

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

Half-year information for the six months ended 31 December 2016  
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 2016

## Appendix 4D

Half-year report for the six months to 31 December 2016

Reece Limited  
(ABN 49 004 313 133)

### 1. Reporting period

Report for the half-year ended 31 December 2016.

Previous corresponding period is the financial year ended 30 June 2016 and half-year ended 31 December 2015.

### 2. Results for announcement to the market

|   |            | \$A'000   |
|---|------------|-----------|
| Revenues from ordinary activities                                 | Up 6.1% to | 1,210,681 |
| Profit before tax and foreign exchange contract gains             | Up 7.5% to | 137,235   |
| Profit from ordinary activities after tax attributable to members | Up 6.9% to | 96,147    |
| Net profit for the period attributable to members                 | Up 6.9% to | 96,147    |

| Dividends  | Amount per security | Franked amount per security |
|--|---------------------|-----------------------------|
| Interim dividend   | 29 cents            | 29 cents                    |
| Previous corresponding period – interim dividend         | 27 cents            | 27 cents                    |
| Record date for determining entitlements to the dividend |                     | 16 March 2017               |

#### Commentary

Sales revenue for the six months ending 31 December 2016 was up 6.1% to \$1,210.7M (2015: \$1,141.1M). Profit before tax and foreign exchange contract gains was up 7.5% to \$137.2M (2015: \$127.7M). Net profit before tax and after foreign exchange contract gains was \$137.4M, up 6.6% on the prior year (2015: \$128.8M). As a result, net profit after tax for the six months ending 31 December 2016 was up 6.9% to \$96.1M (2015: \$89.9M).

Reece has continued to use forward exchange contracts to manage currency risk. With the fluctuating Australian dollar against the USD the company had a small foreign currency gain of \$0.1M (2015: \$1.2M). The reduction was driven by the adoption of AASB 9: Financial Instruments (December 2014) from 1 July 2016 and change in accounting treatment of foreign currency movements.

Net assets at 31 December 2016 were \$1,076.5M up 3.4% on 30 June 2016. The change was driven by a reduction in liabilities of \$43.7M combined with continuing to increase inventory levels, to support the sales growth and new products, as well as further investment in property, plant and equipment.

The cost of doing business was \$253.3M, up 5.5% on the prior period (2015: \$240.2M). Reece has continued to invest in the development of new products, people, IT and the branch network opening four new branches in Australia within the first half of the year. In addition, the company has continued to invest in the branch refurbishment program.

Reece continues to expand the online offering for both trade and retail customers as well as launching several new self-service applications. During the past six months Reece launched several new products that have gained strong market adoption. A number of trade shows were conducted providing the opportunity for our customers to learn more about our products and services.

The Sydney distribution centre commenced operations in November 2016, providing Reece with a market leading logistics capability to support the growth of the company.

The Board has declared an interim dividend of 29 cents per share (2015: 27 cents per share), fully franked. The interim dividend will be paid on 30 March 2017, with a record date of 16 March 2017.

The Board was pleased with the FY 2017 half year financial performance. Building commencements have remained at high levels during the first half of FY 2017 and are expected to perform reasonably well throughout the remainder of the financial year. The Board is committed to delivering on its FY 2017 objectives.

## Appendix 4D

Half-year report for the six months to 31 December 2016

Reece Limited  
(ABN 49 004 313 133)

|  | <b>2016</b>    | <b>2015</b>    |
|--|----------------|----------------|
|  | <b>\$A'000</b> | <b>\$A'000</b> |
| <b>3. Net tangible assets per security</b>       |                |                |
| Net tangible asset backing per ordinary security | 846 cents      | 726 cents      |

### 4. Dividends

Ordinary shares

|   |        |        |
|---|--------|--------|
| Dividends paid during the half-year (fully franked) | 64,740 | 51,792 |
|---|--------|--------|

The final dividend relating to the year ended on 30 June 2016 was paid on 27 October 2016.

Subsequent events

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

|  |        |        |
|--|--------|--------|
| 29 cents (2015: 27 cents) per ordinary share fully franked | 28,884 | 26,892 |
|--|--------|--------|

The interim dividend relating to the half-year ended on 31 December 2016 has not been included as a provision in the financial statements because the dividend was declared after balance date.

Date dividend is payable 30 March 2017

Record date to determine entitlements to the dividend 16 March 2017

Amount per ordinary security

|                   |               | Amount per security | Franked amount per security |
|-------------------|---------------|---------------------|-----------------------------|
| Interim dividend: | Current year  | 29 cents            | 29 cents (at 30% tax rate)  |
|                   | Previous year | 27 cents            | 27 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.



23 February 2017  
Melbourne

Gavin Street  
Company Secretary

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

Financial report for the half-year ended 31 December 2016

This half-year financial report is to be read in conjunction with  
the financial report for the year ended 30 June 2016

**Reece Limited and controlled entities**  
**Financial report for the half-year ended 31 December 2016**

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## Reece Limited and controlled entities

### Directors' Report

The Directors present their report together with the condensed financial report of the consolidated entity consisting of Reece Limited and the entities it controlled, for the half-year ended 31 December 2016 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:

| <b>Name</b>          | <b>Period of directorship</b>       |
|----------------------|-------------------------------------|
| Mr L. A. Wilson      | 47 years                            |
| Mr B. W. C. Wilson   | 46 years                            |
| Mr J. G. Wilson      | 32 years (retired September 2016)   |
| Mr P. J. Wilson      | 19 years                            |
| Mr R. G. Pitcher, AM | 14 years                            |
| Mr A. T. Gorecki     | 8 years                             |
| Mr T. M. Poole       | 5 months (appointed July 2016)      |
| Mr B.C. Wilson       | 4 months (appointed September 2016) |

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 months ending 31 December 2016 was up 6.1% to \$1,210.7M (2015: \$1,141.1M). Profit before tax and foreign exchange contract gains was up 7.5% to \$137.2M (2015: \$127.7M). Net profit before tax and after foreign exchange contract gains was \$137.4M, up 6.6% on the prior year (2015: \$128.8M). As a result, net profit after tax for the six months ending 31 December 2016 was up 6.9% to \$96.1M (2015: \$89.9M).

Reece has continued to use forward exchange contracts to manage currency risk. With the fluctuating Australian dollar against the USD the company had a small foreign currency gain of \$0.1M (2015: \$1.2M). The reduction was driven by the adoption of AASB 9: Financial Instruments (December 2014) from 1 July 2016 and change in accounting treatment of foreign currency movements.

Net assets at 31 December 2016 were \$1,076.5M up 3.4% on 30 June 2016. The change was driven by a reduction in liabilities of \$43.7M combined with continuing to increase inventory levels, to support the sales growth and new products, as well as further investment in property, plant and equipment.

The cost of doing business was \$253.3M, up 5.5% on the prior period (2015: \$240.2M). Reece has continued to invest in the development of new products, people, IT and the branch network opening four new branches in Australia within the first half of the year. In addition, the company has continued to invest in the branch refurbishment program.

Reece continues to expand the online offering for both trade and retail customers as well as launching several new self-service applications. During the past six months Reece launched several new products that have gained strong market adoption. A number of trade shows were conducted providing the opportunity for our customers to learn more about our products and services.

The Sydney distribution centre commenced operations in November 2016, providing Reece with a market leading logistics capability to support the growth of the company.

The Board has declared an interim dividend of 29 cents per share (2015: 27 cents per share), fully franked. The interim dividend will be paid on 30 March 2017, with a record date of 16 March 2017.

**Reece Limited and controlled entities**

**Directors' Report**

***Review of Operations, continued***

The Board was pleased with the FY 2017 half year financial performance. Building commencements have remained at high levels during the first half of FY 2017 and are expected to perform reasonably well throughout the remainder of the financial year. The Board is committed to delivering on its FY 2017 objectives.

***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***

In accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, the amounts in the directors' report and in the financial report have been rounded to the nearest one thousand dollars, or in certain cases, to the nearest dollar (where indicated).

Signed in accordance with a resolution of Directors.



L.A. Wilson  
Executive Chairman



P.J. Wilson  
Chief Executive Officer

Melbourne  
23 February 2017

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

In relation to the independent auditor's review for the half-year ended 31 December 2016, 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 APES 110 *Code of Ethics for Professional Accountants*.

This declaration is in respect of Reece Limited and the entities it controlled during the period.



P.A. JOSE  
Partner

23 February 2017



PITCHER PARTNERS  
Melbourne



Reece Limited and controlled entities

Condensed consolidated statement of profit and loss for the half-year  
ended 31 December 2016

|   | Half-year       |                 |
|---|-----------------|-----------------|
|   | 2016<br>\$A'000 | 2015<br>\$A'000 |
| Revenue   |                 |                 |
| Sales revenue   | 1,210,681       | 1,141,130       |
| Other income  | 1,678           | 1,562           |
|   | 1,212,359       | 1,142,692       |
| Less: expenses  |                 |                 |
| Cost of sales   | 821,795         | 774,845         |
| Employee benefits expense   | 130,172         | 118,817         |
| Depreciation  | 23,671          | 23,176          |
| Finance costs   | 3,213           | 4,089           |
| Other expenses  | 96,273          | 94,098          |
|   | 1,075,124       | 1,015,025       |
| Profit before gain on foreign exchange contracts and<br>Income tax  | 137,235         | 127,667         |
| Gain on foreign exchange contracts  | 141             | 1,170           |
| Profit before income tax expense  | 137,376         | 128,837         |
| Income tax expense  | 41,229          | 38,919          |
| Profit from continuing operations   | 96,147          | 89,918          |
| Profit for the half-year  | 96,147          | 89,918          |
| Earnings per security (EPS) for profit from continuing operations<br>attributable to equity holders of the parent entity: |                 |                 |
| Basic EPS   | 97 cents        | 90 cents        |
| Diluted EPS   | 97 cents        | 90 cents        |

The accompanying notes form part of these financial statements

**Reece Limited and controlled entities**

**Condensed consolidated statement of comprehensive income for the half-year  
ended 31 December 2016**

|  | <b>Half-year</b>        |                         |
|--|-------------------------|-------------------------|
|  | <b>2016<br/>\$A'000</b> | <b>2015<br/>\$A'000</b> |
| Profit for the half-year   | 96,147                  | 89,918                  |
| Other comprehensive income   |                         |                         |
| Items that may be reclassified<br>subsequently to profit and loss:       |                         |                         |
| Exchange differences on translation<br>of foreign operations, net of tax | 107                     | 932                     |
| Cash flow FX hedge, net of tax   | 3,985                   | -                       |
| Total comprehensive income   | <u>100,239</u>          | <u>90,850</u>           |

The accompanying notes form part of these financial statements

**Reece Limited and controlled entities**

**Condensed consolidated statement of financial position as at 31 December 2016**

|                                      | <b>31 December<br/>2016<br/>\$A'000</b> | <b>30 June<br/>2016<br/>\$A'000</b> |
|--------------------------------------|---|-------------------------------------|
| <b>Current assets</b>                |   |                                     |
| Cash and cash equivalents            | 55,781                                  | 105,123                             |
| Trade and other receivables          | 332,021                                 | 347,207                             |
| Inventories                          | 444,693                                 | 405,900                             |
| <b>Total current assets</b>          | <b>832,495</b>                          | <b>858,230</b>                      |
| <b>Non-current assets</b>            |   |                                     |
| Property, plant and equipment        | 516,652                                 | 500,035                             |
| Intangible assets                    | 201,392                                 | 201,392                             |
| Deferred tax assets                  | 32,632                                  | 31,697                              |
| <b>Total non-current assets</b>      | <b>750,676</b>                          | <b>733,124</b>                      |
| <b>Total assets</b>                  | <b>1,583,171</b>                        | <b>1,591,354</b>                    |
| <b>Current liabilities</b>           |   |                                     |
| Payables                             | 320,892                                 | 317,325                             |
| Short-term borrowings                | 20,000                                  | 20,000                              |
| Current tax payable                  | 7,218                                   | 20,278                              |
| Provisions                           | 53,475                                  | 51,141                              |
| Other liabilities                    | -                                       | 11,262                              |
| <b>Total current liabilities</b>     | <b>401,585</b>                          | <b>420,006</b>                      |
| <b>Non-current liabilities</b>       |   |                                     |
| Long term payables                   | 2,043                                   | 2,304                               |
| Long term borrowings                 | 100,000                                 | 125,000                             |
| Provisions                           | 3,018                                   | 3,018                               |
| <b>Total non-current liabilities</b> | <b>105,061</b>                          | <b>130,322</b>                      |
| <b>Total liabilities</b>             | <b>506,646</b>                          | <b>550,328</b>                      |
| <b>Net assets</b>                    | <b>1,076,525</b>                        | <b>1,041,026</b>                    |
| <b>Equity</b>                        |   |                                     |
| Contributed Equity                   | 9,960                                   | 9,960                               |
| Reserves                             | 8,732                                   | 4,640                               |
| Retained earnings                    | 1,057,833                               | 1,026,426                           |
| <b>Total equity</b>                  | <b>1,076,525</b>                        | <b>1,041,026</b>                    |

The accompanying notes form part of these financial statements

**Reece Limited and controlled entities**

**Condensed consolidated statement of changes in equity for the half-year  
ended 31 December 2016**

|  | <b>Contributed<br/>equity<br/>\$A'000</b> | <b>Reserves<br/>\$A'000</b> | <b>Retained<br/>earnings<br/>\$A'000</b> | <b>Total<br/>equity<br/>\$A'000</b> |
|--|---|-----------------------------|--|-------------------------------------|
| Balance as at 1 July 2015  | 9,960                                     | 3,360                       | 912,892                                  | 926,212                             |
| Profit for the half-year   | -   | -                           | 89,918                                   | 89,918                              |
| Exchange differences on translation<br>of foreign operations, net of tax | -   | 932                         | -  | 932                                 |
| Cash flow FX hedge, net of tax   | -   | -                           | -  | -                                   |
| Total other comprehensive income   | -   | 932                         | -  | 932                                 |
| Total comprehensive income for the<br>half-year                          | -   | 932                         | 89,918                                   | 90,850                              |
| Transactions with owners in their<br>capacity as owners:                 |   |                             |  |                                     |
| Dividends paid   | -   | -                           | (51,792)                                 | (51,792)                            |
| Total transactions with owners in<br>their capacity as owners            | -   | -                           | (51,792)                                 | (51,792)                            |
| Balance as at 31 December 2015   | 9,960                                     | 4,292                       | 951,018                                  | 965,270                             |

The accompanying notes form part of these financial statements

**Reece Limited and controlled entities**

**Condensed consolidated statement of changes in equity for the half-year ended 31 December 2016**

|   | <b>Contributed<br/>equity<br/>\$A'000</b> | <b>Reserves<br/>\$A'000</b> | <b>Retained<br/>earnings<br/>\$A'000</b> | <b>Total<br/>equity<br/>\$A'000</b> |
|---|---|-----------------------------|--|-------------------------------------|
| Balance as at 1 July 2016   | 9,960                                     | 4,640                       | 1,026,426                                | 1,041,026                           |
| Profit for the half-year  | -   | -                           | 96,147                                   | 96,147                              |
| Exchange differences on translation of foreign operations, net of tax | -   | 107                         | -  | 107                                 |
| Cash flow FX hedge, net of tax  | -   | 3,985                       | -  | 3,985                               |
| Total other comprehensive income                                      | <u>-</u>                                  | <u>4,092</u>                | <u>-</u>                                 | <u>4,092</u>                        |
| Total comprehensive income for the half-year                          | <u>-</u>                                  | <u>4,092</u>                | <u>96,147</u>                            | <u>100,239</u>                      |
| Transactions with owners in their capacity as owners:                 |   |                             |  |                                     |
| Dividends paid  | -   | -                           | (64,740)                                 | (64,740)                            |
| Total transactions with owners in their capacity as owners            | <u>-</u>                                  | <u>-</u>                    | <u>(64,740)</u>                          | <u>(64,740)</u>                     |
| Balance as at 31 December 2016  | <u>9,960</u>                              | <u>8,732</u>                | <u>1,057,833</u>                         | <u>1,076,525</u>                    |

The accompanying notes form part of these financial statements

**Reece Limited and controlled entities**

**Condensed consolidated statement of cash flows for the half-year  
ended 31 December 2016**

|   | <b>Half-year</b> |                |
|---|------------------|----------------|
|   | <b>2016</b>      | <b>2015</b>    |
|   | <b>\$A'000</b>   | <b>\$A'000</b> |
| <hr/>   |                  |                |
| Cash flow from operating activities                         |                  |                |
| Receipts from customers                                     | 1,333,073        | 1,256,553      |
| Payments to suppliers and employees                         | (1,196,900)      | (1,117,394)    |
| Interest received   | 596              | 554            |
| Finance costs   | (3,443)          | (4,409)        |
| Income tax paid   | (55,228)         | (41,476)       |
|   | <hr/>            | <hr/>          |
| Net cash provided by operating activities                   | 78,098           | 93,828         |
|   | <hr/>            | <hr/>          |
| Cash flow from investing activities                         |                  |                |
| Payments for property, plant and equipment                  | (54,942)         | (45,611)       |
| Proceeds from sale of property, plant and equipment         | 17,242           | 2,120          |
|   | <hr/>            | <hr/>          |
| Net cash used in investing activities                       | (37,700)         | (43,491)       |
|   | <hr/>            | <hr/>          |
| Cash flow from financing activities                         |                  |                |
| Proceeds from borrowings                                    | 47,000           | 10,000         |
| Repayments of borrowings                                    | (72,000)         | (20,116)       |
| Dividends paid  | (64,740)         | (51,792)       |
|   | <hr/>            | <hr/>          |
| Net cash used in financing activities                       | (89,740)         | (61,908)       |
|   | <hr/>            | <hr/>          |
| Net decrease in cash and cash equivalents                   | (49,342)         | (11,571)       |
|   | <hr/>            | <hr/>          |
| Cash and cash equivalents at the beginning of the half-year | 105,123          | 85,021         |
|   | <hr/>            | <hr/>          |
| Cash and cash equivalents at the end of the half-year       | 55,781           | 73,450         |
|   | <hr/> <hr/>      | <hr/> <hr/>    |

The accompanying notes form part of these financial statements

## Reece Limited and controlled entities

### Notes to the condensed consolidated financial statements for the half-year ended 31 December 2016

#### Note 1: Statement of significant accounting policies

This condensed consolidated 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 2016 and any public announcements made by Reece Limited during the half-year in accordance with any continuous disclosure obligations arising under the *Corporations Act 2001*.

This condensed half-year financial report covers Reece Limited and controlled entities as a consolidated entity. Reece Limited is a company limited by shares, incorporated and domiciled in Australia. The address of Reece Limited's registered office and principal place of business is 118 Burwood Highway, Burwood, Victoria, 3125. Reece Limited is a for-profit entity for the purpose of preparing the financial statements.

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 condensed consolidated half-year financial report

This condensed consolidated half-year financial report has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* as appropriate for for-profit entities 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 2016, except for the early adoption of AASB 9: *Financial Instruments (December 2014)*, effective 1 July 2016. The group has adopted for the first time hedge accounting effective 1 July 2016. The Group designates certain hedging instruments, which include forward exchange contracts in respect of foreign currency risk, as cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

The accompanying notes form part of these financial statements

Reece Limited and controlled entities

Notes to the condensed consolidated financial statements  
for the half-year ended 31 December 2016

**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 effective date is annual reporting periods beginning on or after 1 January 2018. The directors have not yet assessed the impact (if any) of changes in the standards above.

**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 2016<br>\$A'000 | 31 Dec 2015<br>\$A'000 |
|---|------------------------|------------------------|
| <b>(a) Dividends paid or declared</b>   |                        |                        |
| Dividends paid at 65 cents per share (2015: 52 cents) fully franked at 30%  | 64,740                 | 51,792                 |
| <b>(b) Dividends proposed after the reporting period and not recognised</b>   |                        |                        |
| Proposed dividends not recognised at the end of the half-year at 29 cents per share (2015: 27 cents) fully franked at 30% | 28,884                 | 26,892                 |

The accompanying notes form part of these financial statements



## **Reece Limited and controlled entities**

### **Notes to the condensed consolidated financial statements for the half-year ended 31 December 2016**

#### **Note 5: Segment reporting**

The sole activity of the operating companies within the group is that the supply of plumbing, bathroom, heating, ventilation and air-conditioning products in Australia and New Zealand.

#### **Note 6: Property, plant and equipment**

##### **Acquisitions and disposals**

During the six months ended 31 December 2016 the Group acquired assets with a cost of \$43.7 million (six months ended 31 December 2015: \$45.6 million).

Assets with a carrying amount of \$7.4 million were disposed of during the six months ended 31 December 2016 (six months ended 31 December 2015: \$2.2 million), resulting in a loss on disposal of \$0.13 million (six months ended 31 December 2015: loss of \$0.03 million).

#### **Note 7: Fair value measurements**

The fair value of financial assets and financial liabilities approximates their carrying amounts as disclosed in the Condensed consolidated statement of financial position.

The consolidated entity holds foreign exchange contracts 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 \$118.1 million (31 December 2015: \$57.3 million). The foreign exchange contracts are recurring level 2 financial instruments in the fair value hierarchy. The fair value of these foreign exchange contracts is the estimated amount that the consolidated entity would pay to terminate the contract at the balance date, taking into account current foreign currency exchange rates at the time of maturity.

At 31 December 2016 the fair value of these contracts totalling \$4.2 million (31 December 2015: \$4.4 million) was included within the trade and other receivables asset within the Condensed consolidated statement of financial position.

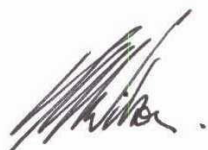
**Reece Limited and controlled entities**  
**ABN 49 004 313 133**

**Directors' Declaration**

The directors declare that:

1. In the directors' opinion, the financial statements and notes thereto, as set out on pages 4 to 11, are in accordance with the *Corporations Act 2001*, including:
  - (a) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
  - (b) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2016 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds, at the date of this declaration, to believe that Reece 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  
23 February 2017

The accompanying notes form part of these financial statements

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

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

We have reviewed the accompanying half-year financial report of Reece Limited and controlled entities, which comprises the condensed statement of financial position as at 31 December 2016, the condensed statement of profit and loss, the condensed statement of comprehensive income, the condensed statement of changes in equity and the condensed 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.

*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 half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2016 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 Limited and controlled entities, 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*.

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

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

*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 Limited and controlled entities is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the company's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



P.A. JOSE  
Partner

23 February 2017



PITCHER PARTNERS  
Melbourne