

24 February 2020

Results for announcement to the market

Appendix 4D for the half year ended 31 December 2019

Reliance Worldwide Corporation Limited (ASX: RWC) (“Company”) announces the following financial results for the Company and its controlled entities (together “RWC”) for the six months ended 31 December 2019.

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

**Extracted from the 31 December 2019 Half Year
Financial Report which has been reviewed by the
Company’s auditor**

	Six months ended 31 Dec 2019 \$A’000	Six months ended 31 Dec 2018 \$A’000	Change
Revenue from ordinary activities	569,311	544,158	4.6%
Net profit from ordinary activities after tax attributable to members	50,096	65,729	(23.8%)
Net profit after tax attributable to members	50,096	65,729	(23.8%)



Comparison with prior period

Six months ended:	31 Dec 2019 (\$ million)	31 Dec 2018 ¹ (\$ million)	Variance
Net sales	569.3	544.2	5%
Reported EBITDA³	126.3	128.6	(2)%
<i>Adjusted for one-time items:</i>			
<i>John Guest integration costs expensed</i>	-	6.4	n/m
<i>John Guest fair value inventory unwind</i>	-	2.4	n/m
Adjusted EBITDA³	126.3	137.4²	(8)%
Reported net profit before tax	84.7	88.3	(4)%
Tax Expense	(34.6)	(22.6)	54%
Reported net profit after tax	50.1	64.3	(22)%
<i>Adjusted for specific tax items:</i>			
<i>- Cash tax benefit of goodwill amortisation for tax purposes</i>	7.9	7.9	n/m
<i>- Prior periods tax adjustment</i>	5.7	-	n/m
<i>John Guest Integration and Purchase Accounting</i>	-	8.3	n/m
Adjusted net profit after tax³	63.7	80.5	(21)%
Basic earnings per share	6.4 cents	8.2 cents	(22)%
Adjusted earnings per share	8.1 cents	10.3 cents	(21)%
Dividend per share	4.5 cents	4.0 cents	13%

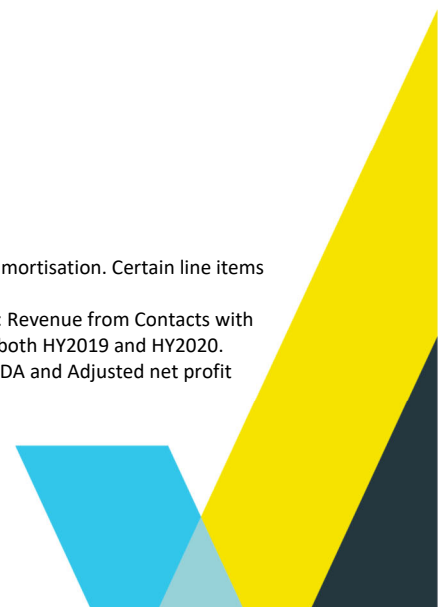
n/m = not meaningful

Please refer to the accompanying 31 December 2019 Half Year Financial Report, Results Announcement and presentation slides released today for further information.

Earnings per share

Weighted average earnings per share (basic) for the six months ended 31 December 2019 were 6.4 cents (2018 – 8.2 cents¹). Adjusted earning per share were 8.1 cents, down 21% on the prior period.

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- 1 Prior period restated for the impact of AASB16: Leases and the impact of tax deductible goodwill amortisation. Certain line items shown in this prior period column may not sum as a result of these restatements.
 - 2 Adjusted EBITDA for HY2019 included a \$1.3 million positive adjustment for the impact of AASB15: Revenue from Contracts with Customers. This adjustment is no longer required for comparative purposes as AASB15 applied to both HY2019 and HY2020.
 - 3 EBITDA means earnings before interest, tax, depreciation and amortisation. EBITDA, Adjusted EBITDA and Adjusted net profit after tax are non-IFRS measures used by the business to assess operating performance.



Dividend for the six months ended 31 December 2019

Six months ended:	31 December 2019	31 December 2018	31 December 2019 Franked amount	31 December 2018 Franked amount
Interim	4.5cps	4.0cps	20%	100%
Amount payable or paid	\$35.6m	\$31.6m		

The record date for entitlement to receive the interim dividend is 11 March 2020. The payment date is 9 April 2020. The Company does not have a dividend reinvestment plan.

A fully franked final dividend for the 2019 financial year of 5.0 cents per share was paid to eligible shareholders on 11 October 2019.

Net Tangible Assets per Share

Net tangible assets per share at 31 December 2019 were \$0.23 (30 June 2019 - \$0.23).

The remainder of the information requiring disclosure to comply with ASX Listing Rule 4.2A.3 is contained in the 31 December 2019 Half Year Financial Report, Results Announcement and presentation slides released today. These documents should be read in conjunction with each other document.

For further information, please contact:

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This announcement has been authorised for release by the Board of Reliance Worldwide Corporation Limited.



Reliance Worldwide Corporation Limited
ABN 46 610 855 877

Interim Financial Report

31 December 2019

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Reliance Worldwide Corporation Limited

Directors' Report

Half Year Ended 31 December 2019

The Directors present their report together with the consolidated Financial Report comprising Reliance Worldwide Corporation Limited ("the Company") and its controlled entities (together "the Group") for the half year ended 31 December 2019 and the Auditor's report thereon.

Directors

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

Stuart Crosby (Chairman)

Heath Sharp (Group Chief Executive Officer and Managing Director)

Christine Bartlett (from 6 November 2019)

Russell Chenu

Ross Dobinson

Sharon McCrohan

Review of Operations

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

A review of the operations of the Group for the half year ended 31 December 2019, the results of those operations and the financial position of the Group at 31 December 2019 is contained in the accompanying Results Announcement dated 24 February 2020.

Dividends

A fully franked final dividend for the 2019 financial year of 5.0 cents per share was paid to eligible shareholders on 11 October 2019.

Since the end of the financial period, the directors have resolved to declare an interim dividend of 4.5 cents per share franked to 20%. The dividend will be paid to eligible shareholders on 9 April 2020. The record date for dividend entitlement is 11 March 2020.

The Company does not have a dividend reinvestment plan.

Events subsequent to reporting date

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

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

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

Rounding off

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

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



Stuart Crosby
Chairman



Heath Sharp
Group Chief Executive Officer and Managing Director

Melbourne
24 February 2020



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

To the Directors of Reliance Worldwide Corporation Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Reliance Worldwide Corporation Limited for the half-year ended 31 December 2019 there have been:

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

KPMG

Tony Romeo
Partner

Melbourne
24 February 2020

Reliance Worldwide Corporation Limited

Consolidated Statement of Profit or Loss
and Other Comprehensive Income

For the half year ended 31 December 2019

	Note	31 December 2019 \$000	31 December 2018 \$000
Revenue			
Revenue from sale of goods	3	569,311	544,158
Cost of sales		(325,215)	(311,121)
Gross profit		244,096	233,037
Other income		256	4,616
Product development expenses		(12,936)	(8,461)
Selling, warehouse and marketing expenses		(77,935)	(73,710)
Administration expenses		(55,528)	(55,015)
Other expenses		(1,559)	(607)
Operating profit		96,394	99,860
Finance income		402	299
Finance costs	12	(12,054)	(11,880)
Net finance costs		(11,652)	(11,581)
Profit before tax		84,742	88,279
Income tax expense	5	(34,646)	(22,550)
Profit for the period attributable to the Owners of the Company		50,096	65,729
Other comprehensive income / (loss)			
Items that may be classified to profit or loss:			
Foreign currency translation differences		53,911	(518)
Total comprehensive profit for the period attributable to the Owners of the Company		104,007	65,211
		Cents	Cents
Earnings per share			
Basic earnings per share attributable to ordinary equity holders	4	6.4	8.4
Diluted earnings per share attributable to ordinary equity holders	4	6.4	8.3

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

Reliance Worldwide Corporation Limited
Consolidated Statement of Financial Position

At 31 December 2019

	Note	31 December 2019 \$000	30 June 2019 ¹ \$000
Assets			
Current assets			
Cash and cash equivalents		24,396	69,279
Trade and other receivables		214,721	232,256
Inventories	8	239,149	229,090
Current tax assets		3,395	-
Other current assets		19,874	12,184
Total Current Assets		501,535	542,809
Non-Current			
Property, plant and equipment ²	6	388,080	289,489
Deferred tax assets		14,691	15,378
Goodwill	9	937,405	901,428
Other intangible assets	9	352,900	327,256
Other non-current assets		2,425	-
Total Non-Current Assets		1,695,501	1,533,551
Total Assets		2,197,036	2,076,360
Liabilities			
Current liabilities			
Bank overdraft		9,016	-
Trade and other payables		140,755	131,973
Current tax liabilities		-	4,147
Employee benefits		5,789	7,468
Other current liabilities ³	12	16,795	-
Total Current Liabilities		172,355	143,588
Non-Current Liabilities			
Borrowings	7	410,105	495,886
Deferred tax liabilities		35,337	24,993
Employee benefits		6,385	5,394
Other non-current liabilities ³	12	97,572	-
Total Non-Current Liabilities		549,399	526,273
Total Liabilities		721,754	669,861
Net Assets		1,475,282	1,406,499
Equity			
Share capital		2,329,126	2,329,126
Reserves		(1,024,197)	(1,081,061)
Retained earnings		170,353	158,434
Total Equity		1,475,282	1,406,499

¹ The Group initially applied AASB 16 Leases on 1 July 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings at the date of initial application. Refer to Note 12.

² Following the adoption of AASB 16, the Group has presented right-of-use assets within property, plant and equipment in the same line item in which it presents underlying assets of the same nature that it owns

³ Following the adoption of AASB 16, the Group has presented lease liabilities within other current liabilities and other non-current liabilities

Reliance Worldwide Corporation Limited
Consolidated Statement of Changes in Equity
For the half year ended 31 December 2019

	Share Capital \$000	Foreign Currency Translation Reserve \$000	Merger Reserve \$000	Share based Payment Reserve \$000	Hedging Reserve \$000	Retained Earnings \$000	Total Equity \$000
Balance at 30 June 2018	2,336,618	15,099	(1,100,943)	3,666	(10,767)	80,346	1,324,019
Profit for the period	-	-	-	-	-	65,729	65,729
Foreign currency translation reserve	-	(518)	-	-	-	-	(518)
Total comprehensive income	-	(518)	-	-	-	65,729	65,211
Transactions with Owners of the Company							
Share based payments	-	-	-	2,492	-	-	2,492
Capital raising costs	(49)	-	-	-	-	-	(49)
Dividends	-	-	-	-	-	(23,542)	(23,542)
Total transactions with Owners of the Company	(49)	-	-	2,492	-	(23,542)	(21,099)
Balance at 31 December 2018	2,336,569	14,581	(1,100,943)	6,158	(10,767)	122,533	1,368,131
Balance at 30 June 2019	2,329,126	21,726	(1,100,943)	8,923	(10,767)	158,434	1,406,499
Adjusted on initial application of AASB 16 (net of tax)	-	-	-	-	-	958	958
Adjusted balance at 1 July 2019	2,329,126	21,726	(1,100,943)	8,923	(10,767)	159,392	1,407,457
Profit for the period	-	-	-	-	-	50,096	50,096
Foreign currency translation reserve	-	53,911	-	-	-	-	53,911
Total comprehensive income	-	53,911	-	-	-	50,096	104,007
Transactions with Owners of the Company							
Share based payments	-	-	-	2,953	-	-	2,953
Dividends paid	-	-	-	-	-	(39,135)	(39,135)
Total transactions with Owners of the Company	-	-	-	2,953	-	(39,135)	(36,182)
Balance at 31 December 2019	2,329,126	75,637	(1,100,943)	11,876	(10,767)	170,353	1,475,282

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

Reliance Worldwide Corporation Limited
Consolidated Statement of Cash Flows
For the half year ended 31 December 2019

	31 December 2019 \$000	31 December 2018 \$000
Cash flows from operating activities		
Receipts from customers	587,047	537,243
Payments to suppliers, employees and for customer rebates	(454,210)	(483,680)
Income taxes paid	(20,021)	(10,685)
Net cash inflow from operating activities	112,816	42,878
Cash flows from investing activities		
Payments for purchase of property, plant and equipment	(24,097)	(29,923)
Proceeds from sale of property, plant and equipment	1,235	121
Payments for intellectual property and other intangible assets acquired	(1,331)	(5,553)
Net cash outflow from investing activities	(24,193)	(35,355)
Cash flows from financing activities		
Proceeds from borrowings	39,000	33,700
Repayment of borrowings	(126,103)	(211,385)
Interest received	402	299
Capital raising costs paid	-	(49)
Interest paid to other persons and corporations	(9,046)	(11,880)
Dividends paid	(39,135)	(23,542)
Lease payments	(7,902)	-
Net cash outflow from financing activities	(142,784)	(212,857)
Net change in cash and cash equivalents	(54,161)	(205,334)
Cash and cash equivalents at 1 July	69,279	274,331
Effect of movements in exchange rates on cash held	262	2,745
Cash and cash equivalents at 31 December	15,380	71,742
Represented by:		
Cash and cash equivalents	24,396	71,742
Bank overdraft	(9,016)	-
	15,380	71,742

Reliance Worldwide Corporation Limited
Notes to the Consolidated Financial Statements
For the half year ended 31 December 2019

1 Basis of preparation

(a) **Reporting Entity**

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

These consolidated interim financial statements are general purpose financial statements prepared in accordance with AASB 134 *Interim Financial Reporting*, the *Corporations Act 2001* and IAS 34 *Interim Financial Reporting*. They do not include all of the information required for a complete set of annual financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 30 June 2019. Accordingly, this report is to be read in conjunction with the 30 June 2019 consolidated financial report and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* (Cth).

These consolidated interim financial statements:

- have been prepared on a going concern basis using historical cost conventions unless otherwise stated;
- have been prepared in accordance with the Australian Securities and Investments Commission Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191. Values are rounded to the nearest thousand dollars, unless otherwise stated. Where an amount is \$500 or less the amount is rounded to zero, unless otherwise stated;
- adopt all new and amended AASBs and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or before 1 July 2019; and
- do not early adopt any AASBs and Interpretations that have been issued or amended but are not yet effective.

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

The financial statements were authorised for issue by the Board of Directors on 24 February 2020.

(c) **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.

(d) **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.

Reliance Worldwide Corporation Limited
Notes to the Consolidated Financial Statements
For the half year ended 31 December 2019

1 Basis of preparation (continued)

The significant judgements made by management in applying the RWC group accounting policies and the key sources of estimation uncertainty were the same as those applied to the annual financial statements as at and for the year ended 30 June 2019, except for the new significant judgements related to lessee accounting under AASB 16, which are described in Note 12.

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

The accounting policies and methods of computation applied by the Group in this Interim Financial Report are consistent with those applied by the Group in its Financial Report for the year ended 30 June 2019 other than for the adoption of the new accounting standards with initial application from 1 July 2019.

In this Interim Financial Report, the Group has applied AASB 16 Leases for the first time from 1 July 2019. Further information on the impact of adopting this standard is contained in Note 12.

Several other amendments and interpretations apply for the first time in the financial year 2020 but do not have a material impact on the Interim Financial Report of the Group.

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 regional segments are based on geographical operation of the business and comprise:

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

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

Reliance Worldwide Corporation Limited
Notes to the Consolidated Financial Statements
For the half year ended 31 December 2019

2 Segment reporting (continued)

	Asia Pacific		Americas		EMEA		Corporate/Other		Elimination of the effect of intersegment transactions		Consolidated Total	
	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Revenue												
From external customers	73,122	72,137	345,407	323,100	150,782	148,921	-	-	-	-	569,311	544,158
From other segments	52,247	57,620	1,433	451	22,799	23,192	-	-	(76,479)	(81,263)	-	-
Segment revenues	125,369	129,757	346,840	323,551	173,581	172,113	-	-	(76,479)	(81,263)	569,311	544,158
Cost of sales	(89,932)	(93,397)	(223,521)	(206,341)	(88,241)	(92,646)	-	-	76,479	81,263	(325,215)	(311,121)
Gross profit	35,437	36,360	123,319	117,210	85,340	79,467	-	-	-	-	244,096	233,037
Other income	1,304	1,291	69	2,780	158	-	(1,275)	545	-	-	256	4,616
Product development expenses	(2,322)	(2,404)	(9,623)	(5,091)	(2,266)	(966)	1,275	-	-	-	(12,936)	(8,461)
Selling and marketing expenses	(9,713)	(8,734)	(49,369)	(45,707)	(18,131)	(19,166)	(722)	(103)	-	-	(77,935)	(73,710)
Administration expenses	(8,679)	(6,409)	(23,229)	(20,831)	(21,232)	(24,088)	(2,388)	(3,687)	-	-	(55,528)	(55,015)
Other expenses	(277)	(98)	(183)	(421)	(1,172)	(971)	73	883	-	-	(1,559)	(607)
Segment operating profit	15,750	20,006	40,984	47,940	42,697	34,276	(3,037)	(2,362)	-	-	96,394	99,860
	31 Dec	30 June	31 Dec	30 June	31 Dec	30 June	31 Dec	30 June	31 Dec	30 June	31 Dec	30 June
	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Segment assets	387,556	318,381	734,168	720,906	1,185,256	1,112,727	1,331,391	1,329,122	(1,441,335)	(1,404,776)	2,197,036	2,076,360
Segment liabilities	158,857	108,639	187,158	90,810	62,450	57,906	1,754,624	1,817,282	(1,441,335)	(1,404,776)	721,754	669,861

Reliance Worldwide Corporation Limited
Notes to the Consolidated Financial Statements
For the half year ended 31 December 2019

2 Segment reporting (continued)

	Asia Pacific		Americas		EMEA		Corporate / Other		Elimination of the effect of intersegment transactions		Consolidated Total	
	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
EBITDA	22,765	24,642	53,597	54,884	52,256	43,324	(2,271)	(2,124)	-	-	126,347	120,726
Depreciation of property, plant and equipment	(6,501)	(4,530)	(10,141)	(4,750)	(9,190)	(8,725)	(72)	(21)	-	-	(25,904)	(18,026)
Amortisation of intangible assets	(513)	(105)	(2,472)	(2,194)	(369)	(323)	(694)	(218)	-	-	(4,048)	(2,840)
Finance income	-	6	385	-	2	4	14	289	-	-	401	299
Finance costs	(787)	-	(7,075)	-	(192)	-	(3,998)	(11,880)	-	-	(12,052)	(11,880)
Income tax expense	(4,255)	(6,113)	(16,093)	(1,649)	(7,648)	(10,170)	(6,650)	(4,618)	-	-	(34,646)	(22,550)

Reliance Worldwide Corporation Limited
Notes to the Consolidated Financial Statements
For the half year ended 31 December 2019

3 Revenue

The major products from which revenue is derived are:

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

Revenue by product group for the period ended 31 December 2019 includes:

	31 December	31 December
	2019	2018
	\$000	\$000
Fittings and Pipe	395,976	376,127
Control valves	53,128	53,961
Thermostatics	16,127	13,665
Other Products	104,080	100,405
	569,311	544,158

Revenue by geography	31 December	31 December
	2019	2018
	\$000	\$000
Australia	61,904	63,883
United States of America	322,938	303,971
United Kingdom	114,551	112,641
Other	69,918	63,663
	569,311	544,158

Seasonality of operations

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

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

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

The Group's results for the six months ended 31 December 2019 reflect generally normal seasonal influences.

Reliance Worldwide Corporation Limited
Notes to the Consolidated Financial Statements
For the half year ended 31 December 2019

4 Earnings per share

(a) Basic earnings per share

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

	31 December 2019 \$000	31 December 2018 \$000
Profit attributable to ordinary shareholders	50,096	65,729
	Number of shares	Number of shares
Weighted average number of ordinary shares at 31 December (basic)		
- Issued ordinary shares	790,094,765	790,094,765
- Treasury shares ¹ (weighted average)	(7,389,834)	(5,389,834)
	782,704,931	784,704,931
	Cents	Cents
Basic earnings per share	6.4	8.4

(b) Diluted earnings per share

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

	31 December 2019 \$000	31 December 2018 \$000
Profit attributable to ordinary shareholders	50,096	65,729
Changes in earnings arising from dilutive potential ordinary shares	-	-
	50,096	65,729
	Number of shares	Number of shares
Weighted average number of ordinary shares at 31 December (diluted)		
- Issued ordinary shares	790,094,765	790,094,765
- Effect of share options on issue	5,307,190	5,307,190
- Treasury shares ¹ (weighted average)	(7,389,834)	(5,389,834)
	788,012,121	790,012,121
	Cents	Cents
Diluted earnings per share	6.4	8.3

1. Details of Treasury shares are provided in Note 20 of the 30 June 2019 consolidated financial report.

Reliance Worldwide Corporation Limited
Notes to the Consolidated Financial Statements
For the half year ended 31 December 2019

5 Income tax expense

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

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

	31 December 2019 \$000	31 December 2018 \$000
Profit before income tax	84,741	88,279
Prima facie income tax expense at 30%	(25,422)	(26,484)
<i>Tax effect of items which (increase) / decrease tax expense:</i>		
Effect of tax rates in foreign jurisdictions	4,413	5,024
Non-deductible expenses	(1,772)	(1,162)
Foreign income subject to US tax	(8,028)	-
Net (under) over provision from prior years*	(5,739)	-
Other	1,902	72
Actual income tax expense reported in the consolidated income statement	(34,646)	(22,550)

* Primarily relates to the derecognition of foreign tax credits offset by the recognition of R&D tax credits and US state tax credits.

6 Property, plant and equipment

	31 December 2019 \$000	30 June 2019 \$000
<i>Carrying amounts of:</i>		
Freehold land	2,887	2,922
Buildings	189,196	94,404
Leasehold improvements	6,332	5,255
Plant and equipment	189,665	186,908
	388,080	289,489
Of which 'Leases – Right of Use Assets' (Note 12)	107,089	-

Following the adoption of AASB 16 Leases, the Group has presented right-of-use assets in the Consolidated Statement of Financial Position within property, plant and equipment in the same line item in which it presents underlying assets of the same nature that it owns (refer to Note 12).

Reliance Worldwide Corporation Limited
Notes to the Consolidated Financial Statements
For the half year ended 31 December 2019

7 Net Debt

(a) Borrowings	31 December 2019 \$000	30 June 2019 \$000
Current		
<i>Secured</i>		
Bank overdraft	9,016	-
	9,016	
Non-Current		
<i>Secured</i>		
Bank borrowings	410,105	495,886
Total secured borrowings	419,121	495,886

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

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

The Facility has a variable interest rate which is based on a variable base rate plus a margin. The Facility contains financial covenants which the Company is in compliance with. The security provided to support the Facility and the UK overdraft facility is as disclosed in the financial report for the year ended 30 June 2019.

(b) Net Debt

At 31 Dec 2019	Facility Limit	Borrowings	Cash	Net cash/(debt) Balance
	\$000	\$000	\$000	\$000
Syndicated Facility (Tranches A & B)	(500,000)	(342,105)	-	(342,105)
Syndicated Facility (Tranche C)	(250,000)	(68,000)	-	(68,000)
Cash and cash equivalent/Overdraft	-	-	15,380	15,380
Total RWC Group	(750,000)	(410,105)	15,380	(394,725)
At 30 June 2019	\$000	\$000	\$000	\$000
Syndicated Facility (Tranches A & B)	(500,000)	(399,886)	-	(399,886)
Syndicated Facility (Tranche C)	(250,000)	(96,000)	-	(96,000)
Cash and cash equivalent/Overdraft	-	-	69,279	69,279
Total RWC Group	(750,000)	(495,886)	69,279	(426,607)

During September 2019, Reliance Worldwide Corporation, a subsidiary company incorporated in the USA, entered into a USD 15 million overdraft facility which is secured under the Company's main syndicated facility agreement. The facility had not been drawn as at 31 December 2019.

Reliance Worldwide Corporation Limited
Notes to the Consolidated Financial Statements
For the half year ended 31 December 2019

8 Inventories

	31 December 2019 \$000	30 June 2019 \$000
<i>At cost</i>		
Raw materials and stores	97,973	96,153
Work in progress	26,186	25,540
Finished goods	124,954	117,355
	249,113	239,048
Less: provision for diminution	(9,964)	(9,958)
	239,149	229,090

9 Goodwill and intangible assets

	31 December 2019 \$000	30 June 2019 \$000
<i>Carrying value</i>		
Goodwill and unidentified other intangible assets	937,405	901,428
Identified intangible assets		
- Intellectual property, trade names, brand names and trademarks	265,250	255,885
- Product technology	28,586	27,373
- Customer relationships	28,674	27,301
- Licence fees and software and other	30,390	16,697
	352,900	327,256
	1,290,305	1,228,684

The Group assesses whether there are indicators that goodwill and other intangible assets have suffered any impairment at each reporting date and believes that no impairment charge is required for any significant asset or Cash Generating Unit in the half year ended 31 December 2019.

10 Contingent liabilities

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

The Group has provided bank guarantees for property leases totalling \$876,555.

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

The Group is involved from time to time in legal proceedings, administrative actions and claims related to the normal conduct of its business including, among other things, general liability, commercial, employment, intellectual property, and products liability matters. Based upon current information, it is not possible to predict with certainty the outcome or cost of these legal proceedings, actions or claims. The Directors believe that current matters of which they are aware should not significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial periods.

Reliance Worldwide Corporation Limited
Notes to the Consolidated Financial Statements
For the half year ended 31 December 2019

10 Contingent liabilities (continued)

The Company recently became aware of a legal proceeding filed in a U.S. court purporting to join Reliance Worldwide Corporation, a member of the Group, ("RWC USA") to an action in connection with alleged product liability claims. RWC USA has not been served with a complaint associated with this proceeding. At this stage, it is not possible to provide a reasonable or accurate assessment of RWC USA's potential exposure, if any. In any event, RWC USA does not accept any liability and intends to vigorously defend this matter if it is served.

The Directors are not aware of any other material contingent liabilities at balance date or arising since the end of the financial period.

11 Related Party Transactions

There were no related party transactions entered into by the Group during the period.

12 Leases

The Group leases various properties, equipment and vehicles. Property leases typically are for a period of 5 to 10 years and often have extension options and equipment and vehicle leases are typically for a period of 3 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

AASB 16 Leases removes the previous distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for almost all lease contracts.

The Group adopted AASB 16 on 1 July 2019 using the modified retrospective method, in which leases are recognised as a right-of-use asset and a corresponding liability at the date of adoption. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the statement of financial performance over the lease period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured at present value. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate. The Group has elected not to recognise right of use assets or lease liabilities for payments associated with short-term leases (with a term of 12 months or less) and leases of low-value assets. Payments relating to these items are recognised on a straight-line basis as an expense in the statement of financial performance.

Impact of adoption of AASB 16 on 1 July 2019

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as at 1 July 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 3.5%. The Group's Right of Use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases.

Reliance Worldwide Corporation Limited
Notes to the Consolidated Financial Statements
For the half year ended 31 December 2019

12 Leases (continued)

Right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet at 30 June 2019. In accordance with AASB 16, the Group has not restated comparatives as permitted under the specific transition provisions in the standard. Following implementation of the standard on 1 July 2019:

- Property, plant and equipment increased by \$114.5m to recognise the net right-of-use asset
- Lease liabilities increased by \$116.9m
- Retained earnings increased by \$0.9m
- Deferred tax assets increased by \$0.9m
- Recognition of Net investment in sub-lease for \$2.4m

The recognition of the lease liability can be reconciled to the operating lease commitments disclosed at 30 June 2019 as follows:

\$million

Operating lease commitments disclosed at 30 June 2019	123.3
Discounted using RWC's incremental borrowing rate of 3.5%	(16.4)
(Less): short term leases and low value leases recognised on a straight-line basis as expense	(2.7)
Add: adjustments as a result of different treatment of extension and termination options	12.7
Lease liability recognised as at 1 July 2019	116.9

Amounts recognised in the statement of financial position

	31 December 2019 \$000	30 June 2019 \$000
<i>Right-of-use assets</i>		
Properties	103,674	-
Equipment	2,586	-
Vehicles	829	-
Total right-of-use assets	107,089	-
<i>Lease liabilities</i>		
Current	16,795	-
Non-current	97,572	-
Total Lease liabilities	114,367	-

Amounts recognised in the statement of financial performance

	31 December 2019 \$000	31 December 2018 \$000
<i>Depreciation charge for right-of-use assets</i>		
Properties	6,639	-
Equipment	537	-
Vehicles	250	-
Total depreciation charge for right-of-use assets	7,426	-
Expense relating to short term and low value leases	1,364	-
<i>Finance costs</i>		
Interest expense on lease liabilities	2,278	-
Interest expense on syndicated debt facility	9,776	11,880
	12,054	11,880

Reliance Worldwide Corporation Limited
Notes to the Consolidated Financial Statements
For the half year ended 31 December 2019

12 Leases (continued)

The statement of cash flows for 31 December 2019 includes cash outflows for lease payments of \$7.9 million and lease interest of \$2.3 million within 'Cash flows from financing activities'. The cash flows for the half year ended 31 December 2018 have not been restated, with the cash outflow associated with lease payments included in 'Payments to suppliers and employees' within 'Cash flows from operating activities'.

13 Subsequent events

On 24 February 2020, the directors resolved to declare an interim dividend of 4.5 cents per share franked to 20%. The dividend will be paid to eligible shareholders on 9 April 2020. The record date for dividend entitlement is 11 March 2020. The Company does not have a dividend reinvestment plan.

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

14 Group entities

The following subsidiaries were all dissolved on or before 31st December 2019:

John Guest Automotive Ltd, on 3rd December 2019
John Guest Connectors Ltd, on 31st December 2019
Reliance Water Controls Ltd, on 31st December 2019

John Guest S.L. merged into Reliance Worldwide Corporation (Europe) S.L.U. on 1st August 2019.

Reliance Worldwide Corporation Limited
Directors' Declaration
For the half year ended 31 December 2019

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

1. the Consolidated interim financial statements and notes that are set out on pages 4 to 19 are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the period from 1 July 2019 to 31 December 2019;
 - (ii) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001;
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.



Stuart Crosby
Chairman



Heath Sharp
Group Chief Executive Officer and Managing Director

Melbourne
24 February 2020



Independent Auditor's Review Report

To the shareholders of Reliance Worldwide Corporation Limited

Report on the Interim Financial Report

Conclusion

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

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

- giving a true and fair view of the **Group's** financial position as at 31 December 2019 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Interim Financial Report** comprises:

- Consolidated statement of financial position as at 31 December 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 Half-year ended on that date;
- Notes 1 to 14 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

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

Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

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

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

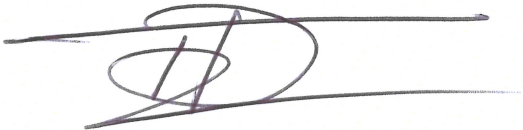
Our responsibility is to express a conclusion on the Interim Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Interim Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Reliance Worldwide Corporation Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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



KPMG



Tony Romeo
Partner
Melbourne
24 February 2020