the half-year	-	-	96,147	96,147
Exchange differences on translation of foreign operations, net of tax	-	107	-	107
Cash flow FX hedge, net of tax	-	3,985	-	3,985
Total other comprehensive income	-	4,092	-	4,092
Total comprehensive income for the half-year	-	4,092	96,147	100,239
Transactions with owners in their capacity as owners:				
Dividends paid	-	-	(64,740)	(64,740)
Total transactions with owners in their capacity as owners	-	-	(64,740)	(64,740)
Balance as at 31 December 2016	9,960	8,732	1,057,833	1,076,525

The accompanying notes form part of these financial statements

Reece Limited and controlled entities

Condensed Consolidated Statement of Changes in Equity
for the half year ended 31 December 2017

	Contributed equity	Reserves	Retained earnings	Total equity
	\$A'000	\$A'000	\$A'000	\$A'000
Balance as at 1 July 2017	9,960	3,748	1,144,593	1,158,301
Profit for the half-year	-	-	105,718	105,718
Exchange differences on translation of foreign operations, net of tax	-	(956)	-	(956)
Cash flow FX hedge, net of tax	-	(1,208)	-	(1,208)
Total other comprehensive income	-	(2,164)	-	(2,164)
Total comprehensive income for the half-year	-	(2,164)	105,718	103,554
Transactions with owners in their capacity as Dividends paid	-	-	(70,716)	(70,716)
Total transactions with owners in their capacity as owners	-	-	(70,716)	(70,716)
Balance as at 31 December 2017	9,960	1,584	1,179,595	1,191,139

The accompanying notes form part of these financial statements

Reece Limited and controlled entities

**Condensed Consolidated Statement of Cash Flows
for the half year ended 31 December 2017**

	Half-year	
	2017	2016
	\$A'000	\$A'000
Cash flow from operating activities		
Receipts from customers	1,483,241	1,333,073
Payments to suppliers and employees	(1,331,376)	(1,196,900)
Interest received	755	596
Finance costs	(2,659)	(3,443)
Income tax paid	(58,866)	(55,228)
Net cash provided by operating activities	91,095	78,098
Cash flow from investing activities		
Payments for property, plant and equipment	(38,362)	(54,942)
Proceeds from sale of property, plant and equipment	1,771	17,242
Purchase of intangibles	(2,119)	-
Purchase of controlled entity	(33,219)	-
Net cash used in investing activities	(71,929)	(37,700)
Cash flow from financing activities		
Proceeds from borrowings	37,000	47,000
Repayments of borrowings	(37,000)	(72,000)
Dividends paid	(70,716)	(64,740)
Net cash used in financing activities	(70,716)	(89,740)
Net decrease in cash and cash equivalents	(51,550)	(49,342)
Cash and cash equivalents at the beginning of the half-year	101,805	105,123
Cash and cash equivalents at the end of the half-year	50,255	55,781

The accompanying notes form part of these financial statements

Reece Limited and controlled entities

Notes to the Condensed Consolidated Financial Statements for the half year ended 31 December 2017

Note 1: Statement of significant accounting policies

This condensed consolidated half-year financial report does not include all the notes of the type usually included in the annual financial report.

It is recommended that this half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2017 and any public announcements made by Reece Limited during the half-year in accordance with any continuous disclosure obligations arising under the *Corporations Act 2001*.

This condensed half-year financial report covers Reece Limited and controlled entities as a consolidated entity. Reece Limited is a company limited by shares, incorporated and domiciled in Australia. The address of Reece Limited's registered office and principal place of business is 118 Burwood Highway, Burwood, Victoria, 3125. Reece Limited is a for-profit entity for the purpose of preparing the financial statements.

The half-year financial report was authorised for issue by the directors as at the date of the directors' report.

(a) Basis of preparation of the condensed consolidated half-year financial report

This condensed consolidated half-year financial report has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* as appropriate for for-profit entities and the *Corporations Act 2001*.

(b) Summary of the significant accounting policies

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2017.

(c) Rounding amounts

In accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, the amounts in the directors' report and in the financial report have been rounded to the nearest one thousand dollars, or in certain cases, to the nearest dollar (where indicated).

Note 2: Accounting standards issued but not yet operative

AASB15 *Revenue from contracts with customers* introduces a five step process for revenue recognition with the core principle of the new Standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the entity expects to be entitled in exchange for those goods or services.

AASB15 *Revenue from contracts with customers* will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

The effective date is annual reporting periods beginning on or after 1 January 2018. The directors have not yet assessed the impact (if any) of changes in the standards above.

**Notes to the Condensed Consolidated Financial Statements
for the half year ended 31 December 2017**

Note 2: Accounting standards issued but not yet operative, cont

AASB 16: Leases (applicable for annual reporting periods commencing on or after 1 January 2019).

AASB 16 will replace AASB 117: Leases and introduces a single lessee accounting model that will require a lessee to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Right-of-use assets are initially measured at their cost and lease liabilities are initially measured on a present value basis. Subsequent to initial recognition:

- right-of-use assets are accounted for on a similar basis to non-financial assets, whereby the right-of-use asset is accounted for in accordance with a cost model unless the underlying asset is accounted for on a revaluation basis, in which case if the underlying asset is:
- investment property, the lessee applies the fair value model in AASB 140: Investment Property to the right-of-use asset; or
- property, plant or equipment, the lessee can elect to apply the revaluation model in AASB 116: Property, Plant and Equipment to all of the right-of-use assets that relate to that class of property, plant and equipment; and
- lease liabilities are accounted for on a similar basis as other financial liabilities, whereby interest expense is recognised in respect of the liability and the carrying amount of the liability is reduced to reflect lease payments made.

AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, under AASB 16 a lessor would continue to classify its leases as operating leases or finance leases subject to whether the lease transfers to the lessee substantially all of the risks and rewards incidental to ownership of the underlying asset, and would account for each type of lease in a manner consistent with the current approach under AASB 117.

Although the directors anticipate that the adoption of AASB 16 may have an impact on the Group's accounting for its operating leases, it is impracticable at this stage to provide a reasonable estimate of such impact.

Note 3: 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.

Reece Limited and controlled entities

**Notes to the Condensed Consolidated Financial Statements
for the half year ended 31 December 2017**

Note 4: Dividends*

	31 Dec 2017	31 Dec 2016
	\$A'000	\$A'000
<hr/>		
(a) Dividends paid or declared		
Dividends paid at 71 cents per share (2016: 65 cents) fully franked at 30%	70,716	64,740
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(b) Dividends proposed after the reporting period and not recognised		
Proposed dividends not recognised at the end of the half-year at 6.0 cents per share (2016: 5.8 cents) fully franked at 30%	29,880	28,884
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**In December 2017, a share capital split was approved on the basis of every 1 share be subdivided into 5 shares.*

Note 5: Segment reporting

The sole activity of the operating companies within the group is that the supply of plumbing, bathroom, heating, ventilation and air-conditioning products in Australia and New Zealand.

Note 6: Property, plant and equipment

Acquisitions and disposals

During the six months ended 31 December 2017 the Group acquired assets with a cost of \$42.5 million inclusive of the acquired entity's assets (six months ended 31 December 2016: \$43.7 million).

Assets with a carrying amount of \$6.9 million were disposed of during the six months ended 31 December 2017 (six months ended 31 December 2016: \$7.4 million), resulting in a loss on disposal of \$6 thousand (six months ended 31 December 2016: loss of \$127 thousand).

**Notes to the Condensed Consolidated Financial Statements
for the half year ended 31 December 2017**

Note 7: Fair value measurements

The fair value of financial assets and financial liabilities approximates their carrying amounts as disclosed in the Condensed consolidated statement of financial position.

The consolidated entity holds foreign exchange contracts to purchase foreign currency. The full amount of the foreign currency the consolidated entity will be required to pay or purchase when settling the brought forward exchange contracts should the counterparty not pay the currency it is committed to deliver at balance day was \$117.7 million (31 December 2016: \$118.1 million). The foreign exchange contracts are recurring level 2 financial instruments in the fair value hierarchy. The fair value of these foreign exchange contracts is the estimated amount that the consolidated entity would pay to terminate the contract at the balance date, taking into account current foreign currency exchange rates at the time of maturity.

At 31 December 2017 the fair value of these contracts totalling \$2.1 million (31 December 2016: \$4.2 million) was included within the trade creditors in the Condensed Consolidated Statement of Financial Position.

Reece Limited and controlled entities
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Directors' Declaration

The directors declare that:

1. In the directors' opinion, the financial statements and notes thereto, as set out on pages 4 to 13, are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
 - (b) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2017 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds, at the date of this declaration, to believe that Reece Limited will be able to pay its debts as and when they become due and payable.

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



L. A. Wilson
Executive Chairman



P. J. Wilson
Chief Executive Officer

Melbourne
22 February 2018

Reece Limited and controlled entities
ABN 49 004 313 133

Independent Auditor's Review Report
To The Members of Reece Limited and Controlled Entities

We have reviewed the accompanying half-year financial report of Reece Limited and controlled entities, which comprises the condensed statement of financial position as at 31 December 2017, the condensed statement of profit and loss, the condensed statement of comprehensive income, the condensed statement of changes in equity and the condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the 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 Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Reece Limited and controlled entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a 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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Reece Limited, would be the same terms if given to the directors as at the time of this auditors report.

Reece Limited and controlled entities
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Independent Auditor's Review Report
To The Members of Reece Limited and Controlled Entities

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Reece Limited and controlled entities is not in accordance with the *Corporations Act 2001*, including: giving a true and fair view of the company's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



P.A. JOSE
Partner

22 February 2018



PITCHER PARTNERS
Melbourne