

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

# FINANCIAL INFORMATION

FINANCIAL INFORMATION FOR THE YEAR ENDED 30 JUNE 2016  
PROVIDED TO THE ASX UNDER LISTING RULE 4.3A

Reece Limited  
(ABN 49 004 313 133)

## 1. Reporting period

Report for the financial year ended 30 June 2016

Previous corresponding period is the financial year ended 30 June 2015

## 2. Results for announcement to the market

			\$A'000
Revenues from ordinary activities	Up	9.2% to	2,276,353
Profit before tax and unrealised loss or gain on foreign exchange contracts	Up	23.2% to	280,715
Profit from ordinary activities after tax attributable to members	Up	16.1% to	192,218
Net profit for the period attributable to members	Up	16.1% to	192,218

Dividends	Amount per security	Franked amount per security
Interim dividend	27 cents	27 cents
Final dividend	65 cents	65 cents
Record date for determining entitlements to the dividend		11 October 2016

## 3. Statement of Profit or Loss and Other Comprehensive Income

### Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2016

	Consolidated Entity	
	2016 (\$000's)	2015 (\$000's)
<b>Revenue</b>		
Sales revenue	2,276,353	2,085,128
Other income	15,405	1,636
	<b>2,291,758</b>	<b>2,086,764</b>
<b>Less: Expenses</b>		
Cost of goods sold	1,517,443	1,397,488
Employee benefits expense	245,209	237,379
Depreciation	46,583	44,456
Finance costs	7,747	9,223
Other expenses	183,160	170,275
Unrealised loss/(gain) on foreign exchange contracts	786	(10,363)
Impairment of goodwill	10,901	
<b>Profit before income tax</b>	<b>279,929</b>	<b>238,306</b>
Income tax expense	87,711	72,750
<b>Net Profit for the year from continuing operations</b>	<b>192,218</b>	<b>165,556</b>
<b>Other Comprehensive Income</b>		
<b>Items that may be reclassified subsequently to profit and loss:</b>		
Exchange differences on translation of foreign operations, net of tax	1,280	(576)
<b>Total comprehensive income</b>	<b>193,498</b>	<b>164,980</b>
Basic earnings per share	<b>193 cents</b>	<b>166 cents</b>
Diluted earnings per share	<b>193 cents</b>	<b>166 cents</b>

## 4. Statement of Financial Position

### Consolidated Statement of Financial Position

As at 30 June 2016

	Consolidated Entity	
	2016 (\$000's)	2015 (\$000's)
<b>Current Assets</b>		
Cash and cash equivalents	105,123	85,021
Receivables	347,207	306,274
Inventories	405,900	365,425
<b>Total Current Assets</b>	<b>858,230</b>	<b>756,720</b>
<b>Non-Current Assets</b>		
Property, plant and equipment	500,035	462,427
Intangible assets	201,392	211,843
Deferred tax assets	31,697	29,609
<b>Total Non-Current Assets</b>	<b>733,124</b>	<b>703,879</b>
<b>Total Assets</b>	<b>1,591,354</b>	<b>1,460,599</b>
<b>Current Liabilities</b>		
Payables	317,325	296,712
Short-term borrowings	20,000	20,116
Current tax payable	20,278	9,130
Provisions	51,141	48,803
Other liabilities	11,262	-
<b>Total Current Liabilities</b>	<b>420,006</b>	<b>374,761</b>
<b>Non-Current Liabilities</b>		
Long-term payables	2,304	2,826
Long-term borrowings	125,000	155,000
Provisions	3,018	1,800
<b>Total Non-Current Liabilities</b>	<b>130,322</b>	<b>159,626</b>
<b>Total Liabilities</b>	<b>550,328</b>	<b>534,387</b>
<b>Net Assets</b>	<b>1,041,026</b>	<b>926,212</b>
<b>Equity</b>		
Contributed equity	9,960	9,960
Reserves	4,640	3,360
Retained earnings	1,026,426	912,892
<b>Total Equity</b>	<b>1,041,026</b>	<b>926,212</b>

## 5. Statement of Cash Flows

### Consolidated Statement of Cash Flows

For the year ended 30 June 2016

	Consolidated Entity	
	2016 (\$000's)	2015 (\$000's)
<b>Cash flow from operating activities</b>		
Receipts from customers	2,459,779	2,268,562
Payments to suppliers and employees	(2,183,478)	(2,021,417)
Interest received	1,213	1,113
Finance costs	(8,517)	(8,955)
Income tax paid	(78,655)	(73,058)
<b>Net cash provided by operating activities</b>	<b>190,342</b>	<b>166,246</b>
<b>Cash flow from investing activities</b>		
Payment for property, plant and equipment	(65,511)	(65,134)
Purchase of Intangibles	(450)	-
Proceeds from sale of property, plant and equipment	4,521	5,544
<b>Net cash used in investing activities</b>	<b>(61,440)</b>	<b>(59,590)</b>
<b>Cash flow from financing activities</b>		
Dividends paid	(78,684)	(65,736)
Repayments of borrowings	(52,116)	(182,661)
Proceeds from borrowings	22,000	153,000
<b>Net cash provided / (used) in financing activities</b>	<b>(108,800)</b>	<b>(95,397)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>20,102</b>	<b>11,259</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>85,021</b>	<b>73,762</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>105,123</b>	<b>85,021</b>

## 6. Dividends

	Date of payment	Total amount of dividend \$
Interim dividend – year ended 30 June 2016	24 March 2016	26,892,000
Final dividend – year ended 30 June 2016	27 October 2016	64,740,000

Amount per ordinary security	Amount per security	Franked amount per security
Final dividend:		
Current year	65 cents	65 cents (at 30% tax rate)
Previous year	52 cents	52 cents (at 30% tax rate)
Interim dividend:		
Current year	27 cents	27 cents (at 30% tax rate)
Previous year	24 cents	24 cents (at 30% tax rate)
<b>Total dividend per security</b>	<b>Current period</b>	<b>Previous period</b>
<b>Ordinary securities</b>	<b>92 cents</b>	<b>76 cents</b>

## 7. Statement of retained earnings

	Consolidated Entity	
	2016 \$(000's)	2015 \$(000's)
Balance at beginning of year	912,892	813,072
Net profit attributable to members of the parent entity	192,218	165,556
Dividends paid	(78,684)	(65,736)
Balance at end of year	1,026,426	912,892

## 8. Net tangible assets per security

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	811 cents	687 cents

## 9. The financial information provided in the Appendix 4E has been prepared in accordance with Australian Accounting Standards.

### 10. Commentary on the results for the period

Sales revenue increased by 9.2% to \$2,276m (2015: \$2,085m) a record result for Reece. Profit before tax and unrealised loss or gain on foreign exchange contracts was \$280.7m, up 23.2% on the prior year (2015: \$227.9m). Profit before tax was up 17.5% to \$279.9m (2015: \$238.3m), net profit after tax was \$192.2m for the year ending 30 June 2016 an increase of 16.1% on the prior year (2015: \$165.6m).

The profit after tax result included the profit on sale of a property in NSW, foreign currency losses as a result of utilising forward exchange contracts to manage currency risk and an impairment charge to goodwill. Reece continued to utilise forward exchange contracts to manage currency risk. The Australian currency was less volatile than in previous years and as a result Reece recorded an unrealised loss of \$0.8m (2015: \$10.4m gain).

The Board reviewed the appropriateness of the goodwill assumptions and underlying impairment calculations based on current forecasts and as a result an impairment to goodwill was recognised for AC Components, a subsidiary of the Actrol Group. With the information technology integration of the Actrol Group now complete both businesses are expected to deliver future value to shareholders.

The new Perth distribution centre opened in March 2016 and Sydney distribution centre was fully operational in August 2016. Reece has a market leading logistics capability delivering significant synergies across the group and supporting branches to deliver great service to its customers. Inventory levels increased to \$405.9m up 11.1% on the prior year (2015: \$365.4m), driven by the growth of the business, introduction of new products and improved service levels.

Cost of doing business was up 4.6% to \$482.7m (2015: \$461.3m) due to the increase in staff levels and related costs to support the business growth. Reece has continued to invest in the refurbishment program of existing branches and opened 6 new branches in Australia during the year. Finance costs were down 16% to \$7.7m with debt reducing by \$30m to \$145m.

The customer satisfaction score increased on the prior year to be the highest recorded. The feedback from customers is an important part of continually improving the products and services Reece provide customers. The staff satisfaction score was also a record level. Staff can provide feedback to management on a daily basis for any issues to be quickly identified and actioned. Reece have continued to invest in the training and development of staff to provide high quality customised service.

Reece has maintained a very strong balance sheet with net assets at \$1,041m, up 12.4% on the prior year (2015: \$926m). The business has continued to generate strong cash flow funding the growth in inventory and the investment in property plant and equipment.

The Board has declared a final dividend of 65 cents per share fully franked. The final dividend will be paid on 27 October 2016 with the record date for entitlement being 11 October 2016. Total dividends paid and to be paid relating to the year ended 30 June 2016 will be 92 cents per share (2015: 76 cents per share), an increase of 21.1% over the prior year.

The Board was very pleased with the FY 2016 result. The Building and construction industry performed at record levels in FY 2016 however with activity expected to slow over the next 12 months, the Board confirms Reece is in a very strong financial position and well placed to continue to invest in the business and deliver on its FY 2017 objectives.

## 11. The audit has been completed

The financial report is not subject to audit dispute or qualification.

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### **The annual general meeting will be held as follows:**

Place	Computershare Investor Services Pty Ltd Yarra Falls 452 Johnston Street Abbotsford, Victoria
Time	3.00 pm
Date	27 October 2016
Approximate date the annual report will be distributed	23 September 2016

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**G W Street**  
**Company Secretary** 25 August 2016

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**reece**  
group™

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