

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.

For personal use only

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

For personal use only

For personal use only

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

Table of Contents

	Page
Directors' Report	1
Auditor's Independence Declaration	3
Financial Report for the half-year ended 31 December 2013	
Condensed Consolidated Statement of Comprehensive Income	4
Condensed Consolidated Statement of Financial Position	5
Condensed Consolidated Statement of Changes in Equity	6
Condensed Consolidated Statement of Cash Flows	7
Notes to the Financial Statements	8
Directors' Declaration	11
Independent Auditor's Review Report	12

For personal use only

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.

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.

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

For personal use only

**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

For personal use only

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
	<u>844,020</u>	<u>785,284</u>
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)
	<u>757,962</u>	<u>705,883</u>
Profit before income tax expense	<u>86,058</u>	<u>79,401</u>
Income tax expense	<u>26,470</u>	<u>24,469</u>
Profit from continuing operations	<u>59,588</u>	<u>54,932</u>
Profit for the half-year	<u>59,588</u>	<u>54,932</u>
Other Comprehensive Income		
Items that may be reclassified subsequently to profit and loss:		
Exchange differences on translation of foreign operations, net of tax	<u>740</u>	<u>87</u>
Total comprehensive income	<u>60,328</u>	<u>55,019</u>
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

For personal use only

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

For personal use only

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

For personal use only

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

For personal use only

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.

For personal use only

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*.

For personal use only

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

For personal use only