**ASX Announcement**
23 August 2023

# FY23 Annual Report

Attached for release is Reece Limited's Annual Report for the 12 month period ended 30 June 2023.

**For further information contact:**

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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 over 800 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.

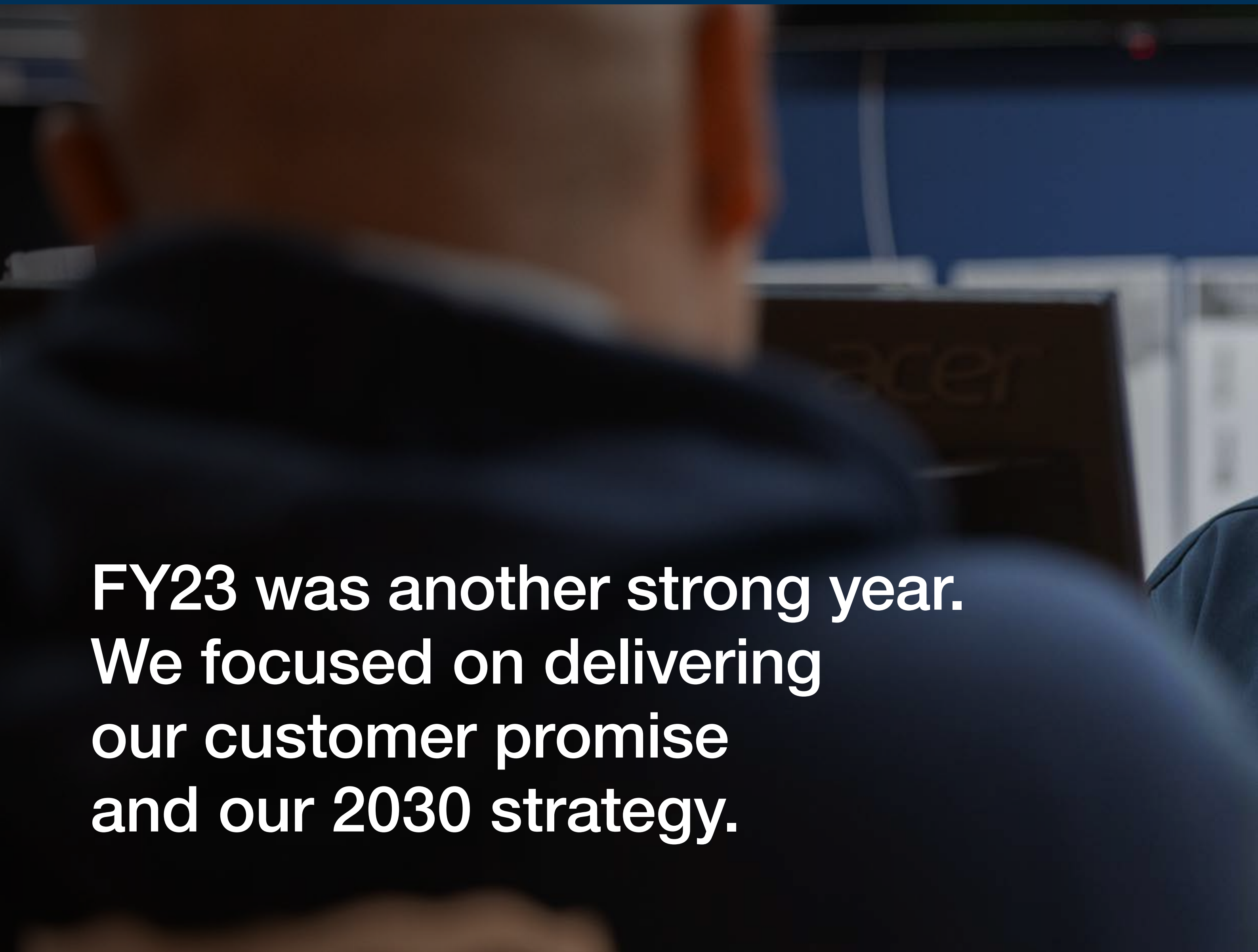
For further information on Reece Group and its portfolio of businesses please visit group.reece.com/au.

# Annual Report 2022–2023


reece group™

# Contents





FY23 was another strong year. We focused on delivering our customer promise and our 2030 strategy.


Reece acknowledges that we work on the traditional lands of First Nations' Peoples. We're committed to recognising the rights and culture of Traditional Owners, building relationships in our communities, taking steps towards reconciliation, and paying respects to Elders past and present.

# Reece at a glance

A market-leading distributor of plumbing, HVAC-R and waterworks products to commercial and residential customers.

**Founded**

1920

**Growth and leadership**

100+ yrs

**Team members**

9000+

**Nationwide footprint in Australia**

1997

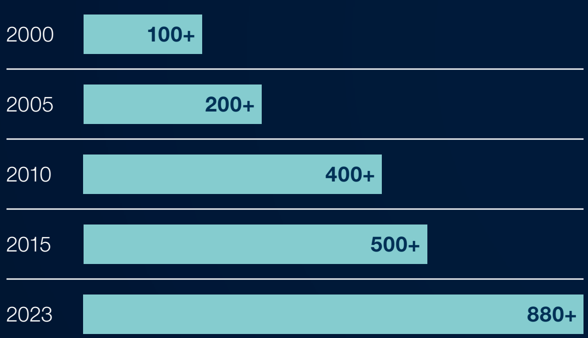
**Entered New Zealand**

2006

**Entered US**

2018

**Growing our branch network**




**Our customers**

Our business was built on serving the SME trade plumber. Today our customers include:

- SME trade
- Commercial trade
- Large homebuilders
- Civil projects and government bodies
- Commercial developers
- End consumers

To read more about how the customer is at the heart of our business, see page 14.

**An international footprint**

**ANZ FY23 Revenue**

$3.9b

**Business areas**

- Plumbing
- Bathrooms & Kitchens
- HVAC-R
- Waterworks
- Irrigation & Pools

**US FY23 Revenue**

$5.0b

**Business areas**

- Plumbing
- Bathrooms & Kitchens
- HVAC-R
- Waterworks

All figures in this report are in Australian dollars, unless otherwise stated.

**A trusted brand**
with a differentiated customer proposition

**A diversified business**
by geography, segment, customer and end market

**Clear track record**
100 years of market leadership


**A resilient model**
weighted to less cyclical repair and re-model market

**Long-term vision**
stable ownership supports enduring approach

**Operating in attractive markets**
positive long-term fundamentals

# Chair letter


## A bright future for Reece

Reece has delivered another strong result in FY23. The business has continued to make good progress towards its 2030 strategy to be our trade's most valuable partner. The Board has declared a final dividend of 17 cents, fully franked, taking the total dividend for FY23 to 25 cents.

After 50 years of leading the business and stewardship of the Board, Alan Wilson moved to Executive Director in September 2022. I was delighted to accept the role of Chair, with Peter Wilson moving to a Deputy Chair role in addition to his Group CEO role and intending to transition to an Executive Chair role in coming years. We have reached an outcome which is the right solution for Reece, which will provide stability and continuity and protect Reece's strong customer-focused model.

We have committed to expanding the Board's membership to include an additional Director, and we will prioritise increasing our diversity of skills, experience and gender in this process while focusing on finding the right fit for Reece.

Looking forward, the short-term economic outlook is challenging. We will maintain a disciplined approach to capital management by investing to build a stronger business, and will continue to focus on our customer promise, supported by the positive long-term fundamentals in our sector.

Along with the Board, I would like to thank shareholders for their ongoing support this year.
We believe the future looks bright for Reece.

Tim Poole
Chair

# Group CEO letter

## A successful year

FY23 has been another successful year for Reece, delivering revenue of $8.8b, adjusted earnings before interest and tax[1] of $668m, and adjusted net profit after tax[2] of $405m. We have seen huge growth over the past few years, and the team continued to do a fantastic job of delivering the customised service we are known for, for our customers.

We started to see macro-economic conditions soften during the year and we finished FY23 on lower volumes. We believe market conditions will continue to be challenging in the year ahead.

Reece always thinks long-term, and looks for opportunity beyond the current cycle - which remains very positive across our markets.

We know that staying focused on being one step ahead of our customer's needs and executing our strategy to become our trade's most valuable partner will help us see out any challenges that come our way.

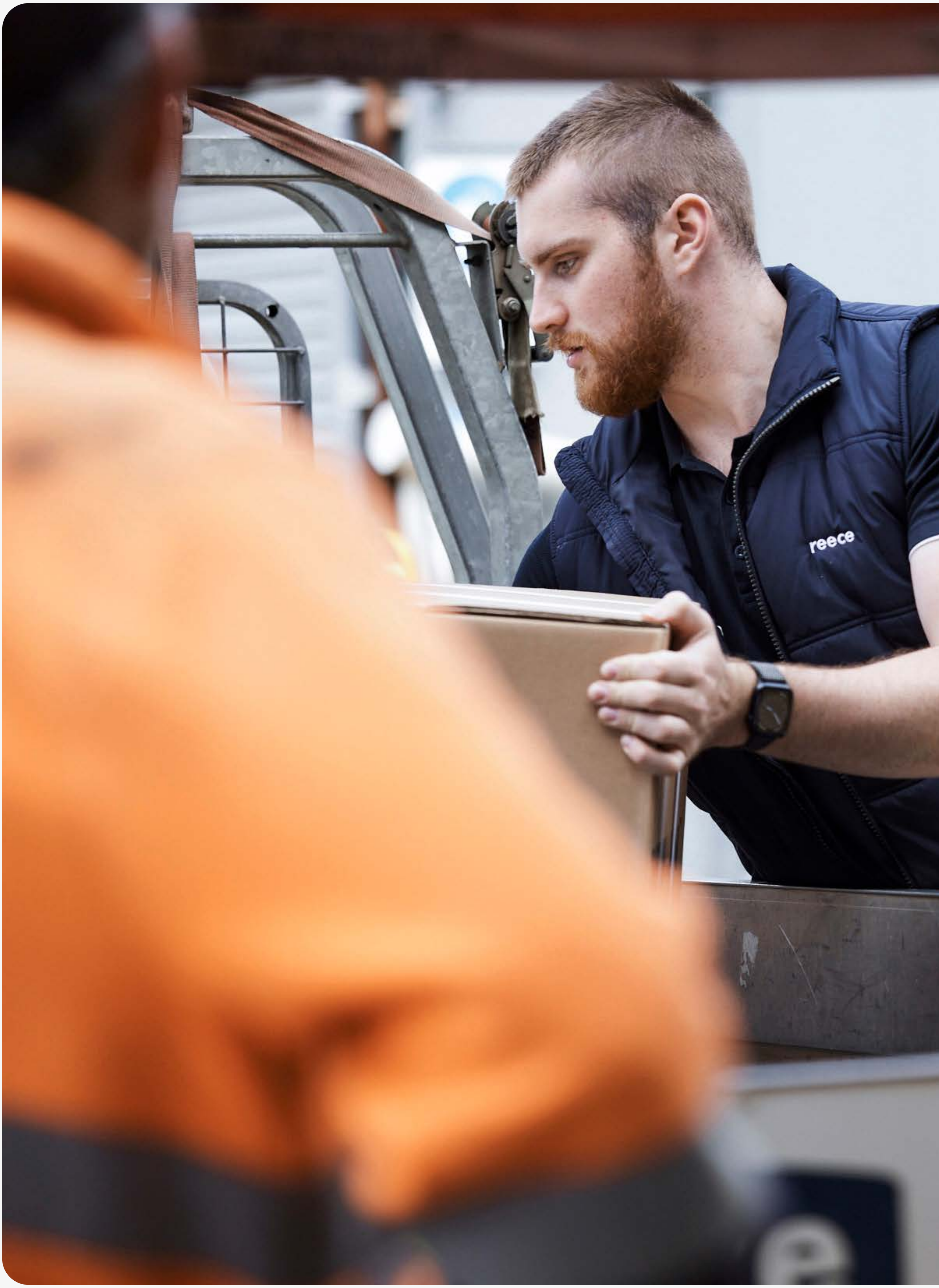
A period of lower activity is a chance for us to recalibrate and refocus, and an opportunity to invest in building a stronger Reece for decades to come.

Peter Wilson
Group Chief Executive Officer
& Deputy Chair


Adjusted EBIT and adjusted NPAT are non-IFRS measures and are presented to enable understanding of the underlying performance of the Group without the impact of non-trading items. Non-IFRS measures have not been subject to audit or external review.

1. Adjusted EBIT is EBIT adjusted to exclude government incentive scheme income (BAC) of $16m (2022: $22m), impairment of $29m (2022: $Nil), business acquisition costs of $1m (2022: $2m) and refinance costs of $Nil (2022: $4m).

2. Adjusted NPAT is NPAT adjusted to exclude US inventory adjustment (LIFO) of $2m (2022: $28m), tax effected government incentive scheme income (BAC) of $16m (2022: $22m), impairment of $29m (2022: $Nil), tax effected business acquisition costs of $1m (2022: $2m) and refinance costs of $Nil (2022: $13m).


reece

# Our Blueprint

Our Global Blueprint outlines the way we approach strategy at Reece. It is the framework that shapes our long-term success.

**Inspired by our purpose**

To improve the lives of our customers and our people by striving for greatness every day.

**Live the Reece Way**

Our purpose and values guide our decisions and our actions, big and small.

**Embrace our 2030 vision**

We will be the trade's most valuable partner.

**Execute strategic priorities**

1. Operational excellence
2. Accelerating innovation
3. Investing for profitable growth

**Deliver customer promise**

Customised service – Works For You.

# Our purpose and values

## Purpose

To improve the lives of our customers and our people by striving for greatness every day.

## Values

Create customers for life

Discover your best

Grow as a team

Innovate big and small

Try. Try. Try.

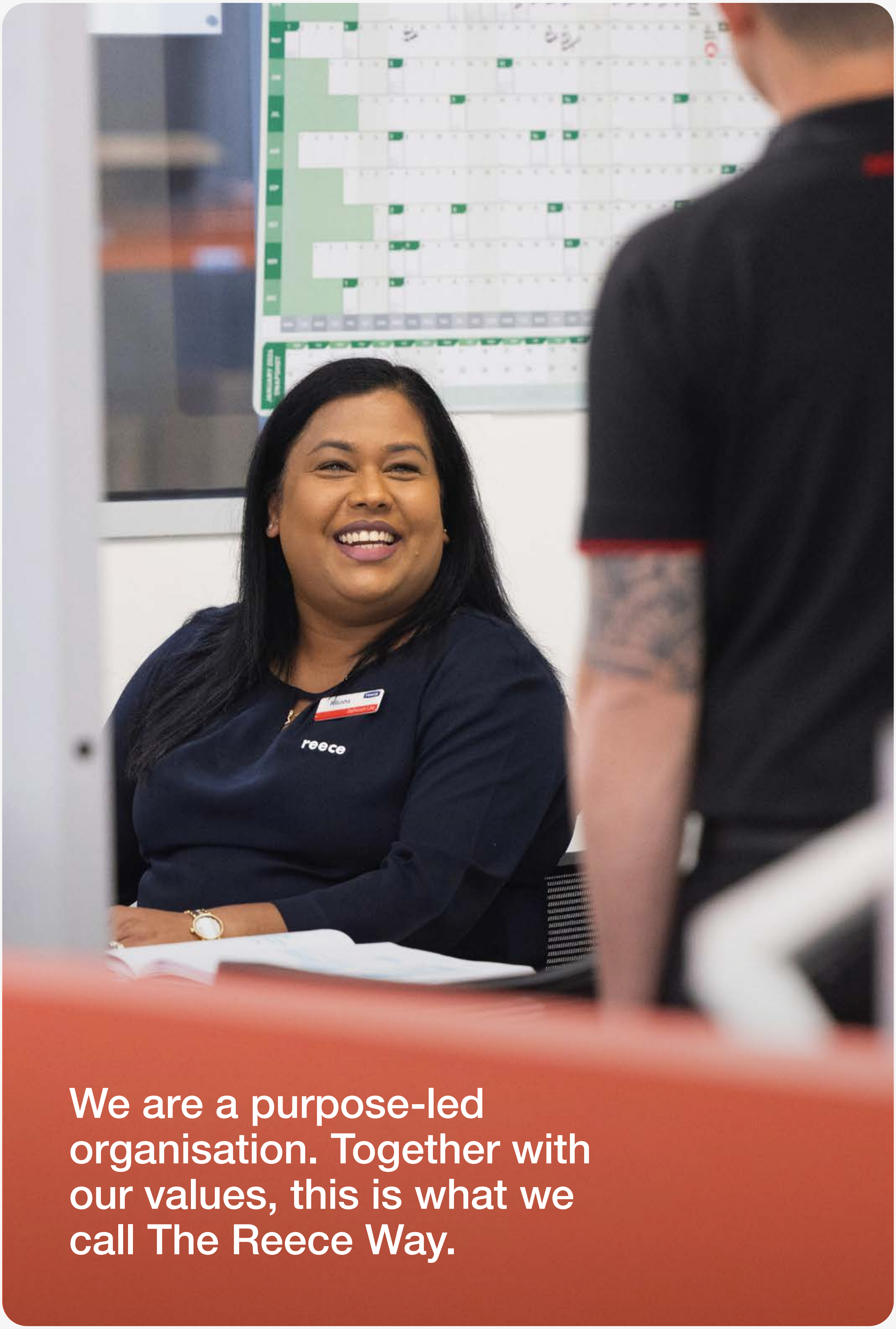
Own it

Keep it simple

Do the right thing

Be humble

Write the next chapter




We are a purpose-led organisation. Together with our values, this is what we call The Reece Way.

# Our strategic priorities

By executing these three strategic priorities, we will enable our 2030 vision of becoming our trade's most valuable partner.

1

### Operational excellence

Being the best at the fundamentals of trade distribution.

2

### Accelerating innovation

Innovating to stay one step ahead of our customers' needs.

3

### Investing for profitable growth

Investing to grow our footprint and build a stronger business for the future.

# 2030 Vision

## Our trade's most valuable partner.

# Becoming our trade's most valuable partner

## A winning customer proposition

Our long-term success has been founded on the strong relationship we have with our customers.

We provide quality products, services and expertise quickly and seamlessly, so our customers get time back in their day to complete more jobs and bill more work.

Our 2030 vision is about being a valued business partner for our trade customers. We want Reece to be the first place they go to when they need support, whether that is getting a product to site as quickly as possible, or helping them run their business more smoothly.

# Works for you.

## 1. Service

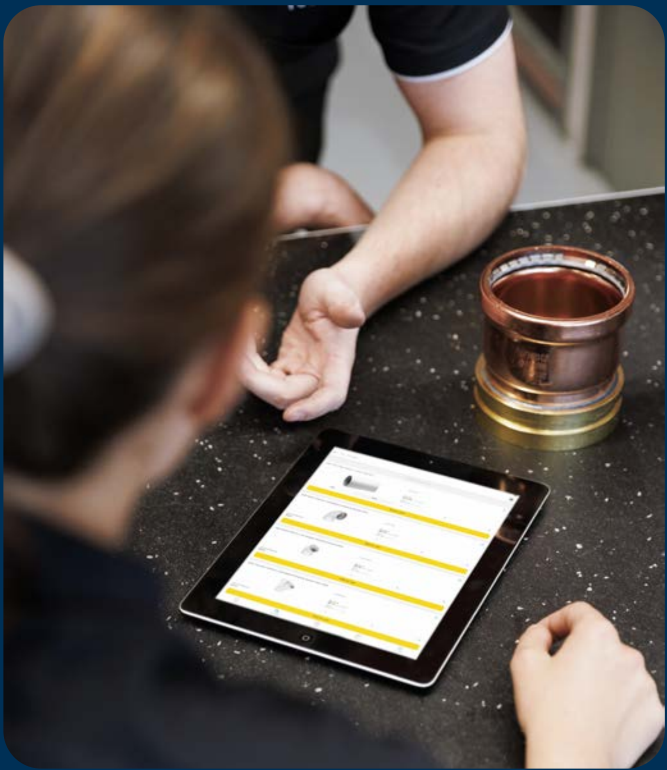
We understand our customers so we can help them get the job done as efficiently as possible and with the least amount of hassle.

## 2. Relationships

We're not just a business, we're a community. We're always looking out for our customers and relationships are at the centre of everything we do.

# We want Reece to be the first place our customers go when they need support.






## 3. Expertise

Every job is different and we're there for our customers every step of the way, helping solve challenges through the deep expertise and knowledge of our great team.

## 4. Quality

Reece has always been a business that's committed to quality. Our customers have the peace of mind that when they use Reece products, they will last for years to come.

# 1. Service

Laddr helps our customers keep their jobs moving by providing tailored financial support for tradies.


Delivering good service is at the heart of our business. Sometimes this means thinking outside the box so we can stay one step ahead of our customers' needs.

So when we heard that three in four tradies say digital payment solutions would help them save time on the job, we provided them with Laddr.

Laddr is a financial service designed for tradies, taking into account the seasonality and cash flow volatility of sole trading. Australian customers can use their Reece trade account to access products like a pre-approved line of credit, finance to help cover the cost of purchasing large ticket items and LaddrPay – a buy-now-pay-later service for tool purchases.

It's just one example of how we try to go beyond traditional customer service to keep our customers' businesses ticking.

Plumber Mick Collins has been using Laddr to help with kinks in his cashflow. "You don't have to go through a million forms. I recommend it. It's very easy to use."

## "Laddr has helped me turbocharge my business."

Reece Plumbing Customer, Melbourne

Laddr
FINANCE FOR TRADIES

# 2. Relationships

The team at Reece Civil teamed up with SEE Civil to help the City of Gold Coast install major sewerage infrastructure.

With sustainability at the heart of the City of Gold Coast's planning goals, and with global supply chain challenges driving a shortage in traditional concrete products, SEE Civil and Reece worked together to come up with an alternative product for sewer and wastewater pipes to service a new industrial and commercial estate in South East Queensland.

Meeting the complex needs of councils requires us to work hand in glove with our customers, partnering with them to meet all specifications of the job.

Working with SEE Civil, Reece was able to provide REHAU's polymer Awashaft sewer maintenance structures and fittings, which are a cost-effective, easy-to-install and sustainable alternative, increasingly being used by councils across Australia.

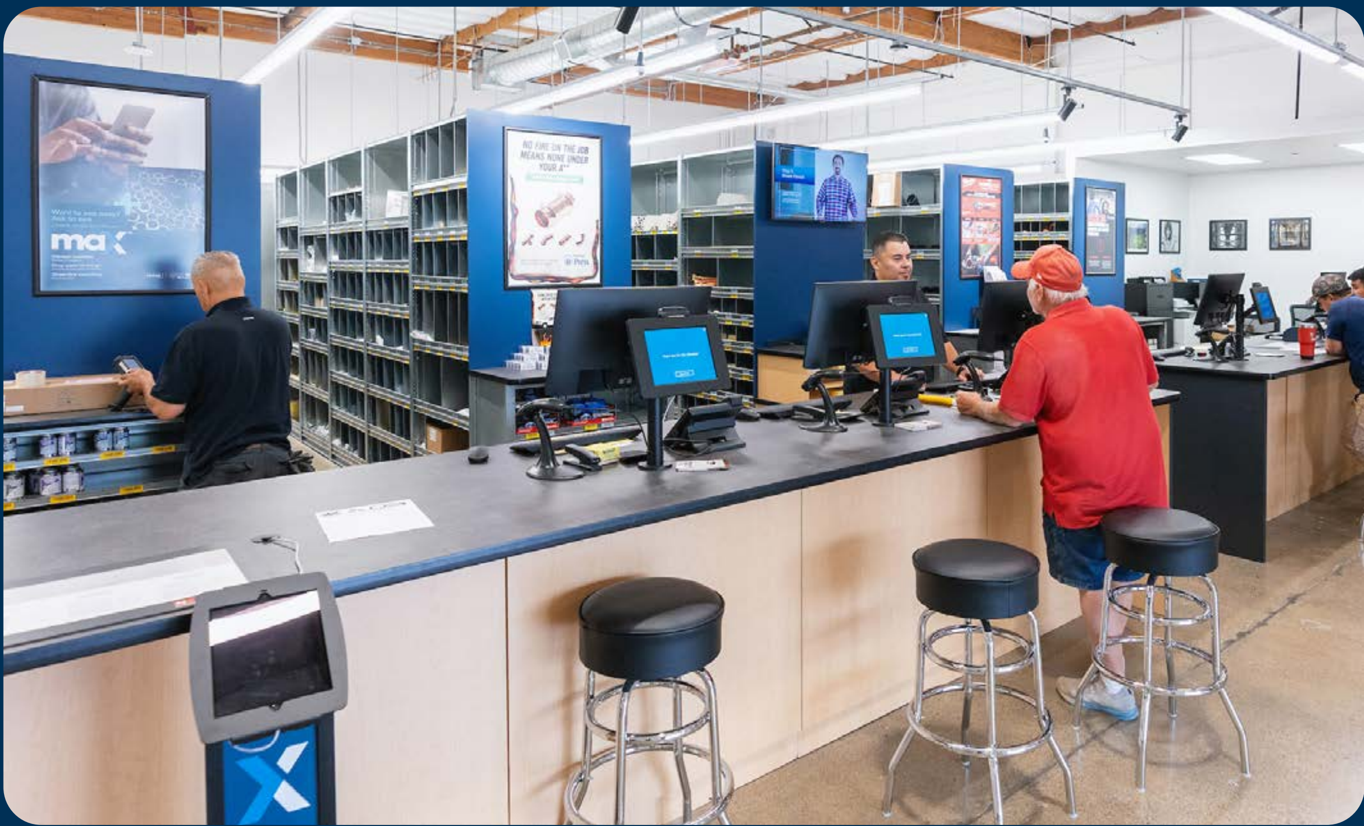
Approximately 1,500m of sewer PVC pipes and manhole structures were installed, and despite unprecedented rain in the region, using Awashaft saved the customer over two weeks compared typical sewer and wastewater installation at this scale.

**"This trial saw Awashaft approved for use across South East Queensland."**

Reece Regional Business Development Lead

# 3. Expertise

We leverage local learnings and a long history in the industry to be the go-to partner for our US customers.



No matter the location, the Reece brand is synonymous with expertise. Our team don't just supply product, they help our customers solve problems, drawing on their deep knowledge of the industry.

We've spent five years in the US listening and learning to make sure we can be the go-to partner for customers. We've especially focused on training our team from scratch so that no plumbing problem is too big for them. Our bespoke learning and development programs help our team understand our customers' challenges and provide tailored solutions, like they did for our team member Shawn DiNatali who participated in our Selling The Reece Way program.

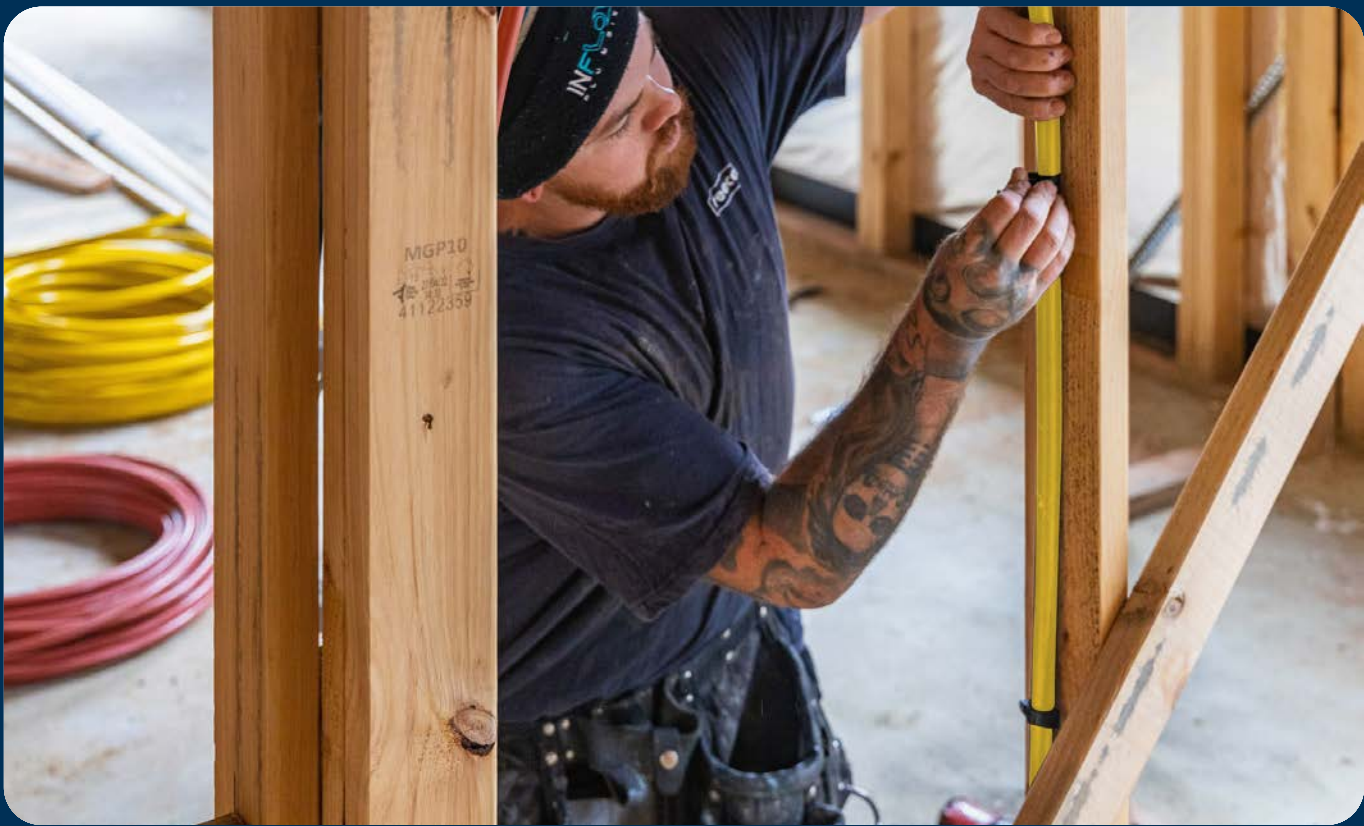
"I have been in the plumbing industry for thirty-one years, as a plumber and in sales. Selling the Reece Way has equipped me with the skills to ask insightful questions to understand my customers better, which helps me to improve their lives with the right solutions".

**"It has equipped me with the skills to ask insightful questions to understand my customers better."**

Reece Outside Sales team member, Raleigh, USA

# 4. Quality

We are always trying to deliver quality, even if we have to develop a bespoke new product.




Auspex has always had a strong name in water among our customer base. So when our customers were telling us they wanted gas and water piping systems that use the same fittings and tools, we listened. We knew it was important that we responded to our customers' needs, so we teamed up with Auspex to launch a new, exclusive product – Auspex Gas.

The new system is a revolutionary alternative for the professional plumber and gasfitter that makes jobs quicker and easier. By offering the same system for both water and gas, our customers can now use the same crimp fittings and tools on both types of pipe.

The addition of gas pipe allows our customers to stock less fittings, reduce tool costs and be more efficient on site – helping us make life easier for our customers.

**"It's a no-brainer for me. Having water and gas in the same fitting just makes more sense."**

Reece Plumbing Customer

# Five years in the US

**80%**
USD sales revenue growth*

**3.1x**
USD EBIT growth**

**~35%**
branch network growth

**~125%**
senior branch team growth

**~30%**
team growth

**Reece**
commenced brand roll-out

**maX**
launched

**5**
bolt-on acquisitions

**2030**
**Our trade's most valuable partner**

*Revenue growth calculated from FY19 (first year post-acquisition) to FY23.

**EBIT growth calculated from FY19 to FY23 on a pre-AASB16 basis.

After five years of learning and growing together, in 2023, we began the Reece brand rollout in the US.


When we expanded to the US five years ago, we committed to take our time to understand whether bringing our brand state-side made sense. We finally made the leap this January, commencing the rollout of the Reece brand in our California plumbing stores.

Over the past five years we have uplifted standards and refreshed our proposition to deliver a customised service offering that both suits the local market and truly reflects what the 100+ year-old Reece brand has come to be known for.

As we start to show customers what we can do for them, over the next few years all our US branches will roll over to the Reece brand.

Most recently, we opened our first Reece Bath+Kitchen USA showroom in Houston, Texas. It's a demonstration of our commitment to providing an exceptional and customised in-store experience for our customers. With its modern design, interactive displays, and knowledgeable team, the showroom is a haven for inspiration and creativity.

## "Our US team have delivered a world-class customer experience. This is a symbolic milestone for Reece."

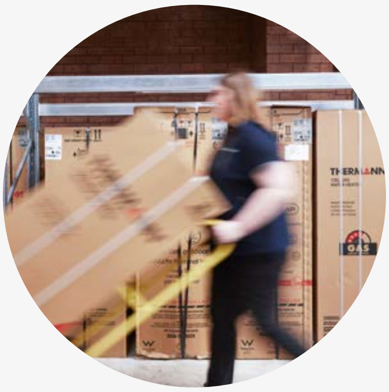
Peter Wilson, Reece Group CEO

# Sustainability at Reece

At Reece, our approach to sustainability is grounded in our values and led by what we can do for our customers. Our vision is that our team and customers are empowered to create sustainable change, and we have developed a three-pillar strategy to deliver this.

## Our sustainability strategy

### 1 Sustainable business



We know building an efficient business, using resources widely and empowering our workforce will allow us to deliver on our customer promise into the future.

Committed to GHG emmissions reduction targets for 2030 and 2040.

Building a diverse workplace with a supportive culture and good business practices.

Always looking for ways to reduce waste and operate more efficiently.

### 2 Empowered trade

We want to support our customers to navigate the shift to a more sustainable industry and help them continue to thrive.

Doing our bit to look at ways to reduce packaging.

Working with suppliers to provide customers with circular product solutions.

Working to support an industry of the future through our TAFE and apprenticeships activity.

### 3 Resilient communities

We can only grow in thriving communities. We want to meaningfully contribute to building resilient communities where we operate.

Launched The Reece Foundation to work with tradies to create a better world.

Working towards reconciliation through our Innovate RAP goals.

Improving the mental health of the trade, and supporting young people through our community partnerships program.

**The value we are seeking to deliver**

Our environmental impact is reduced, and our growth is driven by sustainable business practices.

The mental health and wellbeing of our communities is improved through our partnerships.

Our customers feel supported to work sustainably.

Our people can bring their best selves to work in a diverse and supportive workplace.


## Sustainability oversight at Reece

**Business teams**
in each region deliver discrete work to support sustainability aims.

**Cross-discipline working groups**
formed on key sustainability actions to deliver projects.

**Regional sustainability working groups**
oversee the sustainability strategy and implementation for each region.

**Group and Regional CEOs**
accountable for the execution of the sustainability strategy.

**Risk monitoring**
forms part of our material risk monitoring and assessment program.

**Group Board**
oversee the development of the sustainability strategy and environmental targets.

# FY23 operating and financial review

| Financial summary | 2023 ($000's) | 2022 ($000's) | Variance % |
|---|---|---|---|
| Sales revenue | 8,839,572 | 7,654,047 | 15.5 |
| Normalised EBITDA[1] | 974,576 | 838,286 | 16.3 |
| EBIT | 654,104 | 578,204 | 13.1 |
| Adjusted EBIT[2] | 667,737 | 561,995 | 18.8 |
| NPAT | 387,607 | 392,487 | (1.2) |
| Adjusted NPAT[3] | 404,556 | 363,165 | 11.4 |
| EPS (cents) | 60 | 61 | (1.2) |
| Adjusted EPS (cents)[4] | 63 | 56 | 11.4 |
| Total dividends per share (cents) | 25.0 | 22.5 | 11.1 |
| Return on capital employed[5] | 15.3% | 13.3% | 15.0 |

**Sales revenue increased by 16% to $8,840m in FY23 (2022: $7,654m), which was positively impacted by the strength of the US dollar against the Australian dollar. Sales on a constant currency basis[6] were up 11% on the previous period.**

Sales growth in all regions was also positively influenced by product inflation compared with the prior year, whilst volumes began to soften during FY23 as demand moderated.

Normalised EBITDA[1] increased 16% to $975m (2022: $838m) and Adjusted EBIT[2] was up 19% to $668m (2022: $562m). The Group has experienced inflationary impacts on our costs of doing business; including wage inflation, energy pricing, transport and logistics. Management continued to focus on disciplined cost management, which delivered a normalised EBITDA[1] margin of 11%, consistent with the prior year.

Cash flow from operating activities increased by 245% to $766m (2022: $222m) and operating cash conversion[7] was 79% compared to 26% in FY22. Free cash flow[8] increased by 350% to $690m (2022: $153m).

**+16%**

Sales revenue increased 16% to $8,840 million FY23.

**+19%**

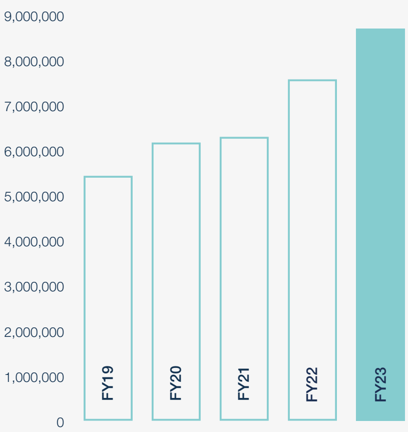
Adjusted EBIT[2] increased 19% to $668 million in FY23.

During the COVID-19 pandemic, we worked closely with our suppliers and made a strategic investment in increased inventory which enabled us to avoid material supply chain disruptions for our customers.

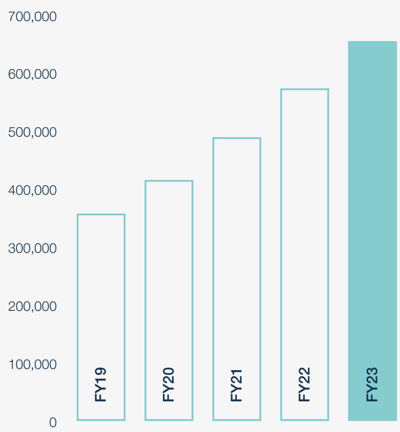
Statutory NPAT of $388m (2022: $392m) was down 1%, impacted by the $29m goodwill impairment for the Australian-based Metalflex business, recognised in the first half of FY23. Adjusted NPAT[3] for FY23 increased 11% to $405m (2022: $363m).

**Sales growth was positively influenced by product inflation, whilst volumes began to soften during FY23.**

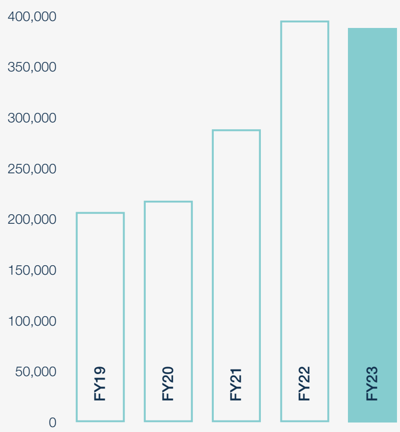
## Sales revenue ($000's)




## EBIT ($000's)




## NPAT ($000's)



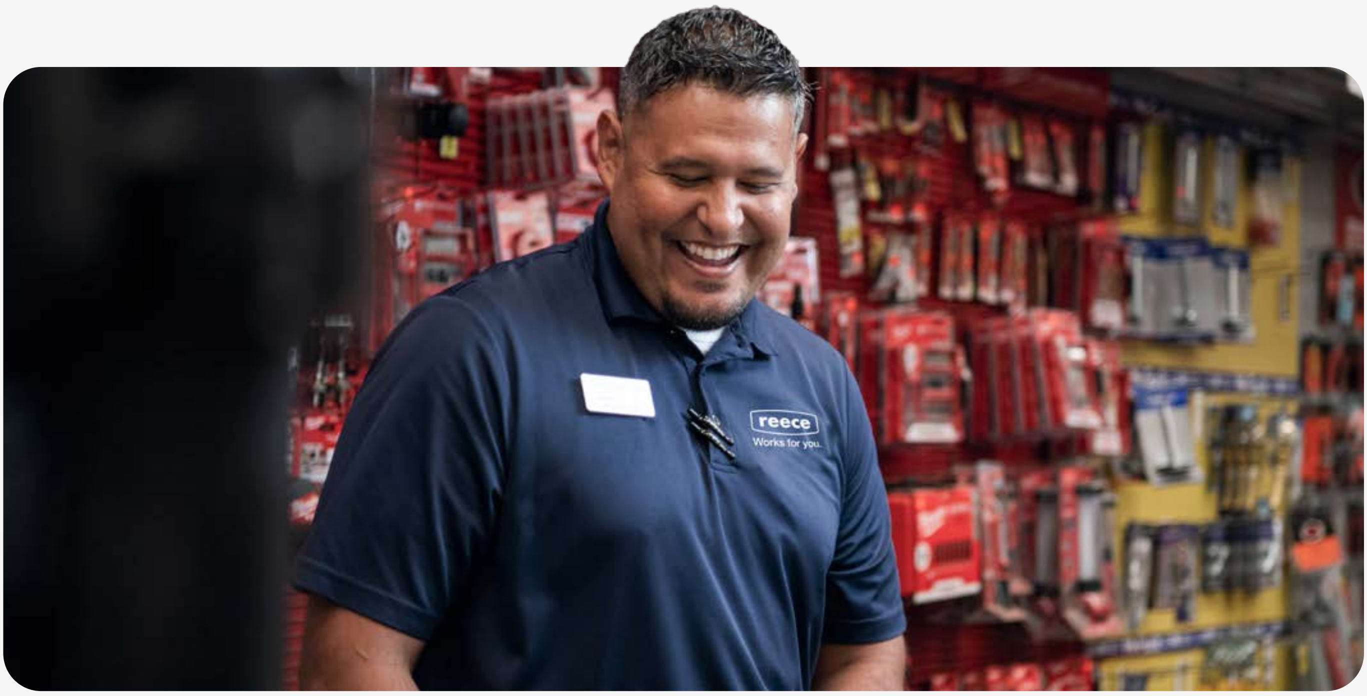

In FY23, as global supply chains began to stabilise, the Group focused on normalising inventory levels whilst ensuring we maintained in-stock metrics. The Group's net working capital to sales ratio[9] was 19%, down from 22% in FY22.

Reece closed the year with a strong balance sheet, with net debt down to $725m (2022: $870m) and a net leverage ratio[10] of 0.9x (2022: 1.2x). During the year, the Group focused on the four pillars of our approach to capital management: investment in organic growth, strategic bolt-on acquisitions, balance sheet efficiency and dividends. The reduction in working capital led to an increase in return on capital employed[5] to 15.3% in FY23 (2022: 13.3%).

While the macro-economic environment remains complex, we continued to make progress on enabling our 2030 strategy and our vision to be our trade's most valuable partner. This involved executing on the three pillars of our strategy, namely: operational excellence, accelerating innovation and investing for profitable growth.

During FY23 we published our first Sustainability Report, where Reece committed to a 35% reduction in scope 1 and 2 greenhouse gas emissions from our FY21 baseline by FY30, and net zero emissions by FY40. We also continued executing our customer-led sustainability strategy and undertook an internal environmental, social and governance risk analysis project. Finally, we invested in specialist resources to prepare the Group for reporting under future frameworks including the International Sustainability Standards Board (ISSB).





## ANZ region

In the Australia and New Zealand (ANZ) region, sales revenue increased by 10% to $3,853m (2022: $3,518m), with estimated average product inflation for FY23 of 9%. Normalised EBITDA[1] was up 9% to $573m (2022: $526m). EBIT grew 3% to $408m (2022: $398m) impacted by a goodwill impairment of $29m in the Metalflex business, recognised during the first half of FY23. The Metalflex business was negatively impacted by market conditions, supply chain constraints and irregular weather conditions.

During the year we continued to focus on delivering our customer promise of customised service, taking the opportunity to refresh our core programs, including selling and trading skills, creating future leaders and identifying continuous improvement initiatives to drive operational efficiency.

We also continued to invest in our branch network, delivering 21 refurbishments and store upgrades and adding a net 10 new branches. Our network footprint in ANZ increased overall to a total of 655 branches as at 30 June 2023 (2022: 645).

**Group ROCE[5] (%)**

## US region

In the United States (US) region, sales revenue increased by 21% to $4,987m (2022: $4,136m). This represented an uplift of 12% on a US dollar basis. Estimated average product inflation for FY23 was 14%. Normalised EBITDA[1] increased by 29% to $401m (2022: $312m) and EBIT grew 36% to $246m (2022: $181m).

Operationally, we are focused on developing our team, building and embedding our culture, delivering a localised customer promise whilst executing our multi-faceted network expansion strategy. We have made significant progress developing our leaders and upskilling our team through a range of customised learning and development programs across various levels of the business. In particular, during FY23 we expanded our R U Ready to Lead program for branch managers, which has been an important part of embedding The Reece Way and delivering our customer promise in the US.

In our network we focused on increasing the density and uplifting the standards of our branches. We rolled out 15 new branches during FY23, undertook 10 refurbishments of existing branches and completed the transition of our Californian network to the Reece brand. In March 2023, we completed a small bolt-on acquisition of a refrigeration and air conditioning wholesaler in Texas with a network of 12 branches. Combined, we added 27 new branches to the network, and had a total of 231 branches at the end of the period (2022: 204).

## Outlook

Looking ahead, our markets are softening and demand is uncertain. The Group is prepared for inflation to moderate further and volumes to continue to decline. We will maintain a disciplined approach while continuing to focus on executing our 2030 strategy and investing for the long-term. Fundamentals supporting our markets and business remain positive over the long-term.

## Dividends

The Board has declared a final dividend of 17 cents per share, fully franked, taking the total dividends in respect of FY23 to 25 cents per share (2022: 22.5 cents per share). The final dividend will be paid on 25 October 2023 with the record date for entitlement of 11 October 2023.

**Net Assets ($000's)**


**Non-IFRS metrics**

Normalised EBITDA, adjusted EBIT, adjusted NPAT and adjusted EPS are non-IFRS measures and are presented to enable understanding of the underlying performance of the Group without the impact of non-trading items. Non-IFRS measures have not been subject to audit or external review.

1. Normalised EBITDA is EBITDA adjusted to exclude impairment of $29m (2022: $Nil) and business acquisition costs of $1m (2022: $2m) (as reported in Note 2.1 to the Financial Report).
2. Adjusted EBIT is EBIT adjusted to exclude government incentive scheme income (BAC) of $16m (2022: $22m), impairment of $29m (2022: $Nil), business acquisition costs of $1m (2022: $2m) and refinance costs of $Nil (2022: $4m).
3. Adjusted NPAT is NPAT adjusted to exclude US inventory adjustment (LIFO) of $2m (2022: $28m), tax effected government incentive scheme income (BAC) of $16m (2022: $22m), impairment of $29m (2022: $Nil), tax effected business acquisition costs of $1m (2022: $2m) and refinance costs of $Nil (2022: $13m).
4. Adjusted EPS is EPS is calculated based on adjusted NPAT divided by the weighted average number of shares on issue.
5. Return on capital employed (ROCE) is adjusted EBIT as a percentage of shareholder's equity plus net debt.
6. Constant currency basis applies the same US foreign exchange rate of 0.7231 from FY22 to eliminate the effect of fluctuations when calculating comparative sales numbers from FY22 to FY23.
7. Operating cash conversion is net cash from operating activities (as reported in the Consolidated Statement of Cash Flows in the Financial Report) as a percentage of normalised EBITDA.
8. Free cash flow is normalised EBITDA less net movements in working capital, income tax paid and lease payments.
9. Net working capital to sales ratio is the balance of receivables, inventory and payables (as reported in the Consolidated Statement of Financial Position in the Financial Report) as a percentage of sales.
10. Net leverage ratio is net borrowings over 12-month rolling EBITDA, calculated on a pre-AASB16 *Leases* basis.

# Corporate Governance Statement

The Reece Group is committed to good corporate governance practices.

The FY23 Corporate Governance Statement has been lodged separately and is available on the Reece Group website. The FY23 Corporate Governance Statement includes our material business risks, which have also been detailed in the Directors' Report on page 34.

Read more at www.group.reece.com/investors

# Directors' Report

## Information on Directors & Company Secretary

**Tim Poole**
Chair
Independent

B.Com (Melb)
Appointed to the Board July 2016
Chair of Audit and Risk Committee
Chair of Remuneration Committee
Member of Reece US Board of Managers
Appointed to Chair September 2022

Aurizon Holdings Limited (July 2015 - current)
McMillan Shakespeare Limited (resigned August 2022)
Lifestyle Communities Limited (resigned August 2019)

**Peter Wilson**
Group Chief Executive Officer (CEO) and Deputy Executive Chair

B.Com (Melb), FAIM
Appointed to the Board 1997
General Manager Operations 2002 - 2004
Chief Operating Officer 2005 - 2007
Appointed Chief Executive Officer/Managing Director 2008
Appointed to Deputy Executive Chair September 2022

No other directorships of listed companies were held at any time during the three years prior to 30 June 2023.

**L. Alan Wilson**
Executive Director

Appointed to the Board 1969
General Manager 1970 - 1974
Deputy Chair 1973 - 2001
Managing Director 1974 - 2008
Executive Chair 2001 - 2022

No other directorships of listed companies were held at any time during the three years prior to 30 June 2023.

**Megan Quinn**
Non-Executive Director
Independent

GAICD
Appointed to the Board 2017
Member of Remuneration Committee
Member of Audit and Risk Committee

City Chic Collective Limited (October 2012 - current)
InvoCare Limited (October 2018 - current)
The Lottery Corporation (June 2022 - current)

**Andrew Wilson**
Non-Executive Director

B.Bus (RMIT), ACMA/CGMA, GAICD
Appointed to the Board September 2018
Member of the Audit and Risk Committee

No other directorships of listed companies were held at any time during the three years prior to 30 June 2023.

**Bruce C. Wilson**
Non-Executive Director

B.Com (La Trobe)
Appointed to the Board September 2016
Member of the Remuneration Committee

No other directorships of listed companies were held at any time during the three years prior to 30 June 2023.

**Chantelle Duffy**
Company Secretary

B. Com/Sci (La Trobe), CA, GAICD
Appointed Company Secretary 1 July 2020

# Directors' Report

The Directors present their report together with the financial report of the consolidated entity consisting of Reece Limited and the entities it controlled ('the Group', or 'Reece') for the financial year ended 30 June 2023 ('FY23') and auditor's report thereon.

### Principal Activities

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

### Directors' Meetings

The number of meetings of the Board of Directors ('The Board') and of each Board Committee held during the financial year as well as the number of meetings attended by each Director are detailed below. There were no changes made to the Committees during the period to the date of this report. Directors also attend meetings of Committees of which they are not a member. This is not reflected in the attendance table below.

| Director | Board Meetings | | Audit and Risk Committee Meetings | | Remuneration Committee Meetings | |
|---|---|---|---|---|---|---|
| | A | B | A | B | A | B |
| Tim Poole | 9 | 9 | 4 | 4 | 4 | 4 |
| Peter Wilson | 9 | 9 | - | - | - | - |
| Alan Wilson | 9 | 9 | - | - | - | - |
| Megan Quinn | 9 | 9 | 4 | 4 | 4 | 4 |
| Andrew Wilson | 9 | 9 | 4 | 4 | - | - |
| Bruce C. Wilson | 9 | 9 | - | - | 4 | 4 |

(A) Number of Meetings Attended
(B) Number of Meetings Held Whilst In Office

### Environmental Regulations

Reece operations are subject to certain environmental regulations under Federal or State law. The Group is not aware of any significant breaches of environmental regulations during the year.

### Rounding amounts

The parent entity and the Group have applied the relief available under *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* and accordingly, the amounts in the consolidated financial statements and in the Directors' Report have been rounded to the nearest thousand dollars, or in certain cases, to the nearest dollar (where indicated).

### Indemnification and Insurance of Directors, Officers and Auditors

A deed of indemnity, insurance and access has been entered into with each Director, and with the Company Secretary of the Group. Reece has not, during or since the financial year, indemnified or agreed to indemnify the auditor of Reece Limited against a liability incurred at the end of the financial year, as auditor. During the financial year the Group paid a premium for Directors' and Officers' Liability insurance. Further disclosure is prohibited under the terms of the contract.

# Directors' Report

### Non-audit services

Non-audit services are approved by resolution of the Audit and Risk Committee to the Board. Non-audit services provided by the auditors of the Group during the year, KPMG, are detailed below. The Directors are satisfied that the provision of the non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. Amounts paid or payable to an auditor for non-audit services provided during the year by the auditor to any entity that is part of the Group are detailed below.

| | 2023 $ | 2022 $ |
|---|---:|---:|
| **Amounts paid and payable to KPMG for non-audit services:** | | |
| Other non-audit services – regulatory advisory services | 16,538 | 38,375 |
| | **16,538** | **38,375** |

### Other information

The following information, contained in other sections of this Annual Report, forms part of this Directors' Report:

- Operating and Financial Review detailed on pages 4 to 27 inclusive in the Annual Report.
- Details of dividends as outlined in Note 4.5 to the financial statements.
- Matters subsequent to the end of the financial period as outlined in Note 6.6 to the financial statements.
- Director and key management personnel interests in shares, share options and performance rights as set out in Sections 8.3 and 8.5 of the Remuneration Report. These remain unchanged as at 23 August 2023.
- Performance rights granted during the financial period as outlined in Note 6.2 to the financial statements.
- Share options outstanding at year end as outlined in Note 6.2 to the financial statements.
- Remuneration Report from pages 36 to 49.
- Auditor's independence declaration on page 50.

### Risk Approach

Reece recognises that a wide range of risks exist across the Group, and that building a strong risk management culture is critical to delivering on the Group's vision and strategy. Risk management helps the Group to maintain and improve its competitive advantage, and is pivotal to the ongoing success of the business.

The following table outlines the Group's material business risks, key drivers and exposures, and how the Group seeks to manage them. By proactively anticipating risk, Reece is strongly positioned to mitigate associated threats, appropriately plan for contingencies, and take advantage of opportunities that benefit all stakeholders.

## Material business risks

| Risks | Key drivers | Mitigations |
|---|---|---|
| **Macroeconomic and competitor landscape**<br><br>The external risk environment continues to be influenced by uncertainties in the macroeconomic and geopolitical landscape, including international disputes and trade tensions, and broader environmental threats and extreme weather events. Reece's competitive markets can also be impacted by local forces such as disruptive product innovation, new entrants, and changes in customer strategies and preferences. | – Economic and competitive market conditions.<br>– Geopolitical risk landscape.<br>– Environmental factors including pandemics and extreme weather. | – Proactive monitoring of key economic indicators and the broader global landscape.<br>– Agile processes and business continuity discipline to respond to changing conditions.<br>– Focus on innovation and disruptive technology, including diversified products and services. |
| **IT resilience and cyber security**<br><br>Reece recognises the criticality of protecting its systems, applications and data, and maximising our ability to recover rapidly in the event of a disruption. In particular, cyber security risks continue to pose an elevated threat to all organisations, including risks associated with major 'denial of service' type attacks, ransomware, malware and other malicious hacking activities, all of which can lead to a material disruption to operations. | – Increasing complexity and transformation of the IT environment.<br>– Rapidly evolving cyber security risk landscape, including ransomware.<br>– Technology changes, including additional adoption of cloud technology. | – Appropriate IT environment testing, monitoring, and maintenance.<br>– Dedicated cyber security team, strategy, and control environment.<br>– Screening of all supplier, customer, and vendor IT environments. |
| **Data and information privacy**<br><br>Data and information privacy is a priority for our business and our customers, and an area that is subject to increasingly stringent regulations. Privacy risk includes the risk of deliberate or inadvertent release of personal and/or sensitive information leading to a privacy breach, which may in turn trigger a non-compliance with relevant legislative requirements. | – Increasing volume and complexity of data.<br>– Customer and regulator expectations.<br>– Cyber security threats. | – Privacy policy, framework and supporting controls, including a dedicated privacy roadmap and working group.<br>– Dedicated data governance program, including training.<br>– Robust and tested data breach response protocols. |
| **Supply chain and transportation disruption**<br><br>Reece operates a global supply chain, which requires the continued ability to access, move and provide products to our end customers. Inherent dependencies on key suppliers or geographies can result in single-point sensitivities and disruption risk, including shortages or bottlenecks associated with geopolitical uncertainty or extreme weather. | – Single points of sensitivity in the supply chain.<br>– Increasing global and geopolitical risk landscape.<br>– Freight and transportation dependencies. | – Diversified product portfolio, with flows distributed across multiple warehouse locations.<br>– Robust contractual agreements and protections.<br>– Working towards diversifying suppliers across multiple geographies. |
| **People and talent**<br><br>Reece requires high-calibre talent centred on a deep level of bespoke industry expertise and knowledge. With retention and recruiting challenges expected to remain prominent due to strong labour markets and increased competition, we need to actively manage key talent risks within our broad portfolio of specialised skillsets. | – Competitive talent market where demand is exceeding supply.<br>– Increasing expectations from the workforce in the current labour market.<br>– Flexibility/agility in role design in the post-COVID-19 environment. | – Talent and succession planning to manage single points of sensitivity.<br>– Remuneration structure reviews and benchmarking.<br>– Leadership development programs and employee capability training.<br>– Flexible and collaborative workplace. |

# Directors' Report

| Risks | Key drivers | Mitigations |
|---|---|---|
| **Health, safety and well-being**<br><br>The health and safety of the Reece team and customers is core to the Group's people promise, and remains fundamental to the daily and weekly routines of our branch networks. Reece is committed to creating a safe working environment where people are protected from both physical and psychological harm. | – Inherent safety risks arising in the normal course of business.<br>– Diverse network of physical infrastructure and equipment across sites.<br>– Large motor vehicle fleet. | – Dedicated safety department, including supporting systems and controls.<br>– Safety monitoring, inspection and training programs.<br>– Formal incident and injury management processes. |
| **Product quality and safety**<br><br>The supply of dependable and safe products is imperative to our customer promise. A product quality failure at any point across the supply chain could result in injuries, liability claims, and/or product recalls. | – Large portfolio of bespoke solutions sourced to meet customer needs.<br>– Complex specifications and installation requirements for some products.<br>– Some inherent reliance on the quality and control procedures of our suppliers. | – Robust quality assurance and testing programs.<br>– Appropriate warranties and insurances.<br>– Investment in training to ensure correct installation and use of our products. |
| **Environmental, social, and corporate governance (ESG)**<br><br>Reece's operations must continue to maintain positive societal impacts, including appropriate action to respond to long-term climate and environmental changes, and a proactive stance on social responsibility. We also recognise the heightening regulatory environment, and the reputational risk associated with any failure against ESG reporting or disclosure obligations. | – Source of growing stakeholder expectations.<br>– Depth and complexity of the supply chain.<br>– Increasing regulatory landscape surrounding ESG. | – Sustainability governance framework in place, including targeted strategies and working groups on key topics such as modern slavery.<br>– Cross-departmental collaboration to support ESG target setting and monitoring.<br>– Direct program oversight by the Reece. |
| **Technological disruption and transformation**<br><br>Reece must keep pace with technological advancements that disrupt our operational and competitive landscape. Evolving technologies, including advanced robotics and artificial intelligence (AI), have the potential to impact Reece and its broader markets, together with rapid developments in data science, machine learning and predictive modelling. | – Increasing speed and volume of technological disruption, including massively available AI.<br>– Changing consumer behaviours and expectations.<br>– Impact of legacy infrastructure and environments. | – Technology strategy and roadmap.<br>– Active pursuit of new and disruptive technologies through Reece's innovation programs.<br>– Explicit budgeting for underlying technology infrastructure and capability improvement. |
| **Legal and compliance landscape**<br><br>Reece must comply with a broad range of applicable laws and regulations, as well as its legally binding contracts and agreements, whilst also ensuring that any breaches (potential or actual) are identified and handled in a timely and proactive manner. The underlying complexity of regulatory and contractual obligations is also expanding as the Reece business grows, including expansion into new business ventures and adjacencies. | – Growing breadth and complexity of Reece's regulatory landscape.<br>– Increasing regulatory scrutiny across a range of disciplines (e.g. ESG).<br>– Large volume of bespoke contracts and agreements across the business. | – Dedicated in-house risk, procurement and legal personnel.<br>– Outsourced subject-matter expertise as required.<br>– Centralised compliance program, including mandatory staff training. |

# Remuneration Report (Audited)

### Letter from Remuneration Committee Chair

Dear fellow shareholders,

On behalf of the Board, I am pleased to present our Remuneration Report for FY23.

We are passionate about creating a values-driven and customer-focused organisation. We are determined to create a business for the long-term, and this is reflected in the way we structure incentive arrangements for our leadership team. We design our remuneration to suit the needs of Reece, and with the objective of achieving our long-term goals.

**FY23 performance and remuneration outcomes**

Reece has continued to execute its long-term growth strategy and delivered excellent financial results in FY23. Sales revenue increased by 15.5% to $8,840m (2022: $7,654m), positively influenced by inflation, while demand began to moderate throughout the year. Normalised EBITDA was up 16.3% to $975m (2022: $838m), EBIT was up 13.1% to $654m (2022: $578m) and statutory net profit after tax decreased 1.2% to $388m (2022: $392m). Adjusted NPAT, which excluded an impairment expense for the Metalflex business of $29m and post-tax government incentive income of $11m, increased 11.4% to $405m (FY22: $363m).

The Board declared a fully franked final dividend of 17 cents per share, resulting in total fully franked dividends of 25 cents per share in respect of FY23, an increase of 11.1% over FY22.

The Company has, to date, successfully navigated through a complex macro environment while continuing to deliver on our customer promise – to be our trade's most valuable partner. The Board would like to recognise and thank all Reece Group employees for their unwavering commitment, dedication and contribution throughout FY23.

The Board has a high degree of confidence in Peter Wilson, Group CEO, and the senior leadership teams in ANZ and the US, and this is reflected in the strong performance delivered in FY23. Led by the Group CEO, the senior leadership teams have collaborated to deliver good progress towards delivering our 2030 strategy.

Due to the successful performance of our team in FY23, the Group and business unit financial metrics have largely been achieved or exceeded, and the KMP individual metrics have achieved above target scores.

Our remuneration structure includes fixed remuneration, at-risk short term incentive (STI) and at-risk long term incentive (LTI). The LTI was introduced in 2020 for the Group CEO and in 2021 for additional participants. Currently, the Company has four LTI awards outstanding. The first of these awards will be tested for vesting at the completion of FY24.

Consistent with FY22, during FY23, senior executives were awarded performance rights as part of the LTI plan. This year, we welcomed the US senior executives to the LTI plan, which has been positively received.

The FY23 LTI grant to KMP was enhanced to include a second vesting hurdle, average Return on Capital Employed ("ROCE"), in addition to the existing Earnings Per Share ("EPS") hurdle. As a business where significant shareholder value is created through capital allocation decisions, the Board believes it is important to have a return on capital LTI metric. The vesting hurdles will be weighted equally between ROCE and EPS. Additional detail is available in Section 6 of this report.

**Looking forward**

We were delighted to receive strong shareholder support for our current approach to remuneration at our 2022 AGM. We always welcome feedback from stakeholders as we continue looking for opportunities to improve and provide further transparency where it is appropriate to do so.

Under the leadership of Peter Wilson, Reece has grown significantly through organic growth, acquisition and diversification into other business units and regions. Peter has led the Company through a time of increasing complexity, delivered significant shareholder value and maintained focus on delivering Reece's 2030 strategy. Peter has deep industry experience and is important to the Group's ongoing vision, growth and success. During FY23, the Board undertook a more detailed benchmarking of Peter's remuneration. As a result of this review, from 1 July 2024, Peter's fixed remuneration will increase to $2,450,000, his first base increase since 2020. Furthermore, Peter's LTI award will increase from 100% at target (150% at stretch) to 125% at target (200% at stretch).

As stakeholder expectations evolve, the Board will continue to test the effectiveness of our executive remuneration arrangements by working with external consultants, examining benchmarking information and listening to feedback from stakeholders. The Board has considered environmental and sustainability metrics for senior executive remuneration and some have been included as part of individual deliverables. We will continue to consider the most appropriate Group and individual measures for Reece aligned to our sustainability strategy and the long-term success of the Group.

I invite you to read our report, which outlines in further detail the remuneration structures and outcomes for FY23.

Yours faithfully,

**Tim Poole**

Chair, Remuneration Committee

# Remuneration Report (Audited)

### Table of Contents



The Directors present the Remuneration Report for the financial year ended 30 June 2023. This report forms part of the Directors' Report and has been prepared and audited in accordance with section 300A of the *Corporations Act 2001 (Cth)*.

KMP have the authority and responsibility for planning, directing and controlling the activities of Reece. This includes the Board of Directors and senior leaders of the ANZ and US businesses.

## 1. Key Management Personnel (KMP)

The table below details persons considered to be KMP during FY23 and their term as KMP.

| KMP | Position | Term as KMP |
|---|---|---|
| **Directors** | | |
| Tim Poole | Chair | Full financial year |
| Peter Wilson | Group Chief Executive Officer (CEO), Managing Director (MD) and Deputy Executive Chair | Full financial year |
| Alan Wilson | Executive Director | Full financial year |
| Bruce C. Wilson | Non-Executive Director | Full financial year |
| Megan Quinn | Non-Executive Director | Full financial year |
| Andrew Wilson | Non-Executive Director | Full financial year |
| **Executives** | | |
| Andrew Cowlishaw | Group Chief Financial Officer (CFO) and acting Chief Operating Officer Australia and New Zealand (ANZ) | Full financial year |
| Marius Vermeulen | CEO Australia and New Zealand (ANZ) | Ceased 31 January 2023 |
| Sasha Nikolic | CEO United States (US) | Full financial year |
| Chip Hornsby | Executive Chair United States (US) | Full financial year |

# Remuneration Report (Audited)

## 2. Remuneration overview

### 2.1 Our remuneration framework

The Reece remuneration framework supports Reece's purpose and values. For Executives, remuneration is structured to reflect the individual's role in the business, individual performance, Company performance, and market context in relevant geographies.

**The Reece Way**

To improve the lives of our customers and our people by striving for greatness every day.

| | | | | |
|---|---|---|---|---|
| Create customers for life. | Discover your best. | Grow as a team. | Innovate big and small. | Try. Try. Try. |
| Own it. | Keep it simple. | Do the right thing. | Be humble. | Write the next chapter. |

### 2.2 Our remuneration philosophy

The graphic below outlines how our remuneration framework aligns Executives to Reece's strategic objectives.

**Strategically aligned**

Aligning Executive remuneration with Reece's long-term business strategy to achieve beneficial outcomes for customers, shareholders and employees.

**Transparent**

Providing a clear and transparent link between performance and rewards.

**Values-driven**

Driving behaviour to create a culture that promotes safety, diversity and employee satisfaction.

**Right talent**

Ensuring the remuneration structure and levels attract and retain the right people for the Reece business.

### 2.3 Our approach

Our values and remuneration principles are what have helped shape the Executive remuneration structure outlined below.

| Element | Purpose of element | Approach |
|---|---|---|
| Fixed remuneration | To attract and retain the right talent through competitive fixed remuneration. | Set with reference to market benchmarks. Consists of base salary, superannuation and other non-cash benefits. |
| At-risk short-term incentive | To provide an incentive for Executives to achieve annual financial and non-financial targets aligned to core drivers of long-term sustainable performance. | Determined based on annual performance against Group or business unit targets and individual performance. Paid in cash to provide immediate reward and consistent with the highly effective Reece "profit share" model that has been a long-term driver of performance through the branch network. |
| At-risk long-term incentive | To align Executive reward with the delivery of long-term strategic priorities and shareholder value creation. | Determined based on the award of share rights based on tenure and achieving EPS and ROCE objectives. Some historical arrangements will remain in place (until expiry) for a small group of US Executives, which are cash incentives based on tenure and achieving EBITDA growth objectives. |

## 3. Remuneration governance

At Reece, remuneration is structured to reflect the individual's role in the business, the track record of individual and Company performance, and market context in relevant geographies.

The graphic below outlines the remuneration governance framework between the governing bodies, stakeholders and external advisors. Executives in the Australian and US businesses are subject to the same remuneration governance framework as set out below.

**The Board**

- Monitors the performance of the Executives.
- Approves the remuneration framework and ensures alignment with the Company's purpose, values, strategic objectives and risk appetite.
- Appoints and removes the Group CEO, Group CFO, ANZ CEO, US CEO, and Company Secretary.
- Reviews and, if appropriate, approves Remuneration Committee recommendations on remuneration arrangements.

**The Remuneration Committee**

- Reviews remuneration policies and strategies for Executives, including the Group CEO, utilising external benchmarking where appropriate.
- Designs the remuneration package for Executives.
- Determines the overall level of salary increases and performance-based incentives for the Group CEO.
- Sets Non-Executive and Executive Director remuneration.
- Oversees succession planning for senior Executives.
- Oversees Executive recruitment, retention and termination policies and procedures.

The Remuneration Committee is majority independent. This helps to manage any possible conflicts of interest.

**Consultation with Shareholders and other Stakeholders**

**Remuneration Consultants and other External Advisors**

The Board and / or the Remuneration Committee may, from time to time, appoint and engage independent advisors directly in relation to remuneration matters.

These advisors may:

- Review and provide recommendations on the appropriateness of the Group CEO and Executive remuneration.
- Provide independent advice, information and recommendations relevant to remuneration decisions.

During the year, the Board did not receive any remuneration recommendations from a remuneration consultant as defined by the *Corporations Act 2001 (Cth)*.

**Management**

Provides information relevant to remuneration decisions and makes recommendations to the Remuneration Committee. Obtains remuneration information from external advisors to assist the Remuneration Committee.

## 4. Company performance and remuneration outcomes

This section outlines how Reece's performance is reflected in Executive remuneration outcomes.

### 4.1 Historical performance

The table below summarises key performance indicators (or performance objectives) over the previous five years. In FY23, Reece delivered strong financial performance.

| Financial Summary | FY23 ($000's) | FY22 ($000's) | FY21 ($000's) | FY20 ($000's) | FY19 ($000's) |
|---|---|---|---|---|---|
| Sales revenue | 8,839,572 | 7,654,047 | 6,270,706 | 6,009,878 | 5,463,787 |
| Normalised EBITDA[1] | 974,576 | 838,286 | 720,290 | 649,604 | 521,950 |
| EBIT[2] | 654,104 | 578,204 | - | - | - |
| ROCE[2] | 15.3% | 13.3% | - | - | - |
| NPAT | 387,607 | 392,487 | 285,595 | 228,999 | 202,100 |
| Dividends declared | 161,496 | 145,346 | 116,277 | 72,408 | 113,566 |
| Performance-based incentives to Executives | 9,635 | 7,945 | 6,309 | 4,666 | 3,973 |
| Share price at end of financial year | 18.57 | 13.78 | 23.61 | 9.19 | 9.76 |
| EPS[3] | 60 cents | 61 cents | 44 cents | 40 cents | 36 cents |

1. Normalised EBITDA is EBITDA adjusted to exclude impairment expense, business acquisition costs and finance costs.
2. Return on Capital Employed (ROCE) and EBIT have been disclosed from FY22 as both were added as financial targets in the FY23 STI. ROCE was also added as a vesting hurdle in the FY23 LTI grant.
3. EPS is calculated based on statutory NPAT divided by the weighted average number of shares on issue.

### 4.2 Take home remuneration (unaudited)

The table below outlines the received remuneration for Executive KMP during FY23. The statutory tables are provided in the Statutory Disclosures section 8.2 of this report.

| Executive | Fixed remuneration ($000's) | Other benefits[1] ($000's) | STI awarded[2] ($000's) | Vested LTI[3] ($000's) | Total ($000's) |
|---|---|---|---|---|---|
| Peter Wilson<br>Group CEO | 2,130 | 129 | 2,982 | - | 5,241 |
| Andrew Cowlishaw<br>Group CFO | 750 | 28 | 938 | - | 1,716 |
| Marius Vermeulen<br>CEO ANZ[4] | 862 | 20 | - | - | 882 |
| Chip Hornsby<br>Executive Chair US | 931 | 44 | 972 | - | 1,947 |
| Sasha Nikolic<br>CEO US | 1,041 | 334 | 1,343 | 1,271 | 3,989 |

1. Mr Nikolic's other benefits payment represents a housing allowance provided during FY23.
2. Reflects value of the STI earned in relation to FY23.
3. Reflects value of the LTI vested or paid in FY23, Mr. Nikolic's LTI is cash-based.
4. Mr Vermeulen ceased being CEO ANZ on 31 January 2023. Fixed remuneration for FY23 includes the payment of Mr Vermeulen's accrued annual leave and termination payment.

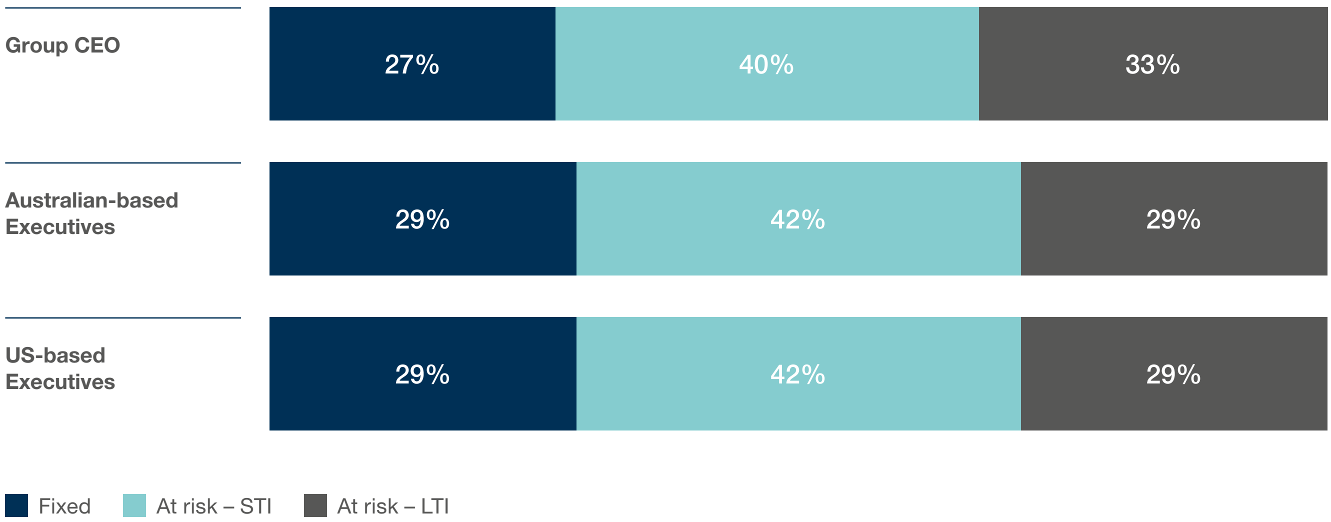
# Remuneration Report (Audited)

### 4.3 Remuneration mix

Remuneration mix for Executive KMP has been determined based on careful consideration of the individual's existing shareholding, and the remuneration elements more effective at providing an incentive for each Executive KMP.

Given the existing shareholding of the Group CEO, there is already significant alignment to shareholder returns over the long-term. As a result, remuneration is currently weighted more heavily to fixed and short-term cash components than typical in the market.

The graph below reflects the remuneration mix at maximum for Executive KMPs, based on the Company's policy.




### 4.4 Fixed remuneration

The Remuneration Committee undertakes benchmarking in comparing Director and Executive remuneration levels with a comparative group of Australian and international companies. Fixed remuneration is determined based on the skills and experience of the individual in the role.

The Remuneration Committee sets fixed remuneration levels competitively relative to market. Remuneration positioning is set to retain the right talent to enable the Group to deliver its long-term strategy and delivery value to shareholders.

## 5. Executive KMP short-term incentive (STI) and performance outcomes

### 5.1 Executive KMP STI detail

The STI provides Executive KMP an opportunity to be rewarded for achievement of annual objectives that align to the core drivers of sustainable performance for Reece.

The table below outlines the key elements of the STI structure for Executive KMP.

| | |
|---|---|
| How is performance measured? | Performance targets under the STI are set by the Remuneration Committee at the beginning of the financial year. The following diagram illustrates the calculations in determining the STI outcomes.<br><br>Financial targets + Other targets + Individual targets = STI outcome<br>70–80% · 20–30% · Multiplier[1]<br><br>Performance targets are set with reference to the Reece business strategy to achieve the long-term growth aspirations of the Group.<br><br>**KMP Executives**<br><br>For KMP Executive roles, performance under the FY23 STI was measured against:<br><br>**Performance objectives**<br><br>Financial targets: EBIT growth<br>EBIT to sales<br>EBIT to capital employed<br>Return on capital employed<br><br>Other targets: Other targets include growth in customer accounts, safety, sales per full-time employee and support centre cost control.<br><br>Individual targets: Board assessment of individual initiatives determines the multiplier for the final STI outcome. In FY23 these initiatives included execution of operational excellence, accelerating innovation and investing for profitable growth. |
| How much can an Executive earn? | The Group CEO's performance-based STI at target is 100% of base salary with a maximum of 150%.<br><br>The CEO ANZ and Group CFO's performance-based STI has a maximum opportunity of 100% – 150% of base salary.<br><br>There is no payment in the event the minimum performance targets, as set by the Remuneration Committee annually, are not met. |
| How and when is it paid? | The STI is paid in cash within 90 days of completion of the Group's financial statements. The Remuneration Committee elects to pay all STIs in cash to provide timely reward to Executive KMP for achievement of annual objectives. |

1. The multiplier can either increase or decrease the final STI outcome.

# Remuneration Report (Audited)

### 5.2 STI performance outcomes

The STI is 'at risk' remuneration as it is subject to the achievement of pre-defined performance measures. The measures drive a continuous improvement culture and reward growth, innovation and delivery in the current business. Individual performance targets relate to each specific role and measure an individual's contribution against a range of operational and strategic performance measures. At the start of the performance year the Board determines the Group CEO's individual strategic measures. Relevant measures are cascaded to the Executives.

The table below outlines the STI performance outcomes for Executive KMPs for FY23.

| Objective | Reece US FY23 outcomes | Group FY23 outcomes |
|---|---|---|
| Financial targets | Stretch | Stretch |
| Other targets | Target | Target |
| Individual targets | Target | Target |

- Stretch
- Between Target & Stretch
- Target
- Between Threshold & Target
- Threshold
- Below Threshold

### 5.3 STI outcomes

The table below outlines the STI outcomes for Executives during FY23.

| Executive | STI maximum opportunity ($'000) | STI outcome as a percentage of maximum % | STI outcome as a percentage of target % | Actual STI ($'000) |
|---|---|---|---|---|
| Peter Wilson<br>Group CEO | 3,195 | 93 | 140 | 2,982 |
| Andrew Cowlishaw<br>Group CFO | 1,125 | 83 | 125 | 938 |
| Chip Hornsby<br>Executive Chair US | 1,397 | 70 | 106 | 972 |
| Sasha Nikolic<br>CEO US | 1,562 | 86 | 132 | 1,343 |

## 6. Executive KMP long-term incentive (LTI)

### 6.1 Australian-based Executive KMP LTI detail

The LTI assists in the reward and retention of senior Executives and aligns the interests of eligible participants with shareholders of Reece.

The table below outlines the key elements of the LTI structure for Executives in relation to LTI grants made during FY23.

<table>
<tr><td>How is the LTI award structured?</td><td>The participants are granted performance rights, an entitlement to receive one ordinary share following vesting.</td></tr>
<tr><td>How is performance measured?</td><td>
New grants from FY23 include two performance metrics: EPS, which is measured on a compound annual growth rate (CAGR) and average Return on Capital Employed (“ROCE”, as defined below). These performance metrics are evenly weighted at 50% each and were selected as they provide a strong correlation with the creation of shareholder value.
For LTI purposes, EPS reflects the audited statutory definition and ROCE is calculated as EBIT divided by total shareholders equity plus net debt (borrowings less cash). Only if the Board considers incentive outcomes are not a reasonable reflection of Executive or Group performance would the Board apply discretion to adjust the incentive outcomes. The Board anticipates this discretion would only be applied in highly unusual circumstances.
The awards will vest in accordance with the following vesting schedule:
<table>
<tr><th>2023 grant</th><th>EPS CAGR</th><th>Average ROCE</th><th>Level of vesting</th></tr>
<tr><td>Stretch</td><td>≥ 10%</td><td>≥ 16%</td><td>100%</td></tr>
<tr><td>Between threshold and stretch</td><td>> 5% & < 10%</td><td>> 14% & < 16%</td><td>Pro rata vesting on a straight line basis between 50% and 100%</td></tr>
<tr><td>Threshold</td><td>5%</td><td>14%</td><td>50%</td></tr>
<tr><td>Below threshold</td><td>< 5%</td><td>< 14%</td><td>Nil</td></tr>
</table>
<table>
<tr><th>2022 grant</th><th>EPS CAGR</th><th>Level of vesting</th></tr>
<tr><td>Stretch</td><td>≥ 10%</td><td>100%</td></tr>
<tr><td>Between threshold and maximum</td><td>> 5% & < 10%</td><td>Pro rata vesting on a straight line basis between 50% and 100%</td></tr>
<tr><td>Threshold</td><td>5%</td><td>50%</td></tr>
<tr><td>Below threshold</td><td>< 5%</td><td>Nil</td></tr>
</table>
</td></tr>
<tr><td>What is the performance period?</td><td>Performance rights are subject to the vesting conditions being assessed at the end of the four-year performance period.</td></tr>
<tr><td>How much can an Australian-based Executive KMP earn?</td><td> The Group CEO is eligible to receive an annual LTI grant equivalent of 150% of base salary at stretch performance. Other Australian-based Executives may be eligible to receive an LTI grant equivalent to 50–100% of base salary. </td></tr>
<tr><td>What are the vesting considerations?</td><td>Performance rights will vest subject to achieving the performance objectives.</td></tr>
<tr><td>How and when is it paid?</td><td>Performance rights convert to ordinary shares after the vesting period if the performance conditions have been met. The Company will settle performance rights using market purchased shares. No new shares will be issued. The Board in its discretion may settle in cash.</td></tr>
<tr><td>What happens if an Executive leaves?</td><td>If an Executive is considered a good leaver, a departing Executive may be able to retain a proportion of their unvested performance rights, pro-rated for time served and subject to performance testing.</td></tr>
<tr><td>What happens in a change of control?</td><td>In the unlikely event of a change of control, the Board has absolute discretion to determine how to deal with the Executive’s unvested performance rights.</td></tr>
<tr><td>What other grants remain on foot?</td><td>In addition to the above, participants were granted share options in FY20 and FY21. Both of these grants remain on foot at 30 June 2023 and have an EPS (CAGR) performance objective which will be assessed for vesting at the end of a five-year performance period. Shares that vest after the performance period cannot be exercised for a further two-year period.</td></tr>
</table>

### 6.2 US-based Executive KMP LTI detail

The LTI assists in the reward, retention and motivation of participants and aligns the interests of eligible participants with shareholders of Reece. The table below outlines the key elements of the LTI structure for US-based Executive KMP.

| | |
|---|---|
| How is the LTI award structured? | For the Reece CEO US, the LTI is awarded in cash rather than performance rights. The plan was structured in this way to assist the transition of Reece US into the Reece Group. |
| How is performance measured? | The metrics are based on achieving annual Reece US EBITDA and sales revenue targets and ongoing employment with Reece US as approved by the Remuneration Committee and the Board. |
| What is the performance period? | The cash award is subject to vesting conditions at the end of the performance period, ending December 2024. This is in line with the agreed period for initial business transformation post the acquisition of Reece US. |
| How much can an US-based KMP Executive earn? | The US CEO's long-term incentive has a target of 100% of base salary with a maximum of 150%. |
| What are the vesting considerations? | There is no payment if minimum performance objectives are not met, or if the Executive resigns from the Company prior to the end of the plan. |
| How and when is it paid? | Once vesting conditions of the awards have been met, the eligible participant will receive a cash amount. |
| What happens if an Executive leaves? | If an Executive is considered a good leaver, they may be eligible to retain a proportion of their LTI award based on the time that has elapsed between the grant date and when the Executive leaves, subject to the performance of the Company and/or the participant against targets at that time. |
| What happens in a change of control? | In the event of a change of control, the Board has absolute discretion to determine what amount of outstanding awards will be eligible for payment. |

### 6.3 Executive KMP service arrangements

The table below outlines Executive KMP service arrangements.

| Individual | Service agreement |
|---|---|
| Alan Wilson | Apart from statutory termination benefits, which include accrued leave entitlements, there are no arrangements in place to provide the Executive Director with any additional retirement benefits. Notice period of three months for employee and employer. |
| Peter Wilson | Notice period of twelve months for employee and employer. |
| Andrew Cowlishaw | Notice period of six months for employee and employer. |
| Marius Vermeulen | Notice period of nine months for employee and employer, ceased 31 January 2023. |
| Chip Hornsby | The Reece Executive Chair US employment contract automatically extends for successive one-year periods with either party able to elect to not extend the employment contract. Where either party chooses not to extend the contract, both parties are required to provide written notice 90 days prior to the recurring annual renewal date. |
| Sasha Nikolic | Apart from statutory termination benefits, which include accrued leave entitlements, there are no arrangements in place to provide the CEO US with any additional retirement benefits.<br><br>The Reece US CEO's contract will automatically extend for successive one-year periods with either party able to elect to not extend the employment contract. Where either party chooses not to extend the contract, both parties are required to provide written notice 30 days prior to the recurring annual renewal date. |

## 7. Non-Executive Director (NED) remuneration

Non-Executive Directors (NED) fees include base fees and committee fees. The committee fees reflect the additional time commitment required for Board committees on which they may serve from time to time. The maximum fee pool amount available for Non-Executive Directors is $2,500,000, as approved by shareholders at the 2022 Annual General Meeting. NED's are not entitled to receive any performance-based incentives, non-cash benefits or retirement benefits other than statutory superannuation.

The table below sets out the fees for NED's which are inclusive of superannuation.

| Base fees | Annual fee as at 30 June 2022 ($000's) | Annual fee as at 30 June 2023 ($000's) |
|---|---|---|
| Chair NED | N/A | 525 |
| Deputy Chair NED | 111 | N/A |
| Independent NED | 111 | 180 |
| Substantial shareholder NED | 90 | 90 |

The table below outlines the fees for Committee membership. We note that NED's with substantial shareholdings (>5%) are not eligible to receive additional fees for Committee membership.

| Committee fee | Chair ($000's) | Member ($000's) |
|---|---|---|
| Audit and Risk Committee | 40 | 20 |
| Remuneration Committee | 30 | 15 |
| Reece US Board of Managers | N/A | 50 |

## 8. Additional Statutory disclosures

### 8.1 Director remuneration outcomes

The table below sets out the remuneration of Executive and Non-Executive Directors of Reece Group.

| Directors | | Salary and fees ($000's) | Non-monetary and other benefits[1] ($000's) | Post-employment benefits ($000's) | Total ($000's) |
|---|---|---|---|---|---|
| Alan Wilson[2] | FY23 | 3,870 | 46 | 25 | 3,941 |
| | FY22 | 1,411 | 54 | 24 | 1,489 |
| Tim Poole[3] | FY23 | 450 | - | 27 | 477 |
| | FY22 | 210 | - | 21 | 231 |
| Bruce C. Wilson | FY23 | 81 | - | 9 | 90 |
| | FY22 | 82 | - | 8 | 90 |
| Megan Quinn[4] | FY23 | 162 | - | 17 | 179 |
| | FY22 | 128 | - | 13 | 141 |
| Andrew Wilson | FY23 | 81 | - | 9 | 90 |
| | FY22 | 82 | - | 8 | 90 |
| **Remuneration totals** | **FY23** | **4,644** | **46** | **87** | **4,777** |
| | **FY22** | **1,913** | **54** | **74** | **2,041** |

1. Reflects value of motor vehicle provided to Mr Alan WIlson.

2. Mr Alan Wilson transitioned from Executive Chair to Executive Director on 1 September 2022. Salary and fees for FY23 includes executive remuneration, consulting fees and payment of accrued annual leave. As an Executive Director, Mr Alan Wilson's annual salary and fees include a director fee of $180,000 and consulting fees for his expertise and advisory role as a Founder (Plumbing) of $495,000. Consulting rates have been benchmarked to external data.

3. Mr Poole was appointed as Chair on 1 September 2022. Since his appointment to Chair, Mr Poole is not eligible to receive additional fees for Committee membership.

4. Ms Quinn's annual fees were uplifted on 1 January 2023.

### 8.2 Executive remuneration outcomes

The table below sets out the remuneration of Executives of Reece Group.

| Executives | | Short-term benefits | | | Post employment benefits | Other long-term benefits | Termination benefits | Share based payments | Total | Perf-ormance based |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Base salary ($000's) | Short-term incentive ($000's) | Non-monetary and other benefits ($000's) | Super-annuation ($000's) | Long-term incentive ($000's) | Other ($000's) | Awards ($000's) | ($000's) | % |
| Peter Wilson | FY23 | 2,130 | 2,982 | 104 | 25 | - | - | 1,946 | 7,187 | 69 |
| | FY22 | 2,130 | 2,597 | 66 | 25 | - | - | 1,016 | 5,834 | 62 |
| Andrew Cowlishaw | FY23 | 750 | 938 | - | 28 | - | - | 259 | 1,975 | 61 |
| | FY22 | 717 | 375 | - | 27 | - | - | 165 | 1,284 | 42 |
| Chip Hornsby | FY23 | 931 | 972 | 44 | - | - | - | - | 1,947 | 50 |
| | FY22 | 763 | 859 | 101 | - | - | - | - | 1,723 | 50 |
| Marius Vermeulen[1] | FY23 | 549 | - | - | 20 | - | 313 | (76) | 806 | - |
| | FY22 | 438 | 468 | - | 16 | - | - | 76 | 998 | 55 |
| Sasha Nikolic | FY23 | 1,041 | 1,343 | 293 | 41 | 1,271 | - | - | 3,989 | 66 |
| | FY22 | 846 | 1,124 | 265 | 36 | 1,124 | - | - | 3,395 | 66 |
| **Remuneration totals** | **FY23** | **5,401** | **6,235** | **441** | **114** | **1,271** | **313** | **2,129** | **15,904** | **61** |
| | **FY22** | **4,894** | **5,423** | **432** | **104** | **1,124** | **-** | **1,257** | **13,234** | **59** |

[1] Mr Vermeulen ceased being CEO ANZ on 31 January 2023. Mr Vermeulen's performance rights were forfeited upon cessation of employment. Fixed remuneration for FY23 includes payment of Mr Vermeulen's accrued annual leave.

### 8.3 Executive LTI plan outstanding

The equity LTI plan was introduced in FY20. In the current year the Group CEO was issued with 205,598 performance rights (2022: 129,838). There were no share options or performance rights exercised, vested or expired as at 30 June 2023. Mr Vermeulen's 29,259 rights were forfeited in January 2023. No other share options or performance rights granted to KMP were forfeited, cancelled or lapsed during or subsequent to year end to the date of this report. The fair value of the performance rights granted in FY23 was $14.34, which was determined at the grant date in accordance with AASB 2 *Share-based payments*. The table below outlines each grant on foot for Executive KMP during the financial year.

| Executive | Award | Grant date | Exercise price | Vesting date | Expiry date | Number of options/ rights | Fair value at grant date |
|---|---|---|---|---|---|---|---|
| Peter Wilson | FY23 rights | 27 October 2022 | $Nil | 1 July 2026 | 13 October 2037 | 205,598 | $2,948,275 |
| | FY22 rights | 28 October 2021 | $Nil | 1 July 2025 | 27 October 2036 | 129,838 | $2,338,382 |
| | FY21 options | 29 October 2020 | $14.46 | 30 June 2025 | 29 October 2035 | 267,588 | $1,597,500 |
| | FY20 options | 30 October 2019 | $10.06 | 30 June 2024 | 30 October 2034 | 304,286 | $1,278,000 |
| Andrew Cowlishaw | FY23 rights | 27 October 2022 | $Nil | 1 July 2026 | 13 October 2037 | 48,263 | $692,091 |
| | FY22 rights | 28 October 2021 | $Nil | 1 July 2025 | 27 October 2036 | 36,574 | $658,698 |

### 8.4 Executive LTI cash plan outstanding

Mr Nikolic was awarded an Executive LTI cash plan on 1 July 2018 with the performance period ending 31 December 2024. Payment of the LTI is subject to annual Reece US EBITDA growth, annual sales revenue growth and continued employment with Reece US. At 30 June 2023, the outstanding value of the LTI for Mr Nikolic is $11,007,878 based on five years of outperformance against established targets.

### 8.5 Equity movements

The table below outlines equity movements for Directors and Executives during the financial year. During their term as KMP in FY23 Megan Quinn and Chip Hornsby did not hold any shares in Reece Limited.

| | Balance as at 30 June 2022 | Equity received as remuneration | Equity purchased / disposed of | Balance as at 30 June 2023 |
|---|---|---|---|---|
| **Directors** | | | | |
| Alan Wilson | 358,709,180 | - | - | 358,709,180 |
| Tim Poole | 15,865 | - | - | 15,865 |
| Bruce C. Wilson[1] | 120,168,788 | - | - | 120,168,788 |
| Andrew Wilson[1] | 120,168,788 | - | - | 120,168,788 |
| **Executives** | | | | |
| Peter Wilson[1] Group CEO / MD | 120,168,788 | - | - | 120,168,788 |
| Andrew Cowlishaw Group CFO | 9,868 | - | 1,690 | 11,558 |
| Marius Vermeulen[2] CEO ANZ | 200 | - | 200 | 400 |
| Sasha Nikolic CEO US | 26,315 | - | - | 26,315 |

1. Bruce C. Wilson, Andrew Wilson and Peter Wilson all have relevant interests in the shares set out in the various substantial holder notices lodged by Two Hills Holdings Pty Ltd by virtue of the Pre-Emptive Rights Agreement (Pre-Emptive Shares), even though they do not have the right to demand the Pre-Emptive Shares. These holdings have been included within the Director and Executive shareholdings.

2. Mr Vermeulen ceased being CEO ANZ on 31 January 2023. The closing balance of the shareholding reflects the number of shares held by Mr Vermeulen on the day he ceased being a KMP.

### 8.6 Securities Dealing Policy

The Reece Securities Dealing Policy prohibits designated Reece personnel, which includes Executives and Directors, from entering into any arrangements that would have the effect of limiting their exposure relating to Reece shares, including vested Reece shares or unvested entitlements to Reece shares under Reece employee incentive schemes.

# Remuneration Report (Audited)

**8.7 AGMs**

At our most recent Annual General Meeting, a resolution to adopt the prior year Remuneration Report was put to the vote and at least 75% of "yes" votes were cast for adoption of the report. No comments were made on the remuneration report requiring consideration at the Annual General Meeting.

This concludes the Remuneration Report (Audited). Dated at Melbourne on 23 August 2023.

Signed in accordance with a resolution of Directors.

**T. Poole**
Chair

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

# Auditor's Independence Declaration

KPMG

## 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 audit of Reece Limited for the financial year ended 30 June 2023 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

J.Carey.

| | |
|---|---|
| KPMG | Julie Carey |
| | *Partner* |
| | Melbourne |
| | 23 August 2023 |

# Contents

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2023

| | Note | 2023 ($000's) | 2022 ($000's) |
|---|---|---|---|
| Revenue from sale of goods | 2.2 | 8,839,572 | 7,654,047 |
| Cost of sales | 2.3 | (6,332,859) | (5,515,083) |
| **Gross profit** | | **2,506,713** | **2,138,964** |
| Other revenue | 2.2 | 21,741 | 31,362 |
| Selling and administrative expenses | | (1,845,401) | (1,592,122) |
| Impairment of goodwill | 2.3 | (28,949) | - |
| **Earnings before interest and tax** | | **654,104** | **578,204** |
| Finance costs (net) | 2.3 | (86,265) | (68,803) |
| **Profit before income tax expense** | | **567,839** | **509,401** |
| Income tax expense | 2.5 | (180,232) | (116,914) |
| **Net profit for the year** | | **387,607** | **392,487** |
| **Other comprehensive income** | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences on translation of foreign operations, net of tax | | 71,288 | 137,811 |
| Change in fair value of effective cash flow hedges, net of tax | | (3,672) | 26,851 |
| **Total comprehensive income, net of tax** | | **455,223** | **557,149** |
| Basic earnings per share | 2.4 | 60 cents | 61 cents |
| Diluted earnings per share | 2.4 | 60 cents | 61 cents |

# Consolidated Statement of Financial Position

As at 30 June 2023

| | Note | 2023 ($000's) | 2022 ($000's) |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | 3.1 | 372,706 | 220,483 |
| Trade and other receivables | 3.2 | 1,338,414 | 1,367,503 |
| Inventories | 3.3 | 1,504,892 | 1,528,411 |
| Derivative financial instruments | 4.3 | 3,047 | 6,719 |
| **Total current assets** | | **3,219,059** | **3,123,116** |
| **Non-current assets** | | | |
| Property, plant and equipment | 3.5 | 786,922 | 729,405 |
| Right-of-use assets | 3.4 | 799,379 | 763,515 |
| Investments | | 25,424 | 21,326 |
| Intangible assets | 3.6 | 2,020,888 | 1,906,340 |
| Deferred tax assets | 2.5 | 72,614 | 63,872 |
| **Total non-current assets** | | **3,705,227** | **3,484,458** |
| **Total assets** | | **6,924,286** | **6,607,574** |
| **Current liabilities** | | | |
| Trade and other payables | 3.7 | 1,177,897 | 1,215,975 |
| Lease liabilities | | 131,360 | 118,644 |
| Deferred consideration | | 1,508 | 1,451 |
| Current tax liability | 2.5 | 11,440 | 30,783 |
| Provisions | 3.8 | 98,823 | 93,208 |
| **Total current liabilities** | | **1,421,028** | **1,460,061** |
| **Non-current liabilities** | | | |
| Long-term payables | 3.7 | 17,545 | 8,011 |
| Interest-bearing liabilities | 4.1 | 1,097,490 | 1,090,088 |
| Lease liabilities | | 732,917 | 694,196 |
| Deferred tax payable | 2.5 | 23,818 | 29,625 |
| Provisions | 3.8 | 6,064 | 4,724 |
| **Total non-current liabilities** | | **1,877,834** | **1,826,644** |
| **Total liabilities** | | **3,298,862** | **3,286,705** |
| **Net assets** | | **3,625,424** | **3,320,869** |
| **Equity** | | | |
| Contributed equity | 4.4 | 1,246,918 | 1,246,918 |
| Reserves | 4.4 | 192,294 | 126,769 |
| Retained earnings | | 2,186,212 | 1,947,182 |
| **Total equity** | | **3,625,424** | **3,320,869** |

# Consolidated Statement of Cash Flows

For the year ended 30 June 2023

| | Note | 2023 ($000's) | 2022 ($000's) |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Receipts from customers | | 9,543,357 | 7,968,613 |
| Payments to suppliers and employees | | (8,490,610) | (7,539,222) |
| Interest received | | 6,048 | 537 |
| Finance costs paid | | (60,713) | (42,143) |
| Interest repayments on leases | | (31,600) | (21,689) |
| Income tax paid | | (200,100) | (144,310) |
| **Net cash from operating activities** | 3.1(a) | **766,382** | **221,786** |
| **Cash flow from investing activities** | | | |
| Purchase of property, plant and equipment | | (151,667) | (184,232) |
| Proceeds from sale of property, plant and equipment | | 13,847 | 12,180 |
| Payment for intangible assets | | (25,811) | (15,874) |
| Purchase of controlled entities and investments, net of cash acquired | | (145,892) | (93,055) |
| **Net cash used in investing activities** | | **(309,523)** | **(280,981)** |
| **Cash flow from financing activities** | | | |
| Proceeds from borrowings | | 144,969 | 1,076,620 |
| Repayments of borrowings | | (174,969) | (1,418,388) |
| Dividends paid | 4.5 | (148,577) | (125,966) |
| Principal repayments on leases | | (123,261) | (106,928) |
| Payments for shares purchased for employee share trust | | (5,278) | - |
| **Net cash used in financing activities** | | **(307,116)** | **(574,662)** |
| Net increase / (decrease) in cash and cash equivalents | | 149,743 | (633,857) |
| Net foreign exchange translation difference | | 2,480 | 25,374 |
| Cash and cash equivalents at the beginning of the year | | 220,483 | 828,966 |
| **Cash and cash equivalents at the end of the year** | 3.1 | **372,706** | **220,483** |

# Consolidated Statement of Changes in Equity

For the year ended 30 June 2023

| | Note | Contributed equity ($000's) | Reserves ($000's) | Retained earnings ($000's) | Total equity ($000's) |
|---|---|---|---|---|---|
| **Balance as at 1 July 2021** | | **1,246,918** | **(39,470)** | **1,680,661** | **2,888,109** |
| Net profit for the year | | - | - | 392,487 | 392,487 |
| Exchange differences on translation of foreign operations, net of tax | | - | 137,811 | - | 137,811 |
| Change in fair value of effective cash flow hedges, net of tax | | - | 26,851 | - | 26,851 |
| **Total comprehensive income for the year, net of tax** | | **-** | **164,662** | **392,487** | **557,149** |
| **Transactions with owners in their capacity as owners:** | | | | | |
| Share-based payments | 6.2 | - | 1,577 | - | 1,577 |
| Dividends paid | 4.5 | - | - | (125,966) | (125,966) |
| **Total transactions with owners in their capacity as owners** | | **-** | **1,577** | **(125,966)** | **(124,389)** |
| **Balance as at 30 June 2022** | | **1,246,918** | **126,769** | **1,947,182** | **3,320,869** |
| | | | | | |
| **Balance as at 1 July 2022** | | **1,246,918** | **126,769** | **1,947,182** | **3,320,869** |
| Net profit for the year | | - | - | 387,607 | 387,607 |
| Exchange differences on translation of foreign operations, net of tax | | - | 71,288 | - | 71,288 |
| Change in fair value of effective cash flow hedges, net of tax | | - | (3,672) | - | (3,672) |
| **Total comprehensive income for the year, net of tax** | | **-** | **67,616** | **387,607** | **455,223** |
| **Transactions with owners in their capacity as owners:** | | | | | |
| Share-based payments | 6.2 | - | 3,187 | - | 3,187 |
| Shares purchased for employee share trust | | - | (5,278) | - | (5,278) |
| Dividends paid | 4.5 | - | - | (148,577) | (148,577) |
| **Total transactions with owners in their capacity as owners** | | **-** | **(2,091)** | **(148,577)** | **(150,668)** |
| **Balance as at 30 June 2023** | | **1,246,918** | **192,294** | **2,186,212** | **3,625,424** |

## 1. Notes to the financial statements

### About this report

The financial report covers Reece Limited ('the Group' or 'Reece') and controlled entities as a Group. 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 nature of the operations and principal activities of the Group are described in the segment information.

### Statement of significant accounting policies

The following is a summary of significant accounting policies adopted by the Group in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

The consolidated financial report of the Group for the year ended 30 June 2023 was authorised for issue in accordance with a resolution of the directors on 23 August 2023.

The financial report is a general purpose financial report that:

- has been prepared in accordance with Australian Accounting Standards, Interpretations, and other authoritative pronouncements of the Australian Accounting Standards Board (AASB), the *Corporations Act 2001*;
- complies with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board;
- has been prepared on the historical cost basis, except certain financial instruments which have been measured at fair value;
- is presented in Australian dollars;
- adopts all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the Group and effective for reporting periods beginning on or before 1 July 2022. Refer to note 6.4 for further details; and
- does not early adopt Accounting Standards and Interpretations that have been issued or amended but are not yet effective unless specified in note 6.4.

### Key judgements and estimates

In the process of applying the Group's accounting policies, management has made several judgements and applied estimates of future events. Judgements and estimates which are material to the financial report are found in the following notes:

### Note reference

2.5 Recoverability of deferred tax assets and US inventory tax adjustment

3.2 Impairment of trade receivables

3.3 Valuation of inventories

3.4 Lease term

3.5 Impairment of ROU assets and property, plant & equipment

3.6 Impairment of non-financial assets

### Basis of consolidation

The consolidated financial statements are those of the Group, comprising the financial statements of the parent entity and of all entities which Reece Limited controlled as at, and for the period ended, 30 June 2023. The Group controls an entity when it is exposed or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Details of the controlled entities are contained in note 5.1.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies which may exist.

All inter-company balances and transactions, including any unrealised profits or losses have been eliminated on consolidation.

### Foreign currency

#### Functional and presentation currency

The functional currencies of overseas subsidiaries are New Zealand dollars and United States dollars. The consolidated financial statements are presented in Australian dollars, as this is the parent entity's functional and presentation currency.

#### Transactions and balances

As at reporting date, the assets and liabilities of overseas subsidiaries are translated into Australian dollars at the rate of exchange ruling at balance sheet date. Statements of profit or loss are translated at the average exchange rates for the year.

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Differences arising on settlement or translation of monetary items are recognised in profit or loss except for monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised in Other Comprehensive Income (OCI) until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recognised in OCI.

### Rounding amounts

The parent entity and the Group have applied the relief available under *ASIC Corporations (Rounding in Financial/Directors Report) Instrument 2016/191* and accordingly, the amounts in the consolidated financial statements and in the Directors' Report have been rounded to the nearest thousand dollars, or in certain cases, the nearest dollar (where indicated).

### Other accounting policies

Significant and other accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements.

### 1.1 Basis of preparation and accounting policies

#### The notes to the financial statements

The notes include information which is required to understand the financial statements, and is material and relevant to the operations, financial position, and performance of the Group. Information is considered material and relevant if, for example, the amount is significant because of its size or nature; it's important for understanding the results of the Group; or it helps to explain the impact of significant changes in the Group's business, for example acquisitions.

The notes are organised into the following sections:

2. ***Performance:*** provides information on the performance of the Group, including segment results, earnings per share and income tax;
3. ***Assets and liabilities:*** provides information on the assets used in the Group's operations and the liabilities incurred as a result;
4. ***Capital management:*** provides detail about capital management for the Group and shareholder returns for the year;
5. ***Group:*** explains the Group structure and how changes may have affected the financial position or performance of the Group; and
6. ***Other disclosures:*** this section provides other disclosures required by Australian Accounting Standards that are considered relevant to understanding the Group's financial performance or position.

## 2. Performance

This section provides information on the performance of the Group, including segment results, earnings per share and income tax.

### 2.1 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 operation of the business and comprise:

– Australia and New Zealand (ANZ)
– United States of America (US)

Reece Group is a distributor of plumbing, waterworks, and HVAC-R (heating, ventilation, air conditioning and refrigeration) products and these products are consistent in both geographic locations.

| | ANZ | | US | | Total | |
|---|---|---|---|---|---|---|
| | 2023 ($000's) | 2022 ($000's) | 2023 ($000's) | 2022 ($000's) | 2023 ($000's) | 2022 ($000's) |
| Revenue from sale of goods | 3,852,891 | 3,518,308 | 4,986,681 | 4,135,739 | 8,839,572 | 7,654,047 |
| Government grant BAC income[2] | 16,316 | 21,560 | - | - | 16,316 | 21,560 |
| Normalised EBITDA[1] | 573,133 | 526,247 | 401,443 | 312,039 | 974,576 | 838,286 |
| **Expenses** | | | | | | |
| Depreciation | (122,627) | (123,160) | (104,778) | (81,553) | (227,405) | (204,713) |
| Amortisation | (12,940) | (5,518) | (49,560) | (48,000) | (62,500) | (53,518) |
| Impairment of goodwill | (28,949) | - | - | - | (28,949) | - |
| Business acquisition costs | (191) | - | (1,427) | (1,851) | (1,618) | (1,851) |
| Finance costs (net) | (17,865) | (20,740) | (68,400) | (48,063) | (86,265) | (68,803) |
| Segment profit before tax | 390,561 | 376,829 | 177,278 | 132,572 | 567,839 | 509,401 |
| Income tax expense | (137,579) | (111,613) | (42,653) | (5,301) | (180,232) | (116,914) |
| **Segment profit after tax** | **252,982** | **265,216** | **134,625** | **127,271** | **387,607** | **392,487** |
| Current assets | 1,452,069 | 1,379,128 | 1,766,990 | 1,743,988 | 3,219,059 | 3,123,116 |
| Non-current assets | 1,305,606 | 1,323,661 | 2,399,621 | 2,160,797 | 3,705,227 | 3,484,458 |
| **Total assets** | **2,757,675** | **2,702,789** | **4,166,611** | **3,904,785** | **6,924,286** | **6,607,574** |
| **Total liabilities** | **1,102,816** | **1,195,103** | **2,196,046** | **2,091,602** | **3,298,862** | **3,286,705** |

1. Normalised EBITDA is EBITDA adjusted to exclude impairment, business acquisition costs and finance costs.

2. Boosting Apprenticeship Commencements (BAC) income. Refer to note 2.2 for further information.

### 2.2 Revenue

| | 2023 ($000's) | 2022 ($000's) |
|---|---|---|
| **Revenue from contracts with customers** | | |
| Revenue from sale of goods | 8,839,572 | 7,654,047 |
| **Other revenue** | | |
| Gain on disposal of property, plant and equipment and other assets | 4,538 | 6,149 |
| Bad debts recovered | 836 | 242 |
| Government grant BAC income | 16,316 | 21,560 |
| Other income | 51 | 3,411 |
| **Total other revenue** | **21,741** | **31,362** |

**Revenue from contracts with customers**

The Reece Group is a distributor of plumbing, waterworks and HVAC-R (heating, ventilation, air conditioning and refrigeration) products. Revenue from the sale of these products is recognised at the point in time when control of the product has transferred to the customer. Control of the product is transferred either when the customer picks up the product directly, or on delivery to the location specified by the customer.

For customers who purchase on credit, a receivable is recognised only once the products are either picked up or delivered, when the right to consideration is unconditional.

All revenue is stated net of the amounts of goods and services tax (GST).

**Other revenue**

During the year Reece Australia Pty Ltd (a wholly owned subsidiary of the Group) received a wage subsidy for Boosting Apprenticeship Commencements (BAC) supporting businesses to take on new apprenticeships and trainees, to build a pipeline of skilled workers to support sustained economic recovery.

Government grants are only recognised when there is reasonable assurance that the entity has complied with the conditions attaching to it, and that the grant will be received.

### 2.3 Expenses

| | 2023 ($000's) | 2022 ($000's) |
|---|---|---|
| Cost of sales | 6,332,859 | 5,515,083 |
| Employee benefits expenses | 1,021,711 | 871,038 |
| Depreciation | 227,405 | 204,713 |
| Amortisation | 62,500 | 53,518 |
| Impairment of goodwill | 28,949 | - |
| **Finance costs** | | |
| Unrealised foreign currency (gain)/loss on financial assets | - | 6,484 |
| Realised foreign currency (gain)/loss on financial assets | - | (6,037) |
| Interest on debt and borrowings, net of interest revenue | 54,665 | 46,667 |
| Interest on lease liabilities | 31,600 | 21,689 |
| **Total finance costs (net)** | **86,265** | **68,803** |

The major expenses forming part of the Consolidated Statement of Profit or Loss and Other Comprehensive Income are set out in the table above.

Interest on debt and borrowings is net of interest revenue. Interest revenue is recognised on a proportional basis considering the interest rates applicable to the financial assets.

### 2.4 Earnings per share

| | 2023 ($000's) | 2022 ($000's) |
|---|---|---|
| Earnings used in calculating basic and diluted earnings per share | 387,607 | 392,487 |
| | (000's) | (000's) |
| Weighted average number of ordinary shares outstanding during the year used in the calculation of basic and diluted earnings per share | 645,721 | 645,984 |
| | Cents | Cents |
| The earnings per share (calculated on the weighted average share capital during the year) | 60 cents | 61 cents |

**Calculation methodology**

Earnings per Share (EPS) is profit for the period from continuing operations attributable to ordinary equity holders of the Company, divided by the weighted average number of ordinary shares during the year. Treasury Shares are excluded from the weighted average number of ordinary shares used in the EPS calculation.

Diluted EPS is calculated on the same basis except that it includes the impact of any potential commitments the Group has to issue shares in the future.

For the period, the potential dilution to the weighted average number of ordinary shares from employee performance rights was immaterial. Between the reporting date and the issue date of the Annual Report, there have been no transactions involving ordinary shares or potential ordinary shares that would impact the calculation of EPS disclosed in the table above.

### 2.5 Income tax

| | 2023 ($000's) | 2022 ($000's) |
|---|---|---|
| **The components of tax expense:** | | |
| Current tax | 201,209 | 146,531 |
| Adjustments for current tax from prior periods | 5,579 | (1,058) |
| Deferred tax | (26,556) | (28,559) |
| Income tax expense reported in the Consolidated Statement of Profit or Loss and Other Comprehensive Income | **180,232** | **116,914** |

| | | |
|---|---|---|
| **Reconciliation of tax expense and accounting profit** | | |
| Statutory net profit before tax | 567,839 | 509,401 |
| At Australia's statutory income tax rate of 30% (2022: 30%) | 170,352 | 152,820 |
| US inventory adjustment for LIFO | (2,342) | (27,570) |
| Adjustments for current tax from prior periods | 5,579 | (1,058) |
| Effect of non-assessable income and non-deductible expenses for tax purposes | 11,968 | (3,284) |
| Difference in geographical tax rates | (5,325) | (3,994) |
| **At the effective income tax rate of 32% (2022: 23%)** | **180,232** | **116,914** |

The major components of income tax expense in the Consolidated Statement of Profit or Loss and Other Comprehensive Income are set out in the table above.

### 2.5 Income tax (cont.)

**Current taxes**

Current income tax expense is the tax payable on the current period's taxable income based on the applicable income tax rate, adjusted for changes in deferred tax assets and liabilities. There are no income tax consequences attached to the payment of dividends in either 2023 or 2022 by the Group to its shareholders.

**Deferred taxes**

Deferred tax assets and liabilities are recognised for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred tax asset or liability is recognised in relation to temporary differences arising from the initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for temporary differences and unused tax losses only when it is probable that future taxable amounts will be available to utilise those temporary differences and losses. The Group does not have any unbooked tax losses relating to foreign subsidiaries at 30 June 2023 (2022: nil).

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised, or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Deferred tax assets and liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

**Tax consolidation**

Reece Limited (parent entity) and its Australian wholly owned subsidiaries have implemented the tax consolidation legislation and have formed an income tax consolidated group under the tax consolidation legislation. The parent entity is responsible for recognising the current tax liabilities and deferred tax assets arising in respect of tax losses for the tax consolidated group. The tax consolidated group has also entered into a tax funding agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

The tax consolidated group also has a tax sharing agreement in place to limit the liability of subsidiaries in the tax consolidated group arising under the joint and several liability requirements of the tax consolidation system in the event of default by the parent entity to meet its payment obligations.

**Goods and services tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the taxation office. In these circumstances the GST is recognised as part of the cost of acquisition of an asset or as part of an item of expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

**Key judgement – Recoverability of deferred tax assets**

Future income tax benefits are based on the assumption that no adverse change will occur in the income tax legislation and the anticipation that the company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

**Key judgement – US inventory tax adjustment**

For local US taxation purposes, the US segment values inventories using the last-in, first-out ('LIFO') method. Judgement is required in the determination of indices used for evaluating price level changes applied to the inventory on hand. With the assistance of an independent expert, an annual LIFO assessment is prepared for tax purposes, in line with the IRS conformity rule (Treas. Reg. 1.472-2(e)).

The Group recognises the tax impact resulting from the LIFO adjustment as a component of income tax expense which is an outcome of the LIFO assessment prepared by an independent expert.

In accordance with International Financial Reporting Standards, inventories are measured at the lower of cost and net realisable value, refer to note 3.3 for further information.

### 2.5 Income tax (cont.)

| | 2023 ($000's) | 2022 ($000's) |
|---|---|---|
| **Deferred tax assets / (liabilities)** | | |
| Employee benefits | 52,823 | 44,446 |
| Depreciation of buildings | 616 | 6,839 |
| Losses available for offset against future taxable income | 1,180 | 2,315 |
| Provisions | 38,389 | 25,064 |
| Leases | 17,903 | 13,859 |
| Intangible assets | (73,393) | (65,923) |
| Other deferred tax assets | 13,407 | 10,065 |
| Other deferred tax liabilities | (2,129) | (2,418) |
| **Total deferred tax assets / (liabilities)** | **48,796** | **34,247** |
| **Movement in deferred tax balance** | | |
| Balance at beginning of year | 34,247 | 5,688 |
| Deferred tax liability from business acquisition | (12,007) | - |
| Recognised in profit or loss statement | 26,556 | 28,559 |
| **Deferred tax balance at end of the year** | **48,796** | **34,247** |
| **Reconciliation to the statement of financial position** | | |
| Deferred tax balance | 48,796 | 34,247 |
| Set-off of deferred tax liabilities that are expected to reverse in a future period | 23,818 | 29,625 |
| **Deferred tax asset** | **72,614** | **63,872** |
| **Current tax payable / (receivable)** | | |
| Balance at beginning of the year | (1,652) | (5,138) |
| Current tax | 201,209 | 146,531 |
| Tax instalments paid | (200,100) | (144,310) |
| Over provision in prior year | 5,579 | (1,058) |
| Other | 1,182 | 2,323 |
| **Current tax payable / (receivable) at end of the year** | **6,218** | **(1,652)** |
| **Reconciliation to the statement of financial position** | | |
| Current tax receivable | 6,218 | (1,652) |
| Set-off of prepaid tax that is expected to reverse in a future period | 5,222 | 32,435 |
| **Current tax liability** | **11,440** | **30,783** |

## 3. Assets and liabilities

This section provides information on the assets used in the Group's operations and the liabilities incurred as a result.

### 3.1 Cash and cash equivalents

| | 2023 ($000's) | 2022 ($000's) |
|---|---|---|
| Cash on hand | 356 | 338 |
| Cash on deposit | 372,350 | 220,145 |
| | **372,706** | **220,483** |

Cash and cash equivalents include cash on hand and at banks, short-term deposits with an original maturity of three months or less held at call with financial institutions and bank overdrafts.

| | 2023 ($000's) | 2022 ($000's) |
|---|---|---|
| **(a) Reconciliation of the net profit after tax to the net cash flows from operations:** | | |
| **Profit for the period** | **387,607** | **392,487** |
| Add / (less) non-cash items: | | |
| Profit or loss on sale or disposal of non-current assets | (4,538) | (6,149) |
| Depreciation | 227,405 | 204,713 |
| Amortisation | 62,500 | 53,518 |
| Foreign exchange translation | (441) | (1,777) |
| Unrealised and realised foreign currency (gain) / loss on financial assets | - | 447 |
| Share based payment expense | 3,187 | 1,577 |
| Share of losses from associates | 3,568 | - |
| Impairment expense | 28,949 | - |
| **Net cash flows from operations before change in assets and liabilities** | **708,237** | **644,816** |
| **Changes in assets and liabilities** | | |
| (Increase)/decrease in receivables | 48,596 | (256,094) |
| (Increase)/decrease in inventory | 86,153 | (319,091) |
| Increase /(decrease) in payables | (63,431) | 163,388 |
| Increase /(decrease) in provisions | 6,626 | 14,461 |
| Increase/(decrease) in income taxes payable | 7,868 | 4,251 |
| (Increase)/decrease in deferred tax assets | (20,787) | (10,306) |
| Increase/(decrease) in deferred tax liabilities | (6,880) | (19,639) |
| **Net cash flow from operating activities** | **766,382** | **221,786** |

Changes in assets and liabilities excludes the acquired assets and liabilities from acquisitions during the year but includes the subsequent movement from settlement dates.

### 3.2 Trade and other receivables

| | 2023 ($000's) | 2022 ($000's) |
|---|---|---|
| Trade receivables | 1,338,474 | 1,327,673 |
| Less: Allowance for expected credit losses | (49,099) | (32,596) |
| | **1,289,375** | **1,295,077** |
| Other receivables | 23,169 | 49,384 |
| Prepayments | 25,870 | 23,042 |
| **Total trade and other receivables** | **1,338,414** | **1,367,503** |

| | | |
|---|---|---|
| **Allowance for expected credit losses** | | |
| Opening balance at 1 July | (32,596) | (11,075) |
| Movement in allowance for expected credit losses | (16,503) | (21,521) |
| **Closing balance as at 30 June** | **(49,099)** | **(32,596)** |

#### Recognition and measurement

Trade receivables generally have terms of up to 30 days. They are recognised initially in accordance with the Group's revenue policy and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment. Customers who wish to trade on credit terms are subject to extensive credit verification procedures.

In the ANZ region, the Company holds an insurance policy against certain larger customers whereby the Company is compensated in the event of a customer default. In the US region, the Company has an allowance for certain known at-risk customers.

#### Key judgement – Impairment of trade receivables

Due to economic and operational factors including price inflation, increased interest rates and supply-chain constraints, the Group acknowledges a level of uncertainty in industries in which our customers operate. The Group has had regard to actual and forecast cash collection and delinquency trends, indications of any known customers that may be in financial distress and other relevant factors informed by experience and allowing for the existence of credit insurance arrangements in assessing the allowance for expected credit losses. Following the assessment, the Group's allowance for expected credit losses increased in FY23.

The Group has no significant concentrations of credit risk as the trade receivables balance is spread across a large number of different customers. The large proportion of the Group's trade receivables are within trading terms. The Group has an active program in place to monitor receivable balances on an ongoing basis and the Group's historical exposure to bad debts is not significant. With respect to trade receivables that are neither impaired nor past due, there are no indications as of the reporting date that the debtors will not meet their payment obligations.

### 3.3 Inventories

| | 2023 ($000's) | 2022 ($000's) |
|---|---|---|
| Finished goods, at lower of cost and net realisable value | 1,601,128 | 1,587,909 |
| Less: Allowance for slow moving or obsolete inventory | (96,236) | (59,498) |
| | **1,504,892** | **1,528,411** |

| | | |
|---|---|---|
| **Allowance for slow moving or obsolete inventory** | | |
| Opening balance at 1 July | (59,498) | (28,030) |
| Movement in allowance for slow moving or obsolete inventory | (36,738) | (31,468) |
| **Closing balance as at 30 June** | **(96,236)** | **(59,498)** |

#### Recognition and measurement

Inventories are measured at the lower of cost and net realisable value, less an allowance for slow moving or obsolete inventory. Cost is based on the weighted average cost principle. The Group holds finished goods only, purchased from suppliers for the purpose of distribution to trade and retail customers. The majority of inventory held by the Group is of a similar nature such as pipes, valves and fittings.

#### Key judgement – Valuation of inventories

An allowance is recognised for the value of inventory that may be sold below cost or otherwise disposed of at a loss. Management applies past experience and judgement on the likely sell-through rates of various items of inventory to identify any excess or obsolete inventory. This assessment requires consideration of the aging and condition of products on hand, level of inventory on hand, inventory turnover and current market conditions impacting inventory levels and pricing. In assessing the allowance, management also takes into consideration the Group's business strategy with respect to maintaining adequate inventory to meet customer demand.

### 3.4 Leases

**Right-of-use (ROU) assets**

Reconciliations of the carrying amounts of ROU assets at the beginning and end of the current financial year.

| | 2023 ($000's) | 2022 ($000's) |
|---|---|---|
| **Property** | | |
| Carrying amount at beginning of year | 722,011 | 608,474 |
| Additions through business combinations | 7,394 | - |
| Additions | 77,368 | 155,086 |
| Reassessments | 76,517 | 53,029 |
| Disposals | (16,955) | (12,739) |
| Depreciation | (118,025) | (107,549) |
| Net foreign exchange impact | 12,689 | 25,710 |
| **Carrying amount at end of year** | **760,999** | **722,011** |
| **Motor vehicles & other equipment** | | |
| Carrying amount at beginning of year | 41,504 | 24,578 |
| Additions | 12,863 | 30,504 |
| Reassessments | - | 6 |
| Disposals | (768) | (2,166) |
| Depreciation | (16,267) | (13,447) |
| Net foreign exchange impact | 1,048 | 2,029 |
| **Carrying amount at end of year** | **38,380** | **41,504** |
| **Total ROU assets** | | |
| Carrying amount at beginning of year | 763,515 | 633,052 |
| Additions through business combinations | 7,394 | - |
| Additions | 90,231 | 185,590 |
| Reassessments | 76,517 | 53,035 |
| Disposals | (17,723) | (14,905) |
| Depreciation | (134,292) | (120,996) |
| Net foreign exchange impact | 13,737 | 27,739 |
| **Total carrying amount at end of year** | **799,379** | **763,515** |

### 3.4 Leases (cont.)

**Leases**

The Group leases various branches, warehouses, offices, motor vehicles and equipment. Rental contracts are typically fixed periods and may have extension options. Lease terms are negotiated on a lease-by-lease basis.

At contract inception the Group assesses whether a contract is or contains a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

**Group as a lessee**

For the leases of motor vehicles and equipment, the Group has elected not to separate non-lease components and will account for the lease and non-lease components as a single lease component. For property leases the Group will separate the non-lease components from lease components and the consideration in the contract is allocated to each lease and non-lease component based on their relative stand-alone selling prices.

ROU assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful life of the asset as follows:

| | |
|---|---|
| – Property | 2 – 20 years |
| – Motor vehicles & other equipment | 2 – 4 years |

In situations where ownership transfers to the Group at the end of the lease term, or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated life of the asset.

Where the Group is reasonably certain to exercise a purchase option or pay a penalty to terminate a lease, this is included in the lease term. Variable lease payments that do not depend on an index or a rate are recognised as an expense. The variable lease payments expense not included in the lease liabilities and included in other expenses for FY23 was $18.9m (2022: $14.8m).

The present value of lease payments has been calculated by using the Group's incremental borrowing rate at the lease commencement date as the interest rate implicit in the lease is not readily determinable.

**Key judgement – Lease term**

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. This includes consideration of the broader economics of the contract and not only contractual termination payments. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). For leases of warehouses, retail stores and equipment, the following factors are normally the most relevant:

- if there are significant penalties to terminate (or not extend), the group is typically reasonably certain to extend (or not terminate).
- if any leasehold improvements are expected to have a significant remaining value, the group is typically reasonably certain to extend (or not terminate).
- otherwise, the group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise). The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

***Short-term leases and leases of low value assets***

The Group applies the short-term lease recognition exemption to its short-term leases of property, motor vehicles and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are low value. Lease payments on short-term leases and leases of low value assets are recognised as an expense on a straight-line basis over the lease term.

***Non-cancellable lease commitments***

The Group has various lease commitments entered into before 30 June 2023, that have not yet commenced as at 30 June 2023. The future lease payments for these non-cancellable lease contracts are $4.8m (2022: $1.9m) within one year, $39.6m (2022: $8.3m) between one and five years and $83.1m (2022: $25.7m) thereafter.

### 3.5 Property, plant and equipment

**Key judgement and estimate – impairment of ROU assets and property, plant and equipment**

Assets subject to annual depreciation or amortisation are reviewed for impairment whenever events or circumstances arise that indicate that the carrying amount of the asset may be impaired.

All assets are assessed for impairment at each reporting date by evaluating whether indicators of impairment exist in relation to the continued use of the asset by the Group.

Impairment triggers include declining product performance, technology changes, adverse changes in the economic or political environment or future product expectations. An impairment loss is recognised where the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and value in use.

**Recognition and measurement**

All classes of property, plant and equipment are stated at cost less depreciation and any accumulated impairment losses.

Land is not depreciated. The depreciable amounts of all other fixed assets are depreciated on a straight-line basis over their estimated useful lives commencing from the time the asset is held ready for use. Fixtures, fittings, and equipment are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The useful lives for each class of assets are:

| | 2023 | 2022 |
|---|---|---|
| Buildings | 25 years | 25 years |
| Fixtures, fittings & equipment | 2.5 to 20 years | 2.5 to 20 years |
| Motor vehicles | 5 to 8 years | 5 to 8 years |

### 3.5 Property, plant and equipment (cont.)

Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year.

| | 2023 ($000's) | 2022 ($000's) |
|---|---|---|
| **Freehold land** | | |
| Carrying amount at beginning of year | 217,677 | 171,925 |
| Additions | 14,476 | 42,473 |
| Disposals | (2,739) | (51) |
| Net foreign currency exchange movements | 1,428 | 3,330 |
| **Carrying amount at end of year** | **230,842** | **217,677** |
| **Buildings** | | |
| Carrying amount at beginning of year | 91,104 | 82,832 |
| Additions | 8,420 | 14,688 |
| Disposals | (15) | (346) |
| Depreciation | (7,459) | (6,571) |
| Net foreign currency exchange movements | 441 | 501 |
| **Carrying amount at end of year** | **92,491** | **91,104** |
| **Fixtures, fittings & equipment** | | |
| Carrying amount at beginning of year | 346,270 | 296,713 |
| Additions through business combinations | 209 | 129 |
| Additions | 92,997 | 107,117 |
| Disposals | (3,338) | (2,561) |
| Depreciation | (66,550) | (59,665) |
| Net foreign currency exchange movements | 4,688 | 4,537 |
| **Carrying amount at end of year** | **374,276** | **346,270** |
| **Motor vehicles** | | |
| Carrying amount at beginning of year | 74,354 | 72,629 |
| Additions through business combinations | - | 68 |
| Additions | 35,774 | 19,954 |
| Disposals | (3,217) | (3,073) |
| Depreciation | (19,104) | (17,481) |
| Net foreign currency exchange movements | 1,506 | 2,257 |
| **Carrying amount at end of year** | **89,313** | **74,354** |
| **Total property, plant and equipment** | | |
| Carrying amount at beginning of year | 729,405 | 624,099 |
| Additions through business combinations | 209 | 197 |
| Additions | 151,667 | 184,232 |
| Disposals | (9,309) | (6,031) |
| Depreciation | (93,113) | (83,717) |
| Net foreign currency exchange movements | 8,063 | 10,625 |
| **Total carrying amount at end of year** | **786,922** | **729,405** |

In 2023, there was a gain on disposal of property, plant, and equipment of $4.5m (2022: $6.1m).

### 3.6 Goodwill and intangible assets

Reconciliations of the carrying amounts of goodwill and intangible assets at the beginning and end of the current financial year.

| | 2023 ($000's) | 2022 ($000's) |
|---|---|---|
| **Goodwill** | | |
| Carrying amount at beginning of year | 1,477,243 | 1,362,238 |
| Additions through business combinations | 23,411 | 5,147 |
| Impairment | (28,949) | - |
| Net foreign currency exchange movements | 51,786 | 109,858 |
| **Carrying amount at end of year** | **1,523,491** | **1,477,243** |
| **Brand names** | | |
| Carrying amount at beginning of year | 49,800 | 49,800 |
| **Carrying amount at end of year** | **49,800** | **49,800** |
| **Customer contracts and relationships** | | |
| Carrying amount at beginning of year | 329,617 | 314,756 |
| Additions through business combinations | 43,504 | 8,274 |
| Additions | 14,821 | 9,044 |
| Amortisation | (35,338) | (29,840) |
| Net foreign currency exchange movements | 13,696 | 27,383 |
| **Carrying amount at end of year** | **366,300** | **329,617** |
| **Trade names** | | |
| Carrying amount at beginning of year | 14,972 | 27,358 |
| Additions through business combinations | 7,217 | 413 |
| Additions | 14,398 | 1,395 |
| Amortisation | (15,068) | (15,622) |
| Net foreign currency exchange movements | 289 | 1,428 |
| **Carrying amount at end of year** | **21,808** | **14,972** |
| **Software** | | |
| Carrying amount at beginning of year | 13,627 | - |
| Additions through business combinations | 150 | - |
| Additions | 25,811 | 15,874 |
| Amortisation | (8,074) | (2,247) |
| Net foreign currency exchange movements | 632 | - |
| **Carrying amount at end of year** | **32,146** | **13,627** |
| **Other intangible assets** | | |
| Carrying amount at beginning of year | 21,081 | 26,478 |
| Additions through business combinations | 10,131 | - |
| Amortisation | (4,020) | (5,809) |
| Net foreign currency exchange movements | 151 | 412 |
| **Carrying amount at end of year** | **27,343** | **21,081** |
| **Total intangible assets** | | |
| Carrying amount at beginning of year | 1,906,340 | 1,780,630 |
| Additions through business combinations | 84,413 | 13,834 |
| Additions | 55,030 | 26,313 |
| Impairment | (28,949) | - |
| Amortisation | (62,500) | (53,518) |
| Net foreign currency exchange movements | 66,554 | 139,081 |
| **Total carrying amount at end of year** | **2,020,888** | **1,906,340** |

### 3.6 Goodwill and intangible assets (cont.)

Intangible assets with definite lives are amortised over their useful economic lives and are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

**Internally generated intangible assets**

The Group internally generates intangible software assets. These assets are recognised only if all the following conditions have been met:

- completion of the intangible asset is technically feasible,
- there is an intention to compete the intangible asset and use or sell it,
- there is an ability to use or sell the intangible asset,
- the intangible asset will generate probable future economic benefits,
- adequate technical, financial and other resources are available to complete the development and to use or sell the intangible asset, and
- expenditure attributable to the intangible asset can be reliably measured.

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

**Summary of useful lives:**

| | 2023 | 2022 |
|---|---|---|
| Goodwill | Indefinite | Indefinite |
| Brand names | Indefinite | Indefinite |
| Customer contracts and relationships | 10 – 16 years | 10 – 16 years |
| Trade names | 3 – 20 years | 3 – 20 years |
| License | 10 years | 10 years |
| Software | 3 – 5 years | 3 – 5 years |

### Impairment of non-financial assets

The Group tests ROU assets, property, plant and equipment and intangible assets for impairment to ensure they are not carried above their recoverable amounts:

- at least annually for goodwill; and
- where there is an indication that assets may be impaired (which is assessed at least at each reporting date).

These tests are performed by assessing the recoverable amount of each individual asset, or if this is not possible, the recoverable amount of the cash generating unit (CGU) to which the asset belongs. CGUs are the lowest levels at which assets are grouped and generate separately identifiable cash inflows. The recoverable amount, measured at the asset or CGU level, is the higher of fair value less costs of disposal, or value in use (VIU). VIU calculations are based on the discounted cash flows expected to arise from the asset or CGU.

Intangible assets with indefinite lives are not amortised but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

### 3.6 Goodwill and intangible assets (cont.)

The carrying amount of goodwill and brand names allocated to each of the CGUs are:

| | Goodwill | | Brand names | |
|---|---|---|---|---|
| | 2023 ($000's) | 2022 ($000's) | 2023 ($000's) | 2022 ($000's) |
| MORSCO Inc ('Reece US') | 1,391,665 | 1,316,535 | - | - |
| Actrol Parts Pty Ltd ('Actrol') | 119,326 | 119,326 | 29,100 | 29,100 |
| A.C. Components Pty Ltd ('Metalflex') | - | 28,949 | 20,200 | 20,200 |
| Other | 12,500 | 12,433 | 500 | 500 |
| | **1,523,491** | **1,477,243** | **49,800** | **49,800** |

### Impairment of non-financial assets

In the Group's 2022 annual report, management identified that a reasonably possible adverse change in certain key assumptions (gross margins, discount rates and terminal growth rates) could have caused the carrying amount of the indefinite life intangible assets to be below the recoverable amount for the Metalflex CGU. Metalflex is a heating and cooling wholesaler and distributor. Based in Australia, Metalflex has a national network of 22 branches. As reported in the Group's interim financial report for HY23, the recoverable amount of the Metalflex CGU was tested at 31 December 2022 as indicators of impairment were identified.

As a result of market conditions, the Metalflex CGU did not meet forecast earnings for HY23, which negatively impacted forecast cash flows. When determining forecasts for Metalflex, management referenced current economic data for the building and construction industry. Market conditions, supply chain constraints and, more recently, unpredictable weather conditions impacted the performance of Metalflex. Management's business plan, and the resulting projected cash flows, were updated to reflect current economic circumstances and forecasts.

For impairment testing conducted at 31 December 2022, a terminal growth rate of 2.5% (30 June 2022: 2.5%) and a pre-tax discount rate of 12.3% (30 June 2022: 12.0%) were used to determine value-in-use. As a result of this analysis, there was an impairment charge of $28,948,741 recognised in the Metalflex CGU at 31 December 2022, which reduced the goodwill value to nil.

The Group performed its annual impairment test applying the following assumptions:

| | Terminal growth rate | | Discount rate (pre-tax) | |
|---|---|---|---|---|
| | 2023 % | 2022 % | 2023 % | 2022 % |
| MORSCO Inc ('Reece US') | 3.0 | 2.5 | 10.9 | 10.7 |
| Actrol Parts Pty Ltd ('Actrol') | 2.5 | 2.5 | 11.8 | 11.9 |
| A.C. Components Pty Ltd ('Metalflex') | 2.5 | 2.5 | 11.9 | 12.0 |

The recoverable amounts have been determined based on a value in use calculation using cash flow projections from financial budgets prepared by management. The projected cash flows have been updated to reflect current economic forecasts and business growth opportunities.

### 3.6 Goodwill and intangible assets (cont.)

**Key estimate and judgement – assumptions for impairment testing**

On an annual basis management develops a 3-year business plan which is used to underpin the assumptions in the impairment testing model. Assumptions from the third year of the 3-year business plan are held consistent for 2 additional years to allow management to perform impairment testing on a 5-year forecast. Management has referenced current economic data for the building and construction industry, and its experience to date, to reflect the estimated impact of market conditions in the forecasting period for each CGU as part of the Group's FY23 impairment testing process. Business plans have regard to the ongoing market-specific economic factors impacting the business including inflation, interest rates and supply chain constraints.

The calculation of value in use for all CGUs are most sensitive to the following assumptions:

- gross margins
- discount rates
- terminal growth rates

Gross margins – gross margins are based on average values achieved in the last twelve months. Reece US reflects a strategic investment over the next couple of years, with modest gross margin increases in later forecast years. Gross margins have been maintained in the current and prior year notwithstanding challenging market conditions.

Discount rates – discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money, individual risks of the underlying assets that have not been incorporated in the cash flow estimates, and the comparable companies that operate broadly in the plumbing, HVAC-R or waterworks product distribution sectors. The discount rate calculation is based on the specific circumstance of the Group and is derived from its weighted average cost of capital ('WACC'). The WACC considers debt, equity and leases. The cost of equity is derived from the expected return on investment by the Group's shareholders. The cost of debt is based on the interest-bearing financial liabilities the Group is obliged to service and the cost of leases is based on the interest-bearing lease liabilities for each CGU. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows to reflect a post-tax discount rate.

Terminal growth rates – terminal growth rates are based on published industry research.

The estimated recoverable amounts for each of the CGU's exceeded their carrying amounts. Management has tested each CGU to determine whether a reasonably possible adverse change in certain key assumptions (gross margins, discount rates and terminal growth rates) could cause the carrying amount to exceed the recoverable amounts.

Management has identified that a reasonably possible adverse change in gross margins could cause the carrying amount to exceed the recoverable amount for Metalflex CGU. The gross margin for the forecast 5-year period would need to change by 200 basis points before the recoverable amount of Metalflex would equal the carrying amount. In 2022, a reasonably possible adverse change in the discount rate was identified for Reece US and Metalflex (29 basis points, and 18 basis points respectively) and a reasonably possible adverse change in terminal growth rate was identified for Reece US and Metalflex (52 basis points, and 34 basis points respectively).

### 3.7 Trade and other payables

| | 2023 ($000's) | 2022 ($000's) |
|---|---|---|
| Current | | |
| Trade payables | 785,994 | 853,972 |
| Other payables and accruals | 391,903 | 362,003 |
| **Total current trade and other payables** | **1,177,897** | **1,215,975** |
| Long-term payables | 17,545 | 8,011 |

Trade payables are non-interest-bearing and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### 3.8 Provisions

| | Employee benefits ($000's) | Other ($000's) | Total ($000's) |
|---|---|---|---|
| As at 1 July 2022 | 95,097 | 2,835 | 97,932 |
| Provided/(utilised) | 6,955 | - | 6,955 |
| **As at 30 June 2023** | **102,052** | **2,835** | **104,887** |
| Current | 95,988 | 2,835 | 98,823 |
| Non-current | 6,064 | - | 6,064 |

**Provisions**

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used the increase in the provision due to the passage of time is recognised as a finance cost.

**Employee benefits**

Liabilities arising in respect of wages and salaries, annual leave, and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled.

All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

Contributions are made by the economic entity to employee superannuation funds and are charged as expenses when incurred.

## 4. Capital management

This section provides details about capital management for the Group and shareholder returns for the year.

The Group's capital management strategy aims to ensure the Group has continued access to funding for current and future business activities by maintaining a mix of equity and debt financing, while maximising returns to shareholders.

When managing capital, management's objective is to ensure the Group continues as a going concern as well as to maintain returns to shareholders and benefits for other stakeholders. This is achieved through the monitoring of historical and forecast performance and cash flows. During FY23, the Group paid dividends of $149m (2022: $126m).

Capital is managed through the following:

- amount of ordinary dividends paid to shareholders
- raising capital
- repaying or raising debt in line with ongoing business requirements and growth opportunities aligned with the Group's strategic direction.

### 4.1 Interest-bearing liabilities

| | 2023 ($000's) | 2022 ($000's) |
|---|---|---|
| Loan – current | - | - |
| Loan – non-current | 1,097,490 | 1,090,088 |
| **Total interest-bearing liabilities** | **1,097,490** | **1,090,088** |

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised.

The Group's syndicated debt facility provides Reece with a diversity of maturity dates and flexibility to be drawn in either Australian or US dollars. As at 30 June 2023, the facilities are compliant with maintenance covenants of ≤3.5x Net Leverage Ratio and ≥2.5x Interest Coverage Ratio which are assessed and reported at each reporting date. The syndicated facility includes four components (2022: three components), displayed in the following table:

| Syndicated Facility | Term | Drawn USD ($000's) | Drawn AUD ($000's) | Total drawn AUD ($000's) | Limit AUD ($000's) | Ancillary facilities AUD ($000's) | Maturity date |
|---|---|---|---|---|---|---|---|
| A | Three year revolving credit facility | - | - | - | 114,025 | 35,975 | 16 December 2024 |
| B | Four year revolving credit facility | 105,000 | 100,000 | 258,371 | 350,000 | - | 16 December 2025 |
| C | Five year revolving cash advance facility | 558,000 | - | 841,629 | 900,000 | - | 16 December 2026 |
| D | Three year revolving cash advance facility | - | - | - | 200,000 | - | 31 January 2026 |

### 4.2 Financial risk management

The following note outlines the Group's exposure to and management of financial risks. These arise from the Group's requirement to access financing (bank loans and overdrafts), from the Group's operational activities (cash, trade receivables and payables) and from instruments held as part of the Group's risk management activities (derivative financial instruments).

The Group is exposed to a variety of financial risks including; foreign currency risk, interest rate risk, liquidity risk and credit risk relating to its ongoing business operations. The Board has overall responsibility for identifying and managing operational and financial risks. The Group seeks to minimise the effects of these risks by using derivative financial instruments to hedge risk exposures and does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

**Maturity analysis**

The table below details the consolidated entity's remaining undiscounted principal and interest cash flows and their contractual maturity based on the earliest date on which the consolidated entity is required to pay.

| Financial liabilities | | Carrying amount ($000's) | 1 year or less ($000's) | 1 to 2 years ($000's) | 2 to 5 years ($000's) | More than 5 years ($000's) |
|---|---|---|---|---|---|---|
| Interest-bearing liabilities | **2023** | 1,097,490 | - | - | 1,097,490 | - |
| | 2022 | 1,090,088 | - | - | 1,090,088 | - |
| Trade payables | **2023** | 1,177,897 | 1,177,897 | - | - | - |
| | 2022 | 1,215,975 | 1,215,975 | - | - | - |
| Long-term payables | **2023** | 17,545 | - | 17,545 | - | - |
| | 2022 | 8,011 | - | 8,011 | - | - |
| Lease liabilities [1] | **2023** | 864,277 | 161,255 | 155,791 | 339,014 | 344,207 |
| | 2022 | 812,840 | 138,587 | 134,503 | 320,783 | 324,017 |
| Deferred consideration | **2023** | 1,508 | 1,508 | - | - | - |
| | 2022 | 1,451 | 1,451 | - | - | - |
| **Total financial liabilities** | **2023** | **3,158,717** | **1,340,660** | **173,336** | **1,436,504** | **344,207** |
| | 2022 | 3,128,365 | 1,356,013 | 142,514 | 1,410,871 | 324,017 |

1. Contractual cash flows for 2023 lease liabilities were $1,000,267,000 (2022: $917,890,000).

**Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's foreign currency risk arises from interest-bearing liabilities, net investments, and other transactions denominated in currencies other than Australian dollars; consequently, exposures to exchange rate fluctuations arise. The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks.

**Forward foreign exchange contracts (FECs)**

The Group enters into forward foreign exchange contracts to manage the foreign currency transaction risk associated with anticipated sale and purchase transactions. The Group reviews its currency risk on a regular basis, considering renewal of existing positions, future commitments and budgeted requirements.

Budgeted foreign currency requirements are determined over a rolling 12-month period and forward exchange positions are taken in consideration of those requirements in accordance with the Group's Foreign Exchange Management Policy. The Group utilises a mixture of forward foreign exchange contracts and direct purchase of foreign currency to manage its foreign currency transaction exposure.

The full amount of the foreign currency the Group will be required to pay or purchase when settling the forward foreign exchange contracts should the counterparty not pay the amount it is committed to deliver at balance date was $168,996,639 (2022: $139,718,963).

**4.2 Financial risk management (cont.)**

At balance date, the details of outstanding forward exchange contracts are:

| Settlement | Sell Australian dollars | | Average exchange rate | |
|---|---|---|---|---|
| | 2023 ($000's) | 2022 ($000's) | 2023 $ | 2022 $ |
| **Buy United States Dollars** | | | | |
| Less than 6 months | 121,204 | 98,109 | 0.68 | 0.74 |
| **Buy Euros** | | | | |
| Less than 6 months | 43,820 | 34,996 | 0.63 | 0.66 |
| 6 months to 1 year | - | 1,463 | - | - |
| **Buy Japanese Yen** | | | | |
| Less than 6 months | 3,973 | 4,349 | 90.10 | 87.37 |
| 6 months to 1 year | - | 801 | - | - |

***Foreign currency exchange contracts***

If the exchange rate was to increase by 10% from the rates used to determine the fair values as at the reporting date, then the impact for the year would be an unfavourable movement in the reserve of $11.0m (2022: $9.3m). If the exchange rate was to decrease by 10% from the rates used to determine the fair values as at the reporting date, then the impact for the year would be a favourable movement in the reserve of $13.4m (2022: $11.4m).

***Interest rate risk***

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from interest-bearing liabilities with variable interest rates where interest rate movements can impact the Group's cash flow exposures.

Interest rate risk also arises from short-term cash deposits. During 2023 and 2022, the Group held both fixed and variable rate deposits. The Group reviews its interest rate exposure from cash deposits monthly, considering both short-term and long-term deposit rates.

At 30 June 2023, if interest rates increased by 1% from the year-end rates, with all other variables held constant, the effect on post-tax profit for the year would have been an unfavourable impact of $7.7m. If interest rates decreased by 1% from the year-end rates, with all other variables held constant, the effect on post-tax profit for the year would have been a favourable impact of $7.7m.

### 4.2 Financial risk management (cont.)

#### Changes in liabilities arising from financing activities

| | 1 July 2022 | Cash flows | | Foreign exchange movement | New leases, reassessments and disposals | 30 June 2023 |
|---|---|---|---|---|---|---|
| | ($000's) | Proceeds ($000's) | Repayments ($000's) | ($000's) | ($000's) | ($000's) |
| Interest-bearing liabilities | 1,092,404 | 144,969 | (174,969) | 37,596 | - | 1,100,000 |
| Lease liabilities [1] | 812,840 | - | (123,261) | 14,448 | 160,250 | 864,277 |
| **Total liabilities from financing activities** | **1,905,244** | **144,969** | **(298,230)** | **52,044** | **160,250** | **1,964,277** |

| | 1 July 2021 | Cash flows | | Foreign exchange movement | New leases, reassessments and disposals | 30 June 2022 |
|---|---|---|---|---|---|---|
| | ($000's) | Proceeds ($000's) | Repayments ($000's) | ($000's) | ($000's) | ($000's) |
| Interest-bearing liabilities | 1,335,616 | 1,076,620 | (1,418,388) | 98,556 | - | 1,092,404 |
| Lease liabilities [1] | 670,255 | - | (106,928) | 29,342 | 220,171 | 812,840 |
| **Total liabilities from financing activities** | **2,005,871** | **1,076,620** | **(1,525,316)** | **127,898** | **220,171** | **1,905,244** |

1. Repayments for lease liabilities are presented net of interest expense.

**Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

Credit risk for cash deposits is the risk of incurring a loss because of a default by a counterparty bank or financial institution that has accepted a deposit from the Group. The Group endeavours to mitigate this risk by managing counterparty concentration risk and providing a framework of counterparty limits to meet operational requirements.

Credit risk for derivative financial instruments arises from the potential failure by counterparties to the derivative transaction contract to meet their obligations. The credit risk exposure to forward exchange contracts and cross currency interest rate swaps is the fair value of these contracts. All derivative financial instruments are with our major international banking partners.

At balance date, the maximum exposure to credit risk, excluding the value of any collateral or other security to recognised financial assets, is the carrying amount of those assets, net of any impairment as disclosed in the Consolidated Statement of Financial Position and notes to the financial statements.

Except for its local and international bankers, the Group does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Group.

**Liquidity risk**

Liquidity risk refers to the risk that the Group has insufficient liquidity to meet its financial obligations when they fall due. The Group's risk management includes maintaining sufficient cash and the availability of funding via an adequate amount of credit facilities.

**Financing facilities**

In December 2021, the Group successfully refinanced the USD Term Loan B debt facilities with an $1,250 million syndicated multi-currency revolving facility, which was further extended in March 2022 to $1,400 million. In FY23, a further revolving facility of $200 million was added to the syndicated facility, and a bilateral facility was also added for USD $50 million. Maintenance covenants for the syndicated multi-currency revolving facilities include ≤ 3.5x Net Leverage Ratio and ≥ 2.5 Interest Coverage Ratio. Refer to Note 4.1 for further information.

#### 4.2 Financial risk management (cont.)

**Total facilities available and unused at 30 June 2023**

| | | 2023 ($000's) | 2022 ($000's) |
|---|---|---|---|
| Syndicated revolving credit facility – Facility A | facility | 114,025 | 114,025 |
| | unused | 114,025 | 114,025 |
| Syndicated revolving credit facility – Facility B | facility | 350,000 | 350,000 |
| | unused | 91,629 | 67,583 |
| Syndicated revolving cash advance facility – Facility C | facility | 900,000 | 900,000 |
| | unused | 58,371 | 90,013 |
| Syndicated revolving cash advance facility – Facility D | facility | 200,000 | - |
| | unused | 200,000 | - |
| Bilateral facility | facility | 75,415 | - |
| | unused | 75,415 | - |
| Bank overdraft | facility | 925 | 902 |
| | unused | 925 | 902 |
| Bank guarantees | facility | 20,000 | 20,000 |
| | unused | 5,339 | 5,421 |
| Trade refinance & documentary letters of credit/surrenders | facility | 13,657 | 13,523 |
| | unused | 11,283 | 7,976 |
| Credit cards | facility | 10,033 | 9,806 |
| | unused | 8,223 | 7,936 |
| Other ancillary facilities | facility | 5,975 | 5,975 |
| | unused | 5,975 | 5,975 |
| **Total** | **facility** | **1,690,030** | **1,414,231** |
| | **unused** | **571,185** | **299,831** |

### 4.2 Financial risk management (cont.)

***Hedge accounting***

The consolidated entity or subsidiary designates certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risk in either:

- cash flow hedges: hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions; or
- net investment hedges: hedges of a net investment in a foreign operation.

At the inception of the hedging transaction, the consolidated or subsidiary entity documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The consolidated or subsidiary entity also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

Discontinuation of hedge is not voluntary and is only permitted if:

- the risk management objective has changed;
- there is no longer an economic relationship between the hedged item and the hedging instrument; or
- the credit risk is dominating the hedge relationship.

***Cash flow hedges***

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in OCI and accumulated in the cash flow hedge reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss and is included in the finance cost line item. Ineffectiveness can potentially arise from timing differences, for example, differences in the timing of settlement between the hedging instrument and hedged item or structured option features within derivative instruments not reflected in the hedged item.

The amount accumulated in OCI (cash flow hedge reserve) is reclassified to profit or loss in the same period that the hedged cash flow affects profit or loss. If the derivative no longer meets the criteria for hedge accounting, for example if it expires, is sold, terminated, exercised or the designation is revoked, then hedge accounting is discontinued prospectively and the balance in equity is reclassified to profit or loss when the forecast transactions occurs.

***Net investment hedges***

The consolidated entity seeks to mitigate the effect of its foreign currency operations exposure by borrowing in United States dollars. The entity which undertakes the majority of the consolidated entity's borrowing activities has an Australian dollar functional currency. Where considered appropriate, the USD denominated debt is designated as a hedge of a net investment in foreign operations.

Exchange gains or losses upon subsequent revaluation of USD denominated borrowings are recognised through OCI and deferred in equity in the foreign currency translation reserve and will be released to the profit or loss if the foreign operation is sold. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss and is included in the 'other gains and losses' line item.

As at 30 June 2023, no amounts were designated as a hedge of a net investment in foreign operations (2022: US$663m). The previous net investment hedge was discontinued due to a change in risk management objective to align with the Group's funding and risk management strategies.

The amounts relating to items designated as hedging instruments and hedge ineffectiveness were as follows.

| | | | Cash flow hedges | Net investment hedge |
|---|---|---|---|---|
| **30 June 2023** | **USD FECs ($000's)** | **EUR FECs ($000's)** | **JPY FECs ($000's)** | **USD Debt ($000's)** |
| Notional amount | 123,454 | 45,089 | 3,732 | - |
| Carrying amount of the hedging instrument | | | | |
| - assets | 1,967 | 1,272 | - | - |
| - liabilities | - | - | 192 | - |
| **Total carrying amount of the hedging instrument** | **1,967** | **1,272** | **(192)** | **-** |
| Change in value of hedging instrument | (4,793) | 1,000 | 121 | 38,042 |
| Change in value of hedged item | 4,793 | (1,000) | (121) | (38,042) |
| Change in value of the hedging instrument recognised in reserve[i] | (4,793) | 1,000 | 121 | 38,042 |

[i] Hedge effectiveness is the extent to which the changes in fair value of the hedging instrument offsets changes in the fair value of the hedged item.

### 4.3 Financial instruments

Financial assets and liabilities measured at fair value.

The table below provides information about how the Group determines the fair value of various derivative financial instruments used for managing financial risk. As at 30 June 2023 and 30 June 2022, all derivative financial instruments were 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 amount of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair value.

| | 30 June 2023 | | 30 June 2022 | |
|---|---|---|---|---|
| | Current ($000's) | Non-current ($000's) | Current ($000's) | Non-current ($000's) |
| **Financial assets** | | | | |
| Cash | 372,706 | - | 220,483 | - |
| Trade and other receivables | 1,338,414 | - | 1,367,503 | - |
| Derivative financial instruments assets | | | | |
| - Forward foreign exchange contracts | 3,047 | - | 6,719 | - |
| **Total financial instruments assets at fair value** | **1,714,167** | **-** | **1,594,705** | **-** |
| **Financial liabilities** | | | | |
| Trade and other payables | 1,177,897 | 17,545 | 1,215,975 | 8,011 |
| Borrowings | - | 1,097,490 | - | 1,090,088 |
| Lease liabilities | 131,360 | 732,917 | 118,644 | 694,196 |
| **Total financial instruments liabilities at fair value** | **1,309,257** | **1,847,952** | **1,334,619** | **1,792,295** |

### 4.4 Contributed equity and reserves

| | 2023 ($000's) | 2022 ($000's) |
|---|---|---|
| Issued and paid up capital | | |
| Ordinary shares fully paid: 645,984,181 (2022: 645,984,181) | 1,246,918 | 1,246,918 |

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At shareholders' meetings each ordinary share is entitled to one vote when a poll is called.

### 4.4 Contributed equity and reserves (cont.)

| | 2023 ($000's) | 2022 ($000's) |
|---|---|---|
| Asset revaluation reserve (historic revaluation of properties) | 461 | 461 |
| General reserve | 51 | 51 |
| Capital profits reserve (historic profits from sale of property) | 2,491 | 2,491 |
| Foreign currency translation reserve (translation of foreign entities) | 185,950 | 114,662 |
| Cash flow hedge reserve | 3,047 | 6,719 |
| Share-based payment reserve | 5,572 | 2,385 |
| Employee share trust reserve | (5,278) | - |
| **Total reserves** | **192,294** | **126,769** |

***Cash flow hedge reserve***

The hedging reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge relationship.

***Share-based payment reserve***

The share-based payments reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration. Refer to note 6.2 for further details of these plans.

***Employee share trust reserve***

During the year, the Group set up an employee share trust in order to purchase Treasury Shares to satisfy future potential vesting of performance rights under the Reece Long-Term Incentive Plan. For accounting purposes, the trust is deemed to be controlled by Reece Limited. Accordingly, the shares held by the trust are consolidated into the Group's financial statements.

When shares, recognised as equity, are repurchased, the amount of the consideration paid for the shares, is recognised as a deduction from equity. At 30 June 2023, the Group held 350,274 of the Company's shares (2022: Nil).

### 4.5 Dividends paid and proposed

| | 2023 ($000's) | 2022 ($000's) |
|---|---|---|
| *Dividends paid during the reporting period:* | | |
| Final dividend of 15 cents per share fully franked for the year ended 30 June 2022 (June 2021: 12 cents per share fully franked) paid 26 October 2022 (2021: 27 October 2021) | 96,898 | 77,518 |
| Interim dividend of 8 cents per share fully franked for the year ended 30 June 2023 (June 2022: 7.5 cents per share fully franked) paid 5 April 2023 (2022: 12 April 2022) | 51,679 | 48,448 |
| **Dividends paid** | **148,577** | **125,966** |
| *Dividends declared after the reporting period and not recognised:* | | |
| Final dividend of 17 cents per share fully franked for the year ended 30 June 2023 (June 2022: 15 cents per share fully franked) to be paid 25 October 2023 (2022: 26 October 2022) | 109,817 | 96,898 |
| **Dividend franking account** | | |
| Balance of franking account at year end adjusted for franking credits arising from payment of income tax and franking debits arising from dividends paid. | 841,051 | 750,762 |
| Impact on the franking account of dividends recommended by the directors since the year end but not recognised as a liability at year end. | (47,065) | (41,528) |
| | **793,986** | **709,234** |

## 5. Group

This section explains the Group structure and how changes may have affected the financial position or performance of the Group.

### 5.1 Subsidiaries

The Company, which is the ultimate parent of the Group, is incorporated in Australia. Subsidiaries are consolidated from the date of acquisition, being the date the Company obtains control, and continue to be consolidated until the date that such control ceases.

Control exists where the Company has the power to govern the financial and operating policies of the entity to obtain benefits from its activities. Set out below are the subsidiaries within the Group. All entities controlled by the Company at 30 June 2023 were incorporated in Australia and are wholly-owned unless stated otherwise.

| Name of entity | Country of Incorporation | Ownership percentage 2023 % | Ownership percentage 2022 % |
|---|---|---|---|
| **Parent entity Reece Limited** | | | |
| **Controlled entities of Reece Limited** | | | |
| 1. Reece Australia Pty Ltd | Australia | 100% | 100% |
| 2. Plumbing World Pty Ltd | Australia | 100% | 100% |
| 3. Reece Project Supply Pty Ltd | Australia | 100% | 100% |
| 4. Reece International Pty Ltd | Australia | 100% | 100% |
| 5. Reece New Zealand Limited | New Zealand | 100% | 100% |
| 6. Actrol Parts Holdings Pty Ltd | Australia | 100% | 100% |
| 7. Actrol Parts Finance Pty Ltd | Australia | 100% | 100% |
| 8. Actrol Parts Pty Ltd | Australia | 100% | 100% |
| 9. A.C. Components Pty Ltd | Australia | 100% | 100% |
| 10. Metalflex Pty Ltd | Australia | 100% | 100% |
| 11. Metalflex Regional Pty Ltd | Australia | 100% | 100% |
| 12. Metalflex (S.A.) Pty Ltd | Australia | 100% | 100% |
| 13. Metalflex (W.A.) Pty Ltd | Australia | 100% | 100% |
| 14. Air Plus Pty Ltd | Australia | 100% | 100% |
| 15. The Creative Plane Pty Ltd | Australia | 100% | 100% |
| 16. Viadux Holdco Pty Ltd | Australia | 100% | 100% |
| 17. Viadux Bidco Pty Ltd | Australia | 100% | 100% |
| 18. Viadux Pty Ltd | Australia | 100% | 100% |
| 19. Laddr Finance Pty Ltd | Australia | 100% | 100% |
| 20. International Quadratics Pty Ltd | Australia | 100% | - |
| 21. Dontek Electronics Pty Ltd | Australia | 100% | - |
| 22. Hamilton HoldCo, LLC | Delaware (United States) | 100% | 100% |
| 23. Patriot Supply Holdings LLC | Delaware (United States) | 100% | 100% |
| 24. Patriot Supply Intermediate, Inc | Delaware (United States) | 100% | 100% |
| 25. MORSCO Inc | Delaware (United States) | 100% | 100% |
| 26. MORSCO Supply LLC | Texas (United States) | 100% | 100% |
| 27. Fortline LLC | North Carolina (United States) | 100% | 100% |
| 28. Fortline Inc | South Carolina (United States) | 100% | 100% |
| 29. MORSCO Properties LLC | South Carolina (United States) | 100% | 100% |
| 30. MORSCO Properties OK LLC | Oklahoma (United States) | 100% | 100% |
| 31. Reece Mexico 1 Inc | Delaware (United States) | 100% | 100% |
| 32. Reece Mexico 99 Inc | Delaware (United States) | 100% | 100% |
| 33. RMx Dev S de. R.L. de C.V. | Mexico | 100% | - |
| 34. Barsco Inc | Texas (United States) | 100% | - |
| 35. DKJ Family Equipment LLC | Texas (United States) | 100% | - |
| 36. Reece Limited Employee Share Trust | Australia | N/A | - |

(i) All shareholdings are of ordinary shares
(ii) Controlled entities 1 to 4 and 6 to 21 carry out business in Australia only
(iii) Controlled entity 5 carries out business in New Zealand only
(iv) Controlled entity 33 carries out business in Mexico only
(v) Controlled entities 22 to 32 and 34 to 35 carry out business in the United States of America only
(vi) All corporations' financial years end on 30 June
(vii) Entities 20 to 21 and 34 to 35 were acquired during FY23
(viii) Entity 36 is not a subsidiary of the Group. The trust (which was set up during FY23) is deemed to be controlled by Reece Limited.

### 5.1 Subsidiaries (cont.)

**Deed of Cross Guarantee**

All entities listed in the table above, except for Reece New Zealand Limited, Laddr Finance, US and Mexico incorporated entities are parties to a deed of cross guarantee under which each company guarantees the debts of the others. Pursuant to *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785*, the wholly owned subsidiaries listed in the table above, except for Reece New Zealand Limited and US and Mexico incorporated entities are relieved from the Corporations Act requirement to prepare a financial report and directors' report.

A Consolidated Statement of Profit or Loss and Other Comprehensive Income and Statement of Financial Position, comprising the Company and controlled entities subject to the deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, is set out as follows:

| | 2023 ($000's) | 2022 ($000's) |
|---|---|---|
| Revenue from sale of goods | 3,692,159 | 3,371,499 |
| Cost of sales | (2,502,840) | (2,282,884) |
| **Gross profit** | **1,189,319** | **1,088,615** |
| Other revenue | 27,651 | 33,577 |
| Selling and administrative expenses | (785,077) | (726,101) |
| Impairment of goodwill | (28,949) | - |
| **Earnings before interest and tax** | **402,944** | **396,091** |
| Finance costs (net) | (8,189) | (20,086) |
| **Profit before income tax expense** | **394,755** | **376,005** |
| Income tax expense | (136,323) | (111,855) |
| **Net profit for the year** | **258,432** | **264,150** |
| **Other comprehensive income** | | |
| Items that may be reclassified subsequently to profit or loss: | | |
| Exchange differences on translation of foreign debt, net of tax | 2 | (47,490) |
| Change in fair value of effective cash flows, net of tax | (3,672) | 6,074 |
| **Total comprehensive income, net of tax** | **254,762** | **222,734** |
| Basic earnings per share | 40 cents | 41 cents |
| Diluted earnings per share | 40 cents | 41 cents |
| **Movements in retained earnings** | | |
| Retained earnings at the beginning of the financial year | 1,688,005 | 1,549,821 |
| Profit for the year | 258,432 | 264,150 |
| Dividends paid | (148,577) | (125,966) |
| **Retained earnings at end of financial year** | **1,797,860** | **1,688,005** |

### 5.1 Subsidiaries (cont.)

**Deed of Cross Guarantee (cont.)**

| | 2023 ($000's) | 2022 ($000's) |
|---|---|---|
| **Current assets** | | |
| Cash and cash equivalents | 214,659 | 118,074 |
| Receivables | 470,079 | 462,545 |
| Inventories | 691,925 | 723,019 |
| Derivative financial instruments | 3,047 | 6,719 |
| **Total current assets** | **1,379,710** | **1,310,357** |
| **Non-current assets** | | |
| Investments and receivables | 2,505,709 | 2,397,646 |
| Property, plant and equipment | 560,034 | 557,562 |
| Right-of-use assets | 355,989 | 383,717 |
| Intangible assets | 235,234 | 243,942 |
| Deferred tax assets | 70,194 | 60,884 |
| **Total non-current assets** | **3,727,160** | **3,643,751** |
| **Total assets** | **5,106,870** | **4,954,108** |
| **Current liabilities** | | |
| Payables | 464,764 | 451,475 |
| Lease liabilities | 63,603 | 59,996 |
| Current tax payable | 11,641 | 19,973 |
| Provisions | 81,413 | 78,046 |
| **Total current liabilities** | **621,421** | **609,490** |
| **Non-current liabilities** | | |
| Long-term payable | 760 | 760 |
| Lease liabilities | 323,908 | 348,047 |
| Interest-bearing liabilities | 1,097,490 | 1,090,088 |
| Deferred tax liabilities | 29 | 29 |
| Provisions | 6,064 | 4,715 |
| **Total non-current liabilities** | **1,428,251** | **1,443,639** |
| **Total liabilities** | **2,049,672** | **2,053,129** |
| **Net assets** | **3,057,198** | **2,900,979** |
| **Equity** | | |
| Contributed equity | 1,246,918 | 1,246,918 |
| Reserves | 12,420 | (33,944) |
| Retained earnings | 1,797,860 | 1,688,005 |
| **Total equity** | **3,057,198** | **2,900,979** |

**Parent Entity Note**

| **Reece Limited** | 2023 ($000's) | 2022 ($000's) |
|---|---|---|
| **Summarised statement of financial position** | | |
| **Assets** | | |
| Current assets | - | - |
| Non-current assets | 1,842,129 | 1,833,572 |
| **Total assets** | **1,842,129** | **1,833,572** |
| **Liabilities** | | |
| Current liabilities | 594,526 | 588,739 |
| Non-current liabilities | - | - |
| **Total liabilities** | **594,526** | **588,739** |
| **Net assets** | **1,247,603** | **1,244,833** |
| **Equity** | | |
| Contributed equity | 1,246,918 | 1,246,918 |
| Retained earnings | (4,507) | (4,507) |
| Reserves | 5,192 | 2,422 |
| **Total equity** | **1,247,603** | **1,244,833** |
| **Summarised statement of comprehensive income** | | |
| Profit for the year | 148,577 | 125,966 |
| **Total comprehensive income for the year** | **148,577** | **125,966** |
| **Parent entity guarantees** | | |
| Bank overdraft | 925 | 902 |
| Syndicated revolving facilities | 1,600,000 | 1,400,000 |
| Bilateral facility | 75,415 | - |

### 5.2 Business combinations

During FY23, the Group made bolt-on acquisitions in both ANZ and US regions, two of which were immaterial business combinations.

In March 2023, the Group acquired Barsco Inc., a small bolt-on refrigeration and air-conditioning wholesaler in Texas with a network of 12 branches. Barsco was not considered material to the Group and there have been no material business combinations in FY23.

## 6. Other Disclosures

This section provides other disclosures required by Australian Accounting Standards that are considered relevant to understanding the Group's performance or position.

### 6.1 Related party disclosures

***Parent entity***

The ultimate parent entity of the Group is Reece Limited, which is domiciled and incorporated in Australia. Intercompany transactions, assets and liabilities between entities within the Group have been eliminated in the consolidated financial statements.

**Terms and conditions of transactions with related parties**

The Group's policy is that sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the reporting date are unsecured and interest free, and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 30 June 2023, the Group has not recognised a provision for expected credit losses relating to amounts owed by related parties (2022: $nil).

True Pillars Pty Ltd, at 40.1% ownership, and Fieldpulse Pty Ltd, 26.1% ownership, were both associates of Reece Limited in the current year (2022: 40.1% ownership and 26.1% ownership respectively). There have been no material contributions to net profit during the year. Reece Limited invested an additional $5m equity in its associate True Pillars Pty Ltd in FY23.

During the current financial year, The Creative Plane Pty Ltd (a wholly owned subsidiary of Reece Limited) invested $1m in pooled units in a registered managed investment scheme – TruePillars Investment Trust (a wholly owned subsidiary of True Pillars Pty Ltd) (2022: $2.5m). The pooled units have a maturity date of 1 November 2024 and a target return of 6.1% per annum. During the current financial year, The Creative Plane Pty Ltd also loaned True Pillars Investment Trust $2.5m. The business loan is repayable 24 months from lending and attracts 10% interest per annum. These transactions were made on an arm's length basis.

In FY22, The Reece Group Foundation Limited, an independent charity in Australia with DGR status, was launched. During the current financial year, Reece Limited donated $919,770 to The Reece Group Foundation Limited (2022: $1,271,838) of which $39,672 was owing at year end (2022: $38,305).

***Transactions with key management personnel***

Key management personnel compensation comprised of the following:

| | 2023 ($000's) | 2022 ($000's) |
|---|---|---|
| Short-term employee benefits | 12,077 | 10,749 |
| Post-employment benefits | 114 | 104 |
| Other long-term benefits | 1,271 | 1,124 |
| Termination benefits | 313 | - |
| Share-based payments | 2,129 | 1,257 |
| | **15,904** | **13,234** |

***Transactions with Directors and Key Management Personnel***

The names of each person holding the position of Director of Reece Limited during the financial year were L.A. Wilson, P.J. Wilson, T.M. Poole, B.C. Wilson, M.L. Quinn and A.W. Wilson.

Key Management Personnel included M. Vermeulen, S. Nikolic, C.A.S. Hornsby and A. Cowlishaw.

***Transactions with Director's related parties***

Director of Reece, Mr B.C. Wilson has a beneficial interest in an entity that sold plumbing and building supplies to the Group. Goods purchased from this entity during the year totaled $4,700,128 (2022: $5,517,385) of which $848,295 (2022: $556,492) was owing at year end.

Director of Reece, Mr L.A. Wilson has a beneficial interest in entities that lease premises to the Group. Lease rentals paid to these entities during the year were $300,976 (2022: $317,673) of which $23,484 (2022: $22,128) was owing at year end.

### 6.2 Share-based payments

***Employee performance rights plan***

During FY23 executives received performance rights under the Reece Limited long-term incentive 2021 plan. This plan replaced the previous plan under which share options were granted to executives. The 2021 plan was established by the Board and the first grant under the plan was approved by shareholders at the Annual General Meeting on 30 October 2021. The plan is designed to provide long-term incentives for employees to deliver long-term shareholder returns.

Under the 2021 plan, participants were granted performance rights where the number of rights granted is determined using a 'face value' calculation. The share price used in the face value calculation is the volume weighted average price (VWAP) during the 20-day period immediately after the issue of the most recent annual results. The performance rights have a four-year vesting period with an EPS CAGR hurdle, with an average ROCE hurdle added for the FY23 grant.

Participation in the plan is at the discretion of the Remuneration Committee by recommendation to the Board. No individual has a contractual right to participate in the plan or receive any guaranteed benefits.

The performance rights issued represent the employee's right to acquire an ordinary share upon satisfaction of the performance criteria once the vesting period of four years is reached. The performance rights granted under the plan are for no consideration and carry no voting rights.

There were 536,755 performance rights granted under the performance rights plan in FY23. No rights or options have been exercised, vested, or expired during the period. Mr Vermeulen's rights were forfeited during the period.

***Expenses arising from share-based payment transactions***

Total expenses arising from share-based payment transactions during the period as part of employee benefit expense was $3,187,261 (2022: $1,577,328).

### 6.2 Share-based payments (cont.)

***Fair value of options/rights granted***

| | Award | Grant date | Exercise price | Number of options/rights | Fair value per option/right at grant date | Fair value at grant date |
|---|---|---|---|---|---|---|
| Group CEO | FY23 rights | 27 October 2022 | $Nil | 205,598 | $14.34 | $2,948,275 |
| | FY22 rights | 28 October 2021 | $Nil | 129,838 | $18.01 | $2,338,382 |
| | FY21 options | 29 October 2020 | $14.46 | 267,588 | $5.97 | $1,597,500 |
| | FY20 options | 30 October 2019 | $10.06 | 304,286 | $4.20 | $1,278,001 |
| Senior executives | FY23 rights | 27 October 2022 | $Nil | 331,157 | $14.34 | $4,748,791 |
| | FY22 rights | 28 October 2021 | $Nil | 115,696 | $18.01 | $2,083,685 |
| | FY21 options | 29 April 2021 | $13.07 | 266,069 | $8.10 | $2,155,159 |

In accordance with AASB 2 *Share-based payments*, the service-based vesting condition is considered non-market. The vesting conditions (and the probability of achieving the conditions) are reflected in the estimation of the number of instruments expected to vest. The expected price volatility is based on historic volatility (based on the remaining life of the options) adjusted for any expected changes to future volatility due to publicly available information.

The fair value at grant date of the performance rights granted during the year was determined using the conventional Black Scholes Model. The inputs for the performance rights granted during the year ended 30 June 2023 included:

| | FY23 Group CEO and Executive grant |
|---|---|
| Exercise price | $Nil |
| Grant date | 27 October 2022 |
| Vesting date | 1 July 2026 |
| Expiry date | 13 October 2037 |
| Share price at grant date | $15.21 |
| Expected price volatility of the company's shares | 30.0% |
| Expected dividend yield | 1.59% |
| Risk-free interest rate | 3.42% |

***Reconciliation of outstanding share options***

| | FY23 Number of options | FY23 Weighted-average exercise price | FY22 Number of options | FY22 Weighted-average exercise price |
|---|---|---|---|---|
| Outstanding at 1 July | 837,943 | $12.42 | 837,943 | $12.42 |
| Forfeited during the year | - | - | - | - |
| Granted during the year | - | - | - | - |
| Outstanding at 30 June | 837,943 | $12.42 | 837,943 | $12.42 |
| Exercisable at 30 June | - | - | - | - |

Share options were granted to participants in FY20 and FY21. Options outstanding from the FY20 grant have a remaining contractual life of three years and options outstanding from the FY21 grant have a remaining contractual life of four years.

### 6.3 Auditor's remuneration

| | 2023 ($) | 2022 ($) |
|---|---|---|
| Audit/review fees | 1,764,184 | 1,545,587 |
| **Amounts paid and payable to KPMG for non-audit services:** | | |
| Other non-audit services – regulatory advisory services | 16,538 | 38,375 |
| | **16,538** | **38,375** |

### 6.4 Other accounting policies

This section provides other disclosures required by Australian Accounting Standards that are considered relevant to understanding the Group's financial performance or position.

**Investments in associates**

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding between 20% and 50% of the voting rights.

Investments in associates are accounted for in the relevant parent entity financial statements using the cost method, and in the Group's financial statements using the equity method of accounting after initially being recognised at cost.

**Changes in accounting policies**

The Group has applied for the first-time certain standards and amendments which are effective for annual reporting periods on or after 1 July 2022.

**Accounting standards issued but not yet operative**

The AASB has issued several new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The Group's assessment of the new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below.

**Amendments to AASB 101: Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements – Disclosure of Accounting Policies**

The amendments change the requirements in AASB 101 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in AASB 101 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted and are applied prospectively. The Group elected to apply the amendments from the FY22 reporting period.

**Amendments to AASB 101: Classification of Liabilities as Current or Non-current**

The amendments are applicable for annual reporting periods beginning on or after 1 January 2024, and are applied retrospectively. This amendment will only affect the presentation of liabilities as current or non-current in the statement of financial position. The reported profit or loss and financial position is not expected to change on adoption of this amendment as it does not result in any changes to the Group's existing accounting policies.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but not yet effective.

**New sustainability reporting standards**

In June 2023, the International Sustainability Standards Board (ISSB) published two sustainability reporting standards.

The standards issued were:

- IFRS S1 'General Requirements for Disclosures of Sustainability-related Financial Information'; and
- IFRS S2 'Climate-related Disclosures'.

The Australian climate related financial disclosure requirements are still being finalised, however disclosures are expected to be closely aligned with the ISSB Standards, with Australian equivalents to be set by the AASB considering Australian-specific requirements. Based on the current proposals, the climate related disclosure requirements are expected to first apply to the Group for the financial year ended 30 June 2025.

### 6.5 Contingencies

The Group may be involved in legal claims, administrative actions and proceedings related to the normal conduct of business including, among other things, general liability, commercial, employment, intellectual property and products liability matters. Based upon existing information, it is not possible to predict with certainty the outcome or cost of current legal claims, actions and proceedings. The Directors believe that current matters of which they are aware should not significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial periods.

The Directors are not aware of any material contingent liabilities at balance date or which have arisen since 30 June 2023.

### 6.6 Subsequent events

There have been no matters or circumstances, which have arisen since 30 June 2023, that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 30 June 2023, of the Group, or the results of those operations, or
- the state of affairs, in financial years subsequent to 30 June 2023, of the Group.

# Directors' Declaration

The directors declare that the financial statements and notes set out on pages 52 to 88 in accordance with the *Corporations Act 2001*:

(a) Comply with Accounting Standards and the *Corporations Regulations 2001*, and other mandatory professional reporting requirements;

(b) As stated in note 1 the consolidated financial statements also comply with International Financial Reporting Standards; and

(c) Give a true and fair view of the financial position of the consolidated entity as at 30 June 2023 and of its performance for the year ended on that date.

In the directors' opinion there are reasonable grounds to believe that Reece Limited will be able to pay its debts as and when they become due and payable.

The Company and the group entities identified in note 5.1 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785.*

This declaration has been made after receiving the declarations required to be made by the Group Chief Executive Officer and Group Chief Financial Officer to the directors in accordance with sections 295A of the *Corporations Act 2001* for the financial year ending 30 June 2023.

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

Dated at Melbourne on 23 August 2023.

**T. Poole**
Chair

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

# Independent Auditor's Report

# Independent Auditor's Report

## To the shareholders of Reece Limited

## Report on the audit of the Financial Report

### Opinion

We have audited the ***Financial Report*** of Reece Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group***'s financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2023;
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

### Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with 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 Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

## Key Audit Matters

The ***Key Audit Matters*** we identified are:

- Valuation of goodwill and intangible assets; and
- Valuation of inventory.

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

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Valuation of goodwill and intangible assets ($2.02bn)

Refer to Note 3.6 *Goodwill and intangible assets* and *Impairment of non-financial assets* to the Financial Report

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| A key audit matter was the Group's annual testing of goodwill and intangible assets given the size of the balance (being 29% of total assets) and estimation uncertainty associated with current economic and market conditions.<br><br>The Group has a number of different business units (Cash Generating Units or CGUs) which contain significant goodwill and intangible assets.<br><br>The Group assesses the valuation of goodwill and intangible assets via detailed value in use discounted cash flow modelling, which contains a number of assumptions.<br><br>We focused on the significant forward-looking assumptions the Group applied in the value in use models, including:<br><br>• Forecast operating cash flows and resultant gross margins - market volatility and uncertainty arising from current economic conditions, and the uncertainty of their continuation, increase the risk of inaccurate cash flow forecasts and possible impairment.<br><br>• Forecast growth rates and terminal growth rates – the Group's models are sensitive to changes in these assumptions, reducing available headroom. This drives additional audit effort in assessing the reasonableness of these assumptions and in assessing consistency of application with the Group's strategy. | Working with our valuation specialists, our procedures included:<br><br>• Assessing the appropriateness of the value in use methodology applied by the Group to perform the annual impairment test of goodwill and intangible assets against the requirements of the accounting standards.<br><br>• Assessing the integrity of the value in use models used, including the accuracy of the underlying calculation formulas.<br><br>• Considering the sensitivity of the models by varying key assumptions, such as forecast growth rates and discount rates, within a reasonably possible range. We considered the interdependencies of key assumptions when performing the sensitivity analysis and what the Group considers to be reasonably possible. We did this to identify those CGUs at higher risk of impairment and to focus our further procedures.<br><br>• Assessing the accuracy of previous Group forecasts to inform our evaluation of forecasts incorporated in the models.<br><br>• Meeting with management and those charged with governance to understand the ongoing impact of current economic conditions on the Group and the industry in which it operates, including any changes in the Group's plans and operating model. |

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| | |
|---|---|
| • Discount rate - these are complex in nature and vary according to the specific risks of each CGU, the primary regions they operate in, and the modelling approach to incorporating risks into the cash flows or discount rates. Some of the Group's modelling is highly sensitive to small changes in the discount rate.<br><br>In addition to the above, the Group recorded an impairment charge of $28.9 million against goodwill of one of its CGUs, Metalflex, considering the impact of current and forecast market conditions.<br><br>We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter. | • Challenging the Group's key forecast cash flow and growth assumptions. We assessed forecast cash flow and resultant gross margin assumptions having regard to current economic conditions and past performance of the Group. We compared forecast growth rates and terminal growth rates to published studies of industry trends and expectations, and considered differences to the Group's operations. We used our knowledge of the Group, its past performance, business and customers, and our industry experience.<br><br>• Checking the consistency of forecast cash flows and the growth rates to the Group's stated plan and strategy, having regard to our experience regarding the feasibility of these in the industry and economic environment in which it operates.<br><br>• Independently developing discount rate ranges using publicly available data for comparable entities, adjusted by risk factors specific to the Group.<br><br>• Assessing the Group's determination of CGU carrying values for consistency with the assumptions used in the forecast cash flows and the requirements of the accounting standards.<br><br>• We recalculated the impairment charge against the recorded amount disclosed.<br><br>• Assessing the disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standards. |

| Valuation of inventory ($1.50bn) | |
|---|---|
| Refer to Note 3.3 *Inventories* to the Financial Report | |
| **The key audit matter** | **How the matter was addressed in our audit** |
| The valuation of inventory is a key audit matter due to the size of the inventory balance (being 22% of total assets), and the Group's judgement involved in estimating the level of inventory allowance at year-end.<br><br>The Group exercises judgement in determining the likely sell-through rates of types of inventory to identify excess or obsolete inventory. This requires consideration of the ageing and condition of products on hand, level of inventory on hand, inventory turnover and current market conditions. Such judgements may have a significant impact on the Group's valuation of the allowance, and therefore the overall carrying value of inventories, necessitating additional audit effort from us in testing the reasonableness of these sell-through rates. | Our procedures included:<br>• Assessing the Group's policy for the valuation of inventory against the requirements of the accounting standards.<br>• Attending a sample of inventory counts to check the condition of inventory at year-end.<br>• Comparing a sample of inventory carrying values recorded by the Group at year-end to the Group's latest available selling prices to identify products at risk of selling below their recorded values. We compared the results to the Group's assessment.<br>• Testing the Group's slow moving and obsolete inventory assessment at year-end by:<br>  ◦ Assessing the integrity of the Group's modelling for inventory obsolescence by performing computation checks.<br>  ◦ Comparing a sample of key data used to relevant underlying documentation.<br>  ◦ Considering modelling sensitivity by varying key assumptions, such as the allowance percentage by types of inventory and ageing category to identify assumptions with higher sensitivity and focus our further procedures<br>  ◦ Challenging the Group's assumptions by comparing current inventory levels to historical sales, and considering the shelf-life of types of inventory and current market conditions. We also considered our knowledge of the industry the Group operates in and the Group's business strategy with respect to maintaining adequate inventory to meet market demand.<br>• Assessing the disclosures in the Group's financial report using our understanding obtained from our testing and against the requirements of accounting standards. |

## Other Information

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

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

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

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

## Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001;*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our Auditor's Report.

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# Independent Auditor's Report

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## Report on the Remuneration Report

### Opinion

In our opinion, the Remuneration Report of Reece Limited for the year ended 30 June 2023, complies with *Section 300A* of the *Corporations Act 2001*.

### Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

### Our responsibilities

We have audited the Remuneration Report included in pages 36 to 49 of the Directors' report for the year ended 30 June 2023.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

J. Carey.

KPMG

Julie Carey

*Partner*

Melbourne

23 August 2023

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# Shareholders' Information

In accordance with Section 4.10 of the Australian Stock Exchange Limited Listing Rules, the directors provide the following information.

## Shareholding analysis

### Distribution of shareholders

At 4 August 2023, the distribution of shareholdings was as follows:

| Size of Shareholding | Number of Shareholders |
|---|---|
| 1 – 1,000 | 3,753 |
| 1,001 – 5,000 | 2,483 |
| 5,001 – 10,000 | 597 |
| 10,001 – 100,000 | 501 |
| Over 100,000 | 100 |
| Holdings of less than a marketable parcel | - |
| | 7,434 |

### Substantial shareholdings

The number of shares held by the substantial shareholders listed in the Company's register of substantial shareholders as at 4 August 2023 were:

| Shareholder | Number of Shares |
|---|---|
| John Gay Wilson[1] | 362,013,785 |
| Leslie Alan Wilson[1] | 358,709,180 |
| Bruce Walter Campbell Wilson[1] | 336,665,823 |
| Wilaust Holdings Pty Ltd[1] | 313,050,000 |
| Two Hills Holding Pty Ltd[1] | 120,168,788 |
| AustralianSuper Pty Ltd | 47,545,591 |

1. Many of these substantial shareholdings relate to the same shares.

### Class of shares and voting rights

At 4 August 2023, there were 7,434 holders of ordinary shares of the Company. All the issued shares in the capital of the parent entity are ordinary shares and each shareholder is entitled to one vote per share.

# Shareholders' Information

**Twenty largest shareholders, as at 4 August 2023:**

| Shareholder | Number of Shares | % Held |
|---|---|---|
| L.T. Wilson Pty Ltd | 157,200,000 | 24.33% |
| J P Morgan Nominees Australia Limited | 69,367,926 | 10.74% |
| L.T.W. Holdings Pty Ltd | 60,000,000 | 9.29% |
| HSBC Custody Nominees (Australia) Limited | 57,156,624 | 8.85% |
| Warramunda Investments Pty Ltd | 48,645,000 | 7.53% |
| Geronimo Custodian Pty Ltd | 25,580,080 | 3.96% |
| Glentemp Custodian Pty Ltd | 24,820,366 | 3.84% |
| HSBC Custody Nominees (Australia) Limited Florizel Investments Pty Ltd | 16,801,600 | 2.60% |
| J.G.W. Investments Pty Ltd | 16,801,600 | 2.60% |
| W.A.L. Investments Pty Ltd | 16,801,600 | 2.60% |
| Austral Hardware Pty Ltd | 14,925,000 | 2.31% |
| Citicorp Nominees Pty Ltd | 12,101,036 | 1.87% |
| Austral Hardware (Healesville) Pty Ltd | 12,000,000 | 1.86% |
| Addawarra Nominees Pty Ltd | 11,550,000 | 1.79% |
| Wilaust Holdings Pty Ltd | 8,730,000 | 1.35% |
| Australian Foundation Investment Company Limited | 6,618,000 | 1.02% |
| BNP Paribas Nominees Pty Ltd (Agency Lending DRP A/C) | 6,064,021 | 0.94% |
| Argo Investments Ltd | 5,687,741 | 0.88% |
| John G. Wilson | 4,671,819 | 0.72% |
| BNP Paribas Nominees Pty Ltd | 4,598,279 | 0.71% |

The twenty members holding the largest number of shares together held a total of 89.79% of the issued capital.

# Reece Limited

A.B.N. 49 004 313 133

**Controlled Entities Reece Limited**

Reece Australia Pty Ltd
A.B.N 84 004 097 090

Plumbing World Pty Ltd
A.B.N. 99 004 910 829

Reece Project Supply Pty Ltd
A.B.N. 54 100 065 307

Reece International Pty Ltd
A.B.N. 11 100 278 171

Reece New Zealand Limited
Company No. 1530569

Actrol Parts Holdings Pty Ltd
A.B.N. 98 142 644 488

Actrol Parts Finance Pty Ltd
A.B.N. 21 142 653 889

Actrol Parts Pty Ltd
A.B.N. 93 142 654 564

A.C. Components Pty Ltd
A.B.N. 69 134 588 935

Metalflex Pty Ltd
A.B.N. 18 007 133 057

Metalflex Regional Pty Ltd
A.B.N. 50 142 651 509

Metalflex (S.A.) Pty Ltd
A.B.N. 88 084 260 837

Metalflex (W.A.) Pty Ltd
A.B.N. 98 105 291 263

Air Plus Pty Ltd
A.B.N. 33 135 270 718

The Creative Plane Pty Ltd
A.B.N. 50 092 585 058

Viadux Holdco Pty Ltd
A.B.N. 51 603 303 368

Viadux Bidco Pty Ltd
A.B.N. 42 603 305 326

Viadux Pty Ltd
A.B.N. 75 087 415 745

Laddr Finance Pty Ltd
A.B.N. 52 651 284 187

International Quadratics Pty Ltd
A.B.N. 36 091 533 167

Dontek Electronics Pty Ltd
A.B.N. 60 147 554 943

Hamilton HoldCo, LLC
Company Number 6843365

Patriot Supply Holdings Inc Company number 45-4808005

Patriot Supply Intermediate Inc
Company number 45-3852987

MORSCO Inc
Company number 75-0450550

MORSCO Supply, LLC
Company number 75-2588495

Fortiline, LLC
Company number 56-2136499

Fortiline, Inc
Company number 57-0819190

MORSCO Properties LLC
Company number 86-1262225

MORSCO Properties OK LLC
Company number 87-2162861

Reece Mexico 1 Inc
Company number 88-2047430

Reece Mexico 99 Inc
Company number 88-2039114

RMx Dev S de. R.L. de C.V.
Company number RDE220722DY6

Barsco Inc
Company number 75-0751298

DKJ Family Equipment LLC
Company number 84-2024743

**Directors**

Tim Poole
(Chair)

Peter Wilson
(Group Chief Executive Officer/ Managing Director & Deputy Chair)

Alan Wilson

Bruce C. Wilson

Megan Quinn

Andrew Wilson

**Company Secretary**

Chantelle Duffy

**Bankers**

National Australia Bank

Commonwealth Bank of Australia

Bank of New Zealand

Bank of America

**Solicitors**

Lander & Rogers

Mills Oakley Lawyers

DLA Piper

**Auditors**

KPMG

**Registered Office**

57 Balmain Street
Cremorne, Victoria, 3121
Telephone (03) 9274 0000
Facsimile (03) 9274 0197

**Share Registry**

Computershare Investor Services Pty Limited
Yarra Falls
452 Johnston Street
Abbotsford, Victoria, 3067
Telephone (03) 9415 5000
Facsimile (03) 9473 2500

**Stock Exchange Listing**

Reece Limited shares are listed on the Australian Stock Exchange ASX Code: REH

**Notice of Meeting**

Notice is hereby given that the Annual General Meeting of Reece Limited will be held virtually at 10am on Thursday, 26 October, 2023

Reece Limited
A.B.N. 49 004 313 133


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