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2017 Annual Report

reece group™

Reece Limited

A.B.N. 49 004 313 133

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Controlled Entities

Reece Australia Pty Ltd
A.B.N. 84 004 097 090

Plumbing World Pty Ltd
A.B.N. 99 004 910 829

Reece Project Supply Pty Ltd
A.B.N. 54 100 065 307

Reece International Pty Ltd
A.B.N. 11 100 278 171

Reece New Zealand Limited
Company No. 1530569

Actrol Parts Holdings Pty Ltd
A.B.N. 98 142 644 488

Actrol Parts Finance Pty Ltd
A.B.N. 21 142 653 889

Actrol Parts Pty Ltd
A.B.N. 93 142 654 564

A.C. Components Pty Ltd
A.B.N. 69 134 588 935

Metalflex Pty Ltd
A.B.N. 18 007 133 057

Metalflex Regional Pty Ltd
A.B.N. 50 142 651 509

Metalflex (S.A.) Pty Ltd
A.B.N. 88 084 260 837

Metalflex (W.A.) Pty Ltd
A.B.N. 98 105 291 263

Air Plus Pty Ltd
A.B.N. 33 135 270 718

Tarpit Communications Pty Ltd
A.B.N. 50 092 585 058

Directors

L.A. Wilson (Executive Chairman)

P.J. Wilson (Chief Executive Officer / Managing Director)

B.W.C. Wilson

J.G. Wilson (retired)

R.G. Pitcher, AM

A.T. Gorecki

T.M. Poole

B.C. Wilson

Company Secretary

G.W. Street

Bankers

National Australia Bank

Commonwealth Bank of Australia

Bank of New Zealand

Westpac Banking Corporation

Solicitors

Russell Kennedy

Lander & Rogers

Mills Oakley Lawyers

Auditors

Pitcher Partners

Registered Office

118 Burwood Highway
Burwood, Victoria, 3125
Telephone (03) 9274 0000
Facsimile (03) 9274 0197

Share Registry

Computershare Investor Services Pty Limited
Yarra Falls
452 Johnston Street
Abbotsford, Victoria, 3067
Telephone (03) 9415 5000
Facsimile (03) 9473 2500

Stock Exchange Listing

Reece Limited shares are listed on the Australian Stock Exchange
ASX Code: REH

NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of Reece Limited will be held at 3pm on Thursday, 26 October, 2017 at the Intercontinental Hotel, "The Rialto" 495 Collins Street, Melbourne, Victoria.

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2017 Annual Report

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Our success comes from knowing what's important - our customers, our people, our community and our products.

We improve today, invest in tomorrow and innovate for the future.

Chairman's Report

A year of growth

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We are pleased to be able to report another year of record results for Reece.

We have continued to invest in and grow the business. Our network has expanded to include almost 600 branches across Australia and New Zealand.

Our significant investment in logistical efficiency is having an even greater impact with state of the art distribution centres opening in Sydney and Perth and the establishment of another in New Zealand during the period.

We have made changes to our Board of Directors with the retirement of John Wilson after 33 years. This year we added new experience and capability to the Board with the appointments of Bruce C. Wilson and Tim Poole. The retirement of Andrew Gorecki and appointments of Megan Quinn and Georgina Williams announced recently take effect in the next period.

We thank John Wilson and Andrew Gorecki for their contribution and welcome our new Board members to the Reece Group.

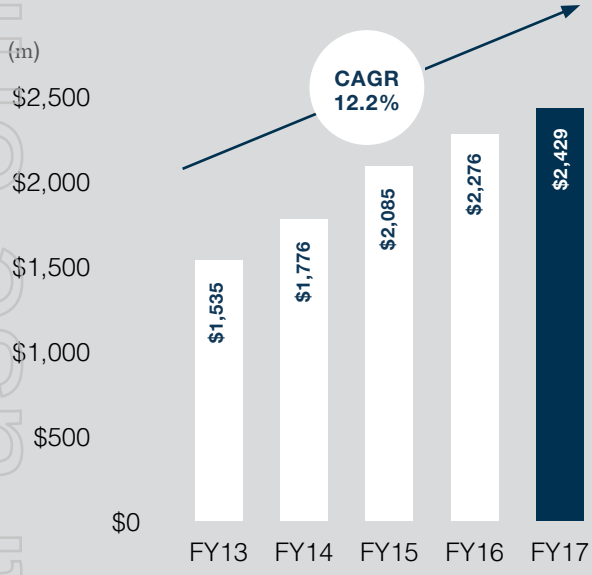
The Board has declared a final dividend of 71 cents per share fully franked. The final dividend will be paid on 26 October 2017 with the record date for entitlement of 11 October 2017. Total dividends paid and to be paid relating to the year ended 30 June 2017 will be 100 cents per share (2016: 92 cents per share), an increase of 8.7% over the previous year.

Alan Wilson
Executive Chairman

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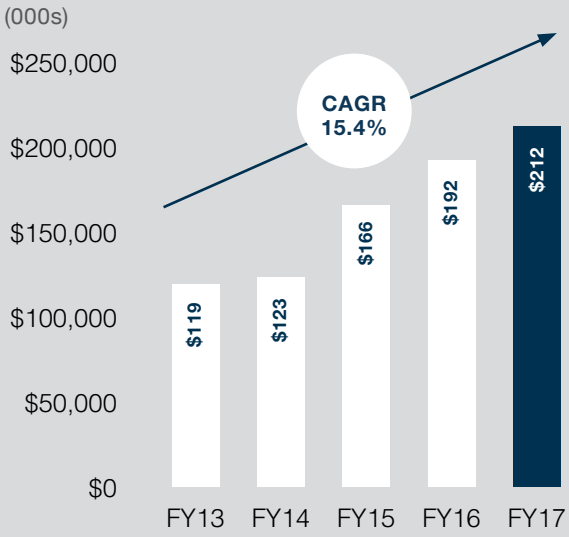
Sales Revenue

↑ 6.7%



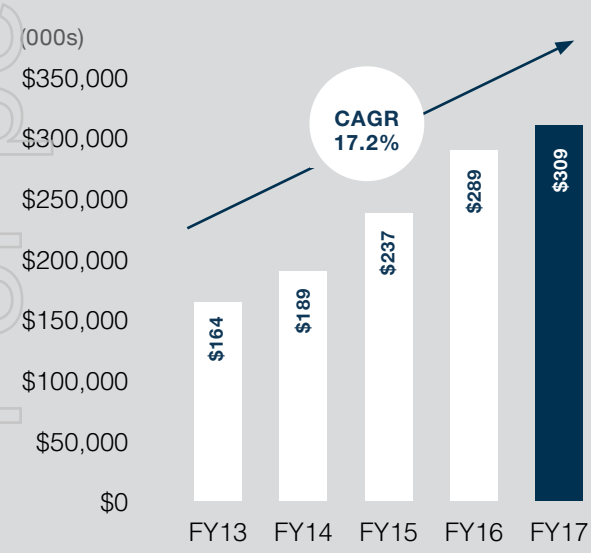
NPAT

↑ 10.2%



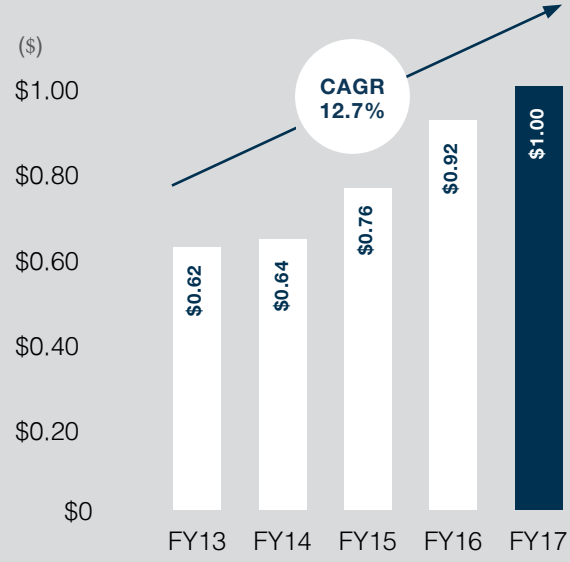
EBIT*

↑ 7.1%



Dividend per share

↑ 8.7%



* Before gain/loss on foreign exchange contracts

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We have invested in our branch network as well as our online and mobile capabilities, to continue to improve our customer experience.

CEO's Report

Improve
Invest
Innovate

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It's been an exciting year at Reece. A year in which we have once again exceeded past performance, with the highest sales ever in our company's history. We are pleased to report substantial profit after tax with year on year growth of 10.2%.

We have continued to focus on our business philosophy of continuous improvement, investment in the future and innovation for our people and customers.

Our record profit is the result of strong performance in both Australia and New Zealand. We have continued to invest in our branch network, as well as our online and mobile capabilities to continue to improve our customer experience.

Our performance is the culmination of many factors, especially the calibre and dedication of our people. We relaunched The Reece Way, our set of 10 core values. We worked with our people across the country to reassess and update our values to ensure their relevance to our people and our business. Our values help create our culture of delivering great customer service, which is a major input to our success. We see the effects of this in our customer Net Promoter Score, which has risen again this year to +64, a world class achievement. That said, we don't measure our relationship with our customers as just a number. Their feedback is the most important consideration in everything we do.

Great brands as well as new and innovative products are always a key focus for us, but we believe innovation must be more than just keeping up with industry improvements. Our industry, like any other, faces competition from new and unlikely sources and this makes innovation an essential attribute to position us for the future. To develop this capability further in our organisation we have acquired our long term creative partner, Trout Communications Pty Ltd. Trout will continue to provide marketing creative support and a greater focus on design, innovation and communications.

We continue to see improvement in important areas like supply chain and logistics efficiency, waste reduction and environmental sustainability. We continue to create new and better experiences for our customers and their businesses that include but also go beyond products.

We are happy with the results delivered in the 2016/17 year. Despite a view in some areas of the market that housing activity is past its peak, we expect growth overall. We see a strong Australian economy, record housing prices and a market that presents many opportunities.

We are grateful to our people, our customers and all those with whom we work, and look forward to continuing to deliver value to our shareholders and customers.

Peter Wilson
Chief Executive Officer / Managing Director

Our core business

Works for you

Reece is Australia's leading supplier of plumbing and bathroom products.

Our Plumbing Centres are the core of our business. Every day, thousands of plumbers turn to us because we have what they need, when and where they need it. We provide a unique standard of customised service. It's our promise.



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Our businesses

Specialised expertise

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Bathroom Life

Offers our consumers and builders the ultimate bathroom experience.



Onsite

Services volume home builders and commercial plumbers.



HVAC-R

Specialised service primarily supporting mechanical services contractors, large commercial buildings with piping & valves, capital equipment & consumables.



Actrol

Australia's largest wholesaler of parts to the refrigeration and air conditioning industries.

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Irrigation

Specialised services to irrigation contractors, landscape gardeners, growers and pool builders.



Civil

Services civil contractors and plumbers in the water, gas and telecommunications sector.



Metalflex

Wholesaler and distributer of world-class air conditioners, heating systems and related products for the residential market.

In addition to our plumbing centres, we have seven businesses that serve specialist needs.

Three businesses serve different segments of the HVAC-R industry.

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THE REECE WAY

reece group

Our Purpose

To improve the lives of our customers and our people by striving for greatness every day.

Our Values

Create customers for life



Discover your best



Grow as a team



Innovate big and small



Try. Try. Try.



Own it



Keep it simple



Do the right thing



Be humble



Write the next chapter



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The Reece Way — Our values

We have a strong culture based on a set of shared values and a common purpose. It's our DNA.

Strategy is an important part of the organisation we've built, the growth we've generated and the strength of our business. Perhaps even more powerful though, is our inclusive and positive culture, which we attribute to our values.

This year we launched our renewed values after a collaborative and creative process to make sure they reflect what we stand for today, given a younger workforce, a larger and more complex organisation and the 21st century business environment.

Our challenge was to update something that had always worked for us and with us. The answer was to do it together. We held workshops with groups that represented the different types, levels and locations of our people. We conducted surveys across the entire organisation and we asked everyone for their thoughts and ideas. Our aim was a shorter, more accessible version of what we believe in and stand for. We think that's exactly what we got.

Our values drive everything we do. They represent and make us who we are, how we work together and our dedication to customer service.

They are how we, as an organisation, discover our best.

Passionate People



Passionate people drive our success. Their belief in what we do, ability to work as a team and care for those around them makes Reece a great place to work and to do business with.

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Graduate program

This year we employed a record number of 50 graduates across the operational and corporate parts of our business. To help them make a flying start we brought them to head office in Melbourne for a two-day induction and training program where they met with Reece leaders, learned about the business, made new connections and started to plan their own careers. Reece has been recognised among the Top 100 Graduate Employers.

Emerging leaders

Leadership is a quality we encourage at all levels in Reece and we look to find ways to identify, develop and support leadership with a real focus on the future. Our Emerging Leaders Program is a team based program with peer and leadership input that helps branch managers take the next step to region leader.

The school of life

We are a strong supporter of the Australian School-based Apprenticeship program. This year we have provided 275 ASbA positions across our businesses in branches throughout the country, providing vocational training, paid real life work experience and connections into the industry of their future career. At the end of their time as an ASbA, we find the apprentices are able to make informed choices about their future - whether that's as an apprentice, in another job allied to the industry, or within Reece.

A digital workplace

This year we have introduced a number of platforms to make life easier and more efficient for our employees and we have developed a number of apps in house for safety and efficiency in our branches. Digitisation is an important tool for an often mobile workforce, allowing us to conduct everyday tasks from mobile devices anywhere.

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Focus on Customers

Our priority



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Our relationship with our customers goes beyond customer service.

Their needs drive everything we do. This means always finding new ways to bring them products they want, to make their lives easier and their businesses stronger.

A world class result

We conduct formal Net Promoter Score research every year across all our businesses and locations. The past three years have seen a considerable increase year on year, with the latest score of +64 a world leading result - not just in our industry nationally but globally. The NPS result is the beginning, not the end of the process for us. The scores and feedback are shared throughout the business to individual branch level, so each branch can continue to improve the service we provide our customers.

Taking it to the maX

Our online account service has been making life easier for our customers for some time. This year we created an app that means they can also get all the benefits of streamlining business tasks on the go. The maX app includes the delivery app created last year, so it's an end to end solution. Customers can find products and prices, generate lists and quotes, place orders, make payments, manage their account and track deliveries. Any time, anywhere, on any device.

Tool servicing made easy

Rothenberger Romax press tools are precision implements that require regular service. But they're also something many customers use every day. So service must be fast and reliable. To help our customers keep their tools and their businesses running, we have established a Tool Servicing Department. Customers can now just drop their tools off at their Reece branch and pick them up when the work is done. We do the rest.

Reece on the road

Our customers come to us and sometimes we go to them. In the case of our roadshows we take our suppliers as well as experts to provide business training and trade skills, all of which provides valuable networking opportunities. This year we held roadshows in six locations across three states, with more than 2500 people attending. A new addition was special events for TAFEs and students, as well as official WorldSkills apprentice competitions that lead to regional championships. Attendance surveys tell us our customers love this enjoyable way to learn about their business.

On time, every time

Product reliability is critical to our customers' businesses. This year we completed our investment in a state of the art supply chain and distribution network, with new distribution centres operational in Sydney and Perth and the final centre in New Zealand operational just outside this period. We now have a highly effective logistics operation that contributes to highest in-stock levels and customer satisfaction.

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Part of the Community

We work in hundreds of communities across Australia and New Zealand. From cities, suburbs and country towns, our people forge important connections as employers, workers, suppliers, residents and friends.



An important part of our business philosophy is to help our customers build strong businesses of their own. We extend this approach to our community work.

Powerful solar

Our work towards equipping our properties with solar power continues. This year we converted a further 36 branches to solar power, completing the first phase of our program. We are now able to generate 1.16 giga-watt hours, delivering a carbon offset of 1,000 tonnes annually. Our goal remains to convert as many of the 200 properties we own as soon as possible. On average, it takes four years to break even on the investment at each branch.

Old technology, new purpose

Our staff use a lot of technology, which could go to landfill as it becomes redundant. By working with Enable IT Recycling, this year we were able to find better uses for our 41 tonnes of outdated IT equipment. Of this, 12 tonnes was reconfigured and returned to Reece for reuse. In all, we stopped 29 tonnes of equipment going to landfill and at the same time provided vital hands-on job skills for young people with disabilities to improve their job prospects.

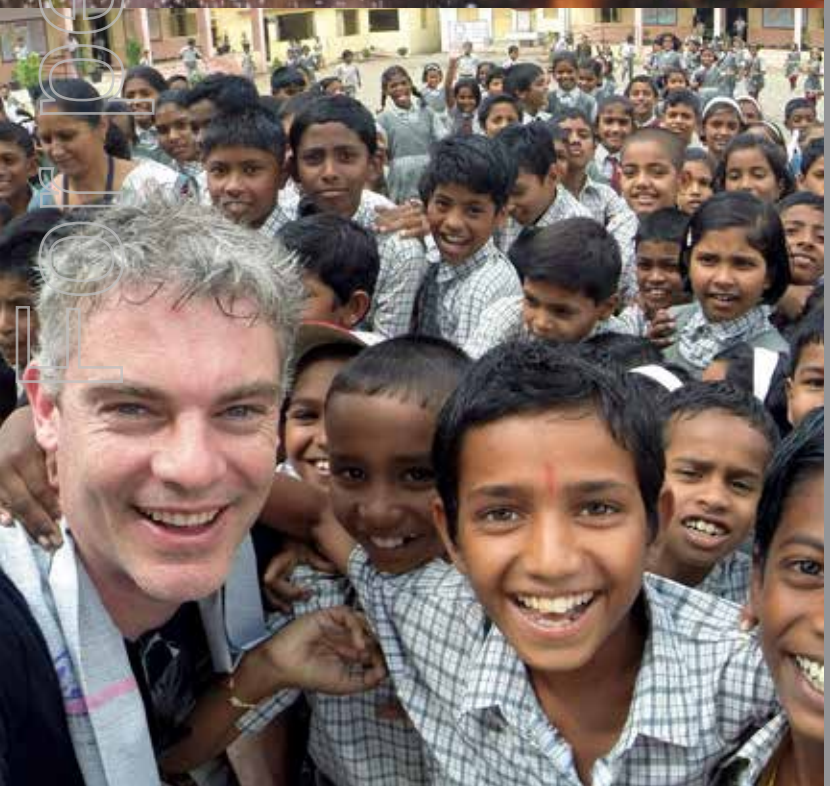
Philanthropic donations

During the year, Reece contributed to a number of charitable organisations covering a range of health, education and welfare interests.

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The Reece Grant

The Reece Grant enables our customers to receive funds and/or products to undertake projects that bring health-giving sanitation to underprivileged communities, national and international. Our customers and their projects are inspiring.

In Cambodia

Father and daughter Ian and Lauren Stevens from Maldon, Victoria were awarded a Reece Grant for their project in Kampong Speu, Cambodia. They put the grant towards projects across two local primary schools in critical need of attention - building latrines, hand washing stations and water sanitation systems servicing more than 900 students and their families.

In India

Justin Morris from Notting Hill, Victoria received the Reece Grant to improve complex sanitation issues. Justin partnered with the We Can't Wait foundation to help construct toilet facilities and sanitation education in schools in Nasik, India, where the majority of Indian children are missing out on an education due to the lack of usable toilets.


01



02


03


04

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Pioneering Products

Innovative solutions

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Making sure our products are what our customers need, are the highest quality and represent the newest innovation is critical.

This year we have brought pioneering products to our customers across our businesses.

01 MaxiPro

MaxiPro is a new press fitting system for use with hard, half hard or annealed copper tube by Conex Bänninger. It provides a secure, permanent leak-proof joint for air conditioning and refrigeration applications without flame or nitrogen. It is a new, better, safer and easier solution that saves both time and money.

02 Thermann C7

Hot water efficiency measurement goes up to six stars, but the Thermann C7 is described as seven star because if seven stars were possible, this continuous flow unit would get them. The Thermann C7 is the most efficient continuous flow unit on the market because it pre-heats the incoming cold water with exhaust gases, saving energy and the environment.

03 In-wash Inspira

Australia's first affordable smart toilet, the Roca In-wash Inspira is the toilet of the future, It's intuitive, comfortable and easy to use, with remote control functions, including washing, drying and a night light.

04 Grohe

We've partnered with Grohe, the world's number one shower and tapware brand. We can now supply the brand made famous by hotels around the world across Australia, and deliver quality and innovation not available before.

Financials 2017

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Corporate Governance Statement

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The Board of Directors of Reece Limited is responsible for the corporate governance of the Company.

This statement outlines the corporate governance policies and practices formally adopted by Reece. These policies and practices are in accordance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd Edition) unless otherwise stated.

Principle 1

Lay solid foundations for management and oversight

The role of the Board is to provide strategic guidance and effective oversight of management. The Board operates in accordance with the principles outlined in the Board Charter. The Charter details the Board's composition, its functions, responsibilities and powers. Other than the authority specifically reserved for the Board that is outlined in the Charter, the responsibility of management of Reece's business activities is delegated to the Chief Executive Officer and senior executives who are accountable to the Board. A copy of the Board Charter is available from Reece upon request.

The Board is responsible for establishing Reece's business strategies, overseeing the company's management, setting the values and standards of the company which we uphold when dealing with all our stakeholders and acting as custodian of our shareholder's interests.

More particularly, the Board's responsibilities encompass:

- Setting and monitoring the strategic plans and corporate objectives, including performance objectives, and approving the entities' remuneration framework;
- Appointing the Chair of the Board;
- Monitoring the company's operational and financial activities;
- Overviewing the risk management strategy, internal policies and procedures and accounting and reporting systems;
- Determining the dividend distribution policy that represents the best interests of the company and shareholders;
- Approving budgets and monitoring capital expenditure, capital management and acquisitions;
- Monitoring compliance with legal and regulatory requirements and the effectiveness of the entities' governance;
- Monitoring compliance with Reece's own ethical and business standards, including codes of conduct and company values;
- Monitoring the performance of senior executives;
- Appointing or removing the Chief Executive Officer, the Chief Financial Officer and the Company Secretary;
- Approving the appointment and, where appropriate, the removal of executives who report directly to the Chief Executive Officer, including their remuneration;
- Managing the succession planning for executive directors and senior executives;
- Approving the annual reports and disclosures to the market and overseeing the entities' process for making timely and balanced disclosures of all material information; and
- Approving the appointment, undertaking the appropriate checks and providing all relevant material information on directors who will come before shareholders for election at the annual general meeting.

Corporate Governance Statement

The Company has written agreements with Executive Directors and senior executives setting out the terms of their appointment.

An internal process of evaluation was undertaken during the year of the performance of senior executives, including Executive Directors, with regard to the overall performance of Reece and of the individual Directors against the Board Charter.

The Company Secretary is responsible for all matters to do with the proper functioning of the Board and is directly accountable to the Board.

Principle 2

Structure the Board to add value
The growth of the Company, its trading results and returns to shareholders, reflects the Board's wide management and professional experience, as well as its commitment to growing returns for shareholders and protecting shareholders' investment.

The experience and expertise relevant to the position of director held by each director in office at the date of the annual report is included in the Directors' Report.

The term in office held by each director in office at the date of this report is as follows:

Name	Term in office
Mr L.A. Wilson	48 years
Mr B.W.C. Wilson	47 years
Mr P.J. Wilson	20 years
Mr R.G. Pitcher, AM	14 years
Mr A.T. Gorecki	9 years
Mr T.M. Poole	1 year
Mr B.C. Wilson	9 months

Principle 2.4 and 2.5 of the ASX Corporate Governance Principles and Recommendations recommends that the Board comprise a majority of directors who are independent, and an independent Chairperson. The Board, as currently composed, does not comply with these recommendations.

Mr L.A. Wilson is a substantial shareholder. He has been Executive Chairman since 1 January 2008 having previously held the position of Chairman and Chief Executive Officer.

Mr B.W.C. Wilson and Mr B.C. Wilson are substantial shareholders of the company. They, along with Mr R.G. Pitcher, AM, Mr A.T. Gorecki and Mr T.M. Poole, represent a majority of Non-Executive Directors in the current Board structure and bring objective judgement to bear on Board decisions commensurate with their commercial knowledge, experience and expertise.

Mr P.J. Wilson is a senior executive of Reece and has been Chief Executive Officer since 1 January 2008.

Principle 2.1 of the ASX Corporate Governance Principles and Recommendations recommends that the Board establishes a Nomination Committee. Reece does not have a Nomination Committee, with the role being carried out by the full Board.

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Corporate Governance Statement

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The Board has the range of skills, knowledge and experience to direct the company. To enable performance of their duties, all directors:

- Are provided with appropriate information in a timely manner and can request additional information at any time;
- Have access to the Company Secretary;
- Are able to seek independent professional advice at the company's expense;
- Are able to undertake professional development opportunities to further develop their knowledge and skill needed to perform their role as a director; and
- Have undergone an induction process to enable them to be effective Directors and gain substantial knowledge about Reece.

Principle 3

Act ethically and responsibly

The Board places great emphasis on honesty and integrity in all its business dealings, recognising that the interests of all stakeholders will be best served when Directors, senior executives and employees adhere to high standards of business ethics and comply with the law.

In order to clarify the standards of ethical behaviour required of its directors, senior executives and employees the Board has established Codes of Conduct to ensure that Reece's ethical reputation is maintained. Senior executives and employees are required to complete online Code of Conduct training when they commence with Reece. The Reece Code of Conduct for Directors and senior executives and Code of Business Ethics and Conduct are published on the company website at www.reecegroup.com.au/finance.

Reece has in place a policy concerning trading in company securities. The Share Trading for Directors and Employees Policy includes detailed requirements for Directors, officers and management on when they can trade Reece securities. The policy is published on the company website at www.reecegroup.com.au/finance.

Reece has in place an Equal Opportunity and Diversity Policy which is published on the company website at www.reecegroup.com.au/finance.

The Company has adopted a Whistleblower Policy designed to provide all employees the opportunity to raise concerns regarding improper conduct without fear of any adverse ramifications. These concerns can be raised internally with our human resources department, or via an independent and confidential service.

The Board encourages and supports the Reece commitment to an ethical and responsible work environment that provides an equal opportunity to all employees. Reece has implemented the following initiatives:

- Made the policy available to all employees;
- Introduced online training programs on equal opportunity;
- Continued providing management training programs that highlight the importance and benefits of diversity in the workforce;
- Continually reinforced our policy to recruit for the best available talent regardless of gender, age, ethnicity, disability or cultural background; and
- Conducted an annual review by the company's Risk and Compliance Committee and the Board of the Reece gender profile.

Of the company's employees, 23% are women and 14% of the senior management roles are occupied by women. Senior management roles are identified through a job evaluation methodology. The company announced the appointment of two female non executive directors to the Board effective 1 September 2017.

The Board confirms it has undertaken an annual review of the aforementioned policies and has set objectives for the Equal Opportunity and Diversity Policy for the financial year 2017. The Board has confirmed that it will maintain the existing measurable objectives, in addition to:

- Managing and taking action on complaints, recommendations, changes and breaches for the Equal Opportunity and Diversity Policy;
- Discussing recommendations and approving recommendations at Board meetings; and
- Conducting an annual review of the policy.

Principle 4

Safeguard integrity in corporate reporting

Reece has an Audit Committee comprising of a majority of Independent Directors. The Audit Committee presently comprises Mr R.G. Pitcher, AM (Chairman), Mr A.T. Gorecki and Mr B.W.C. Wilson. All members of the committee are Non-Executive Directors and have extensive experience in, and knowledge of, the industry in which Reece operates. Mr R.G. Pitcher, AM and Mr B.W.C. Wilson have accounting qualifications.

Corporate Governance Statement

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The details of the number of Audit Committee meetings held and attended are included in the Directors' Report. Minutes are taken at each Audit Committee meeting, with the minutes tabled in the following full Board meeting.

The Audit Committee operates under its own charter that details the roles, duties and membership requirements. The Audit Committee Charter is available on request.

The Audit Committee reports back to the Board on all matters relevant to the Committee's roles and responsibilities. This includes:

- An assessment of the adequacy of Reece's external reporting for shareholder needs;
- An assessment as to the appropriateness of accounting judgements exercised by management in the preparation of the financial statements;
- An assessment as to whether the financial statements reflect a true and fair view of the financial position and performance of the company;
- The procedures to select and appoint an external auditor and the rotation of external audit engagement partners in accordance with regulatory requirements;
- Recommendations for the appointment or, if required, the removal of an external auditor;
- Assessment of the performance of the external auditor;
- Assessment of the performance and objectivity of Reece's internal audit function; and
- Review of Reece's risk management system and associated internal controls.

In addition to their roles and responsibilities, the key activities undertaken by the Audit Committee during the year include:

- Monitoring developments in accounting and financial reporting that is relevant to Reece;
- Approval of the scope, plan and fees for the 2017 external audit;
- Meeting with external auditors and monitoring the progress of the external audit for 2017;
- Review and recommend to the Board the adoption of Reece's half year and annual financial statements;
- Jointly with the full Board, monitoring the progress of matters arising from the Code of Conduct and Whistleblower Policy; and
- Review of the internal audit reports and approval of the Internal Audit Plan.

The Company has an internal audit function that is responsible for auditing all branches and departments. Internal auditors attend branches to conduct audits and monitor adherence to policies and procedures. In addition, the external auditors undertake audits of selected branches each year. Detailed reports are provided to senior management and the Audit Committee.

Principle 5

Make timely and balanced disclosure
Reece has policies and procedures to ensure compliance with the ASX Listing Rule requirements for the timely and balanced disclosure of all material matters concerning the company. All market disclosures are approved by the Board.

The Board has approved a Continuous Disclosure Policy and is committed to complying with the continuous disclosure requirements of the Corporations Act and ASX Listing Rules.

The Chairman and the Company Secretary are authorised to communicate with shareholders and the market in relation to Board approved ASX disclosures. Other directors and management must adhere to this policy at all times.

All announcements made to the ASX are placed on the Reece website directly after public release.

Principle 6

Respect the rights of security holders
Reece provides a printed copy of its annual report to all requesting shareholders and is also available on the company's website. The annual report contains relevant information about the company's operations during the year, changes in the state of affairs and other disclosures required by the *Corporations Act 2001*. The half year report contains summarised financial information and a review of Reece operations during the period.

The Reece Group website provides all shareholders with access to announcements and related information which are posted immediately after release to the ASX. Through its share registry shareholders are able to elect to receive communication electronically. In addition, the Reece Group website contains the corporate governance documents, overview of operations and history of the company.

All shareholders are invited to the Annual General Meeting with the format designed to encourage shareholders to actively participate in the meeting through being invited to comment, or raise questions of directors on any matter relevant to the performance and operation of the company.

External auditors attend each annual general meeting and are available to answer shareholder questions about the auditor's report.

Corporate Governance Statement

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Principle 7

Recognise and manage risk

The Board recognises that effective risk management is an integral part of good management and vital to the continued growth and success of the company. The Board has decided against the establishment of a separate Board Risk Committee at this time, and risk oversight remains a direct responsibility of the full Board. As a part of the risk management process a Risk and Compliance Committee, made up of executives and management, meets quarterly and reports to the Board. The committee reviews the risk management framework annually and provides recommendations to the Board.

Reece risk management policy aims not to eliminate risk but to identify, monitor and manage material risks inherent in the activities of the company.

In managing risk, the Board has charged the Risk and Compliance Committee with the responsibility of determining and implementing risk management controls in the conduct of the business in at least the following areas:

- Strategic risks;
- Operations, including business continuity;
- Product and service quality;
- Reputation;
- Ethical conduct in business dealings;
- Maintenance of a safe work environment;
- Management of technology resources;
- Integrity and reliability of financial reporting;
- Compliance with internal policies and procedures;
- Compliance with regulatory requirements; and
- Compliance with environmental obligations.

The Company has effective risk management controls implemented by Reece management incorporating:

- A clearly defined organisational structure with defined management responsibilities;
- Segregation of duties;
- Delegated limits of authority;
- Internal audit function to review the quality and effectiveness of internal processes, procedures and controls;
- Procedures for managing financial risk and the treasury function;
- A comprehensive insurance programme which is reviewed annually;
- Utilisation of an independent, confidential and impartial whistleblowing management service; and
- A clearly defined set of standards and behaviours expected from those working within the company.

The Board has received written assurances from management as to the effectiveness of the company's management of its material business risks.

The Board retains oversight responsibility for assessing the effectiveness of the company's systems for the management of material business risks.

The Chief Executive Officer and Chief Financial Officer have provided written assurance that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Corporate Governance Statement

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Reece does not have any exposure to environmental and social sustainability risks. The company has a number of initiatives in place to manage environmental, customer, supplier and employee risks and includes:

- The Company reports its carbon emissions annually under the Federal Government's National Greenhouse and Emissions Reporting scheme, with a copy available on the company website at www.reecegroup.com.au/finance;
- The Board has continued to support a number of philanthropic initiatives during the year with details provided in the Directors' Report;
- Reece supports a range of community projects to improve the environment;
- Reece is committed to providing products which provide sustainable solutions to our customers;
- Reece undertakes independent quality testing and operates an in-house laboratory for the testing and development of products;
- Reece provides an after sales customer care service;
- Customer satisfaction surveys are conducted annually and reported to management and the Board. Senior management review the feedback and develop actions to further improve customer service;
- Reece works closely with its suppliers and conducts regular meetings; and
- Reece undertakes employee engagement surveys. Results, issues and actions are reported to the Board. In addition, employees have the ability to provide feedback on a daily basis directly to senior management on any issues.

Principle 8

Remunerate fairly and responsibly

The ASX Corporate Governance Principles and Recommendations recommend that a listed company should have a Remuneration Committee comprising at least three members, with the majority being independent directors. Reece's Remuneration Committee currently consists of three non-executive directors with the majority being independent.

The Committee is chaired by an independent director, Mr R.G. Pitcher, AM and comprises of Mr B.W.C. Wilson and independent director Mr. A.T. Gorecki. Mr B.W.C. Wilson is a non-executive director and a substantial shareholder.

Remuneration of the directors and senior executives is the responsibility of the Remuneration Committee. The Committee obtains advice, where necessary, to ensure that Reece attracts and retains talented and motivated employees who can enhance our performance through their contributions and leadership. The Board has been able to retain a high calibre management team through a policy of fair and appropriate remuneration which takes into consideration prevailing employment market conditions and is linked to the company's financial and operational performance.

The components of remuneration for each executive director and senior executive are largely cash based. There are no share based payments and non-cash benefits are modest. Performance based cash payments are largely related to company trading and operating performance. Currently there is no scheme to provide any Director, or member of management, with retirement benefits other than accrued long service leave, accrued annual leave and superannuation benefits. Non-Executive Directors are remunerated by way of cash fees plus statutory superannuation and do not participate in the company's incentive scheme. There is no scheme to provide non-executive directors with retirement benefits other than statutory superannuation.

Director and executive disclosure requirements are dealt with in the Directors' Report. The Remuneration Committee operates under its own charter which is available from Reece upon request.

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The Directors present their report together with the financial report of the consolidated entity consisting of Reece Limited and the entities it controlled (Reece), for the financial year ended 30 June 2017 and auditor's report thereon.

Principal Activities

Reece is a leading supplier of plumbing, bathroom, heating, ventilation, air-conditioning and refrigeration products with operations in Australia and New Zealand. Our activities include importing, wholesaling, distribution, marketing and retailing. Reece supplies customers in the trade, retail, professional and commercial markets.

Results

The consolidated profit for the year attributable to the members of Reece Limited was:

	2017 ($000s)	2016 ($000s)	%
Profit before (loss)/gain on foreign exchange contracts and income tax	**303,047**	**280,715**	8.0%
Unrealised (loss)/gain on foreign exchange contracts	**-**	**(786)**	
Profit before tax	**303,047**	**279,929**	8.3%
Income tax expense	**(91,256)**	**(87,711)**	
Operating profit after income tax attributable to the members of Reece Limited	**211,791**	**192,218**	10.2%

Review of Operations

For the year ended 30 June 2017 sales revenue increased by 6.7% to $2,429m (2016: $2,276m) a record result for Reece. Profit before tax was up 8.3% to $303.0m (2016: $279.9m) and net profit after tax was $211.8m, an increase of 10.2% on the previous year (2016: $192.2m).

The Sydney distribution centre became fully operational in August 2016 and in June 2017 Reece took possession of a new distribution centre in New Zealand. Reece continued to invest in expanding the logistics capability of the company, delivering significant benefits to the branch network in scale and scope, ultimately delivering better service to customers. Inventory levels increased to $457.1m, up 12.6% on the previous year (2016: $405.9m), driven by the growth of the business, the introduction of new products and improved service levels.

The cost of doing business increased 5.4% to $508.7m (2016: $482.7m) due to the increase in staff levels and related costs to support business growth. Reece continued to invest in the refurbishment of existing branches and opened 12 new branches in Australia during the year. Finance costs decreased 23.8% to $5.9m, with debt reduced by $45m to $100m.

The customer satisfaction score increased again this year to a new record. Feedback from customers is an important part of continually improving products and services. The business added world leading brands to the group's portfolio this year and launched numerous new and innovative products. Leadership reassessed and updated the Reece Way values to ensure their relevance to Reece's people and the business. The Reece Way drives the Reece culture and is a major input to success.

Reece continues to maintain a very strong balance sheet with net assets at $1,158m, up 11.3% on the prior year (2016: $1,041m). The business has continued to generate strong cash flow funding the growth in inventory, the investment in property, plant and equipment along with the repayment of debt.

The Board has declared a final dividend of 71 cents per share fully franked. The final dividend will be paid on 26 October 2017 with the record date for entitlement of 11 October 2017. Total dividends paid and to be paid relating to the year ended 30 June 2017 will be 100 cents per share (2016: 92 cents per share), an increase of 8.7% over the previous year.

The Board was very pleased with the FY 2017 result. The Board confirms Reece is in a very strong financial position and well placed to continue to invest in the business.

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Significant Changes in the State of Affairs

There have been no significant changes in the consolidated entity's state of affairs during the financial year.

After Balance Date Events

No matters or circumstances have arisen since the end of the financial year that have significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Likely Developments

The consolidated entity will continue to pursue its operating strategy to create shareholder value.

Environmental Regulations

The consolidated entity's operations are subject to certain environmental regulations under a law of the Commonwealth or of a State. The consolidated entity is not aware of any significant breaches of environmental regulations during the year.

Dividends

Dividends paid or declared by Reece Limited since the end of the previous financial year were:

	($000s)
In respect of the previous financial year:	
A final ordinary fully franked dividend of 65 cents per share in respect of the year ended 30 June 2016 was paid on 27 October 2016.	64,740
In respect of the current financial year:	
An interim ordinary fully franked dividend of 29 cents per share was paid on 30 March 2017.	28,884
Dividends declared after the reporting period and not recognised:	
The final dividend declared to be paid on 26 October 2017 is an ordinary fully franked dividend of 71 cents per share.	70,716
	99,600

Share Options

No options over unissued shares or interests in the consolidated entity were granted during or since the end of the financial year and there were no options outstanding at the end of the financial year.

Indemnification and Insurance of Directors, Officers and Auditors

A deed of indemnity, insurance and access has been entered into with each director, and with the Company Secretary, of the consolidated entity.

Reece has not, during or since the financial year, indemnified or agreed to indemnify the auditor of Reece Limited against a liability incurred as auditor.

During the financial year the consolidated entity paid a premium for Directors' and Officers' Liability insurance. Further disclosure is prohibited under the terms of the contract.

Proceedings on Behalf of the Consolidated Entity

No person has applied for leave of Court to bring proceedings on behalf of the consolidated entity.

Philanthropic Initiatives

During the financial year, the Board approved payments totalling $530,000 (2016: $510,000) to a number of charitable organisations. This is a continuing initiative and recipients may vary from year to year at the discretion of the Board. The recipients this year were:

Alzheimer's & Related Disorders Australia	$25,000
Baker Heart Research Institute	$25,000
Breast Cancer Network	$20,000
Bush Heritage Australia	$15,000
Centre for Eye Research Australia	$35,000
Epworth Medical Foundation	$30,000
Mind Australia (Evolve at Typo Station)	$15,000
Legacy	$25,000
Medecins Sans Frontieres (Doctors without borders)	$75,000
Motor Neurone Disease Association	$35,000
MS Society of Victoria Ltd	$25,000
Prostate Cancer Foundation	$30,000
Royal Flying Doctor Service	$30,000
SANE	$35,000
St Vincent's Institute	$20,000
The Florey Institute of Neuroscience and Mental Health	$40,000
The Salvation Army	$25,000
The Smith Family	$25,000
	$530,000

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Information on Directors & Company Secretary

Name: Mr L. Alan Wilson
Age: 76
Position: Executive Chairman
Experience: Appointed to the Board 1969.
General Manager 1970 – 1974.
Deputy Chairman 1973 – 2001.
Managing Director 1974 - 2008.
Appointed Chairman 2001.

No other directorships of listed companies were held at any time during the three years prior to 30 June 2017.

Name: Mr Peter J. Wilson
Age: 49
Position: Chief Executive Officer/ Managing Director
Experience: B.Comm (Melb), FAIM
Appointed to the Board 1997
General Manager Operations 2002 - 2004
Chief Operating Officer 2005 - 2007
Appointed Chief Executive Officer / Managing Director 2008.

No other directorships of listed companies were held at any time during the three years prior to 30 June 2017.

Name: Mr Bruce W.C. Wilson
Age: 71
Position: Non-Executive Director
Experience: B.Comm (Melb).
Appointed to the Board 1970.
Secretary 1974 – 1999.

Committee Membership:
Member of Audit Committee
Member of Remuneration Committee

No other directorships of listed companies were held at any time during the three years prior to 30 June 2017.

Name: Mr John G Wilson
Age: 79
Position: Non-Executive Director
Experience: Appointed to the Board 1984.

No other directorships of listed companies were held at any time during the three years prior to 30 June 2017.

Mr.J.G Wilson retired effective 9 September 2016

Name: Mr Bruce C. Wilson
Age: 42
Position: Non-Executive Director
Experience: B Comm (La Trobe)
Appointed to the Board September 2016.

No other directorships of listed companies were held at any time during the three years prior to 30 June 2017.

Name: Mr Ronald G. Pitcher, AM
Age: 78
Position: Non-Executive Director
Experience: FCA, FCPA, ACAA.
A chartered accountant and business consultant with over 50 years experience in the accounting profession and in the provision of business advisory services. Appointed to the Board 2003.
Mr Pitcher was a previous partner of the Company's audit firm until his retirement from the audit firm in 1999.

Committee Membership:
Chairman of Audit Committee
Chairman of Remuneration Committee

Name: Mr Andrzej (Andrew) T. Gorecki
Age: 62
Position: Non-Executive Director
Experience: Master of Science (Engineering),Warsaw Technical University
Appointed to the Board March 2008.
Managing Director of I.T. company, Retail Directions.

Committee Membership:
Member of Audit Committee
Member of Remuneration Committee

No other directorships of listed companies were held at any time during the three years prior to 30 June 2017.

Mr. A.T. Gorecki retiring effective 31 August 2017.

Name: Mr Timothy M. Poole
Age: 48
Position: Non-Executive Director
Experience: B.Comm (Melb). CA
Appointed to the Board July 2016

Directorships of other Listed Companies:
Aurizon Holdings Limited
McMillan Shakespeare Limited
Lifestyle Communities Limited

Name: Mr Gavin W. Street
Age: 48
Position: Company Secretary & Chief Digital & Data Officer
Experience: B.Bus, B.Comp (Monash), CPA
Joined consolidated entity 2008
Appointed Company Secretary & Chief Financial Officer 2008 -2016
Appointed Chief Digital & Data Officer 2016

The Board announced on 31st July 2017 the appointment of two new non-executive directors, Ms Megan Quinn and Ms Georgina Williams. The appointments are effective from 1st September 2017

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Directors' Meetings

The number of meetings of the board of directors and of each board committee held during the financial year and the number of meetings attended by each director were:

Director	Number of Directors Meetings Attended	Number of Directors Meetings Held Whilst in Office
L.A. Wilson	11	11
P.J. Wilson	11	11
B.W.C. Wilson	11	11
J.G. Wilson (retired)	2	2
R.G. Pitcher, AM	11	11
A.T. Gorecki	11	11
T.M Poole	10	11
B.C. Wilson	9	9

Director	Number of Audit Committee Meetings Attended	Number of Audit Committee Meetings Held Whilst In Office
R.G. Pitcher, AM	3	3
B.W.C. Wilson	3	3
A.T. Gorecki	3	3

Director	Number of Remuneration Committee Meetings Attended	Number of Remuneration Committee Meetings Held Whilst In Office
R.G. Pitcher, AM	5	5
B.W.C. Wilson	5	5
A.T. Gorecki	5	5

Directors' Interests in Contracts

Directors' interests in contracts are disclosed in the remuneration report.

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 audit for the financial year is provided with this report.

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Non-Audit Services

Non-audit services are approved by resolution of the Audit Committee to the Board. Non-audit services provided by the auditors of the consolidated entity during the year, Pitcher Partners, are detailed below. The directors are satisfied that the provision of the non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

Amounts paid or payable to an auditor for non-audit services provided during the year by the auditor to any entity that is part of the consolidated entity are detailed below.

	2017 $	2016 $
Audit/Review fees	720,000	702,000
Amounts paid and payable to Pitcher Partners for non-audit services:		
Taxation services	115,018	334,235
Other services	73,686	26,580
	188,704	360,815
Amounts paid and payable to network firms of Pitcher Partners:		
Audit/Review fees	-	-
Other services	17,924	23,029
	17,924	23,029

Rounding of Amounts

The parent entity and the consolidated entity have applied the relief available under ASIC Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191 and accordingly, the amounts in the consolidated financial statements and in the directors' report have been rounded to the nearest thousand dollars, or in certain cases, to the nearest dollar (where indicated).

Remuneration Report (Audited)

The names of each person holding the position of Director of Reece Limited during the financial year were L.A. Wilson, B.W.C. Wilson, P.J. Wilson, J.G. Wilson (retired), R.G. Pitcher, AM, A.T. Gorecki, T.M. Poole and B.C.Wilson. Senior management was G.W. Street, S. Nikolic and A. Palumbo.

Apart from the details disclosed in this report, no director or senior manager has entered into a material contract with Reece or the consolidated entity since the end of the previous financial year and there were no material contracts involving directors' or senior manager interests existing at year end.

Directors of Reece, Messrs L.A. Wilson, B.W.C. Wilson, J.G Wilson (retired) and B.C. Wilson have a beneficial interest in an entity that sold plumbing and building supplies to the consolidated entity. All dealings are in the ordinary course of business and on normal terms and conditions no more favourable than those which it is reasonable to expect would have been accepted if dealing at arm's length in the same circumstances. Goods purchased from this entity during the year total $4,455,510 (2016: $4,035,427) of which $415,131 (2016: $370,871) was owing at year end.

Directors of Reece Messrs L.A. Wilson, B.W.C. Wilson, and J.G Wilson (retired) have a beneficial interest in entities that lease premises to the consolidated entity. All dealings with these entities are in the ordinary course of business and on normal terms and conditions no more favourable than those which would have been expected if dealing at arm's length in the same circumstances. Lease rentals paid to these entities during the year were $1,211,040 (2016: $1,199,552).

From time to time, directors and senior managers of Reece or its controlled entities, may purchase goods from the consolidated entity. These transactions are on the same terms and conditions as those entered into by other consolidated entity employees.

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Directors, shareholding as at 31 August 2017:

	Ordinary Shares of Reece Limited	
Director	2017	2016
J.G. Wilson (retired)	**67,438,320**	**67,438,320**
L.A. Wilson	**66,625,820**	**66,625,820**
B.W.C. Wilson	**66,508,320**	**66,508,320**
P.J. Wilson	**106,500**	**106,500**
R.G. Pitcher, AM	**30,000**	**30,000**
A.T. Gorecki	**13,000**	**13,000**
B.C. Wilson	**12,000**	**12,000**
T.M. Poole	**1,400**	**1,400**

Note: Many of the directors' shareholdings relate to the same shares.

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Remuneration Policies

Remuneration of the Directors and senior management is the responsibility of the Remuneration Committee. The broad remuneration policy is to ensure remuneration packages properly reflect the person's duties and responsibilities and that remuneration is competitive in attracting and retaining talented and motivated executives who can enhance our performance through their contributions and leadership. The Remuneration Committee undertakes benchmarking in comparing the Director and senior management remuneration levels with a comparative group of companies. The Remuneration Committee did not seek external advice in relation to these matters.

Remuneration – Non-Executive Directors

Non-Executive Directors receive fees and do not receive performance based payments. Their fees reflect the additional committees that they may serve on from time to time. The maximum aggregate amount of remuneration payable to Non-Executive Directors is capped at the level approved by the shareholders.

Non-Executive Directors are not entitled to receive any performance based incentives, non-cash benefits or retirement benefits other than statutory superannuation.

There is no scheme to provide Non-Executive Directors with retirement benefits other than statutory superannuation.

Remuneration – Executive Chairman

The Executive Chairman receives a salary, non-cash benefits and superannuation contributions. The majority of the non-cash benefits relates to the provision of a motor vehicle. The Executive Chairman does not participate in any performance based incentive. There was no increase in salary or superannuation contributions.

Apart from statutory termination benefits, which include accrued leave entitlements, there are no arrangements in place to provide the Executive Chairman with any additional retirement benefits.

Remuneration - Chief Executive Officer and Key Management Personnel

The Chief Executive Officer and Other Executives receive salary, short-term incentives, non-cash benefits and superannuation contributions. Apart from statutory termination benefits, which include accrued leave entitlements, there are no arrangements in place to provide the Chief Executive Officer or any other Executive with any additional retirement benefits.

The Chief Executive Officer and other Executives have employment contracts with notice periods executable by either party. Reece is required to give the Chief Executive Officer a 12 months' notice of termination and the Chief Executive Officer is required to provide a 6 months' notice period on resignation. Other Executives are required to provide 6 months' notice period on resignation and Reece is required to provide a 6 months' notice of termination. The Chief Executive Officer and Other Executives have restraint provisions.

The salary for the Chief Executive Officer and other Executives reflects their roles, experience and level of responsibility. Salaries are reviewed and benchmarked to a comparable group by the Remuneration Committee.

Non-cash benefits were received by the Chief Executive Officer, the majority of the benefit related to the provision of a motor vehicle. The other Executives did not receive any non-cash benefits.

The Chief Executive Officer's performance based short-term incentive is calculated on 75% of base salary with a ceiling of 120% for exceptional performance. The scheme provides for no payment in the event the minimum performance targets as set by the Board annually are not met.

The other Executive performance based short-term incentive is calculated on 40% of base salary with a ceiling of 60% and structured around the same company performance criteria as the Chief Executive Officer and provides for no payment in the event the minimum performance targets as set by the Board annually are not met.

Short-term Incentives

Short-term incentives are a cash payment only and based on financial and non-financial measures framed around the Company's trading and operating performance and individual performance. The majority of the short-term incentives relate to the following metrics; growth in profit before tax, return on equity, capital management and profit before tax as a percentage of sales (all metrics based on normalised profit). The targets are set by the Board at the beginning of the financial year.

Short term incentives are paid to the Chief Executive Officer and other Executives. The Non-Executive Directors and Executive Chairman do not receive any short-term incentives. The financial and operational targets set by the Board.

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Long-term Incentives

The Board does not pay any long-term incentives or performance options to the Non-Executive Directors, Executive Chairman, Chief Executive Officer, Company Secretary or Chief Financial Officer. The Board believe the substantial ownership of shares in the company by Directors provides the incentive to drive long-term shareholder value.

Business Performance

The Board was very pleased with the performance of the business with record sales and profit results. The key financial achievements of the business were;

- Sales Revenue was up 6.7% to $2,429 million
- Earnings before interest, tax and foreign currency was up 7.1% to $308.9 million
- Net Profit after Tax up 10.2% to $211.8 million
- Net Assets up 11.3% to $1.158 million
- Total Dividend for FY 2017 up 8.7% to 100 cents

Relationship between remuneration and company performance	2017 $(000's)	2016 $(000's)	2015 $(000's)	2014 $(000's)	2013 $(000's)
Sales Revenue	2,429,307	2,276,353	2,085,128	1,775,876	1,534,878
Earnings before interest, tax and foreign currency	308,948	288,462	237,166	189,060	163,547
Net Profit After Tax	211,791	192,218	165,556	123,025	119,131
Dividends Declared	99,600	91,632	75,696	63,744	61,752
Performance Based Incentives to KMP	2,982	2,454	2,179	1,854	1,174

	2017 $	2016 $	2015 $	2014 $	2013 $
Share Price at year-end	41.70	37.00	34.71	30.24	23.80

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Remuneration Report (Audited)
Key Management Personnel

	Salary & Fees $	Short-Term Performance Based Payment $	Other Non-cash benefits $	Super Contributions $	Total $	Total Performance Related %
Directors						
L.A. Wilson (Executive Chairman)						
2017	1,400,000	-	45,504	35,000	1,480,504	0%
2016	1,400,000	-	38,553	35,000	1,473,553	0%
P.J. Wilson (Chief Executive Officer/Managing Director)						
2017	1,886,353	2,216,245	62,122	30,000	4,194,720	53%
2016	1,754,033	2,128.800	73,387	30,000	3,986,220	53%
B.W.C. Wilson (Non-Executive)						
2017	82,192	-	-	7,808	90,000	0%
2016	75,000	-	-	7,125	82,125	0%
J.G. Wilson (Non-Executive/ Retired)						
2017	15,862	-	-	-	15,862	0%
2016	81,938	-	-	-	81,938	0%
R.G. Pitcher, AM (Non-Executive)						
2017	141,553			13,448	155,001	0%
2016	130,000	-	-	12,350	142,350	0%
A.T. Gorecki (Non-Executive)						
2017	100,457			9,543	110,000	0%
2016	95,000	-	-	9,025	104,025	0%
B.C. Wilson (Non-Executive)						
2017	66,702	-	-	6,337	73,039	0%
2016	-	-	-	-	-	-
T.M. Poole (Non-Executive)						
2017	105,520			10,024	115,544	0%
2016	-	-	-	-	-	-
Total Remuneration: Directors						
2017	3,798,639	2,216,245	107,626	112,160	6,234,670	36%
2016	3,535,971	2,128,800	111,940	93,500	5,870,211	36%

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Remuneration Report (Audited)

	Salary & Fees $	Short-Term Performance Based Payment $	Other Non-cash benefits $	Super Contributions $	Total $	Total Performance Related %
Executives						
G.W. Street (Company Secretary & Chief Data & Digital Officer)						
2017	655,133	334,680	-	30,000	1,019,813	33%
2016	628,333	324,720	-	28,333	981,386	33%
S. Nikolic (Chief Financial Officer)						
2017	408,917	193,014	-	25,000	626,931	31%
A. Palumbo (Chief Marketing & Supply Officer)						
2017	434,333	238,657	-	52,596	725,586	33%
Total Remuneration: Executives						
2017	1,498,383	766,351	-	107,596	2,372,330	32%
2016	628,333	324,720	-	28,333	981,387	33%

"Executives" are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. Being a working Board, decisions and directions are exercised through the Board and accordingly, there are 3 employees in addition to the directors who are in this category.

At our most recent Annual General Meeting, resolution to adopt the prior year remuneration was put to the vote and at least 75% of "yes" votes were cast for adoption of the report. No comments were made on the remuneration report requiring consideration at the Annual General Meeting.

This concludes the Remuneration Report (Audited).

Dated at Melbourne on 31 August 2017.
Signed in accordance with a resolution of Directors.



L. A. WILSON
Executive Chairman



P. J. WILSON
Chief Executive Officer / Managing Director

Auditor's Independence Declaration

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PITCHER PARTNERS
ACCOUNTANTS • AUDITORS • ADVISORS

To the Directors of Reece Limited

In relation to the independent audit for the year ended 30 June 2017, 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
31 August 2017

PITCHER PARTNERS
Melbourne

Consolidated Statement Of Profit Or Loss And Other Comprehensive Income

For the year ended 30 June 2017

	Notes	2017 ($000s)	Consolidated Entity 2016 ($000s)
Revenue and other income			
Sales revenue	4	2,429,307	2,276,353
Other income	4	1,651	15,405
		2,430,958	2,291,758
Less: Expenses			
Cost of goods sold	5	1,619,208	1,517,443
Employee benefits expense	5	266,360	245,209
Depreciation	5	49,956	46,583
Finance costs		5,901	7,747
Other expenses		186,486	183,160
Unrealised loss / (gain) on foreign exchange contracts		-	786
Impairment of goodwill		-	10,901
Profit before income tax		303,047	279,929
Income tax expense	6	91,256	87,711
Net Profit for the year from continuing operations		211,791	192,218
Other Comprehensive Income			
Items that maybe reclassified subsequently to profit and loss:			
Exchange differences on translation of foreign operations, net of tax		(43)	1,280
Cash flow FX hedge, net of tax		(849)	-
Total comprehensive income		210,899	193,498
Basic earnings per share	23	213 cents	193 cents
Diluted earnings per share	23	213 cents	193 cents

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The Consolidated Statement of Profit Or Loss And Other Comprehensive Income is to be read in conjunction with the notes to the financial statements set out on pages 47 to 69

Consolidated Statement Of Financial Position

For the year ended 30 June 2017

	Notes	Consolidated Entity 2017 ($000s)	2016 ($000s)
Current Assets			
Cash and cash equivalents	8	101,805	105,123
Receivables	9	360,912	347,207
Inventories	10	457,063	405,900
Total Current Assets		919,780	858,230
Non-Current Assets			
Property, plant and equipment	11	528,908	500,035
Intangible assets	12	205,169	201,392
Deferred tax assets	6	34,089	31,697
Total Non-Current Assets		768,166	733,124
Total Assets		1,687,946	1,591,354
Current Liabilities			
Payables	14	353,942	317,325
Short-term borrowings	15	-	20,000
Current tax payable	6	16,171	20,278
Provisions	16	54,585	51,141
Other liabilities	17	-	11,262
Total Current Liabilities		424,698	420,006
Non-Current Liabilities			
Long-term payables	14	1,863	2,304
Long-term borrowings	15	100,000	125,000
Provisions	16	3,084	3,018
Total Non-Current Liabilities		104,947	130,322
Total Liabilities		529,645	550,328
Net Assets		1,158,301	1,041,026
Equity			
Contributed equity	18	9,960	9,960
Reserves	19	3,748	4,640
Retained earnings	20	1,144,593	1,026,426
Total Equity		1,158,301	1,041,026

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The Consolidated Statement of Financial Position is to be read in conjunction with the notes to the financial statements set out on pages 47 to 69.

Consolidated Statement Of Changes In Equity

For the year ended 30 June 2017

Consolidated Entity	Contributed Equity ($000s)	Reserves ($000s)	Retained Earnings ($000s)	Total Equity ($000s)
Balance as at 1 July 2015	9,960	3,360	912,892	926,212
Profit for the year	-	-	192,218	192,218
Exchange differences on translation of foreign operations, net of tax	-	1,280	-	1,280
Total comprehensive income for the year	-	1,280	192,218	193,498
Transactions with owners in their capacity as owners:				
Dividends paid	-	-	(78,684)	(78,684)
Total transactions with owners in their capacity as owners:	-	-	(78,684)	(78,684)
Balance as at 30 June 2016	9,960	4,640	1,026,426	1,041,026
Balance as at 1 July 2016	9,960	4,640	1,026,426	1,041,026
Profit for the year	-	-	211,791	211,791
Exchange differences on translation of foreign operations, net of tax	-	(43)	-	(43)
Cash flow FX hedge, net of tax		(849)		(849)
Total comprehensive income for the year	-	(892)	211,791	210,899
Transactions with owners in their capacity as owners:				
Dividends paid	-	-	(93,624)	(93,624)
Total transactions with owners in their capacity as owners:	-	-	(93,624)	(93,624)
Balance as at 30 June 2017	9,960	3,748	1,144,593	1,158,301

The Consolidated Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements set out on pages 47 to 69.

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Consolidated Statement Of Cash Flows

For the year ended 30 June 2017

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	Notes	Consolidated Entity 2017 ($000s)	2016 ($000s)
Cash flow from operating activities			
Receipts from customers		2,643,569	2,459,779
Payments to suppliers and employees		(2,325,738)	(2,183,453)
Interest received		1,065	1,213
Finance costs		(6,372)	(8,517)
Income tax paid		(97,715)	(78,680)
Net cash provided by operating activities	21	214,809	190,342
Cash flow from investing activities			
Payment for property, plant and equipment		(94,883)	(65,511)
Purchase of intangibles		(282)	(450)
Purchase of controlled entity		(3,563)	-
Proceeds from sale of property, plant and equipment		19,225	4,521
Net cash used in investing activities		(79,503)	(61,440)
Cash flow from financing activities			
Dividends paid		(93,624)	(78,684)
Repayments of borrowings		(160,000)	(52,116)
Proceeds from borrowings		115,000	22,000
Net cash used in financing activities		(138,624)	(108,800)
Net Increase in cash and cash equivalents		(3,318)	20,102
Cash and cash equivalents at the beginning of the year		105,123	85,021
Cash and cash equivalents at the end of the year	8	101,805	105,123

The Consolidated Statement of Cash Flows is to be read in conjunction with the notes to the financial statements set out on pages 47 to 69.

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1. Statement of Significant Accounting Policies

The following is a summary of significant accounting policies adopted by the consolidated entity in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Basis of preparation of the financial report

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The 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. Reece Limited is a for-profit entity for the purpose of preparing the financial statements.

The financial report was authorised for issue as at the date of the Directors' Report.

Compliance with IFRS
The consolidated financial statements of Reece Limited also comply with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Historical Cost Convention
The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

(b) 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 Limited controlled from time to time during the year and at balance date. The group controls an entity when it is exposed, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Details of the controlled entities are contained in Note 28.

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.

(c) Revenue

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer. Business combinations are accounted for by applying the acquisition method.

The consideration transferred is determined as the aggregate of fair values of assets given, equity issued and interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Rent revenue from operating leases is recognised on a straight-line basis over the term of the lease.

All revenue is stated net of the amounts of goods and services tax (GST).

(d) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and at banks, short-term deposits with an original maturity of three months or less held at call with financial institutions and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

(e) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is based on the first-in first-out principle.

(f) Property, plant and equipment

All classes of property, plant and equipment are stated at cost less depreciation and any accumulated impairment losses.

Depreciation
Land is not depreciated. The depreciable amounts of all other fixed assets are depreciated on a straight-line basis over their estimated useful lives commencing from the time the asset is held ready for use. Fixtures, fittings and equipment are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The useful lives for each class of assets are:

	2017	2016
Freehold Buildings	25 years	25 years
Fixtures, fittings and equipment	2.5 to 20 years	2.5 to 20 years
Motor vehicles	5 to 8 years	5 to 8 years

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(g) Leases

Leases of buildings, plant and equipment under which the parent entity or its controlled entities do not assume substantially all the risks and benefits of ownership, are classified as operating leases.

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses in the period in which they are incurred.

Lease incentives received under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(h) Business Combinations

A business combination is a transaction or other event in which an acquirer obtains control of one or more businesses and results in the consolidation of the assets and liabilities assumed in exchange for control. Deferred consideration payable is measured at fair value.

Goodwill is recognised initially at the excess over the aggregate of the consideration transferred, the fair value of the non-controlling interest, and the acquisition date fair value of the acquirer's previously held equity interest (in case of step acquisition), less the fair value of the identifiable assets acquired and liabilities assumed.

If the fair value of the acquirer's interest is greater than the aggregate of the consideration transferred, the fair value of the non-controlling interest, and the acquisition date fair value of the acquirer's previously held equity interest (in case of step acquisition), the surplus is immediately recognised in the statement of comprehensive income.

Acquisition related costs are expensed as incurred.

(i) Intangibles

Goodwill

Goodwill is initially measured at the excess over the aggregate of the consideration transferred, the fair value (or proportionate share of net assets value) of the non-controlling interest, and the acquisition date fair value of the acquirer's previously held equity interest (in case of step acquisition), less the fair value of the identifiable assets acquired and liabilities assumed. Goodwill is not amortised but is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less accumulated impairment losses.

(j) Impairment of non-financial assets

Assets with an indefinite useful life are not amortised but are tested annually for impairment in accordance with AASB 136 Impairment of Assets. Assets subject to annual depreciation or amortisation are reviewed for impairment whenever events or circumstances arise that indicate that the carrying amount of the asset may be impaired.

An impairment loss is recognised where the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and value in use.

(k) Taxes

Current income tax expense is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

Deferred tax assets and liabilities are recognised for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred tax asset or liability is recognised in relation to temporary differences arising from the initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for temporary differences and unused tax losses only when it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax Consolidation

Reece Limited (parent entity) and its Australian wholly owned subsidiaries have implemented the tax consolidation legislation and have formed an income tax consolidated group under the tax consolidation legislation. The parent entity is responsible for recognising the current tax liabilities and deferred tax assets arising in respect of tax losses for the tax consolidated group. The tax consolidated group has also entered into a tax funding agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

The tax consolidated group also has a tax sharing agreement in place to limit the liability of subsidiaries in the tax consolidated group arising under the joint and several liability requirements of the tax consolidation system in the event of default by the parent entity to meet its payment obligations.

(l) Employee Benefits

Liabilities arising in respect of wages and salaries, annual leave, and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled.

All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. Contributions are made by the economic entity to employee superannuation funds and are charged as expenses when incurred.

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(m) Financial Instruments

Classification
The consolidated entity classifies its financial instruments in the following categories: loans and receivables and held-to-maturity investments. The classification depends on the purpose for which the instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Loans and receivables
Loans and receivables are measured at fair value at inception and subsequently at amortised cost using the effective interest rate method. Held-to-maturity investments Fixed term investments intended to be held to maturity are classified as held-to-maturity investments. They are measured at amortised cost using the effective interest rate method.

Held-to-maturity investments
Fixed term investments intended to be held to maturity are classified as held-to-maturity investments. They are non-derivative financial liabilities which are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Financial liabilities
Financial liabilities include trade payables, other creditors, loans from third parties and loans or other amounts due to director-related entities.

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Financial liabilities are classified as current liabilities unless the consolidated entity has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Derivative financial instruments
The consolidated entity holds derivative financial instruments to hedge its risk exposures from foreign currency.

Derivatives are initially recognised at fair value and applicable transaction costs are recognised in profit or loss as they are incurred. After initial recognition, derivatives that are not designated in a qualifying hedge relationship are measured at fair value and changes in value are recognised immediately in profit or loss.

Hedge Accounting
The consolidated entity 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.

Borrowing costs
Borrowing costs are expensed as incurred, except for borrowing costs incurred as part of the cost of the construction of a qualifying asset which are capitalised until the asset is ready for its intended use or sale.

Impairment of financial assets
Financial assets are tested for impairment at each financial year end to establish whether there is any objective evidence for impairment.

(n) Foreign Currencies

Functional and presentation currency
The financial statements of each group entity are measured using its functional currency, which is the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars, as this is the parent entity's functional and presentation currency.

Transactions and Balances
Transactions in foreign currencies of entities within the consolidated entity are translated into functional currency at the rate of exchange ruling at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year.

Except for certain foreign currency hedges, resulting exchange differences arising on settlement or re-statement are recognised as revenues and expenses for the financial year.

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Group Companies
The financial statements of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at the reporting date;
- Income and expenses are translated at average exchange rates for the period; and
- All resulting exchange differences are recognised as a separate component of equity.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve as a separate component of equity in the statement of financial position.

(o) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

(p) Rounding Amounts

The parent entity and the consolidated entity have applied the relief available under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and accordingly, the amounts in the consolidated financial statements and in the directors' report have been rounded to the nearest thousand dollars, or in certain cases, to the nearest dollar (where indicated).

(q) New Accounting standards and interpretations

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The Group's assessment of the new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below.

AASB 15: Revenue from Contracts with Customers - applicable for annual reporting periods commencing on or after 1 January 2018.

AASB 15 will provide (except in relation to some specific exceptions, such as lease contracts and insurance contracts) a single source of accounting requirements for all contracts with customers, thereby replacing all current accounting pronouncements on revenue.

This Standard provides a revised principle for recognising and measuring revenue. Under AASB 15, revenue is recognised in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the provider of the goods or services expects to be entitled. To give effect to this principle, AASB 15 requires the adoption of the following 5-step model:

Step 1: Identify the contract(s) with a customer;

Step 2: Identify the performance obligations under the contract(s);

Step 3: Determine the transaction price;

Step 4: Allocate the transaction price to the performance obligations under the contract(s); and

Step 5: Recognise revenue when (or as) the entity satisfies the performance obligations.

AASB 15 also provides additional guidance to assist entities in applying the revised principle to licences of intellectual property, warranties, rights of return, principal/agent considerations and options for additional goods and services.

Although the directors anticipate that the adoption of AASB 15 may have an impact on the Group's reported revenue, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 16: Leases (applicable for annual reporting periods commencing on or after 1 January 2019).

AASB 16 will replace AASB 117: Leases and introduces a single lessee accounting model that will require a lessee to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Right-of-use assets are initially measured at their cost and lease liabilities are initially measured on a present value basis. Subsequent to initial recognition:

- Right-of-use assets are accounted for on a similar basis to non-financial assets, whereby the right-of-use asset is accounted for in accordance with a cost model unless the underlying asset is accounted for on a revaluation basis, in which case if the underlying asset is:
- Investment property, the lessee applies the fair value model in AASB 140: Investment Property to the right-of-use asset;
- Property, plant or equipment, the lessee can elect to apply the revaluation model in AASB 116: Property, Plant and Equipment to all of the right-of-use assets that relate to that class of property, plant and equipment; and
- Lease liabilities are accounted for on a similar basis as other financial liabilities, whereby interest expense is recognised in respect of the liability and the carrying amount of the liability is reduced to reflect lease payments made.

This Standard is not expected to significantly impact the Group's financial statements.

AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, under AASB 16 a lessor would continue to classify its leases as operating leases or finance leases subject to whether the lease transfers to the lessee substantially all of the risks and rewards incidental to ownership of the underlying asset, and would account for each type of lease in a manner consistent with the current approach under AASB 117.

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Although the directors anticipate that the adoption of AASB 16 may have an impact on the Group's accounting for its operating leases, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 2016-1: Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses (applicable for annual reporting periods commencing on or after 1 January 2017).
This Amending Standard amends AASB 112: Income Taxes to clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value.
This Standard is not expected to significantly impact the Group's financial statements.

AASB 2016-2: Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107 (applicable for annual reporting periods commencing on or after 1 January 2017).

This Amending Standard amends AASB 107: Statement of Cash Flows to require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. To the extent necessary to satisfy this objective, entities will be required to disclose the following changes in liabilities arising from financing activities:

- changes from financing cash flows;
- changes arising from obtaining or losing control of subsidiaries or other businesses;
- the effect of changes in foreign exchange rates;
- changes in fair values; and
- other changes.

(r) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

2. Significant Accounting Estimates and Judgements

Certain accounting estimates include assumptions concerning the future, which, by definition, will seldom represent actual results. The estimates and assumptions that have a significant inherent risk in respect of estimates based on future events, which could have a material impact on the assets and liabilities in the next financial year, are discussed below:

(a) Income taxes

Income tax benefits are based on the assumption that no adverse change will occur in the income tax legislation and the anticipation that the company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(b) Impairment of goodwill

Goodwill is allocated to cash generating units (CGU) according to applicable business operations. The recoverable amount of a CGU is based on value in use calculations. These calculations are based on projected cash flows approved by management covering a period of 5 years. Management's determination of cash flow projections and gross margins are based on past performance and its expectation for the future. A terminal value growth rate of 3.5% and a discount rate of 11% has been used to determine value-in-use.

(c) Impairment of non-financial assets other than goodwill

All assets are assessed for impairment at each reporting date by evaluating whether indicators of impairment exist in relation to the continued use of the asset by the consolidated entity. Impairment triggers include declining product performance, technology changes, adverse changes in the economic or political environment or future product expectations. The recoverable amount of the CGU is determined by value-in-use calculations as described in 2(b).

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3. Financial Risk Management

The consolidated entity is exposed to a variety of financial risks comprising:

a) Currency risk
b) Interest rate risk
c) Credit risk
d) Liquidity risk
e) Fair values

The Board has overall responsibility for identifying and managing operational and financial risks.

(a) Currency Risk – Forward exchange contracts

Forward exchange contracts are entered into in order to buy and sell specified amounts of foreign currency in the future at stipulated exchange rates. The objective in entering the forward exchange contracts is to protect the consolidated entity against unfavourable exchange rate movements for both the contracted and anticipated future purchases undertaken in foreign currencies. The consolidated entity reviews its currency risk on a regular basis, taking into account refinancing, renewal of existing positions and alternative financing. Budgeted foreign currency requirements are determined over a rolling 12 month period and forward exchange positions are taken in consideration of those requirements in accordance with the consolidated entity's Foreign Exchange Management Policy.

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 date was $170,696,849 (2016: $98,161,282).

The consolidated entity utilised a mixture of forward exchange contracts and direct purchase of foreign currency to manage its foreign currency exposure.

The accounting policy in regard to financial instruments is detailed in Note 1(m).

At balance date, the details of outstanding forward exchange contracts are:

Buy United States Dollars	**Sell Australian Dollars**		**Average Exchange Rate**	
Settlement	**2017**	2016	**2017**	2016
	$'000	$'000	**$**	**$**
Less than 6 months	**67,507**	71,591	**0.76**	0.73
6 months to 1 year	**56,890**	-	**0.75**	-
1 to 2 years	**-**	-	**-**	-

Buy Euros	**Sell Australian Dollars**		**Average Exchange Rate**	
Settlement	**2017**	2016	**2017**	2016
	$'000	$'000	**$**	$
Less than 6 months	**28,724**	26,570	**0.70**	0.66
6 months to 1 year	**11,284**	-	**0.66**	-
1 to 2 years	**-**	-	**-**	-

Buy Japanese Yen	**Sell Australian Dollars**		**Average Exchange Rate**	
Settlement	**2017**	2016	**2017**	2016
	$'000	$'000	**$**	$
Less than 6 months	**5,308**	-	**83.46**	-
6 months to 1 year	**984**	-	**81.78**	-

If the exchange rate was to increase by 10% from the rates used to determine the fair values as at the reporting date, then the impact for the year would be an additional loss of $10.8m after tax (2016: $4.6m). If the exchange rate was to decrease by 10% from the rates used to determine the fair values as at the reporting date, then the impact for the year would be an additional profit of $13.1m after tax (2016: $7.5m).

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Cash Flow Hedges

The consolidated entity uses cash flow hedges to limit the risk of variability of future cash flows arising from foreign currency fluctuations over the hedging period associated with highly probably forecast transactions of inventory acquisitions denominated in currencies other than the Australian Dollar. 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.

The consolidated entity utilises forward exchange contracts (FEC's) as its preferred hedging instrument. At balance date the change in fair values of existing FEC's are:

Change in fair value	2017 FEC's
Currency	$'000's
United State Dollar	(1,250)
Euros	175
Japanese Yen	1,924
Total	849

Gains or losses on any portion of the hedge instrument determined to be ineffective is immediately recognised in profit or loss. Ineffectiveness can potentially arise from timing differences, for example, differences in the timing of settlement between the hedging instrument and hedged item. There was no material ineffectiveness related to financial instruments in designated cash flow hedge relationships during the year.

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(b) Interest Rate Risk

The consolidated entity's long-term borrowings are for a period of 5 years at fixed interest rates. Interest rate risk arises from short-term cash deposits. During 2017 and 2016, the consolidated entity's held both fixed and variable rate deposits.

The consolidated entity reviews its interest rate exposure on a monthly basis, taking into account both short-term and long-term deposit rates. At 30 June 2017, if interest rates had changed -/+1% from the year-end rates, with all other variables held constant, the effect on post-tax profit for the year would have been immaterial.

The consolidated entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are as follows

Financial Instruments	Fixed interest rate maturing in:						
	Floating interest rate	1 year or less	Over 1 to 5 years	More than 5 years	Non-interest bearing	Total carrying amount as per Statement of financial position	Weighted average effective interest rate
	2017 2016	2017 2016	2017 2016	2017 2016	2017 2016	2017 2016	2017 2016
	$'000	$'000	$'000	$'000	$'000	$'000	%
(i) Financial assets							
Cash	101,580 104,902	-	-	-	225 221	101,805 105,123	1.70 2.39
Trade and other receivables	-	-	-	-	360,912 347,207	360,912 347,207	
Total financial assets	101,580 104,902	-	-	-	361,137 347,428	462,717 452,330	
(ii) Financial liabilities							
Borrowings	- -	- 20,000	100,000 125,000	- -	- -	100,000 145,000	4.82 4.84
Trade payables	- -	- -	- -	- -	353,942 317,325	353,942 317,325	
Amounts owing under contract	- -	- -	- -	- -	- 11,262	- 11,262	
Long-term payables	- -	- -	- -	- -	1,863 2,304	1,863 2,304	
Total financial liabilities	- -	- 20,000	100,000 125,000	- -	355,805 330,891	455,805 475,891	

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(c) Credit Risk Exposures

At balance date, the maximum exposure to credit risk, excluding the value of any collateral or other security, to recognised financial assets is the carrying amount of those assets, net of any impairment as disclosed in the Consolidated Statement of Financial Position and Notes to the financial statements.

Credit risk for cash deposits is managed by holding all cash deposits with a selection of major Australian banks.

Credit risk for derivative financial instruments arises from the potential failure by counterparties to the contract to meet their obligations. The credit risk exposure to forward exchange contracts is the net fair value of these contracts. All forward exchange contracts are transacted with a selection of major Australian banks.

With the exception of its bankers, the consolidated entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the consolidated entity.

The consolidated entity minimises concentrations of credit risk in relation to trade receivables by undertaking transactions with a large number of customers.

The consolidated entity has established systems and controls in relation to the approval of credit terms for each customer, monitoring of any overdue amounts and removal of credit terms where appropriate. In addition the consolidated entity holds an insurance policy against certain larger customers whereby the consolidated entity is compensated in the event of a customer default.

At balance date 97.1% of trade receivables are within approved credit terms (2016: 96.5%). All trade receivables that are not impaired are expected to be received in accordance with trading terms.

(d) Liquidity Risk

The consolidated entity's risk management includes maintaining sufficient cash and the availability of funding via an adequate amount of credit facilities as disclosed in Note 21. Long-term borrowings are for period of 5 years. All other current payables and borrowings are expected to be settled within 6 months.

(e) Fair values

The fair value of financial assets and financial liabilities approximates their carrying amounts as disclosed in the Consolidated Statement of Financial Position and Notes to the financial statements. Other derivative instruments in relation to forward exchange contracts have been recognised at fair value in a reserve in the statement of financial position. Forward exchange contracts are level 2 financial instruments in the fair value measurement 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 exchange rates at the time of maturity.

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	Consolidated Entity	
	2017 ($000s)	2016 ($000s)
4. Revenue and Other Income		
Revenues from continuing operations:		
Revenue from sale of goods	2,429,307	2,276,353
Other Income		
Interest received or due and receivable from other persons	1,066	1,276
Bad debts recovered	585	809
Profit on sale of fixed assets	-	13,320
	1,651	15,405
Total revenues and other income from continuing operations	2,430,958	2,291,758
5. Profit from Continuing Operations		
Profit from continuing operations before income tax has been determined after the following specific expenses:		
Cost of goods sold	1,619,208	1,517,443
Bad debts written off:		
Trade debtors	1,327	2,475
Depreciation:		
Buildings	5,307	5,049
Motor vehicles	9,574	9,487
Fixtures, fittings and equipment	35,075	32,047
Employee benefits expense:		
Wages and salaries	246,022	226,298
Superannuation costs	20,338	18,911
Other expense items:		
Loss on disposal of fixed assets	505	1,381
Operating lease rentals	41,449	38,542

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	Consolidated Entity	
	2017 ($000s)	2016 ($000s)
6. Income Tax		
(a) The components of tax expense:		
Current tax	93,818	90,143
Deferred tax	(2,359)	(2,117)
Over provision in prior year	(203)	(315)
Income tax expense	91,256	87,711
(b) The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows:		
At the statutory income tax rate of 30% (2016: 30%)	90,914	83,979
Tax effect of amounts which are not deductible in calculating taxable income:		
Non-deductible expenditure	545	4,047
Over provision in prior year	(203)	(315)
Income tax expense	91,256	87,711
(c) Deferred tax asset relates to the following:		
Employee benefits	17,136	15,351
Provisions and other timing differences	5,706	5,876
Depreciation of buildings & rental incentives	11,247	10,470
	34,089	31,697
Movement in deferred tax asset:		
Balance at beginning of year	31,697	29,609
Foreign Exchange movement on foreign DTA	-	(29)
Acquired DTA from business acquisition	33	-
Movement to the statement of financial position	2,359	2,117
Balance at the end of the year	34,089	31,697
Current tax liability		
Balance at beginning of the year	20,278	9,130
Current tax	93,818	90,143
Tax instalments paid	(97,715)	(78,680)
Over provision in prior year	(203)	(315)
Acquired provision from business acquisition	(7)	-
Balance at the end of the year	16,171	20,278
Deferred tax asset not brought to account		
Deferred tax asset relating to tax losses at 28% (2016: 28%)	2,911	3,137

The deferred tax asset not brought to account relates to a foreign subsidiary and will only be obtained if:

(i) the subsidiary derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised;

(ii) the subsidiary continues to comply with the conditions for deductibility imposed by the law; and

(iii) no changes in tax legislation adversely affect the subsidiary in realising the benefit.

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	Consolidated Entity	
	2017 ($000s)	2016 ($000s)
7. Dividends on Ordinary Shares		
The following are the dividends paid and/or proposed for the financial year:		
In respect of the previous financial year:		
Final dividend of 65 cents per share paid 27 October 2016 (fully franked to 30%)	64,740	51,792
In respect of the current financial year:		
Interim dividend of 29 cents per share paid 30 March 2017 (fully franked to 30%)	28,884	26,892
Dividends declared after the reporting period and not recognised:		
Final dividend of 71 cents per share to be paid 26 October 2017 (fully franked to 30%)	70,716	64,740
	99,600	91,632
Dividend franking account		
Balance of franking account at year end adjusted for franking credits arising from payment of income tax and franking debits arising from dividends paid.	544,131	486,462
Impact on the franking account of dividends recommended by the directors since the year end but not recognised as a liability at year end.	(30,307)	(27,745)
	513,824	458,717
8. Cash and Cash Equivalents		
Cash on hand	225	221
Cash on deposit	101,580	104,902
	101,805	105,123
9. Receivables		
Current		
Trade receivables	352,376	326,337
Less: Impairment	(4,979)	(5,933)
	347,397	320,404
Other receivables and prepayments	13,515	26,803
	360,912	347,207
Provision for impairment		
Opening balance at 1 July	(5,933)	(5,750)
Net charge for the year	954	(183)
Closing balance as at 30 June	(4,979)	(5,933)
10. Inventories		
Finished goods, at lower of costs or net realisable value	457,063	405,900

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	Consolidated Entity	
	2017 ($000s)	2016 ($000s)
11. Property, Plant and Equipment		
Freehold land at cost	157,674	151,253
Freehold buildings at cost	154,329	148,163
Less: Accumulated depreciation	(68,054)	(62,967)
	86,275	85,196
Fixtures, fittings and equipment at cost	474,031	421,322
Less: Accumulated depreciation	(252,657)	(217,129)
	221,374	204,193
Motor vehicles at cost	101,670	95,790
Less: Accumulated depreciation	(38,085)	(36,397)
	63,585	59,393
Total property, plant and equipment	528,908	500,035
Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year.		
Freehold land		
Carrying amount at beginning of year	151,253	134,154
Additions	6,771	18,326
Disposals	(350)	(1,227)
Carrying amount at end of year	157,674	151,253
Buildings		
Carrying amount at beginning of year	85,196	81,391
Additions	6,597	9,294
Disposals	(211)	(440)
Depreciation	(5,307)	(5,049)
Carrying amount at end of year	86,275	85,196
Fixtures, fittings & equipment		
Carrying amount at beginning of year	204,193	192,742
Additions	52,617	44,494
Disposals	(361)	(996)
Depreciation	(35,075)	(32,047)
Carrying amount at end of year	221,374	204,193

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	Consolidated Entity	
	2017 ($000s)	2016 ($000s)
11. Property, Plant and Equipment (cont'd)		
Motor vehicles		
Carrying amount at beginning of year	59,393	54,140
Additions	18,074	19,158
Disposals	(4,308)	(4,418)
Depreciation	(9,574)	(9,487)
Carrying amount at end of year	63,585	59,393
Total Property, Plant and Equipment		
Carrying amount at beginning of year	500,035	462,427
Additions	84,059	91,272
Disposals	(5,230)	(7,081)
Depreciation	(49,956)	(46,583)
Carrying amount at end of year	528,908	500,035
12. Intangibles		
Goodwill		
Carrying amount at beginning of year	152,092	162,543
Additions through business combination	3,277	450
Impairment of Goodwill	-	(10,901)
Carrying amount at end of year	**155,369**	152,092
Brand Names		
Carrying amount at end of year	49,300	49,300
Additions through business combination	500	-
Carrying amount at end of year	49,800	49,300
	205,169	201,392

The goodwill and brand names have been allocated to the Groups cash generating units (CGUs) identified according to the businesses acquired upon the purchase of Actrol Parts Holdings Pty Ltd:

	Goodwill	Brand Names
Actrol Parts Pty Ltd ('Actrol')	119,326	29,100
AC Components Pty Ltd ('ACC')	28,949	20,200
Other	7,094	500
	155,369	**49,800**

Goodwill and brand names have been tested for impairment as at 30 June 2017 using discounted cash flow on a value-in-use basis. These calculations are based on projected cash flows approved by management covering a period of 5 years. Management's determination of cash flow projections and gross margins are based on past performance and its expectation for the future. For the Actrol CGU, a terminal value growth rate of 3.5% (2016: 4%) and a discount rate of 11% (2016: 12.5%) has been used to determine value-in-use. For the ACC CGU, a terminal value growth rate of 3.5% (2016: 4%) and a discount rate of 11% (2016: 12.5%) has been used to determine value-in-use.

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13. Business Combinations

On 31 January 2017, the consolidated entity acquired 100% of the share capital of Tarpit Communications Pty Ltd 'Tarpit'. Tarpit is a strategic design company. Tarpit, along with its people, is a unique fit into Reece's new creative hub called NEXT which is a multidisciplinary hub for design, creativity, innovation and improvement to drive continuous innovation at Reece. On 23 December 2016, Reece Limited signed a Share Sale Agreement ("SSA") with Barolo Pty Ltd ("Barolo") and Numanar Pty Ltd ("Numanar") to acquire the entire equity stake in Tarpit Communications Pty Ltd ("Tarpit" of the Target) for at a purchase price of A$3.77 million. Details of the purchase consideration

	($000s)
Consideration	3,770
Assets and liabilities acquired at fair value as a result of the business combination were:	
Trade Receivables	297
Brand Names	500
Other Assets	856
Trade and other creditors	(791)
Provisions	(87)
Net Identifiable assets acquired	775
Goodwill	2,995

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	Consolidated Entity	
	2017 ($000s)	2016 ($000s)
14. Payables		
Current		
Trade payables	353,942	317,325
Non Current		
Other	1,863	2,304
15. Borrowings		
Current		
Bank term loan facility	-	20,000
	-	20,000
Non-current		
Bank term loan facility	100,000	125,000
	100,000	145,000
16. Provisions		
Current		
Employee benefits	52,135	47,898
Warranty	2,200	2,993
Other	250	250
	54,585	51,141
Non-current		
Employee benefits	3,084	3,018
Aggregate employee benefits liability	55,219	50,916
17. Other Current Liabilities		
Amounts owing under contract	-	11,262
18. Contributed Equity		
Issued and paid up capital		
Ordinary shares fully paid (99,600,000 ordinary shares)	9.960	9,960

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At shareholder's meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Capital Management

When managing capital, management's objective is to ensure the consolidated entity continues as a going concern as well as to maintain returns to shareholders and benefits for other stakeholders. This is achieved through the monitoring of historical and forecast performance and cash flows.

During 2017, management paid /declared dividends of $99.6m (2016: $91.6m).

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	Consolidated Entity	
	2017 ($000s)	2016 ($000s)
19. Reserves		
Asset revaluation reserve (historic revaluation of properties)	461	461
General reserve	51	51
Capital profits reserve (historic profits from sale of property)	2,491	2,491
Foreign currency translation reserve (translation of foreign entity)	1,594	1,637
FX Hedge Reserve	(849)	-
	3,748	4,640
20. Retained Earnings		
Balance at the beginning of year	1,026,426	912,892
Net profit attributable to members of parent entity	211,791	192,218
Dividends paid	(93,624)	(78,684)
Balance at end of year	1,144,593	1,026,426
21. Cash Flow Information		
(a) Reconciliation of the net profit after tax to the net cash flows from operations:		
Net profit	211,791	192,218
Add/(less) non cash items:		
Profit or loss on sale or disposal of non-current assets	505	(11,939)
Depreciation	49,956	46,583
Impairment of goodwill	-	10,901
Exchange translation	(892)	1,280
Amounts set aside to provisions	3,423	3,556
Net cash flows from operations before change in assets and liabilities	264,783	242,599
Change in assets and liabilities		
(Increase)/decrease in receivables	(27,851)	(40,933)
(Increase)/decrease in inventory	(51,164)	(40,475)
Increase /(decrease) in payables	35,500	20,091
Increase/(decrease) in income taxes payable	(4,100)	11,148
(Increase)/decrease in deferred tax assets	(2,359)	(2,088)
Net cash flow from operating activities	214,809	190,342

Change in assets and liabilities excludes the acquired assets and liabilities from Tarpit Communications Pty Ltd but includes the subsequent movement from settlement date.

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		Consolidated Entity	
		2017 ($000s)	2016 ($000s)

21. Cash Flow Information (cont'd)

(b) Financing facilities

Bank Loans and Overdraft

Bank facilities are secured by Deed of Negative Pledge which includes the following financial covenants; shareholder equity, interest cover ratio and gearing ratio.

The consolidated entity has access to the following lines of credit:

Total facilities available and unused at 30 June 2017

Bank Overdraft	- facility	952	953
	- unused	952	953
Term Loan	- facility	100,000	145,000
	- unused	-	-
Uncommitted Placement Line	- facility	25,000	25,000
	- unused	25,000	25,000
Multi-Currency Cash Advance	- facility	5,000	5,000
	- unused	5,000	5,000
Cash Advance	- facility	25,000	25,000
	- unused	25,000	25,000
Bank Guarantees	- facility	11,923	11,923
	- unused	3,330	2,922
Trade Refinance & documentary letters of credit/surrenders	- facility	10,000	10,000
	- unused	8,095	3,745
Credit cards	- facility	3,438	3,438
	- unused	2,386	2,526
Total	- facility	181,313	226,314
	- unused	69,763	65,146

22. Commitments

Future operating lease rentals not provided for and payable in respect of:

Buildings	251,910	220,888
Due not later than one year	47,874	42,858
Due later than one year but not later than five years	124,890	103,947
Due later than five years	79,146	74,083
	251,910	220,888

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	Consolidated Entity	
	2017 ($000s)	2016 ($000s)
23. Earnings per Share		
Earnings used in calculating basic and diluted earnings per share.	211,791	192,217
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic and diluted earnings per share.	99,600	99,600
The earnings per share has been calculated on the weighted average of share capital during the year.	213 cents	193 cents
24. Auditor's Remuneration		
Audit/Review Fees	**720**	**702**
Amounts paid and payable to Pitcher Partners for non-audit services:		
Taxation services	115	334
Other assurance services	73	26
	188	**360**
Amounts paid and payable to network firms of Pitcher Partners:		
Audit/Review fees	-	-
Other assurance services	18	23
	18	23

25. Related Party Disclosures

(a) Directors and key management personnel

The names of each person holding the position of Director of Reece Limited during the financial year were L.A. Wilson, B.W.C. Wilson, P.J. Wilson, J.G. Wilson (retired), R.G. Pitcher, AM, A.T. Gorecki, T.M. Poole and B.C. Wilson . Key Management Personnel were G.W. Street, S. Nikolic and A. Palumbo.

Short-term employee benefits of $8,387,244 (2016: $6,729,765) and superannuation benefits of $219,756 (2016: $121,833) were made to the Directors' and Key Management Personnel.

(b) Ownership Interests in Related Parties

Details of interests in controlled entities are set out in Note 28.

(c) Transactions with Directors

Directors of Reece, Messrs L.A. Wilson, B.W.C. Wilson and J.G. Wilson (retired) and B.C Wilson have a beneficial interest in an entity that sold plumbing and building supplies to the consolidated entity. All dealings are in the ordinary course of business and on normal terms and conditions no more favourable than those which it is reasonable to expect would have been accepted if dealing at arm's length in the same circumstances. Goods purchased from this entity during the year total $4,455,510 (2016: $4,035,427) of which $415,131 (2016: $370,871) was owing at year end.

Directors of Reece Messrs L.A. Wilson, B.W.C. Wilson and J.G. Wilson (retired) have a beneficial interest in entities that lease premises to the consolidated entity. All dealings with these entities are in the ordinary course of business and on normal terms and conditions no more favourable than those which would have been expected if dealing at arm's length in the same circumstances. Lease rentals paid to these entities during the year were $1,211,040 (2016: $1,199,552).

(d) Investments

During the year, the Board of Directors authorised the acquisition of Tarpit Communications Pty Ltd ("Tarpit") for a purchase price of $3,770,000 for the net assets and workforce on an arm's length basis. Tarpit Communications is fully consolidated into the Reece Group as a 100% subsidiary. One of the Tarpit Directors, Gavin Pitcher, is a close family member of Mr. Ronald G. Pitcher, AM.

26. Segment Information

The sole activity of the consolidated entity is the supply of plumbing, bathroom, heating ventilation and air-conditioning products in Australia and New Zealand. The revenue and non-current assets for the New Zealand operations are not material.

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27. Deed of Cross Guarantee

All entities listed in Note 28 with the exception of Reece New Zealand Limited are parties to a deed of cross guarantee under which each company guarantees the debts of the others. Pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785, the wholly owned subsidiaries listed in Note 28 with the exception of Reece New Zealand Limited are relieved from the Corporations Act requirement to prepare a financial report and director's report.

A consolidated Statement of Comprehensive Income and Statement of Financial Position, comprising the Company and controlled entities subject to the deed, after eliminating all transactions between parties to the Deed of Cross Guarantee is set out as follows:

	Consolidated Entity	
	2017 ($000s)	2016 ($000s)
Revenue		
Sales revenue	2,393,987	2,248,390
Other income	2,152	15,822
	2,396,139	2,264,212
Less: Expenses		
Cost of goods sold	1,592,973	1,496,431
Employee benefits expense	262,830	242,259
Depreciation	48,780	45,446
Finance costs	5,901	7,746
Other expenses	183,502	180,112
Loss/(Gain) on foreign exchange contracts	-	786
Impairment of goodwill	-	10,901
Profit before income tax	302,153	280,531
Income tax expense	91,294	87,757
Net Profit for the year from continuing operations	210,859	192,774
Other Comprehensive Income		
Items that may be reclassified subsequently to profit and loss:		
Cash flow FX hedge, net of tax	(849)	-
Total comprehensive income	**210,010**	**192,774**
Basic earnings per share	212 cents	194 cents
Diluted earnings per share	212 cents	194 cents

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27. Deed of Cross Guarantee (cont'd)

	Consolidated Entity	
	2017 ($000s)	2016 ($000s)
Movements in Retained Earnings		
Retained earnings at the beginning of the financial year	1,041,717	927,627
Profit for the year	210,859	192,774
Dividends Paid	(93,624)	(78,684)
Retained Earnings at end of financial year	1,158,952	1,041,717
Current Assets		
Cash and cash equivalents	101,483	103,660
Receivables	355,627	342,860
Inventories	450,327	400,164
Total Current Assets	907,437	846,684
Non-Current Assets		
Investments and receivables	33,177	32,426
Property, plant and equipment	516,665	489,046
Intangible assets	204,886	201,392
Deferred tax assets	34,412	32,058
Total Non-Current Assets	789,140	754,922
Total Assets	1,696,577	1,601,606
Current Liabilities		
Payables	350,114	314,212
Short term borrowings	-	20,000
Current tax payable	16,171	20,278
Provisions	54,279	50,853
Other	-	11,261
Total Current Liabilities	420,564	416,604
Non-Current Liabilities		
Long-term payable	1,863	2,304
Long-term borrowings	100,000	125,000
Provisions	3,084	3,018
Total Non-Current Liabilities	104,947	130,322
Total Liabilities	525,511	546,926
Net Assets	1,171,066	1,054,680
Equity		
Contributed equity	9,960	9,960
Reserves	2,154	3,003
Retained earnings	1,158,952	1,041,717
Total Equity	1,171,066	1,054,680

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28. Particulars in Relation to Corporations in the Group

	Name of entity	Ownership Percentage 2017 %	Ownership Percentage 2016 %
Parent entity Reece Limited			
Controlled entities of Reece Limited			
1.	Reece Australia Pty Ltd	100%	100%
2.	Plumbing World Pty Ltd	100%	100%
3.	Reece Project Supply Pty Ltd	100%	100%
4.	Reece International Pty Ltd	100%	100%
5.	Reece New Zealand Limited	100%	100%
6.	Actrol Parts Holdings Pty Ltd	100%	100%
7.	Actrol Parts Finance Pty Ltd	100%	100%
8.	Actrol Parts Pty Ltd	100%	100%
9.	A.C. Components Pty Ltd	100%	100%
10.	Metalflex Pty Ltd	100%	100%
11.	Metalflex Regional Pty Ltd	100%	100%
12.	Metalflex (S.A.) Pty Ltd	100%	100%
13.	Metalflex (W.A.) Pty Ltd	100%	100%
14.	Air Plus Pty Ltd	100%	100%
15.	Tarpit Communications Pty Ltd	100%	-

Notes

(i) Controlled entities 1 to 4 and 6 to 15 are incorporated in Australia

(ii) Controlled entity 5 is incorporated in New Zealand

(iii) All shareholdings are of ordinary shares

(iv) Controlled entities 1 to 4 and 6 to 15 carry on business in Australia only

(v) Controlled entity 5 carries on business in New Zealand only

(vi) All corporations financial years end on 30 June

29. Subsequent Events

There has been no matter or circumstance, which has arisen since 30 June 2017, that has significantly affected or may significantly affect:

(a) the operations, in financial years subsequent to 30 June 2017, of the consolidated entity, or

(b) the results of those operations, or

(c) the state of affairs, in financial years subsequent to 30 June 2017, of the consolidated entity.

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30. Parent Entity Details

	Parent Entity	
	2017 ($000s)	2016 ($000s)
(a) Summarised statement of financial position		
Assets		
Current Assets	16,171	20,278
Non-current Assets	326,483	315,401
Total Assets	342,654	335,679
Liabilities		
Current Liabilities	231,131	199,156
Non-current Liabilities	100,000	125,000
Total Liabilities	331,131	324,156
Net Assets	11,523	11,523
Equity		
Contributed equity	9,960	9,960
Retained earnings	1,526	1,526
Reserves	37	37
Total Equity	11,523	11,523
(b) Summarised statement of comprehensive income		
Profit for the year	93,624	78,684
Total comprehensive income for the year	93,624	78,684
(c) Parent entity guarantees		
Bank Overdraft	952	953
Cash advance facility	30,000	30,000
Term loan facility	100,000	145,000

(d) The final dividend declared to be paid on 26 October 2017 as per note 7 shall be funded by way of a dividend to be received from a wholly owned subsidiary.

Directors' Declaration

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The directors declare that the financial statements and notes set out on pages 41 to 67 in accordance with the *Corporations Act 2001*:

(a) Comply with Accounting Standards and the *Corporations Regulations 2001*, and other mandatory professional reporting requirements;

(b) As stated in Note 1(a) the consolidated financial statements also comply with International Financial Reporting Standards; and

(c) Give a true and fair view of the financial position of the consolidated entity as at 30 June 2017 and of its performance for the year ended on that date.

In the directors' opinion there are reasonable grounds to believe that Reece Limited will be able to pay its debts as and when they become due and payable.

The Company and the group entities identified in Note 28 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to ASIC Class Order 98/1418.

This declaration has been made after receiving the declarations required to be made by the Chief Executive Officer and Chief Financial Officer to the directors in accordance with sections 295A of the *Corporations Act 2001* for the financial year ending 30 June 2017.

This declaration is made in accordance with a resolution of the directors.

Dated at Melbourne on 31 August 2017.



L. A. Wilson
Executive Chairman



P. J. Wilson
Chief Executive Officer / Managing Director

Independent Auditor's Report

To The Members Of Reece Limited

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PITCHER PARTNERS

Opinion

We have audited the financial report of Reece Limited "the Company" and its controlled entities "the Group", which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* "the Code" that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report

To The Members Of Reece Limited

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PITCHER PARTNERS

Key audit matter

Impairment of intangible assets

Refer to Note 1(m) & (j); Note 12

In assessing impairment of intangible assets, management have estimated the value in use for each cash generating unit (CGU), under the following segments:

- Actrol Parts Pty Ltd 'Actrol'; and
- AC Components Pty Ltd 'ACC'.

As result of the assumptions and estimates made by management in determining the recoverable amount of each CGU, no impairment charge has been assessed for the year ended 30 June 2017.

Factors that have led to our inclusion of impairment of goodwill as a key audit matter include, but are not limited to:

- Valuation of intangibles and assessment of impairment by management is subject to significant judgement and estimation risk including but not limited to the discount rate, working capital estimate, capital expenditure estimated future cash flow and growth rates; and
- Intangible assets carried by the Group of $205

How our audit addressed the key audit matter

Audit procedures included, amongst others:

- Assessment of the basis for which CGUs have been allocated including consideration of how management monitors performance for internal reporting purposes and the interdependency of associates included within each CGU;
- Assessment of the reliability of management's historical forecasting in comparison with actual performance;
- Challenge of management's forecast assumptions around future cash flow and growth rates with specific reference to historical and expected performance, market conditions and corroborating events;
- Assessment of sufficiency of working capital and capital expenditure inputs in calculating value in use;
- Performing sensitivity testing of management's value in use models with specific attention to the discount rate applied and the achievement of Board approved forecasts and growth assumptions;
- Evaluation by an internal expert of management's value in use models used in assessing impairment with particular regard to observable market benchmarks, including the review of adopted terminal value and discount rate; and
- Evaluation by an expert of the discount rate adopted by management in comparison to a reasonable range of alternatives.

Independent Auditor's Report

To The Members Of Reece Limited

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Key audit matter

Valuation of inventory
Refer to Note 1 (e); Note 10
For the period ending 30 June 2017, we consider existence and valuation of inventory a key audit matter.

Factors that have led to our inclusion of inventory as a key audit matter include, but are not limited to:

- Inventory of $457 million (27% of total assets) as at 30 June 2017 is significant and material to the balance sheet;
- Inventory is dispersed in large volumes and is spread across multiple locations as a result of the large and decentralised branch network; and
- In providing for obsolescence of inventory management have exercised judgement in determining the appropriate provision in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets.

How our audit addressed the key audit matter

Our procedures included, amongst others:

- Attendance at physical inventory counts during the financial reporting period;
- Assessment of the adequacy of management assumptions around slow moving stock used in determining provision for obsolescence;
- Identification and testing of internal controls related to stocktake procedures;
- Testing of stock in transit at year end to ensure this inventory exists;
- Testing of inventory movements close to financial year end to ensure stock is complete for the financial year; and
- Comparison of year-end carrying value to recent sales prices to determine if inventory is recorded at the lower of fully rebated cost and net realisable value.

Independent Auditor's Report

To The Members Of Reece Limited

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Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Independent Auditor's Report

To The Members Of Reece Limited

PITCHER PARTNERS

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 36 to 39 of the directors' report for the year ended 30 June 2017. In our opinion, the Remuneration Report of Reece Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

P.A. JOSE
Partner
31 August 2017

PITCHER PARTNERS
Melbourne

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Shareholders Information

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In accordance with Section 4.10 of the Australian Stock Exchange Limited Listing Rules, the directors provide the following information.

Shareholding Analysis

(a) Distribution of shareholders

At 15 August 2017, the distribution of shareholdings was as follows:

Size of Shareholding	Number of Shareholders
1 – 1,000	1,048
1,001 – 5,000	404
5,001 – 10,000	83
10,001 – 100,000	110
Over 100,000	36
Holdings of less than a marketable parcel	-
TOTAL	1,681

(b) Substantial shareholdings

The number of shares held by the substantial shareholders listed in the Company's register of substantial shareholders as at 15 August 2017 were:

Shareholder	Number of Shares
Waln Pty Ltd	42,465,320
W.A.L. Investments Pty Ltd	41,931,320
Leslie Alan Wilson	66,625,820
Wilgay Pty Ltd	42,465,320
J.G.W. Investments Pty Ltd	42,465,320
John Gay Wilson	67,438,320
Lezirol Pty Ltd	42,465,320
Florizel Investments Pty Ltd	41,931,320
Bruce Walter Campbell Wilson	66,508,320
Adawarra Nominees Pty Ltd	55,479,000
Warramunda Investments Pty Ltd	55,479,000
L.T.W. Holdings Pty Ltd	53,169,000
L.T. Wilson Pty Ltd	38,571,000
Wilaust Holdings Pty Ltd	38,571,000
Austral Hardware Pty Ltd	38,571,000
Austral Hardware (Healesville) Pty Ltd	38,571,000
Tyara Pty Ltd	42,465,320
Wal Assets Pty Ltd	42,465,320
Abtourk Vic No. 11 Pty Ltd	42,465,320
Perpetual Trustees Australia Limited	9,035,223

Note: Many of these substantial shareholdings relate to the same shares.

(c) Class of shares and voting rights

At 15 August 2017, there were 1,681 holders of ordinary shares of the Company. All of the issued shares in the capital of the parent entity are ordinary shares and each shareholder is entitled to one vote per share.

(d) Twenty largest shareholders, as at 15 August 2017:

Shareholder	Number of Shares	% Held
L.T. Wilson Pty Ltd	31,440,000	31.60%
L.T.W. Holdings Pty Ltd	12,000,000	12.10%
Warramunda Investments Pty Ltd	9,729,000	9.80%
HSBC Custody Nominees (Australia) Limited	5,881,971	5.90%
J P Morgan Nominees Australia Limited	4,936,769	5.00%
Florizel Investments Pty Ltd	3,360,320	3.40%
W.A.L. Investments Pty Ltd	3,360,320	3.40%
J.G.W. Investments Pty Ltd	3,360,320	3.40%
Austral Hardware Pty Ltd	2,985,000	3.00%
Austral Hardware (Healesville) Pty Ltd	2,400,000	2.40%
Addawarra Nominees Pty Ltd	2,310,000	2.30%
Wilaust Holdings Pty Ltd	1,746,000	1.80%
BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	1,599,816	1.60%
Citicorp Nominees Pty Limited	1,503,417	1.50%
National Nominees Limited	1,028,790	1.00%
John G. Wilson	934,000	0.90%
Argo Investments Ltd	746,205	0.80%
BNP Paribas Noms Pty Ltd <DRP>	637,613	0.60%
Abtourk (Vic No 11) Pty Ltd	534,000	0.50%
Wal Assets Pty Ltd	534,000	0.50%

The twenty members holding the largest number of shares together held a total of 91.4% of the issued capital.

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