

A man with a beard, wearing a dark blue short-sleeved shirt with a small "reece" logo on the sleeve, is holding a large coil of copper pipe. He is looking down at the pipe. The background is a workshop or factory setting with various metal parts and structures.

# 20

FINANCIAL INFORMATION

A modern bathroom sink with a chrome faucet is shown in the foreground. In the background, a copper bell hangs from a hook, and a pair of grey socks is hanging on a wire hanger. The scene is set in a dark, minimalist bathroom.

# 14

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

For the year ended 30 June 2014  
Provided to the ASX under listing rule 4.3A

## Reece Australia Limited

(ABN 49 004 313 133)

### 1. Reporting period

Report for the financial year ended 30 June 2014

Previous corresponding period is the financial year ended 30 June 2013

### 2. Results for announcement to the market

		\$A'000
Revenues from ordinary activities	Up 15.7% to	1,775,876
Earnings before interest, tax and unrealised loss on foreign currency	Up 15.6% to	189,060
Profit from ordinary activities after tax attributable to members	Up 3.3% to	123,025
Net profit for the period attributable to members	Up 3.3% to	123,025

Dividends	Amount per security	Franked amount per security
Interim dividend	22 cents	22 cents
Final dividend	42 cents	42 cents
Record date for determining entitlements to the dividend		8 October 2014

### 3. Statement of Comprehensive Income

#### Consolidated Statement of Comprehensive Income

For the year ended 30 June 2014

	Consolidated Entity	
	2014 (\$000's)	2013 (\$000's)
<b>Revenue</b>		
Sales revenue	1,775,876	1,534,878
Other income	3,574	5,924
	1,779,450	1,540,802
<b>Less: Expenses</b>		
Cost of goods sold	1,209,783	1,042,437
Employee benefits expense	193,744	166,382
Depreciation	42,006	37,138
Finance costs	4,185	269
Other expenses	144,857	131,298
Unrealised (gain) / loss on foreign exchange contracts	6,382	(8,327)
<b>Profit before income tax</b>	178,493	171,605
Income tax expense	55,468	52,474
<b>Net Profit for the year from continuing operations</b>	123,025	119,131
<b>Other Comprehensive Income</b>		
<b>Items that maybe reclassified subsequently to profit and loss:</b>		
Exchange differences on translation of foreign operations, net of tax	859	510
<b>Total comprehensive income</b>	123,884	119,641
Basic earnings per share	124 cents	120 cents
Diluted earnings per share	124 cents	120 cents

## 4. Statement of Financial Position

### Consolidated Statement of Financial Position

As at 30 June 2014

	Consolidated Entity	
	2014 (\$000's)	2013 (\$000's)
<b>Current Assets</b>		
Cash and cash equivalents	73,762	156,232
Receivables	282,715	245,377
Inventories	325,655	224,609
<b>Total Current Assets</b>	<b>682,132</b>	<b>626,218</b>
<b>Non-Current Assets</b>		
Property, plant and equipment	452,138	423,779
Intangible assets	211,843	3,367
Deferred tax assets	30,671	23,390
<b>Total Non-Current Assets</b>	<b>694,652</b>	<b>450,536</b>
<b>Total Assets</b>	<b>1,376,784</b>	<b>1,076,754</b>
<b>Current Liabilities</b>		
Payables	281,992	236,850
Short-term borrowings	29,777	8,889
Current tax payable	10,518	12,344
Provisions	44,077	35,529
Other liabilities	2,935	11,096
<b>Total Current Liabilities</b>	<b>369,299</b>	<b>304,708</b>
<b>Non-Current Liabilities</b>		
Long-term payables	3,347	4,171
Long-term borrowings	175,000	-
Provisions	2,170	2,043
<b>Total Non-Current Liabilities</b>	<b>180,517</b>	<b>6,214</b>
<b>Total Liabilities</b>	<b>549,816</b>	<b>310,922</b>
<b>Net Assets</b>	<b>826,968</b>	<b>765,832</b>
<b>Equity</b>		
Contributed equity	9,960	9,960
Reserves	3,936	3,077
Retained earnings	813,072	752,795
<b>Total Equity</b>	<b>826,968</b>	<b>765,832</b>

## 5. Statement of Cash Flows

### Consolidated Statement of Cash Flows

As at 30 June 2014

	Consolidated Entity	
	2014 (\$000's)	2013 (\$000's)
<b>Cash flow from operating activities</b>		
Receipts from customers	1,969,867	1,675,220
Payments to suppliers and employees	(1,758,202)	(1,490,295)
Interest received	3,432	5,845
Borrowing costs	(4,191)	(270)
Income tax paid	(65,183)	(50,738)
<b>Net cash provided by operating activities</b>	<b>145,723</b>	<b>139,762</b>
<b>Cash flow from investing activities</b>		
Payment for property, plant and equipment	(65,907)	(89,898)
Purchase of subsidiary	(299,903)	(3,367)
Proceeds from sale of property, plant and equipment	4,477	3,861
<b>Net cash used in investing activities</b>	<b>(361,333)</b>	<b>(89,404)</b>
<b>Cash flow from financing activities</b>		
Dividends paid	(62,748)	(60,756)
Repayments of borrowings	(53,000)	(33,919)
Proceeds from borrowings	248,888	33,791
<b>Net cash provided / (used) in financing activities</b>	<b>133,140</b>	<b>(60,884)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(82,470)</b>	<b>(10,526)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>156,232</b>	<b>166,758</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>73,762</b>	<b>156,232</b>

## 6. Dividends

	Date of payment	Total amount of dividend \$
Interim dividend – year ended 30 June 2014	21 March 2014	21,912,000
Final dividend – year ended 30 June 2014	30 October 2014	41,832,000

Amount per ordinary security	Amount per security	Franked amount per security
Final dividend:		
Current year	42 cents	42 cents (at 30% tax rate)
Previous year	41 cents	41 cents (at 30% tax rate)
Interim dividend:		
Current year	22 cents	22 cents (at 30% tax rate)
Previous year	21 cents	21 cents (at 30% tax rate)
<b>Total dividend per security</b>	<b>Current period</b>	<b>Previous period</b>
Ordinary securities	64 cents	62 cents

## 7. Statement of retained earnings

	Consolidated Entity	
	2014 \$(000's)	2013 \$(000's)
Balance at beginning of year	752,795	694,420
Net profit attributable to members of the parent entity	123,025	119,131
Dividends paid	(62,748)	(60,756)
Balance at end of year	813,072	752,795

## 8. Net tangible assets per security

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	587 cents	742 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

Including the acquisition of Actrol Parts, sales revenue increased 15.7% to \$1,776m against prior year (2013 \$1,535m). Profit before tax and unrealised loss on foreign exchange contracts was up 13.2% to \$184.9m (2013 \$163.3m), net profit before tax after unrealised loss from foreign exchange was up 4.0% to \$178.5m (2013 \$171.6m). Net profit after tax was \$123.0m for the year ending 30 June 2014; an increase of 3.3% on the prior year (2013 \$119.1m).

Reece utilises forward exchange contracts to manage currency risk to provide a level of certainty on the foreign exchange position for the company over the next 18 months. The unrealised foreign exchange loss reflects the current market valuation of the forward exchange contracts as at 30 June 2014.

During the year Reece Australia Limited acquired 100% of the shares in Actrol Parts Holdings Pty Ltd (Actrol Group) and its subsidiaries which included Actrol Parts Pty Ltd and A.C. Components Pty Ltd (trading as Metalflex and Air Plus). The acquisition of the Actrol Group was completed on the 31st January 2014 and incurred transaction costs of \$4.1m. The business was acquired for \$280M plus working capital adjustments of \$19.9m. The Actrol Group has 79 branches, 5 distribution centres and a gas decanting plant. The acquisition was funded through a \$200m Bank Debt facility and cash reserves.

Sales revenue excluding the Actrol Group increased by 8.7% to \$1,668m. The result reflected strong performances in our plumbing and speciality businesses supported by an improving economy in both Australia and New Zealand.

Cost of doing business increased by 14.8% to \$385m (2013: \$335m). The increase was driven by the additional operating and funding costs associated with running the Actrol Group, acquisition costs relating to the purchase of the Actrol Group and continued investment in the overall business. Reece is committed to its continuous improvement program which in conjunction with technology has delivered process improvements during the year to ensure costs are tightly managed. In addition Reece has maintained the investment in the branch network adding 15 new locations during the year and continuing to invest in the refurbishment of the branch network.

Inventory levels as at 30 June 2014 were \$325.7m an increase of 45% over the prior year. The majority of the increase in inventory was as a result of the acquisition of the Actrol Group. The remaining increase was driven by the addition of new outlets, maintaining our in-stock service levels and increased sales and product range.

Reece has maintained a very strong balance sheet with Net Assets increasing by 8.0% to \$827.0m (2013 \$765.8m). Goodwill and Intangibles relating to the acquisition of Actrol Group were \$208.5m. Total borrowings were \$204.8m. The business continued to generate strong cash flow with cash and cash equivalents of \$73.7m at the end of the year.

The Board has declared a final dividend of 42 cents per share fully franked. The final dividend will be paid on 30 October 2014 with the record date for entitlement being 8 October 2014. Total dividends paid and to be paid relating to the year ended 30 June 2014 will be 64 cents per share, an increase of 2 cents against the prior year.

The Board anticipates 2015 to be another challenging year, however the Board does confirm Reece is maintaining a positive outlook for the ongoing growth of the business.

## 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
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Time	3.00 pm
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Date	30 October 2014
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Approximate date the annual report will be distributed	19 September 2014
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<b>G W Street</b> <b>Company Secretary</b>	28 August 2014
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Reece Australia Limited  
A.B.N. 49 004 313 133

**Reece. Works for you.**