



25 February 2019

Results for announcement to the market

Appendix 4D for the half year ended 31 December 2018

Reliance Worldwide Corporation Limited (ASX: RWC) (“Company”) announces the following financial results for the Company and its controlled entities (together “RWC”) for the six months ended 31 December 2018.

RWC is a global market leader and manufacturer of water delivery, control and optimisation systems for the modern built environment. RWC pioneers and innovates plumbing products for residential, commercial and industrial applications. RWC’s unique end-to-end meter to fixture and floor to ceiling plumbing solutions target the new construction, renovation, service, repair and remodel markets. RWC manufactures and distributes products that disrupt and transform traditional plumbing methods by aiming to make the end user’s job quicker and easier. RWC is the leading manufacturer in the world of brass Push-to-Connect (“PTC”) plumbing fittings. RWC has achieved strong growth in EBITDA and sales over the past 10 years driven by the success in the USA of its innovative and disruptive SharkBite PTC product range. RWC completed the acquisition of the John Guest group in June 2018. UK based John Guest is a global leader in the manufacture and distribution of plastic PTC fittings and accessories. Both RWC and John Guest are recognised as innovators and market leaders and share many things in common, including strong research and development capability, proprietary technology, high quality automated manufacturing facilities and strong customer relationships.

**Extracted from the 31 December 2018 Half Year
Financial Report which has been reviewed by the
Company’s auditor**

	Six months ended 31 Dec 2018 \$A’000	Six months ended 31 Dec 2017 \$A’000	Change
Revenue from ordinary activities	544,158	362,580	50.1%
Net profit from ordinary activities after tax attributable to members	65,729	41,502	58.4%
Net profit after tax attributable to members	65,729	41,502	58.4%



Comparison with prior period

Six months ended:	31 December 2018	31 December 2017	Variance
Net sales (\$m)	544.2	362.6	50%
Net sales - excluding John Guest (\$m)	389.4	362.6	7%
Net sales - John Guest (\$m)	154.8	-	n/m
Reported EBITDA¹ (\$m)	120.7	79.3	52%
<i>Adjusted for one-time items:</i>			
<i>John Guest integration costs expensed</i>	6.4	-	n/m
<i>John Guest fair value inventory unwind</i>	2.4	-	n/m
<i>Impact of adopting new revenue accounting standard AASB 15</i>	1.3	-	n/m
Adjusted EBITDA (\$m)	130.8	79.3	65%
Adjusted EBITDA - excluding John Guest (\$m)	77.2	79.3	(3%)
Adjusted EBITDA - John Guest (\$m)	53.6	-	n/m
Reported EBIT¹ (\$m)	99.9	67.8	47%
Reported net profit after tax (\$m)	65.7	41.5	58%
Adjusted net profit after tax (\$m)	74.9	41.5	80%
Basic earnings per share (cents)	8.4	8.0	5%
Adjusted earnings per share (cents)	9.6	8.0	20%

Net sales for the period ended 31 December 2018 of \$544.2 million were 50.1% higher than the comparative period. Reported EBITDA for the period was \$120.7 million, an increase of 52.3% on the comparative period. These increases reflect the inclusion of John Guest for the entire period.

Core RWC net sales (excluding John Guest) were \$389.4 million, led by the Americas operating segment which continued to see double digit underlying sales growth after adjusting for one-time items and currency movements. Net sales of John Guest products were \$154.8 million, up 13.3% on the comparative period.

EBITDA for the period, adjusted for the following items, was \$130.8 million (“Adjusted EBITDA”), an increase of 65.0% over the comparative period. Adjusted EBITDA includes John Guest related synergies of \$4.1 million achieved during the period and excludes the following items: \$6.4 million of one-time integration costs incurred; a \$2.4 million expense related to finalising the unwinding of a fair value adjustment made at acquisition date to John Guest inventory; and a \$1.3 million EBITDA impact in connection with the timing of revenue recognition following adoption of new accounting standard AASB 15.

Reported net profit after tax was \$65.7 million, an increase of 58.4% on the prior year. Adjusted net profit after tax (“Adjusted NPAT”) was \$74.9 million, an increase of 80% on the comparative period. Adjusted NPAT reflects the effect of the Adjusted EBITDA (which adjusts for John Guest



integration costs, fair value inventory unwind and the impact of the new AASB15 revenue accounting standard)

Please refer to the accompanying 31 December 2018 Half Year Financial Report, Results Announcement and presentation slides released today for further information.

Earnings per share

Weighted average earnings per share (basic) for the six months ended 31 December 2018 were 8.4 cents (2017 – 8.0 cents). Adjusted earnings per share increased 20% over the comparative period. The increase was achieved on a substantially larger capital base following raising of \$1.1 billion of new equity in June 2018 which accompanied the John Guest acquisition.

Dividend for the six months ended 31 December 2018

	31 December 2018	31 December 2017	31 December 2018 Franked amount	31 December 2017 Franked amount
Six months ended:				
Interim	4.0cps ²	3.5cps ³	100%	100%
Amount payable or paid	\$31.6m	\$18.4m		

The record date for entitlement to receive the interim dividend is 8 March 2019. The payment date is 29 March 2019. The Company does not have a dividend reinvestment plan.

A fully franked final dividend for the 2018 financial year of 3.0 cents per share was paid to eligible shareholders on 11 October 2018.

Net Tangible Assets per Share

Net tangible assets per share at 31 December 2018 were \$0.20 (30 June 2018 - \$0.16⁴).

The remainder of the information requiring disclosure to comply with ASX Listing Rule 4.2A.3 is contained in the 31 December 2018 Half Year Financial Report, Results Announcement and presentation slides released today. These documents should be read in conjunction with each other document.



Reliance Worldwide Corporation Limited

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- 1 EBITDA means Earnings before interest, tax, depreciation and amortisation; EBIT means Earnings before interest and tax
- 2 790,094,765 issued ordinary shares
- 3 525,000,000 issued ordinary shares
- 4 Restated to reflect the final purchase price accounting for the John Guest acquisition

Reliance Worldwide Corporation Limited
ABN 46 610 855 877

Interim Financial Report

31 December 2018

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Reliance Worldwide Corporation Limited

Directors' Report

Half Year Ended 31 December 2018

The Directors present their report together with the Financial Report comprising Reliance Worldwide Corporation Limited ("the Company") and its controlled entities (together "the Group") for the half year ended 31 December 2018 and the Auditor's report thereon.

Directors

The Directors of the Company at all times during and since the end of the reporting period were:

Jonathan Munz (Chairman)

Heath Sharp (Chief Executive Officer and Managing Director)

Russell Chenu

Stuart Crosby

Ross Dobinson

Sharon McCrohan

Review of Operations

The principal activities of the Group are the design, manufacture and supply of high quality, reliable and premium branded water flow and control products and solutions for the plumbing industry.

A review of the operations of the Group for the half year ended 31 December 2018, the results of those operations and the financial position of the Group at 31 December 2018 is contained in the accompanying Results Announcement dated 25 February 2019.

Dividends

A fully franked final dividend for the 2018 financial year of 3.0 cents per share was paid to eligible shareholders on 11 October 2018.

Since the end of the financial period, the directors have resolved to declare an interim dividend of 4.0 cents per share franked to 100%. The dividend will be paid to eligible shareholders on 29 March 2019. The record date for dividend entitlement is 8 March 2019.

The Company does not have a dividend reinvestment plan.

Events subsequent to reporting date

The Directors are not aware of any matter or circumstance that has occurred since the end of the financial period which has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial periods and has not been covered in this report or the financial statements.

Lead auditor's independence declaration under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set out on page 3 and forms part of this Directors' Report.

Rounding off

In accordance with the Australian Securities and Investments Commission Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191, values are rounded to the nearest thousand dollars, unless otherwise stated. Where an amount is \$500 or less the amount is rounded to zero, unless otherwise stated.

This report is made in accordance with a resolution of the Directors.



Jonathan Munz
Chairman



Heath Sharp
Chief Executive Officer and Managing Director

Melbourne
25 February 2019



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Reliance Worldwide Corporation Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Reliance Worldwide Corporation Limited for the half-year ended 31 December 2018 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

A handwritten signature in black ink, appearing to read 'Paul J McDonald'.

Paul J McDonald

Partner

Melbourne

25 February 2019

Reliance Worldwide Corporation Limited

Consolidated Statement of Profit or Loss
and Other Comprehensive Income

For the half year ended 31 December 2018

	Note	31 December 2018 \$000	31 December 2017 \$000
Revenue			
Revenue from sale of goods	3	544,158	362,580
Cost of sales		(311,121)	(207,936)
Gross profit		233,037	154,644
Other income		4,616	1,645
Product development expenses		(8,461)	(8,328)
Selling, warehouse and marketing expenses		(73,710)	(49,569)
Administration expenses		(55,015)	(29,748)
Other expenses		(607)	(810)
Operating profit		99,860	67,834
Finance income		299	66
Finance costs		(11,880)	(4,911)
Net finance costs		(11,581)	(4,845)
Profit before tax		88,279	62,989
Income tax expense	6	(22,550)	(21,487)
Profit for the period attributable to the Owners of the Company		65,729	41,502
Other comprehensive income / (loss)			
Items that may be classified to profit or loss:			
Foreign currency translation differences		(518)	(2,117)
Total comprehensive profit for the period attributable to the Owners of the Company		65,211	39,385
		Cents	Cents
Earnings per share			
Basic earnings per share attributable to ordinary equity holders	4	8.4	8.0
Diluted earnings per share attributable to ordinary equity holders	4	8.3	7.9

Reliance Worldwide Corporation Limited
Consolidated Statement of Financial Position
At 31 December 2018

	Note	31 December 2018 \$000	30 June 2018 ¹ \$000
Assets			
Current assets			
Cash and cash equivalents		71,742	274,331
Trade and other receivables		217,008	204,916
Inventories	9	225,265	202,640
Other assets		22,240	20,707
Total Current Assets		536,255	702,594
Non-Current			
Property, plant and equipment	7	288,253	268,517
Deferred tax assets		8,407	18,010
Goodwill	10	888,632	888,016
Other intangible assets	10	319,898	308,807
Total Non-Current Assets		1,505,190	1,483,350
Total Assets		2,041,445	2,185,944
Liabilities			
Current liabilities			
Trade and other payables		137,987	167,678
Borrowings	8	-	2,675
Current tax liabilities		7,758	3,656
Employee benefits		4,402	6,657
Total Current Liabilities		150,147	180,666
Non-Current Liabilities			
Borrowings	8	502,437	659,670
Deferred tax liabilities		15,743	16,610
Employee benefits		4,987	4,979
Total Non-Current Liabilities		523,167	681,259
Total Liabilities		673,314	861,925
Net Assets		1,368,131	1,324,019
Equity			
Share capital		2,336,569	2,336,618
Reserves		(1,090,971)	(1,092,945)
Retained earnings		122,533	80,346
Total Equity		1,368,131	1,324,019

1. Comparative balances have been restated to reflect the final purchase price accounting for the John Guest acquisition. Refer Note 5.

Reliance Worldwide Corporation Limited
Consolidated Statement of Changes in Equity
For the half year ended 31 December 2018

	Share Capital \$000	Foreign Currency Translation Reserve \$000	Merger Reserve \$000	Share based Payment Reserve \$000	Hedging Reserve \$000	Retained Earnings \$000	Total Equity \$000
Balance at 30 June 2017	1,261,371	(4,778)	(1,100,943)	832	-	48,264	204,746
Profit for the period	-	-	-	-	-	41,502	41,502
Foreign currency translation reserve	-	(2,117)	-	-	-	-	(2,117)
Total comprehensive income	-	(2,117)	-	-	-	41,502	39,385
Transactions with Owners of the Company							
Share based payments	-	-	-	1,467	-	-	1,467
Dividends	-	-	-	-	-	(15,650)	(15,650)
Total transactions with Owners of the Company	-	-	-	1,467	-	(15,650)	(14,183)
Balance at 31 December 2017	1,261,371	(6,895)	(1,100,943)	2,299	-	74,116	229,948
Balance at 30 June 2018	2,336,618	15,099	(1,100,943)	3,666	(10,767)	80,346	1,324,019
Profit for the period	-	-	-	-	-	65,729	65,729
Foreign currency translation reserve	-	(518)	-	-	-	-	(518)
Total comprehensive income	-	(518)	-	-	-	65,729	65,211
Transactions with Owners of the Company							
Share based payments	-	-	-	2,492	-	-	2,492
Capital raising costs	(49)	-	-	-	-	-	(49)
Dividends paid	-	-	-	-	-	(23,542)	(23,542)
Total transactions with Owners of the Company	(49)	-	-	2,492	-	(23,542)	(21,099)
Balance at 31 December 2018	2,336,569	14,581	(1,100,943)	6,158	(10,767)	122,533	1,368,131

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Reliance Worldwide Corporation Limited
Consolidated Statement of Cash Flows
For the half year ended 31 December 2018

	31 December 2018 \$000	31 December 2017 \$000
Cash flows from operating activities		
Receipts from customers	537,243	358,399
Payments to suppliers, employees and for customer rebates	(483,680)	(302,562)
Income taxes paid	(10,685)	(25,434)
Net cash inflow from operating activities	42,878	30,403
Cash flows from investing activities		
Payments for purchase of property, plant and equipment	(29,923)	(15,942)
Proceeds from sale of property, plant and equipment	121	871
Payments for intellectual property and other intangible assets acquired	(5,553)	(1,774)
Net cash outflow from investing activities	(35,355)	(16,845)
Cash flows from financing activities		
Proceeds from borrowings	33,700	56,000
Repayment of borrowings	(211,385)	(56,630)
Interest received	299	66
Capital raising costs paid	(49)	-
Interest paid to other persons and corporations	(11,880)	(4,597)
Dividends paid	(23,542)	(15,650)
Net cash outflow from financing activities	(212,857)	(20,811)
Net change in cash and cash equivalents	(205,334)	(7,253)
Cash and cash equivalents at 1 July	274,331	25,593
Effect of movements in exchange rates on cash held	2,745	(77)
Cash and cash equivalents at 31 December	71,742	18,263
Represented by:		
Cash and cash equivalents	71,742	25,029
Bank overdraft	-	(6,766)
	71,742	18,263

Reliance Worldwide Corporation Limited
Notes to the Consolidated Financial Statements
For the half year ended 31 December 2018

1 Significant accounting policies

(a) **Reporting Entity**

Reliance Worldwide Corporation Limited ("the Company") is a limited liability company domiciled in Australia.

The Company's registered office is at Level 54, 525 Collins Street, Melbourne, Victoria 3000.

The principal activities of the Company and its controlled entities (together "the Group") are the design, manufacture and supply of high quality, reliable and premium branded water flow and control products and solutions for the plumbing industry.

(b) **Statement of Compliance**

These consolidated interim financial statements are general purpose financial statements prepared in accordance with AASB 134 *Interim Financial Reporting*, the *Corporations Act 2001* and IAS 34 *Interim Financial Reporting*. They do not include all of the information required for a complete set of annual financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 30 June 2018. Accordingly, this report is to be read in conjunction with the 30 June 2018 consolidated financial report and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* (Cth).

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

The financial statements were authorised for issue by the Board of Directors on 25 February 2019.

(c) **Basis of preparation**

These consolidated interim financial statements:

- have been prepared on a going concern basis using historical cost conventions unless otherwise stated;
- have been prepared in accordance with the Australian Securities and Investments Commission Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191. Values are rounded to the nearest thousand dollars, unless otherwise stated. Where an amount is \$500 or less the amount is rounded to zero, unless otherwise stated.
- adopt all new and amended AASBs and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or before 1 July 2018; and
- do not early adopt any AASBs and Interpretations that have been issued or amended but are not yet effective.

(i) **Principles of consolidation**

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, 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. The financial statements of controlled entities are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(ii) **Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

Reliance Worldwide Corporation Limited
Notes to the Consolidated Financial Statements
For the half year ended 31 December 2018

1 Significant accounting policies (continued)

(d) Foreign Currency

The individual financial statements of each entity comprising the Group are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purposes of these consolidated financial statements, Australian dollars is the presentation currency, which is also the functional currency of the Company.

(i) Foreign currency transactions

In preparing the financial statements of each individual entity, transactions in currencies other than the entity's functional currency ("foreign currencies") are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of the transaction.

(ii) Foreign Operations

For the purpose of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Australian dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at average exchange rates. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in the Foreign Currency Translation Reserve ("FCTR"). The FCTR comprises all foreign currency differences arising from the translation of the financial statements of the foreign operations.

(e) Use of estimates and judgements

The preparation of consolidated financial statements in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Information about judgements and estimates made in applying accounting policies that may have a significant effect on amounts recognised in the consolidated financial statements include:

- recognition of deferred tax assets and availability of future taxable profits against which carry forward tax losses and timing differences can be used;
- recoverability of trade and other receivables;
- estimation of net realisable value and possible obsolescence of inventories;
- recoverability of goodwill and unidentified other intangible assets;
- recoverability of other intangible assets;
- fair values of assets and liabilities of acquired businesses; and
- volume of sales to determine rebates payable.

Reliance Worldwide Corporation Limited
Notes to the Consolidated Financial Statements
For the half year ended 31 December 2018

1 Significant accounting policies (continued)

(f) **New Standards, interpretations and amendments adopted by the Group**

The accounting policies and methods of computation applied by the Group in this Interim Financial Report are consistent with those applied by the Group in its Financial Report for the year ended 30 June 2018 other than for the adoption of the new accounting standards with initial application from 1 July 2018.

In this Interim Financial Report, the Group has applied AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments* for the first time. The application of these standards does not have a material impact on the Group's financial statements and no impact on retained earnings has been recorded. Key elements of the Group's transition assessment and new significant accounting policies are set out below.

Several other amendments and interpretations apply for the first time in the financial year 2019 but do not have an impact on the Interim Financial Report of the Group.

AASB 15: Revenue from Contracts with Customers ("AASB 15")

AASB15 replaces all existing revenue requirements in Australian Accounting Standards and Interpretations, including AASB 118 *Revenue*, and applies to all revenue arising from contracts with customers unless the contracts are within the scope of other accounting standards.

AASB15 prescribes a five-step model to account for revenue arising from contracts with customers. Under AASB 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods and services to a customer.

AASB15 requires entities to exercise judgement, taking into consideration all relevant facts and circumstances when applying each step of the model to contracts with customers. AASB15 also specifies the accounting for incremental costs of obtaining a contract and the costs directly related to fulfilling the contract.

The Group adopted AASB15 using the cumulative effect method of initially applying the standard recognised at the date of initial application (1 July 2018). Comparative information has not been restated and continues to be reported under AASB 118.

Under AASB 15, revenue is recognised when a customer obtains control of the goods or services. Group revenue is derived from the sale of products. Under the terms of sale, the Group generally transfers control when the goods leave a distribution centre. In some cases, control does not pass until the goods are received by the customer or delivered to the agreed point of delivery. For sales made with a right of return, the amount of revenue recognised is adjusted for an estimate of the expected returns based on historical experience.

From time to time the Group may provide rebates to customers in certain geographies, which gives rise to variable consideration. Where rebates are based on the quantity or value of products sold, the Group uses historical data to estimate the rebate accrual, which is classified as "contract liabilities" and presented within trade and other payables.

The application of AASB15 has not had a material impact on how the Group recognises revenue. Information on the disaggregation of revenue by product group and by geography is provided in Note 3.

Reliance Worldwide Corporation Limited
Notes to the Consolidated Financial Statements
For the half year ended 31 December 2018

1 Significant accounting policies (continued)

AASB 9: Financial Instruments (“AASB 9”)

AASB 9 replaces AASB 139 *Financial Instruments: Recognition and Measurement* and sets out the requirements for classifying and measuring financial instruments, impairment of financial assets and hedge accounting.

The Group has applied AASB 9 retrospectively with an initial application date of 1 July 2018.

(a) Classification and measurement

AASB 9 largely retains the existing requirements in AASB 139 for the classification and measurement of financial liabilities. However, it eliminates the previous AASB 139 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of AASB 9 has not had a significant effect on the Group’s accounting policies relating to financial liabilities. In relation to financial assets, trade and other receivables and cash and cash equivalents are now classified as amortised cost under AASB 9.

The Group has determined there is no material impact to the measurement of financial instruments required on the application of AASB 9.

(b) Impairment

AASB 9 introduces the concept of assessing expected credit losses in testing of financial assets. This concept replaces the “incurred” loss concept under AASB 139. This change has, to date, had no material impact on the results of testing of financial assets for impairment.

(c) Hedge Accounting

The Group does not generally enter into hedging relationships nor apply hedge accounting. Accordingly, the impact on transition of the standard is not material.

AASB 16: Leases (“AASB 16”)

AASB 16 applies for financial periods beginning on or after 1 January 2019 and will be applied by the Group from 1 July 2019. AASB 16 removes the classification of leases as either operating leases or finance leases and introduces a single, on-balance sheet accounting model for leases. Upon applying AASB 16, the present value of lease commitments at that date will be recognised on the balance sheet as Right of Use Assets (for leases with a term of more than 12 months unless the underlying asset is of low value) and be accounted for as non-financial assets. A liability will be recognised for lease payment obligations and be accounted for as financial liabilities. The Group is undertaking a review of its current operating leases which are predominately leases of property and equipment. The review has not been completed and the potential financial impact is not yet quantified. The total assets and liabilities of the Group are expected to significantly increase upon applying AASB 16. Future lease expenses will be split between depreciation and interest expense in the income statement. The Group’s net profit after tax is not expected to be materially impacted by applying AASB 16. The Company expects to provide further disclosure in its 30 June 2019 Financial Report.

2 Segment reporting

Segment information is presented in a manner which is consistent with the internal reporting to the Chief Executive Officer, who is the chief operating decision maker in the allocation of resources and assessing the performance of the operating segments of the Group.

The Group’s regional segments are based on geographical operation of the business and comprise:

- Asia Pacific, including Australia, New Zealand, Korea and China
- Americas, including the United States of America and Canada
- EMEA, including the United Kingdom, Germany, Spain, Italy, Poland, France and Czech Republic

Segment revenues, expenses, assets and liabilities are reported on a gross basis.

Reliance Worldwide Corporation Limited
Notes to the Consolidated Financial Statements
For the half year ended 31 December 2018

2 Segment reporting (continued)

	Asia Pacific		Americas		EMEA		Corporate/Other		Elimination of the effect of intersegment transactions		Consolidated Total	
	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec				
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Revenue												
From external customers	72,137	70,148	323,100	265,798	148,921	26,634	-	-	-	-	544,158	362,580
From other segments	57,620	51,472	451	1,030	5,349	2,725	-	-	(63,420)	(55,227)	-	-
Segment revenues	129,757	121,620	323,551	266,828	154,270	29,359	-	-	(63,420)	(55,227)	544,158	362,580
Cost of sales	(93,397)	(79,859)	(206,341)	(160,361)	(74,803)	(22,943)	-	-	63,420	55,227	(311,121)	(207,936)
Gross profit	36,360	41,761	117,210	106,467	79,467	6,416	-	-	-	-	233,037	154,644
Other income	1,291	651	2,780	960	-	34	545	-	-	-	4,616	1,645
Product development expenses	(2,404)	(2,052)	(5,091)	(5,360)	(966)	(916)	-	-	-	-	(8,461)	(8,328)
Selling and marketing expenses	(8,734)	(8,641)	(45,707)	(36,909)	(19,166)	(3,843)	(103)	(176)	-	-	(73,710)	(49,569)
Administration expenses	(6,409)	(6,370)	(20,831)	(17,982)	(24,088)	(2,968)	(3,687)	(2,428)	-	-	(55,015)	(29,748)
Other expenses	(98)	(10)	(421)	(43)	(971)	(13)	883	(744)	-	-	(607)	(810)
Segment operating profit	20,006	25,339	47,940	47,133	34,276	(1,290)	(2,362)	(3,348)	-	-	99,860	67,834
	31 Dec	30 June	31 Dec	30 June	31 Dec	30 June	31 Dec	30 June	31 Dec	30 June	31 Dec	30 June
	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Segment assets¹	299,253	250,879	722,485	663,401	1,092,018	1,106,584	1,343,326	1,505,703	(1,415,637)	(1,340,623)	2,041,445	2,185,944
Segment liabilities	40,906	50,501	873,332	821,666	52,625	88,714	1,122,088	1,241,667	(1,415,637)	(1,340,623)	673,314	861,925

1 Comparative balances have been restated to reflect the final purchase price accounting for the John Guest acquisition. Refer Note 5.

Reliance Worldwide Corporation Limited
Notes to the Consolidated Financial Statements
For the half year ended 31 December 2018

2 Segment reporting (continued)

	Asia Pacific		Americas		EMEA		Corporate / Other		Elimination of the effect of intersegment transactions		Consolidated Total	
	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
EBITDA	24,642	29,892	54,884	52,884	43,324	(373)	(2,124)	(3,142)	-	-	120,726	79,261
Depreciation of property, plant and equipment	(4,530)	(4,482)	(4,750)	(4,521)	(8,725)	(917)	(21)	(31)	-	-	(18,026)	(9,951)
Amortisation of intangible assets	(105)	(72)	(2,194)	(1,230)	(323)	-	(218)	(174)	-	-	(2,840)	(1,476)
Employee benefits expense	(11,921)	(11,610)	(30,024)	(26,496)	(22,439)	(4,366)	(8,079)	(7,716)	-	-	(72,463)	(50,188)
Finance income	6	24	-	-	4	3	289	39	-	-	299	66
Finance costs	-	-	-	-	-	(52)	(11,880)	(4,859)	-	-	(11,880)	(4,911)
Income tax expense	(6,113)	(7,709)	(1,649)	(8,768)	(10,170)	369	(4,618)	(5,379)	-	-	(22,550)	(21,487)
Additions to property, plant and equipment and intangibles	5,938	4,997	23,577	10,505	7,023	742	603	1,472	-	-	37,141	17,716
	31 Dec	30 June	31 Dec	30 June	31 Dec	30 June	31 Dec	30 June	31 Dec	30 June	31 Dec	30 June
	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Non-current assets excluding other financial assets and deferred tax assets ¹	133,263	130,944	393,450	379,318	965,845	951,216	4,225	3,862	-	-	1,496,783	1,465,340

1. Comparative balances have been restated to reflect the final purchase price accounting for the John Guest acquisition. Refer Note 5.

Reliance Worldwide Corporation Limited
Notes to the Consolidated Financial Statements
For the half year ended 31 December 2018

3 Revenue

The major products from which revenue is derived are:

- Fittings and Pipe - including plumbing fittings, piping and related products for the installation and repair of water reticulation systems for domestic and commercial applications, pipe support systems and firestop solutions;
- Control Valves - including temperature and pressure relief valves for domestic and commercial storage hot water systems, non-return isolating valves, pressure regulation valves, backflow prevention devices and specialist water safety valves;
- Thermostatic Products - including an extensive range of thermostatic mixing valves, tempering valves and thermostatic cartridges for domestic and commercial applications; and
- Other Products - including underfloor heating components and kit systems, water meters, industrial pneumatic and hydraulic fittings, water mains connection fittings and repair sleeves and fire safety system products.

Revenue by product group for the period ended 31 December 2018 includes:

	31 December 2018 \$000	31 December 2017 \$000
Fittings and Pipe	450,361	267,559
Control valves	53,961	50,044
Thermostatics	13,665	15,785
Other Products	26,171	29,192
	544,158	362,580

Revenue by geography

	31 December 2018 \$000	31 December 2017 \$000
Australia	63,883	66,421
United States of America	303,971	253,807
United Kingdom	112,641	24,396
Other	63,663	17,956
	544,158	362,580

Reliance Worldwide Corporation Limited
Notes to the Consolidated Financial Statements
For the half year ended 31 December 2018

4 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share has been based on the following profit attributable to ordinary shareholders and weighted average number of shares.

	31 December 2018 \$000	31 December 2017 \$000
Profit attributable to ordinary shareholders	65,729	41,502
	Number of shares	Number of shares
Weighted average number of ordinary shares at 31 December (basic)		
- Issued ordinary shares	790,094,765	525,000,000
- Treasury shares ¹ (weighted average)	(5,389,834)	(3,321,402)
	784,704,931	521,678,598
	Cents	Cents
Basic earnings per share	8.4	8.0

(b) Diluted earnings per share

The calculation of diluted earnings per share has been based on the following profit attributable to ordinary shareholders and weighted average number of shares after adjustment for the effects of all dilutive potential ordinary shares.

	31 December 2018 \$000	31 December 2017 \$000
Profit attributable to ordinary shareholders	65,729	41,502
Changes in earnings arising from dilutive potential ordinary shares	-	-
	65,279	41,502
	Number of shares	Number of shares
Weighted average number of ordinary shares at 31 December (diluted)		
- Issued ordinary shares	790,094,765	525,000,000
- Effect of share options on issue	5,307,190	5,307,190
- Treasury shares ¹ (weighted average)	(5,389,834)	(3,321,402)
	790,012,121	526,985,788
	Cents	Cents
Diluted earnings per share	8.3	7.9

1. Details of Treasury shares are provided in Note 19 of the 30 June 2018 consolidated financial report.

Reliance Worldwide Corporation Limited
Notes to the Consolidated Financial Statements
For the half year ended 31 December 2018

5 Comparative balances

In these financial statements, comparative balances have been restated under the requirements of accounting standards. The following section explains the changes which have been reflected in the restated comparative balances.

Acquisition of John Guest Holdings Limited.

The Group acquired all of the ordinary shares of John Guest Holdings Limited ("John Guest") on 13 June 2018. The acquisition accounting for this transaction has now been finalised.

The final acquisition accounting resulted in net reclassifications between asset categories as follows:

- \$23.2 million increase in "Property plant and equipment" with a corresponding decrease in "Goodwill on acquisition and unidentified other intangible assets".
- \$0.2 million increase in identified "Intangible assets" with a corresponding decrease in "Goodwill on acquisition and other unidentified other intangible assets".

There was no material impact to the Group's profit as a result of these changes.

Comparative financial information has been restated to reflect the finalisation of the acquisition accounting. The following table summarises the changes made to the provisional acquisition accounting.

Fair value of net assets acquired

	Provisional fair value recognised on acquisition \$000	Final fair value recognised on acquisition \$000
Identifiable assets		
Cash and cash equivalents	90,230	90,230
Trade and other receivables ¹	60,107	60,107
Inventories	31,220	31,220
Prepayments	-	-
Property plant and equipment	117,338	140,529
Intangible assets		
- Brand names	214,687	214,687
- Customer relationships	17,217	17,393
Total identifiable assets acquired	530,799	554,166
Identifiable liabilities		
Trade and other payables	64,871	64,871
Borrowings	32,127	32,127
Employee entitlements	1,749	1,749
Tax liabilities	1,570	1,570
Total liabilities assumed	100,317	100,317
Net identifiable assets acquired	430,482	453,849
Purchase consideration	1,236,806	1,236,806
Hedge loss from forward purchase contracts recognised in the Goodwill calculation	10,767	10,767
Goodwill on acquisition and unidentified other intangible assets	817,091	793,724

¹ Trade and other receivables are net of provision for doubtful debts.

Reliance Worldwide Corporation Limited
Notes to the Consolidated Financial Statements
For the half year ended 31 December 2018

6 Income tax expense

Reconciliation of prima facie tax expense to income tax expense recognised in the Consolidated Statement of Profit or Loss

The major components that reconcile the expected income tax expense based on the Australian statutory rate of tax of the Group at 30% to the reported actual income tax expense in the consolidated statement of profit or loss are as follows:

	31 December 2018 \$000	31 December 2017 \$000
Profit before income tax	88,279	62,989
Prima facie income tax expense at 30%	(26,484)	(18,897)
Tax effect of items which increase / (decrease) tax expense:		
Effect of tax rates in foreign jurisdictions	5,024	(1,464)
Tax effect of amounts which are not deductible / (assessable) in calculating taxable income:		
Non-deductible expenses	(1,162)	(10)
Other	72	(1,116)
Actual income tax expense reported in the consolidated income statement	(22,550)	(21,487)
Average tax rate	25.5%	34.1%

7 Property, plant and equipment

	31 December 2018 \$000	30 June 2018¹ \$000
<i>Carrying amounts of:</i>		
Freehold land	215	204
Buildings	91,243	91,761
Leasehold improvements	5,023	4,274
Plant and equipment	191,772	172,278
	288,253	268,517

- 1 Comparative balances have been restated to reflect the final purchase price accounting for the John Guest acquisition. Refer Note 5.

Reliance Worldwide Corporation Limited
Notes to the Consolidated Financial Statements
For the half year ended 31 December 2018

8 Borrowings

	31 December 2018 \$000	30 June 2018 \$000
Current		
<i>Secured</i>		
Bank borrowings	-	2,675
	-	2,675
Non-Current		
<i>Secured</i>		
Bank borrowings	502,437	659,670
	502,437	662,345

The Company and certain of its subsidiaries are parties to a \$750 million syndicated facility agreement which is available for drawing by way of cash advances ("Facility").

The Facility will mature as follows:

- Tranche A: \$250m maturing 30 September 2021
- Tranche B: \$250m maturing 30 September 2022
- Tranche C: \$250m maturing 30 September 2023

The Facility contains financial covenants which the Company is in compliance with.

The security provided to support the Facility is:

- Unlimited cross guarantees from each entity that comprises the Group, other than Reliance Worldwide Corporation (Europe) S.L.U, subsidiaries of John Guest Holdings Limited which are not incorporated in the United Kingdom and other non-operating entities (Reliance Manufacturing Company (NZ) Limited, Titon Limited (both of which are incorporated under the laws of New Zealand), Reliance Water Controls Limited (an entity incorporated under the laws of England and Wales) and Reliance Employee Share Investments Pty Ltd ("Guarantors");
- General security over all assets (or a specified list of assets) from each of the Guarantors, other than Reliance Worldwide Corporation (UK) Limited and certain of the intermediate holding companies;
- Specific share security from Reliance Worldwide Holdings (USA) Corporation over its shares in Reliance Worldwide Corporation (which carries on the Group's operations in the USA);
- Specific share security from Reliance Worldwide Holdings (International) LLC over its shares in John Guest Holdings Limited and its rights under the acquisition agreement entered into in connection with the acquisition of John Guest Holdings Limited; and
- A real property mortgage from Reliance Worldwide Corporation over a property in Cullman, Alabama, USA.

The Facility has a variable interest rate which is based on a variable base rate plus a margin.

Reliance Worldwide Corporation Limited
Notes to the Consolidated Financial Statements
For the half year ended 31 December 2018

9 Inventories

	31 December 2018 \$000	30 June 2018 \$000
<i>At cost</i>		
Raw materials and stores	95,356	84,267
Consumables	3,186	186
Work in progress	23,324	29,165
Finished goods	112,148	96,508
	<u>234,014</u>	<u>210,126</u>
Less: provision for diminution	(8,749)	(7,486)
	<u>225,265</u>	<u>202,640</u>

10 Goodwill and intangible assets

	31 December 2018 \$000	30 June 2018 ¹ \$000
<i>Carrying value</i>		
Goodwill and unidentified other intangible assets	888,632	888,016
Identified intangible assets		
- Intellectual property, trade names, brand names and trademarks	257,296	247,483
- Product technology	28,194	27,602
- Customer relationships	28,097	28,058
- Licence fees and software and other	6,311	5,664
	<u>319,898</u>	<u>308,807</u>
	<u>1,208,530</u>	<u>1,196,823</u>

1 Comparative balances have been restated to reflect the final purchase price accounting for the John Guest acquisition. Refer Note 5.

11 Contingent liabilities

The Company has agreed to provide guarantees for certain commitments made or entered into by subsidiary entities in the ordinary course of business. The Company does not consider these guarantees to be material in the context of the Group's business.

The Group has provided bank guarantees for property leases totalling \$317,400.

The Company has entered into a Deed of Cross Guarantee ("Deed") with two of its subsidiaries, Reliance Worldwide Group Holdings Pty Ltd and Reliance Worldwide Corporation (Aust.) Pty Ltd. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of either of these subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. These subsidiaries have also given similar guarantees in the event the Company is wound up.

The Directors are not aware of any other material contingent liabilities at balance date or arising since the end of the financial period which have significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial periods.

Reliance Worldwide Corporation Limited
Notes to the Consolidated Financial Statements
For the half year ended 31 December 2018

12 Related Party Transactions

Related party transactions entered into by the Group during the period remain consistent with those disclosed in the 2018 Annual Report.

13 Subsequent events

On 25 February 2019, the directors resolved to declare an interim dividend of 4.0 cents per share franked to 100%. The dividend will be paid to eligible shareholders on 29 March 2019. The record date for dividend entitlement is 8 March 2019. The Company does not have a dividend reinvestment plan.

The Directors are not aware of any other matters or circumstances that have occurred since the end of the financial period that have significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial periods.

14 Seasonality of operations

The Group's results may be affected by seasonal influences in each segment. In the Americas, sales demand in the quarter ending 31 December is generally strong as retail and wholesale outlets typically build their inventory in anticipation of higher demand for repair and maintenance products during winter. The quarter ending 31 March may be affected by higher demand for repair and maintenance products as a result of unusually colder weather. Milder weather conditions can also result in lower sales during this period as retailers and wholesalers normalise their stock levels.

In Asia Pacific, more favourable results can be achieved during the period from August to November when this segment usually increases production volumes to meet the demand for the Americas winter. Typically, the quarter ending 31 March may be slower for Asia Pacific owing to the effect of summer holidays and as demand from the Americas normalises.

Historically, the John Guest group, which operates mainly in the EMEA segment, derives stronger revenue in the January to June period.

The Group's results for the six months ended 31 December 2018 reflect generally normal seasonal influences.

15 Group Entities

The following subsidiaries were merged into Reliance Worldwide Corporation, a USA subsidiary, effective 31 December 2018:

John Guest North America Holdings Inc.
John Guest US Inc
John Guest Automotive Inc.

Reliance Worldwide Corporation Limited
Directors' Declaration
For the half year ended 31 December 2018

In the opinion of the Directors of Reliance Worldwide Corporation Limited ("the Company"):

1. the Consolidated interim financial statements and notes that are set out on pages 4 to 20 are in accordance with the Corporations Act 2001(Cth), including:
 - (i) giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the period from 1 July 2018 to 31 December 2018;
 - (ii) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001;
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.



Jonathan Munz
Chairman



Heath Sharp
Chief Executive Officer and Managing Director

Melbourne
25 February 2019



Independent Auditor's Review Report

To the shareholders of Reliance Worldwide Corporation Limited

Report on the Interim Financial Report

Conclusion

We have reviewed the accompanying **Interim Financial Report** of Reliance Worldwide Corporation Limited (the Company).

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of Reliance Worldwide Corporation Limited is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 31 December 2018 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Interim Financial Report** comprises:

- Consolidated statement of financial position as at 31 December 2018;
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the Half-year ended on that date;
- Notes comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

The **Group** comprises Reliance Worldwide Corporation (the Company) and the entities it controlled at the Half year's end or from time to time during the Half-year Period.

Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

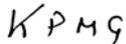
- the preparation of the Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- for such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the Interim Financial Report

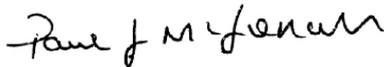
Our responsibility is to express a conclusion on the Interim Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Interim Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Reliance Worldwide Corporation Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an Interim Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



KPMG



Paul McDonald

Partner

Melbourne

25 February 2019