

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

Half-year information for the six months ended 31 December 2015  
provided to the ASX under listing rule 4.2A.3

This half-year financial report is to be read in conjunction with  
the financial report for the year ended 30 June 2015

## Appendix 4D

Half-year report for the six months to 31 December 2015

Reece Limited  
(ABN 49 004 313 133)

### 1. Reporting period

Report for the half-year ended 31 December 2015.

Previous corresponding period is the financial year ended 30 June 2015 and half-year ended 31 December 2014.

### 2. Results for announcement to the market

			\$A'000
Revenues from ordinary activities	Up	8.7% to	1,141,130
Profit before tax and unrealised gain on foreign exchange contracts	Up	19.9% to	127,667
Profit from ordinary activities after tax attributable to members	Up	12.0% to	89,918
Net profit for the period attributable to members	Up	12.0% to	89,918

  

Dividends	Amount per security	Franked amount per security
Interim dividend	27 cents	27 cents
Previous corresponding period – interim dividend	24 cents	24 cents
Record date for determining entitlements to the dividend		16 March 2016

#### Commentary

Sales revenue for the six months ending 31 December 2015 was up 8.7% to \$1,141.1M (2014: \$1,050.0M). Profit before tax and unrealised gains on foreign exchange contracts was up 19.9% to \$127.7M (2014: \$106.4M). Net profit before tax after unrealised gain on foreign currency was \$128.8M, up 11.7% on the prior year (2014: \$115.3M). As a result, net profit after tax for the six months ending 31 December 2015 was up 12% to \$89.9M (2014: \$80.3M).

Reece has continued to use forward exchange contracts to manage currency risk. With the continued devaluation of the Australian dollar against the USD and EUR and the lower level of forward exchange contracts, the company recognised a foreign currency unrealised gain of \$1.2M (2014: \$8.9M).

Net assets at 31 December 2015 were \$965.3M up 4.2% on 30 June 2015. The growth was driven by the increase in inventory levels and continued investment in property, plant and equipment. The business has continued to reduce loans and interest expenses.

The cost of doing business was \$240.2M, up 6.3% on the prior period (2014: \$225.9M). The business systems integration of Actrol and Metalflex is complete with back end functions and logistics now consolidated into the Reece Group Support Centre and distribution centres.

Reece has continued to invest in the branch network, opening four new branches in Australia within the second half of the year and continued its refurbishment program of existing branches.

The Perth distribution centre has been handed over to the business and will be fully operational by March 2016.

The Board has declared an interim dividend of 27 cents per share (2014: 24 cents per share), fully franked. The interim dividend will be paid on 24 March 2016, with a record date of 16 March 2016.

Building commencements and activity has been at record levels over the last 12 months with the industry cycling a strong second half FY 2015. The Board was pleased with the FY 2016 half year financial performance, the integration of the Actrol Group and is committed to delivering on its FY 2016 targets.

## Appendix 4D

Half-year report for the six months to 31 December 2015

Reece Limited  
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	2015 \$A'000	2014 \$A'000
<b>3. Net tangible assets per security</b>		
Net tangible asset backing per ordinary security	726 cents	629 cents

### 4. Dividends

Ordinary shares

Dividends paid during the half-year (fully franked)	51,792	41,832
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The final dividend relating to the year ended on 30 June 2015 was paid on 28 October 2015.

Subsequent events

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

27 cents (2014: 24 cents) per ordinary share fully franked	26,892	23,904
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The interim dividend relating to the half-year ended on 31 December 2015 has not been included as a provision in the financial statements because the dividend was declared after balance date.

Date dividend is payable 24 March 2016

Record date to determine entitlements to the dividend 16 March 2016

Amount per ordinary security

		Amount per security	Franked amount per security
Interim dividend:	Current year	27 cents	27 cents (at 30% tax rate)
	Previous year	24 cents	24 cents (at 30% tax rate)

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

### 6. Independent review of the financial report

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



25 February 2016  
Melbourne

Gavin Street  
Company Secretary

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

Financial report for the half-year ended 31 December 2015

This half-year financial report is to be read in conjunction with  
the financial report for the year ended 30 June 2015

**Reece Limited and controlled entities**  
**Financial report for the half-year ended 31 December 2015**

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## Reece Limited and controlled entities

### Directors' Report

The Directors present their report together with the condensed financial report of the consolidated entity consisting of Reece Limited and the entities it controlled, for the half-year ended 31 December 2015 and independent review report thereon. This financial report has been prepared in accordance with AASB 134 *Interim Financial Reporting*.

#### **Directors' Names**

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

<b>Name</b>	<b>Period of directorship</b>
Mr L. A. Wilson	46 years
Mr B. W. C. Wilson	45 years
Mr J. G. Wilson	31 years
Mr P. J. Wilson	18 years
Mr R. G. Pitcher, AM	13 years
Mr A.T. Gorecki	7 years

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

#### **Review of Operations**

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Reece has continued to use forward exchange contracts to manage currency risk. With the continued devaluation of the Australian dollar against the USD and EUR and the lower level of forward exchange contracts, the company recognised a foreign currency unrealised gain of \$1.2M (2014: \$8.9M).

Net assets at 31 December 2015 were \$965.3M up 4.2% on 30 June 2015. The growth was driven by the increase in inventory levels and continued investment in property, plant and equipment. The business has continued to reduce loans and interest expenses.

The cost of doing business was \$240.2M, up 6.3% on the prior period (2014: \$225.9M). The business systems integration of Actrol and Metalflex is complete with back end functions and logistics now consolidated into the Reece Group Support Centre and distribution centres.

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Building commencements and activity has been at record levels over the last 12 months with the industry cycling a strong second half FY 2015. The Board was pleased with the FY 2016 half year financial performance, the integration of the Actrol Group and is committed to delivering on its FY 2016 targets.

**Reece Limited and controlled entities**

**Directors' Report**

***Significant changes in the state of affairs***

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

***Auditor's Independence Declaration***

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

***Rounding of amounts to nearest thousand dollars***

The amounts contained in the report and in the financial report have been rounded to the nearest thousand dollars (unless otherwise stated) under the option available to the Company under ASIC Class Order 98/100. The Company is an entity to which the Class Order applies.

Signed in accordance with a resolution of Directors.



L.A. Wilson  
Executive Chairman



P.J. Wilson  
Chief Executive Officer

Melbourne  
25 February 2016

**REECE LIMITED AND CONTROLLED ENTITIES****AUDITOR'S INDEPENDENCE DECLARATION  
TO THE DIRECTORS OF REECE LIMITED AND CONTROLLED ENTITIES**

In relation to the independent auditor's review for the half-year ended 31 December 2015, to the best of my knowledge and belief there have been:

- (i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) no contraventions of any applicable code of professional conduct.

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



D A KNOWLES  
Partner

25 February 2016



PITCHER PARTNERS  
Melbourne

Reece Limited and controlled entities

Condensed consolidated statement of comprehensive income for the half-year  
ended 31 December 2015

	Half-year	
	2015 \$A'000	2014 \$A'000
Revenue		
Sales revenue	1,141,130	1,049,996
Other income	1,562	1,705
	1,142,692	1,051,701
Less: expenses		
Cost of sales	774,845	719,329
Employee benefits expense	118,817	112,839
Depreciation	23,176	21,744
Finance costs	4,089	4,747
Other expenses	94,098	86,598
	1,015,025	945,257
Profit before Gain/(Loss) on foreign exchange contracts and Income tax	127,667	106,444
Unrealised Gain/(Loss) on foreign exchange contracts	1,170	8,864
Profit before income tax expense	128,837	115,308
Income tax expense	38,919	35,031
Profit from continuing operations	89,918	80,277
Profit for the half-year	89,918	80,277
Other comprehensive income		
Items that may be reclassified subsequently to profit and loss:		
Exchange differences on translation of foreign operations, net of tax	932	258
Total comprehensive income	90,850	80,535
Earnings per security (EPS) for profit from continuing operations attributable to equity holders of the parent entity:		
Basic EPS	90 cents	81 cents
Diluted EPS	90 cents	81 cents

The accompanying notes form part of these financial statements

**Reece Limited and controlled entities**

**Condensed consolidated statement of financial position as at 31 December 2015**

	<b>31 December 2015 \$A'000</b>	<b>30 June 2015 \$A'000</b>
<b>Current assets</b>		
Cash and cash equivalents	73,450	85,021
Trade and other receivables	305,438	306,274
Inventories	397,696	365,425
<b>Total current assets</b>	<b>776,584</b>	<b>756,720</b>
<b>Non-current assets</b>		
Property, plant and equipment	482,709	462,427
Intangible assets	211,843	211,843
Deferred tax assets	30,084	29,609
<b>Total non-current assets</b>	<b>724,636</b>	<b>703,879</b>
<b>Total assets</b>	<b>1,501,220</b>	<b>1,460,599</b>
<b>Current liabilities</b>		
Payables	309,123	296,712
Short-term borrowings	20,000	20,116
Current tax payable	7,045	9,130
Provisions	50,417	48,803
<b>Total current liabilities</b>	<b>386,585</b>	<b>374,761</b>
<b>Non-current liabilities</b>		
Long-term payables	2,565	2,826
Long-term borrowings	145,000	155,000
Provisions	1,800	1,800
<b>Total non-current liabilities</b>	<b>149,365</b>	<b>159,626</b>
<b>Total liabilities</b>	<b>535,950</b>	<b>534,387</b>
<b>Net assets</b>	<b>965,270</b>	<b>926,212</b>
<b>Equity</b>		
Contributed Equity	9,960	9,960
Reserves	4,292	3,360
Retained earnings	951,018	912,892
<b>Total equity</b>	<b>965,270</b>	<b>926,212</b>

The accompanying notes form part of these financial statements

**Reece Limited and controlled entities**

**Condensed consolidated statement of changes in equity for the half-year ended 31 December 2015**

	<b>Contributed equity \$A'000</b>	<b>Reserves \$A'000</b>	<b>Retained earnings \$A'000</b>	<b>Total equity \$A'000</b>
Balance as at 1 July 2014	9,960	3,936	813,072	826,968
Profit for the half-year	-	-	80,277	80,277
Exchange differences on translation of foreign operations, net of tax	-	258	-	258
Total other comprehensive income	-	258	-	258
Total comprehensive income for the half-year	-	258	80,277	80,535
Transactions with owners in their capacity as owners:				
Dividends paid	-	-	(41,832)	(41,832)
Total transactions with owners in their capacity as owners	-	-	(41,832)	(41,832)
Balance as at 31 December 2014	9,960	4,194	851,517	865,671
	<b>Contributed equity \$A'000</b>	<b>Reserves \$A'000</b>	<b>Retained earnings \$A'000</b>	<b>Total equity \$A'000</b>
Balance as at 1 July 2015	9,960	3,360	912,892	926,212
Profit for the half-year	-	-	89,918	89,918
Exchange differences on translation of foreign operations, net of tax	-	932	-	932
Total other comprehensive income	-	932	-	932
Total comprehensive income for the half-year	-	932	89,918	90,850
Transactions with owners in their capacity as owners:				
Dividends paid	-	-	(51,792)	(51,792)
Total transactions with owners in their capacity as owners	-	-	(51,792)	(51,792)
Balance as at 31 December 2015	9,960	4,292	951,018	965,270

The accompanying notes form part of these financial statements

**Reece Limited and controlled entities**

**Condensed consolidated statement of cash flows for the half-year  
ended 31 December 2015**

	Half-year	
	2015 \$A'000	2014 \$A'000
<hr/>		
Cash flow from operating activities		
Receipts from customers	1,256,553	1,151,919
Payments to suppliers and employees	(1,117,394)	(1,043,716)
Interest received	554	706
Finance costs	(4,409)	(4,782)
Income tax paid	(41,476)	(39,655)
	<hr/>	
Net cash provided by operating activities	93,828	64,472
	<hr/>	
Cash flow from investing activities		
Payments for property, plant and equipment	(45,611)	(31,567)
Proceeds from sale of property, plant and equipment	2,120	927
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Net cash used in investing activities	(43,491)	(30,640)
	<hr/>	
Cash flow from financing activities		
Proceeds from borrowings	10,000	55,000
Repayments of borrowings	(20,116)	(65,663)
Dividends paid	(51,792)	(41,832)
	<hr/>	
Net cash used in financing activities	(61,908)	(52,495)
	<hr/>	
Net decrease in cash and cash equivalents	(11,571)	(18,663)
	<hr/>	
Cash and cash equivalents at the beginning of the half-year	85,021	73,762
	<hr/>	
Cash and cash equivalents at the end of the half-year	73,450	55,099
	<hr/> <hr/>	

The accompanying notes form part of these financial statements

## Reece Limited and controlled entities

### Notes to the condensed consolidated financial statements for the half-year ended 31 December 2015

#### Note 1: Statement of significant accounting policies

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

It is recommended that this half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2015 and any public announcements made by Reece Limited during the half-year in accordance with any continuous disclosure obligations arising under the *Corporations Act 2001*.

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

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

This general purpose half-year financial report has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

#### (b) Summary of the significant accounting policies

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2015.

#### (c) Rounding amounts

The company is of a kind referred to in ASIC Class Order CO 98/100 and in accordance with that Class Order, amounts in the financial statements have been rounded off to the nearest thousand dollars, unless otherwise stated.

#### Note 2: Accounting standards issued but not yet operative

AASB 9: Financial Instruments and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2018). These Standards will replace AASB 139: Financial Instruments: Recognition and Measurement. The key changes that may affect the Group on initial application of AASB 9 and associated amending Standards include:

- (a) simplifying the general classifications of financial assets into those carried at amortised cost and those carried at fair value;
- (b) requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when it would create an 'accounting mismatch';
- (c) introducing a new model for hedge accounting that permits greater flexibility in the ability to hedge risk, particularly with respect to non-financial items; and
- (d) requiring impairment of financial assets carried at amortised cost based on an expected loss approach.

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

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

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

## Reece Limited and controlled entities

### Notes to the condensed consolidated financial statements for the half-year ended 31 December 2015

#### Note 3: Subsequent events

There have been no material events subsequent to the end of the half-year that require recognition or disclosure in the half-year financial report.

#### Note 4: Dividends

	31 Dec 2015 \$A'000	31 Dec 2014 \$A'000
<b>(a) Dividends paid or declared</b>		
Dividends paid at 52 cents per share (2014: 42 cents) fully franked at 30%	51,792	41,832
<b>(b) Dividends proposed after the reporting period and not recognised</b>		
Proposed dividends not recognised at the end of the half-year at 27 cents per share (2014: 24 cents) fully franked at 30%	26,892	23,904

#### Note 5: Segment reporting

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

#### Note 6: Property, plant and equipment

##### Acquisitions and disposals

During the six months ended 31 December 2015 the Group acquired assets with a cost of \$45.6 million (six months ended 31 December 2014: \$31.6 million).

Assets with a carrying amount of \$2.2 million were disposed of during the six months ended 31 December 2015 (six months ended 31 December 2014: \$2.3 million), resulting in a loss on disposal of \$0.03 million (six months ended 31 December 2014: loss of \$1.4 million).

#### Note 7: Fair value measurements

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

The consolidated entity holds foreign exchange contracts to purchase foreign currency. The full amount of the foreign currency the consolidated entity will be required to pay or purchase when settling the brought forward exchange contracts should the counterparty not pay the currency it is committed to deliver at balance day was \$57.3 million (31 December 2014: \$119.4 million). The foreign exchange contracts are recurring level 2 financial instruments in the fair value hierarchy. The fair value of these foreign exchange contracts is the estimated amount that the consolidated entity would pay to terminate the contract at the balance date, taking into account current foreign currency exchange rates at the time of maturity.

At 31 December 2015 the fair value of these contracts totalling \$4.4 million (31 December 2014: \$6.5 million) was included within the trade and other receivables asset within the Condensed consolidated statement of financial position.

**Reece Limited and controlled entities**  
**ABN 49 004 313 133**

**Directors' Declaration**

The directors declare that the financial statements and notes set out on pages 4 to 9 in accordance with the *Corporations Act 2001*:

- (a) Comply with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*, and other mandatory professional reporting requirements, and
- (b) Give a true and fair view of the financial position of the consolidated entity as at 31 December 2015 and of its performance for the half-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.

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



L. A. Wilson  
Executive Chairman



P. J. Wilson  
Chief Executive Officer

Melbourne  
25 February 2016

**REECE LIMITED AND CONTROLLED ENTITIES  
ABN 49 004 313 133**

**INDEPENDENT AUDITOR'S REVIEW REPORT  
TO THE MEMBERS OF  
REECE LIMITED AND CONTROLLED ENTITIES**

We have reviewed the accompanying half-year financial report of Reece Limited and controlled entities, which comprises the condensed consolidated statement of financial position as at 31 December 2015, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the period's end or from time to time during the half year.

*Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Reece Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

*Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

**REECE LIMITED AND CONTROLLED ENTITIES  
ABN 49 004 313 133**

**INDEPENDENT AUDITOR'S REVIEW REPORT  
TO THE MEMBERS OF  
REECE LIMITED AND CONTROLLED ENTITIES**

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Reece Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



D A KNOWLES  
Partner

25 February 2016



PITCHER PARTNERS  
Melbourne