

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

Half-year information for the six months ended 31 December 2013
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 2013

Appendix 4D

Half-year report for the six months to 31 December 2013

Reece Australia Limited
(ABN 49 004 313 133)

1. Reporting period

Report for the half-year ended 31 December 2013.

Previous corresponding period is the financial year ended 30 June 2013 and half-year ended 31 December 2012.

2. Results for announcement to the market

| | | | \$A'000 |
|---|----|---------|---------|
| Revenues from ordinary activities | up | 7.5% to | 844,020 |
| Profit from ordinary activities after tax attributable to members | up | 8.5% to | 59,588 |
| Net profit for the period attributable to members | up | 8.5% to | 59,588 |

| Dividends | Amount per security | Franked amount per security |
|--|---------------------|-----------------------------|
| Interim dividend | 22 cents | 22 cents |
| Previous corresponding period – interim dividend | 21 cents | 21 cents |
| Record date for determining entitlements to the dividend | | 14 March 2014 |

Commentary

Revenue for the six months ending 31 December 2013 was up 7.5% to \$844.0M (2012 \$785.3M). As a result profit before tax increased by 8.4% to \$86.1M (2012 \$79.4M) and net profit after tax was \$59.6M, an increase of 8.5% over the prior year (2012 \$54.9M). The sales result was driven by improving conditions in the building industry in Australia and New Zealand, like for like branch sales growth and the addition of new branches.

Reece signed an agreement for the purchase of 100% of the shares in Actrol Parts Holdings Pty Ltd and its subsidiaries on the 20th December 2013 with settlement occurring on the 31st January 2014. The purchase price of \$280M was funded through working capital and a new debt facility. The Actrol Group specialises in trade distribution providing refrigerant gases, units and components to the Australian heating, ventilation, air conditioning and refrigeration ("HVAC-R") industry. The Actrol Group has 79 locations across Australia.

In addition to the acquisition Reece opened 11 new outlets in the first half of the year and continued its refurbishment program of existing branches. We have invested in new products, both locally and overseas, to ensure we continue to improve our service to our customers. As a result of the opening of new branches and investment in new products, inventory levels have also increased.

The Board has declared an interim dividend of 22 cents per share (2012 21 cents per share), fully franked. The interim dividend will be paid on 21 March 2014, with a record date of 14 March 2014.

Reece will work closely with the Actrol Group to ensure a successful transition of ownership. The Board is expecting the present economic conditions to continue into 2014 and will provide guidance at the appropriate time.

Appendix 4D

Half-year report for the six months to 31 December 2013

Reece Australia Limited
(ABN 49 004 313 133)

| | 2013 \$A'000 | 2012 \$A'000 |
|--|-----------------|-----------------|
| 3. Net tangible assets per security | | |
| Net tangible asset backing per ordinary security | 761 cents | 695 cents |
| 4. Dividends | | |
| Ordinary shares | | |
| Dividends paid during the half-year | 40,836 | 39,840 |

The final dividend relating to the year ended on 30 June 2013 was paid on 24 October 2013.

Subsequent events

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

| | | |
|--|--------|--------|
| 22 cents(2012 21 cents) per ordinary share fully franked | 21,912 | 20,916 |
|--|--------|--------|

The interim dividend relating to the half-year ended on 31 December 2013 has not been included as a provision in the financial statements because the dividend was declared after balance date.

Date dividend is payable 21 March 2014

Record date to determine entitlements to the dividend 14 March 2014

Amount per ordinary security

| | | Amount per security | Franked amount per security |
|-------------------|---------------|---------------------|-----------------------------|
| Interim dividend: | Current year | 22 cents | 22 cents (at 30% tax rate) |
| | Previous year | 21 cents | 21 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.

27 February 2014
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 2013

This half-year financial report is to be read in conjunction with
the financial report for the year ended 30 June 2013

Reece Australia Limited and controlled entities
Financial report for the half-year ended 31 December 2013

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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 2013 and independent review report thereon. This financial report has been prepared in accordance with Australian Accounting Standards.

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 | 44 years |
| Mr B. W. C. Wilson | 43 years |
| Mr J. G. Wilson | 29 years |
| Mr P. J. Wilson | 16 years |
| Mr R. G. Pitcher, AM | 11 years |
| Mr A.T. Gorecki | 5 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

Revenue for the six months ending 31 December 2013 was up 7.5% to \$844.0M (2012 \$785.3M). As a result profit before tax increased by 8.4% to \$86.1M (2012 \$79.4M) and net profit after tax was \$59.6M, an increase of 8.5% over the prior year (2012 \$54.9M). The sales result was driven by improving conditions in the building industry in Australia and New Zealand, like for like branch sales growth and the addition of new branches.

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The Board has declared an interim dividend of 22 cents per share (2012 21 cents per share), fully franked. The interim dividend will be paid on 21 March 2014, with a record date of 14 March 2014.

Reece will work closely with the Actrol Group to ensure a successful transition of ownership. The Board is expecting the present economic conditions to continue into 2014 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
27 February 2014

**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 2013, 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.

D A KNOWLES
Partner
27 February 2014

PITCHER PARTNERS
Melbourne

Reece Australia Limited and controlled entities

Condensed consolidated statement of comprehensive income for the half-year
ended 31 December 2013

| | Half-year | |
|---|-----------------|-----------------|
| | 2013 \$A'000 | 2012 \$A'000 |
| Revenue | | |
| Sales revenue | 840,844 | 780,812 |
| Other revenue | 3,576 | 4,472 |
| | 844,020 | 785,284 |
| Less: expenses | | |
| Cost of sales | 581,409 | 536,910 |
| Employee benefits expense | 87,785 | 81,740 |
| Depreciation | 20,625 | 17,828 |
| Finance Costs | 153 | 134 |
| Other expenses | 67,803 | 69,293 |
| Unrealised (Gain)/Loss on foreign exchange contracts | 187 | (22) |
| | 757,962 | 705,883 |
| Profit before income tax expense | 86,058 | 79,401 |
| Income tax expense | 26,470 | 24,469 |
| Profit from continuing operations | 59,588 | 54,932 |
| Profit for the half-year | 59,588 | 54,932 |
| Other Comprehensive Income | | |
| Items that may be reclassified subsequently to profit and loss: | | |
| Exchange differences on translation of foreign operations, net of tax | 740 | 87 |
| Total comprehensive income | 60,328 | 55,019 |
| Earnings per security (EPS) for profit from continuing operations attributable to equity holders of the parent entity: | | |
| Basic EPS | 60 cents | 55 cents |
| Diluted EPS | 60 cents | 55 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 2013

| | 31 December 2013 \$A'000 | 30 June 2013 \$A'000 |
|--------------------------------------|---|-------------------------------------|
| Current assets | | |
| Cash and cash equivalents | 145,613 | 156,232 |
| Trade and other receivables | 226,069 | 245,377 |
| Inventories | 236,852 | 224,609 |
| Total current assets | 608,534 | 626,218 |
| Non-current assets | | |
| Property, plant and equipment | 427,864 | 423,779 |
| Intangible assets | 3,367 | 3,367 |
| Deferred tax assets | 23,750 | 23,390 |
| Total non-current assets | 454,981 | 450,536 |
| Total assets | 1,063,515 | 1,076,754 |
| Current liabilities | | |
| Trade and other payables | 209,828 | 236,850 |
| Short-term borrowings | 9,594 | 8,889 |
| Current tax payable | 11,882 | 12,344 |
| Provisions | 37,217 | 35,529 |
| Other | 3,918 | 11,096 |
| Total current liabilities | 272,439 | 304,708 |
| Non-current liabilities | | |
| Payables | 3,607 | 4,171 |
| Provisions | 2,145 | 2,043 |
| Total non-current liabilities | 5,752 | 6,214 |
| Total liabilities | 278,191 | 310,922 |
| Net assets | 785,324 | 765,832 |
| Equity | | |
| Issued capital | 9,960 | 9,960 |
| Reserves | 3,817 | 3,077 |
| Retained earnings | 771,547 | 752,795 |
| Total equity | 785,324 | 765,832 |

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 2013**

| | Contributed equity \$A'000 | Reserves \$A'000 | Retained earnings \$A'000 | Total Equity \$A'000 |
|--|---|-----------------------------|--|-------------------------------------|
| Balance as at 1 July 2012 | 9,960 | 2,567 | 694,420 | 706,947 |
| Profit for the half-year | - | - | 54,932 | 54,932 |
| Exchange differences on translation of foreign operations, net of tax | - | 87 | - | 87 |
| Total other comprehensive income | - | 87 | - | 87 |
| Total comprehensive income for the half-year | - | 87 | 54,932 | 55,019 |
| Transactions with owners in their capacity as owners: | | | | |
| Dividends paid | - | - | (39,840) | (39,840) |
| Total transactions with owners in their capacity as owners | - | - | (39,840) | (39,840) |
| Balance as at 31 December 2012 | 9,960 | 2,654 | 709,512 | 722,126 |
| | 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 |

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 2013**

| | Half-year | |
|---|-----------------|-----------------|
| | 2013 \$A'000 | 2012 \$A'000 |
| Cash flow from operating activities | | |
| Receipts from customers | 945,584 | 873,802 |
| Payments to suppliers and employees | (860,169) | (787,850) |
| Interest received | 2,433 | 3,696 |
| Borrowing costs | (100) | (93) |
| Income tax paid | (27,324) | (26,699) |
| Net cash provided by operating activities | 60,424 | 62,856 |
| Cash flow from investing activities | | |
| Payments for property, plant and equipment | (33,311) | (53,055) |
| Purchase of intangibles | - | (3,367) |
| Proceeds from sale of property, plant and equipment | 2,400 | 2,759 |
| Net cash used in investing activities | (30,911) | (53,663) |
| Cash flow from financing activities | | |
| Proceeds from borrowings | 19,136 | 15,521 |
| Repayments of borrowings | (18,432) | (16,867) |
| Dividends paid | (40,836) | (39,840) |
| Net cash used in financing activities | (40,132) | (41,186) |
| Net increase/(decrease) in cash and cash equivalents | (10,619) | (31,993) |
| Cash and cash equivalents at the beginning of the half-year | 156,232 | 166,758 |
| Cash and cash equivalents at the end of the half-year | 145,613 | 134,765 |

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 2013

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 2013 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 2013, except as described in (c) Principles of consolidation.

(c) Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising the financial statements of the parent entity and of all entities, which Reece Australia Limited controlled from time to time during the half-year and at balance date.

Under AASB 10 *Consolidated Financial Statements*, the group controls an entity where it has the power to affect the variable amount of returns from its involvement with the entity.

The consolidated entity has applied AASB 10 retrospectively in accordance with the transitional provisions. The consolidated entity has determined that AASB 10 has no impact on the composition of the consolidated group. Therefore, no adjustments to any of the carrying amounts are required.

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.

(d) 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.

Reece Australia Limited and controlled entities

Notes to the condensed consolidated financial statements for the half-year ended 31 December 2013

Note 2: Subsequent events

(a) Acquisition of Actrol Parts Holdings Pty Ltd

On 31 January 2014 Reece Australia Limited acquired 100% of the issued shares in Actrol Parts Holdings Pty Ltd, a wholesaler of refrigeration and air conditioning products, for an initial purchase price of \$280 million plus an adjustment for additional working capital to be paid once completion accounts have been received and accepted. Completion accounts are due to be received within 45 business days after the acquisition date. Goodwill and intangibles are expected to be in excess of \$150 million.

The financial effects of this transaction have not been brought to account at 31 December 2013.

(i) Acquisition-related costs

Acquisition-related costs will be expensed and included in the statement of comprehensive income for the reporting period ending 30 June 2014. These costs have not been finalised.

(ii) Information not disclosed as not yet available

At the time the financial statements were authorised for issue, the group had not yet completed the accounting for the acquisition of Actrol Parts Holdings Pty Ltd. In particular, the fair values of the assets and liabilities have only been determined provisionally as the independent valuations have not been finalised. It is also not yet possible to provide detailed information about each class of acquired receivables and any contingent liabilities of the acquired entity.

Note 3: Dividends

| | 2013 \$A'000 | 2012 \$A'000 |
|---|-----------------|-----------------|
| (a) Dividends paid or declared | | |
| Dividends paid at 41 cents per share (2012: 40 cents) fully franked at 30% | 40,836 | 39,840 |
| (b) Dividends proposed after the reporting period and not recognised | | |
| Proposed dividends not recognised at the end of the half-year at 22 cents per share (2012: 21 cents) fully franked at 30% | 21,912 | 20,916 |

Note 4: 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 5: Property, plant and equipment

Acquisitions and disposals

During the six months ended 31 December 2013 the Group acquired assets with a cost of \$27.3 million (six months ended 31 December 2012: \$56.9 million).

Assets with a carrying amount of \$2.6 million were disposed of during the six months ended 31 December 2013 (six months ended 31 December 2012: \$3.5 million), resulting in a loss on disposal of \$215,858 (six months ended 31 December 2012: loss of \$735,455).

Reece Australia Limited and controlled entities

**Notes to the condensed consolidated financial statements for the half-year
ended 31 December 2013**

Note 6: 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 \$A92.4 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 2013 the unrealised gain on these agreements totalling \$6.4 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 10 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 2013 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
27 February 2014

**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 2013, 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 2013 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 2013 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
27 February 2014

PITCHER PARTNERS
Melbourne