

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

Half-year information for the six months ended 31 December 2014
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 2014

Appendix 4D

Half-year report for the six months to 31 December 2014

Reece Australia Limited
(ABN 49 004 313 133)

1. Reporting period

Report for the half-year ended 31 December 2014.

Previous corresponding period is the financial year ended 30 June 2014 and half-year ended 31 December 2013.

2. Results for announcement to the market

			\$A'000
Revenues from ordinary activities	Up	24.6% to	1,051,701
Profit before tax and unrealised gain on foreign exchange contracts	Up	23.4% to	106,444
Profit from ordinary activities after tax attributable to members	Up	34.7% to	80,277
Net profit for the period attributable to members	Up	34.7% to	80,277

Dividends	Amount per security	Franked amount per security
Interim dividend	24 cents	24 cents
Previous corresponding period – interim dividend	22 cents	22 cents
Record date for determining entitlements to the dividend		17 March 2015

Commentary

Sales revenue for the six month ending 31 December 2014 was up 24.6% to \$1,051.7M (2013: \$844M). The consolidated comparative period does not contain Actrol Parts Holdings Pty Ltd and its subsidiaries (Actrol Group) due to the acquisition being completed on 31 January 2014. Profit before tax and unrealised gains on foreign exchange contracts was up 23.4% to \$106.4M (2013: \$86.2M). Net profit before tax after unrealised gain on foreign currency was \$115.3M, up 34.0% on the prior year (2013: \$86.1M). As a result, net profit after tax for the six months ending 31 December 2014 was \$80.3M, up 34.7% on the prior year (2013: \$59.6M).

Reece has continued to manage currency risk through forward exchange contracts to provide a level of certainty on the foreign exchange position for the company. The unrealised foreign exchange gain of \$8.9M reflects the current market valuation of the forward exchange contracts as at 31 December 2014 and the impact of the devaluation of the Australian dollar since 30 June 2014.

The cost of doing business was \$225.9M, up 28.1% on the prior year (2013: \$176.4M). The increase was driven by the additional operating and funding costs associated with the Actrol Group and the continued investment in the overall business.

Reece opened eight new outlets in the first half of the year and continued its refurbishment program of existing branches. The integration of the Actrol Group is continuing as planned, with one new Metalflex branch opened in Sydney and the relocation of one Actrol Branch.

Inventory levels at December 2014 were up 7.4% to \$349.7M from 30 June 2014 (\$325.7M). The increase was driven by additional sales, continued focus on improving the in-stock service rate and introduction of new products.

The Board has declared an interim dividend of 24 cents per share (2013: 22 cents per share), fully franked. The interim dividend will be paid on 26 March 2015, with a record date of 17 March 2015.

The Board is positive about the level of building activity during the first half of the year. However, the Board notes an increasing level of uncertainty around economic conditions for the calendar year 2015 and will provide guidance at the appropriate time.

Appendix 4D

Half-year report for the six months to 31 December 2014

Reece Australia Limited
(ABN 49 004 313 133)

	2014 \$A'000	2013 \$A'000
3. Net tangible assets per security		
Net tangible asset backing per ordinary security	629 cents	761 cents

4. Dividends

Ordinary shares

Dividends paid during the half-year	41,832	40,836
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The final dividend relating to the year ended on 30 June 2014 was paid on 30 October 2014.

Subsequent events

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

24 cents (2013: 22 cents) per ordinary share fully franked	23,904	21,912
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The interim dividend relating to the half-year ended on 31 December 2014 has not been included as a provision in the financial statements because the dividend was declared after balance date.

Date dividend is payable 26 March 2015

Record date to determine entitlements to the dividend 17 March 2015

Amount per ordinary security

	Amount per security	Franked amount per security
Interim dividend: Current year	24 cents	24 cents (at 30% tax rate)
Previous year	22 cents	22 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.

26 February 2015
Melbourne


Gavin Street
Company Secretary

Reece Australia Limited

(ABN 49 004 313 133)
and controlled entities

Financial report for the half-year ended 31 December 2014

This half-year financial report is to be read in conjunction with
the financial report for the year ended 30 June 2014

Reece Australia Limited and controlled entities
Financial report for the half-year ended 31 December 2014

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Reece Australia Limited and controlled entities

Directors' Report

The Directors present their report together with the condensed financial report of the consolidated entity consisting of Reece Australia Limited and the entities it controlled, for the half-year ended 31 December 2014 and independent review report thereon. This financial report has been prepared in accordance with AASB 134 *Interim Financial Reporting*.

Directors' Names

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

Name	Period of directorship
Mr L. A. Wilson	45 years
Mr B. W. C. Wilson	44 years
Mr J. G. Wilson	30 years
Mr P. J. Wilson	17 years
Mr R. G. Pitcher, AM	12 years
Mr A.T. Gorecki	6 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

Sales revenue for the six month ending 31 December 2014 was up 24.6% to \$1,051.7M (2013: \$844M). The consolidated comparative period does not contain Actrol Parts Holdings Pty Ltd and its subsidiaries (Actrol Group) due to the acquisition being completed on 31 January 2014. Profit before tax and unrealised gains on foreign exchange contracts was up 23.4% to \$106.4M (2013: \$86.2M). Net profit before tax after unrealised gain on foreign currency was \$115.3M, up 34.0% on the prior year (2013: \$86.1M). As a result, net profit after tax for the six months ending 31 December 2014 was \$80.3M, up 34.7% on the prior year (2013: \$59.6M).

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The cost of doing business was \$225.9M, up 28.1% on the prior year (2013: \$176.4M). The increase was driven by the additional operating and funding costs associated with the Actrol Group and the continued investment in the overall business.

Reece opened eight new outlets in the first half of the year and continued its refurbishment program of existing branches. The integration of the Actrol Group is continuing as planned, with one new Metalflex branch opened in Sydney and the relocation of one Actrol Branch.

Inventory levels at December 2014 were up 7.4% to \$349.7M from 30 June 2014 (\$325.7M). The increase was driven by additional sales, continued focus on improving the in-stock service rate and introduction of new products.

The Board has declared an interim dividend of 24 cents per share (2013: 22 cents per share), fully franked. The interim dividend will be paid on 26 March 2015, with a record date of 17 March 2015.

The Board is positive about the level of building activity during the first half of the year. However, the Board notes an increasing level of uncertainty around economic conditions for the calendar year 2015 and will provide guidance at the appropriate time.

Reece Australia 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 (where rounding is applicable) under the option available to the Company under ASIC Class Order 98/0100. 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
26 February 2015

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

In relation to the independent review for the half-year ended 31 December 2014, 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 Australia Ltd and the entities it controlled during the period.



D A KNOWLES
Partner

26 February 2015



PITCHER PARTNERS
Melbourne

Reece Australia Limited and controlled entities

Condensed consolidated statement of comprehensive income for the half-year
ended 31 December 2014

	Half-year	
	2014 \$A'000	2013 \$A'000
Revenue		
Sales revenue	1,049,996	840,844
Other income	1,705	3,576
	1,051,701	844,020
Less: expenses		
Cost of sales	719,329	581,409
Employee benefits expense	112,839	87,785
Depreciation	21,744	20,625
Finance costs	4,747	153
Other expenses	86,598	67,803
	945,257	757,775
Profit before Gain/(Loss) on foreign exchange contracts and Income tax	106,444	86,245
Unrealised Gain/(Loss) on foreign exchange contracts	8,864	(187)
Profit before income tax expense	115,308	86,058
Income tax expense	35,031	26,470
Profit from continuing operations	80,277	59,588
Profit for the half-year	80,277	59,588
Other comprehensive income		
Items that may be reclassified subsequently to profit and loss:		
Exchange differences on translation of foreign operations, net of tax	258	740
Total comprehensive income	80,535	60,328
Earnings per security (EPS) for profit from continuing operations attributable to equity holders of the parent entity:		
Basic EPS	81 cents	60 cents
Diluted EPS	81 cents	60 cents

The accompanying notes form part of these financial statements

Reece Australia Limited and controlled entities

Condensed consolidated statement of financial position as at 31 December 2014

	31 December 2014 \$A'000	30 June 2014 \$A'000
Current assets		
Cash and cash equivalents	55,099	73,762
Trade and other receivables	285,962	282,715
Inventories	349,716	325,655
Total current assets	690,777	682,132
Non-current assets		
Property, plant and equipment	456,699	452,138
Intangible assets	211,843	211,843
Deferred tax assets	27,751	30,671
Total non-current assets	696,293	694,652
Total assets	1,387,070	1,376,784
Current liabilities		
Trade and other payables	273,365	281,992
Short-term borrowings	29,113	29,777
Current tax payable	2,973	10,518
Provisions	45,571	44,077
Other	0	2,935
Total current liabilities	351,022	369,299
Non-current liabilities		
Long-term payables	3,086	3,347
Long-term borrowings	165,000	175,000
Provisions	2,291	2,170
Total non-current liabilities	170,377	180,517
Total liabilities	521,399	549,816
Net assets	865,671	826,968
Equity		
Issued capital	9,960	9,960
Reserves	4,194	3,936
Retained earnings	851,517	813,072
Total equity	865,671	826,968

The accompanying notes form part of these financial statements

Reece Australia Limited and controlled entities

Condensed consolidated statement of changes in equity for the half-year ended 31 December 2014

	Contributed equity \$A'000	Reserves \$A'000	Retained earnings \$A'000	Total equity \$A'000
Balance as at 1 July 2013	9,960	3,077	752,795	765,832
Profit for the half-year	-	-	59,588	59,588
Exchange differences on translation of foreign operations, net of tax	-	740	-	740
Total other comprehensive income	-	740	-	740
Total comprehensive income for the half-year	-	740	59,588	60,328
Transactions with owners in their capacity as owners:				
Dividends paid	-	-	(40,836)	(40,836)
Total transactions with owners in their capacity as owners	-	-	(40,836)	(40,836)
Balance as at 31 December 2013	9,960	3,817	771,547	785,324

	Contributed equity \$A'000	Reserves \$A'000	Retained earnings \$A'000	Total equity \$A'000
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

The accompanying notes form part of these financial statements

Reece Australia Limited and controlled entities

**Condensed consolidated statement of cash flows for the half-year
ended 31 December 2014**

	Half-year	
	2014 \$A'000	2013 \$A'000
Cash flow from operating activities		
Receipts from customers	1,151,919	945,584
Payments to suppliers and employees	(1,043,716)	(860,169)
Interest received	706	2,433
Borrowing costs	(4,782)	(100)
Income tax paid	(39,655)	(27,324)
Net cash provided by operating activities	<u>64,472</u>	<u>60,424</u>
Cash flow from investing activities		
Payments for property, plant and equipment	(31,567)	(33,311)
Proceeds from sale of property, plant and equipment	927	2,400
Net cash used in investing activities	<u>(30,640)</u>	<u>(30,911)</u>
Cash flow from financing activities		
Proceeds from borrowings	55,000	19,136
Repayments of borrowings	(65,663)	(18,432)
Dividends paid	(41,832)	(40,836)
Net cash used in financing activities	<u>(52,495)</u>	<u>(40,132)</u>
Net decrease in cash and cash equivalents	(18,663)	(10,619)
Cash and cash equivalents at the beginning of the half-year	<u>73,762</u>	<u>156,232</u>
Cash and cash equivalents at the end of the half-year	<u><u>55,099</u></u>	<u><u>145,613</u></u>

The accompanying notes form part of these financial statements

Reece Australia Limited and controlled entities
Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2014

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 2014 and any public announcements made by Reece Australia 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 2014.

(c) Rounding amounts

The company is of a kind referred to in ASIC Class Order CO 98/0100 and in accordance with that Class Order, amounts in the financial statements have been rounded off to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Note 2: Accounting standards issued but not yet operative

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

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

The directors have not yet assessed the impact (if any) of changes in the standard above.

Reece Australia Limited and controlled entities

Notes to the condensed consolidated financial statements for the half-year ended 31 December 2014

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 2014 \$A'000	31 Dec 2013 \$A'000
(a) Dividends paid or declared		
Dividends paid at 42 cents per share (2013: 41 cents) fully franked at 30%	41,832	40,836
(b) Dividends proposed after the reporting period and not recognised		
Proposed dividends not recognised at the end of the half-year at 24 cents per share (2013: 22 cents) fully franked at 30%	23,904	21,912

Note 5: Segment reporting

The sole activity of the operating companies within the group is that of plumbing, building and hardware merchants in Australia and New Zealand.

Note 6: Property, plant and equipment

Acquisitions and disposals

During the six months ended 31 December 2014 the Group acquired assets with a cost of \$26.8 million (six months ended 31 December 2013: \$27.3 million).

Assets with a carrying amount of \$2.3 million were disposed of during the six months ended 31 December 2013 (six months ended 31 December 2013: \$2.6 million), resulting in a loss on disposal of \$1.4 million (six months ended 31 December 2013: loss of \$0.2 million).

Note 7: Fair value measurements

The consolidated entity holds foreign exchange agreements 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 \$A119.4 million. The foreign exchange agreements are recurring level 2 financial instruments in the fair value hierarchy. The fair value of these foreign exchange agreements is determined with reference to the current exchange rates.

At 31 December 2014 the unrealised gain on these agreements totalling \$6.5 million was included within the trade and other receivables asset within the Consolidated Statement of Financial Position.

Reece Australia 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 2014 and of its performance for the half-year ended on that date.

In the directors' opinion there are reasonable grounds to believe that Reece Australia 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
26 February 2015

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

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

We have reviewed the accompanying half-year financial report of Reece Australia Limited and controlled entities, which comprises the condensed consolidated statement of financial position as at 31 December 2014, 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 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 2014 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 Australia 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*.

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 Australia 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 2014 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

26 February 2015



PITCHER PARTNERS
Melbourne