Solutions to Shape the World™

Reliance Worldwide Corporation Limited

Annual Report 2019

Our values

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Our strategy summary sets out our priorities

Our Purpose

Making our customers' lives easier with clever solutions for the built environment

Value Proposition

Our family of innovative, integrated products saves customers' time and makes their lives easier while our unrivaled value creation delivers stronger returns for our distributor partners

Our Priorities

1. Accelerate

Achieve profitable growth in core repair and maintenance markets in North America, UK and Australia

2. Expand

Grow into adjacent plumbing, heating, water quality and fluid technology end markets

3. Access

Enter selected European, South American and Asian geographies

Our Values

Passion

Innovation

Our Growth Plan

Growth Drivers

Demand
Taking greater ownership of driving end user demand and owning the project with our connected family of brands

Reach
Expanding availability by creating incredible value for our distribution partners

Innovation
Understanding customers and disrupting markets with intelligent products and services

M&A
Smart acquisitions driving non-organic growth

Our core competencies

People: We have the best capability and ability in the industry to attract and develop the best talent

Stewardship: A relentless focus on positively impacting our society and environment

Operations: Cost effective, timely delivery supported by the ultimate in customer service

Our Customers

Who

- Contractors
- Specifiers
- Distributor partners
- End users
- OEMs

Key segments

- Repair, Maintenance and Improvement
- New construction
- Automotive
- Fluid technology
- Air & pneumatics, blown fibre

Applications

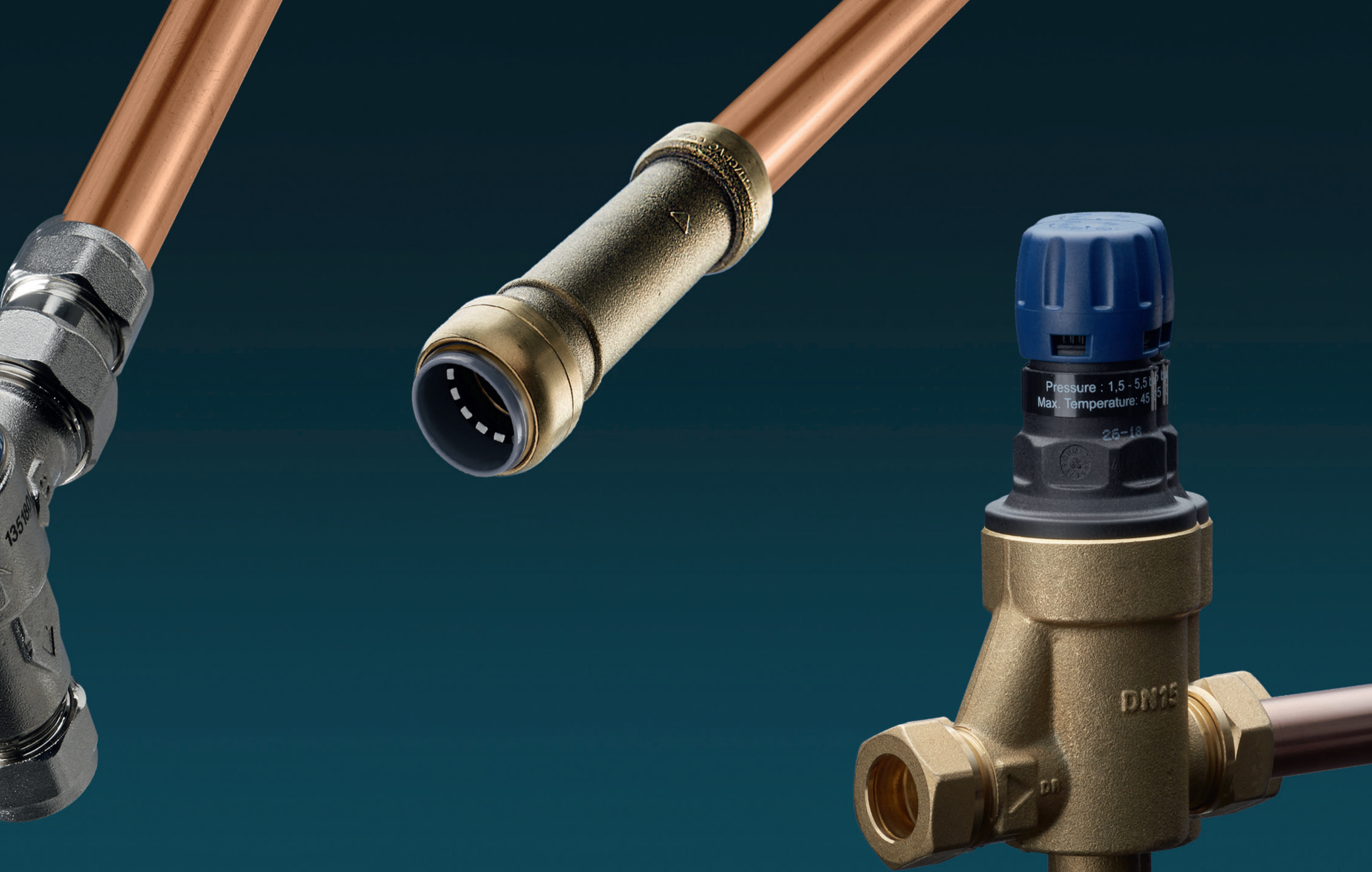
- Meter to fixture, floor to ceiling
- Behind the wall
- Specialist industries

Results

Execution of our strategy will result in profitable growth and value creation for our shareholders

Reliability **Integrity** **Simplicity**

World-cla



ass quality

Outstanding engineering is what sets us apart. We continually raise the bar with bold ideas, precision production and rigorous testing. We are more than just a manufacturer. We constantly set new standards in concept design, assembly and production, while taking great pride in our tailored ongoing customer support.

This is what makes us RWC.

RWC delivered record revenue and earnings for FY2019, including first full year inclusion of John Guest supported by ongoing growth in the Americas.

Net sales

$1.1 billion

+43% growth overall

+5.4% underlying growth on comparable basis[1,2]

1. Growth rates expressed as change over comparative period for the twelve months ended 30 June 2018
2. Comparable basis Net Sales growth calculated excluding the impact of translational FX in the current period and one-off events in both periods
3. Adjusted EBITDA and Adjusted NPAT are non-IFRS measures used by RWC to assess operating performance and defined in the Operating and Financial Review
4. Net Debt/EBITDA (excluding acquisition transaction costs and $10 million of costs to achieve synergies)

Continued strong sales growth from Americas

+17% growth[1] overall

+8.3% underlying growth on comparable business[2]

Adjusted EBITDA[3]

$263.2 million

+66% growth[1]

Adjusted NPAT[3]

$152.0 million

+80% growth[1]

Net operating cash flow

$178.9 million

+43% growth

Balance Sheet strength

Pro forma leverage ratio at

1.67x[4]

Chairman’s Report

Dear fellow shareholders,

On behalf of the Board, I am delighted to present the 2019 annual report of Reliance Worldwide Corporation Limited (“RWC”).

We reach the end of RWC’s third full year as a public listed company in very good shape:

- we have an excellent management team, enhanced by a number of senior additions during the year; and
- we are well progressed in bedding down the very significant acquisition completed in June 2018 of the John Guest group of businesses with performance in line with expectations and synergy realisation running well ahead of expectations.

With the addition of John Guest, as well as the continued development of our other businesses, RWC is today a much more robust and diverse group of businesses than it was at the time of its 2016 IPO.

Performance

RWC delivered record revenue and earnings in the year to 30 June 2019. Net sales were up 43% to $1.1 billion. Net profit after tax was up 102% to $133 million. Operating earnings were up 79% to $243 million and Adjusted operating earnings[1], which is the measure we use to assess operating performance, were up 66% to $263 million. Earnings per share were up 38% and Adjusted earnings per share[2] were up 23%.

Dividends

During the year we declared fully franked dividends totalling 9.0 cents per share and $71.1 million in aggregate. This represents 53% of net profit after tax, near the middle of the target payout range of between 40% and 60% of NPAT and up 38% on the prior year.

The change in the geographic mix of earnings following recent acquisitions reduces RWC’s access to franking credits. We currently expect future dividends to be less than 50% franked.

Balance sheet

RWC continues to finance its activities conservatively and to maintain a sound balance sheet. Net debt at 30 June 2019 was $427 million. This is higher than at the start of the financial year, reflecting growth in business activities including capital expenditure and working capital changes.

Health and Safety

RWC is committed to providing a safe and healthy workplace. Our aim is zero harm. Health and safety reporting is being standardised and enhanced, with particular attention to leading indicators such as near misses. This is a subject of special interest at the Board.

Social responsibility

RWC will publish its first formal social responsibility report in the coming year. The report will be regularly updated to show our progress in those areas of greatest significance to RWC and its stakeholders.

Board composition

Jonathan Munz retired from the Board in March 2019 after 33 years of involvement with the business, most recently as Chairman. Jonathan made an enormous contribution to the development of RWC into one of the world's most valuable manufacturers of plumbing and heating solutions. The Board thanks Jonathan for that contribution and wishes him every success in the future.

The Board continues to review its composition. As presently constituted, the Board considers itself well equipped to discharge its responsibilities. However, the Board also sees clear advantages in increasing its diversity and has identified a range of skills and experience that it believes could add value. Significant time and resource has already been invested in looking for potential new directors who would add to the Board's skills, experience and diversity. That process will continue.

People

On behalf of the Board, I thank all RWC staff for their efforts this past year. Our strong performance despite a range of challenges and headwinds is the strongest possible evidence of the calibre of people across the range of our businesses.

Whatever challenges this next year presents, your Board will remain focused on delivering sustained and sustainable long term value as we continue to execute on the opportunities already in front of us and to identify and pursue new ones.

Finally, thank you to all our investors for their ongoing support. I look forward to meeting shareholders at our Annual General Meeting on 31 October 2019.

Stuart Crosby,
Chairman

1. Operating earnings are before interest, tax, depreciation and amortisation. Adjusted operating earnings represents Operating earnings before $17.4 million of one-time integration costs incurred, a $2.4 million expense related to finalising the unwinding of a fair value adjustment at acquisition date to John Guest inventory and a $0.9 million impact resulting from the timing of revenue recognition following adoption of new accounting standard AASB 15. Adjusted operating earnings is a non-IFRS measure used by the business to assess operating performance.

2. Adjusted earnings per share measured using Adjusted net profit after tax which reflects the effect of the adjustments made to Operating Earnings referred to in footnote 1.

Chief Executive Officer's Report

Dear Shareholders,

I am very pleased to report on RWC's financial and operational performance for the year ended 30 June 2019[1].

This was a record financial year for RWC with reported net profit after tax up 102% to $133 million. The growth in earnings was due in large part to the inclusion of John Guest for a full year, supported by ongoing growth achieved in the Americas.

FY2019 financial review

For the 2019 financial year, net sales increased by 43% to $1.1 billion[2], including John Guest. Net sales growth, excluding John Guest was 5%. This revenue performance led to adjusted operating earnings of $263 million, which were up 66% on the prior year[3].

We recorded another year of strong net sales growth in the Americas segment, particularly in the first half, with underlying segment sales for the whole year up 8%[4]. We continued to expand the range of RWC, Holdrite and John Guest branded products we sell through our Americas distribution channels. In EMEA, sales growth was led by the first full year inclusion of John Guest. Net sales in EMEA were $361 million, including $301 million from net sales of John Guest products. Asia Pacific recorded sales growth of 7% on the prior year, including sales from John Guest products.

The results were achieved despite several headwinds which the Group faced during the financial year. These included the absence of a freeze in the southern parts of the USA, Brexit uncertainty in the UK impacting demand in the latter part of the financial year, higher copper costs in the first half which impacted brass costs, increased tariffs on goods imported from China into the USA and a significant decline in new housing commencements in Australia.

Delivering on John Guest

We made significant progress during the year in combining John Guest and RWC in UK & Europe, USA and Asia Pacific. A year on from the acquisition we have successfully merged the businesses and, importantly, delivered the first year earnings benefits we targeted. Synergies achieved in the first year exceeded $14 million, ahead of the target of $10 million, and were over $20 million on a run rate basis by the end of FY2019. We continue to expect synergies of at least $30 million to be achieved on a run rate basis by the end of FY2020.

From an organisational perspective, a critical undertaking has been the cultural integration of John Guest and RWC. A range of initiatives to drive a shared culture built around collaboration and accountability have been successfully undertaken during the year which has been supported by a high level of engagement from John Guest employees.

1. This report should be read in conjunction with the Operating and Financial Review which follows.
2. Net sales after eliminating intercompany sales.

Business strategy

We continue to be optimistic about the future of our core businesses and excited by the growth opportunities which new products will provide us. We are achieving ongoing above market growth rates for our core Speedfit business in the UK and our SharkBite PTC fittings in North America. In North America, Holdrite's product suite is taking us into residential and commercial new construction. Through John Guest FluidTech fittings we have gained access to new channels and customer opportunities. We now have the ability to leverage additional volume through these new channels as well as via our existing distribution base, new product development and from any acquisitions which might be completed.

Looking even further into the future, we remain excited about smart plumbing opportunities. We firmly believe that plumbing systems will be fully connected in the next several years. We are at the forefront of this led by the Streamlabs leak detection and usage-monitoring products, which are gaining traction. Perhaps, more importantly, we have developed the platform for a smart plumbing system that will ultimately lay across our full product offering, from meter to fixture and floor to ceiling.

Investing in product and capability

Research and development is a part of RWC's DNA and we increased our expenditure in the past year, including work on core product enhancements. We will be spending more on R&D again in FY2020 and are excited by the opportunities this investment presents for the long term.

We intend continuing to invest in capability across three broad areas in FY2020:

- new product development and commercialisation;
- operational performance improvement, with senior people recruited to lead disciplines around procurement, manufacturing operations efficiency, supply chain and distribution logistics; and
- core group capabilities including, legal, finance, technology, commercialisation and business intelligence.

Our people

Delivering on the business opportunities we are targeting will only be achieved through the strength of our team. We aim to provide a continually improving work environment at RWC. Over the coming year we intend working on several initiatives including further rolling out our employee engagement process, based on the pilot we are undertaking in the USA, and providing the most inclusive environment we can so that everyone feels welcome, involved and able to contribute to their maximum potential. In the past year, we launched a new group-wide intranet and we are committed to further improving communications across the group.

The progress we have made in FY2019 could only have been achieved through the collective contribution from the great people we have at RWC. I want to thank all our people for their efforts over the last year. I believe they are executing at a very high level - the best in the world in our industry in my view. I am proud of what they have achieved. It really is such a privilege for me to be part of this team.

Thank you for your continuing support. I look forward to providing a further update at the Annual General Meeting.

Heath Sharp,
Group Chief Executive Officer

3. Operating earnings are before interest, tax, depreciation and amortisation. Adjusted operating earnings represent operating earnings before $17.4 million of one-time integration costs incurred, a $2.4 million expense related to finalising the unwinding of a fair value adjustment at acquisition date to John Guest inventory and a $0.9 million impact resulting from the timing of revenue recognition following adoption of new accounting standard AASB 15. Adjusted operating earnings is a non-IFRS measure used by the business to assess operating performance.

4. Underlying net sales growth in the Americas segment is calculated excluding the impact in FY2018 of the one-time rollout of stock to the second half of the Lowe's stores, the impact of a freeze event in FY2018 and the effect of movements in foreign exchange rates.

OPERATING AND FINANCIAL REVIEW

This Operating and Financial Review forms part of, and should be read in conjunction with, the statutory Directors' Report for the year ended 30 June 2019.

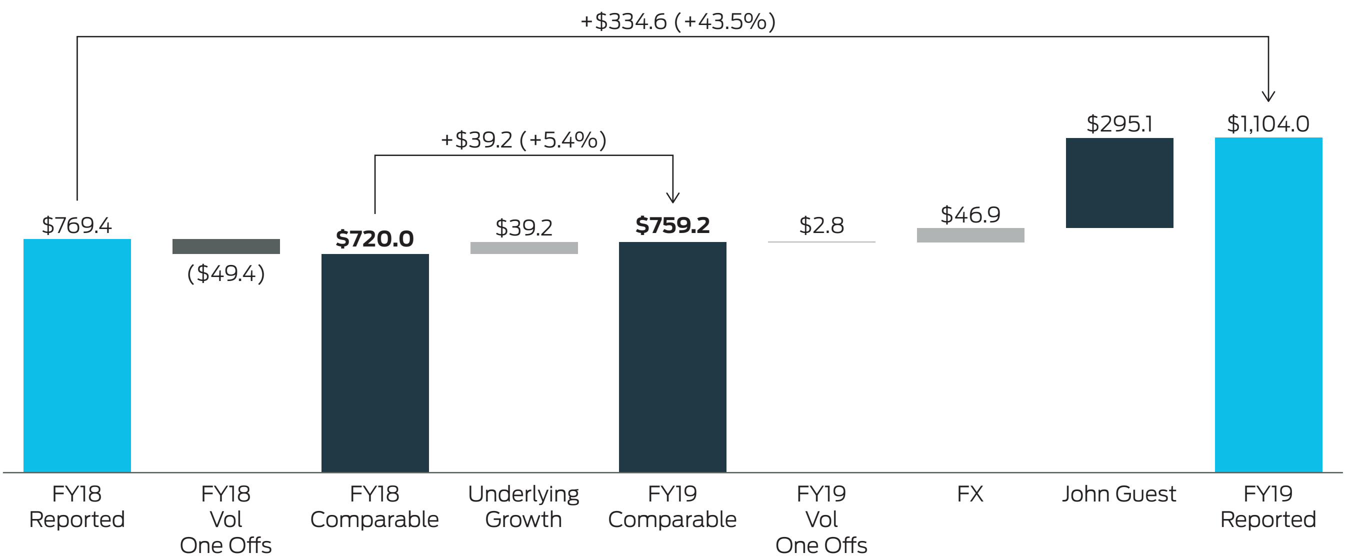
Review of results for the financial year

Year ended:	30 June 2019 ($ million)	30 June 2018 ($ million)[1]	Variance
Net sales	**1,104.0**	**769.4**	**43%**
Net sales – excluding John Guest	782.9	744.6	5%
Net sales – John Guest	321.1	24.8	n/m
Reported EBITDA	**242.5**	**135.4**	**79%**
Adjusted for one-time items:			
John Guest integration/synergies costs expensed	17.4	-	n/m
John Guest transaction costs expensed	-	20.5	n/m
John Guest fair value inventory unwind	2.4	2.8	n/m
Impact of adopting new revenue accounting standard AASB 15	0.9	-	n/m
Adjusted EBITDA	**263.2**	**158.7**	**66%**
Adjusted EBITDA – excluding John Guest	143.9	150.9	(5%)
Adjusted EBITDA – John Guest	119.3	7.8	n/m
Reported net profit after tax	**133.0**	**66.0**	**102%**
Adjusted net profit after tax[2]	**152.0**	**84.6**	**80%**
Basic earnings per share	17.0 cents	12.3 cents	38%
Adjusted earnings per share	19.4 cents	15.8 cents	23%

n / m = not meaningful

Net Sales movement – FY2018 to FY2019[3]

(All values in A$ millions)



1. The Group completed the acquisition of John Guest on 13 June 2018. The acquisition date for accounting purposes is taken to be 23 May 2018 and financial results for FY2018 included a contribution from the John Guest business from that date.
2. A reconciliation of Reported Net Profit after Tax to Adjusted Net Profit after Tax is appended to the Company's results announcement dated 27 August 2019.
3. Volume one-offs in FY2018 included Lowe's load in, USA freeze impacts, sales to John Guest prior to RWC ownership and discontinued product lines in the UK; in FY2019 the volume one-offs were discontinued product lines in the UK.

OPERATING AND FINANCIAL REVIEW

Net sales for the year ended 30 June 2019 of $1,104.0 million were 43.5% higher than the prior year. Reported EBITDA for the year was $242.5 million, an increase of 79.1% on the prior year. These increases reflect the first full year contribution from John Guest.

Core RWC net sales (excluding John Guest) were $782.9 million, 5.1% higher than for the prior year, driven by 8.6% growth in net sales in the Americas segment. Net sales of John Guest products were $321.1 million, up 8.2% on the prior year.

Results for the year were also impacted by favourable foreign exchange movements for translation purposes, primarily a weaker Australian dollar versus the US dollar. Excluding the impact of the favourable translational foreign exchange movement during the year, prior year one-off items (particularly Lowe's inventory load-in and USA freeze impacts) and John Guest sales, underlying net sales growth in the core RWC business was 5.4%. Underlying sales for John Guest, excluding the impact of foreign currency movements and the planned wind down of the automotive business, grew 6.2% year on year.

The John Guest business has been successfully integrated with RWC's operations. The strength of the John Guest business in terms of end-user connections, distribution partner relationships and engineering capabilities was demonstrated throughout its first year of RWC ownership and reflected in its performance. The long-term growth potential of the business and the revenue synergy opportunities continue to support the strategic rationale for the acquisition.

EBITDA for the year, adjusted for the following items, was $263.2 million ("Adjusted EBITDA"), an increase of 65.8% on the prior year. Adjusted EBITDA includes John Guest related synergies of $14.2 million achieved during the period and excludes the following items: $17.4 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 $0.9 million EBITDA impact resulting from the timing of revenue recognition following adoption of new accounting standard AASB 15.

Adjusted EBITDA of $263.2 million reflects primarily:

- Growth in net sales as described above ($94 million).
- A positive impact from John Guest related synergies achieved ($14 million).
- A net favourable impact from currency movements ($9 million).
- A negative impact on Cost of Goods Sold from net higher input costs, principally driven by higher copper costs (in the form of brass bar) which flowed through the supply chain to production and wage inflation ($7 million).
- A negative impact from one-off supplier issues experienced in the Americas in the first half; these were resolved in the first half with no material second half impact ($3 million).
- A net favourable impact from the absence of a one-time charge incurred in FY2018 resulting from reclassification of categories for products imported to the USA in FY2018 and prior years, partly offset by higher tariff costs in FY2019 on products imported from China to the USA that were not fully offset during the year ($2 million).
- The cost of continuing investment into research, development and commercialisation of new products (including Streamlabs and associated Smart Plumbing products, water quality products and core plumbing and heating products of RWC, Holdrite and John Guest) and general management depth and capability ($5 million).

Reported net profit after tax ("NPAT") was $133.0 million, an increase of 102% on the prior year. The result was driven by:

- The impacts on Reported EBITDA described above.
- A higher net interest expense principally as a result of increased borrowings which partially funded the acquisition of John Guest in June 2018.
- A lower effective income tax rate which reflects the changed geographic mix of earnings following recent acquisitions with a higher proportion of earnings now achieved in countries with lower taxation rates than Australia.

Adjusted net profit after tax ("Adjusted NPAT") was $152.0 million, an increase of 80% on the prior year. Adjusted NPAT reflects the effect of the Adjusted EBITDA (which, in FY2019, adjusts Reported EBITDA for one-time John Guest integration costs, fair value inventory unwind and the impact of the new AASB 15 revenue accounting standard).

OPERATING AND FINANCIAL REVIEW

Segment Review

Americas

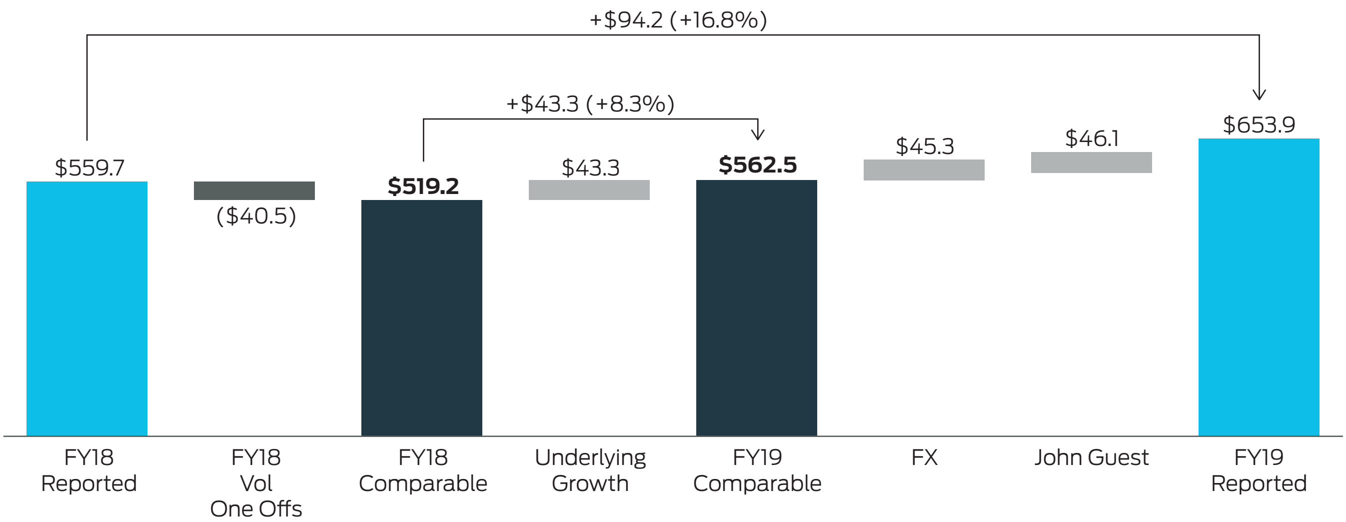
Year ended:	30 June 2019 (A$ million)	30 June 2018[1] (A$ million)	Variance
Net sales[2]	**653.9**	**559.7**	**17%**
Net sales – excluding John Guest	604.2	556.2	9%
Net sales – John Guest	49.7	3.5	n/m
Reported Segment EBITDA	**102.5**	**95.4**	**7%**
Margin	*15.7%*	*17.1%*	*(140bps)*
Adjusted Segment EBITDA	**105.3**	**96.0**	**10%**
Adjusted Margin	*16.1%*	*17.2%*	*(110bps)*
Adjusted Segment EBITDA – excluding John Guest	96.5	96.0	1%
Adjusted Segment EBITDA – John Guest	8.8	0	n/m

The Americas segment recorded continued sales growth. Reported net sales for the year were $653.9 million, an increase of 16.8% on the prior year. Excluding John Guest, net sales were $604.2 million, an increase of 8.6% on the comparative period.

Reported net sales in the year also included the positive foreign exchange translation impacts of the lower Australian dollar relative to the US dollar. The prior year included the positive impact of the one-time rollout of stock to the second half of the Lowe's stores as well as a freeze event. Adjusting for these items and movements in foreign exchange rates, underlying net sales growth in the Americas was 8.3%.

Change in Net Sales – Americas Segment[3]

(All values in A$ millions)



Growth in net sales in the Americas segment was driven by continued end user demand for RWC's products including core SharkBite brass PTC fittings and accessories which continue to benefit from ongoing conversion of plumbers away from using traditional fittings systems. Growth was also supported by an expanded range of products sold to The Home Depot in Canada, including PEX pipe and

1. The Group completed the acquisition of John Guest on 13 June 2018. The acquisition date for accounting purposes is taken to be 23 May 2018 and financial results for FY2018 include a contribution from the John Guest business from that date.
2. Prior to elimination of inter-segment sales.
3. Volume one-offs in FY2018 included Lowe's load in and USA freeze impacts.

crimp fittings, ensuring these outlets now offer the full SharkBite solution. Continued penetration into the residential new construction and remodel markets through Holdrite, EvoPEX and other RWC residential plumbing products also contributed to growth.

Holdrite products continued to perform well within the commercial new construction market with revenue synergies achieved through leveraging RWC distribution relationships to expand Holdrite's product offering. Holdrite's well-established position with end users in the commercial sector is allowing RWC to sell additional products into that market with considerable further potential.

John Guest sales on a pro forma basis rose 9.2% after adjusting for sales to the automotive sector which declined in accordance with the planned withdrawal from this market.

Three issues negatively impacted net sales in the second half of FY2019. The first was that a freeze event was not experienced in the southern parts of the USA. It is estimated that the lack of a freeze event reduced net sales by between $12 million and $15 million in FY2019.

Additionally, the second half was impacted by distributors working through the overstock of inventory from the first half, which had been built up in anticipation of a freeze event with a pull-forward of orders into the first half. Third, growth in the remodel and new housing construction markets also slowed in the second half with market conditions generally softer in the April to June quarter.

Reported EBITDA for the Americas segment was $102.5 million, 7.4% above the prior year, while Adjusted EBITDA was $105.3 million, excluding $2.8 million of integration costs and purchase price accounting impacts, which was 9.7% ahead of the prior year.

Adjusted EBITDA margin was 16.1%, compared with 17.2% in the previous year. The result reflects the net impact of:

- Growth in net sales as described above, including John Guest net sales for the entire year.
- Favourable impact of foreign exchange rates on translation of revenues and earnings.
- Positive impact of John Guest related synergies.
- Net negative raw material inflation primarily related to higher copper costs in the year partly offset by lower resin costs.
- Increased investment in the long-term growth of the business, primarily new product development and commercialisation costs.
- A net favourable impact from the absence of a one-time charge incurred in FY2018 resulting from reclassification of categories for products imported to the USA in FY2018 and prior years, partly offset by higher tariff costs in FY2019 on products imported from China to the USA that were not fully offset during the year.

Asia Pacific

Year ended:	30 June 2019 (A$ million)	30 June 2018[1] (A$ million)	Variance
Net sales[2]	**249.1**	**232.0**	**7%**
Net sales – excluding John Guest	234.0	230.9	1%
Net sales – John Guest	15.1	1.1	n/m
Reported Segment EBITDA	**48.1**	**52.4**	**(8%)**
Margin	*19.3%*	*22.6%*	*(330bps)*
Adjusted Segment EBITDA	**50.0**	**52.8**	**(5%)**
Adjusted Margin	*20.1%*	*22.8%*	*(270bps)*
Adjusted Segment EBITDA – excluding John Guest	47.0	52.5	(10%)
Adjusted Segment EBITDA – John Guest	3.0	0.3	n/m

Asia Pacific recorded net sales of $249.1 million, an increase of 7.4% on the prior year, reflecting the first full year contribution from John Guest product sales partially offset by weakness in the Australian new residential construction markets.

Sales to the Americas segment grew by 2.0%, a lower growth rate than in previous years due to the expansion of production capacity in the USA.

1. The Group completed the acquisition of John Guest on 13 June 2018. The acquisition date for accounting purposes is taken to be 23 May 2018 and financial results for FY2018 include a contribution from the John Guest business from that date.
2. Prior to elimination of inter-segment sales.

OPERATING AND FINANCIAL REVIEW

External sales were down 3.3%, having been negatively affected by weaker sales into the new housing construction market in Australia partly offset by modest growth in the rest of the Asia Pacific region. Reported sales also reflect the timing impact from a change in revenue recognition that reduced sales by $1.8 million following adoption of the new accounting standard for revenue recognition (AASB 15).

New housing commencements in Australia declined 7% in the twelve months ended 31 March 2019 and, for the quarter ended 31 March 2019, were 26% below the prior corresponding period overall with the multi-family sector down 42%.[1] While Asia Pacific accounts for only 13% of external net sales, approximately half of these external net sales are made in the more cyclical new residential construction market. Moreover, most of those sales are to the multi-family segment of the market. As a result, external net sales in Australia for FY2019 were $4.7 million lower than prior year.

The full year results for Asia Pacific were also impacted by delays in the release of two new product ranges which had been scheduled to be launched into the Australian market in the first half of FY2019. While the issues related to the release of those new products were resolved and the products have now been launched, the lack of revenue from this source meant that the headwinds from lower new construction activity could not be fully offset.

John Guest sales in Asia Pacific performed well and were in line with expectations for the year.

Asia Pacific reported EBITDA contribution for the year was $48.1 million, a decrease of 8% on the prior year, while Adjusted EBITDA was $50.0 million or 5% below the prior year, reflecting lower external sales. Segment EBITDA was also impacted by higher input costs, including wage and energy inflation, partly offset by lower SG&A expense.

The ERP rollout was completed in March, with Asia Pacific now on the same platform as the Americas segment.

Europe, Middle East and Africa ("EMEA")

Year ended:	30 June 2019 (A$ million)	30 June 2018[2] (A$ million)	Variance
Net sales[3]	**360.9**	**81.1**	**345%**
Net sales – excluding John Guest	60.1	60.9	(1%)
Net sales – John Guest	300.8	20.2	n/m
Reported Segment EBITDA	**95.8**	**8.3**	**n/m**
Margin	*26.5%*	*10.2%*	*n/m*
Adjusted Segment EBITDA	**109.4**	**10.1**	**n/m**
Adjusted Margin	*30.3%*	*12.4%*	*n/m*
Adjusted Segment EBITDA – excluding John Guest	1.8	2.6	(31%)
Adjusted Segment EBITDA – John Guest	107.6	7.5	n/m

EMEA delivered strong growth led by the first full year inclusion of John Guest. The John Guest business achieved annual net sales growth in FY2019 anticipated at the time of acquisition.

Net sales in EMEA were $360.9 million, including $300.8 million from John Guest products. Sales growth was driven by increases in core UK plumbing and heating volumes, price rises and stronger Fluid Technology PTC ("FluidTech") sales in Continental Europe. Overall John Guest sales in EMEA grew 13.4%, including the impact of favourable foreign currency translation. On a constant currency basis and excluding the impact of planned lower sales to the automotive sector, external sales grew 6.9%.

Net sales of core RWC products in the UK grew by 3.0% after normalising both FY2018 and FY2019 sales for discontinued product lines. Reported net sales from core RWC products were $60.1 million, down 1.3% on the prior year. Sales of these products in the UK were negatively impacted by a decision to exit certain product lines previously sold by the core RWC business, in particular thermal interface units, in order to focus resources on more attractive growth opportunities identified for the expanded RWC/John Guest combined group.

1. Source: Australian Bureau of Statistics.
2. The Group completed the acquisition of John Guest on 13 June 2018. The acquisition date for accounting purposes is taken to be 23 May 2018 and financial results for FY2018 include a contribution from the John Guest business from that date.
3. Prior to elimination of inter-segment sales.

OPERATING AND FINANCIAL REVIEW

The RWC Spain business, which supplies PEXa pipe and related plastic fittings, increased sales but did not achieve the growth anticipated for FY2019, reflecting lower than expected levels of demand across continental Europe as well as intense competition from larger players.

Adjusted EBITDA contribution was $109.4 million, with the contribution from John Guest ahead of expectations. Realised synergies achieved in the period following the John Guest acquisition totalled $14.2 million, of which $11.4 million were attributable to EMEA.

John Guest Integration

The integration of the John Guest business was substantially completed during the year. From an organisational perspective, a critical undertaking has been the cultural integration of John Guest and RWC, with the two organisations having previously had different approaches and ways of working. A range of initiatives to drive a shared culture built around collaboration and accountability were successfully introduced during the year with a high level of engagement from John Guest employees.

Beyond this, our focus was on delivering on four priorities:

- Improved delivery performance and reduced back orders for John Guest.
- Completion of the integration of RWC UK into John Guest UK and John Guest USA into RWC USA.
- Achieving near term synergies and pursuing general cost savings.
- Setting up for longer term revenue synergies.

Details of those four priorities and their implementation are described as follows:

Improve delivery performance and reduce back orders

A key opportunity identified at the time of due diligence was to lift customer service and bring down arrears in delivery of orders. We approached this proactively and have seen significant progress with order arrears down 75% from a year ago. Progress was achieved through the addition of new management personnel coupled with resources from the broader RWC business and higher stock levels. These actions have been well received by our distribution partners. There remains further opportunity to improve performance in this area to make John Guest easier to do business with and achieve RWC benchmark performance levels. This includes enhancing sales and operations planning processes, articulating and delivering against a clear customer service proposition and lifting total output from the existing manufacturing footprint.

Complete the integration of RWC UK into John Guest UK and John Guest USA into RWC USA

Integration of the RWC and John Guest UK businesses was essentially completed during the year. Management of RWC branded product sales through the John Guest UK operations and sales teams went live in the first half as did the management of all back office and support activities. Over the same time, the integration of the RWC and John Guest USA businesses was completed, including the merger of all selling and marketing activities and the move into a new warehouse in New Jersey. John Guest USA was successfully transitioned to RWC's ERP platform. A project to migrate John Guest UK onto this platform has commenced with completion targeted for the second half of FY2020.

Achieve near term synergies and pursue general cost savings

Synergies realised for the year were $14.2 million, ahead of the initial target of $10.0 million. Synergies achieved by the end of FY2019 exceeded $20 million per annum on a run rate basis (excluding one-off integration costs). The most significant of these has been the savings achieved both in the UK and in the USA by combining administrative and support activities and driving greater efficiencies in the John Guest operations and support functions. The cost of achieving these synergies was $17.4 million, higher than the previously forecast level of $10.0 million as a result of a decision to accelerate the achievement of additional synergies. The focus going forward continues to be on activities to achieve synergies, cost savings and customer service improvement. Further opportunities around procurement and leveraging combined operational expertise are being pursued. Total annual synergies realisation is still expected to exceed $30 million on a run rate basis by the end of FY2020.

Set-up for longer term revenue synergies

Revenue synergies remain a key part of the opportunity from the John Guest acquisition. The John Guest sales team in the UK has begun to gain additional sales from the RWC catalogue. A new product range which integrates RWC valves with John Guest's Speedfit connections is scheduled to launch in the first half of calendar 2020. The FluidTech fittings will continue to drive growth in Continental Europe in the water quality and beverage dispense markets and are also an important growth opportunity in the USA and Canada where we can leverage the Americas strong distribution network. In addition, John Guest's ProLock plastic PTC fittings will be launched into the Mexico market in coming months.

OPERATING AND FINANCIAL REVIEW

Potential Impacts of Brexit

We continue to actively monitor the potential outcomes of Brexit, using RWC's Brexit Steering Committee established earlier in the year. The committee is comprised of relevant senior managers and has engaged with a third-party advisor to ensure we have a clear view of where the Brexit related impacts could occur, quantify those impacts where possible and develop appropriate mitigation plans.

Currently, the UK Government's position on Brexit is that the country will leave the European Union (EU) on 31 October 2019. There remains considerable uncertainty as to whether this will occur with or without a comprehensive negotiation having been completed between the EU and Britain. As such, there are three scenarios we have contemplated as part of our contingency planning:

- Scenario 1: the date for Britain to leave the EU is delayed. This scenario would simply delay the choice between the other two scenarios.
- Scenario 2: there is an agreement between the UK and the EU, or Brexit is stopped. In this case, it is assumed that current trading arrangements between the UK and EU would continue without any material change or impact on RWC, particularly around tariffs.
- Scenario 3: the UK will leave on 31 October 2019 without concluding negotiations for ongoing trade terms. Under this "no deal" Brexit scenario, it is assumed that trade between the UK and the EU would revert immediately to WTO rules and the associated tariffs.

At the present time the potential impacts arising from Brexit are assessed as follows:

(i) Impact on Demand

According to economic commentators, the current uncertainty around the timing and the final terms of the UK exit from the EU is having a negative impact on overall economic activity in the UK, including slower growth in the construction sector. We believe that this is impacting current demand for that segment of the RWC UK business that is exposed to new construction and remodel activity, although it is noted that the majority of RWC sales in the UK are into the defensive repair and maintenance sector.

(ii) Impact on Supply Chain

Impacts on our supply chain could include delays or disruptions to the flow of raw materials from the EU into the UK or finished goods from the UK into the EU or the imposition of additional tariffs on such goods.

We do not currently anticipate a scenario under which we would need to make significant capital expenditures to fundamentally alter our current supply chain by building new manufacturing or distribution facilities. However, given the potential for disruptions to the flow of goods, particularly in the early days following Brexit, RWC has maintained incremental 2-4 weeks of raw materials in the UK and we have also produced an incremental 2-4 weeks of finished good stock which is being held in RWC's warehouse in Germany.

(iii) Tariffs

In the event of a "no deal" Brexit, it is expected that the UK Government will continue its current approach whereby a wide range of imports into the UK are subject to a 0% tariff, including the plastics John Guest uses in manufacturing. Therefore, no material change is expected in the cost of plastic imports.

For exports from John Guest to the EU, tariffs are likely to be applied by the EU if there is no deal, with the tariff rate set at 6.5% of the value. It is estimated that this tariff would have a negative EBITDA impact of approximately GBP 1.9 million per annum, assuming that the tariff impost cannot be offset by commensurate pricing changes.

(iv) Impact on Foreign Exchange Rates

The fourth major area for potential impact is on foreign exchange rates and specifically the potential for volatility in the British Pound that could impact the translation of net sales and EBITDA to Australian dollars. For FY2019 RWC had about GBP denominated sales of approximately GBP 125 million to external customers in the UK (in the order of 20.5% of RWC's total sales based on the average exchange rate for FY2019 of GBP0.5527 per A$1.00) and GBP denominated EBITDA of approximately GBP 49.2 million (A$89 million). Adverse movement in the exchange rate of say 15% would therefore impact EBITDA by approximately A$11.6 million, being less than 5% impact on total EBITDA.

The potential risks arising from Brexit continue to be monitored and evaluated. Plans and assessments will be adjusted accordingly as more information becomes known.

OPERATING AND FINANCIAL REVIEW

Group Performance Review

Dividend

A fully franked final dividend of 5.0 cents per share has been declared. Total dividends declared for the year ended 30 June 2019 are 9.0 cents per share totalling $71.1 million which represents 53.5% of NPAT. This is within the targeted pay-out range of 40% to 60% of annual NPAT. Total dividends declared for FY2019 of 9.0 cents per share are 38.5% higher than the 6.5 cents per share declared in FY2018.

	Year ended 30 June 2019	Year ended 30 June 2018	Year ended 30 June 2019 *Franked amount*	Year ended 30 June 2018 *Franked amount*
Interim[1]	4.0cps	3.5cps	100%	100%
Final[1]	5.0cps	3.0cps	100%	100%
Amount payable or paid	$71.1m	$42.1m		

The record date for entitlement to the final dividend is 11 September 2019. The payment date is 11 October 2019.

Future dividends are likely to be only partly franked given the change in the geographic mix of earnings following recent acquisitions. It is currently expected that future dividends will be less than 50% franked.

Health and Safety

RWC is committed to providing a safe and healthy workplace for all our employees and contractors. We aim for zero harm across the group. A robust health and safety management system is maintained which assists in the identification of potential issues and hazards and in the development of strategies and initiatives to mitigate the risk of harm. The company's safety performance remains the highest priority and is regularly reviewed by management and the Board.

During FY2019, we augmented the strength of our Group Operations team, with a clear remit on safety. We also added dedicated safety personnel in each division, significantly increasing our experience and expertise in this critical area. Further enhancements were made to our health and safety management approach with a priority being to bring John Guest on to the same reporting platform as RWC. This is allowing safety monitoring to be done in a uniform manner across the group.

Actions to further deliver improvements in health and safety performance in FY2020 include increased safety leadership training, the implementation of near-miss and hazard reporting (an important leading indicator), development of higher standards for incident investigation and communication and the establishment of employee safety committees.

For the year ended 30 June 2019, RWC had a reportable incident rate of 1.17 per 100 employees compared with 2.4 in the prior year.

Capital Expenditure

Capital expenditure payments on property, plant, equipment, intellectual property and other intangibles acquired during the year totalled $69.6 million, including $8.2 million to repair the roof of a manufacturing facility in Cullman, Alabama that received severe hail damage in FY2018 and for which we previously received insurance proceeds. Excluding that amount, capital expenditure in the period was $61.5 million, representing 5.6% of net sales, compared with $38.5 million in the prior year (5.0% of net sales). Of this amount, $45.3 million was growth expenditure (including $4.3 million on intellectual property acquired during the year) and $4.8 million for equipment maintenance expenditure. In addition, $11.4 million was spent on long term IT projects with the most significant of these being the replacement ERP system in Asia Pacific.

1. Dividend per share calculated on 790,094,765 issued ordinary shares except for FY2018 interim dividend which is calculated on 525,000,000 issued ordinary shares.

OPERATING AND FINANCIAL REVIEW

Cash Flow

Reported net cash inflow from operating activities for the year was $136.0 million ($80.1 million in the prior year). Cash flow from operations, before John Guest-related non-recurring integration payments and tax paid, was $178.9 million, an increase of 43% on the prior year. Working capital growth impacted operating cash flow conversion[1] for the year (73.8% versus 92.2% in the prior year, with 90% conversion in the second half of FY2019). Working capital movements reflect:

- Inventory increases to support growth.
- Planned inventory adjustments to improve service levels to John Guest customers.
- Additional inventory levels to mitigate potential Brexit risks.
- The expiry of a one-off payment terms incentive which impacted accounts receivable.
- Changes in payment terms to a supplier in exchange for a price reduction which impacted accounts payable.

Balance Sheet

RWC continues to maintain a sound balance sheet and conservative financial position.

Net debt at 30 June 2019 was $426.6 million (30 June 2018 – $388.0 million). The dollar increase over 30 June 2018 mainly reflects net additional borrowings to fund growth in business activities, including the capital expenditure and working capital changes referred to above.

Net debt to EBITDA excluding acquisition transaction costs and costs to achieve synergies was 1.67 times at 30 June 2019.

Strategy

RWC's business fundamentals are stronger than ever

The fundamentals of RWC's business are sound. Today we have solid core businesses in our two most important sales markets of the USA and UK. Compared with three years ago, we also have a significantly more robust business with better diversity of end users, channel partners, geographies, products, materials and technology. Our products are also available through a significantly greater number of outlets around the world.

Our core businesses continue to have significant potential

The core revenue driver of the RWC business continues to be the repair, maintenance and remodel sectors in North America and the UK. More than 85% of core SharkBite fittings and accessories sales in the USA are in the repair and maintenance segment. This has been successfully augmented in the UK with the JG Speedfit plastic PTC fittings which are also primarily directed to the repair and maintenance market. About 65% of John Guest sales are into that market segment. These fittings are supported by a range of accessories and complementary pipe, valve and control products.

SharkBite brass PTC products, especially in North America, are still a leading opportunity. While SharkBite in North America now represents a smaller proportion of our business as RWC has expanded, it nonetheless remains core and provides a solid foundation for ongoing above market growth at attractive margins. With SharkBite's market strength, scale and value proposition, there continues to be a long runway of opportunity to achieve above market growth.

This has been reinforced by the experience of John Guest's Speedfit product in the UK where users continue to be converted from metal fittings to plastic PTC. Despite launching the Speedfit fitting 25 years ago, metal fittings still outsell plastic PTC on a unit basis. We continue to augment the growth of our business through conversion from these traditional fittings methods. This bodes well for the Speedfit business in the UK, but also confirms our positive outlook in North America for SharkBite PTC.

In Europe, we now have a business with the critical mass to deliver strong earnings and a platform for growth. Growing the FluidTech business is an immediate revenue opportunity while in the medium term developing the appropriate strategy for plumbing and heating, based on RWC's products and experience and relationships from RWC will be a priority. Longer term, we will look to fully leverage relationships with end users in the UK. We have real opportunities to expand further into residential new construction, commercial pipe fittings and commercial valves.

1. FY19: Cash flow from operations to Reported EBITDA of $242.5 million.

OPERATING AND FINANCIAL REVIEW

We are excited by the future potential we see in product extensions and new product areas

We continue to be optimistic about the future of our core businesses, while at the same time excited by the growth opportunities we see beyond these. In North America, Holdrite's product suite is taking us into residential and commercial new construction. Through John Guest FluidTech fittings we have gained access to new channels and new OEM opportunities, with the ability to leverage volume through our existing distribution base from new product development and M&A. The network we now have across the UK makes any future bolt-on acquisitions more attractive and more strongly accretive.

Looking even further into the future, we are very excited about the smart plumbing opportunities with Streamlabs. We firmly believe that plumbing systems will be fully connected in the next several years. We are at the forefront of this led by the Streamlabs leak detection and usage-monitoring products, which are gaining traction. Perhaps, more importantly, we have developed the platform for a smart plumbing system that will ultimately lay across our full product offering, from meter to fixture, and floor to ceiling.

We are investing in new product development and commercialisation to realise the potential from these new growth areas

In order to realise the potential of new products and product extensions, we are increasing our investment in new product development and commercialisation. Research and development has been central to RWC's success and this is continuing. As we penetrate new markets – commercial construction, residential new construction, smart plumbing solutions – we are needing to invest in sales and marketing capability and in new areas such as application development. With commercialisation of new products becoming increasingly costly, particularly for entirely new product categories, we will also look to invest through M&A where we can acquire products that add to RWC's range.

We are also investing in organisational capability to deliver on this potential

Delivering on these opportunities will only be achieved through the strength of our team. We are making a deliberate investment in people and capability in order to realise the potential from our existing business and future product development. This investment is being made across three broad areas:

- We have invested in organisational capability around new product development and commercialisation, which are critical skill sets required for our future growth.
- We have invested in capability to drive operational performance improvements across the business, with senior people recruited to lead disciplines around procurement, manufacturing operations efficiency, supply chain and distribution logistics. We see continuing opportunity to lower operating and manufacturing costs to ensure we remain cost competitive. This will be an area of focus in FY2020.
- We have recently invested resources in core capabilities including operational improvement, legal, finance, technology, commercialisation and business intelligence. The investment we have made has resulted in a step change in the level of group cost but has provided RWC with the right level of support in these areas for a public company of our size and breadth. We do not foresee any significant further cost growth in this area beyond FY2020.

FY2020 Outlook

For FY2020, we expect to achieve sales growth above that of the broader markets in which we operate. Historically, RWC has achieved sales growth in excess of market growth through a combination of acquisitions, market share gains, conversion of end users from traditional methods to RWC's products and systems, distribution expansion, price and commercialisation of new products.

RWC will continue to pursue above market growth through all of these means where applicable, understanding that not each growth lever is available in all markets every year. Commentary on the outlook for each of RWC's regions is provided below with specific reference to those levers expected to be of most significance in delivering FY2020 performance.

With respect to operating margins, RWC aims to use continuous improvement in its operations to offset cost inflation, with price gains, where and when achievable, expected to contribute to EBITDA margin enhancement. We expect EBITDA margin expansion to be achieved over time through fixed cost leverage.

Realised margin expansion in FY2020 will be partly offset by investment in new product development and commercialisation. This investment supports RWC's longer term strategy, which is centred on growth through product innovation and leveraging its powerful distribution networks and strong brands to drive conversion and share gains in targeted product categories.

OPERATING AND FINANCIAL REVIEW

Americas

- *Macro-economic outlook*: conditions in the Americas are expected to be generally positive across RWC's key segments, with modest growth in residential new construction and continued growth in remodel activity levels, albeit at slightly lower levels than in recent years. Ageing housing stock and the rising value of homes along with increasing frequency of bath and kitchen renovations driven by fashion and design changes should continue to underpin volume growth.
- *Conversion*: the long-term growth potential of SharkBite PTC through the conversion of plumbers from more traditional fittings systems to RWC's more efficient, time saving methods remains sound. The demographic trend towards fewer skilled plumbers also supports this view. We believe increased conversion applies not just to SharkBite but to a broad range of RWC products including Holdrite installation systems and John Guest FluidTech.
- *Product*: we will continue to optimise and leverage new and previously acquired product lines through RWC's distribution network and will prioritise extending the market penetration of recently launched products including: StreamLabs, ProLock (John Guest), Firestop, Holdrite's pipe support products and EvoPEX.
- *Distribution*: RWC products are available at more than 23,000 outlets across North America. Beyond supporting our existing customers and pursuing additional opportunities with expanded product ranges and new product categories, two market segments will be more directly targeted in FY2020 through investment in sales force and marketing: commercial new construction and residential remodelling. New distributor arrangements in Mexico will also be leveraged in FY2020 particularly for ProLock and EvoPEX pipe and fittings.
- One of RWC's USA wholesale distributors is expanding its own-brand or private-label strategy. RWC understands that this move will include certain RWC SharkBite branded items. While affected stores cannot obtain SharkBite through their distribution centres, they are able to purchase those items directly from RWC and we will continue to actively support those stores with their existing SharkBite business. In addition, RWC expects that over time much of the revenue will shift to other distributors as end-use professional plumbers look specifically for SharkBite when they purchase push-to-connect fittings. Consequently, the net impact of this move is expected to be significantly less than one per cent of total group sales revenue.

Asia Pacific

- *Macro-economic / market conditions*: Australian new housing construction is expected to continue at lower levels than in recent years with the risk of further decline, particularly in the multi-family segment.
- Conversion: Asia Pacific's primary focus will be on maintaining key supplier status for Control Valves and PEX systems, maintaining market leading customer and end user support and continuing customer conversion to PTC.
- *Product*: Asia Pacific's longer-term goal remains to grow above market by commercialising select new products and systems to support our expansive customer base. New product opportunities include the continued development of PEX piping systems and expanded distribution of the Release Control Valve range.
- *Distribution*: the focus will be on providing world class execution and support in order to retain share in what is expected to be a very competitive, challenging market place. Selective growth opportunities within the broader Asia Pacific region will continue to be pursued.

EMEA

- *Macro-economic / market conditions*: Brexit uncertainty clouds the short-term outlook for the UK. Trading conditions at the end of FY2019 were noticeably softer than earlier in the year and this trend has continued in the first two months of FY2020. The longer term outlook for repair and remodelling activity is seen as positive, with little sensitivity to the overall construction cycle. Continental European GDP growth rates are expected to remain low, although RWC sales growth is not tied directly to overall economic activity.
- *Conversion*: FY2020 is expected to deliver growth in core plumbing volumes despite a weak UK market with share gains via push-to-connect conversion and through driving under-floor heating and extended product ranges.
- *Product*: continued product development and innovation will help drive conversion from traditional systems to PTC in the plumbing and heating markets in the UK and to further grow John Guest's position in the drinks and water dispense markets. Additionally, we will continue to work with OEM customers and innovate within the UK cylinders, boiler and water heater segment.
- *Distribution*: Further improving UK customer service through supplying on time and in full should help to increase market share and revenue. Within the UK, there will continue to be a focus on growing exposure to the commercial new construction market and new residential construction. Revenue synergy opportunities include selling traditional RWC products through John Guest channels and utilising RWC's distribution channels to drive sales of John Guest product. Within Continental Europe, the priority is on both continuing to grow the FluidTech business while also pursuing selected plumbing product and OEM opportunities.

OPERATING AND FINANCIAL REVIEW

FY2020 Earnings Guidance

RWC earnings guidance will now be provided on a Net Profit after Tax ("NPAT") basis, rather than EBITDA. We believe that NPAT is a more complete measure of performance than EBITDA as it reflects the cost and efficiency of capital invested in the business as well as operating performance. The use of NPAT will also facilitate comparison of year-over-year performance following the introduction of the new accounting standard AASB 16 Leases. This standard removes the classification of leases as either operating leases or finance leases and introduces a single, on-balance sheet accounting model for leases.

Application of AASB 16 will apply to RWC with effect from 1 July 2019. The estimated impact on FY2020 EBITDA from applying AASB 16 will be an increase of approximately $15 million. There is expected to be no material impact on NPAT from the adoption of AASB 16 as there will be substantially offsetting increases to depreciation and interest expense.

RWC currently expects NPAT for FY2020 to be in the range of $150 million to $165 million. This corresponds to an EBITDA range of $280 million to $305 million, inclusive of the effect of AASB16 referred to above. Performance within this range will be contingent on the following factors:

Revenue

- No material deterioration in economic activity levels from current conditions in key markets.
- Broadly stable repair and remodel activity in the USA, together with a broadly neutral new residential construction.
- In Australia, new housing construction to continue at lower levels than in recent years.
- In the UK, short term disruption from Brexit but with the market otherwise flat to slightly positive.

Costs

- Stable input costs, with the average copper cost expected to be no higher than US$6,200 per tonne over the full year.
- Increased SG&A reflecting the investment in new product development and organisation capability referred to previously.
- No further increases in tariffs or import duties in the USA.
- Delivery of John Guest synergies, which are expected to exceed $30 million on a run rate basis by the end of FY2020.

Financial

- No significant changes to prevailing foreign exchange rates.

The most significant external determinants of performance in FY2020 are expected to be the extent of Brexit disruption in the UK, economic and construction market conditions in other key markets, raw material costs, and foreign currency impacts on translation of foreign currency earnings into Australian dollars.

Capital expenditure is expected to be in the range of $65 million to $75 million. Approximately half of this will be in growth initiatives including production expansion in the USA and UK and new product development globally, with the balance predominantly split between maintenance capital and IT investment including a new ERP system for EMEA.

Working capital as a percentage of sales is expected to be slightly lower than for FY2019.

In terms of earnings phasing, RWC expects first half earnings to represent around 45% and second half earnings to be around 55% of full year NPAT. The phasing reflects key budget assumptions, including seasonality of the John Guest business and the timing of John Guest synergies delivery.

CORPORATE GOVERNANCE STATEMENT

The Board of Directors is responsible for the overall corporate governance of Reliance Worldwide Corporation Limited ("the Company") and its controlled entities (together "the Group"). The Board monitors the operational and financial position and performance of the Group and oversees its business strategy, including approving the strategic objectives, plans and budgets of the Group. The Board is committed to optimising performance and building sustainable value for shareholders. In conducting business with these objectives, the Board seeks to ensure that the Group is appropriately managed to protect and enhance shareholder interests and that the Group, its Directors, officers and personnel operate in an appropriate environment of corporate governance. Accordingly, the Board has created a framework for managing the Group, including adopting relevant internal controls, risk management processes and corporate governance policies and practices that it believes are appropriate for the Group's business and that are designed to promote responsible management and conduct of the Group.

The Australian Securities Exchange ("ASX") Corporate Governance Council has developed and released its Corporate Governance Principles and Recommendations 3rd edition ("ASX Recommendations") for entities listed on the ASX in order to promote investor confidence and to assist companies to meet stakeholder expectations. This Corporate Governance Statement outlines the key aspects of the Company's governance framework and governance practices which are consistent with the ASX Recommendations unless stated otherwise. The ASX has released a 4th edition of its Corporate Governance Principles and Recommendations which will apply to the Company from the financial year commencing 1 July 2020 ("4th edition"). This Corporate Governance Statement does not specifically address the requirements of the 4th edition. The Company is assessing the requirements of the 4th edition to determine any impact on its governance framework and practices.

Details of the key policies and practices and the charters for the Board and each of its Committees are available on the Company's website at www.rwc.com.

This statement has been approved by the Board of Reliance Worldwide Corporation Limited and is current at 26 September 2019.

Board and management

The Board has adopted a written charter to provide a framework for its effective operation. The Board Charter sets out details of the Board's composition, its role and responsibilities, the expected relationship and interaction between the Board and management, details of the responsibilities and functions expressly reserved to the Board and those authorities which are delegated by the Board to management and Board Committees. A copy of the charter can be viewed on the Company's website.

The Board's role is to:

- represent and serve the interests of shareholders by overseeing and appraising the Group's strategies, policies and performance. This includes overseeing the financial and human resources the Group has in place to meet its objectives and reviewing management performance;
- protect and optimise Group performance and build sustainable value for shareholders in accordance with any duties and obligations imposed on the Board by law and the Company's Constitution and within a framework of prudent and effective controls that enable risk to be assessed and managed;
- set, review and ensure compliance with the Company's values and governance framework (including establishing and observing high ethical standards); and
- ensure shareholders are kept informed of the Group's performance and major developments affecting its state of affairs.

The management function is delegated by the Board to the CEO (and to other officers to whom the management function is properly delegated by the CEO). A delegation of authority document has been approved by the Board. Management must supply the Board with information in a form, timeframe and quality that will enable the Board to discharge its duties effectively. Directors are entitled to request additional information at any time when they consider it appropriate.

Appointment of Directors

The Company has a formal agreement in place with each Director setting out the terms of their appointment. Directors have rights of access to relevant Company documents, management and Company advisors to assist in the performance of their duties.

The process for selecting directors for appointment to the Board is overseen by the Nomination and Remuneration Committee. The Nomination and Remuneration Committee undertakes appropriate checks on any potential candidates before a person is appointed by the Board or put forward to shareholders as a candidate for election as a director. The Company provides shareholders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director. This information is provided in the notice for the Annual General Meeting. Once appointed, the Nomination and Remuneration Committee oversees processes to support a director's induction and ongoing professional development and training opportunities. Ongoing professional development and training activities for directors may include visits to operational facilities, new product demonstrations presented by the development team and management presentations.

The Board collectively and each Director individually has the right to seek independent professional advice at the Company's expense, subject to the approval of the Chairman or the Board as a whole.

Structure of the Board and Director independence

The composition of the Board at the date of this report is:

Stuart Crosby, Independent, Non-executive Chairman
Heath Sharp, Managing Director and Group Chief Executive Officer
Russell Chenu, Independent, Non-executive Director
Ross Dobinson, Independent, Non-executive Director
Sharon McCrohan, Independent, Non-executive Director

Details of the experience, qualifications and length of service of each current director are set out in the Directors' Report.

The Board comprises a majority of independent directors. A director is considered to be independent where he or she is independent of management and is free of any business or other relationship which could materially interfere with, or could reasonably be perceived to interfere with, the exercise of their unfettered and independent judgement. The Board Charter sets out guidelines to assist in considering the independence of Directors and the Board has adopted a definition of independence that is based on box 2.3 in the ASX Recommendations. The Board will consider the materiality of any given relationship on a case-by-case basis. The Board reviews the independence of each Non-Executive Director in light of information disclosed to it.

The Board considers that each of Russell Chenu, Stuart Crosby, Ross Dobinson and Sharon McCrohan are independent for the purposes of the ASX Recommendations. Heath Sharp is not independent as he is an executive.

Board skills and experience

The Board seeks to have a mix of skills, personal attributes and experience amongst its members which is appropriate for the requirements of the Company and to maximise its effectiveness in meeting its responsibilities for corporate governance and oversight. The current Board composition provides the necessary experience and skills to meet the Company's current needs. This includes relevant business and industry experience, financial management and corporate governance knowledge. The skills matrix below sets out the mix of skills and diversity that the Board currently has and is looking to achieve in its membership.

Strategic priorities/areas	Skills matrix	
Industry experience	· Industry and market experience · Workplace health and safety	· Understanding of manufacturing technology requirements, product development and innovation
Growth & financial management	· Business strategy, including identification of risks and opportunities · International experience relevant to the Group's operations and expansion plans, with a focus on North America, Europe and Asia Pacific	· Financial acumen and reporting · Debt and equity capital markets
Governance	· Board experience, including listed companies · Corporate governance and regulatory compliance	· Social responsibility and sustainability · Remuneration and human resources · Succession planning

The Board is committed to reviewing the performance of non-executive directors and the Board as a whole. Annually, the Board, with the assistance of the Nomination and Remuneration Committee, undertakes a performance evaluation of individual directors, Board Committees, the CEO and the Board itself. A formal review was undertaken during July and August 2019 which took the form of a questionnaire seeking written feedback from each of the directors about the effectiveness and performance of the Board and its Committees. Analysis of the data indicates that the Board and Committees are considered to be operating effectively.

CORPORATE GOVERNANCE STATEMENT

Committees of the Board

The Board has established the following Committees to assist in discharging its responsibilities:

- Audit and Risk Committee
- Nomination and Remuneration Committee

Each Committee is governed by a Board approved charter setting out its duties and responsibilities. Copies of each charter can be viewed on the Company's website.

Each Committee is chaired by an independent director and comprises only independent Non-executive Directors. Details of the relevant qualifications and experience of the members of each Committee, the number of times each Committee met throughout the reporting period and the attendance of each Committee member at those meetings are set out in the Directors' Report.

The members of each Committee at the date of this report are:

Audit and Risk Committee

Russell Chenu (chair)
Ross Dobinson
Sharon McCrohan

Nomination and Remuneration Committee

Stuart Crosby (chair)
Ross Dobinson
Sharon McCrohan

The Audit and Risk Committee's responsibilities include overseeing the Company's:

- relationship with the external auditor and the external audit function generally;
- internal audit function generally;
- preparation of the financial statements and reports;
- financial controls and systems; and
- process of identification and management of risk, including matters relating to taxation risk.

The responsibilities of the Nomination and Remuneration Committee include:

- reviewing and recommending to the Board remuneration and employment arrangements for the CEO and the Non-Executive Directors;
- reviewing and approving remuneration and employment arrangements for the CEO's direct reports;
- overseeing the operation of the Company's employee equity incentive plans and recommending to the Board whether offers are to be made under any or all of the Company's employee equity incentive plans in respect of a financial year;
- approving the appointment of remuneration consultants for the purposes of the Corporations Act;
- reviewing and recommending to the Board the Remuneration Report prepared in accordance with the Corporations Act for inclusion in the annual Directors' Report;
- reviewing and facilitating shareholder and other stakeholder engagement in relation to the Company's remuneration policies and practices;
- assisting the Board in developing a Board skills matrix;
- reviewing and recommending to the Board the size and composition of the Board including reviewing Board succession plans;
- reviewing and recommending to the Board the criteria for nomination as a Director and the membership of the Board more generally;
- assisting the Board in relation to the performance evaluation of the Board, its Committees and individual Directors;
- ensuring that processes are in place to support Director induction and ongoing education and regularly reviewing the effectiveness of these processes;
- in accordance with the Diversity Policy, reviewing the measurable objectives for achieving gender diversity set by the Board on an annual basis and recommending any changes to the Board; and
- on an annual basis, reviewing the relative proportion of women and men on the Board, in senior executive positions and in the workforce at all levels of the Group.

CORPORATE GOVERNANCE STATEMENT

Company Secretary

The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board. The Company Secretary is responsible for coordination of all Board and Committee business, including agendas, meeting papers, minutes, communication with regulatory bodies and the ASX, and all statutory and other filings. The Company Secretary also supports the Board and its Committees on governance matters in conjunction with senior executives. All Directors have direct access to the Company Secretary.

Diversity

The Company recognises that people are its most important asset and is committed to the maintenance and promotion of workplace diversity. Diversity drives the Company's ability to attract, retain, motivate and develop the best talent, create an engaged workforce, deliver the highest quality services to its customers and continue to grow the business. The Board has formally approved a Diversity Policy in order to address the representation of women in senior management positions and on the Board and to actively facilitate a more diverse and representative management and leadership structure. The policy sets out the manner in which the Company's diversity strategies will aim to achieve the objectives of the policy. A copy of the policy is available on the Company's website at www.rwc.com.

The Company's vision for diversity incorporates a number of different factors, including gender, ethnicity, disability, age and educational experience. The Diversity Policy includes requirements for the Board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the Company's progress in achieving them.

The Board, through the Nomination and Remuneration Committee, continues to have a focus on achieving a balanced representation of women in senior roles and on the Board. This includes a process of active assessment and recruitment of female representation on the Board.

The Company has submitted its Workplace Gender Equality Public Report for its Australian operations in compliance with the Workplace Gender Equality Act 2012 (Cth). A copy can be viewed at www.wgea.gov.au. The Group's total number of employees at 30 June 2019 was 2,342 of which 810 (34.5%) were female. Women are represented in professional and support roles across all departments.

Measurable Diversity Objectives

The following table sets out approved diversity objectives for FY2019, key plans for achieving those objectives and progress to date towards implementing the plans. These plans and objectives will continue to be pursued during the 2020 financial year.

CORPORATE GOVERNANCE STATEMENT

Objectives	Plans	Progress to date
Promote a culture of diversity, inclusion and opportunity	· Continuing focus on increasing female representation at Board and senior management level. · Introduce an annual engagement survey to give all employees the opportunity to provide feedback on issues and potential barriers to a diverse and inclusive workplace. · Consider documenting a formal workplace level inclusion and diversity policy. · Consider establishing an inclusion and diversity council to focus on developing a strong pipeline of diverse talent. · Introduce appropriate education and development programs to raise knowledge and understanding of the benefits of diversity practices.	· Continuing to review Board composition, including undertaking an active search for additional directors. · RWC has partnered with a diversity consulting firm, to develop an inclusion and diversity road map. The consulting firm is holding diagnostic interviews with employees from all regions and levels of the organisation to gather their input for consideration into the build out of RWC's diversity road map. The roadmap is expected to define inclusion and diversity as being broader than only gender considerations. Recommendations are expected to be received by the fourth quarter of 2019. · Inclusion and Diversity Council was established in August 2018. · Updated Corporate values introduced which include integrity and inclusiveness. · The Americas region piloted an Employee Engagement Survey in September 2018. A global roll out of the survey is expected to be undertaken in the next 12 months. · Whistleblower program has been introduced, including an Ethics Hotline service and case management system. This program assists RWC in promoting a safe and inclusive workplace while providing employees with an avenue to speak up in confidence.
Recruitment and selection processes to seek out candidates from diverse backgrounds	· Promote RWC as a diverse employer with an inclusive culture. · Develop inclusive recruiting practices.	· Diversity Council is considering setting specific goals around recruiting, with an initial focus on executive appointments. For example, a minimum percentage to be included in the selection pool to comprise diverse candidates. Final selection will continue to be merit based.
Provide flexible work practices	· Review the paid parental leave policies for each country. · Track the percentage of females taking parental leave that return to work. · Continue developing policies supporting and implementing defined flexible working arrangements.	· During FY2019, 24 employees commenced maternal (12), paternal (11) or shared parental leave (1). Five employees taking maternal leave have since returned to work, six remain on leave and there is one non-returning employee. All employees who took paternal or shared parental leave have returned to work. · Workplace policies continuing to be reviewed for consistency. Now including John Guest policies. Differences in legislative requirements across countries.

CORPORATE GOVERNANCE STATEMENT

Act ethically and responsibly

The Board recognises the need to observe the highest standards of ethics, integrity and behaviour. Accordingly, the Board has adopted a formal Code of Conduct which outlines how the Company expects its senior executives, employees and Directors to behave during the course of their employment in dealing with employees, suppliers and customers. Business must be conducted honestly and ethically, applying best skills and judgment, and for the benefit of customers, employees, shareholders and the Company alike. People should be treated with dignity and respect as part of creating an inclusive and supportive workplace. The key aspects of the Code of Conduct are to:

- comply with all Company and Group policies, procedures, rules and regulations;
- be honest and fair in dealings with customers, clients, co-workers, Group management and the general public;
- protect from unauthorised use any information, records or other materials acquired during the course of employment with the Group; and
- respect the Group's ownership of assets and property.

A copy of the Code of Conduct is available on the Company's website. The key aspects of this code are reflected in policy handbooks provided to employees.

The Group recently embraced a new statement of vision and values. While the statement may be new, the commitment to upholding the Group's values is an enduring part of our culture. These core values embrace integrity, support, inclusiveness and accountability. The Group maintains an absolute commitment to ensuring its people always act in a manner that is consistent with all relevant laws, rules and regulations governing the workplace. Together these are designed to guide the way the Group does business on a daily basis and also the way people treat each other in the workplace. We believe that living these values every day delivers a more productive and effective workplace which assists us to recruit the level of talent we continually strive to bring into the Group.

In addition to the Code of Conduct, the Board has approved governance policies to guide expectations for behaviour, actions and commercial relationships. These include a Continuous Disclosure Policy, External Audit Policy, Non-Audit Services Policy, Diversity Policy and a Securities Dealing Policy. The Board has also approved a Tax Governance Framework which sets out the Company's approach to tax risk management and governance, tax strategy and dealing with revenue authorities in jurisdictions in which the Group has operations. The Group is committed to paying the correct amount of tax in jurisdictions in which it operates.

External Auditor

The Company's external auditor, KPMG, was appointed in 2016. KPMG representatives are invited to all meetings of the Audit and Risk Committee and receive the papers for each meeting. A KPMG representative attends the Company's Annual General Meeting and is available to answer questions from shareholders relevant to the conduct of the audit and the preparation and content of the auditor's report.

The Company has an approved External Audit Policy which governs the appointment and assessment of the external auditor, auditor independence and rotation of the audit partner. The Company has also adopted a policy on non-audit services which may be provided by the external auditor. The external auditor is prohibited from providing services which would create a real or perceived threat to audit independence. The Audit and Risk Committee monitors compliance with the policy with delegated authority for approving certain non-audit services up to specified limits granted to the Group Chief Financial Officer.

KPMG provides an independence declaration which is included in the Directors' Report issued with each annual and half year financial report. The declaration states KPMG's view on whether or not it has contravened auditor independence requirements set out in the Corporations Act 2001 or any applicable professional code of conduct in relation to the audit. KPMG's declaration for the year ended 30 June 2019 states its view that there have not been any such contraventions.

Continuous Disclosure obligations

The Company has adopted a Continuous Disclosure Policy which sets out procedures aimed at ensuring the Company fulfils its obligations in relation to the timely disclosure of material price-sensitive information. The Company has an obligation to keep the market fully informed of any information it becomes aware of concerning the Company which may have a material effect on the price or value of the Company's securities, subject to certain exceptions. A copy of the Continuous Disclosure Policy is available on the Company's website.

CORPORATE GOVERNANCE STATEMENT

A Disclosure Committee has been formed to oversee and monitor compliance with the Continuous Disclosure Policy. The Disclosure Committee comprises the Chairman, Group Chief Executive Officer, Group Chief Financial Officer, Company Secretary and Head of Investor Relations. Responsibilities of the Disclosure Committee include:

- ensuring the Company complies with its continuous disclosure requirements;
- reviewing information which is brought to its attention to determine if there is a disclosable matter and, if so, whether any Listing Rule non-disclosure exception applies;
- overseeing and coordinating disclosure of information to the ASX, analysts, brokers, shareholders, the media and the public;
- establishing and maintaining the Company's disclosure policies and procedures and ensuring that there is an adequate system in place for the disclosure of all material information to the ASX and other authorities in a timely fashion; and
- educating management and staff on the Company's disclosure policies and procedures.

Communicating with Shareholders

The Company aims to communicate all important information relating to its shareholders in a timely manner. The Company also recognises that potential investors and other interested stakeholders may wish to obtain information about the Company from time to time. To achieve this, the Company communicates information through a range of forums and publications, including the Company's website, shareholder meetings, ASX announcements, annual reports and presentations. The Company also has in place an investor relations program to facilitate two-way communication with investors. The process for communicating with shareholders and other parties is documented in the Continuous Disclosure Policy. Shareholders have an option to receive communications electronically by providing relevant details to the Company's share registry. The website also contains a facility for shareholders to direct questions to the Company.

The Board encourages the attendance and participation of shareholders at general meetings. Notices of meetings, including proposed resolutions, are issued in advance of meetings in accordance with legal requirements and allow for shareholders to send written questions to the Company's external auditor where applicable.

Recognising and managing risk

The Audit and Risk Committee assists the Board with and makes recommendations on matters relating to risk management responsibilities. The Committee's primary role with respect to risk management and compliance is to review and report to the Board that:

- adequate policies and processes have been designed and implemented to manage identified risks;
- a regular program of audits is undertaken to test the adequacy of and compliance with prescribed policies; and
- proper remedial action is undertaken to redress areas of weakness.

The Company's risk management framework is reviewed at least annually by the Committee to satisfy itself that the framework continues to be sound. Management is responsible for the development and implementation of effective risk management and internal compliance and control systems based on the risk management policies adopted by the Board. This includes having robust processes in place to identify and then manage key business risks. Progress reports on the Enterprise Risk Framework are presented to the Audit and Risk Committee for consideration.

The Board receives a written declaration from the CEO and CFO prior to approving the Company's financial statements for a reporting period. The declaration includes statements from the CEO and the CFO that, in their opinion, the financial records have been properly maintained and the financial statements comply with appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively in all material respects.

Internal Audit

An internal audit function has been established to evaluate and provide recommendations to improve the effectiveness of the Company's risk management, internal control and governance processes. Internal audit functions are provided by internal resources with assistance from an independent externally appointed provider where considered appropriate. The head of the internal audit function has direct access to the Chairman of the Audit and Risk Committee and provides reports to the Committee on progress and achievements against an approved internal audit work program.

CORPORATE GOVERNANCE STATEMENT

Economic, environmental and social sustainability risks

Economic sustainability risks

The Group is exposed to economic sustainability risks associated with its business activities. Details of key economic sustainability risks and how these are managed are discussed in the Material Business Risks section of the Directors' Report for the year ended 30 June 2019.

Environmental and social sustainability risks

The Group has exposure to environmental and social sustainability risks. Manufacturing operations primarily involve brass forging and machining, PEX extrusion, plastic moulding and product assembly. The manufacture of the Group's products involves the use of heavy machinery and hazardous processes. There may be an incident or accident at a facility that results in serious injury or damage to property, which in turn may result in a penalty being imposed by a regulatory authority, an interruption of manufacturing operations, a worker's compensation claim, a work health and safety claim or a claim for damages. Such claims or events may not be covered by insurance or may exceed insured limits. They may also adversely impact business reputation. Any such occurrences could therefore adversely impact the Group's operations and profitability. The Group seeks to manage and minimise the impact of these risks through health and safety initiatives along with operational and product initiatives.

In terms of health and safety initiatives, the Group is committed to providing a safe and healthy workplace for all our employees and contractors. We aim for zero harm across the group. A robust health and safety management system is maintained which assists in the identification of potential issues and hazards and in the development of strategies and initiatives to mitigate the risk of harm. The Group's safety performance remains the highest priority and is regularly reviewed by management and the Board. During FY2019, we augmented the strength of our Group Operations team, with a clear remit on safety. We also added dedicated safety personnel in each division, significantly increasing our experience and expertise in this critical area. Actions to further deliver improvements in health and safety performance in FY2020 will include increased safety leadership training, the implementation of near-miss and hazard reporting (an important leading indicator), development of higher standards for incident investigation and communication and the establishment of employee safety committees.

Historically, the environmental impact of our processes has been minimal and the Company believes it meets current environmental standards in all material respects. Manufacturing operations have to date not been significantly affected by environmental laws and regulations.

The Group's operations and properties are subject to environmental protection laws and regulations, including those regulating air emissions, water discharges, waste management and disposal and workplace safety. If the Group were to breach or otherwise fail to comply with any such law or regulation, the cost of curing a breach or resolving associated enforcement actions initiated by government authorities could be substantial and may materially reduce the Group's profit in a given reporting period. The Group adopts appropriate risk management and internal control processes to minimise the risk of breaching these laws and regulations. The Company believes that it operates its business in compliance with all regulatory and government requirements including environmental, health and safety, workplace and related regulations. The Group carries out required procedures with the aim of ensuring compliance with all applicable safety and product performance regulations.

Operational initiatives undertaken by the Group in recent years include:

- working with equipment manufacturers to introduce more efficient production processes into next generation machinery;
- installation of LED lighting at manufacturing facilities and solar panels in some locations;
- focusing on recycling of unused raw materials to reduce wastage (for example, brass swarf is collected and returned to our suppliers to recycle back into new bars);
- recycling programs introduced to reduce landfill, including use of shrink-wrapping and cardboard recycling;
- implementing water recycling in assembly applications to reduce energy costs; and
- identifying better ways to ship products to reduce the number of deliveries leading to less transportation requirements and lower greenhouse emissions.

CORPORATE GOVERNANCE STATEMENT

From a product perspective, the Group continues to develop and refine products that will mitigate potential water damage and wasted water, improve safety, wellbeing and energy efficiency (thereby reducing energy costs) and enable more effective and efficient installation and product operation. The Group invests extensively in research and development at facilities in Australia, the UK and the USA to achieve these aims. For example, the Streamlabs range has been developed specifically to mitigate water damage and wastage. Holdrite's range includes products which reduce water consumption and attenuate noise from pipe systems. The Group's range of water pressure, temperature and thermostatic mixing valves are intended to protect and safeguard hot water systems while creating safe and comfortable homes and workspaces.

The Group also actively participates in local communities and aims to support social issues and causes identified by its employees. Community involvement occurs through corporate donations, sponsorships, fund raising and employee participation.

Further information on the Group's governance, operations, approach to social responsibility and involvement in communal activities is available on the Company's website.

The Company is in the process of preparing a social responsibility report for release during FY2020.

Remuneration

Details of the Company's key remuneration policies and practices, Non-executive Director remuneration, senior executive remuneration and the employment terms of executive Key Management Personnel are discussed in the annual Remuneration Report. Details of the Company's long term incentive plan, which provides for equity based remuneration, are also set out in the Remuneration Report. The performance of Key Management Personnel and other senior executives during FY2019 has been subject to review and evaluation. Discussions have been held with relevant executives.

Dealing in Securities

The Securities Dealing Policy is intended to explain the types of conduct in relation to dealings in securities that are prohibited by law and establish procedures for the buying and selling of securities that protect the Company, Directors and employees against the misuse of unpublished information, which could materially affect the price or value of the Company's securities. The policy sets out when and how dealing in the Company's securities may or may not occur. Hedging of equity received by senior executives under the long term incentive plan is not permitted prior to vesting. A copy of the policy is available on the Company's website.

DIRECTORS' REPORT

For the year ended 30 June 2019

The Directors present their report together with the Financial Report comprising Reliance Worldwide Corporation Limited ("the Company") and its controlled entities (together "RWC" or "the Group") for the financial year ended 30 June 2019 ("reporting period") and the Auditor's report thereon.

The following sections, which are presented separately, form part of and are to be read in conjunction with this Directors' Report:

- Operating and Financial Review; and
- Remuneration Report

Directors

The Directors of the Company at any time during or since the end of the reporting period were:

	Appointed
Stuart Crosby (Chairman)	11 April 2016
Heath Sharp (Group Chief Executive Officer and Managing Director)	19 February 2016
Russell Chenu	11 April 2016
Ross Dobinson	11 April 2016
Sharon McCrohan	27 February 2018

Jonathan Munz was a Director of the Company during the reporting period until 4 March 2019 when he retired from the Board.

Details of the experience and qualifications of Directors in office at the date of this report are:

Stuart Crosby

Independent Non-Executive Chairman
Chairman of Nomination and Remuneration Committee

Mr. Crosby was appointed Chairman on 4 March 2019. Mr. Crosby was the Chief Executive Officer and President of Computershare Limited for nearly eight years until June 2014. Mr. Crosby previously held a number of senior executive positions across the Computershare business. Prior to joining Computershare, Mr. Crosby worked for the Australian National Companies and Securities Commission, the Hong Kong Securities and Futures Commission and at ASX Limited. Mr. Crosby is Chair of AMES Australia.

Other listed company directorships in the past 3 years: None

Heath Sharp

Group Chief Executive Officer and Managing Director

Mr. Sharp was appointed Group Chief Executive Officer in 2015. He joined RWC in 1990 as a Design Engineer in the Brisbane based Product Development team. He has worked in each international division of the business throughout his career, holding senior management positions in Engineering, Product Management, Sales and Operations. He was appointed General Manager of the Cash Acme facility in Alabama following its acquisition by RWC in 2002. He returned to lead the Australian division in late 2004, the largest operation at the time. Mr Sharp moved back to the USA in 2007 to re-join the US business and steer its rapid growth in RWC's largest market. Mr. Sharp held the roles of President of the USA business and global Chief Operating Officer prior to his current role as Group Chief Executive Officer. Mr. Sharp holds a Bachelor of Mechanical Engineering degree from the University of Southern Queensland.

Other listed company directorships in the past 3 years: None

DIRECTORS' REPORT

For the year ended 30 June 2019

Russell Chenu

Independent Non-Executive Director
Chairman of Audit and Risk Committee

Mr. Chenu is an experienced corporate and finance professional who held senior finance and management positions with a number of ASX listed companies. His last executive role was Chief Financial Officer of James Hardie Industries plc from 2004 to 2013. He is currently a Director of James Hardie Industries plc, CIMIC Group Limited and Metro Performance Glass Limited.

Mr. Chenu holds a Bachelor of Commerce from University of Melbourne and an MBA from Macquarie Graduate School of Management, Australia.

Other listed company directorships in the past 3 years:
CIMIC Group Limited (since June 2014)
James Hardie Industries plc (since August 2014)
Metro Performance Glass Limited (since July 2014)

Ross Dobinson

Independent Non-Executive Director
Member of Audit and Risk Committee
Member of Nomination and Remuneration Committee

Mr. Dobinson has a background in venture capital and investment banking and is currently the Managing Director of TSL Group Ltd. He is a founder, former CEO and current Non-Executive Chairman of ASX listed Acrux Limited. Mr. Dobinson was previously a director of ASX listed companies Starpharma Holdings Limited and Roc Oil Company Limited, a former Chairman of ASX listed Palla Pharma Limited (formerly TPI Enterprises Limited) and a former Director of Racing Victoria Limited.

Mr. Dobinson holds a Bachelor of Business (Accounting) from the Queensland University of Technology.

Other listed company directorships in the past 3 years:
Acrux Limited (since 1998)

Sharon McCrohan

Independent Non-Executive Director
Member of Audit and Risk Committee
Member of Nomination and Remuneration Committee

Ms. McCrohan is an experienced media and strategic communications consultant with a career spanning almost 30 years. Ms. McCrohan has been an advisor to Federal and State government leaders and cabinets, private sector boards, sporting bodies, statutory authorities, charities and government agencies. Ms. McCrohan has extensive experience in media and communications, policy development, government and stakeholder relations and executive team leadership. Ms. McCrohan is a non-executive director of Racing Victoria Limited and the Ovarian Cancer Research Foundation Board.

Ms. McCrohan holds a Bachelor of Arts (Journalism) from Royal Melbourne Institute of Technology.

Other listed company directorships in the past 3 years: None

Company Secretary

David Neufeld

Mr. Neufeld has been Company Secretary since 1 April 2016. He has worked in chartered accounting and corporate organisations for over 35 years and has nearly 15 years' experience as Company Secretary and Chief Financial Officer of ASX listed companies. Mr. Neufeld has extensive experience in financial and management reporting, corporate compliance, governance and risk management, audit and business acquisitions and divestments. Mr. Neufeld holds a Bachelor of Commerce (Honours) from University of Melbourne and is a member of Chartered Accountants - Australia & New Zealand and The Australian Institute of Company Directors.

DIRECTORS' REPORT

For the year ended 30 June 2019

Director Meetings

The number of Board meetings and meetings of Board Committees held and the number of meetings attended by each of the Directors of the Company during the reporting period are listed below.

Director	Board Meetings		Audit and Risk Committee Meetings		Nomination and Remuneration Committee Meetings	
	Held[1]	Attended[1]	Held[1]	Attended[1]	Held[1]	Attended[1]
Russell Chenu	12	12	10	10	–	–
Stuart Crosby	12	12	–	–	6	6
Ross Dobinson	12	12	10	10	6	6
Sharon McCrohan	12	12	10	9	6	5
Jonathan Munz	7	7	9	8	5	5
Heath Sharp	12	12	–	–	–	–

Directors who are not members of Board Committees have a standing invitation to attend Committee meetings and do attend from time to time. The above table only reflects attendance at Committee meetings by members of the relevant Committees.

Environmental Regulation and Performance

RWC's manufacturing operations have to date not been adversely affected by environmental laws and regulations. Environmental and social sustainability are core to RWC's operations and important to its strategy. RWC seeks to minimise the impact of its operations on the environment through initiatives such as minimising waste by recycling production materials. Manufacturing operations primarily involve brass forging and machining, PEX extrusion, plastic moulding and product assembly. Historically, the environmental impact of these processes has been minimal and RWC believes it meets current environmental standards in all material respects.

Principal Activities

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

Significant Changes in the State of Affairs

There were no significant changes in the affairs of RWC during the reporting period.

Material Business Risks

Set out in the table below are:

- a summary of specific material business risks which could impact upon RWC's ability to achieve its business objectives and/or its financial results and position; and
- management plans to mitigate against each risk.

1. Number of meetings held and attended during the period the Director was a member of the Board or Committee.

DIRECTORS' REPORT

For the year ended 30 June 2019

The list is provided in no particular order and is not exhaustive.

Risk	Description	Management plans
RWC is exposed to changes in general economic conditions, legislation and regulation which may impact activity in RWC's end-markets.	• RWC's financial performance is largely dependent on activity in the residential and commercial repair and renovation and new construction end-markets in the North American, Asia Pacific and European regions. Activities in these end-markets are impacted by changes in general economic conditions; and to legislation and regulation (for example, changes to plumbing codes; tariff rates and import duties; and Brexit). Activities in the repair end-market may also be impacted by extreme weather events. • A prolonged downturn in general economic conditions either globally or in any geographic region in which RWC operates may impact demand for plumbing services in RWC's end-markets, thereby decreasing demand for RWC's products and services. • Any such downturn may have a material adverse impact on RWC's operations and financial results.	• Processes in place to be able to respond to changes in conditions and adjust production, delivery and raw materials purchasing requirements as well as manage operating and overhead costs as considered necessary and appropriate. Key economic indicators are monitored for data which will assist the business in being proactive in its decision making.
Loss of customer risk	• There can be no guarantee that key customers will continue to purchase the same or similar quantities of RWC's products as they have historically. Competition, including the price of competing products relative to RWC's products, could impact upon demand for RWC's products. • The loss of any of RWC's key customers or a significant reduction in the volume of products purchased by one or more key customers may adversely impact RWC's financial performance.	• Continuing focus on differentiated products and solutions as well as customer service. • Investment in research and development to provide innovative products and remain the supplier of choice. • Continue business expansion and sales activity to diversify the customer base.
Foreign currency risk	• RWC's results are impacted by exchange rate movements. In particular exposure to USD, GBP, Euro and Yuan. • Furthermore, as RWC expands globally, it becomes exposed to additional currencies and a higher proportion of its net sales, profitability, cash flows and financial position will be affected by exchange rate movements.	• RWC does not typically hedge its foreign exchange exposures. RWC currently benefits from a partial "natural hedge" against key currency movements as Australia's sales to the USA are denominated in US dollars and the majority of raw materials and components purchased by Australia for use in production for the USA are denominated in US dollars. • Consideration is given to alternative strategies to manage foreign exchange risk as the business expands and exposure to other currencies increases.

Risk	Description	Management plans
Events affecting manufacturing or delivery capability	• The equipment and management systems necessary for the operation of RWC's manufacturing facilities may break down, perform poorly, fail or be impacted by a fire or major weather event (such as a snow storm, tornado, cyclone or flood) resulting in manufacturing delays, increased manufacturing costs or an inability to meet customer demand. • Events could also arise which impact upon RWC's ability to ship and deliver product from its facilities in a timely manner. • Any significant or sustained interruption to RWC's manufacturing or delivery processes may adversely impact RWC's net sales and profitability.	• RWC has 15 manufacturing facilities located in four countries. This geographic dispersion reduces the impact on total production output if an adverse event occurs at one or more of the sites. • RWC has established long term machine maintenance support programs with key suppliers. • RWC carries stores of key maintenance spare parts to support timely repairs and maintenance. • Investment in high quality machinery and extensive operator training to enable machine/operator substitution in the event of machinery breakdown. • Safety hazard training undertaken and appropriate onsite procedures in place. • Business interruption insurance in place.
Materials supply and price risk	• Any adverse change in RWC's ability to procure raw materials, a material increase in the cost of raw materials or any increase in indirect production costs would result in an increase in RWC's overall costs. RWC's profitability could be adversely impacted if it is unable to pass on such cost increases to its customers.	• RWC aims to have appropriate agreements in place with major suppliers. • Active management of procurement processes. • Continuing program to "dual source" key materials and components to enable price verification and reduce risk of supplier concentration. • RWC periodically benchmarks prices for key material/product supply.
Impact of product recalls, product liability claims or claims against RWC where a product has not been correctly installed by a third party.	• RWC is exposed to the risk of product recalls and product liability claims where a defect in a product sold or supplied by RWC or incorrectly installed by a third-party contractor could result in, results in or is alleged to have resulted in, personal injury or property damage. • RWC may suffer loss as a result of claims for which it is not insured or if cover is denied or exceeds available limits.	• Continuing investment in production technology and quality control processes to minimise the risk of product defects. • RWC maintains rigorous quality assurance accreditation in all of its manufacturing/distribution locations. These quality systems are regularly audited by external third parties. • Investment in training of professional contractors on correct installation and use of products. • Maintain appropriate insurance policies.
Key personnel risk	• RWC's success depends on the continued active participation of its key personnel. • If RWC were to lose any of its key personnel or if it were unable to employ additional or replacement personnel, its operations and financial results could be adversely affected.	• RWC seeks to employ high quality personnel who are remunerated by market competitive arrangements. • Historically, there is a good record of retaining key staff.
Cyber security	• Technological advancements and risks of cyber-crime can impact the integrity of RWC's IT systems and make them vulnerable to attack if appropriate security measures are not in place.	• IT security policies and recovery plans in place. • Ongoing system monitoring and testing, including review of security protocols. • Appropriate insurance policies. • Alerts and reminders sent to employees.

DIRECTORS' REPORT

For the year ended 30 June 2019

Dividends

A fully franked final dividend of 3.0 cents per share for the financial year ended 30 June 2018 was paid to eligible shareholders on 11 October 2018.

A fully franked interim dividend of 4.0 cents per share for the financial year ended 30 June 2019 was paid to eligible shareholders on 29 March 2019.

Since the end of the reporting period, the Directors have resolved to declare a final dividend for the financial year ended 30 June 2019 of 5.0 cents per share. The dividend will be franked to 100%. The record date for entitlement to the dividend is 11 September 2019. The dividend is payable to eligible shareholders on 11 October 2019.

The aggregate dividends paid or payable for the financial year ended 30 June 2019 total $71.1 million (2018 - $42.1 million).

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 reporting period that has significantly affected or may significantly affect the operations of RWC, the results of those operations or the state of affairs of RWC in subsequent financial reporting periods which has not been covered in this report or the financial statements.

Likely Developments and Prospects

Details of likely developments for RWC and prospects for future financial reporting periods are contained in the Operating and Financial Review.

Share Options

Details of options granted under the Company's Equity Incentive Plan are set out in the Remuneration Report. No other share options have been granted by the Company at the date of this report.

Directors' interests

Details of Directors' interests in the Company's issued securities are set out in the Remuneration Report.

Indemnification and Insurance of Officers

The Company's Constitution provides that the Company may indemnify any current or former Director, Secretary or executive officer of the Company or of a subsidiary of the Company out of the property of the Company against every liability incurred by a person in that capacity whether civil or criminal or of an administrative or investigatory nature in which the person becomes involved because of that capacity.

In accordance with the provisions of the Corporations Act 2001, the Company has a Directors' and Officers' Liability policy which covers all past, present or future Directors, Secretaries and executive officers of the Company and its controlled entities. The terms of the policy specifically prohibit disclosure of details of the amount of the insurance cover and the premium paid.

The indemnification and insurances are limited to the extent permitted by law.

DIRECTORS' REPORT

For the year ended 30 June 2019

Audit and Non-Audit Services

Fees paid or payable by RWC for services provided by KPMG, the Company's auditor, during the reporting period were:

	2019 $
KPMG Australia	
Audit services	398,600
Other assurance and non-audit services	
• Tax compliance	99,300
• Other services	30,000
Total remuneration paid to KPMG Australia	527,900
Overseas KPMG offices	
Audit services	398,100
Other assurance and non-audit services	
• Tax compliance	217,600
Total remuneration paid to overseas KPMG offices	615,700
Total remuneration to KPMG	**1,143,600**

The Directors, in accordance with advice from the Audit and Risk Committee which has considered the non-audit services provided by KPMG during the financial year ended 30 June 2019, are satisfied that the provision of those non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 and did not compromise the auditor independence requirements of the Corporations Act 2001, for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit and Risk Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor's independence as set out in APES110 - Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

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

The lead auditor's independence declaration set out on page 57 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.

Stuart Crosby
Chairman

Heath Sharp
Group Chief Executive Officer and Managing Director

Melbourne
27 August 2019

REMUNERATION REPORT

For the year ended 30 June 2019 (audited)

(a) Introduction

The Directors present the Remuneration Report of the Reliance Worldwide Corporation Limited group ("RWC" or "the Group") for the financial year ended 30 June 2019 ("FY2019" or "the reporting period"). This Remuneration Report forms part of the Directors' Report and has been audited in accordance with the requirements of the Corporations Act 2001 (Cth).

The Remuneration Report sets out remuneration arrangements for the Key Management Personnel ("KMP") of RWC for the reporting period. Under Australian Accounting Standards, the term KMP refers to directors (both non-executive directors and executive directors) and those persons having the authority and responsibility for planning, directing and controlling the activities of RWC, directly or indirectly.

All KMP held their positions for the entire period covered by this report unless otherwise stated. The KMP for the year ended 30 June 2019 were:

Name	Executive Position
Non-Executive Directors	
Russell Chenu	
Stuart Crosby	
Ross Dobinson	
Sharon McCrohan	
Jonathan Munz[1]	
Senior Executives	
Heath Sharp	Managing Director and Group Chief Executive Officer ("CEO")
Gerry Bollman	Group Chief Financial Officer ("CFO")

For the remainder of this Remuneration Report, KMP are referred to as either Non-Executive Directors or Senior Executives as set out in the above table.

(b) Remuneration framework and governance

The Board believes that the Company's success depends upon the performance of all employees and that remuneration policies should be structured to deliver positive benefits for the Company, shareholders and employees.

The Nomination and Remuneration Committee is responsible for reviewing and recommending to the Board the remuneration arrangements for the CEO, the CEO's direct reports, the Chairman and Non-Executive Directors. The Committee also oversees the operation of the Company's Equity Incentive Plan ("Plan") and makes recommendations to the Board about whether or not offers are to be made under the Plan.

In discharging its responsibilities, the Nomination and Remuneration Committee must have regard to the following policy objectives:

- remuneration structures are to be equitable and aligned with the long term interests of the Company and its shareholders;
- attract and retain skilled executives, especially in the main markets where RWC operates (e.g. North America); and
- structure short term and long term incentives that are challenging and linked to the creation of sustainable shareholder returns.

The Nomination and Remuneration Committee comprises only Non-Executive Directors and is chaired by an independent Director. The Committee's Charter is available on the Company's website at www.rwc.com and further information regarding the Committee is set out in the Company's Corporate Governance Statement.

Remuneration consultants and other advisors

The Nomination and Remuneration Committee may seek independent advice from remuneration consultants and other advisors on various remuneration related matters to assist it in performing its duties and in making recommendations to the Board. Remuneration consultants and other advisors are required to engage directly with the Chairman of the Nomination and Remuneration Committee as the first point of contact. During FY2019, consultants were engaged to provide benchmarking analysis and commentary on the quantum of fees payable to Non-Executive Directors, including the Chairman. No remuneration recommendations were received from remuneration consultants or other advisors during the reporting period.

1. Until 4 March 2019.

REMUNERATION REPORT

For the year ended 30 June 2019 (audited)

Review of remuneration strategy

During the 2019 financial year, the Nomination and Remuneration Committee focused on:

- reviewing remuneration arrangements of executives, including Senior Executives, with a focus on the balance of fixed and variable components, with the aim of providing competitive remuneration packages to attract and retain high calibre executives; and
- 'at risk' variable remuneration arrangements being appropriately aligned with business strategies and outcomes.

The Nomination and Remuneration Committee and the Board believe that the current remuneration framework adequately balances the need to attract and retain the best people to run our business while ensuring that remuneration is linked clearly to shareholder returns and remains comparable with an appropriate peer group. The Nomination and Remuneration Committee intends to maintain this focus during FY2020.

(c) Principles used to determine the nature and amount of remuneration

Non-Executive Director remuneration

In order to maintain director independence, the remuneration of Non-Executive Directors is not linked to Company performance and is currently comprised solely of cash fees (including applicable superannuation). This allows the Board to focus on governance and both short and long-term strategy. Refer section (e) for further details.

The Company's remuneration policy for Non-Executive Directors aims to ensure that the Company can attract and retain suitably qualified and experienced Non-Executive Directors having regard to:

- the level of fees paid to non-executive directors of other major Australian companies;
- the size and complexity of RWC's multi-national operations; and
- the responsibilities and work requirements of Board members.

Senior Executive remuneration

The Board, through the Nomination and Remuneration Committee, is responsible for designing and reviewing remuneration policies which align the remuneration of executives with the long term interests of shareholders. Remuneration packages for Senior Executives are set to properly reflect a Senior Executive's duties and responsibilities and to be competitive in attracting, retaining and motivating appropriately qualified and experienced people capable of managing the Group's operations and achieving its business objectives. Remuneration arrangements are regularly reviewed with regard to various factors, including key performance objectives, an appraisal process and relevant comparable information.

Senior Executive remuneration packages comprise:

- fixed remuneration, represented by a base salary and contributions to superannuation or pension funds, as applicable;
- eligibility for short term incentive ("STI") awards subject to approved criteria being met with the Board retaining a negative discretion in approving the award; and
- 'at risk' long term incentives ("LTI").

Refer section (f) for further details.

REMUNERATION REPORT

For the year ended 30 June 2019 (audited)

(d) Company performance

The following table shows the financial performance of the Group during the financial periods ended 30 June 2016 to 30 June 2019. It is not possible to address the statutory requirement that the Company provides a five-year discussion of the link between performance and reward in this Remuneration Report as the Company has been listed since April 2016.

Key performance indicators	FY2019	FY2018	FY2017	FY2016[1]
Sales revenue ($m)	1,104.0	769.4	601.7	98.3
Reported EBITDA ($m)	242.5	135.4	120.7	17.3
Adjusted EBITDA ($m)[2]	263.2	150.9	120.7	17.3
Net profit before tax ($m)	176.7	99.3	96.3	0.8
Net profit (loss) after tax ($m)	133.0	66.0	65.6	(1.6)
Adjusted net profit (loss) after tax ($m)[3]	152.0	78.6	65.6	(1.6)
Share price at beginning of year ($)	5.36[4]	3.34[5]	3.09[5]	2.87[5,6]
Share price at end of year ($)	3.52[4]	5.36[4]	3.34[5]	3.09[5]
Financial year interim and final dividends declared ($)	71.1	42.1	31.5	–
Total dividends declared/NPAT ratio (%)	53.5	63.8	48.0	–
Basic earnings (loss) per share (cents)[7]	17.0	12.3	12.5	(0.30)
Diluted earnings (loss) per share (cents)[7]	16.8	12.1	12.4	(0.30)

RWC delivered record sales revenue and earnings in FY2019. The results were driven by the first full year contribution from John Guest, following the acquisition which completed in June 2018, and continued growth in the Americas. The integration of the John Guest business following acquisition has progressed well with first year earnings and synergy benefits achieved to at least the level expected.

Adjusted EBITDA for FY2019 was negatively impacted by several factors which are described in the separate Operating and Financial Review. As a consequence of these factors Adjusted EBITDA, while a record result, did not meet the budgeted target for FY2019.

Total dividends declared for FY2019 represent 53.5% of NPAT which is within the intended payout ratio of 40% to 60% of NPAT.

Senior Executives did not receive a short term incentive award for FY2019. Refer section (f) below.

(e) Non-Executive Directors' fees and arrangements

The Board, in accordance with the terms of the Company's Constitution, has determined the remuneration to which each Non-Executive Director is entitled for services as a Director. The total aggregate amount provided to all Non-Executive Directors for their services as Directors in any financial year must not exceed the amount fixed by the Company at a general meeting of shareholders. This maximum aggregate amount is presently fixed at $1.5 million as approved by shareholders at the 2018 Annual General Meeting.

Non-Executive Directors' fees for FY2019 were:

Chairman - $300,000 (from 4 March 2019)

Base Non-Executive Director's Fee - $130,000

Chair of Audit and Risk Committee - additional $50,000 (total $180,000)

Chair of Nomination and Remuneration Committee – additional $25,000 (total $155,000)

All fees include applicable superannuation.

1. FY2016 information covers the period from the Company's IPO on 29 April 2016 through to 30 June 2016.
2. Adjusted EBITDA for FY2019 is Reported EBITDA before John Guest one-time integration/synergies costs incurred, final unwinding of a fair value adjustment made at acquisition date to John Guest inventory and the impact in connection with timing of revenue recognition following adoption of AASB 15; Adjusted EBITDA for FY2018 is Reported EBITDA before John Guest contribution and transaction costs expensed. Adjusted EBITDA is a non-IFRS measure used by RWC to assess operating performance and has not been subject to audit or review.
3. Adjusted Net profit (loss) after tax for FY2019 and FY2018 reflects the reconciliation items (tax effected) which determine Adjusted EBITDA for each of those periods. Adjusted NPAT is a non-IFRS measure used by RWC to assess operating performance and has not been subject to audit or review.
4. 790,094,765 issued ordinary shares.
5. 525,000,000 issued ordinary shares.
6. The share price disclosed as being at the beginning of the year in FY2016 was the share price on listing (29 April 2016).
7. Based on weighted average number of shares for the reporting period.

REMUNERATION REPORT

For the year ended 30 June 2019 (audited)

Fees payable to Non-Executive Directors were reviewed during FY2019, including fees payable to the Chairman. The review took into account the size and scale of RWC's business, the time commitment required from non-executive directors, particularly Committee chairs, and that fees are payable to the Company Chairman from 4 March 2019. The Nomination and Remuneration Committee took into account benchmarking analysis and commentary obtained from an independent consultant, which included comparison with a peer group of ASX listed companies. Following the review, the Committee recommended a fee of $300,000 per annum (including applicable superannuation) be paid to the Chairman and that no change be made to base Non-executive Director fees or Committee fees. The Board approved the recommendation.

The fees set out above will continue to apply in FY2020, subject to any further review and recommendation to the Board by the Nomination and Remuneration Committee.

Mr. Munz, Chairman until 4 March 2019, had waived his entitlement to any Non-Executive Director and committee fees for the initial three years following the Company's listing on the ASX.

No additional fees are payable to committee members other than to the Chairs of those committees as set out above.

Mr. Crosby has waived his entitlement to the additional fee for chairing the Nomination and Remuneration Committee with effect from 4 March 2019. This follows his appointment as Chairman of the Company.

Any Non-Executive Director who performs extra services, makes any special exertions for the benefit of the Company or who otherwise performs services which, in the opinion of the Board, are outside the scope of the ordinary duties of a Non-Executive Director, may, as determined by the Board, be remunerated for those services out of funds of the Company. No such fees were paid or are payable for FY2019. Non-Executive Directors may also be reimbursed for travel and other expenses incurred in attending to the Company's affairs, including attending and returning from general meetings of the Company or meetings of the Board or committees of the Board.

There are no retirement benefit schemes for Non-Executive Directors other than applicable statutory superannuation contributions.

(f) Senior Executive remuneration structure

Fixed Remuneration

The terms of employment for the Senior Executives contain:

- a fixed annual remuneration component comprising base salary and applicable superannuation/pension fund contributions; and
- other approved benefits (which may include items such as motor vehicles or vehicle allowances, mobile phone, travel allowances and health cover).

Senior Executives are offered competitive fixed remuneration which seeks to ensure that RWC can both attract and retain a leadership team capable of managing the complex issues facing the Group, whilst still ensuring parity with market levels. The Board considers the USA to be the most comparable market for benchmarking remuneration arrangements for Senior Executives as the Group's global headquarters are in the USA and Senior Executives are based there. Consideration is also given to the multinational nature of RWC's operations, the industry in which RWC operates and the size of the business.

Short term incentive

STI is designed to be evaluated based on the achievement of agreed key performance conditions by Senior Executives. The key performance conditions are outlined below and relate to the overall performance of the Group and relevant individual performance. Following the end of the financial year, the Nomination and Remuneration Committee reviews and makes recommendations to the Board as to whether or not STI awards should be made to eligible Senior Executives. The following criteria were applied by the Nomination and Remuneration Committee in determining if a STI award should be made to Senior Executives for FY2019:

Objective	STI awards are determined by the Board following satisfaction of specific performance conditions.
Nature	50% payable in cash after release of the audited annual results and 50% deferred into shares in the Company. Shares will be acquired on-market after release of the audited annual results and will be subject to a holding lock for 12 months, with dividends accruing to the employee.
On Target Entitlement	CEO: 60% of base fixed remuneration (40.0% measured against RWC financial performance and 20.0% measured against personal Key Performance Indicators ("KPIs"), both as described below) CFO: 25% of base fixed remuneration (17.5% measured against RWC financial performance and 7.5% measured against personal KPIs, both as described below)

REMUNERATION REPORT

For the year ended 30 June 2019 (audited)

Maximum Entitlement	CEO: 120% of base fixed remuneration (80.0% measured against RWC financial performance and 40.0% measured against personal KPIs, both as described below). CFO: 50% of base fixed remuneration (35.0% measured against RWC financial performance and 15.0% measured against personal KPIs, both as described below).
Performance criteria	**Budgeted EBITDA** The relevant portion of the STI award subject to financial performance will be measured by reference to constant dollar performance against budgeted EBITDA (adjusted to exclude non-budgeted material changes (for example, acquisitions) ("**Budget**"). The following vesting scale applies:

% of Budget achieved	% of STI to be granted
0-95% of Budget	Nil
Between 95% and 100% of Budget	Straight line pro-rating from Nil to On Target Entitlement
100% of Budget	100% of On Target entitlement
Between 100% and 120% of Budget	Straight line pro-rating from On Target Entitlement to Maximum Entitlement
120% of Budget	100% of Maximum Entitlement

The Board considers the disclosure of the Budget set for the STI grant to be commercially sensitive information and that disclosure of this Budget would not be in the Company's and shareholders' best interests. EBITDA was chosen as the financial performance condition as it is monitored by the Board to measure the operating performance of the business as well as being clearly defined and measurable. EBITDA and Budgeted EBITDA are compared on a like for like basis.

Personal KPIs

The relevant portion of the STI award subject to personal KPIs will be measured by scorecard performance against role specific objectives to be settled with each Senior Executive annually. Non-financial objectives are set to measure Senior Executive performance against RWC's business strategies and core values. Examples of role specific objectives which may apply are team development, business development, product development, risk management, cost control, culture, safety and diversity.

Non-financial KPIs are chosen to encourage the achievement of personal business goals consistent with the Group's overall objectives including succession planning and management bench strength, ensuring a safe working environment with a diverse workforce, strategic growth and the expansion of RWC's business activities and product development.

A combination of financial and non-financial performance criteria are chosen because the Board believes that there should be a balance between short term financial measures and more strategic non-financial measures which, in the medium to longer term, will ultimately drive future growth and returns for shareholders.

Assessment of performance	Following the end of the financial year, performance against the budgeted EBITDA measure is assessed by the Nomination and Remuneration Committee based on the Company's audited financial results. Performance against personal KPIs is assessed annually as part of the broader performance review process for the CEO and CFO. These KPIs are assessed quantitatively against pre-determined benchmarks, where appropriate. These methods of assessing performance are chosen as they are, as far as practicable, objective, measurable and capable of being independently audited.
Clawback	Defined criteria are in place to prevent inappropriate benefits being paid. In such circumstances, the Board may determine that allocated shares may be forfeited and/or require the Senior Executive to pay as a debt any part of the net proceeds of a sale of awarded shares, cash payment or dividends provided in respect of an STI award.

REMUNERATION REPORT

For the year ended 30 June 2019 (audited)

The Group's Adjusted EBITDA for FY2019 was less than 95% of Budget meaning the financial criteria component for Senior Executives to receive an STI award was not satisfied. The Board accepted a recommendation from Senior Executives that an STI award not be granted for FY2019 notwithstanding achievement of Personal KPIs.

Long term incentive

The Company established the Equity Incentive Plan to assist in the motivation, retention and reward of eligible employees. The Plan is designed to align the interests of employees with the interests of shareholders by providing an opportunity for eligible employees to receive an equity interest in the Company. The Plan provides flexibility for the Company to grant rights, options and/or restricted shares as incentives, subject to the terms of individual offers and the satisfaction of performance conditions approved by the Board from time to time.

Details of Restricted Shares and Share Rights which have been granted to Senior Executives are set out in section (g). A summary of the terms of Options granted to Senior Executives are set out below.

LTI Options Grants made to the following Senior Executives:
Heath Sharp, Group Chief Executive Officer ("CEO") in FY2016
Gerry Bollman, Group Chief Financial Officer ("CFO") in FY2017

Type of award	CEO: 4,000,000 options ("CEO Options"). CFO: 1,307,190 options ("CFO Options") Each of the CEO Options and CFO Options entitles the holder to acquire an ordinary share in the Company subject to meeting specific vesting conditions and payment of the exercise price. The CEO Options and CFO Options were granted for nil consideration as they form part of the Senior Executives' remuneration.
Performance Period	CEO Options: From the date of the listing (29 April 2016) until 30 June 2022. CFO Options: Five years from the date of commencement of employment (5 December 2016).
Vesting conditions	CEO Options: The CEO Options will vest and become exercisable subject to the satisfaction of a gateway hurdle and two performance conditions. CFO Options: The CFO Options will vest and become exercisable subject to the satisfaction of a service period hurdle and a performance condition. The Board considers these vesting conditions to be an appropriate combination of stretch financial hurdles directly linked to the Group's performance and reflecting shareholder interests; and as a mechanism which assists in the retention of the Senior Executives. **1. Gateway hurdle (CEO) and service hurdle (CFO)** None of the CEO Options will vest unless the CEO remains employed by the Group until 30 June 2022. None of the CFO Options will vest unless the CFO remains employed by the Group at the expiration of 5 years from the date of commencement of employment (5 December 2016). **2. Performance conditions** CEO Options: In addition to the gateway hurdle, the CEO Options are subject to two performance conditions as follows: • 30% of the CEO Options ("NPAT Options") were subject to a net profit after tax ("NPAT") performance condition, which was based on the Company meeting or exceeding its pro forma NPAT forecast for the year ended 30 June 2017 of $62.6 million, as stated in the Prospectus dated 18 April 2016 ("NPAT Hurdle"). This condition has been satisfied; and • 70% of the CEO Options ("CEO TSR Options") will be subject to a relative total shareholder return ("TSR") performance condition, which compares the TSR performance of the Company since listing with the TSR performance of each of the entities in a comparator group over the period from 29 April 2016 to 30 June 2021 ("TSR Hurdle").

REMUNERATION REPORT

For the year ended 30 June 2019 (audited)

Vesting conditions (continued)	CFO Options: In addition to the service period hurdle, the CFO Options are subject to a relative TSR performance condition, which compares the TSR performance of the Company since listing with the TSR Hurdle. The percentage of CEO TSR Options and CFO Options that vest in relation to the TSR Hurdle, if any, will be determined by reference to the following vesting schedule:

Relative TSR Ranking	% of options that vest subject to the TSR Hurdle
Below 50th percentile	Nil
50th percentile	50%
Between 50th and 75th percentile	Pro rata straight line vesting between 50% to 100%
75th percentile or above	100%

	The number of CEO TSR Options and CFO Options that vest and become exercisable, if any, will be determined shortly after the end of the Performance Period. Any options that remain unvested will lapse immediately. NPAT was chosen as a performance condition for the NPAT Options as it measures the net profit of the business and is used to determine the earnings per share achieved for the relevant reporting period. TSR measures the growth in the Company's share price together with the value of dividends over the period from the date of listing to 30 June 2021 (assuming that all those dividends are reinvested into new shares) against the Company's chosen comparator group, being companies comprising the ASX200 index, excluding mining and energy companies. The comparator group may be adjusted by the Board or Nomination and Remuneration Committee in their reasonable discretion to take into account corporate actions, including but not limited to takeovers, mergers, de-mergers or de-listings. Relative TSR has been chosen because, in the opinion of the Board, it provides the most direct link to shareholder return. No reward is achieved unless the Company's TSR is higher than the median of this comparator group. The starting point for measuring the Company's TSR performance is the $2.50 issue price for the shares issued under the Prospectus for the IPO in 2016.
Process for assessing the vesting conditions	Calculation of NPAT and achievement against the NPAT Hurdle was determined based on the audited FY2017 financial results. Relative TSR performance will be independently assessed against a peer group comprising constituents of the S&P ASX 200 Index (excluding mining and energy companies) in accordance with pre-determined TSR methodology. No retesting is permitted. The gateway hurdle and the service condition, as applicable, will be satisfied if the Senior Executive remains employed by the Group at the relevant date.
Exercise of Options	Options will vest and become exercisable if the relevant vesting conditions have been met. CEO Options: The CEO may exercise any vested CEO Options by 30 June 2031. After 30 June 2031, any unexercised CEO Options will lapse. CFO Options: The CFO may exercise any vested CFO Options until 5 December 2024. After 5 December 2024, any unexercised CFO Options will lapse.
Voting and dividend rights	Options do not carry any voting or dividend rights prior to vesting and exercise.

Cessation of employment	CEO: If the CEO ceases to be employed by the Group, any unvested CEO Options will lapse unless the Board determines otherwise in its absolute discretion. If CEO Options have vested but are unexercised: • Where the CEO is terminated for cause, the vested CEO Options will lapse unless the Board determines otherwise; and • Where the CEO ceases employment for any other reason, the vested CEO Options will remain on foot for the original exercise period. CFO: If the CFO ceased employment within the first twelve months of his employment (or was under notice), all CFO Options would have lapsed unless the Board determined otherwise. Where the CFO ceases employment after the first 12 months from the date of commencing employment and either: • the employer terminates without cause (with notice given after the initial 12 month employment period); or • the CFO terminates for good reason (with notice given after the initial 12 month employment period), then a pro rata number of unvested CFO Options will vest and become exercisable based on the relevant part of the service period hurdle achieved and will apply subject to the TSR Hurdle to the date notice is given having been met. Where: • the employer terminates the CFO's employment for cause; or • the CFO terminates without good reason after the first twelve months of his employment but before the end of the service period hurdle, the CFO will forfeit all rights to CFO Options unless the Board determines otherwise. If employment ceases by reason of death or disability then the Board shall at its discretion vest the CFO Options in full or in part.
Change of control	Where there is likely to be a change of control, the Board has the discretion to accelerate vesting of some or all of the CEO Options and CFO Options. If a change of control occurs before the Board exercises its discretion, a pro-rata portion of the options (equal to the portion of the relevant Performance Period that has elapsed up to the change of control) will vest. The Board retains a discretion to determine whether the remaining unvested options will vest or lapse.
Clawback	Defined criteria are in place to prevent inappropriate benefits being paid. In such circumstances, the Board may determine that unvested, and/or vested but unexercised, options will lapse; shares allocated upon exercise of options will be forfeited; and/or require the Senior Executive to pay as a debt any part of the net proceeds of a sale of awarded shares, cash payment or dividends provided in respect of an award made under the Plan.

Exercise Price for Options Granted

Option holder	Original Exercise Price per Option	Adjusted Exercise Price per Option[1]
Heath Sharp	$2.50	$2.32
Gerry Bollman	$3.06	$2.88

Further details of the number of Options held by Senior Executives are set out in section (i).

1. Exercise price adjusted in accordance with ASX Listing Rule 6.22 and the terms of issue of the Options following the 1 for 1.98 pro rata Entitlement Offer which completed in June 2018. The calculations were independently verified.

REMUNERATION REPORT

For the year ended 30 June 2019 (audited)

Remuneration Mix

During FY2019, the remuneration mix for Senior Executives was:

Senior Executive	Fixed remuneration (%)	STI (%)	LTI (%)
Heath Sharp	68.2	–	31.8
Gerry Bollman	60.8	–	39.2

The percentage of 'at risk' LTI assumes all applicable performance conditions are achieved in full. Details of Senior Executive remuneration are set out in section (l) below.

Senior Executive remuneration structure for FY2020

The Board has approved that fixed remuneration for Senior Executives for FY2020 be set at:

CEO: US$ 1,339,000 plus benefits (FY2019 US$1,300,000 plus benefits); and

CFO: US$ 824,100 plus benefits (FY2019 US$800,000 plus benefits)

There are no other changes to the remuneration structure of Senior Executives for FY2020.

Benchmarking analysis obtained for FY2018 remuneration arrangements indicated that the remuneration of both the CEO and CFO was below the median of the relevant benchmark peer group. For the CEO, it was also well below the mean of the benchmark peer group. Further benchmark analysis was not obtained during FY2019. The Board does not believe the conclusions of the previous analysis will have materially changed.

(g) Restricted Shares and Share Rights

Restricted Shares

Mr. Bollman ("CFO") was appointed the Group Chief Financial Officer on 5 December 2016. On commencement of his employment with the Group, Mr. Bollman was offered 680,272 restricted shares under the Plan. The offer was made in recognition of incentives forgone from his previous employer and to align Mr. Bollman's interests with the interests of shareholders and other executives from a performance and reward perspective.

There is a vesting condition which requires the CFO to remain employed by the Group until the expiration of 5 years from the date of commencement of employment (5 December 2016). Continued service was chosen as a vesting condition as it reflects the need to retain Mr. Bollman as CFO during the Group's period of growth and expansion and to encourage stability at the Senior Executive level. The CFO cannot deal in the restricted shares until the vesting condition is satisfied. There are no voting or dividend rights attaching to these shares prior to vesting. The restricted shares will be awarded at no cost to Mr. Bollman if the vesting conditions are met.

The Restricted Shares would have been forfeited if the CFO had ceased employment within the first twelve months of his employment (or was under notice). That condition ceased to apply on 5 December 2017. Following the expiration of this condition, if the CFO ceases employment and either:

- the employer terminates without cause (with notice given after the initial 12 month employment period); or
- the CFO terminates for good reason (with notice given after the initial 12 month employment period),

the CFO will be entitled to a pro rata portion of the restricted shares based on the length of his period of service and the restrictions attached to those restricted shares will cease.

The CFO will forfeit all rights to his restricted shares grant, unless the Board determines otherwise, where:

- the employer terminates the CFO's employment for cause; or
- the CFO terminates without good reason after the first twelve months of his employment but before the end of the service period.

The Board has discretion to vest all or some of the restricted shares if the CFO ceases employment due to death or disability.

During FY2019, no restricted shares vested or were forfeited. If the minimum vesting condition is not met, the minimum possible value of the grant is $nil. The maximum possible value of the grant at the calculation date (1 November 2016) was $2.0 million based on a price of $2.94 per share, being the closing share price for the Company's shares on that date. The price for the Company's shares at the vesting date will determine the value of the grant at that time.

REMUNERATION REPORT

For the year ended 30 June 2019 (audited)

Rights to Shares

The Board has approved that nominated, eligible executives and employees, including Senior Executives, be invited to participate in the Plan as a means of attracting, retaining and motivating key employees in the Group. Participants are granted rights to be awarded fully paid ordinary shares in the Company ("Rights") in accordance with the rules of the Plan and subject to the offer terms ("Offer"). Each Right entitles the participant to one ordinary share in the Company on vesting. An Offer constitutes a long term incentive component of the participant's remuneration from the grant date until the end of the vesting period. Rights are granted at no cost and there will be no amount payable on vesting. There are no voting or dividend rights attaching to Rights prior to vesting.

The number of unvested Rights which had been granted by the Company to all participants at 30 June 2019 was 6,276,939 (30 June 2018 - 3,295,730). Rights granted to Senior Executives at 30 June 2019 were 1,234,800 (30 June 2018 – nil). Further details of Rights granted to Senior Executives are set out below.

The opening and closing number of all unvested Rights granted at 30 June 2019 is reconciled as follows:

	Number of Rights
Granted and unvested at 30 June 2018	**3,295,730**
Granted during FY2019 with the following vesting dates:	
27 August 2023	1,825,800
30 October 2023	987,800
14 November 2023	20,000
31 December 2023	178,000
9 April 2024	98,000
6 May 2024	58,600
13 May 2024	70,700
Total granted during FY2019	3,238,900
Forfeited or Cancelled	(257,691)
Unvested at 30 June 2019	**6,276,939**

No Rights vested during the reporting period or have subsequently vested.

Vesting conditions for all grants of Rights include a continuous service period. In addition, 1,810,200 granted Rights ("Performance Rights") are also subject to performance conditions to be eligible to vest. The number of Performance Rights which will be eligible to vest will be determined at the end of a two-year performance period on the Performance Period Measurement Date by reference to the performance conditions set out below. Any Performance Rights which do not vest will automatically lapse.

Details of Performance Conditions for Performance Rights

Objective	The Company announced the acquisition of the issued shares of John Guest Holdings Limited in May 2018. The acquisition completed in June 2018. To ensure alignment, and to reward certain participants in relation to the integration of the John Guest business, the performance conditions set out below have been approved by the Board to determine the number of performance rights which are eligible to vest.
Performance Period Measurement Date	30 June 2020
Performance conditions	50% of the Performance Rights granted under the LTI offer are subject to financial performance conditions. The remaining 50% of Performance Rights are subject to non-financial performance conditions. Each are described below. **Financial conditions** Financial performance conditions are based on achieving financial targets in the base case model for the John Guest acquisition (which was independently reviewed as part of the due diligence process). These performance conditions and the Maximum Opportunity attributable to each condition are:

REMUNERATION REPORT

For the year ended 30 June 2019 (audited)

Performance conditions (continued)

Financial performance condition	Maximum Opportunity
FY2019 EBITDA of the John Guest group (excluding synergies)	12.5%
FY2020 EBITDA of the John Guest group (excluding synergies)	12.5%
Run rate synergies achieved by the end of FY2020	25.0%

The Board considers the disclosure of the amounts of each of these targets to be commercially sensitive information and that disclosure of these amounts would not be in the Company's and shareholders' best interests. The following scale applies:

FY2019 John Guest EBITDA and FY2020 John Guest EBITDA (both excluding synergies) % achieved	% of Performance Rights eligible to vest
0 to 95% of target	Nil
Between 95% and 100% of target	Straight line pro-rating from Nil to Maximum Opportunity
100% or greater of target	Maximum Opportunity

Run rate synergies achieved by the end of FY2020 % achieved	% of Performance Rights eligible to vest
0 to 90% of target	Nil
Between 90% and 100% of target	Straight line pro-rating from Nil to Maximum Opportunity
100% or greater of target	Maximum Opportunity

Non-financial performance conditions

The relevant portion of the Performance Rights subject to non-financial criteria will be assessed by the Board by reference to the following:

- Cultural integration
- European market penetration
- Integrated business strength
- Cost of integration, both financial and organisational

Each of the criteria will be weighted equally.

Clawback

Defined criteria are in place to prevent inappropriate benefits being paid. In such circumstances, the Board may determine that allocated shares may be forfeited and/or require the participant to pay as a debt any part of the net proceeds of a sale of awarded shares, cash payment or dividends provided in respect of an LTI offer.

Other key terms of the Rights grants

Cessation of employment

Unless the Board determines otherwise, if a participant ceases employment with the Group prior to the Vesting Date and any of the following has occurred, then a pro rata portion of the unvested Rights may remain on foot and vest in the ordinary course as though the participant had not ceased employment:

- The participant's employment is terminated by RWC without cause; or
- The participant terminates employment for good reason.

The remainder of the Rights will lapse.

Change of control

In summary, in the event of a takeover bid or other transaction, event or state of affairs that in the Board's opinion is likely to result in a change in control of the Company or should otherwise be treated as a change of control event in accordance with rule 9 of the Company's Equity Incentive Plan Rules, the Board has a discretion to determine how the Rights should be treated for the purpose of vesting.

Rights granted to Senior Executives

Senior Executives had been granted the following Rights at 30 June 2019 (30 June 2018 – nil):

	Vesting Date	Number of Rights Granted	Fair value per Right at Grant Date[1]
Heath Sharp	30 October 2023	987,800	$4.29
Gerry Bollman	27 August 2023	247,000	$5.17
		1,234,800	

Rights granted to Senior Executives are subject to a 5 year continuous service period vesting condition and to the performance conditions set out above. No Rights granted to Senior Executives were forfeited or cancelled during FY2019.

Shares purchased to meet vesting obligations

The Company has established a subsidiary, Reliance Employee Share Investments Pty Ltd ("Trustee"), to act as trustee of the Reliance Employee Share Investments Trust. The Trustee will acquire RWC shares on-market on behalf of the Trust to meet any obligations to deliver shares to a participant who satisfies the vesting conditions. The Trustee is also entitled to participate on behalf of the Trust in certain equity raisings undertaken by the Company. During FY2019, the Trustee, on behalf of the Trust, acquired 2,000,000 shares on market at an average price of $3.72 per share. The total number of shares held in the Trust at 30 June 2019 was 7,389,834 (30 June 2018 – 5,389,834).

Vesting obligations will be met in accordance with the terms of the Plan rules.

(h) Service Agreements of Senior Executives

Employment and remuneration arrangements of the Senior Executives are formalised in written service agreements between the Senior Executive and a member of the Group. The key terms and conditions of the employment contracts of the Senior Executives are set out below, excluding remuneration arrangements which are presented in other sections of this report. Remuneration arrangements were set after having regard to arrangements for comparable companies considered by size, industry and geography.

Heath Sharp, Managing Director and Global Chief Executive Officer

Term	Mr. Sharp is employed by Reliance Worldwide Corporation (a company in the Group which carries on operations in the USA) for an initial period of four years from the date of listing (29 April 2016). Thereafter, one year rolling periods unless either party provides 90 days' notice of non-renewal.
Notice	*Termination by the employer* • Mr. Sharp's employment may be terminated by the employer without cause (excluding due to death or disability) upon giving 90 days' written notice; and • may be terminated by the employer for cause at any time. *Termination by Heath Sharp* • Mr. Sharp may terminate his employment with good reason upon giving 90 days written notice and allowing a subsequent cure period. • Where he terminates without good reason, 12 months written notice is required to be provided.

1. Based on an independent valuation which used the Black Scholes model.

REMUNERATION REPORT

For the year ended 30 June 2019 (audited)

Termination payments[1]	• Where Mr. Sharp's employment is terminated by the employer without cause, he is entitled to 24 months' severance pay (inclusive of any notice period) plus accrued entitlements. This entitlement period was set to take into account Mr. Sharp's long standing continuous service with RWC at the time of the IPO (and now nearly 30 years continuous service). He is also eligible for a pro rata bonus for the days he was employed during the fiscal year and payment of health insurance premiums. • Where the employer provides notice of non-renewal, he is entitled to his accrued entitlements and 12 months' severance pay. He is also eligible for a pro rata bonus for the days he was employed during the fiscal year and payment of health insurance premiums during the period of severance pay. • Where Mr. Sharp provides notice of non-renewal, he is entitled to receive his accrued entitlements (excluding any earned but unpaid performance bonus) and continuation of applicable welfare and health benefits entitlements.
Restraint	Mr. Sharp's employment agreement contains a restraint of trade, which operates for a maximum period of 24 months following cessation of employment.

Gerry Bollman, Global Chief Financial Officer

Term	Mr. Bollman is employed by Reliance Worldwide Corporation (a company in the Group which carries on operations in the USA). His employment agreement contains no fixed term.
Notice	*Termination by the employer* • Mr. Bollman's employment may be terminated by the employer without cause upon giving three months written notice; and • may be terminated by the employer for cause at any time. *Termination by Gerry Bollman* • Mr. Bollman may terminate his employment with good reason upon giving the employer written notice within 90 days of an event occurring and allowing a subsequent cure period. • Where he terminates his employment agreement without good reason, three months written notice needs to be provided.
Termination payments[1]	• Where Mr. Bollman's employment is terminated by the employer without cause or by him for good reason, he is entitled to: – 6 months' severance pay where notice is given after the first year of employment and before commencement of the fifth year of employment; and – 12 months' severance pay if notice is given after commencement of the fifth year of employment. He will also receive payment of accrued entitlements and remain eligible for a pro rata bonus for the days he was employed during the applicable fiscal year and payment of health insurance premiums. • Where his employment is terminated due to death or disability, he is entitled to accrued entitlements (including any earned but unpaid performance bonus), remains eligible for a pro rata bonus for the days he was employed during the applicable fiscal year and to a continuation of applicable welfare and health benefits entitlements. • Where the employment agreement is terminated by the employer for cause or by Mr. Bollman without good reason, then the employer shall have no further payment obligations other than for accrued entitlements (excluding any earned but unpaid performance bonus) and continuation of applicable welfare and health benefits entitlements.
Restraint	Mr. Bollman's employment agreement contains a restraint of trade, which operates for a maximum period of 12 months following cessation of employment.

1. The Corporations Act restricts the termination benefits that can be provided to KMP on cessation of their employment, unless shareholder approval is obtained. The shareholders of the Company and of Reliance Worldwide Corporation, as applicable, have approved the giving of benefits to all current and future members of KMP in connection with that person ceasing to hold a managerial or executive office (as defined in section 200AA of the Corporations Act) in the Company or a related body corporate.

(i) Movements in Options held by Senior Executives

The following table sets out the movement during the reporting period of Options held by each Senior Executive (including their related parties). No options were granted to Senior Executives during FY2019. No Options vested or were forfeited during the reporting period and none of the Options are presently capable of being exercised.

Name	Balance at 1 July 2018	Granted during the year number	Granted during the year $ value	Vested number	Vested $ value	Exercised number	Exercised $ value	Lapsed number	Lapsed $ value	% Lapsed/ Forfeited	Balance at 30 June 2019
Heath Sharp	4,000,000	–	–	–	–	–	–	–	–	–	4,000,000
Gerry Bollman	1,307,190	–	–	–	–	–	–	–	–	–	1,307,190

(j) KMP shareholdings

Movements in the number of shares held by Non-Executive Directors and Senior Executives directly, indirectly (through personally related entities) or nominally during FY2019 are set out below.

Name	Held at 1 July 2018	Net change[1]	Held at 30 June 2019
Russell Chenu	155,217	–	155,217[2]
Stuart Crosby	150,506	–	150,506[2]
Ross Dobinson	32,457	–	32,457[2]
Sharon McCrohan	–	–	–
Jonathan Munz	79,015,152	(79,015,152)	–
Heath Sharp	1,204,041	–	1,204,041
Gerry Bollman[3]	–	–	–

(k) Other statutory disclosures

Material contracts with Related Parties

The Company and GSA Industries Pty Ltd, a wholly owned subsidiary of GSA Group and an entity associated with Jonathan Munz, entered into a shared facilities and services agreement which came into effect on 29 April 2016 ("Shared Services Agreement") under which the Company shared premises with GSA Group in Melbourne and was permitted to use certain facilities, such as office space and car parking, and have signage rights. The Shared Services Arrangement ceased on 30 April 2019. The Company paid an annual fee of $100,000 (plus GST) to GSA Industries Pty Ltd for the use of these facilities and services. The Shared Services Agreement was on terms that were more favorable to the Company than arm's length terms.

There were no other material contracts between a KMP or a related party and the Company or any of its subsidiaries entered into during the reporting period.

Loans with KMP

No KMP has entered into a loan made, guaranteed or secured, directly or indirectly, with or by the Company or any of its subsidiaries during the reporting period.

1. Includes the purchase (sale) of shares during the reporting period and transfers in (out) upon becoming or ceasing to be a member of KMP.
2. Includes 20,000 shares received in April 2016 under specific arrangements for Non-Executive Directors in connection with the IPO, as stated in the Prospectus.
3. Mr. Bollman has been offered 680,272 restricted shares as detailed in section (g).

REMUNERATION REPORT

For the year ended 30 June 2019 (audited)

(l) KMP remuneration

Details of the remuneration of each member of KMP are set out below. The table includes the statutory disclosures required under the Corporations Act and is in accordance with Australian Accounting Standards. All figures are in Australian dollars and relate to the period of the year in which the person was a KMP.

		Short Term				Post-employment		Other long term statutory benefits	Share based payments[5]		Total
		Cash salary & fees $	STI cash bonus $	Non-monetary benefits $	Other short term benefits $	Superannuation or pension plan benefits $	Other Post employment $	Long service leave $	Share Rights $	Options $	$
Non-Executive Directors											
Russell Chenu	**FY2019**	**164,384**	**–**	**–**	**–**	**15,616**	**–**	**–**	**–**	**–**	**180,000**
	FY2018	109,590	–	–	–	10,410	–	–	–	–	120,000
Stuart Crosby[1]	**FY2019**	**188,272**	**–**	**–**	**–**	**15,809**	**–**	**–**	**–**	**–**	**204,081**
	FY2018	109,590	–	–	–	10,410	–	–	–	–	120,000
Ross Dobinson	**FY2019**	**130,000**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**130,000**
	FY2018	120,000	–	–	–	–	–	–	–	–	120,000
Sharon McCrohan	**FY2019**	**118,721**	**–**	**–**	**–**	**11,279**	**–**	**–**	**–**	**–**	**130,000**
	FY2018	37,373	–	–	–	3,550	–	–	–	–	40,923
Jonathan Munz[2]	**FY2019**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	FY2018	–	–	–	–	–	–	–	–	–	–
Senior Executives											
Heath Sharp[3]	**FY2019**	**1,817,165**	**–**	**187,194**	**13,235**	**31,032**	**–**	**–**	**566,572**	**390,168**	**3,005,366**
	FY2018	1,483,488	822,819	167,017	12,214	31,605	–	–	–	390,168	2,907,311
Gerry Bollman[4]	**FY2019**	**1,118,256**	**–**	**59,075**	**7,216**	**31,032**	**–**	**–**	**589,660**	**193,464**	**1,998,703**
	FY2018	930,083	226,932	46,972	6,659	30,960	–	–	356,916	193,464	1,791,986
Total	**FY2019**	**3,536,798**	**–**	**246,269**	**20,451**	**104,768**	**–**	**–**	**1,156,232**	**583,632**	**5,648,150**
	FY2018	2,790,124	1,049,751	213,989	18,873	86,935	–	–	356,916	583,632	5,100,220

1. Base Non-executive Director fees plus Nomination and Remuneration Committee Chairman fees (totalling $155,000pa) until 4 March 2019. Chairman fees of $300,000 p.a. from 4 March 2019. Mr. Crosby has waived his entitlement to the additional fee for chairing the Nomination and Remuneration Committee from 4 March 2019.
2. Mr. Munz waived his entitlement to any Non-Executive Director or committee fees for the initial three years following the Company's listing on the ASX on 29 April 2016. Mr. Munz ceased to be a member of KMP on 4 March 2019.
3. Annual fixed remuneration of US$1,300,000 plus benefits, including pension plan contributions.
4. Annual fixed remuneration of US$800,000 plus benefits, including pension plan contributions.
5. Reflects the accounting expense for the reporting period based on the fair value at grant date of rights and options granted; and assumes all entitlements vest in full.

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 audit of Reliance Worldwide Corporation Limited for the financial year ended 30 June 2019 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Paul McDonald

Paul McDonald

Partner

Melbourne

27 August 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2019

	Note	2019 $000	2018 $000
Revenue from sale of goods	3	1,103,957	769,380
Cost of sales		(638,518)	(452,413)
Gross profit		**465,439**	**316,967**
Other income	5	7,103	10,882
Product development expenses		(18,943)	(17,721)
Selling, warehouse and marketing expenses		(148,364)	(111,239)
Administration expenses		(104,856)	(84,122)
Other expenses		(1,217)	(3,667)
Operating profit		**199,162**	**111,100**
Finance income	6	337	117
Finance costs	6	(22,761)	(11,911)
Net finance costs		**(22,424)**	**(11,794)**
Profit before tax		**176,738**	**99,306**
Income tax expense	8	(43,721)	(33,315)
Profit for the period attributable to the Owners of the Company		**133,017**	**65,991**
Other Comprehensive profit			
Items that may be classified to profit or loss:			
Foreign currency translation differences		6,627	19,877
Cash flow hedges – effective portion of changes in fair value		–	(10,767)
Total comprehensive profit for the period attributable to the Owners of the Company		**139,644**	**75,101**
		cents	cents
Earnings per share			
Basic earnings per share attributable to ordinary equity holders	7	17.0	12.3
Diluted earnings per share attributable to ordinary equity holders	7	16.8	12.1

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	Note	2019 $000	2018[1] $000
Assets			
Current assets			
Cash and cash equivalents	18	69,279	274,331
Trade and other receivables	9	232,256	204,916
Inventories	10	229,090	202,640
Other current assets		12,184	20,707
Total Current Assets		**542,809**	**702,594**
Non-Current			
Property, plant and equipment	11	289,489	268,517
Deferred tax assets	8	15,378	18,010
Goodwill	12	901,428	888,016
Other intangible assets	13	327,256	308,807
Total Non-Current Assets		**1,533,551**	**1,483,350**
Total Assets		**2,076,360**	**2,185,944**
Liabilities			
Current liabilities			
Trade and other payables	14	131,973	167,678
Borrowings	15	-	2,675
Current tax liabilities		4,147	3,656
Employee benefits	16	7,468	6,657
Total Current Liabilities		**143,588**	**180,666**
Non-Current Liabilities			
Borrowings	15	495,886	659,670
Deferred tax liabilities	8	24,993	16,610
Employee benefits	16	5,394	4,979
Total Non-Current Liabilities		**526,273**	**681,259**
Total Liabilities		**669,861**	**861,925**
Net Assets		**1,406,499**	**1,324,019**
Equity			
Share capital	19	2,329,126	2,336,618
Reserves	21	(1,081,061)	(1,092,945)
Retained earnings/(accumulated losses)		158,434	80,346
Total Equity		**1,406,499**	**1,324,019**

1. Comparative balances have been restated to reflect the final purchase price accounting for the John Guest acquisition. Refer to Note 4.

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2019

	Note	Share Capital $000	Foreign Currency Translation Reserve $000	Merger Reserve $000	Share Based Payment Reserve $000	Hedging Reserve $000	(Accumulated Losses)/ Retained Profits $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		–	–	–	–	–	65,991	65,991
Foreign currency translation reserve	21	–	19,877	–	–	–	–	19,877
Hedged transaction	21	–	–	–	–	(10,767)	–	(10,767)
Total comprehensive income		**–**	**19,877**	**–**	**–**	**(10,767)**	**65,991**	**75,101**
Transactions with owners of the Company								
Purchase of treasury shares	19	(8,584)	–	–	–	–	–	(8,584)
Share based payments	20	–	–	–	2,834	–	–	2,834
Issue of ordinary shares	19	1,100,143	–	–	–	–	–	1,100,143
Capital raising costs	19	(16,312)	–	–	–	–	–	(16,312)
Dividends paid		–	–	–	–	–	(33,909)	(33,909)
Total transactions with owners of the Company		**1,075,247**	**–**	**–**	**2,834**	**–**	**(33,909)**	**1,044,172**
Balance at 30 June 2018		**2,336,618**	**15,099**	**(1,100,943)**	**3,666**	**(10,767)**	**80,346**	**1,324,019**
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		–	–	–	–	–	133,017	133,017
Foreign currency translation reserve	21	–	6,627	–	–	–	–	6,627
Total comprehensive income		**–**	**6,627**	**–**	**–**	**–**	**133,017**	**139,644**
Transactions with owners of the Company								
Purchase of treasury shares	19	(7,444)	–	–	–	–	–	(7,444)
Share based payments	20	–	–	–	5,257	–	–	5,257
Capital raising costs	19	(48)	–	–	–	–	–	(48)
Dividends paid		–	–	–	–	–	(54,929)	(54,929)
Total transactions with owners of the Company		**(7,492)**	**–**	**–**	**5,257**	**–**	**(54,929)**	**(57,164)**
Balance at 30 June 2019		**2,329,126**	**21,726**	**(1,100,943)**	**8,923**	**(10,767)**	**158,434**	**1,406,499**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2019

	Note	2019 $000	2018 $000
Cash flows from operating activities			
Receipts from customers		1,083,709	746,318
Payments to suppliers and employees and for customer rebates		(922,306)	(621,479)
Income tax payments		(25,377)	(44,753)
Net cash from operating activities		**136,026**	**80,086**
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(52,198)	(37,401)
Proceeds from sale of property, plant and equipment		258	1,202
Purchase of intangibles	13	(17,379)	(998)
Transaction costs paid on acquisition of John Guest		–	(17,501)
Net cash outflow upon acquisition of business combinations		–	(1,157,343)
Net cash used in investing activities		**(69,319)**	**(1,212,041)**
Cash flows from financing activities			
Proceeds from issue of shares		–	1,100,143
Purchase of treasury shares		(7,444)	(8,584)
Proceeds from borrowings	15	95,392	705,670
Repayment of borrowings	15	(281,722)	(353,173)
Dividends paid		(54,929)	(33,909)
Interest received		337	117
Interest paid		(22,761)	(11,911)
Debt raising costs paid		–	(3,675)
Capital raising costs paid		(48)	(16,313)
Net cash from financing activities		**(271,175)**	**1,378,365**
Net change in cash and cash equivalents		(204,468)	246,410
Cash at the start of the year		274,331	25,593
Effect of movements in exchange rates		(584)	2,328
Cash and cash equivalents at the end of the year		**69,279**	**274,331**
Represented by:			
Cash at bank		69,279	274,331
Cash and cash equivalents at the end of the year	18	**69,279**	**274,331**

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

1. Significant accounting policies

(a) Reporting Entity

Reliance Worldwide Corporation Limited (the "Company" or "Reliance") is a limited liability company which was incorporated on 19 February 2016 and is domiciled in Australia. The consolidated financial statements comprise the Company and its subsidiaries (together referred to as the "Group"). The Company's registered office is at 28 Chapman Place, Eagle Farm, Queensland 4009, Australia.

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

(b) Statement of Compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board (IASB).

The Company is a for-profit entity. The financial statements were authorised for issue by the Board of Directors on 27 August 2019.

(c) Basis of preparation

These consolidated financial statements:

- comprise the Company and its subsidiaries, together referred to as the "Group", for the reporting period ended 30 June 2019;
- have been prepared on a going concern basis using historical cost conventions;
- are presented 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;
- 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.

Financial statements of subsidiaries are prepared using consistent accounting policies.

This note sets out details of accounting policies which aid the understanding of the financial statements as a whole. Accounting policies which are specific to a particular income, expense or account balance are described in the note to which that policy relates.

(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 subsidiaries 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.

(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. The functional currency of each subsidiary is provided in Note 22.

(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.

1. Significant accounting policies (continued)

(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 Net Investment within 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 is included in the following notes:

- Recognition of deferred tax assets and availability of future taxable profits against which carry forward tax losses and timing differences can be used (Note 8);
- Recoverability of trade and other receivables (Note 9);
- Estimation of net realisable value and possible obsolescence of inventories (Note 10);
- Recoverability of goodwill and unidentified other intangible assets (Note 12);
- Recoverability of other intangible assets (Note 13); and
- Fair values of assets and liabilities of acquired businesses (Note 4).

(f) Revenue recognition

(i) Sale of goods and services

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.

(g) Financial Instruments

(i) Non-derivative financial instruments: Recognition, Measurement, Classification and De-recognition

Non-derivative financial assets are classified into the following categories: (a) cash and cash equivalents and (b) trade and other receivables. Non-derivative financial liabilities are classified into the following categories: (a) trade and other payables and (b) borrowings.

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instruments. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through the profit and loss (FVTPL), transaction costs attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

1. Significant accounting policies (continued)

On initial recognition a financial asset is classified as measured at amortised cost, fair value through other comprehensive income (FVOCI) or FVTPL. A financial asset is measured at amortised cost if it meets both of the following conditions and not designated as FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows;
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group classifies and measures financial assets it has recognised at amortised cost. These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Financial assets are derecognised when the contractual rights to cash flows from the financial asset expire or when the financial asset and all the substantial risks and benefits are transferred. Financial liabilities are derecognised when they are extinguished, discharged cancelled or they expire. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid is recognised in profit or loss.

(ii) Derivative financial instruments

The Group may hold derivative instruments to hedge its foreign currency risk exposures. Derivatives are initially measured at fair value; any directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, any changes therein are generally recognised in profit or loss.

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and accumulated in the hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. The amount accumulated in equity is retained in other comprehensive income and reclassified to profit or loss in the same period or periods during which the hedged forecast cash flows affect profit or loss or the hedged item affects profit or loss.

(h) Operating leases

Operating lease payments for leases of assets where substantially all of the risks and benefits of ownership remain with the lessor are recognised in the profit and loss account on a straight-line basis over the term of the lease. Assets that are subject of operating leases are not recognised in the Group's Statement of Financial Position.

(i) Goods and services tax (GST) - Australia

Revenues, expenses and assets are recognised net of the amount of GST except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the item of expense. Receivables and payables in the statement of financial position are shown inclusive of GST. Cash flows are presented on a gross basis. The GST components arising from investing and financing activities are presented as operating activities. Any commitments are disclosed net of GST.

(j) New accounting standards, interpretations and amendments adopted by the Group

The accounting policies and methods of computation applied by the Group in this 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 new accounting standards with initial application from 1 July 2018.

In this 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

1. Significant accounting policies (continued)

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

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

AASB 15 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.

AASB 15 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.

AASB 15 requires entities to exercise judgement, taking into consideration all relevant facts and circumstances when applying each step of the model to contracts with customers. AASB 15 also specifies the accounting for incremental costs of obtaining a contract and the costs directly related to fulfilling the contract.

The Group adopted AASB 15 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.

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.

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.

New accounting standards, interpretations and amendments not yet adopted by the Group

The following standard has been published and is mandatory for the Group's accounting periods beginning on 1 July 2019. The Group has elected to not early adopt this standard.

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 using the modified retrospective transition approach with no restatement of comparatives. 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 corresponding liability will be recognised for lease payment obligations and will be accounted for as financial liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

1. Significant accounting policies (continued)

The Group has reviewed its current operating leases which are predominantly leases of property (office buildings, manufacturing and warehousing facilities) and equipment. Many of the property leases have options to extend beyond the current committed lease term. Lease payments relating to optional extension periods will be included in the lease liability for periods beyond 1 July 2019 only if it is reasonably certain to exercise these extension options. On application of the standard, the Group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

As at the reporting date, the Group has non-cancellable operating lease commitments of $123.3 million as disclosed in Note 23. On adoption, AASB 16 will have a significant impact on the Group's statement of financial position and statement of profit and loss.

Based on the information currently available, the Group has developed a model to calculate the estimated quantitative effect of current lease arrangements under AASB 16 as at 1 July 2019, being the date of adoption. As a result of the calculations, Management expect that there will be a material impact across the following line items in the statement of financial position:

- Recognition of lease liabilities: estimated range of $120 million to $130 million for the present value of the lease liability
- Recognition of right-of-use assets: estimated range of $120 million to $130 million for the corresponding right-of-use asset

The nature of expenses related to those leases will change from an operating expense (recognised within Cost of Sales, Warehousing and Administration expenses) of approximately $15 million to recognition in FY2020 of a depreciation charge for right-of-use assets of approximately $11 million and interest expense on outstanding lease liabilities of approximately $4 million based on the Group's current lease portfolio. The Group's net profit after tax is not expected to be materially impacted over the duration of the leases by applying AASB 16.

The model requires management to make some key judgements including the incremental borrowing rate used to discount lease assets and liabilities and the lease term including potential rights and options for renewals. Current estimates are likely to change at time of adoption and for the period ending 30 June 2020, mainly due to changes in incremental borrowing rates, changes in management's judgement to exercise rights of renewals under lease arrangements, changes to existing lease contracts and new lease contracts entered into by the Group.

The Group does not expect the adoption of AASB 16 to impact its ability to comply with financial covenants contained in the syndicated facility agreement described in Note 15.

2. Segment reporting

Segment information is presented in a manner which is consistent with the internal reporting to the Group 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 regionally based segments are based on geographical operation of the business and comprise:

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

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

For the year ended 30 June 2019

2. Segment reporting (continued)

	Asia Pacific		Americas		EMEA		Corporate /Other		Elimination		Total	
	2019 $000	2018 $000	2019 $000	2018 $000	2019 $000	2018 $000	2019 $000	2018 $000	2019 $000	2018 $000	2019 $000	2018 $000
Revenue												
From external customers	142,607	134,955	650,788	557,597	310,562	76,828	–	–	–	–	1,103,957	769,380
From other segments	106,512	97,010	3,107	2,110	50,373	4,303	–	–	(159,992)	(103,423)	–	–
Segment revenues	**249,119**	**231,965**	**653,895**	**559,707**	**360,935**	**81,131**	**–**	**–**	**(159,992)**	**(103,423)**	**1,103,957**	**769,380**
Cost of sales	(176,560)	(154,482)	(420,212)	(346,557)	(201,738)	(54,797)	–	–	159,992	103,423	(638,518)	(452,413)
Gross profit	**72,559**	**77,483**	**233,683**	**213,150**	**159,197**	**26,334**	**–**	**–**	**–**	**–**	**465,439**	**316,967**
Other income	4,116	2,166	83	6,897	88	129	2,816	1,690	–	–	7,103	10,882
Product development expenses	(4,750)	(4,306)	(12,433)	(11,634)	(1,760)	(1,781)	–	–	–	–	(18,943)	(17,721)
Selling and marketing expenses	(18,489)	(18,465)	(89,544)	(83,080)	(39,983)	(9,694)	(348)	–	–	–	(148,364)	(111,239)
Administration expenses	(13,954)	(13,371)	(43,816)	(38,502)	(40,010)	(9,439)	(7,076)	(22,810)	–	–	(104,856)	(84,122)
Other expenses	(651)	(388)	(24)	(3,152)	(547)	(127)	5	–	–	–	(1,217)	(3,667)
Segment operating profit/(loss)	**38,831**	**43,119**	**87,949**	**83,679**	**76,985**	**5,422**	**(4,603)**	**(21,120)**	**–**	**–**	**199,162**	**111,100**
Segment assets	**318,381**	**252,065**	**720,906**	**644,425**	**1,112,727**	**1,124,374**	**1,329,122**	**1,505,703**	**(1,404,776)**	**(1,340,623)**	**2,076,360**	**2,185,944**
Segment liabilities	**108,639**	**50,501**	**90,810**	**821,666**	**57,906**	**88,714**	**1,817,282**	**1,241,667**	**(1,404,776)**	**(1,340,623)**	**669,861**	**861,925**
EBITDA	48,134	52,375	102,472	95,449	95,824	8,251	(3,903)	(20,711)	–	–	242,527	135,364
Depreciation of property plant and equipment	(8,799)	(9,094)	(10,077)	(8,693)	(18,187)	(2,831)	(39)	(59)	–	–	(37,102)	(20,677)
Amortisation of intangible assets	(505)	(162)	(4,445)	(3,077)	(654)	–	(659)	(348)	–	–	(6,263)	(3,582)
Finance income	8	25	–	–	25	7	304	85	–	–	337	117
Finance costs	(5)	–	(11,114)	(1,262)	(148)	(270)	(11,494)	(10,379)	–	–	(22,761)	(11,911)
Income tax expense	(11,409)	(13,140)	583	(6,754)	(23,330)	(1,294)	(9,565)	(12,127)	–	–	(43,721)	(33,315)
Additions to property plant and equipment	4,438	9,740	23,248	22,942	21,820	2,327	2,692	2,392	–	–	52,198	37,401
Non-current assets excluding other financial assets and deferred tax assets	127,552	132,130	416,231	360,342	969,501	969,006	4,889	3,862	–	–	1,518,173	1,465,340

Notes:

Goodwill and intangibles assets recognised on the acquisition of John Guest Holdings Limited have been allocated to the relevant cash generating units.
Comparative balances have been restated to reflect the final purchase price accounting for the John Guest acquisition. Refer to Note 4.
EBITDA is operating profit before interest, tax, depreciation and amortisation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

3. Revenue

The major products from which the aforementioned segments derive revenue 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 year ended 30 June 2019 is:

	2019 $000	2018 $000
Fittings and pipe	812,110	518,866
Control valves	115,336	106,825
Thermostatics	30,806	29,987
Other Products	145,705	113,702
	1,103,957	**769,380**

The Group had two significant customers each representing greater than 10% of the Group's revenue in the 2019 financial year. Both customers are in the Americas segment and contributed a combined $307.8 million of the Group's revenue in the financial year.

Revenue by geography	2019 $000	2018 $000
Australia	120,197	126,802
United States of America	609,772	526,923
United Kingdom	254,254	71,147
Other	119,734	44,508
	1,103,957	**769,380**

4 Business Combinations

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, as reported in the 31 December 2018 interim financial report.

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".

4 Business Combinations (continued)

The valuation techniques used for measuring the final fair value of material assets acquired for Property, plant and equipment, intangible assets and inventories were as disclosed at 30 June 2018 when fair values were provisionally accounted for.

There was no material impact on 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	60,107	60,107
Inventories	31,220	31,220
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**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

5. Other income

	2019 $000	2018 $000
Other income	7,103	10,882

Other income in 2018 included insurance recoveries of $5.3m associated with storm damage at manufacturing facilities in Cullman, Alabama (USA).

6. Finance income and finance costs

The Group's finance income and finance costs include:

- Interest income
- Interest expense

The Group records interest income and accrues interest expense for amounts receivable and payable at reporting date. Interest income is recognised in the income statement on an accrual basis, using the effective interest method.

	2019 $000	2018 $000
Interest income from cash and cash equivalents	337	117
Interest and borrowing expenses	(22,761)	(11,911)

7. Earnings per share

(a) Basic earnings per share

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

	2019 $000	2018 $000
Profit attributable to ordinary shareholders	133,017	65,991

	Number of shares 2019	Number of shares 2018
Weighted average number of ordinary shares at 30 June (basic)		
- Issued ordinary shares (weighted average)	790,094,765	541,437,841
- Treasury shares (weighted average)	(5,563,944)	(3,366,737)
	784,530,821	538,071,104

	cents	cents
Basic earnings per share	**17.0**	**12.3**

7. Earnings per share (continued)

(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.

	2019 $000	2018 $000
Profit attributable to ordinary shareholders	133,017	65,991
Changes in earnings arising from dilutive potential ordinary shares	–	–
	133,017	65,991

	Number of shares 2019	Number of shares 2018
Weighted average number of ordinary shares at 30 June (diluted)		
- Issued ordinary shares (weighted average)	790,094,765	541,437,841
- Effect of share options on issue	5,307,190	5,307,190
- Treasury shares (weighted average)	(5,563,944)	(3,366,737)
	789,838,011	543,378,294

	cents	cents
Diluted earnings per share	**16.8**	**12.1**

8. Income tax expense

Income tax expense comprises current and deferred tax. It is recognised in the consolidated Statement of Profit or Loss and Other Comprehensive Income except to the extent that it relates to a business combination or items recognised directly in equity.

(i) Current tax

The tax currently payable is based on taxable profit for the reporting period. Taxable profit differs from profit before tax as reported in the Consolidated Statement of Profit or Loss and Other Comprehensive Income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

(ii) Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated Financial Statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse using tax rates enacted or substantively enacted at the reporting period. The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and tax liabilities on a net basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

8. Income tax expense (continued)

(iii) Australian tax consolidated group

The Company and its Australian incorporated wholly owned subsidiaries have formed a tax consolidated group with effect from 3 May 2016 whereby the members of that group are taxed as a single entity. The head entity of the tax consolidated group is Reliance Worldwide Corporation Limited. The head entity and each subsidiary member of the tax consolidated group is party to a Tax Sharing Agreement and a Tax Funding Agreement whereby each member of that group is only liable for its contribution amount calculated in accordance with the Agreement rather than being jointly and severally liable for group tax liabilities. At 30 June 2019, the Australian Tax Consolidated Group has $5.8 million (2018: $15.5 million) franking credits available for subsequent reporting periods.

(iv) Estimates and judgements

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the Group's provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

(a) Reconciliation of prima facie tax expense to income tax expense recognised in the consolidated income statement

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 profit and loss are as follows:

	2019 $000	2018 $000
Profit before income tax	176,738	99,306
Prima facie income tax expense at 30%	(53,021)	(29,792)
Tax effect of items which (increase)/decrease tax expense:		
Effect of tax rates in foreign jurisdictions	9,734	(1,555)
Tax effect of amounts which are not deductible/(assessable) in calculating taxable income:		
Other non-deductible expenses	(1,669)	(1,473)
Re-measurement of deferred tax balances from US tax reforms	–	1,553
Changes in estimates related to prior years	3,788	(1,208)
Employee share incentive scheme	(1,125)	(850)
Other	(1,428)	10
Actual income tax expense reported in the consolidated statement of profit or loss	**(43,721)**	**(33,315)**

(b) Components of income tax:

	2019 $000	2018 $000
Current tax	(41,832)	(28,939)
Deferred tax	(1,889)	(4,376)
	(43,721)	**(33,315)**

8. Income tax expense (continued)

(c) Deferred tax balances

2019	Opening Balance $000	Recognised in Profit or loss $000	Foreign Exchange $000	Closing Balance $000
Deferred tax assets				
Employee benefits	2,888	271	56	3,215
Other provisions and accruals	5,561	65	239	5,865
IPO costs deductible in future periods	2,416	(1,208)	–	1,208
Other items giving rise to deferred tax assets	7,145	(2,524)	469	5,090
Total	**18,010**	**(3,396)**	**764**	**15,378**
Deferred tax liabilities				
Property, plant and equipment	(10,092)	(1,136)	(330)	(11,558)
Unrealised foreign exchange movements	(5,913)	11,849	(9,259)	(3,323)
Other items giving rise to a deferred tax liability	(605)	(9,206)	(301)	(10,112)
Total	**(16,610)**	**1,507**	**(9,890)**	**(24,993)**

2018	Opening Balance $000	Recognised in Profit and loss $000	Foreign Exchange $000	Closing Balance $000
Deferred tax assets				
Employee benefits	2,907	(19)	–	2,888
Other provisions and accruals	7,055	(1,494)	–	5,561
IPO costs deductible in future periods	3,625	(1,209)	–	2,416
Other items giving rise to deferred tax assets	4,705	2,440	–	7,145
Total	**18,292**	**(282)**		**18,010**
Deferred tax liabilities				
Property, plant and equipment	(11,565)	1,473	–	(10,092)
Unrealised foreign exchange movements	(364)	(5,549)	–	(5,913)
Other items giving rise to a deferred tax liability	(587)	(18)	–	(605)
Total	**(12,516)**	**(4,094)**	**–**	**(16,610)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

9. Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently at amortised cost less any provision for doubtful debts.

Trade receivables are generally due for settlement within 30 days, depending on the nature of the transaction and in line with industry practice. Collectability of trade receivables is reviewed on an ongoing basis. The carrying amount of trade receivables is reduced through the use of an allowance account and the amount of the loss is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

	2019 $000	2018 $000
Trade debtors	222,395	195,652
Less: provision for doubtful debts	(103)	(92)
	222,292	195,560
Other debtors	9,964	9,356
	232,256	**204,916**

At 30 June, the ageing of trade and other receivables that were not impaired is as follows:

	2019 $000	2018 $000
Neither past due nor impaired	197,534	185,682
Past due 1 to 30 days	22,119	17,727
Past due 31 to 90 days	9,281	1,051
Over 90 days	3,322	456
Total	**232,256**	**204,916**

10. Inventories

Inventories are measured at the lower of cost and net realisable value. Cost includes all expenses directly attributable to the manufacturing process as well as an appropriate portion of related fixed and variable production overheads, based on normal operating capacity. Costs are assigned on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and any applicable selling expenses.

	2019 $000	2018 $000
At cost		
Raw materials and stores	96,153	84,453
Work in progress	25,540	29,165
Finished goods	117,355	96,508
	239,048	210,126
Less: provision for diminution	(9,958)	(7,486)
	229,090	**202,640**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

11. Property, plant and equipment

(i) Recognition and measurement

Each class of property, plant and equipment is measured at cost less, where applicable, accumulated depreciation and impairment losses. Any gain or loss on disposal of an item of property, plant and equipment is included in the Statement of Profit or Loss and Other Comprehensive Income.

(ii) Subsequent expenditure

Subsequent expenditure is only capitalised when it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is recognised so as to write off the cost of property, plant and equipment (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The estimated useful lives of property, plant and equipment are as follows:

- Buildings 20 - 40 years
- Leasehold improvements 5 - 40 years
- Plant and equipment 3 - 20 years

Property, plant and equipment are tested for impairment. Any impairment losses are recognised in the statement of profit or loss and other comprehensive income.

	2019 $000	2018[1] $000
Carrying amounts of:		
Freehold land	215	204
Buildings	97,111	91,761
Leasehold improvements	5,255	4,274
Plant and equipment	186,908	172,278
	289,489	**268,517**

1. Comparative balances have been restated to reflect the final purchase price accounting for the John Guest acquisition. Refer Note 4.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

11. Property, plant and equipment (continued)

	Freehold Land		Buildings		Leasehold Improvements		Plant and Equipment[1]		Total	
	2019 $000	2018 $000	2019 $000	2018 $000	2019 $000	2018 $000	2019 $000	2018 $000	2019 $000	2018 $000
Cost										
Opening balance	204	197	99,723	22,229	6,200	5,569	285,873	185,140	392,000	213,135
Transfers	–	–	(3,192)	–	3,192	–	–	–	–	–
Acquired as part of business combinations[2]	–	–	–	73,555	–	(81)	–	67,055	–	140,529
Additions[1]	–	–	8,914	86	4	334	43,280	36,981	52,198	37,401
Disposals	–	–	(272)	–	(909)	(35)	(12,791)	(4,473)	(13,972)	(4,508)
Net effect of change in exchange rates	11	7	2,931	3,853	281	413	9,042	1,170	12,265	5,443
Closing balance at 30 June	215	204	108,104	99,723	8,768	6,200	325,404	285,873	442,491	392,000
Accumulated depreciation and impairment										
Opening balance	–	–	(7,962)	(3,867)	(3,426)	(2,517)	(112,095)	(95,242)	(123,483)	(101,626)
Depreciation expense	–	–	(2,163)	(812)	(832)	(875)	(34,107)	(18,990)	(37,102)	(20,677)
Impairment	–	–	–	(4,308)	–	–	–	–	–	(4,308)
Disposals	–	–	21	1,163	899	32	11,495	3,314	12,415	4,509
Net effect of change in exchange rates	–	–	(889)	(138)	(154)	(66)	(3,789)	(1,177)	(4,832)	(1,381)
Closing balance at 30 June	–	–	(10,993)	(7,962)	(3,513)	(3,426)	(138,496)	(112,095)	(153,002)	(123,483)
Net carrying value at 30 June	**215**	**204**	**97,111**	**91,761**	**5,255**	**2,774**	**186,908**	**173,778**	**289,489**	**268,517**

1. The asset category includes capitalised amounts for assets which are under construction or not installed ready for use and are not depreciated. At 30 June 2019, this amount is $26.4 million (2018: $24.6 million).
2. Comparative balances have been restated to reflect the final purchase price accounting for the John Guest acquisition. Refer to Note 4.

12. Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired entity at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is not amortised. Instead, it is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

	2019 $000	2018[1] $000
Opening balance	888,016	86,857
Acquired – Note 4	–	793,724
Foreign currency exchange differences	13,412	7,435
Carrying value	**901,428**	**888,016**

For the purpose of undertaking impairment testing, the Group has identified its cash generating units (CGUs). These are the smallest group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. This assessment has been determined by considering operating segments and areas of operation.

The total carrying value of goodwill at balance sheet date is $901.4 million. This has been allocated to the Asia Pacific, Americas and EMEA operating segments based on which CGUs are expected to benefit from the relevant business combinations.

	Asia Pacific $000	Americas $000	EMEA $000	Total $000
John Guest acquisition	40,563	162,251	608,440	811,254
Holdrite acquisition	–	45,607	–	45,607
Pre IPO-acquisitions	44,567	–	–	44,567
Total	**85,130**	**207,858**	**608,440**	**901,428**

Goodwill in respect of the Asia Pacific, Americas and EMEA CGUs has been tested for impairment. The Company has assessed this goodwill and determined it is recoverable. The recoverable amount of the Group's CGUs has been assessed utilising value in use methodologies. The value in use assessment at 30 June 2019 was established using a discounted cash flow model which included the following key assumptions:

- A 5-year forecast period with cash flow projections based on approved operating budgets.
- After tax discount rates ranging from 7.75% to 8.75%, based on cost of capital and business risk assessments
- Average revenue growth rate of 2.0% in Asia Pacific, 6.0% in Americas and 5% for EMEA based on business assessments.
- Terminal period growth rates ranging from 1.5% to 3.0% based on business assessments.

The value in use calculations are sensitive to changes in the above assumptions. The value in use will vary depending on the assumptions and forecast data used in the impairment testing. Management performed sensitivity analysis to examine the effect of a change in assumptions on the goodwill attributed to the operating segments. Based on current economic conditions and Cash Generating Unit ("CGU") performances there are no reasonably possible changes to key assumptions used in determination of CGU recoverable amounts that would result in a material impairment to the Group.

1. Comparative balances have been restated to reflect the final purchase price accounting for the John Guest acquisition. Refer to Note 4.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

13. Other intangible assets

Reliance has intellectual property protection worldwide with over 1,500 trademark registrations, industrial designs and patents and actively manages its intellectual property rights.

(i) Intellectual property and licence fees

Intellectual property consists of technical drawings and certifications and is recorded at cost less accumulated amortisation and any accumulated impairment losses. License fees relate to the accounting and reporting platform being implemented throughout the Group. Intellectual property and license fees are amortised on a straight-line basis over a period of ten years.

(ii) Brand Names, Trade Names and trademarks

Brand names, Trade names and trademarks are registered names, symbols, words or other devices used in trade to indicate the source of a product and distinguish it from other products. Brand names, trade names and trademarks do not have finite useful lives and are not amortised.

(iii) Product technology

Technology based intangible assets relate to innovations or technological advances, such as patented technology. Technology based intangible assets are amortised on a straight line basis over a period of up to twenty years.

(iv) Customer relationships and distribution agreements

Customer relationship based intangibles assets relate to established customer relationships and distribution agreements for the supply of product. The intangible asset is amortised on a straight line basis over a period up to twenty years.

(v) Research and development

Research costs are charged to the profit or loss account as incurred. Development expenditure is only capitalised if it can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in the profit and loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses. The amortisation of development expenditure is allocated to other expenses as inventory is sold.

	Intellectual Property, Trade Names, Brand Names and Trademarks		Product Technology		Customer Relationships		Licence Fees, Software and Other		Total	
	2019	2018	2019	2018	2019	2018[1]	2019	2018	2019	2018[1]
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Cost										
Opening balance	248,211	27,009	29,286	28,007	28,694	10,617	11,038	9,256	317,229	74,889
Acquired – Note 4	–	214,687	–	–	–	17,393	–	–	–	232,080
Additions	4,216	–	–	–	–	–	13,163	998	17,379	998
Disposals	–	–	–	–	–	–	(287)	–	(287)	–
Foreign exchange	5,133	6,515	1,576	1,279	726	684	494	784	7,929	9,262
Closing balance	257,560	248,211	30,862	29,286	29,420	28,694	24,408	11,038	342,250	317,229
Accumulated Amortisation										
Opening balance	(728)	(464)	(1,684)	–	(636)	–	(5,374)	(4,033)	(8,422)	(4,497)
Amortisation	(892)	(422)	(1,684)	(1,608)	(1,450)	(491)	(2,237)	(1,061)	(6,263)	(3,582)
Disposals	–	–	–	–	–	–	183	–	183	–
Foreign exchange	(55)	158	(121)	(76)	(33)	(145)	(283)	(280)	(492)	(343)
Closing balance	(1,675)	(728)	(3,489)	(1,684)	(2,119)	(636)	(7,711)	(5,374)	(14,994)	(8,422)
Carrying Value	**255,885**	**247,483**	**27,373**	**27,602**	**27,301**	**28,058**	**16,697**	**5,664**	**327,256**	**308,807**

1. Comparative balances have been restated to reflect the final purchase price accounting for the John Guest acquisition. Refer to Note 4.

14. Trade and other payables

	2019 $000	2018 $000
Current:		
Trade payables	63,179	61,089
Other creditors, accruals and provision for employee bonuses	68,794	106,589
	131,973	**167,678**

15. Borrowings

		Current		Non-current		Total
	2019 $000	2018 $000	2019 $000	2018 $000	2019 $000	2018 $000
Secured:						
Bank Overdraft	–	–	–	–	–	–
Borrowings	–	2,675	495,886	659,670	495,886	662,345
Total secured borrowings	**–**	**2,675**	**495,886**	**659,670**	**495,886**	**662,345**

The Company and certain of its subsidiaries are parties to a $750 million syndicated facility agreement (30 June 2018 - $750 million) 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 Facilities contain 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 Reliance Worldwide Corporation Holdings (UK) Limited (formerly John Guest Holdings Limited) which are not incorporated in the United Kingdom (refer Note 22) 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 Underfloor Heating Limited (formerly 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 Reliance Worldwide Corporation Holdings (UK) Limited and its rights under the acquisition agreement entered into in connection with the acquisition of Reliance Worldwide Corporation Holdings (UK) 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.

During June 2019, Reliance Worldwide Corporation (UK) Limited, a subsidiary company, entered into a GBP 15 million overdraft facility which is secured by a guarantee provided by the Company. None of the facility had been drawn as at 30 June 2019.

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For the year ended 30 June 2019

15. Borrowings (continued)

Changes in liabilities arising from financing activities

The table below shows cash and non-cash changes in borrowings for which cash flows were, or will be, classified as financing activities in the Consolidated Statement of Cash Flows.

	Current		Non-current		Total	
	2019 $000	2018 $000	2019 $000	2018 $000	2019 $000	2018 $000
Opening Balance	**2,675**	**423**	**659,670**	**260,539**	**662,345**	**260,962**
Changes from financing cash flows						
Proceeds from drawdowns on Facility	–	–	95,392	705,670	95,392	705,670
Repayments of Facility	(2,704)	(423)	(279,018)	(353,173)	(281,722)	(353,596)
Interest paid	(22,761)	(11,911)	–	–	(22,761)	(11,911)
Total changes from financing cash flows	**(25,465)**	**(12,334)**	**(183,626)**	**352,497**	**(209,091)**	**340,163**
Other non-cash changes						
Borrowings acquired (Note 4)	–	–	–	32,127	–	32,127
Transfers	–	2,675	–	(2,675)	–	–
Interest expense	22,761	11,911	–	–	22,761	11,911
Other including foreign exchange movement	29	–	19,842	17,182	19,871	17,182
Closing balance	**–**	**2,675**	**495,886**	**659,670**	**495,886**	**662,345**

16. Employee benefits provision

Short and long term employee benefits

A liability is recognised for benefits accruing to employees in respect of leave entitlements in the period the related service is rendered. Liabilities recognised in respect of short-term employee benefits are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Liabilities recognised in respect of long-term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Current:

Current employee entitlements include benefits for wages, salaries and annual leave that are expected to be settled within twelve months of the reporting date. The amounts represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted rates based on current remuneration and wage rates including related on-costs such as workers compensation, insurance and payroll tax.

Non-Current:

Non-current employee entitlements include leave benefits that employees have earned in return for their continued service, pursuant to the Legislation and Regulations in the relevant jurisdictions. The entitlement is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates and is discounted back to present value.

16. Employee benefits provision (continued)

	Current		Non-current		Total	
	2019 $000	2018 $000	2019 $000	2018 $000	2019 $000	2018 $000
Employee entitlements						
Opening balance	6,657	5,833	4,979	4,084	11,636	9,917
Acquired	36	1,749	–	–	36	1,749
Charged to profit or loss	4,994	4,402	768	1,107	5,762	5,509
Paid during the period	(4,396)	(4,908)	(326)	(771)	(4,722)	(5,679)
Foreign currency exchange differences	150	140	–	–	150	140
Reclassification	27	(559)	(27)	559	–	–
Closing balance	**7,468**	**6,657**	**5,394**	**4,979**	**12,862**	**11,636**

17. Employee benefits expense

(i) Retirement benefits costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees render the service entitling them to the contributions.

(ii) Termination benefits

A liability for a termination benefit is recognised at the earlier of when the Group can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

(iii) Share based payments

The fair value of equity settled share-based payment awards granted to employees is recognised as an expense with a corresponding increase in equity over the vesting period of the grant.

Employee benefits expenses recognised in the profit or loss account are:

	2019 $000	2018 $000
Wages and salaries	200,181	103,468
Employee leave entitlements	5,762	5,645
Workers compensation premiums	791	951
Superannuation contributions	10,055	5,511
Payroll related taxes	7,518	5,211
Contract labour	10,715	8,889
Share based payment expense	5,257	2,834
Other payroll related expenses	331	546
	240,610	**133,055**
Recovered in costs of goods sold	(64,950)	(23,618)
	175,660	**109,437**

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For the year ended 30 June 2019

18. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions and other investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Bank overdrafts are repayable on demand and any bank overdraft is included as a component of cash and cash equivalents in the balance sheet.

(a) Reconciliation of cash

For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the Consolidated Statement of Cash Flows can be reconciled to the related items in the Statement of Financial Position as follows:

		2019 $000	2018 $000
Cash on hand and at bank comprises:			
AUD	Australian dollar	16,043	157,510
USD	United States dollar	21,913	57,558
GBP	Pound Sterling	15,922	43,640
EUR	Euro	10,034	11,358
NZD	New Zealand dollar	1,679	643
CAD	Canadian dollar	2,050	1,861
KRW	South Korean Won	726	1,085
PLN	Polish Zloty	19	231
CZK	Czech Koruna	706	445
ILS	Israeli Shekel	187	-
		69,279	274,331
Cash and cash equivalents in the Consolidated Statement of Cash Flows		**69,279**	**274,331**

(b) Reconciliation of cash flow from operations with profit from operations after income tax

	2019 $000	2018 $000
Profit/(loss) from operations after income tax	**133,017**	**65,991**
Depreciation expense	37,102	20,677
Amortisation expense	6,263	3,582
(Profit)/loss on disposal of non-current assets	1,403	(194)
Share based payments	5,257	2,834
Provision for impairment – trade debtors	11	(103)
Provision for obsolescence – inventory	2,472	2,119
Transaction costs accounted for as investing cash flows	–	17,501
Interest expense accounted for as financing cash flows	22,761	11,911
Interest income accounted for as financing cash flows	(337)	(117)
Changes in operating assets and liabilities:		
Trade and other receivables	(27,351)	(25,383)
Inventories	(28,922)	(6,546)
Prepayments	1,685	(6,922)
Trade and other payables	(36,905)	57
Tax balances	18,344	(5,577)
Employee entitlements	1,226	256
Net cash from operating activities	**136,026**	**80,086**

19. Share Capital

Share capital

	Number of shares			Company
	2019 Number	2018 Number	2019 $	2018 $
Ordinary shares				
Opening balance	790,094,765	525,000,000	2,336,617,934	1,261,370,989
Issued during the year	–	265,094,765	–	1,100,143,275
Capital raising costs incurred net of recognised tax benefit	–	–	(47,604)	(16,312,337)
Treasury shares (Note 20)	–	–	(7,443,733)	(8,583,993)
Total	**790,094,765**	**790,094,765**	**2,329,126,597**	**2,336,617,934**

Holders of ordinary shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

20. Share based payments

The Company has established an Equity Incentive Plan (“**Plan**”) to assist in the motivation, retention and reward of eligible executives. The Plan is designed to align the interests of employees with the interests of shareholders by providing an opportunity for eligible employees to receive an equity interest in the Company. The Plan provides flexibility for the Company to grant rights, options and/or restricted shares as incentives, subject to the terms of individual offers and the satisfaction of performance conditions determined by the Board from time to time.

Options

The Company has granted 5,307,190 (30 June 2018 – 5,307,190) options under the Plan. Further details on the terms and conditions of the options granted are provided in the Remuneration Report. Each option provides an entitlement to acquire an ordinary share in Reliance Worldwide Corporation Limited upon payment of the exercise price and meeting certain vesting criteria. These options are equity settled. The Company has not granted any other options.

Rights to Shares

The Board has approved that nominated, eligible executives and employees be invited to participate in the Plan. Participants are granted rights to be awarded fully paid ordinary shares in the Company (“**Rights**”) in accordance with the rules of the Plan and subject to the offer terms (“**Offer**”). An Offer constitutes a long-term incentive component of the participant’s remuneration from the grant date until the end of the vesting period.

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20. Share based payments (continued)

At 30 June 2019, the number of unvested Rights which had been granted by the Company to all participants was 6,276,939 (30 June 2018 – 3,295,730) with the following vesting dates:

	Number of Rights
Granted and unvested at 30 June 2018	**3,295,730**
Granted during FY2019 with the following vesting dates:	
27 August 2023	1,825,800
30 October 2023	987,800
14 November 2023	20,000
31 December 2023	178,000
9 April 2024	98,000
6 May 2024	58,600
13 May 2024	70,700
Total granted during FY2019	3,238,900
Forfeited or Cancelled	(257,691)
Unvested at 30 June 2019	**6,276,939**

Vesting conditions for all grants of Rights include a continuous service period. In addition, 1,810,220 granted Rights are also subject to performance conditions to be eligible to vest. Details of these conditions are contained in the Remuneration Report. No Rights vested during the reporting period or have subsequently vested.

Unless the Board determines otherwise, if a participant ceases employment with the Group prior to the vesting date and any of the following has occurred then a pro rata portion of unvested Rights will remain on foot and vest in the ordinary course as though the participant had not ceased employment:

- The participant's employment is terminated by the Company without cause; or
- The participant terminates employment for good reason.

The remainder of the Rights will lapse.

The Company has established a subsidiary, Reliance Employee Share Investments Pty Ltd ("Trustee") to act as trustee of the Reliance Employee Share Investments Trust. The Trustee will acquire Reliance shares on-market on behalf of the Trust to meet any obligations to deliver shares to a participant who satisfies the vesting conditions. During the reporting period the Trustee, on behalf of the Trust, acquired 2,000,000 shares at an average price of $3.72 per share. The total number of shares held in the Trust at 30 June 2019 was 7,389,834. The cost of the shares acquired is accounted for as Treasury Shares and debited against Share Capital (Note 19).

Restricted Shares

The Company offered 680,272 restricted shares to Gerry Bollman, Group Chief Financial Officer, upon commencement of his employment with the Group. Further details on the terms and conditions of the restricted shares are provided in the Remuneration Report.

21. Reserves

Reserves

	2019 $000	2018 $000
Foreign currency translation reserve:		
Opening balance	15,099	(4,778)
Movement resulting from translation of financial statements of foreign subsidiaries net of tax impacts	6,627	19,877
	21,726	15,099
Merger reserve:		
Opening balance	(1,100,943)	(1,100,943)
	(1,100,943)	(1,100,943)
Share based payments reserve:		
Opening balance	3,666	832
Share based payments expense	5,257	2,834
	8,923	3,666
Hedging reserve		
Opening balance	(10,767)	–
Hedging loss during the year	–	(10,767)
	(10,767)	(10,767)
Total reserves	**(1,081,061)**	**(1,092,945)**

(a) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations and the translation of foreign currency monetary items forming part of a net investment in a foreign operation.

(b) Merger reserve

The Company, through a wholly owned subsidiary, acquired the entities that carry on the operations of Reliance Worldwide Corporation in April and May 2016 ("Restructure"). The Directors elected to account for the effect of the Restructure as a common control transaction in accordance with the provisions of *AASB 3: Business Combinations*. Consequently, the net assets acquired were recorded at the carrying values that existed at the time of the transaction. The excess consideration over book value at acquisition date is recorded in the Merger reserve.

(c) Share based payments reserve

The share based payments reserve is used to record the value of share based payments provided to employees, including Key Management Personnel, as part of their remuneration.

(d) Hedging reserve

The hedging reserve records the effective portion of the cumulative change in the fair value of the hedging instruments used in cash flow hedges.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

22. Group entities

Reliance Worldwide Corporation Limited was incorporated on 19 February 2016 and is the parent, and ultimate controlling entity of the Group. The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policies described in Note 1.

Name of Entity	Country of Incorporation	Class of Shares	Equity Holding 2019	Equity Holding 2018	Functional Currency
Reliance Worldwide Group Holdings Pty Ltd	Australia	Ordinary	100%	100%	AUD
Reliance Worldwide Corporation (Aust.) Pty Ltd	Australia	Ordinary	100%	100%	AUD
Reliance Worldwide Pty Ltd	Australia	Ordinary	100%	100%	AUD
Reliance Employee Share Investments Pty Ltd	Australia	Ordinary	100%	100%	AUD
Reliance Worldwide Holdings (NZ) Limited	New Zealand	Ordinary	100%	100%	NZD
Reliance Worldwide Corporation (NZ) Limited	New Zealand	Ordinary	100%	100%	NZD
Reliance Manufacturing Company (NZ) Limited	New Zealand	Ordinary	100%	100%	NZD
Titon Limited	New Zealand	Ordinary	100%	100%	NZD
Reliance Worldwide Corporation (Canada) Inc	Canada	Ordinary	100%	100%	CAD
Reliance Worldwide Holdings (USA) Corporation	America	Ordinary	100%	100%	USD
Reliance Worldwide Corporation	America	Ordinary	100%	100%	USD
Streamlabs Inc	America	Ordinary	100%	100%	USD
Reliance Worldwide Corporation (Europe) S.L.U.	Spain	Ordinary	100%	100%	Euro
Reliance Worldwide Holdings (UK) Limited	United Kingdom	Ordinary	100%	100%	GBP
Reliance Worldwide Corporation Underfloor Heating Limited[1]	United Kingdom	Ordinary	100%	100%	GBP
Reliance Water Controls Limited	United Kingdom	Ordinary	100%	100%	GBP
Reliance Worldwide Corporation (R.W.C Israel) Ltd	Israel	Ordinary	100%	100%	ILS
Reliance Worldwide Finance Limited	United Kingdom	Ordinary	100%	100%	USD
Reliance Worldwide Holdings (International) LLC	America	Ordinary	100%	100%	USD
Reliance Worldwide Corporation Holdings (UK) Limited[2]	United Kingdom	Ordinary	100%	100%	GBP
John Guest International Ltd	United Kingdom	Ordinary	100%	100%	GBP
John Guest Speedfit Ltd	United Kingdom	Ordinary	100%	100%	GBP
John Guest Engineering Ltd	United Kingdom	Ordinary	100%	100%	GBP
Reliance Worldwide Corporation (UK) Limited[3]	United Kingdom	Ordinary	100%	100%	GBP
John Guest Connectors Ltd	United Kingdom	Ordinary	100%	100%	GBP
John Guest Automotive Ltd	United Kingdom	Ordinary	100%	100%	GBP
John Guest North America Holdings Inc[4]	America	Ordinary	–	100%	USD
John Guest USA Inc[4]	America	Ordinary	–	100%	USD
John Guest Automotive Inc[4]	America	Ordinary	–	100%	USD
John Guest Automotive GmbH	Germany	Ordinary	100%	100%	Euro
John Guest GmbH	Germany	Ordinary	100%	100%	Euro
John Guest SA	France	Ordinary	100%	100%	Euro
John Guest SRL	Italy	Ordinary	100%	100%	Euro
John Guest Pacific Ltd	New Zealand	Ordinary	100%	100%	NZD
John Guest Korea Ltd	Korea	Ordinary	100%	100%	KRW
John Guest (Shanghai) Trading Co. Ltd	China	Ordinary	100%	100%	CNY
John Guest S.L.	Spain	Ordinary	100%	100%	Euro
John Guest Czech S.R.O	Czech Republic	Ordinary	100%	100%	CZK
John Guest Sp zoo	Poland	Ordinary	100%	100%	PLN
John Guest Automotive SRL	Italy	Ordinary	100%	100%	Euro

1. Formerly Reliance Worldwide Corporation (UK) Limited
2. Formerly John Guest Holdings Ltd
3. Formerly John Guest Ltd
4. Merged into the USA subsidiary Reliance Worldwide Corporation on 31 December 2018

23. Expenditure commitments

(a) Non-cancellable operating lease commitments contracted for at balance date but not recognised as liabilities in the financial statements:

	2019 $000	2018 $000
Payable not later than one year	14,747	13,829
Payable later than one year and not later than five years	50,235	44,519
Payable later than five years	58,327	41,504
	123,309	**99,852**

(b) Capital expenditure commitments contracted for at balance date but not provided for in respect of plant and equipment:

	2019 $000	2018 $000
Payable not later than one year	13,512	11,016
Payable later than one year and not later than five years	–	123
	13,512	**11,139**

24. 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 totalling $727,870 (2018: $317,000). During June 2019, the Company also provided a guarantee to secure a GBP 15 million overdraft facility in the UK.

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.

25. Financial risk management

The Group is exposed to a range of financial risks, including market risk (which includes foreign currency risk, interest rate risk and commodity price risk), liquidity risk and credit risk arising from its operating activities. The carrying amounts and estimated fair values of the Group's financial instruments recognised in the financial statements are materially the same.

The Audit and Risk Committee has the primary responsibility of overseeing and reporting to the Board on the Group's risk management systems and strategies. Various strategies and methods are used to manage different types of market risks that the Group is exposed to, including:

Market risk

Group financial performance is largely dependent on activity in the residential and commercial repair and renovation and new construction end-markets. Activities in these end-markets are impacted by changes in general economic conditions such as movements in inflation and interest rates, the level of business spending and consumer confidence and changes to fiscal or monetary policies, legislation and regulation (including plumbing codes). Activities in the repair end-market are also impacted by extreme weather events.

The Group operates in different global regions which diversifies these risks.

Foreign exchange risk

Foreign exchange risk relates to the risk that the fair value of future cash flows of a financial instrument or a highly probable transaction will fluctuate because of changes in foreign exchange rates. The Group is exposed to foreign exchange risk through operating activities (sales and purchases made or derived in currencies other than the functional currency), intercompany financing activities and investment in foreign subsidiaries (which transact in the local currency). The Group does not typically hedge its foreign exchange exposures but may selectively utilise foreign exchange forward contracts to mitigate fluctuations in foreign exchange rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

25. Financial risk management (continued)

The Group's balance sheet exposure of external receivables and payables balances for the major currency exposures at 30 June are set out below in Australian dollar equivalents.

	USD		GBP		EUR	
	2019 $000	2018 $000	2019 $000	2018 $000	2019 $000	2018 $000
Spot exchange rate	0.7027	0.7405	0.5533	0.5607	0.6181	0.6334
Cash	4,218	40,062	33	3,088	1,176	56
Trade and other receivables	3,808	3,344	–	–	625	633
Trade and other payables	(3,964)	(3,435)	(10)	(7)	(3,501)	(4,590)
Interest bearing liabilities	–	–	–	–	–	–
Net external exposure	4,062	39,971	23	3,081	(1,700)	(3,901)

The table below shows the effect on profit after income tax expense and total equity from major currency exposures, had the exchange rates been 5% higher or lower than the year end rate.

	Increase/(decrease) in profit after income tax		Increase/(decrease) in equity	
	2019 $000	2018 $000	2019 $000	2018 $000
At relevant 30 June 2019 rates				
If foreign exchange rate - 5%	114	2,068	114	2,068
If foreign exchange rate + 5%	(125)	(1,871)	(125)	(1,871)

Interest rate risk

The Group is exposed to interest rate risk as it borrows funds at floating rates and interest is received on cash deposits at floating rates. Interest rate risk is the risk that the Group will be adversely affected by movements in floating interest rates that will increase the cost of floating rate debt. If the current interest rate was 1% higher the interest expense for the year would have increased by $4.7 million.

The Group's exposure to interest rate risk on the cash and cash equivalents listed in the Consolidated Statement of Financial Position and the interest bearing borrowings is disclosed in Note 18 and Note 15.

The Group has determined that if interest rates were to increase or decrease by 50 basis points it would have an immaterial impact on the Group's interest income on cash deposits.

Commodity price risk

Commodity price risk is the risk the cost of some key raw material inputs required for the Group's products are correlated with the underlying commodity price and, as such, fluctuates over time. The most material exposures for the Group are to the market price of copper, which is used in the production of brass and to the cost of resins used in the production of plastics. The Group seeks to manage changing input prices through price negotiations with customers following changes in the underlying commodity.

Liquidity risk

Liquidity risk arises from the ability of the Group to meet its financial liabilities and obligations as and when they fall due. The Group monitors future financial commitments and intends to maintain sufficient cash reserves and headroom in its banking facilities to meet these objectives on an on-going basis.

The Group prepares regular cash flow forecasts and monitors its liquidity to ensure it will always have sufficient cash to allow it to meet liabilities as they fall due.

In addition to its operating cash at bank the Group has undrawn debt facilities available. Details of the debt facilities in place and their terms are disclosed at Note 15.

25. Financial risk management (continued)

	2019 $000	2018 $000
Total facilities available	750,000	752,675
Amount drawn at 30 June	495,886	662,345
Available at 30 June	**254,114**	**90,330**

In addition, the Group had cash and cash equivalents of $69.3m at 30 June 2019 (30 June 2018 - $274.3m).

The contractual maturity of the Group's financial liabilities based on the financing arrangements in place at period end date are shown in the table below:

2019 Financial liabilities	Carrying amount $000	Less than 1 year $000	1 to 2 years $000	2 to 5 years $000	Total $000
Trade and other payables	131,973	131,973	–	–	131,973
Bank borrowings	495,886	–	–	495,886	495,886
Total	**627,859**	**131,973**	**–**	**495,886**	**627,859**

2018 Financial liabilities	Carrying amount $000	Less than 1 year $000	1 to 2 years $000	2 to 5 years $000	Total $000
Trade and other payables	167,678	167,678	–	–	167,678
Bank borrowings	662,345	2,675	–	659,670	662,345
Total	**830,023**	**170,353**	**–**	**659,670**	**830,023**

Credit risk

Credit risk relates to the potential failure of the Group's counterparties (such as customers or financial institutions) to meet their obligations at the appropriate time. The maximum exposure at any time is equal to the carrying value of the financial assets. The business seeks to monitor and manage counterparty risk through internal controls and protocols, including customer credit policies and performing banking and financial activities with financial institutions. As such the Group does not seek collateral in respect of its trade and other receivables.

At 30 June, the maximum exposure to credit risk for trade and other receivables by geographic region is as follows:

	2019 Carrying amount $000	2018 Carrying amount $000
Americas	133,296	107,244
Asia Pacific	37,475	34,927
EMEA	61,485	62,745
Total	**232,256**	**204,916**

At 30 June 2019, the Group's most significant customer accounted for $46.6 million of the trade debtors and receivables amount.

Further details of the Group's trade receivables are included in Note 9.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

26. Key Management Personnel and Related Party Transactions

Under Australian Accounting Standards, the term Key Management Personnel refers to directors (both non-executive directors and executive directors) and those persons having the authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. The Key Management Personnel of the Group during the reporting period until the date of this report are set out below. All Key Management Personnel held their positions for the entire reporting period unless otherwise noted.

Stuart Crosby	Independent Non-Executive Director, appointed Chairman from 4 March 2019
Jonathan Munz	Non-executive Chairman (until 4 March 2019)
Russell Chenu	Independent Non-Executive Director
Ross Dobinson	Independent Non-Executive Director
Sharon McCrohan	Independent Non-Executive Director
Heath Sharp	Managing Director and Group Chief Executive Officer
Gerry Bollman	Group Chief Financial Officer

(a) Key Management Personnel compensation

Details of the total remuneration of Key Management Personnel of the Group during the reporting period are:

	2019 $	2018 $
Short term employee benefits	3,803,518	4,072,737
Post-employment benefits	104,768	86,935
Share based payments	1,739,864	940,548
Total	**5,648,150**	**5,100,220**

(b) Key Management Personnel transactions in shares and options

The total direct and indirect interests of Key Management Personnel, including their related parties, in the share capital and options of the Company at 30 June 2019 are:

	Shares		Options[1]		Rights[1]	
	2019 Number	2018 Number	2019 Number	2018 Number	2019 Number	2018 Number
Jonathan Munz[2]	–	79,015,152	–	–	–	–
Russell Chenu	155,217	155,217	–	–	–	–
Stuart Crosby	150,506	150,506	–	–	–	–
Ross Dobinson	32,457	32,457	–	–	–	–
Sharon McCrohan	–	–	–	–	–	–
Heath Sharp	1,204,041	1,204,041	4,000,000	4,000,000	987,800	–
Gerry Bollman[3]	–	–	1,307,190	1,307,190	247,000	–
Total	**1,542,221**	**80,557,373**	**5,307,190**	**5,307,190**	**1,234,800**	**–**

At 30 June 2019, no Key Management Personnel had been offered or held any rights to be awarded shares other than as disclosed above.

Details of movements in holdings during the period are disclosed in the Remuneration Report.

1. Details of Options and Rights granted to Key Management Personnel are disclosed in the Remuneration Report.
2. Mr. Munz ceased to be a member of Key Management Personnel on 4 March 2019.
3. Mr. Bollman has been offered 680,272 restricted shares as detailed in the Remuneration Report.

26. Key Management Personnel and Related Party Transactions (continued)

(c) Transactions with other related parties

The Company and GSA Industries Pty Ltd, a wholly owned subsidiary of GSA Group and an entity associated with Jonathan Munz, entered into a shared facilities and services agreement which came into effect on 29 April 2016 ("Shared Services Agreement") under which the Company shared premises with GSA Group in Melbourne and was permitted to use certain facilities, such as office space and car parking, and have signage rights. The Shared Services Arrangement ceased on 30 April 2019. The Company paid an annual fee of $100,000 (plus GST) to GSA Industries Pty Ltd for the use of these facilities and services. The Shared Services Agreement was on terms that were more favourable to the Company than arm's length terms.

There were no other material contracts between a KMP or a related party and the Company or any of its subsidiaries entered into during the reporting period.

	2019 $000	2018 $000
Amounts recognised as an expense during the period		
Rent and shared services expense	83	100

27. Audit Services

KPMG are the auditors of the Company. The total remuneration received, or due and receivable by KPMG from the Group is:

	2019 $	2018 $
KPMG Australia		
Audit services	398,600	408,000
Other assurance and non-audit services		
– Tax services	99,300	184,007
– Other services	30,000	103,519
Total remuneration paid to KPMG Australia	527,900	695,526
Overseas KPMG offices		
Audit services	398,100	97,290
Tax services	217,600	65,000
Total remuneration paid to KPMG overseas	615,700	162,290
Total remuneration to KPMG	**1,143,600**	**857,816**

	2019 $	2018 $
Total remuneration for audit services	**796,700**	**505,290**
Total remuneration for non-audit services	**346,900**	**352,526**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

28. Deed of cross guarantee

The wholly-owned subsidiaries listed below are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports and Directors' reports following the execution of a Deed of Cross Guarantee ("Deed") on 29 June 2016. The Deed complies with the relevant ASIC instrument/class order.

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 any of the 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. The subsidiaries have also given similar guarantees in the event the Company is wound up.

The holding entity for the purpose of the Deed is Reliance Worldwide Corporation Limited.

The subsidiaries who are parties to the Deed are:

- Reliance Worldwide Group Holdings Pty Ltd; and
- Reliance Worldwide Corporation (Aust.) Pty Ltd.

A consolidated statement of comprehensive income, comprising the Company and controlled entities which are party to the Deed and after eliminating all transactions between those entities, for the year ended 30 June 2019 and a Statement of Financial Position for the same group for entities at balance date are set out below.

Statement of profit or loss and other comprehensive income

	2019 $000	2018 $000
Revenue from sale of goods	229,791	225,915
Cost of sales	(163,000)	(157,477)
Gross profit	**66,791**	**68,438**
Other income	4,386	3,947
Product development expenses	(4,044)	(4,306)
Selling, warehouse and marketing expense	(15,777)	(17,206)
Administration expense	(16,384)	(14,448)
Other expenses	(318)	(119)
Operating profit	**34,654**	**36,306**
Finance income	44,533	42,410
Finance costs	(11,493)	(10,378)
Net finance costs	**33,040**	**32,032**
Dividend income	–	4,635
Profit before tax	**67,694**	**72,973**
Income tax expense	(20,933)	(23,446)
Profit for the period attributable to the Owners of the Company	**46,761**	**49,527**
Other Comprehensive profit		
Cash flow hedges – effective portion of changes in fair value	–	(10,767)
Total comprehensive profit for the period attributable to the Owners of the Company	**46,761**	**38,760**

28. Deed of cross guarantee (continued)

Statement of financial position at 30 June 2019

	2019 $000	2018 $000
Assets		
Current assets		
Cash and cash equivalents	15,222	195,239
Trade and other receivables	32,767	48,944
Inventories	56,561	59,057
Other current assets	7,849	9,079
Total Current Assets	**112,399**	**312,319**
Non-Current		
Property, plant and equipment	35,802	44,206
Intercompany loans receivable	719,616	730,141
Deferred tax assets	5,403	7,278
Goodwill	39,825	39,825
Investment in subsidiaries	1,429,145	1,416,083
Other intangible assets	11,576	1,534
Total Non-Current Assets	**2,241,367**	**2,239,067**
Total Assets	**2,353,766**	**2,551,386**
Liabilities		
Current liabilities		
Trade and other payables	45,102	39,965
Current tax liabilities	2,860	294
Employee benefits	3,095	2,849
Total Current Liabilities	**51,057**	**43,108**
Non-Current Liabilities		
Borrowings	96,000	291,000
Deferred tax liabilities	2,194	2,776
Employee benefits	5,394	4,979
Total Non-Current Liabilities	**103,588**	**298,755**
Total Liabilities	**154,645**	**341,863**
Net Assets	**2,199,121**	**2,209,523**
Equity		
Share capital	2,329,127	2,336,618
Reserves	(166,053)	(171,310)
Retained profits/(Accumulated losses)	36,047	44,215
Total Equity	**2,199,121**	**2,209,523**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

29. Parent entity disclosure

As at, and throughout, the financial year ended 30 June 2019, the parent entity of the Group was Reliance Worldwide Corporation Limited.

(a) Result of the parent entity

	2019 $000	2018 $000
Profit/(Loss) for the period	37,293	77,853
Other comprehensive income	–	–
Total comprehensive profit/(loss) for the period	**37,293**	**77,853**

(b) Statement of financial position of the parent entity at 30 June

	2019 $000	2018 $000
Assets		
Current Assets	162,687	164,077
Non-Current Assets	2,318,102	2,319,634
Total Assets	**2,480,789**	**2,483,711**
Liabilities		
Current Liabilities	50,466	61,979
Non-Current Liabilities	96,021	67,560
Total Liabilities	**146,487**	**129,539**
Net Assets	**2,334,302**	**2,354,172**
Equity		
Share capital	2,329,127	2,336,618
Reserves	8,924	3,667
Retained profits /(Accumulated losses)	(3,749)	13,887
Total Equity	**2,334,302**	**2,354,172**

(c) Parent entity 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. Refer to Note 24.

(d) Parent entity capital commitments for acquisition of property plant and equipment

The Company did not enter into any material contracts to purchase plant and equipment during the year.

(e) Parent entity guarantees in respect of the debts to its subsidiaries

The Company has entered into a Deed of Cross Guarantee with the effect that it guarantees liabilities and obligations in respect of some Australian subsidiaries in certain circumstances. Refer to Note 28.

30. Subsequent events

On 27 August 2019, the Directors resolved to declare a fully franked final dividend for the 2019 financial year of 5.0 cents per share. The aggregate dividend payment amount is $39.5 million. The dividend will be paid to eligible shareholders on 11 October 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 year 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.

DIRECTORS' DECLARATION

For the year ended 30 June 2019

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

(1) the consolidated financial statements and notes set out on pages 58 to 94, are in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and

  (ii) complying with Australian Accounting Standards, other mandatory professional reporting requirements 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.

(3) there are reasonable grounds to believe that 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 described in Note 28.

The Directors draw attention to Note 1 to the consolidated financial statements which includes a statement of compliance with International Financial Reporting Standards.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer as required by Section 295A of the Corporations Act 2001.

Signed in accordance with resolution of the Directors.

Stuart Crosby
Chairman

Heath Sharp
Group Chief Executive Officer and Managing Director

Melbourne
27 August 2019

KPMG

Independent Auditor's Report

To the shareholders of Reliance Worldwide Corporation Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Reliance Worldwide Corporation Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group***'s financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated Statement of financial position as at 30 June 2019;
- Consolidated Statement of profit or loss and other comprehensive income, Consolidated Statement of changes in equity, and Consolidated Statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 *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 fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

The ***Key Audit Matter*** we identified is:

- Valuation of inventory

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.

Valuation of inventory ($229 million)

Refer to Note 10 *Inventories* to the Financial Report.

The key audit matter	How the matter was addressed in our audit
The valuation of inventory is a key audit matter as a result of: • the extent of audit effort applied to address the Group’s inventory volumes held across multiple product categories in multiple manufacturing sites. The high volume of manufactured products across multiple regions leads to greater audit effort, as inventory is tested at a regional level. • the extent of judgement involved in determining the recoverable value, particularly in relation to slow moving or obsolete inventory. • the inherent complexities in applying a standard cost of manufacturing to inventories requires additional audit effort in assessing certain products “at risk”.	Our audit procedures included: • testing of costing methodology and computations, by significant product category, in key regions. This includes checking inputs into the costing computation, on a sample basis, to external documentation such as supplier invoices. • challenging the Group's approach for allocation of overheads within the costing computation on a sample basis by: ➢ examining the construct of the standard cost; ➢ evaluating the underlying documentation of the Group’s methodology and inquiring with finance and operational personnel in the Group about the allocation methodology applied; and ➢ comparing the allocation methodology to our understanding of the business and the criteria in the accounting standards. • understanding the processes the Group undertakes to assess the slow moving and obsolete inventory, including the Group’s consideration of changes in market conditions, and its implications to the valuation of inventory. • assessing the accuracy of the Group’s expected selling prices to inform our evaluation of the current expected selling prices incorporated into the inventory valuation. We did this by comparing a sample of previously identified slow moving inventories to subsequent sales amounts achieved. This was performed across various products and site categories. • observing the condition of a sample of inventory at physical inventory counts. We traced the identification from the count to the accounting records as they enter into the inventory valuation. • challenging the identification of categories of inventory at risk of net realisable value being less than cost using: ➢ our observations of poorer condition inventory from the inventory counts; ➢ the implications to saleability of inventory given our understanding of the changing

	market conditions from our industry experience; and ➢ comparison against recent sales trends. • testing the Group's value ascribed to inventory, across various product and site categories, where net realisable value is lower than cost. This was performed on a sample basis by comparing the cost per unit in the general ledger with the latest selling price per unit obtained from the: ➢ approved pricing list; or ➢ recent selling prices from transactions subsequent to year end. • assessing the appropriateness of the Group's policies for the valuation of inventory against the requirements of the accounting standards.

Other Information

Other Information is financial and non-financial information in Reliance Worldwide Corporation Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Directors Report, Remuneration Report, Operating and Financial Review and Financial Highlights. The Chairman's Report and Chief Executive Officer's Report are expected to be made available to us after the date of the Auditor's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

KPMG

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- 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 *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: https://www.auasb.gov.au/auditors_responsibilities/ar1.pdf This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Reliance Worldwide Corporation Limited for the year ended 30 June 2019 complies with *Section 300A* of the *Corporations Act 2001*.

Directors' 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 responsibilities

We have audited the Remuneration Report included in the Directors' Report exclusively within the section labelled "Remuneration Report", for the year ended 30 June 2019.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

KPMG

Paul McDonald

Partner

Melbourne

27 August 2019

SHAREHOLDER INFORMATION

The information set out below was applicable at 30 August 2019.

Distribution of Equities – Ordinary Shares

Range	Total holders	Number of shares	% of issued shares
1 – 1,000	4,059	2,189,668	0.28
1,001 – 5,000	8,640	23,404,005	2.96
5,001 – 10,000	3,373	24,581,955	3.11
10,001 – 100,000	2,693	59,226,500	7.50
100,001 and over	120	680,692,637	86.15
Total	**18,885**	**790,094,765**	**100.00**

The number of shareholders holding less than a marketable parcel of shares was 274.

Largest Shareholders

The names of the 20 largest registered holders of ordinary shares are listed below:

Name	Number of shares held	% of Issued Shares
HSBC Custody Nominees (Australia) Limited	245,098,179	31.02
J P Morgan Nominees Australia Pty Limited	143,331,868	18.14
BNP Paribas Nominees Pty Ltd	72,722,036	9.20
National Nominees Limited	62,518,482	7.91
Citicorp Nominees Pty Limited	59,246,317	7.50
Australian Foundation Investment Company Limited	16,901,870	2.14
BNP Paribas Noms Pty Ltd	11,167,111	1.41
Reliance Employee Share Investments Pty Limited	7,389,834	0.94
Netwealth Investments Limited	6,466,682	0.82
Sandhurst Trustees Ltd	3,561,460	0.45
Citicorp Nominees Pty Limited	3,207,529	0.41
HSBC Custody Nominees (Australia) Limited	2,772,049	0.35
Mirrabooka Investments Limited	2,600,000	0.33
BNP Paribas Nominees Pty Ltd	2,558,617	0.32
Bond Street Custodians Limited	2,501,703	0.32
AMCIL Limited	2,000,000	0.25
UBS Nominees Pty Ltd	1,930,018	0.24
AMP Life Limited	1,879,870	0.24
Djerriwarrh Investments Limited	1,750,000	0.22
HSBC Custody Nominees (Australia) Limited	1,671,280	0.21

SHAREHOLDER INFORMATION

Substantial Shareholders

The number of shares held by substantial shareholders at 30 August 2019 was:

Name	Number of shares held	% of Issued Shares
Bennelong Australian Equity Partners Ltd	108,980,639	13.79
Australian Super	66,209,343	8.38
Challenger Limited	61,623,171	7.80
Paradice Investment Management Pty Limited	55,921,081	7.08
BNP Paribas Nominees Pty Limited (as custodian for UniSuper Limited)	55,130,743	6.98
Greencape Capital Pty Ltd	47,750,182	6.04
The Vanguard Group, Inc.	39,565,578	5.01

Buy-Back

The Company does not have a current on-market buy-back.

Voting rights

Every shareholder present at a general meeting has one vote on a show of hands and one vote for every fully paid share held if a poll is conducted. Shareholders entitled to cast two or more votes may appoint up to two proxies. Where more than one proxy is appointed, each proxy may be appointed to represent a specific number or proportion of the shareholder's votes. If the appointment does not specify the proportion or number of votes that each proxy may exercise, each proxy may exercise half of the shareholder's votes.

Shareholder enquiries

Shareholders with enquiries about their shareholding should contact the Company's share registry:

Computershare Investor Services Pty Limited
Yarra Falls
452 Johnson Street
Abbotsford Vic 3067
T: 1300 850 505 (within Australia)
T: +61 3 9415 4000 (international)

Please mail all share registry correspondence to:

Computershare Investor Services Pty Ltd
GPO Box 2975 Melbourne VIC 3001

Please include your Shareholder Reference Number (SRN) or Holder Identification Number (HIN) in all correspondence to the share registry.

Change of address

It is important for shareholders to notify the share registry in writing promptly of any change of address. As an added security measure, please quote your Shareholder Reference Number and your old address.

Investor information

The Company maintains a website at www.rwc.com where company information is available and a service for any queries is provided. For further queries, please email the Company at investorrelations@rwc.com or call +61 7 3018 3400.

Stock Exchange listing

Reliance Worldwide Corporation Limited's ordinary shares are quoted on the Australian Securities Exchange under the code "RWC".

Annual General Meeting

Details of the Annual General Meeting of Reliance Worldwide Corporation Limited will be advised in the Notice of Meeting which will be despatched to shareholders.

CORPORATE DIRECTORY

Board of Directors

Stuart Crosby (Chairman)
Heath Sharp
Russell Chenu
Ross Dobinson
Sharon McCrohan

Company Secretary

David Neufeld

Registered Office

28 Chapman Place
Eagle Farm, QLD 4009
T: +61 7 3018 3400
F: +61 7 3105 8130

Auditor

KPMG
Tower Two
Collins Square
727 Collins Street
Melbourne Vic 3008

Share Registry

Computershare Investor Services Pty Limited
Yarra Falls
452 Johnson Street
Abbotsford Vic 3067
T: 1300 850 505 (within Australia)
T: +61 3 9415 4000 (international)

Please mail all share registry correspondence to:
Computershare Investor Services Pty Ltd
GPO Box 2975 Melbourne VIC 3001

Stock Exchange Listing

Reliance Worldwide Corporation Limited's shares are quoted on the Australian Securities Exchange.

Website address

www.rwc.com

Reliance Worldwide Corporation Limited
28 Chapman Place
Eagle Farm, QLD 4009

ACN 610 855 877