Solutions to Shape the World™

Reliance Worldwide Corporation Limited

Annual Report 2021

2021 has been a record year for RWC. The strengths of our products, brands, channel partner relationships and customer service have been essential factors in helping us deliver more products to more users than ever before. Making it happen has been the incredible team of people at RWC.

Our value proposition

A family of innovative, integrated products that saves customers' time and makes their lives easier, while our unrivalled value creation delivers stronger returns for our distribution partners.

Our core purpose

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

Contents

Chairman's Report

Dear fellow shareholders,

It gives me great pleasure to present our annual report for 2021.

This has been an extraordinary year for RWC. We had to manage our way through COVID while at the same time meeting much-elevated demand levels. These factors placed huge burdens on our people as they worked to manage our supply chains, deal with the complexities and restrictions made necessary by the global pandemic and, most importantly, deliver for our customers. As a result of the extraordinary efforts of our people, we have delivered powerful revenue and earnings growth and consequently achieved a record result for the Company.

Financial Performance

Reported Net Profit after Tax ("NPAT") was $188.2 million for the year ended 30 June 2021, which was 111% higher than the prior year. NPAT after adjustment for one-off restructuring costs and certain tax accounting treatments was $211.9 million, an increase of more than 60% over the same measure in the prior year.

This exceptionally strong result was driven primarily by growth in sales in each of our regions, coupled with tight cost control. Reported sales were 15% higher than the prior year but when adjusted for exchange rate movements sales were up 25% on the prior year in constant dollar terms.

On behalf of the Board, I congratulate the management team and everyone across the Company for delivering such an outstanding result. Meeting the significant increase in demand for our products while also delivering operational improvements during a global pandemic is an extraordinary achievement.

The following report from Heath Sharp, Group Chief Executive Officer, and the accompanying review of operations provide more detailed commentary on performance and financial results.

Strong cash performance has further strengthened the balance sheet

Our record earnings performance translated into a very strong cash result, with cash flow from operations up 20% to $334.3 million. This strong cash flow performance enabled a further reduction of $128.3 million in borrowings and a decrease in the leverage ratio (net debt to EBITDA) from 1.39 times to 0.51 times. We finished the year in a particularly strong financial position including headroom within our borrowing facilities of $583 million.

Capital Management review

During the year, we reviewed the company's capital management approach. Following the review, we believe that RWC's optimal capital structure will be achieved by maintaining a leverage ratio in the range of 1.5 to 2.5 times net debt to EBITDA. Maintaining a level of debt within this range will minimise our cost of capital whilst ensuring we are able to continue to borrow on acceptable terms. As I have noted above, we are well below this range at present due to the very strong cash performance in 2021.

Investing in the business to support growth opportunities will continue to be a priority. Cash flows generated beyond this investment will continue to support distributions to shareholders through dividends. Our policy of distributing between 40% and 60% of annual NPAT by way of dividends each year remains unchanged.

Beyond paying dividends, we have determined that the purchase of RWC shares through on-market share buybacks would be the most effective means of distributing excess cash. A share buyback would be value-enhancing for shareholders as it would contribute to positive earnings accretion on an Earnings Per Share (EPS) basis as well as improve return on equity. We will consider share buybacks in the future having regard to our earnings performance, the economic outlook and other investment opportunities.

We will continue to be very disciplined in our approach to capital investment. Early in the pandemic we prudently scaled back capital expenditure as we sought to preserve cash. We are now responding to the volume growth of the past year by investing appropriately in increased capacity in our manufacturing operations. Investing in new product development and their commercial release also continues to be a priority. Finally, we remain keen to expand our product offering through acquiring complementary businesses, and we have an active programme to identify and assess opportunities. When assessing these opportunities, we continue to apply suitable levels of rigour and financial discipline.

Dividend

With the strong earnings performance recorded in FY2021 we've been able to substantially increase the dividend paid from last year. Total dividends declared for the year are 13.0 cents per share representing an earnings payout ratio of approximately 55% of Reported NPAT. This compares favourably with the 7.0 cents per share declared last year and 9.5 cents per share declared in respect of the 2019 financial year.

Revised remuneration structure

A review of RWC's remuneration framework was completed during FY2021. The main purpose of the review was to enable the Company to implement a remuneration framework programme more closely aligned with current market practices. External consultants were engaged to assist with benchmarking analysis and design of the framework.

The review has been extensive and thorough, and the revised framework is being implemented across all those in leadership roles (approximately 215 people) in FY2022. Its design is largely US-referenced, reflecting the fact that over half of RWC's executives are based in the US, and it is performance-based, with incentive pay linked to operational performance and shareholder value creation.

We are confident that the framework will position us to compete to attract and retain the best talent for RWC, and that it is aligned with shareholder expectations, being comparable with appropriate industry and geographical peers and ensuring that remuneration is clearly linked to shareholder returns.

You will find further details of the new framework in Section C of the Remuneration Report.

Board changes

We were pleased to welcome Darlene Knight to the Board in April as an independent director. Darlene's background has been with global manufacturing sector organisations where she held strategic and operations roles, including senior leadership roles in the US and China. With her experience in engineering, global manufacturing and quality, Darlene's appointment is consistent with the Board's aim of strengthening its capacity by adding members with relevant skills and experience.

Concurrent with Darlene's appointment, Ross Dobinson retired from the board after five years as a director, and I'd like to formally record here the Board's thanks to Ross for his contribution to the Company over that time.

I'd like to thank the chairs of the Nomination and Remuneration Committee, Christine Bartlett, and the Audit and Risk Committee, Russell Chenu, for their work over the past year. The remuneration review has been a very significant undertaking and has been led skilfully and energetically by Christine. Similarly, the demands on the Audit and Risk Committee over the past year have been significantly higher than usual as we have navigated through COVID, and I thank Russell for his expertise and leadership.

Social Impact Report

During the year we released our second social impact report which provides an update on our progress across a range of environmental, social and governance practices. Two areas which we highlight in the report where we made particular progress were in the development of a Diversity and Inclusion framework across the Group, and the development of a work plan with short and long-term goals to address modern slavery. This year we will be undertaking a thorough analysis of our greenhouse gas emissions and establishing emission reduction targets and an action plan to achieve them. The Board is actively engaged with management in working through our sustainability priorities and we are very appreciative of the progress that the Company has made over the past two years in addressing areas of highest relevance to RWC.

Outlook

The outlook for our key markets in FY2022 is positive notwithstanding ongoing COVID restrictions and the emergence of new variants. Economic conditions in our key markets look to be broadly favourable and are likely to be underpinned by ongoing government stimulus measures.

In the Americas, home remodelling activity is expected to remain strong given the positive fundamentals in core US residential segments, while weakness in non-residential activity is likely to continue in FY2022. We expect that sales growth in the Americas will moderate significantly following the exceptionally strong levels recorded in FY2021.

In Australia, increases in residential dwelling approvals should translate into a continuation of construction activity levels, and house price appreciation and low interest rates should remain supportive of the home remodelling sector.

In the UK, short-term housing demand and economic indicators remain favourable, pointing to continued strong demand for repair and remodelling activity. While the recovery in Continental Europe started later than the UK, it is anticipated that demand will continue to improve with increased vaccine availability and economies opening up further.

I look forward to presenting to shareholders at the Annual General Meeting to be held on 28 October 2021. National and international border restrictions will likely dictate that our overseas based directors and management will only be able to join the meeting by video. It is unclear at this time whether restrictions in Victoria will be eased sufficiently to allow a hybrid virtual and physical meeting to be held for shareholders who would like to attend in person. Full details will be outlined in the Notice of Meeting.

Stuart Crosby
Chairman

The outlook for our key markets in FY2022 is positive

Roman Vejda
Czech Republic

Our 5 year performance

Net Sales A$m
5 Year CAGR

+22%

Adjusted EBITDA A$m
5 Year CAGR

+30%

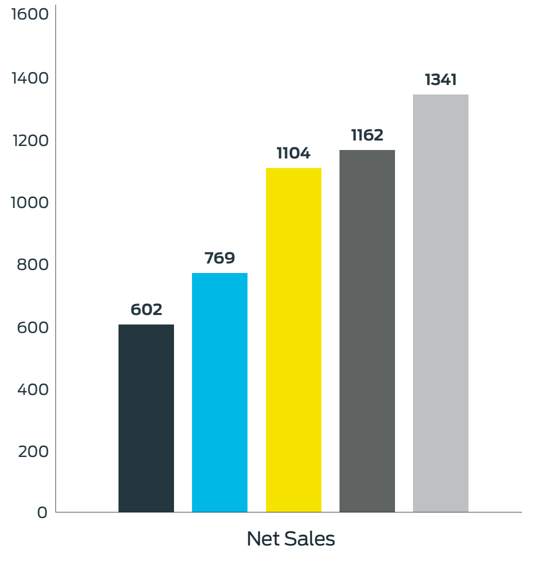
Adjusted NPAT A$m
5 Year CAGR

+34%

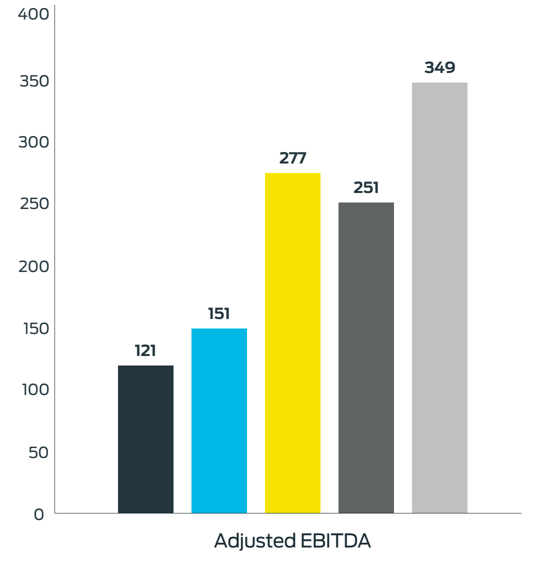
RWC was listed on the ASX in April 2016 and, at the end of FY2021, we had completed 5 full years as a listed company.

Over that time, we have delivered strong growth in sales and earnings, through a combination of organic growth and acquisitions.

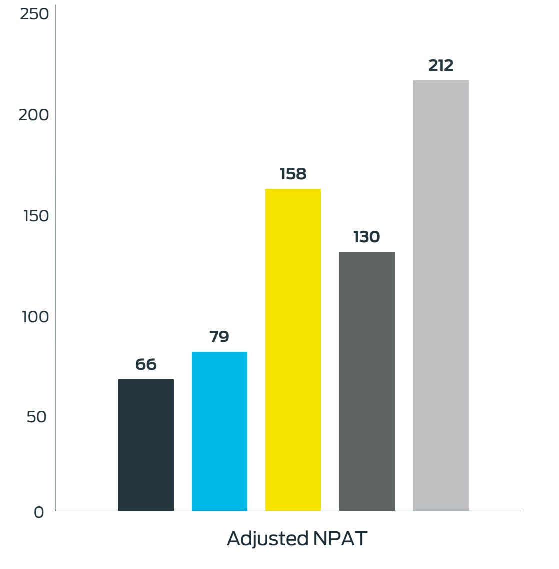
Net Sales A$m
5 Year CAGR: 22%



Adjusted EBITDA A$m
5 Year CAGR: 30%



Adjusted NPAT A$m
5 Year CAGR: 34%



FY17 FY18 FY19 FY20 FY21

CAGR: compound annual growth rate

Chief Executive Officer's Report

I'm very pleased to report to you on our record performance for the year ended 30 June 2021.

At the start of the year, we faced great uncertainty across our markets due to the COVID pandemic. As the year has unfolded, our experience has been one of incredibly resilient repair and remodel markets, and of consistently higher demand for our products in all of our major markets.

This unprecedented level of demand has at times tested our capacity and our capability, particularly during the height of the pandemic in the US and UK. Our ability to deliver for our channel partners and end user customers despite the disruption of COVID and the knock-on impacts to global supply chains and logistics activities, is testament to the commitment and dedication of everyone at RWC.

Group Result for FY2021

The 2021 financial year set new records for the Company for both sales and earnings.

We recorded net sales for the year of $1,340.8 million which were 15% higher than the prior year. Foreign currency exchange rates this year had a particularly marked impact on our reported sales and mask the true strength of our sales growth. Looking at net sales performance on a constant currency basis, the growth rate was 25%.

All regions encountered increased demand throughout the year as a result of strong residential repair and remodel activity. COVID has had a major impact on the discretionary spending priorities of consumers around the world. With more time being spent at home, consumers have opted to invest in upgrading their houses and we saw this flow through to demand in all our key markets. New residential construction markets were also buoyant and drove volume growth, particularly in Australia where a substantial part of our business is exposed to new home building.

This strong growth in sales translated to higher earnings. Reported EBITDA[1] was $340.7 million, an increase of 56% on the prior year. During the year we commenced a rationalisation and expansion of our warehousing and logistics activities in the US and UK operations which incurred one-off costs of $8.5 million. Adjusting for these costs, and prior year restructuring and impairment charges, EBITDA was $349.2 million, 39% higher than the prior year.

Reported Net Profit after Tax ("NPAT") was $188.2 million for the year ended 30 June 2021, which was 111% higher than the prior year. Adjusted NPAT of $211.9 million reflected one-off restructuring costs and adjustments for certain tax accounting treatments. Adjusted NPAT for the prior comparable period was $130.3 million.

Trading Performance of each region

Americas

Americas' sales on a constant currency basis were 27% higher for the year and 31% higher in the second half. Growth was driven by the strength of the residential repair and remodelling markets in the US and Canada. The trend for increased spending on home improvement was first evidenced immediately following the outbreak of COVID and continued throughout FY2021. Our retail and hardware channel partners experienced strong sales growth throughout the year. Wholesale channels saw an improving trend in sales growth, with sales early in the year adversely impacted by shelter-in-place restrictions in certain parts of the US and a slower recovery in commercial construction activity.

Sales in the US were boosted in the second half by a severe winter freeze impacting Texas and surrounding US states. This emergency caused a sudden and significant surge in demand for our products, and our teams responded magnificently over the ensuing days and weeks to respond to the needs of channel partners and their customers. It was RWC at its very best. We estimate that approximately US$42 million sales impact can be attributed to the freeze, which came on top of already strong demand due to COVID.

APAC

Sales in Asia Pacific were 13% higher for the year. External sales were up 11% reflecting stronger Australian new housing construction and remodel markets. Remodelling activity in Australia was consistently strong throughout the year, while new housing commencements in Australia increased by 7% in the year to 31 March 2021. Inter-company sales were 16% higher as a result of increased exports to the Americas and the strong demand conditions in the US in particular.

EMEA

We recorded a strong rebound in EMEA sales this year, with sales on a constant currency basis up 25% on the prior year. Sales volumes recovered early in the year following the easing of government COVID restrictions in the UK and Continental Europe. Sales growth was initially driven by pent-up demand as channel partners rebuilt inventory levels, and this was quickly followed by a recovery in activity in repair and remodel markets. Sales in Continental Europe also improved over the course of the year as markets recovered from COVID impacts.

Strong operational performance

From an operational perspective, the strong growth in sales had us running hard at all our facilities. We have been able to keep all our facilities operational and this was particularly pleasing in the context of the US and the UK. We've had to do that whilst at the same time managing the COVID-19 impacts on our operations. Our people around the world have worked incredibly hard to keep our operations going and meet the requirements of our distributors and our end users, while at the same time looking after their own health and that of their colleagues.

A pleasing aspect of this year's result has been the way that the top line sales growth has translated into operational margin expansion and improved net earnings. Higher volumes have driven factory efficiencies and improved manufacturing overhead recoveries. On top of that, our own cost containment measures have borne fruit. At the start of the year we announced a cost reduction programme and a target of $25 million in annual savings. During the year we realised savings of $22.3 million and have met our goal of $25 million in annual savings on a run rate basis by the end of FY2021.

1 EBITDA, Adjusted EBITDA, and Adjusted NPAT are non-IFRS measures used by RWC to assess operating performance. These measures have not been subject to audit or review. Refer to the Operating and Financial Review section for additional detail.

Cost inflation has been a major challenge this year, and it has been necessary for us to increase prices across a range of products in order to recover input cost increases. The cost of copper, a key component of manufactured brass products, rose steeply in the second half of the year and we also saw increases in plastic resin and steel costs. Inflation pressures were also acute in freight and packaging costs.

Looking ahead, we have finalised plans to reshape our warehouse and logistics activities in the US and the UK. In the US, we have leased a new purpose-built distribution centre in Alabama which will significantly expand our capacity and allow us to consolidate our warehousing operations onto one site.

In the UK, we have reached agreement to outsource our warehousing and logistics operations to a third-party logistics provider. This will enable the consolidation of our current five warehouses into one centrally located distribution facility with future expansion capacity. We will also migrate our current truck and trailer fleet to a more efficient outsourced fleet of vehicles. These changes will provide a range of benefits including greater flexibility, efficiency, scalability, sustainability and enable cost savings. Importantly it will enable us to enhance the service we provide to our customers through real load time visibility and order tracking capability.

Investing for the future

In the coming year we will be further investing in manufacturing capacity expansion and to enable the production of new products. We are forecasting capital expenditure in the range of $80 million to $90 million in FY2022, compared with $48.8 million in FY2021. The increase is partly due to our tight control of capital expenditure during the height of the pandemic, in addition to the need for more capacity.

The expansion of manufacturing capacity of our core products in all three regions, including SharkBite and SpeedFit fittings, valves and pipe products, is a direct result of the very strong growth we experienced in FY2021. We are also investing in production for new products. These will allow us to further expand our offering to our core customers which continues to be a key component of our growth strategy.

In July 2021 we announced the acquisition of the business assets of LCL Pty Ltd for approximately A$37 million. LCL is one of Australia's largest producers of high-quality copper-based alloys and produces a range of brass copper alloys from both new and recycled materials. LCL is the principal supplier of brass to RWC in Australia and its primary production facility in Moorabbin is immediately adjacent to our brass forging operations. The acquisition means that we will continue to have access to the supply of high-quality brass to support our future operations, and we have also secured a favourable long-term cost position for our brass requirements in Australia.

We continue to actively look for business acquisition opportunities, particularly those that would allow us to add to our product portfolio and whose products we could leverage across our extensive network of channel partners. We have strong platforms in North America and the UK which we believe we can leverage further through selected acquisitions. Demand for quality businesses is particularly high at present and we are mindful of the need to remain disciplined around valuation and growth metrics.

Health & Safety

The well-being of RWC employees during COVID remained a priority throughout the year. At each of our facilities we continued to implement safety measures in accordance with local regulations and employed best practices to reduce the impact to our employees whilst at the facility. In addition, we have continued to monitor the impacts of COVID and respond as required when there are increases in positive case rates in any regional area in which we operate.

Increasing employee ownership of health and safety outcomes at RWC has continued to be a priority. We experienced an increase in employee health and safety engagement across our operations, from 24% at the start of FY2021 to 41% at year end. We have achieved this through encouraging and supporting increased reporting. During FY2021, nearly 10,000 safety observations, near-miss events, and hazards were reported by employees.

Each region has implemented global initiatives such as site safety committees and the safety observations process. Our regional health and safety leaders collaborate on a monthly basis to share general knowledge and identify best practices that we can implement across the company. This year, we started to implement additional internal audit processes led by first level leaders in our manufacturing facilities. This process is allowing leaders to identify health and safety risks, assign corrective actions and track these tasks to completion. These regular "safety walks" by site managers will help to minimise risks in our manufacturing facilities as well as demonstrate our commitment to the safety of our people. In FY2022, these safety walks will expand to include regional and global executives each time they visit manufacturing and distribution locations.

The year ahead

After a record year, we are positive about FY2022 while at the same time realistic that the very high growth rates we achieved in FY2021 will moderate significantly. One of the factors we cannot know for certain is the extent to which potential changes in consumer spending away from home projects post-COVID will be offset by a longer-term trend of increased expenditure on homes.

What we do know for sure is that we have finished FY2021 in a very strong financial position, with our businesses in each of our regions bigger and stronger than a year ago. We are well placed to continue growing in each of our markets through a combination of new products, marketing programmes and ongoing plumber conversion to our range of fitting and pipe systems. Our success is also built on our customer service and channel partner relationships and we will continue to prioritise investment in these areas.

Working with the incredible team at RWC

Achieving a record year could not have happened without the commitment and dedication of everyone at RWC. Despite the enormous challenges of operating through COVID, RWC people have worked tirelessly to ensure we were able to meet the needs of our customers and channel partners. During the year, we received accolades from two of our North American channel partners naming us a category supplier of the year. The awards, detailed elsewhere in this report, provide third party validation of what everyone at RWC has achieved over the past year. Being part of RWC and working with such a fantastic team has been the highlight of the year for me, and I thank each and every one of our people for their efforts and contributions over the past year.

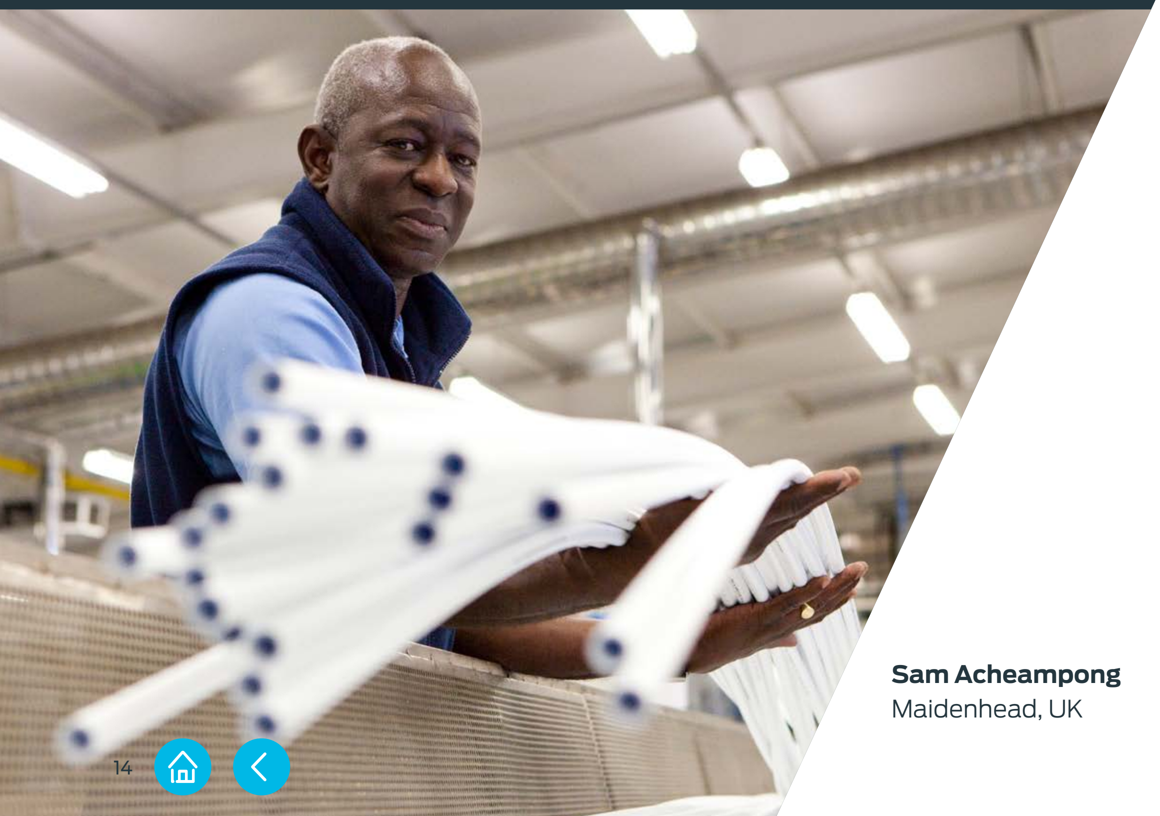
Heath Sharp
Group Chief Executive Officer

2021: A year of challenges and triumphs

FY2021 was a year dominated by COVID-19, and the effects of the pandemic were felt in our operations around the world. But it was only part of the story of RWC in FY2021.

This past year has been the biggest in our history: we've sold more products to more customers than ever before in each of our key markets. And we've done this while managing our way through lockdowns, workplace restrictions, supply chain disruptions, border closures, and the personal impacts of COVID-19 on the lives of our people. Our success in the past year is testimony to the quality of our people and our products, the strong relationships we have with our channel partners and the strength of our brands which ensures customers use our products again and again.

Detailed on the following pages are just some of the highlights of the past year - a year of extraordinary challenges but also great achievements.



Sam Acheampong
Maidenhead, UK

Keeping our people safe

The health and safety of RWC employees has always been our number one priority, even before the outbreak of COVID-19. Throughout the pandemic, RWC has worked to ensure all its facilities adapted and continued to operate safely. For employees working at our manufacturing facilities, we adjusted processes to support social distancing in production areas and adapted our material handling processes. For employees working at our office locations in COVID-19 impacted regions, we implemented appropriate telecommuting options and office re-entry protocols.

In cases where employees tested positive, RWC took appropriate actions, including requiring affected employees to self-isolate, conducting contact tracing to identify any possible interaction with other RWC employees or contractors, and shutting down and deep cleaning all impacted areas.

Beyond the need to keep employees safe, we have recognised a need to adapt the way we operate while preserving our culture and the spirit of teamwork in a dislocated world. Throughout COVID-19 we have sought to ensure that our people remain highly engaged and confident about the future of RWC.

Lisa Markey & Corey Green
Cullman, Alabama

RWC is named a winner at the Atlanta Top Workplaces 2021 Awards

Managing through the pandemic and motivating and sustaining our people through many months of working differently, and often remotely, has been a challenge. We were especially pleased when RWC's Atlanta office was awarded a Top Workplaces 2021 honour by Atlanta Journal-Constitution. The list is based solely on employee feedback, gathered through a third-party survey, which is administered by an employee engagement technology partner.

Only 175 companies made this year's list, so RWC was proud to be included, especially since this was our first time applying for this award. Our top scores were in three areas: execution, open-mindedness and innovation.

Atlanta | Top Workplaces 2021 Awards

Meeting the demands of our customers

Our manufacturing, distribution and supply chain teams have worked tirelessly to respond to the rapid, unforecast changes in demand since the advent of COVID-19, to get as much product as possible into stores and available for our end-users. These efforts have required collaboration with each of our global divisions to meet the elevated demand, and our operations teams have made an incredible effort to meet the demands of our customers in a challenging working environment.

The surge in demand arising from COVID-19 has been a feature of all our markets in the past year and was driven by increased consumer spending on home improvements and higher wear and tear on bathrooms and kitchens.

In the US, elevated demand levels were pushed even higher during the winter due to a significant freeze event in Texas and surrounding US states.

Our ability to respond to changing market conditions and to meet increased demand was recognised by two significant awards given to RWC in the Americas over the past year. Even against the backdrop of the global pandemic, we proved that RWC is a manufacturer that cares deeply about its customers. We distinguished ourselves from household names in the building products category, and that is something we are immensely proud of.

Texas, US

RWC named one of Lowe's 2020 Vendor Partners of the Year

In the US, Lowe's Home Improvement named RWC as one of its three distinguished vendor partners of 2020 in the building products category. RWC has always maintained a relentless focus on innovation and exceeding our customers' expectations, and our diligence has been recognised once again.

For the second time in three years, Lowe's has set RWC apart as a vendor that:

- Continues to raise the bar in delivering outstanding quality, innovation, value and service.
- Goes above and beyond to meet customers' needs.

This year, Lowe's also paid special attention to vendors that acted quickly to meet customers' needs during the pandemic.

Winning this award was a huge testament to our strength as an entire organisation to deliver innovation, value and service to our customers. It reflected the efforts required across the company to continue to grow the business, forge into new categories and expand our footprint in stores during an incredibly challenging environment with increased demand. Accomplishing all of this in a normal environment is challenging enough, but to be able to do so during a global pandemic and make it seamless for the customer is a testament to the teamwork, culture and values within RWC.

RWC team members hold the Lowe's 2020 Vendor Partners of the Year Award, US

RWC Canada Team

RWC Canada wins 2020 The Home Depot Plumbing Partner of the Year Award

RWC Canada was awarded the highly coveted The Home Depot Partner of the Year Award for the plumbing category for 2020, for our exceptional level of service and product innovation throughout the year.

We're thankful for our partnerships with all retailers and distributors, and it's exciting to be acknowledged for our dedication to our craft.

With the increased demand, new product launches and complexity of our business, our customer service teams have faced enormous challenges to respond to our customers. These teams have done an incredible job of responding to our customers and providing the best experience for our end users.

Delivering for our customers is a genuine multi-departmental and multi-country effort

These two awards in the Americas were earnt by all our US and Canadian teams who worked together to make this happen. The products on the shelves came from across our regions, such as SharkBite fittings from Australia and John Guest FluidTech fittings from the UK. These accolades are truly global RWC achievements.

Delivering our products

Our SharkBite fittings travelled from Melbourne to Texas

With sudden winter storms in Texas — which brought about devastating plumbing emergencies like frozen and burst pipes — demand for SharkBite increased dramatically in Texas and surrounding US states from February onwards. RWC's team worked overtime to make sure plumbers and homeowners had access to our emergency repair products, such as brass push fittings and PEX pipe.

However, even with increased production, it was proving difficult to keep products on the shelves in affected areas. To better serve our customers, we chartered a plane to transport large quantities of the most critical repair fittings from Australia to the US.

On the 2nd of March, RWC sent SharkBite product, which was produced in our manufacturing facility in Melbourne, from Sydney to San Francisco via a chartered plane. The next day, the shipment flew to Chicago before departing by freight to our facility in Cullman, Alabama. Finally, our team distributed it to Texas. Quite a journey for RWC's small but mighty fittings!

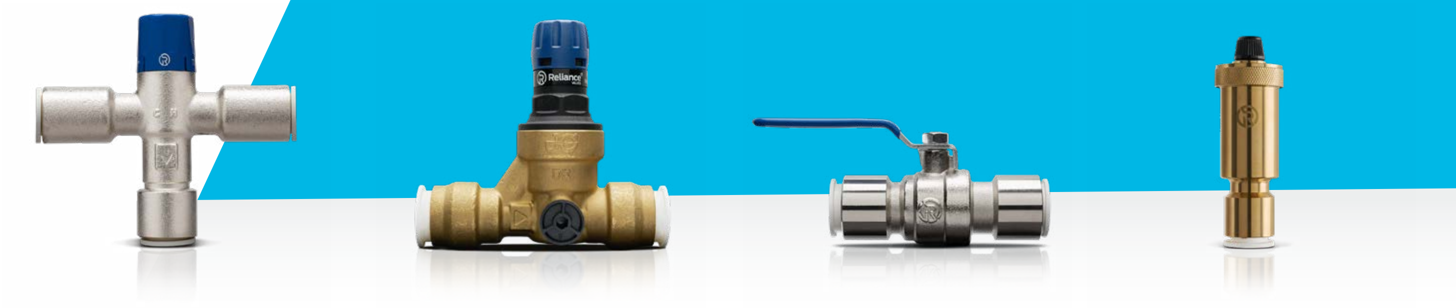
Plane takes SharkBite products to the US
Melbourne, Australia

Continuing product innovation

Despite the impacts of COVID-19 on our operations, we also continued to innovate and bring new products to market.

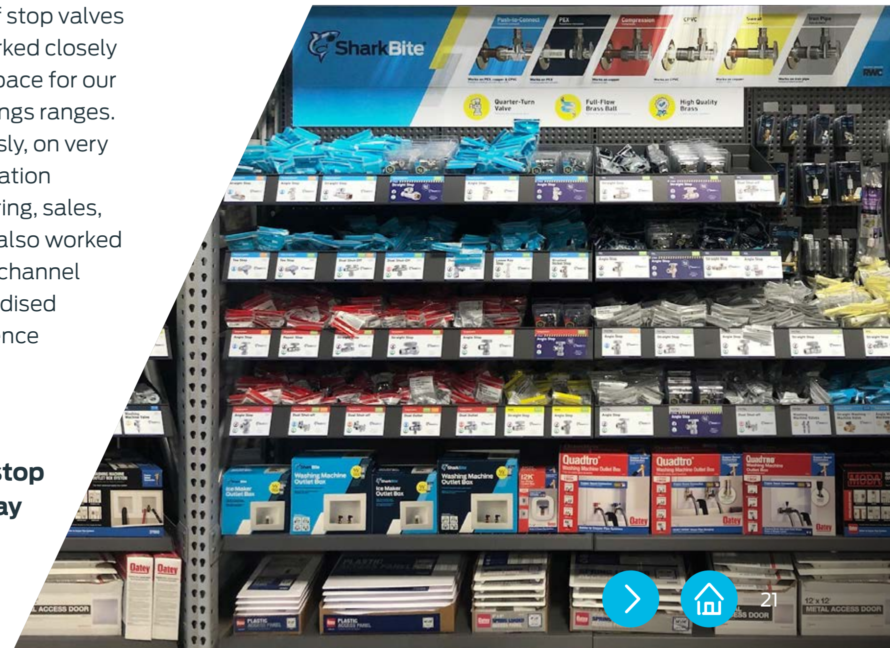
In the UK, we brought two of our world-leading brands together to transform installations. RWC launched a new range of valves that combine the control and reliability expected from our valves, with the speed and simplicity of JG Speedfit. Designed for domestic and light commercial applications, the valves range delivers ultimate control with fast and simple JG Speedfit push-fit connections.

Our precision engineered valves with push-fit connectors allow both plastic and copper pipe to be fitted with ease. They're perfect for tight spaces as no tools are required.



Another example of product innovation was the launch of the SharkBite Air and Pneumatics range. Harnessing our market-leading large diameter 2XL brass push-fit plumbing technology from SharkBite in the US, we created brass push-fit fittings that simplify small to large commercial and industrial compressed air installations. This is a heavy-duty push-fit air piping system that solves many market challenges such as lengthy installation times, pipework corrosion, pressure drops and leaks that lead to higher energy costs. The new solution complements our existing John Guest lightweight plastic push-fit fittings and pipe range that is designed for small to mid-size applications such as garages and commercial systems.

In the US we continued to bring new product ranges to market, the most notable being the launch of stop valves and pipe supports. Our sales teams have worked closely with our channel partners to increase shelf space for our core push-to-connect, and PEX pipe and fittings ranges. These projects have been executed seamlessly, on very tight timelines, through outstanding collaboration between our product management, engineering, sales, marketing and supply chain teams. We have also worked closely with the merchandising teams of our channel partners to ensure our products are merchandised correctly to ensure the best shopping experience for our customers.



SharkBite stop valve display
US

John Guest marks a significant milestone

2021 marks a very special year as John Guest celebrates its 60th anniversary - 60 years of trust, innovation and world-class product design.

Opening his factory doors in 1961, John Guest was determined to create a brand where quality and excellence of service underpinned its ethos. One that would change the course of multiple industries forever and become an iconic plumbing brand.

Inventing the world's first push-fit technology, designed initially for compressed air in 1974, John Guest wanted to make installations faster and easier. That was only the beginning of the 60-year long journey, one that has been transforming industries such as plumbing and heating, automotive, drinks, water filtration, telecoms, air and OEM for decades.

With a passion for simplicity and reliability, John Guest would go on to invent many more ground-breaking push-fit solutions. These included the first food grade connector in 1983, the first fibre optic fitting for BT, the first automotive push-fit for Ford in 1984 and the multi-seal Twist & Lock plumbing and heating range in 2005. Such innovations, and the pioneering spirit of our people, are the reasons why John Guest is a world-leading brand.

We are proud of what the John Guest brand has achieved over the years. From the ingenuity of our engineering teams, through to the dedication of our shopfloor colleagues, to the passion of our technical sales and customer care teams. John Guest's legacy lives on in RWC's family of brands and within our teams, inspiring the next generation of push-fit solutions.

Making a positive social impact

Running our business responsibly is vital to our long-term success, as the decisions we make can have important consequences for the economy, society and the environment.

Our approach to corporate social responsibility helps us to ensure that those consequences are positive, adding value for our customers, employees, wider communities and shareholders.

Many of our products have a sustainability objective at their heart, including thermal mixing valves, temperature and pressure valves and push-to-connect technology. As well as designing products to improve safety, wellbeing and energy efficiency, we acknowledge the role we play in shaping a more sustainable, just and equal world. That includes sustainably sourcing raw materials, implementing lean manufacturing practices, ethical management of our supply chain and simply putting our minds together to help communities overcome challenges.

We focus our efforts around Environmental, Social and Governance (ESG) factors through the lens of product leadership, operational excellence, supporting our people and robust governance. You can read more about RWC's approach in our latest Social Impact Report on the RWC website: **www.rwc.com/social-impact.**

Tracy Hill
Cullman, Alabama, US

Managing environmental impacts through the supply chain

We recognise that environmental issues are increasingly important to our stakeholders and wider society, and we work to actively manage and minimise these impacts. RWC has an ethical code of practice for supply sites, which provides guidance on the minimum manufacturing standards acceptable for components and raw materials supplied to the group's companies and for finished products.

This year, we continued to raise our manufacturing standards by executing projects that will reduce our carbon footprint. These initiatives include:

- Locating production centres closer to the end market to reduce transportation miles.
- Sourcing raw materials and components from suppliers closer to production centres and in the regions that the finished product will be marketed and sold.

In some cases, these criteria will become mandatory selection criteria for suppliers.

As RWC remains committed to reducing our supply chain impacts, we also realise we have much to learn. We are engaging with experts to accelerate our education process, help create roadmaps and determine our goals.

Guarding against Modern Slavery

At RWC we are proactively seeking to mitigate the risk of any modern slavery within our operations and supply chains. We have implemented a broad set of policies and procedures to identify modern slavery risks which include:

- Incorporating our modern slavery commitment into existing policies that cover both operations and supply chains while committing to remediation.
- Commencing an update of our key internal policies and extending the scope of these policies across our regions.
- An analysis of our existing governance structure, strategy, policies and procedures to understand the strengths of our current approach and identify opportunities for improvement.
- An assessment of the inherent modern slavery risks in our supply chains and operations using a globally benchmarked tool, and undertaken steps to understand residual risks for a selection of our higher risk suppliers.
- Taking steps to address the risks identified through improvements to our processes and controls, including updating our standard purchasing documentation to address modern slavery requirements.

During the year we published our first Modern Slavery Statement and a copy can be found on our website:
www.rwc.com/investors/corporate-governance

Empowering employees through the RWC share plan

We want everyone at RWC to feel invested in the long-term success of the company. During the year, we offered employees the opportunity to become a shareholder by participating in the organisation's new Share Match Plan.

The programme offers eligible employees the chance to benefit from the results of RWC's success and is also a way for RWC to reward employees for the contribution they make to our performance.

Employees can now build their shareholding gradually through regular post-tax salary deductions, which will be used to purchase shares during each plan year. Eligible employees can acquire up to $5,000 of shares in RWC from post-tax income. The company will match the shares acquired on a 1:2 basis up to a cap of $2,500 of purchased shares, subject to vesting. The 2020 offer was presented to RWC employees in Australia, Canada, New Zealand, the UK and the US. We intend to make participation available to employees in other countries in subsequent offers, subject to resolving local regulatory matters.

Over 300 employees elected to participate in the plan in 2020. We hope that by participating, employees will build an even stronger personal connection with RWC and its future achievements.

'The programme offers employees the chance to benefit from the results of RWC's success.'

Fostering Diversity and Inclusion

To continue fostering a diverse and inclusive work environment across regions, RWC has focused on Diversity and Inclusion (D&I) education, employee feedback and the evaluation of current policies to further create a workplace where everyone feels welcome, supported and valued.

We understand this focus requires ongoing education and engagement across the company. During the year, the Executive Leadership Team held workshops with an external firm to understand the context, requirements and benefits of a diverse and inclusive workforce. Additionally, education programmes ran which included training on diversity and inclusion practices.

Another aspect of learning is listening to our people. During the year we conducted employee engagement surveys in all regions that included inclusion and diversity questions. Interviews with employees from all regions and levels of the organisation were held by an external firm to gather input for consideration in building RWC's diversity and inclusion road map.

In addition to listening and learning, we must deliver. At a base level, RWC maintains workplace policies that comply with local legislative requirements. The company supports flexible work arrangements for employees across all regions on a case-by-case basis and reviews parental leave data annually so that employees with children feel supported.

We want to make sure various viewpoints are represented in the organisation. When hiring, we use local equal opportunity practices and aim for at least one diverse candidate to be included in the final candidate list.

Strategy overview

RWC is a global market leader and manufacturer of water delivery, control and optimisation systems for the modern built environment. Our unique end-to-end meter to fixture and floor to ceiling plumbing solutions target the repair and re-model, renovation service and new construction markets. The core end-user for our product is the professional plumber.

RWC has three key drivers of growth. The first of these is offering smart product solutions which make the lives of our end customers easier and improves their productivity. This is particularly the case for the pro-plumber who is at the heart of our business, but it's about enabling DIY customers too.

Equally important are our channel partner relationships. In each of our three regions - the Americas, Asia Pacific and EMEA - we have extremely strong distributor networks. RWC put a lot of effort into ensuring that we are helping our channel partners grow value. We do this through expanding the product ranges that are available on their shelves, offering a high level of service and investing in our brands to ensure that they retain their strength and continue to attract end-users into their stores.

The third element of our strategy focuses on operational excellence. This involves delivering the highest quality products via a strong logistics capability to ensure that our channel partners always have the right products in stock when they need them. A key aspect of operational excellence is delivering margin expansion through efficient and low-cost operations.

Underpinning this is a great culture, sustained by our core values. We support and develop our people while also supporting and caring for the broader communities in which we operate. This has been particularly important over the past year as we have managed the impact of COVID-19.

Creating Value through Product Leadership

Create and deliver plumbing products that are the first choice for users

Solutions for the end-user	Distributor Relationships	Operational Excellence
Smart product solutions that improve contractor productivity, enable the DIYer, and make lives easier.	Increasing value for the distributor while providing broadest access to our products for the end-user.	Premium quality products and outstanding delivery performance, yielding margin expansion.
End user insights	Superior service	Lean manufacturing
New product development	High value product	Strategic sourcing
Acquisitions	Brand management	Logistics capability

Our Team Supporting and developing our people, supporting and caring for the broader community

Our Values (our S.P.I.R.I.T.)

Simplicity · Passion · Innovation · Reliability · Integrity · Together we are one Team

Board Members

Stuart Crosby

Independent
Non-executive Chairman

Member of Nomination and
Remuneration Committee

Appointed:
11 April 2016

Heath Sharp

Group CEO

Managing Director

Appointed:
19 February 2016

Christine Bartlett

Independent
Non-executive Director

Chair of Nomination and
Remuneration Committee

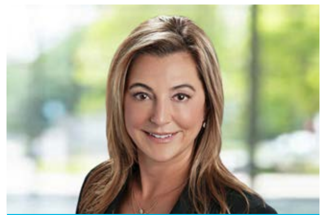
Appointed:
6 November 2019

Russell Chenu

Independent
Non-executive Director

Chair of Audit
and Risk Committee

Appointed:
11 April 2016



Darlene Knight

Independent
Non-executive Director

Member of Nomination and
Remuneration Committee

Appointed:
14 April 2021

Sharon McCrohan

Independent
Non-executive Director

Member of Audit
and Risk Committee

Member of Nomination and
Remuneration Committee

Appointed:
27 February 2018

Ian Rowden

Independent
Non-executive Director

Member of Audit
and Risk Committee

Appointed:
6 July 2020

See Directors' Report for further details on the Board Members.

Senior Leadership Team

Heath Sharp
Group CEO

Heath joined RWC in 1990 and has worked in each international division of the business, holding senior management positions in Engineering, Product Management, Sales and Operations. Heath was General Manager of the Cash Acme facility in Alabama after its acquisition in 2002. He led the Australian division from late 2004 and returned to the US in 2007 to lead the RWC business there. Heath held the roles of President of the US business and global Chief Operating Officer prior to his current role.

Andrew Johnson
Group CFO

Andrew joined RWC in 2010 as the CFO of the Americas and has led the division through rapid growth and expansion. He has been responsible for all aspects of accounting and finance as well as various administrative functions. Andrew has over 30 years of finance and accounting leadership and a strong track record in both large and mid-size international manufacturing organisations.

Sandra Hall-Mulrain
Group SVP and
General Counsel

Sandra joined RWC in October 2019. She is a seasoned corporate generalist with 20 years of diverse in-house legal experience in Fortune 100 corporations and privately held companies. Sandra has played a key role as a member of the senior leadership team helping to drive strategic initiatives and provide legal advice and guidance to various business activities. Prior to her in-house counsel career Sandra was in private practice in New Jersey.

Edwin de Wolf
CEO
EMEA

An experienced General Manager with a proven track record in the plastics, packaging, security and building industries, Edwin commenced his RWC leadership position in 2017. With the acquisition of John Guest in 2018, Edwin's role is responsible for the successful market positioning and sustainable commercial development of the business in the UK, Spain, Germany, France, Poland, Czech Republic and Italy.

Simon Woods
Group SVP of
Information Services

Simon has strategically led the IT function of numerous banking and medical companies in the UK and North America. His leadership track record led him to become RWC's Group SVP of Information Services in 2016. In his role as RWC's Group SVP of Information Services, Simon leads the IT strategy to transform and optimise the group's technology architecture, infrastructure and capabilities.

Sean McClenaghan
CEO
Americas

With over two decades of executive leadership experience and strategic involvement in operations, product development and engineering, Sean currently spearheads RWC Americas, having assumed the position of a CEO for that region in 2014. He is responsible for RWC's commercial success and sustainable growth in US, Canada and Mexico.

Brad Reid
CEO
APAC

Brad has been with RWC for nearly three decades. His career at RWC commenced when he joined the Brisbane, Australia team as a Business Development Manager. Currently leading the company's operation in the APAC (Asia-Pacific) region, his role as CEO looks after the group's business development and growth in Australia, New Zealand, China, India and South Korea.

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 2021 which commences on page 44.

Defined Terms and non-IFRS measures

EBITDA: Earnings before interest, tax, depreciation and amortisation

EBIT: Earnings before interest and tax

NPAT: Net profit after tax

EBITDA, Adjusted EBITDA, Adjusted EBIT, Adjusted net profit after tax and Adjusted earnings per share are non-IFRS measures used by RWC to assess operating performance. These measures have not been subject to audit or review.

Review of results for the financial period

Year ended	30 June 2021 (A$ million)	30 June 2020 (A$ million)	Variance
Net sales	**1,340.8**	**1,162.4**	**15%**
Reported EBITDA	**340.7**	**217.9**	**56%**
Adjusted for one-time items:			
– Restructuring and asset impairment charges	8.5	33.4	n/m
Adjusted EBITDA	**349.2**	**251.3**	**39%**
Reported net profit before tax	**272.3**	**135.9**	**100%**
Tax Expense	(84.1)	(46.4)	**81%**
Reported net profit after tax	**188.2**	**89.4**	**111%**
Adjusted for specific tax items:			
– Cash tax benefit of goodwill amortisation for tax purposes	15.2	16.9	n/m
– Prior years tax adjustment	–	4.9	n/m
– Restructuring and asset impairment charges	8.5	25.7	n/m
– CARES Act Benefit	–	(6.6)	n/m
Adjusted net profit after tax	**211.9**	**130.3**	**63%**
Basic earnings per share	24.0 cents	11.4 cents	111%
Adjusted earnings per share	27.1 cents	16.6 cents	63%
Declared dividend per share	13.0 cents	7.0 cents	86%

n/m = not meaningful

OPERATING AND FINANCIAL REVIEW

Constant Currency Revenue, EBITDA and EBIT Performance

Year ended	30 June 2021 A$ million Constant Currency	30 June 2020 A$ million	Variance % Constant Currency	30 June 2021 A$ million Reported
Net Sales				
Americas	936.1	739.1	27%	843.4
Asia Pacific	289.8	244.8	18%	277.3
EMEA	404.2	324.3	25%	390.8
Eliminations (inter-segment sales)	(182.3)	(145.8)	25%	(170.7)
RWC Group	**1,447.8**	**1,162.4**	**25%**	**1,340.8**
Adjusted EBITDA				
Americas	182.2	118.2	54%	162.5
Asia Pacific	66.6	44.3	50%	66.2
EMEA	136.4	93.0	47%	129.1
Corporate/Eliminations	(21.1)	(4.2)	403%	(8.6)
RWC Group	**364.1**	**251.3**	**45%**	**349.2**
Adjusted EBIT				
Americas	157.4	92.0	71%	140.2
Asia Pacific	53.7	30.1	78%	53.3
EMEA	116.0	72.8	59%	109.5
Corporate/Eliminations	(22.6)	(5.6)	304%	(10.1)
RWC Group	**304.5**	**189.3**	**61%**	**292.9**

The variation between Reported Sales, EBITDA and EBIT and constant currency figures is explained by movements in foreign exchange rates for translation purposes. For example, the average Australian Dollar / US Dollar exchange rate for translation of Americas financial metrics in FY2021 was US$0.7468 compared with US$0.6708 in FY2020.

OPERATING AND FINANCIAL REVIEW

Constant Currency Revenue, EBITDA and EBIT Performance

Six months ended:	30 June 2021 A$ million Constant Currency	30 June 2020 A$ million	Variance % Constant Currency	30 June 2021 A$ million Reported
Net Sales				
Americas	513.1	392.3	31%	442.6
Asia Pacific	147.1	119.4	23%	139.1
EMEA	213.3	150.7	42%	201.9
Eliminations (inter-segment sales)	(92.6)	(69.3)	34%	(85.2)
RWC Group	**780.9**	**593.1**	**32%**	**698.4**
Adjusted EBITDA				
Americas	103.5	64.6	60%	86.7
Asia Pacific	32.4	21.5	51%	36.3
EMEA	72.5	40.7	78%	66.5
Corporate/Eliminations	(18.3)	(1.8)	917%	(6.6)
RWC Group	**190.1**	**125.0**	**52%**	**182.9**
Adjusted EBIT				
Americas	90.7	51.1	78%	75.8
Asia Pacific	26.1	14.3	82%	30.0
EMEA	62.5	30.1	108%	57.1
Corporate/Eliminations	(19.2)	(2.6)	639%	(7.5)
RWC Group	**160.1**	**92.9**	**72%**	**155.4**

Net sales for the year ended 30 June 2021 of $1,340.8 million were 15% higher than the prior year. On a constant currency basis, sales were up 25%, with strong growth recorded in all three regions. Sales growth was due to heightened levels of repair and remodel activity in all key markets, driven in part by increased consumer spending on home improvements during the COVID pandemic, and by increased new residential home building activity. In the Americas, constant currency sales were up 31% in the second half with significantly increased demand arising as a result of a winter freeze event in Texas and surrounding US states.

Reported EBITDA for the year was $340.7 million, an increase of 56% on the prior year. Included in reported EBITDA are one-time costs of $8.5 million incurred to enable the expansion and consolidation of RWC's warehousing and logistics activities in the US and the UK. Adjusting for these costs, EBITDA was $349.2 million, an increase of 39% on Adjusted EBITDA for the prior year. The increase in operating earnings was driven by double digit sales growth in each region for the year, with constant currency sales in the Americas up 27%, Asia Pacific up 18% and EMEA 25% higher.

Cost savings from restructuring initiatives totalling $22.3 million were delivered in the year, and we achieved our targeted cost reduction run rate at the end of the year of $25 million on an annualised basis.

Higher commodity prices for copper, resins and steel resulted in higher manufacturing input costs. The average copper cost in FY2021 was US$6,600 per tonne compared with US$6,000 per tonne in the previous year, and was US$7,400 per tonne in the second half. These increased materials costs together with higher packaging and freight costs, negatively impacted earnings by $16.9 million. Price increases were implemented across a number of product categories during the second half in all regions to mitigate the impact of these higher costs.

Disruptions arising from the incidence of COVID cases in the UK, Europe and the US put additional pressure on our operations due to increased employee sickness and absenteeism as well as supply chain and logistics disruptions. Factory layout and materials flow changes to ensure social distancing requirements were met adversely impacted efficiencies and delivery performance. It is estimated that $6.2 million in COVID-related costs were incurred during the year. All major RWC manufacturing sites were operational throughout the year and a focus on execution enabled the Group to meet the heightened demand, particularly in the US following the winter freeze event.

OPERATING AND FINANCIAL REVIEW

Other major factors which impacted earnings were:

- Increased overhead recoveries due to higher manufacturing and sales volumes in all regions.
- Carryover procurement and other continuous improvement savings of $7.0 million.
- Adverse foreign exchange impacts of $14.9 million.
- Savings in travel, entertainment, advertising and promotions of $7.0 million as a result of lower activity across these expenditure categories due to COVID.

Reported net profit after tax ("NPAT") was $188.2 million, an increase of 111% on the prior year. Adjusting for the restructuring charges and tax items referenced earlier, net profit after tax was $211.9 million, up 63% on the prior year.

Segment Review

Americas

Year ended:	30 June 2021 (A$ million)	30 June 2020 (A$ million)	Variance
Net sales	**843.4**	**739.1**	**14%**
Reported Segment EBITDA	**156.2**	**96.8**	**61%**
Margin	*18.5%*	*13.1%*	*540 bps*
Adjusted for one-time items:			
– Restructuring and asset impairment charges	*6.3*	*21.4*	*n/m*
Adjusted EBITDA	**162.5**	**118.2**	**37%**
Adjusted Margin	*19.3%*	*16.0%*	*330 bps*

Six months ended:	30 June 2021 (A$ million)	30 June 2020 (A$ million)	Variance
Net sales	**442.6**	**392.3**	**13%**
Reported Segment EBITDA	**80.4**	**43.2**	**86%**
Margin	*18.2%*	*11.0%*	*720 bps*
Adjusted for one-time items:			
– Restructuring and asset impairment charges	*6.3*	*21.4*	*n/m*
Adjusted EBITDA	**86.7**	**64.6**	**34%**
Adjusted Margin	*19.6%*	*16.5%*	*310 bps*

Americas segment sales were up 14% for the year and 13% for the second half. Reported sales were negatively impacted by Australian dollar strength during the year. On a constant currency basis, sales were 27% higher for the year and 31% higher in the second half.

The strong sales growth was driven by the strength of the residential repair and remodelling markets in the US and Canada. The trend for increased spending on home improvement was first evidenced following the outbreak of the COVID pandemic in the fourth quarter of FY2020 and was aided by several government stimulus programs as well as a reduction in spending on other discretionary activities. This trend continued throughout FY2021. All sales channels recorded strong growth for the year. Retail and hardware channels experienced strong sales growth throughout the year, while wholesale channels saw an improving trend in sales growth with sales early in the year adversely impacted by shelter in place restrictions in certain parts of the US and a slower recovery in commercial construction activity.

A winter freeze event in February 2021 in Texas and surrounding states in the US boosted sales significantly and partly explains the very strong constant currency sales growth recorded in the second half of the year. We estimate that approximately 8.5 percentage points of the constant currency sales growth of 27% in the Americas was due to the impact of the freeze (approximately US$42 million sales impact).

OPERATING AND FINANCIAL REVIEW

Constant currency sales growth excluding the freeze is estimated to have been 19% for the year, from a combination of overall growth in market activity, increased demand due to COVID, new customer and product initiatives, and market share gains.

Reported EBITDA for the Americas segment was $156.2 million, 61% higher than the prior year. Reported EBITDA included one-off costs relating to the expansion and rationalisation of warehouse and logistics operations in the US of $6.3 million. The lease of a new purpose-built distribution centre in Alabama will significantly expand our capacity and allow us to consolidate our warehousing operations in Alabama onto one site. This will align our distribution network with our long-term growth needs, improve operational efficiencies and further lower the fixed cost base. Excluding these costs, and $21.4 million of restructuring costs and impairment charges included in prior year EBITDA, Adjusted EBITDA was 38% higher than the prior year. The principal drivers of EBITDA performance are summarised in the following table:

Americas

Year Ended: (A$ million)	30 June 2021	$ Change over prior year	Commentary
Gross Profit	303.1	43.0	$71.9 million: volume growth impact ($34.4 million): foreign currency translation impact ($10.7 million): higher materials costs $12.8 million: continuous improvement initiatives Other impacts: higher freight costs, wage inflation, depreciation and amortisation charges
Product development expenses	9.4	9.7	Savings due to restructuring in FY20 resulting in lower employee costs, marketing and product development costs and amortisation
Selling and marketing expenses	100.6	3.1	$15.8 million: foreign currency translation impacts Other impacts: increased marketing costs associated with higher volumes
Administration expenses	54.0	(1.5)	$3.3 million: foreign currency translation impacts
Other expenses	6.4	7.7	Prior year included impairment of intangible assets and costs associated with Tennessee plant closure

OPERATING AND FINANCIAL REVIEW

Segment Review

Asia Pacific

Year ended:	30 June 2021 (A$ million)	30 June 2020 (A$ million)	Variance
Net sales	**277.3**	**244.8**	**13%**
Reported Segment EBITDA	**66.2**	**44.3**	**50%**
Margin	*23.9%*	*18.1%*	*580 bps*
Adjusted EBITDA	**66.2**	**44.3**	**50%**
Adjusted Margin	*23.9%*	*18.1%*	*580 bps*

Six months ended:	30 June 2021 (A$ million)	30 June 2020 (A$ million)	Variance
Net sales	**139.1**	**119.4**	**17%**
Reported Segment EBITDA	**36.3**	**21.5**	**69%**
Margin	26.1%	18.0%	810 bps
Adjusted EBITDA	**36.3**	**21.5**	**69%**
Adjusted Margin	26.1%	18.0%	810 bps

Asia Pacific sales were 13% higher for the year and up 18% on a constant currency basis. External sales were up 11% reflecting stronger Australian new housing construction and remodel markets and inter-company sales were up 29% on a constant currency basis due to the strength of demand in the Americas.

New housing commencements in Australia increased 7% in the year to 31 March 2021 with new detached commencements up 20%, while multi-family commencements were 11% lower. A significant proportion of RWC's external net sales in Australia are made in the more cyclical new residential construction market.

Asia Pacific Reported EBITDA for the year was $66.2 million, an increase of 50% on the prior year. EBITDA was impacted by higher volumes in the Australian market and higher sales to the Americas segment, with favourable impacts on overhead recoveries. EBITDA was also positively impacted by $10.9 million from the realisation of profit in stock, of which $1.8 million related to inventory realisation and $9.1 million to foreign exchange translation impacts.

The principal drivers of EBITDA performance are summarised in the following table:

Asia Pacific

Year Ended: (A$ million)	30 June 2021	$ Change over prior year	Commentary
Gross Profit	92.2	23.8	$14.0 million: volume growth impact $9.1 million: foreign currency translation impact $2.8 million: continuous improvement initiatives $1.8 million: realisation of profit in stock Other impacts: higher overhead recoveries, higher input costs
Administration expenses	14.3	3.8	$2.5 million: lower corporate charges

OPERATING AND FINANCIAL REVIEW

Europe, Middle East and Africa (EMEA)

Year ended:	30 June 2021 (A$ million)	30 June 2020 (A$ million)	Variance
Net sales	**390.8**	**324.3**	**21%**
Reported Segment EBITDA	**126.8**	**81.1**	**56%**
Margin	*32.4%*	*25.0%*	*740 bps*
Adjusted for one-time items:			
– Restructuring and asset impairment charges	*2.2*	*11.9*	*n/m*
Adjusted EBITDA	**129.0**	**93.0**	**39%**
Adjusted Margin	*33.0%*	*28.7%*	*430 bps*

Six months ended:	30 June 2021 (A$ million)	30 June 2020 (A$ million)	Variance
Net sales	**201.9**	**150.7**	**34%**
Reported Segment EBITDA	**64.3**	**28.8**	**123%**
Margin	31.8%	19.1%	1,270 bps
Adjusted for one-time items:			
– Restructuring and asset impairment charges	2.2	11.9	n/m
Adjusted EBITDA	**66.5**	**40.7**	**63%**
Adjusted Margin	32.9%	27.0%	590 bps

Reported net sales in EMEA were up 21% to $390.8 million, while sales in constant currency were up 25%.

Sales volumes recovered early in the year following easing of government COVID restrictions in the UK and Continental Europe, with sales growth initially driven by pent-up demand as channel partners rebuilt inventory levels. In the UK, the recovery in sales activity was driven in particular by the strength of the repair and remodel market. Sales in Continental Europe also improved through the course of the year as markets recovered from COVID impacts.

Reported EBITDA was $126.8 million, up 56% on the prior year. EBITDA included $2.2 million of restructuring costs for the outsourcing of warehousing and logistics operations to a third-party logistics provider. This will enable the consolidation of five warehouses into one centrally located distribution facility with future expansion capacity. We will also migrate our current truck and trailer fleet to a more efficient outsourced fleet of vehicles. The prior year included $11.9 million of restructuring costs and asset impairment charges related to RWC's Spanish manufacturing operations. Adjusting for these items, EBITDA was 39% higher than for the prior year.

Adjusted EBITDA margin increased by 430 basis points to 33.0% for the year. The increase was due to higher volumes, better operational leverage, the positive impact of synergies continuing to be delivered through the integration of the John Guest and RWC businesses since acquisition, along with the restructure of both manufacturing and administrative and support functions in the UK undertaken at the start of the FY21 year.

OPERATING AND FINANCIAL REVIEW

EBITDA performance drivers are summarised below:

EMEA

Year Ended: (A$ million)	30 June 2021	$ Change over prior year	Commentary
Gross Profit	195.1	46.3	$44.0 million: Impact of higher volumes ($8.0 million): foreign currency translation impact $7.5 million: continuous improvement initiatives ($1.3 million): higher raw materials
Selling and marketing expenses	40.8	(4.0)	$1.6 million: foreign currency translation impact
Other expenses	3.8	2.8	Prior year included $5.9 million for impairment of Spain plant and equipment

Group performance review

Dividend

A partially franked final dividend of 7.0 cents per share has been declared. Total dividends declared for the year ended 30 June 2021 are 13.0 cents per share totalling $102.7 million which represents 55% of Reported NPAT and 48% of Adjusted NPAT. The company's intended pay-out range remains between 40% and 60% of annual NPAT.

Both FY21 interim and final dividends are 20% franked. As previously disclosed, future dividends are also likely to be only partially franked given recent changes in the company's geographic mix of earnings following acquisitions. It is currently expected that future dividends will be less than 30% franked.

The record date for entitlement to the final dividend is 10 September 2021. The payment date is 8 October 2021.

Year ended:	30 June 2021	30 June 2020	30 June 2021 % Franked	30 June 2020 % Franked
Interim	6.0cps	4.5cps	20%	20%
Final	7.0cps	2.5cps	20%	20%
Amount payable or paid	$102.7m	$55.3m		

Capital expenditure

Capital expenditure payments for property, plant and equipment acquired during the year totalled $48.8 million compared with $43.4 million in the prior year. Growth capital expenditure was $26.3 million with projects oriented primarily to increase manufacturing capacity in the Americas and EMEA. $22.5 million was incurred on maintenance capital expenditure.

Working capital and cash flow

Reported net cash inflow from operating activities for the year was $334.3 million, an increase of 20% on the prior year as a result of higher sales and operating earnings. Cash flow conversion[1] was 98% of Reported EBITDA, ahead of the 90% target and reflecting continuing tight working capital management.

1 FY21: Cash flow from operations to Reported EBITDA of $340.7 million.

OPERATING AND FINANCIAL REVIEW

Balance sheet

Net cash generation during the year has enabled RWC to maintain a strong balance sheet and conservative financial position. Net debt at 30 June 2021 was $173.9 million, a reduction of $128.3 million during the year (30 June 2020 – $302.2 million). Net debt to Reported EBITDA was 0.51 times[2] at 30 June 2021 compared with 1.39 times at the end of the prior year.

RWC continues to have significant funding lines available, with cash on deposit and undrawn committed debt funding of $583 million available as of 30 June 2021. The group's principal source of funding is a $750 million syndicated facility agreement. During the year, the maturity date of a $250 million tranche of this facility was extended by two years. As a result, this facility has one tranche of $250 million with a maturity date of 30 September 2022 and two tranches totalling $500 million having a maturity date of 30 September 2023. Group companies in the US and Australia also have access to committed overdraft facilities of US$15 million and A$15 million respectively.

RWC expects that it will remain in compliance with all financial covenants in the syndicated facility agreement.

Capital management

RWC's balance sheet has been strengthened considerably over the past two years due to strong operating cash flow generation. The Company has assessed that its optimal capital structure will be achieved by maintaining its net debt levels to achieve a leverage ratio (net debt to EBITDA) in the range of 1.5 to 2.5 times. Sustaining a level of debt within this range over the long term will ensure the Company minimises its cost of capital whilst at the same time continues to have investment grade equivalent credit metrics. This will ensure it is continually able to access long term debt markets and have acceptably low refinancing risk of its debt facilities. RWC's leverage is currently below this range as a result of very strong cash generation over the past two financial years. The Company continues to look for future investment opportunities both for organic growth and M&A and is comfortable maintaining a lower level of debt while these opportunities are being explored.

To the extent that the Company is generating excess cash flows beyond what is required to fund maintenance and growth capital expenditure and pursue M&A and other inorganic growth opportunities, RWC's principal means of distributing cash to shareholders will be through dividends. The Company will continue to pursue its policy of distributing between 40% and 60% of annual NPAT by way of dividends each year. It is noted that the Company is only able to pay partially franked dividends for Australian taxation purposes due to the geographic mix of its earnings beyond Australia.

Beyond paying dividends to shareholders, the Company has determined that the purchase of RWC shares through an on-market share buyback has the potential to be the most effective means of distributing excess cash. The Company believes a share buyback would be value enhancing for shareholders as it would contribute to positive earnings accretion on an Earnings Per Share (EPS) basis as well as improve return on equity. The Company will consider share buybacks in the future having regard to its level of earnings, operating performance, economic outlook, and its capital requirements to support organic growth and other investment opportunities including M&A.

Taxation

The accounting effective tax rate for the period was 30.9%. This rate excludes RWC's entitlement to claim amortisation of certain intangibles for taxation purposes under longstanding tax concessions available in the US. Goodwill is not amortised for accounting purposes under accounting standards. The benefit arising from the amortisation of goodwill for cash tax purposes in the period was $15.2 million.

Adjusting for this item, tax expense for the period was $68.9 million, representing an Adjusted effective tax rate of 25.3%. Adjusted effective tax rate best represents the rate of tax paid by the Group. RWC expects that the Adjusted effective rate will be in the range 24% to 26% in FY2022.

2 Excludes leases

OPERATING AND FINANCIAL REVIEW

Health and safety

The well-being of RWC employees continued to be the priority during COVID. Every RWC facility continued to implement safety measures in accordance with local regulatory requirements and employed best practice to reduce the impact on employees whilst at the facility. Facilities maintained practices established at the onset of the pandemic including telecommuting, on-site social distancing, distribution of hand sanitisers and personal protective equipment. Each region continues to monitor the impacts of COVID and respond as required to changes in positive case rates.

Health and safety ownership throughout RWC at all levels in the operations functions has increased through leaders and employees reporting of hazardous conditions, near-miss events, and peer to peer safety conversations through the implementation of behaviour-based safety activities. Facilities have increased employee health and safety engagement from 24% at the start of FY2021 to 41% at year end. These activities are led by the manufacturing and distribution facilities in all regions. During FY2021 nearly 10,000 safety observations, near-miss events, and hazards were reported by employees directly impacting the incident rate improvements.

RWC had a reportable incident rate of 1.21 per 100 employees at the end of FY2021 year compared to 1.23 in FY2020. Regions continue to support global initiatives by increasing employee engagement activities such as site safety committees and the safety observations process. Health and safety leaders from each region collaborate monthly to share general knowledge and identify best practices to implement.

Operations have started to implement additional internal audit processes led by first level leaders in the manufacturing facilities. This audit process is allowing leaders to identify health and safety risks, assign corrective actions and track these tasks to completion. These regular "safety walks" by site managers will help to minimise risks in the manufacturing facilities as well as demonstrate our commitment to the safety of our people. In FY2022, these safety walks will expand to include regional and global executives each time they visit manufacturing and distribution locations.

Regional and global executives review reportable and lost time injuries monthly, together with details of specific incidents. Findings of injury inquiries are shared globally to increase learnings and adoption of best practices. Data is regularly reviewed by the Board. In addition to metrics such as reportable injury rate and lost time injury rate, all regions monitor leading indicator reporting and employee engagement each month.

FY2022 outlook

The outlook for RWC's key markets in FY2022 is positive, with market fundamentals currently signalling steady demand. Economic conditions look to be broadly favourable, underpinned by significant government stimulus measures.

COVID has undoubtedly prompted a step change in remodelling activity in RWC's major markets, and it is uncertain the extent to which potential changes in consumer spending away from home projects post-COVID will be offset by a longer-term trend of increased expenditure on homes. Despite this uncertainty, however, it is expected that a backlog of work with plumbing contractors is likely to have a smoothing effect on overall activity levels, thereby helping to prolong current demand levels.

Managing cost inflation, and commodity input costs in particular, will remain a challenge in FY2022 and a dynamic pricing environment is likely to ensure any cost increases can be offset with commensurate price adjustments. As a result of price increases on a range of products announced in FY2021, average prices in FY2022 are forecast to be 6% higher than FY2021. Price increases may be margin dilutive by up to 1% where they are applied to offset equivalent cost increases with no net contribution to gross margins.

While RWC expects its core end-markets to remain resilient, given that repair and maintenance activities are essential services that are not significantly impacted by economic cycles, the operational and financial performance of the business could be adversely affected by COVID-related factors. These include potential disruptions to our supply chain, government restrictions on plumbing and construction works and the economic performance of the key countries in which we operate. The duration of the pandemic and its impact on the business remains uncertain.

OPERATING AND FINANCIAL REVIEW

Americas

The US economy has been relatively healthy with a COVID recovery positively impacting segments and consumer behaviour, although recent increases in COVID cases represent an ongoing risk to economic performance. Home remodelling activity is expected to remain strong given the fundamentals in core US residential segments. The ongoing strength in existing and new home sales, house price appreciation, and new residential construction activity, together with positive consumer sentiment and a low-interest rate environment should remain supportive of demand levels in FY2022.

Weakness in non-residential activity is likely to continue in FY2022 with lower investment in retail shopping malls, commercial office space, hospitality, healthcare, educational facilities and high-rise multi-family developments.

In Canada, the vaccine roll-out has alleviated fear of long-term economic impact of lockdown restrictions experienced in FY2021.

Looking forward, the levers of growth for the Americas remain unchanged from those we have presented in recent years. The first element will be market growth. Sales growth rates are expected to moderate significantly following the exceptionally strong levels recorded in FY2021. For FY2022, the market growth rate will be determined primarily by the sustainability of the COVID volume uplift of the last twelve months. We cannot know for certain the extent to which the increase in demand brought about by COVID will be sustained.

Beyond market growth, we will be aiming to deliver customer and product initiatives in FY2022 to drive sales growth. Sales activity will also be partly determined by winter weather conditions, as evidenced in FY2021 with the strong demand generated by the US winter freeze event.

Key indicators for the year ahead we will be tracking include trends in channel sales volume and inventory levels, and any signs that current buoyant conditions are easing, trends in non-residential construction activity, and changes in US consumer sentiment.

Asia Pacific

In Australia, current economic indicators signal a stable demand outlook for FY2022 with increases in residential dwelling approvals expected to translate into ongoing strong construction activity levels. House price appreciation and low interest rates should remain supportive of continued momentum in the repair and remodelling sector. Longer term, the removal of specific government stimulus programmes and lower immigration levels and foreign student enrolments, may adversely impact the demand outlook.

EMEA

In EMEA, economic signals continue to indicate positive demand conditions amid the easing of COVID restrictions. In the UK, short-term housing demand and economic indicators remain favourable, pointing to continued strong demand. Repair and remodel activity has been the strongest performing sector within the UK residential construction segment, with the level of activity higher than pre-pandemic levels. As in other markets, however, there is uncertainty around post-COVID consumer behaviour and the potential for a shift in spending from home improvement to entertainment and leisure.

While the recovery in Continental Europe started later than the UK, it is anticipated that demand will continue to improve with increased vaccine availability and economies opening up further.

Change in reporting currency

RWC has changed its reporting currency from Australian dollars to US dollars with effect from 1 July 2021. Consolidated financial results for the 2022 financial year, including half year earnings, will be reported in US dollars. This change better reflects RWC's business revenue, cost base and earnings mix, with the US market the largest in terms of sales revenue and operating earnings.

OPERATING AND FINANCIAL REVIEW

Earnings guidance

Due to the ongoing uncertainty surrounding market conditions and any potential impacts of further COVID outbreaks, RWC will not provide earnings guidance for FY2022 at this time. We will update investors each quarter on trading conditions in the three regions, including sales and operating earnings. The next scheduled update on trading conditions will be at the annual general meeting on 28 October 2021. In terms of specific cost items, the following key assumptions are provided for FY2022:

- Capital expenditure is expected to be approximately US$60 million to US$70 million (A$78 million to A$90 million).
- Further cost reduction initiatives are expected to deliver US$12 million (A$16 million) in cost savings.
- Depreciation and amortisation expense is expected to be in the range of US$46 million to US$48 million. (A$59 million to A$62 million).
- Net interest expense is expected to be in the range of US$7 million to US$9 million (A$9 million to A$12 million).
- We expect an adjusted effective tax rate in the range of 24% to 26%.
- The average copper price is assumed to be US$10,000 per tonne. RWC estimates that its earnings sensitivity to changes in the cost of copper is such that a US$100 per tonne movement in the copper price would impact EBITDA by US$1.1 million p.a.
- The average Australian Dollar/ US Dollar exchange rate in FY2021 for earnings translation was US$ 0.7468.
- The average Australian Dollar / Pound Sterling rate in FY21 for earnings translation was GBP 0.5547.

Variations in economic conditions, trading conditions or other circumstances may cause these key assumptions to change.

Commentary on trading conditions since 30 june 2021

In July, positive sales growth over the same month in the prior year was experienced in all three regions, with reported net sales up 9% overall and 6% on a constant currency basis. The rate of growth was lower than for FY2021, reflecting the very strong sales growth in the Americas at the start of FY2021 and the strong recovery in volumes experienced in the UK from July 2021 onwards. Australian sales maintained their growth momentum supported by growth in residential construction activity. These trends have continued broadly in August.

Underlying demand remains strong but sales are being constrained by ongoing supply chain disruptions including raw materials availability, shipping delays and a shortage of labour in plumbing trades.

Trading results can vary month by month and care should be taken not to extrapolate one month's performance.

DIRECTORS' REPORT

For the year ended 30 June 2021

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 2021 ("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 (page 32); and
- Remuneration Report (page 56)

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
Christine Bartlett	6 November 2019
Russell Chenu	11 April 2016
Darlene Knight	14 April 2021
Sharon McCrohan	27 February 2018
Ian Rowden	6 July 2020

Ross Dobinson was a Director of the Company during the reporting period until 14 April 2021 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
Member 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 Group 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 2021

Christine Bartlett

Independent Non-Executive Director
Chair of Nomination and Remuneration Committee

Ms. Bartlett is an experienced CEO and senior executive with extensive line management experience gained through roles with IBM, Jones Lang LaSalle and National Australia Bank Limited. Her executive career has included Australian, regional and global responsibilities based in Australia, the USA and Japan. She is currently a Non-Executive Director of Mirvac Group, Sigma Healthcare Limited and TAL; and was previously a director of GBST Holdings Limited, PropertyLook, National Nominees Ltd, the Australian Custodial Services Association, icare and The Smith Family. She is a member of the UNSW Australian School of Business Advisory Council, Chief Executive Women and the Australian Institute of Company Directors. Ms. Bartlett holds a Bachelor of Science from the University of Sydney and has completed senior executive management programs at INSEAD.

Other listed company directorships in the past 3 years:
Mirvac Group (since December 2014)
Sigma Healthcare Limited (since March 2016)
GBST Holdings Limited (July 2015 until November 2019)

Russell Chenu

Independent Non-Executive Director
Chair 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 Non-executive Director of CIMIC Group Limited and Vulcan Steel 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 (August 2014 until November 2020)
Metro Performance Glass Limited (July 2014 until August 2021)

Darlene Knight

Independent Non-Executive Director
Member of Nomination and Remuneration Committee

Ms. Knight's operational experience was gained with multi-national manufacturing businesses, primarily in the automotive sector, where she held strategic and operations focused roles. Darlene has held senior leadership roles at both supplier and OEM organisations, including General Motors Corporation, EDSCHA GmbH, Johnson Controls, Inc. and Adient, Plc. She has experience in engineering, global manufacturing and quality. Her roles have included P&L responsibility. Ms. Knight holds a Master of Science in Engineering Science from Rensselaer Polytechnic Institute and a Bachelor of Science in Industrial Administration from Kettering University. Ms Knight is based in the USA.

Other listed company directorships in the past 3 years: None

DIRECTORS' REPORT

For the year ended 30 June 2021

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, the Ovarian Cancer Research Foundation Board and the Transport Accident Commission (Victoria). Ms. McCrohan holds a Bachelor of Arts (Journalism) from Royal Melbourne Institute of Technology and is a Graduate member of The Australian Institute of Company Directors.

Other listed company directorships in the past 3 years: None

Ian Rowden

Independent Non-Executive Director
Member of Audit and Risk Committee

Mr. Rowden's experience was gained in high profile global roles focused on commercial, marketing and operational activities with an emphasis on developing and executing strategic plans for business growth. Mr. Rowden worked for over 20 years with The Coca-Cola Company, including senior leadership roles based in Hong Kong and Atlanta, Georgia. This included roles as Worldwide Director of Consumer Communication, Region President for the China Division and Director of Marketing for South East Asia. He has also held roles as chief marketing officer for The Callaway Golf Company and Wendy's International; and was a Partner at The Virgin Group. Mr. Rowden was Chairman and CEO, Asia Pacific of Saatchi and Saatchi from 2008 to 2011.

Mr. Rowden is currently a non-executive director of Enero Group Limited (ASX: EGG) and was formerly a director of QMS Media Limited (ASX listed until February 2020) and Virgin Galactic (NYSE: SPCE). He is a partner and investment advisory board member of Innovate Partners, a US based venture capital company. He is also non-executive Chairman of Brightguard LLC., a director of The Miami Ad School, a non-profit organisation, and a senior advisor to Bowery Capital and DuluxGroup. Mr. Rowden is based in the USA.

Other listed company directorships in the past 3 years:
Enero Group Limited (since November 2018)
QMS Media Limited (February 2019 to February 2020)

Company Secretary
David Neufeld

Mr. Neufeld has been Company Secretary since April 2016. He has over 35 years' experience in chartered accounting and corporate organisations, including over 15 years' experience as Chief Financial Officer and/or Company Secretary 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 a Graduate member of The Australian Institute of Company Directors.

DIRECTORS' REPORT

For the year ended 30 June 2021

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]
Christine Bartlett	12	12	–	–	9	9
Russell Chenu	12	11	13	12	–	–
Stuart Crosby	12	12	–	–	9	9
Ross Dobinson[2]	8	8	12	12	6	6
Darlene Knight[3]	4	4	–	–	1	1
Sharon McCrohan	12	12	13	13	9	9
Ian Rowden[4]	12	12	12	12	–	–
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. 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.

Environmental and social sustainability are core to RWC's operations and important to its strategy. We understand that running our business responsibly is vital to our long-term sustainability and the decisions we make have consequences for the economy, society and the environment. RWC published Social Impact Reports in 2020 and 2021. A copy of each report can be viewed on the Company's website at www.rwc.com. The reports provide information on our approach to sustainability, identifies our material topics and how they are currently managed, our achievements and areas for improvement. Global macro trends related to water are creating challenges for the built environment that RWC can help to solve. There are opportunities for RWC to make a positive contribution through the products we design and manufacture. We have existing solutions that we can provide and are also continually investing in new products and solutions. These may have different applications across the regions in which we operate. In particular, RWC has a clear role in the provision of clean water and sanitation and also in developing sustainable and resilient infrastructure, particularly in the context of cities. Since water and energy are closely connected, water efficiency also contributes to energy efficiency. As a manufacturer and distributor, we also recognise that our operations have an environmental footprint and that we need to manage the social and environmental impacts of our supply chain. We continue to assess our risks and opportunities arising from climate impacts.

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.

1 Number of meetings held and attended during the period the Director was a member of the Board or Committee.
2 Retired as a Director on 14 April 2021.
3 Appointed as a Director on 14 April 2021; Appointed to the Nomination and Remuneration Committee on 30 April 2021.
4 Appointed as a Director on 6 July 2020; Appointed to the Audit and Risk Committee on 21 July 2020.

DIRECTORS' REPORT

For the year ended 30 June 2021

Significant changes in the state of affairs

The operations of the Group have been impacted, and continue to be impacted, by the COVID-19 pandemic. The COVID-19 outbreak was declared a pandemic by the 'World Health Organisation' in March 2020. The responses of governments across the world in dealing with the pandemic have impacted business activity levels in countries and markets where the Group operates. The Group took actions to minimise negative impacts on its operations and financial position. Despite the challenges presented by the COVID-19 pandemic, the Group kept all its manufacturing facilities operating and a focus on execution enabled increased demand to be met. The Operating and Financial Review contains additional information.

In preparing the consolidated financial statements in conformity with Australian Accounting Standards, due consideration has been given to the judgements, estimates and assumptions that affect the application of accounting 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. The ongoing COVID-19 pandemic continues to impact the estimation uncertainty in the preparation of the consolidated financial statements. At 30 June 2021, the Group has reassessed all significant judgements, assumptions and critical estimates included in the consolidated financial statements, including but not limited to, provisions against trade debtors and inventory and impairment of non-current assets. Actual results may differ from these estimates. Details of the main judgements, estimates and assumptions applied are set out in the notes to the consolidated financial statements.

There were no significant changes in the affairs of the Group during the reporting period other than as set out above.

Material business risks

RWC continues to evolve its risk management policies and processes. 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 business risk listed.

The information is provided as a guide to RWC's current risk management focus. The COVID-19 pandemic shifted our risk profile resulting in some plans to monitor and manage these risks being updated.

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 post Brexit trade and regulatory arrangements). Activities in the repair end-market may also be impacted by the occurrence of 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. The COVID-19 pandemic is an example of an event which caused and continues to cause significant impact on general economic conditions. The impact and uncertainty caused by COVID-19 is expected to continue for some time into the future. ▪ 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. RWC's systems and processes are supported by audit protocols and monitoring of key performance indicators. ▪ Key economic indicators are monitored for data which will assist the business in being proactive in its decision making. ▪ The COVID-19 pandemic resulted in a review of the inputs and methodologies of our forecasting and financial planning systems to improve reaction and response times to abnormal events.

DIRECTORS' REPORT

For the year ended 30 June 2021

Risk	Description	Management plans
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.	▪ Maintain connections with, and deliver ongoing business opportunities, to key customers. ▪ 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. ▪ Plans are in place to continue to diversify the customer base and reduce the potential impact of this risk.
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. For example, a US$100/tonne change in the cost of copper is estimated to impact EBITDA by approximately US$1.1 million.	▪ 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, quality control management and reduce risk of supplier concentration. ▪ RWC periodically benchmarks prices for key material/product supply.
Foreign currency risk	▪ RWC's results are impacted by exchange rate movements. In particular, exposure to USD, AUD, 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. ▪ Movements in exchange rates can impact profitability and cash flows.	▪ RWC does not typically hedge its foreign exchange exposures. RWC currently benefits from several "natural hedges" against currency movements. For example, the impact of foreign currency denominated purchases against foreign currency sales. RWC Australia's sales to RWC 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. ▪ Foreign currency risk is monitored and analysed with consideration given to alternative strategies to manage foreign exchange risk as the business expands and exposure to other currencies increases. ▪ Where appropriate, transaction timings are optimised to minimise impacts. ▪ RWC will report its financial results in US dollars from FY2022. This is expected to reduce the impact of foreign currency movements on reported results.

DIRECTORS' REPORT

For the year ended 30 June 2021

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. The COVID-19 pandemic resulted in significant market and supply chain disruption leading to increased risk around business planning and management. • Any significant or sustained interruption to RWC's manufacturing or delivery processes may adversely impact RWC's net sales and profitability.	• RWC had 14 manufacturing facilities located in five countries at 30 June 2021. 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 to and maintenance of its production equipment and facilities. • Investment in high quality machinery and extensive operator training to enable machine/operator substitution in the event of machinery breakdown. • RWC's response to the operational impacts of COVID-19 together with existing risk management controls minimised the impact of the pandemic on manufacturing capacity and output. • Safety hazard training undertaken and appropriate onsite procedures in place. • Business interruption insurance in place.
Climate related risks and impacts	• As a manufacturer and distributor, we recognise that our operations have an environmental footprint and that we need to manage the social and environmental impacts of our supply chain. • There may be climate related factors which impact our operations in both the near and longer term. For example, these impacts could be in areas such as availability and cost of materials used in our products or manufacturing processes, transport and/or occurrence of extreme weather events. Any significant or sustained impacts could adversely affect RWC's financial performance and/or financial position.	• Continuing to assess our climate related business risks and how best to mitigate these. • An ongoing project to identify and capture emissions information and then set appropriate, practical targets and plans to achieve these. • Material climate related risks identified will be incorporated into RWC's enterprise risk management processes. • RWC's published Social Impact Reports provide information on our approach to managing and mitigating climate related risks and impacts.

DIRECTORS' REPORT

For the year ended 30 June 2021

Risk	Description	Management plans
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 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. • Succession planning is a focus of the Board and managed on its behalf by the Nomination and Remuneration Committee.
Information Technology (including 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. • Fully maintained hardware and software security measures provide a high watch status on illegal attempts to penetrate our systems.

DIRECTORS' REPORT

For the year ended 30 June 2021

Dividends

An interim dividend for the financial year ended 30 June 2020 of 4.5 cents per share, franked to 20%, was declared by directors on 24 February 2020 with an expected payment date of 9 April 2020. On 25 March 2020, the Company announced that, in view of the need to prudently manage cash resources during a period of uncertainty caused by the COVID-19 pandemic, payment of this interim dividend would be deferred. This interim dividend was paid to eligible shareholders on 9 October 2020.

A final dividend for the financial year ended 30 June 2020 of 2.5 cents per share, franked to 20%, was paid to eligible shareholders on 9 October 2020.

An interim dividend for the financial year ended 30 June 2021 of 6.0 cents per share, franked to 20%, was paid to eligible shareholders on 9 April 2021.

Since the end of the reporting period, the Directors have resolved to declare a final dividend for the financial year ended 30 June 2021 of 7.0 cents per share. The dividend will be franked to 20%. The record date for entitlement to the dividend is 10 September 2021. The dividend is payable to eligible shareholders on 8 October 2021.

The aggregate dividends paid or declared for the financial year ended 30 June 2021 total $102.7 million (2020 - $55.3 million).

The Company does not have a dividend reinvestment plan.

Events subsequent to reporting date

On 20 July 2021, the Company announced it had entered into an agreement to acquire the business assets of LCL Pty Ltd ("LCL"). The acquisition completed on 2 August 2021. The final purchase price was $36.7 million. The acquisition was funded through existing committed borrowing facilities. LCL is one of Australia's largest producers of high-quality copper-based alloys and processes both new and recycled non-ferrous materials to produce a range of brass copper alloys. In addition to being the principal supplier of brass to RWC in Australia, LCL also recycles excess brass (swarf) arising from RWC's product manufacturing activities.

The Directors are not aware of any other 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 and Note 17 of the financial statements. 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.

Corporate Governance Statement

The Company's Corporate Governance Statement can be viewed at www.rwc.com/investors/corporate-governance.

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 2021

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:

	2021 $
KPMG Australia	
Audit services	699,500
Other assurance and non-audit services	
• Tax services	43,750
Total fees paid or payable to KPMG Australia	743,250
Overseas KPMG offices	
Audit services	328,119
Other assurance and non-audit services	
• Tax services	127,861
Total fees paid or payable to overseas KPMG offices	455,980
Total fees paid or payable to KPMG	**1,199,230**

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 2021, 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 84 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

Melbourne
23 August 2021

Heath Sharp
Group Chief Executive Officer
and Managing Director

SHAREHOLDER LETTER

Dear Shareholders,

On behalf of the Board, I am pleased to present RWC's Remuneration Report for the year ended 30 June 2021. The report contains information on remuneration outcomes for FY2021 and a summary of key details of the revised remuneration framework which applies from 1 July 2021.

Company performance

Outstanding financial results were achieved in FY2021. Net sales for FY2021 were $1,340.8 million, up 15% on the prior year. On a constant currency basis, net sales were up by 25%, with strong growth recorded in all three regions. Sales growth resulted from heightened levels of repair and remodel activity in all key markets, driven in part by increased consumer spending on home improvements during the COVID pandemic, and by increased new residential home building activity. In the Americas, constant currency sales were up 31% in the second half with significantly increased demand arising during a winter freeze event in Texas and surrounding US states.

Reported EBITDA for the year was $340.7 million, an increase of 56% on the prior year. Adjusted EBIDTA was $349.2 million, an increase of 39% over the prior year. Reported net profit after tax was $188.2 million an increase of 111% on the prior year. Adjusted net profit after tax ($211.9 million) increased by 63% over the prior year.

FY2021 remuneration outcomes

Section B of the Remuneration Report provides details on FY2021 remuneration outcomes for Senior Executives. Two outcomes to highlight are:

- The Board did not approve a Budget for FY2021 for the purpose of assessing and determining STI awards for Senior Executives owing to the uncertainties created by COVID-19. Rolling forecasts were prepared by management and reviewed by the Board to assess the financial performance of the business. With no approved Budget, the Board elected to exercise its discretion in determining STI awards to Senior Executives for FY2021 and considered both the Group's financial performance and assessment of non-financial key performance indicators for each executive. The assessment resulted in STI awards to both the Group CEO and Group CFO equal to 113% and 77% of fixed remuneration respectively; and
- Seventy per cent of the options awarded to our CEO following the IPO in 2016 were subject to a relative Total Shareholder Return ("TSR") condition. The performance measurement period ended on 30 June 2021. The number of these options remaining eligible to vest was determined in July following independent testing of achievement against the hurdle conditions. The Company's relative TSR ranking for the performance measurement period was at the 77th percentile. This results in all these options remaining eligible to vest subject to satisfaction of a service period requirement which ends on 30 June 2022. The Board is extremely pleased with this outcome as a reward for our CEO.

Revised remuneration structure

As a Board, we have a responsibility to implement and oversee a remuneration framework which is structured to be equitable and aligned with the long term interests of the Company and shareholders. The remuneration framework should adequately balance the need to attract and retain the best people to run RWC's business while ensuring that remuneration is linked clearly to shareholder returns and remains comparable with appropriate industry and geographical peers.

A review of RWC's remuneration framework was completed during FY2021. The main purpose of the review was for RWC to implement a remuneration framework program more closely aligned with current market practices. We engaged with several major investors and their advisors as part of the process. External consultants were engaged to assist with benchmarking analysis and design of the framework.

Key considerations in developing and implementing the revised remuneration framework included that it be:

- Capable of being implemented consistently across the Group;
- Market competitive and US-referenced (as greater than 50% of RWC's executives are based in the USA);
- Performance based with a focus on incentive pay linked to operational performance and shareholder value creation; and
- Aligned with shareholder expectations.

Key outcomes from the review include:

- Alignment of total remuneration for the CEO and some other senior roles will require a downward adjustment of fixed annual pay. This will be achieved by implementing a downward adjustment of fixed remuneration by approximately 20% over a transition period of 3 years with a corresponding increase in STI and LTI opportunities;
- STI awards will be 100% cash based. This is consistent with USA practice. It also allows an opportunity for impacted executives to earn back the fixed cash pay being foregone. This represents a change to the current STI Plan for executive Key Management Personnel where 50% of STI awards were deferred into shares. We believe this change is acceptable in the overall context of the revised remuneration framework and the required transition;
- LTI awards will contain two performance vesting conditions as well as a service period requirement. The performance conditions are relative total shareholder return and earnings per share accretion. Both will be assessed over a 3 year performance horizon commencing 1 July each year. It is intended that LTI awards be made annually; and
- Alignment with industry practice in the USA which includes a focus on "target" variable remuneration and "maximum" incentive values at 200% of target for both STI and LTI outcomes.

Please refer to Section C of the Remuneration Report for further details.

I am pleased to advise that both our CEO and CFO have entered into new employment agreements. These agreements reflect the revised remuneration framework.

The Company has also introduced a minimum shareholding policy which applies to all Key Management Personnel and certain other senior executives. The policy requires a minimum number of RWC's ordinary shares to be acquired and held. Please refer to Section C of the Remuneration Report for further details.

Christine Bartlett

Chair, Nomination and Remuneration Committee

REMUNERATION REPORT

For the year ended 30 June 2021 (audited)

Introduction

The Directors present the Remuneration Report for Reliance Worldwide Corporation Limited ("the Company") and its controlled entities (together "RWC" or "the Group") for the financial year ended 30 June 2021 ("FY2021" 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).

This Remuneration Report contains the following sections:

A. Governance and principles

B. FY2021 remuneration arrangements and outcomes

C. Details of the new remuneration framework which applies from 1 July 2021

D. Other required disclosures

The Remuneration Report sets out remuneration arrangements for the Key Management Personnel ("KMP") of RWC for the reporting period. KMP for the reporting period are listed below. KMP are determined in accordance with accounting standard AASB 124: Related Party Disclosures ("AASB 124"). 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 reporting period unless otherwise stated.

Name	Executive Role
Non-executive Directors	
Christine Bartlett	
Russell Chenu	
Stuart Crosby	
Ross Dobinson[1]	
Darlene Knight[2]	
Sharon McCrohan	
Ian Rowden[3]	
Senior Executives	
Heath Sharp	Managing Director and Group Chief Executive Officer
Andrew Johnson	Group Chief Financial Officer

For the remainder of this Remuneration Report and when appropriate, KMP are referred to as either Non–Executive Directors or Senior Executives as set out above.

Only the Group Chief Executive Officer ("CEO") and Group Chief Financial Officer ("CFO") were considered executive KMP in FY2021 having regard to the Group's management structure and the criteria in AASB 124. This assessment is consistent with prior years.

There have been no changes to KMP since the end of the reporting period to the date of this report.

1 Until 14 April 2021.
2 From 14 April 2021.
3 From 6 July 2020.

REMUNERATION REPORT

For the year ended 30 June 2021 (audited)

A. Governance and principles

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 Chairman and Non-Executive Directors. The Committee is responsible for reviewing and approving the remuneration arrangements of the CEO's direct reports. 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 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 (North America, Asia Pacific and Europe). Benchmarking is undertaken periodically to confirm that arrangements are market competitive; and
- structure short term and long term incentives that are challenging and linked to the creation of sustainable shareholder returns.

The Committee conducts regular reviews and monitors the implementation of the Company's remuneration framework to confirm it:

- encourages and sustains a culture aligned with the Company's values;
- supports the Company's strategic objectives and long-term financial soundness; and
- is aligned with the Company's risk management framework and risk appetite.

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 Chair of the Nomination and Remuneration Committee as the first point of contact.

During FY2021, consultants continued to be engaged to assist with the remuneration framework review project which commenced during FY2020. Section C sets out the results of this review and provides a summary of the remuneration framework which applies from 1 July 2021. Disclosures required by the Corporations Act 2001 (Cth) for any remuneration consultants or other advisors who provided remuneration recommendations are presented in section D.

Principles used to determine the nature and amount of remuneration

Non-Executive Director remuneration

The remuneration of Non-Executive Directors is not linked to Company performance and is comprised solely of cash fees (including applicable superannuation). This arrangement allows the Board to focus on governance and both short and long-term strategy free from any potential independence concerns.

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

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

Section B contains further details on fees and arrangements for Non-Executive Directors.

REMUNERATION REPORT

For the year ended 30 June 2021 (audited)

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 having 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, applicable contributions to superannuation or pension funds and other approved benefits;
- eligibility for short term incentive ("STI") awards subject to approved criteria being met, with the Board retaining a discretion to adjust the award outcome based on achievements during a reporting period; and
- 'at risk' long term incentives ("LTI").

Section B provides further details on remuneration arrangements for Senior Executives for FY2021. Section C provides details on remuneration arrangements for Senior Executives for FY2022.

The Company has introduced a Minimum Shareholding Policy which applies to Directors and Senior Executives. A summary of the policy is provided in Section C.

REMUNERATION REPORT

For the year ended 30 June 2021 (audited)

B. FY2021 remuneration arrangements and outcomes

(a) Company performance

The following table shows the financial performance of the Group during the last five financial years.

Key performance indicators	FY2021	FY2020	FY2019	FY2018	FY2017
Sales revenue ($m)	1,340.8	1,162.4	1,104.0	769.4	601.7
Reported EBITDA ($m)[1]	340.7	217.9	242.5	135.4	120.7
Adjusted EBITDA ($m)[2]	349.2	251.3	277.0[7]	150.9	120.7
Operating profit ("EBIT") ($m)	284.3	155.9	199.2	111.1	101.3
Net profit before tax ($m)	272.3	135.9	176.7	99.3	96.3
Net profit after tax ("NPAT") ($m)	188.2	89.4	133.0	66.0	65.6
Adjusted net profit after tax ($m)[3]	211.9	130.3	158.3[7]	78.6	65.6
Share price at beginning of year ($)[4]	2.94	3.52	5.36	3.34	3.09
Share price at end of year ($)[4]	5.26	2.94	3.52	5.36	3.34
Financial year interim and final dividends declared ($m)	102.7	55.3	71.1	42.1	31.5
Total dividends declared / NPAT ratio (%)	54.6	61.9	53.5	63.8	48.0
Basic earnings per share (cents)[5]	24.0	11.4	17.0	12.3	12.5
Adjusted earnings per share (cents)[5,6]	27.1	16.6	20.2	15.8	12.4

Net sales for FY2021 were $1,340.8 million, up 15% on the prior year. On a constant currency basis[8], net sales were up 25%, with strong growth recorded in all three regions (Americas – 27% growth, Asia Pacific – 18% growth and EMEA – 25% growth). Sales growth resulted from heightened levels of repair and remodel activity in all key markets, driven in part by increased consumer spending on home improvements during the COVID pandemic, and by increased new residential home building activity. In the Americas, constant currency sales were up 31% in the second half with significantly increased demand arising during a winter freeze event in Texas and surrounding US states.

Reported EBITDA for the year was $340.7 million, an increase of 56% on the prior year. Included in Reported EBITDA are one-time costs of $8.5 million incurred to enable the expansion and consolidation of RWC's warehousing and logistics activities in the USA and the UK. Adjusting for these costs, EBITDA was $349.2 million, an increase of 39% on Adjusted EBITDA for the prior year. The increase in operating earnings was mainly driven by double digit sales growth in each region for the year as described above.

1 EBITDA means earnings before interest, tax, depreciation and amortisation. For FY2021 it reconciles as earnings ($188.2m) before interest ($12.0m), tax ($84.1m) depreciation and amortisation ($56.4m). EBITDA is a non-IFRS measure used by RWC to assess operating performance and enhance comparability from period to period. EBITDA has not been subject to audit or review.

2 Adjusted EBITDA for FY2021 is Reported EBITDA ($340.7m) before restructuring and asset impairment charges ($8.5m). Adjusted EBITDA for FY2020 is Reported EBITDA ($217.9m) before restructuring and asset impairment charges ($33.4m). 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 adopting AASB 16: Leases; 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 enhance comparability from period to period. Adjusted EBITDA has not been subject to audit or review.

3 Adjusted Net profit after tax reflects the reconciliation items (tax effected) which determine Adjusted EBITDA for each reporting period as applicable. Adjusted NPAT for FY2021 is NPAT ($188.2m) adjusted for the reconciliation items (tax effected) which determine Adjusted EBITDA ($8.5m) and other specific tax related adjustments ($15.2m). Adjusted NPAT is a non-IFRS measure used by RWC to assess operating performance and enhance comparability from period to period. Adjusted Net profit after tax has not been subject to audit or review.

4 790,094,765 issued ordinary shares at the end of each of FY2018, FY2019, FY2020 and FY2021; 525,000,000 issued ordinary shares at the beginning and end of FY2017.

5 Based on weighted average number of shares for the reporting period.

6 Adjusted earnings per share is a non-IFRS measure used by RWC to assess operating performance and enhance comparability from period to period. Adjusted earnings per share has not been subject to audit or review.

7 Numbers restated for comparative purposes.

8 Constant currency numbers are non-IFRS measures which have not been subject to audit or review.

REMUNERATION REPORT

For the year ended 30 June 2021 (audited)

Cost savings from restructuring initiatives totalling $22.3 million were delivered in FY2021 and the target of a cost reduction run rate at the end of FY2021 of $25.0 million on an annualised basis has been achieved[1]. Price increases were implemented across a number of product categories during the second half in all regions to mitigate the impact of higher input costs and other inflationary pressures.

Disruptions arising from COVID-19 cases in the UK, Europe and the US put additional pressure on our operations due to increased employee sickness and absenteeism as well as supply chain and logistics disruptions. Factory layout and materials flow changes to ensure social distancing requirements were met, adversely impacted efficiencies and delivery performance. All major RWC manufacturing sites were operational throughout the year and a focus on execution enabled the Group to meet the heightened demand, particularly in the USA following the winter freeze event. The Board considers that these challenges continue to be very well managed by the leadership team and employees.

Total dividends declared for the year ended 30 June 2021 are 13.0 cents per share ($102.7 million) which represents 55% of Reported NPAT and 48% of Adjusted NPAT (FY2020 – 7.0 cents per share, $55.3 million). Total dividends declared for FY2021 are 86% higher than that for FY2020 reflecting the financial performance for the reporting period. The Company's intended payout range remains between 40% and 60% of annual NPAT.

Senior Executives received an STI award for FY2021. Refer section (c) below.

(b) Non-Executive Directors' fees and arrangements

The Board, in accordance with the terms of the Company's Constitution, determines the remuneration to which each Non-Executive Director is entitled for services as a Director. The 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 $1,500,000 as approved by shareholders at the 2018 Annual General Meeting.

Non-executive Directors' fees for FY2021 were:

Role	Annual base fees	Additional fees for Committee Chair	Total annual fees
Chair	$300,000	-	$300,000
Non-Executive Directors (other than Committee Chairs)	$130,000	-	$130,000
Chair of Audit and Risk Committee	$130,000	$50,000	$180,000
Chair of Nomination and Remuneration Committee	$130,000	$25,000	$155,000

All fees include applicable superannuation.

The fees set out above will continue to apply in FY2022, subject to any further review and recommendation by the Nomination and Remuneration Committee which is accepted by the Board.

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 FY2021. 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.

1 Non-IFRS measures. Not subject to audit or review.

REMUNERATION REPORT

For the year ended 30 June 2021 (audited)

(c) Senior Executive remuneration structure for FY2021

Fixed Remuneration

The terms of employment for Senior Executives contain:

- a fixed remuneration component comprising base salary and applicable superannuation or 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 while maintaining remuneration within comparable market ranges. The Board considers the USA to be the most comparable market for benchmarking remuneration arrangements for Senior Executives as the Group's operational 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 for Senior Executives is designed to be evaluated based on the achievement of agreed key performance measures. The key performance measures applicable for FY2021 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 Senior Executives.

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 Opportunity[1]	CEO: 60.0% of fixed remuneration (40.0% measured against RWC financial performance and 20.0% measured against personal Key Performance Indicators ("KPIs"), both as described below). CFO: 40.0% of fixed remuneration (26.7% measured against RWC financial performance and 13.3% measured against personal KPIs, both as described below).
Maximum Opportunity[1]	CEO: 120.0% of fixed remuneration (80.0% measured against RWC financial performance and 40.0% measured against personal KPIs, both as described below). CFO: 80% of fixed remuneration (53.4% measured against RWC financial performance and 16.6% measured against personal KPIs, both as described below). Scaling criteria apply to move from On Target to Maximum entitlements.
Performance criteria	**Budgeted EBITDA** The relevant portion of the STI award subject to financial performance is usually measured by reference to constant dollar performance against budgeted EBITDA (adjusted to exclude non-budgeted material changes (for example, acquisitions) ("Budget"). The Board retains a discretion to adjust the award outcome based on achievements during a reporting period. The Board exercised discretion for FY2021 for the reasons set out below this table. The following scale applies for the financial metric:

% of Budget achieved	Payout (% of Target)
0-95% of Budget	Nil
Between 95% and 100% of Budget	Straight line pro-rating from Nil to On Target Opportunity
100% of Budget	100% of On Target Opportunity
Between 100% and 120% of Budget	Straight line pro-rating from On Target Opportunity to Maximum Opportunity
120% of Budget	100% of Maximum Opportunity

1 On Target and Maximum Entitlements for the CFO reflect new employment agreement entered into during the year and align with the new remuneration framework.

REMUNERATION REPORT

For the year ended 30 June 2021 (audited)

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. Actual EBITDA and Budget are compared on a like for like basis. The Board did not approve a Budget for FY2021 for the purpose of assessing and determining STI awards for Senior Executives owing to the uncertainties created by COVID-19. Rolling forecasts were prepared by management and reviewed by the Board to assess the financial performance of the business. With no approved Budget, the Board elected to exercise its discretion in determining FY2021 STI awards for Senior Executives.

Personal KPIs

The relevant portion of the STI award subject to personal KPIs is 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 were 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 Budget is assessed by the Nomination and Remuneration Committee based on the Company's audited financial results. As noted above and further explained below, the Board elected to exercise its discretion in determining FY2021 STI awards to Senior Executives.

Performance against personal KPIs is assessed annually as part of the broader performance review process for Senior Executives. 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 2021 (audited)

STI awards to Senior Executives for FY2021

Financial Criteria

Due to the uncertainties created by COVID-19, the Board did not approve a Budgeted EBITDA for FY2021 for the purpose of assessing and determining STI awards. Rolling forecasts were prepared by management and reviewed by the Board to assess the financial performance of the business. With no approved Budget, the Board elected to exercise its discretion for FY2021. The Board took into consideration the following financial performance factors:

- FY2021 financial results compared with the prior year;
- FY2021 financial results measured against rolling forecasts presented to the Board for review and consideration; and
- Comparing FY2021 financial results with consensus forecasts of sell side analysts at various times throughout the financial year.

The Group's financial results exceeded each comparative measure quite significantly. After due consideration, the Board elected to award Senior Executives their Maximum Opportunity amount for achievement of the financial performance outcome, being:

	Proportion of fixed remuneration (%)
CEO	80.0
CFO	53.4

Personal KPIs Criteria

Achievement of Personal KPIs was measured against the following criteria with a score out of 5 for each:

	CEO	CFO
Living RWC's values and culture	4.5	4.5
Talent and leadership development	4.5	5.0
Personal objectives	4.5	4.5
Average	4.5	4.67
Percentage of base achieved	33.33%	23.64%

These scores reflect the Board's view that the personal performance of both Senior Executives during the year was exceptional.

Total STI award

The total STI award to Senior Executives for FY2021 is:

	Financial Criteria (%)	Personal KPIs (%)	Proportion of fixed remuneration (%)
CEO	80.00	33.33	113.33
CFO	53.40	23.64	77.04

The STI award is 50% payable in cash and 50% deferred into shares and subject to a holding lock for 12 months. Further details of the STI award amounts are provided in section (h).

Long term incentive

The Company established an 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.

REMUNERATION REPORT

For the year ended 30 June 2021 (audited)

A summary of the terms of Options granted to Senior Executives are set out below in (d). Details of Share Rights which have or had been granted to Senior Executives are summarised below in (e).

(d) LTI Options Grants

The following table summarises details of the options granted to Heath Sharp, Group Chief Executive Officer ("CEO") in FY2016. No other options have been granted to the CEO.

Type of award

4,000,000 options ("CEO Options").

Each of the CEO Options entitles the CEO to acquire an ordinary share in the Company subject to meeting specific vesting conditions and payment of the exercise price. The CEO Options were granted for nil consideration as they form part of the CEO's remuneration.

Vesting Period

From 29 April 2016 (date of listing on the ASX) until 30 June 2022.

Vesting conditions and assessment

The CEO Options will vest and become exercisable subject to the satisfaction of a gateway hurdle and two performance conditions. 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 CEO.

1. Gateway hurdle

The Gateway hurdle will be satisfied if the CEO remains employed by the Group at 30 June 2022, subject to the terms and conditions of the grant. None of the CEO Options will vest if this condition is not met.

2. Performance conditions

The CEO Options were also subject to two performance conditions both of which have now been tested. All of the CEO Options remain eligible to vest following assessment of the performance conditions.

Details of the performance conditions are:

- 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.

  Calculation of NPAT and achievement against the NPAT Hurdle was determined based on the audited FY2017 financial results. 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; and

- 70% of the CEO Options ("CEO TSR Options") were 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").

  TSR measures the growth in the Company's share price together with the value of dividends over the measurement period (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 was 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. For the CEO TSR Options, the starting point for measuring the Company's TSR performance was the $2.50 issue price for the shares issued under the Prospectus for the IPO in 2016.

REMUNERATION REPORT

For the year ended 30 June 2021 (audited)

The number of CEO TSR Options eligible to vest was determined shortly after the end of the Performance Period applying the above criteria. The outcome of independent testing of the TSR Hurdle is that the Company's Relative TSR Ranking for the Performance Period was at the 77th percentile. This means all TSR Options remain eligible to vest.

The percentage of CEO TSR Options retained in relation to the TSR Hurdle was determined by reference to the following schedule:

Relative TSR Ranking	% of CEO TSR Options retained
Below 50th percentile	Nil
50th percentile	50%
Between 50th and 75th percentile	Pro rata straight line vesting between 50th and 75th percentile
75th percentile or above	100%

Vesting of the CEO Options remains subject to the Gateway hurdle condition being satisfied.

Exercise of Options

The CEO Options will vest and become exercisable if the relevant vesting conditions have been met. The CEO may exercise any vested CEO Options by 30 June 2031. After 30 June 2031, any unexercised CEO Options will lapse.

Voting and dividend rights

Options do not carry any voting or dividend rights prior to vesting and exercise.

Cessation of employment

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.

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. 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 options and/or vested but unexercised options will lapse;
- shares allocated upon exercise of options will be forfeited; and/or
- require the CEO 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

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 2021 (audited)

Movements in Options held by CEO

The following table sets out the movement during the reporting period of Options held by the CEO (including related parties). None of the Options granted to the CEO are presently capable of being exercised.

Name	Balance at 1 July 2020	Granted during the year number	Granted during the year $ value	Vested number	Vested $ value	Exercised number	Exercised $ value	Lapsed Forfeited number	Lapsed Forfeited $ value	Lapsed Forfeited %	Balance at 30 June 2021
Heath Sharp	4,000,000	–	–	–	–	–	–	–	–	–	4,000,000

No options were granted to Senior Executives during FY2021 and none were held by any other Senior Executives during the reporting period.

(e) Share Rights

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 2021 was 6,364,864 (30 June 2020 – 6,394,624). Details of Rights granted to Senior Executives are set out below.

The opening and closing balances of all unvested Rights granted are reconciled for the reporting period as follows:

	Number of Rights
Granted and unvested at 30 June 2020	**6,394,624**
Granted during FY2021 with the following vesting dates:	
23 December 2022	110,620
1 January 2024	331,263
6 May 2024	12,100
1 July 2025	150,000
Total granted during FY2021	603,983
Forfeited, Cancelled or Lapsed during FY2021	(633,743)
Unvested at 30 June 2021	**6,364,864**

No Rights vested during the reporting period or have subsequently vested. A further 196,546 Rights lapsed or have been forfeited or cancelled subsequent to 30 June 2021 through to the date of this report (none of which were granted to Senior Executives). No Rights have been granted subsequent to 30 June 2021 to the date of this report.

Vesting conditions for all grants of Rights include a continuous service period ranging between two and five years.

REMUNERATION REPORT

For the year ended 30 June 2021 (audited)

In 2018, 1,810,200 Rights were granted which were also subject to performance conditions to be eligible to vest ("2018 Performance Rights"). The number of 2018 Performance Rights eligible to vest was determined at the end of a two year performance period on the Performance Period Measurement Date (30 June 2020) by reference to the applicable performance conditions (refer 2020 Remuneration Report for details). The number of 2018 Performance Rights to be retained by eligible participants following assessment of the performance conditions at the Performance Period Measurement Date was 1,088,007. The total number of 2018 Performance Rights which lapsed or were forfeited is 722,193 (which also reflects pro rating for eligible departed employees). Details in respect of Senior Executives are set out below. Any 2018 Performance Rights which do not vest will automatically lapse. The retained 2018 Performance Rights will vest at the end of the continuous service period subject to the terms of the award.

During FY2021, 331,263 Rights were granted to Andrew Johnson, Group Chief Financial Officer and a member of KMP. These Rights contain two vesting conditions, being a continuous service period and a performance condition. Details of these conditions are set out below in the section on "Rights granted to Senior Executives".

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 a defined 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 have been granted Rights. These Rights contain a continuous service period vesting condition. Each Right entitles the participant to one ordinary share in the Company on vesting. 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.

Rights granted to Mr. Sharp

Mr. Sharp received a grant of 987,800 Rights in 2018. The grant was subject to the Performance Conditions attached to the 2018 Performance Rights. The number of Rights retained by Mr. Sharp following assessment of the Performance Conditions was determined during the reporting period. The overall outcome achieved was 61.875% of Rights (611,201) retained based on the following assessment:

In relation to the financial conditions:

- FY2019 EBITDA of the John Guest group excluding synergies – below 95% of target – all 12.5% of the opportunity lapsed;
- FY2020 EBITDA of the John Guest group excluding synergies – below 95% of target – all 12.5% of the opportunity lapsed; and
- Run rate synergies achieved by the end of FY2020 – target: $24.3 million; actual run rate achieved $31.3 million – all 25% of the opportunity remains eligible to vest.

In relation to the non-financial conditions, the Board took the view that the adverse financial impacts of Brexit (materially greater than anticipated at the time of the acquisition) and COVID-19 were already reflected in the outcome for the financial conditions and should therefore carry less weight than might otherwise have been the case.

REMUNERATION REPORT

For the year ended 30 June 2021 (audited)

The Board assessed each of the four factors on a scale of 1 to 10 as follows:

Non-Financial Metric	Rating	Score (1–10)
Cultural integration	Exceptionally strong	9.0
European market penetration	An early assessment was made that this should be a lower priority than originally envisaged – neutral	5.0
Integrated business strength	Strong	7.5
Cost to achieve synergies, financial and organisational	Strong	8.0

This assessment produced a total rating of 29.5/40, meaning 36.875% out of the maximum 50% opportunity which related to non-financial conditions remain eligible to vest.

Rights granted to Mr. Johnson in FY2021

Mr. Johnson received a grant of 331,263 Rights during FY2021 following confirmation of his appointment as Group CFO. The number was determined based on an independently assessed fair value of a Right at the start of the Performance Measurement Period. Each Right entitles Mr. Johnson to one ordinary share in the Company on vesting. 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. Vesting of these Rights are subject to a continuous service period and a performance condition. Details are:

Continuous Service Period Condition: 3 years from 1 January 2021

Performance Measurement Period: 1 July 2020 to 30 June 2023

Performance conditions: A relative total shareholder return ("TSR") hurdle, which compares the TSR performance of the Company with the TSR performance of each of the entities in a comparator group ("TSR Hurdle") over the Performance Measurement Period. TSR measures the growth in the Company's share price together with the value of dividends over the Performance Measurement Period (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.

The share prices used to calculate the TSR of a company for the TSR Hurdle will be measured as follows:

- the opening share price will be the volume weighted average price on the ASX of that company for the 5 trading days commencing on 1 July 2020; and
- the closing share price will be the volume weighted average price on the ASX of that company for the 5 trading days ending on 30 June 2023.

The percentage of Rights subject to the TSR Hurdle that Vest, if any, will be determined by reference to the percentile ranking achieved by the Company over Performance Measurement Period compared to the other entities in the comparator group as follows:

Relative TSR Ranking	% of Rights retained
Below 50th percentile	Nil
50th percentile	50%
Between 50th and 75th percentile	Pro rata straight line vesting between 50th and 75th percentile
75th percentile or above	100%

Other key terms and conditions: As summarised earlier in this section (e).

REMUNERATION REPORT

For the year ended 30 June 2021 (audited)

The movement in the number of Rights granted to Senior Executives is shown in the following table.

	Grant Date	Vesting Date	Number of Rights Granted	Number of Rights Lapsed[1]	Number of Rights Retained[2]	Fair value per Right at Grant Date[3]
Heath Sharp	30 October 2018	30 October 2023	987,800	376,599	611,201	$4.29
Andrew Johnson	1 July 2017	1 July 2022[4]	165,000	–	165,000	$3.00
Andrew Johnson	27 August 2018	27 August 2023[4]	86,400	–	86,400	$5.17
Andrew Johnson	1 January 2021	1 January 2024	331,263	–	331,263	$2.99
			1,570,463	376,599	1,193,864	

No other Rights granted to Senior Executives were forfeited, cancelled or lapsed during FY2020 or subsequently to the date of this report.

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 in the Plan where the applicable vesting conditions are met. The Trustee is also entitled to participate on behalf of the Trust in certain equity raisings undertaken by the Company.

The movement in the number of shares held during the reporting period is:

	Number
Shares held at 30 June 2020	**6,913,644**
Acquired during FY2021 (at an average cost of $3.88 per share)	71,327
Allocated property transferred to participants	(130,612)
Shares held at 30 June 2021	**6,854,359**

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

(f) Share Match Plan

A share match plan was introduced during the reporting period to encourage employees to own shares in the Company. Eligible employees can acquire up to $5,000 of shares in RWC per plan year from post tax income with contributions made via a regular salary deduction ("Purchased Shares"). The Company will match the shares acquired on a 1:2 basis up to a cap $2,500 of Purchased Shares subject to the terms of the Share Match Plan ("Matching Rights"). There is a minimum holding period for Purchased Shares of 2 years and a continuous service obligation for Matching Rights to convert into shares on a 1:1 basis. There are no performance conditions. Participants receive dividends and have voting rights on their Purchased Shares. Matching Rights have no voting or dividend entitlements prior to vesting. 307 employees were participating in this plan at 30 June 2021. The total number of Matching Rights granted at 30 June 2021 was 42,884.

Details of Purchased Shares and Matching Rights held by Senior Executives under the Share Match Plan are shown in following table.

	Purchased Shares Balance at 1 July 2020	Net Change	Balance at 30 June 2021	Matching Rights Balance at 1 July 2020	Net Change	Balance at 30 June 2021	Fair value per Right at Grant Date[3]
Heath Sharp	–	–	–	–	–	–	–
Andrew Johnson	–	512	512	–	256	256	$4.16

Mr. Sharp is not a participant in this plan.

1 Lapsed after assessment of applicable performance conditions.
2 These Rights will vest at the end of the continuous service period (being the Vesting Date) subject to the terms of the award (including achievement of any performance conditions).
3 Based on an independent valuation which used Black Scholes and/or Monte Carlo models and complies with the requirements of AASB2.
4 Only a continuous service period vesting condition applies to these grants which were made prior to Mr. Johnson becoming a Senior Executive.

REMUNERATION REPORT

For the year ended 30 June 2021 (audited)

(g) Remuneration Mix

The remuneration mix for Senior Executives for FY2021, based on statutory remuneration as set out in section (h), was:

Senior Executive	Fixed remuneration and benefits (%)	STI (%)	LTI (%)
Heath Sharp	39.7	41.6	18.7
Andrew Johnson	48.5	32.8	18.7

Senior Executive	Cash (%)	Non-cash(%)
Heath Sharp	60.5	39.5
Andrew Johnson	64.9	35.1

(h) 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.

REMUNERATION REPORT

For the year ended 30 June 2021 (audited)

		Short-term				Post-employment			Other long-term statutory benefits	Share-based payments[8]			
		Cash salary & fees $	Cash STI award[7] $	Non-monetary benefits $	Other short-term benefits $	Superannuation or pension plan benefits $	Other Post employment $	Termination benefits $	Long service leave $	Shares[7] $	Share Rights $	Options $	Total $
Non-executive Directors													
Christine Bartlett	**FY2021**	**141,552**	**–**	**–**	**–**	**13,448**	**–**	**–**	**–**	**–**	**–**	**–**	**155,000**
	FY2020	78,767	–	–	–	7,483	–	–	–	–	–	–	86,250
Russell Chenu	**FY2021**	**164,384**	**–**	**–**	**–**	**15,616**	**–**	**–**	**–**	**–**	**–**	**–**	**180,000**
	FY2020	158,904	–	–	–	15,096	–	–	–	–	–	–	174,000
Stuart Crosby	**FY2021**	**278,306**	**–**	**–**	**–**	**21,694**	**–**	**–**	**–**	**–**	**–**	**–**	**300,000**
	FY2020	268,619	–	–	–	21,381	–	–	–	–	–	–	290,000
Ross Dobinson[1]	**FY2021**	**97,500**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**97,500**
	FY2020	125,667	–	–	–	–	–	–	–	–	–	–	125,667
Darlene Knight[2]	**FY2021**	**28,067**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**28,067**
	FY2020	–	–	–	–	–	–	–	–	–	–	–	–
Sharon McCrohan	**FY2021**	**118,721**	**–**	**–**	**–**	**11,279**	**–**	**–**	**–**	**–**	**–**	**–**	**130,000**
	FY2020	114,764	–	–	–	10,903	–	–	–	–	–	–	125,667
Ian Rowden[3]	**FY2021**	**130,000**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**130,000**
	FY2020	–	–	–	–	–	–	–	–	–	–	–	–
Senior Executives										–			
Heath Sharp[4]	**FY2021**	**1,792,983**	**1,016,024**	**–**	**112,321**	**31,066**	**–**	**–**	**–**	**1,016,024**	**524,412**	**390,168**	**4,882,998**
	FY2020	1,929,587	266,150	199,668	13,967	33,691	–	–	–	266,150	308,996	390,168	3,408,377
Andrew Johnson[5]	**FY2021**	**843,354**	**309,499**	**–**	**40,503**	**31,066**	**–**	**–**	**–**	**309,499**	**353,573**	**–**	**1,887,494**
	FY2020	276,787	45,286	–	5,690	8,719	–	–	–	–	57,792	–	394,274
Gerry Bollman[6]	**FY2021**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	FY2020	1,206,958	58,223	37,077	7,982	33,691	–	614,192	–	–	428,843	183,253	2,570,219
Total	**FY2021**	**3,594,867**	**1,325,523**	**–**	**152,824**	**124,169**	**–**	**–**	**–**	**1,325,523**	**877,985**	**390,168**	**7,791,059**
	FY2020	4,160,053	369,659	236,745	27,639	130,964	–	614,192	–	266,150	795,631	573,421	7,174,454

1 Ceased to be a member of KMP on 14 April 2021
2 Member of KMP from 14 April 2021. Fees paid in US dollars.
3 Member of KMP from 6 July 2020
4 Annual fixed remuneration of US$1,339,000. Plus benefits, including car allowance and pension plan contributions.
5 Annual fixed remuneration of US$659,633 from 1 July 2020 to 31 December 2020; US$600,000 from 1 January 2020. Plus benefits, including car allowance and pension plan contributions. The FY2020 disclosure is from 11 March 2020 when Mr. Johnson was promoted to the CFO role and became a member of KMP.
6 Ceased to be a member of KMP on 11 March 2020 and finished his employment with the Group on 11 June 2020.
7 Total STI award for Mr. Sharp is $US1,517,533 (A$2,032,048) and for Mr. Johnson US$462,268 (A$618,998). Both awards comprise 50% cash and 50% deferred into shares with a 12 months' holding lock (accounted for as a share based payments expense in accordance with AASB2);
8 Reflects the accounting expense for the reporting period based on the fair value at grant date of rights and options granted.

REMUNERATION REPORT

For the year ended 30 June 2021 (audited)

C. Revised remuneration framework applying from 1 July 2021

(i) Review of remuneration framework and strategy

The Nomination and Remuneration Committee and the Board believe that the remuneration framework should adequately balance the need to attract and retain the best people to run RWC's business while ensuring that remuneration is linked clearly to shareholder returns and remains comparable with appropriate industry and geographical peer groups.

During this reporting period, the Nomination and Remuneration Committee completed its review of the overall remuneration framework of the Group. The main purpose of the review was for RWC to implement a remuneration framework more closely aligned with current market practices. In reviewing the framework, the Committee considered several factors including:

- The Company listed on the ASX in 2016 with a classic private company remuneration structure which included:
  - Relatively high, largely fixed cash remuneration for senior staff;
  - Significant discrepancies between people with similar roles;
  - No structured STI award program. Awards were mainly discretionary. For Senior Executives, more structured STI criteria were introduced from FY2019; and
  - An Equity Incentive Plan was implemented concurrent with listing. Under the Plan, an Options grant was made to the CEO at the time of listing. A Share Rights program was introduced in FY2017, mainly with a service vesting condition only although some grants did have performance conditions related to the John Guest acquisition. The Share Rights program has been the main LTI award program for eligible employees. Grants have been made to selected executives and employees when appropriate but without an annual award program in place.
- International expansion has resulted in RWC's operating activities being less Australian based. The majority of senior executives are now US based with greater than 50% of executive roles now based in the USA and less than 15% of executive roles based in Australia. RWC mostly competes for talent in the USA market, where remuneration is quite transparent and competitive in our sector and has established paradigms for the size, shape and description of remuneration packages that are different from usual ASX practice.

The Committee focused its review on developing a remuneration framework which is:

- Market competitive and capable of being implemented across the business in a consistent manner;
- Established with a target remuneration mix focused on incentive pay linked to operational performance and shareholder value creation;
- Referenced primarily against USA peers to recognise that over 50% of senior executives and other leaders are based there;
- Performance based; and
- Aligned with shareholder expectations.

External consultants were engaged to assess the current remuneration framework, including the short term and long term incentive plans, and to provide insights on potential changes to align the framework with current market practices. The process included competitive benchmarking, peer group analysis and identifying any gaps with prevalent market practice. Recommendations were presented to the Committee for consideration.

The recommendations of the Nomination and Remuneration Committee have been approved by the Board. The revised remuneration framework came into effect on 1 July 2021. The key principles are summarised below in section (j). The Board expects there will be a transition period of three years before all intended changes are finally completed. This transition period reflects an appropriate timeframe to phase in changes being made to remuneration arrangements of various senior executives. This includes annual downward revisions of fixed remuneration and phased increases in STI and LTI opportunities for the CEO and some senior executives over this period.

REMUNERATION REPORT

For the year ended 30 June 2021 (audited)

The Nomination and Remuneration Committee's expects its primary focus in FY2022 will be on monitoring the implementation of the revised remuneration framework. This will include:

- continuing to review remuneration arrangements of executives, including Senior Executives, to confirm that market competitive remuneration packages are in place to attract and retain high calibre executives;
- confirming 'at risk' variable remuneration arrangements remain appropriately aligned with business strategies and outcomes; and
- overseeing the processes being introduced to manage and administer the revised STI and LTI plans.

(j) Principles of revised remuneration framework

Key elements of the revised remuneration framework are summarised below. The framework will initially encompass approximately 215 current leadership roles across the Group, being less than 10% of the Group's employees at 30 June 2021.

General principles, considerations and outcomes

Key considerations in developing and implementing the revised remuneration framework included that it be:

- Capable of being implemented consistently across the Group;
- Market competitive and US-referenced (as greater than 50% of RWC's executives are based in the USA);
- Performance based with a focus on incentive pay linked to operational performance and shareholder value creation; and
- Aligned with shareholder expectations.

Key outcomes from the review include:

- Alignment of total remuneration for the CEO and some other senior executives with market benchmarks will require adjusting fixed and variable remuneration. This will be achieved by implementing a downward adjustment of fixed remuneration by approximately 20% over a transition period of 3 years with a corresponding increase in STI and LTI opportunities. This is discussed further below under "Transition considerations for senior employees";
- STI awards will be 100% cash based. This is consistent with USA practice. It also allows an opportunity for impacted executives to earn back the fixed remuneration being foregone. This represents a change to the current STI Plan for Senior Executives where 50% of STI awards were deferred into shares. The change is justified in the overall context of the revised remuneration framework and the required transition. Further details are provided below;
- Vesting of LTI awards will be subject to two performance conditions and a service period requirement. The performance conditions are relative total shareholder return and earnings per share accretion. Both will be assessed over a 3 year performance horizon commencing 1 July each year. It is intended that LTI awards be made annually. Further details are provided below; and
- Alignment with industry practice in the USA includes a focus on "target" remuneration and plan design maximum incentive values at 200% of target for both STI and LTI.

Transition considerations for senior executives

Several transition matters arising from the review have been considered and addressed, including:

- Fixed remuneration:
  - For those with above market fixed remuneration, annual reductions over 3 years will occur. For the CEO, the aggregate downward adjustment of fixed remuneration will be approximately 20% over this transition period. This is to bring fixed remuneration within the benchmarked market range. There is no downward adjustment of fixed remuneration required for the CFO;
  - For other senior executives, any changes to fixed remuneration are in line with the benchmarked market median for the associated role. Most changes to total remuneration are directed to the variable remuneration structures;
- STI:
  - For those with reductions in fixed remuneration, STI target level increases as fixed remuneration reduces to broadly maintain on-target total cash compensation in relevant cases. As noted above, STI would be all cash (no deferral), consistent with USA practice and reflecting that some executives are giving up a portion of fixed remuneration.

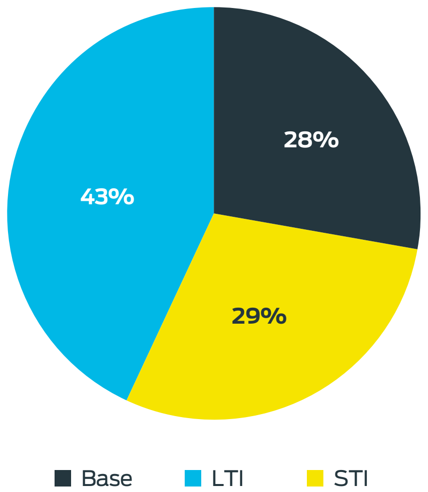
REMUNERATION REPORT

For the year ended 30 June 2021 (audited)

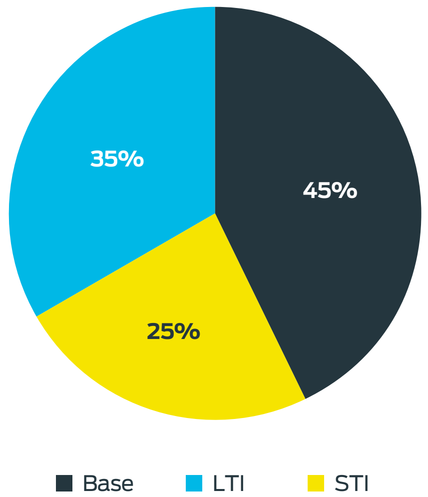
- LTI:
  - CEO – target annual grants with "fair value" starting at about 30% of total target remuneration and moving to greater than 40% over a three year period.
  - CFO – target annual grants with "fair value" of about 35% of total target remuneration.
  - Other CEO direct reports – target annual grants with "fair value" of between 30% and 35% of total target remuneration.

The target remuneration mix by the end of FY2024 for each of the CEO and CFO is:

CEO



CFO



STI Plan

The STI plan is designed to reward eligible participants, including Senior Executives, for achieving fiscal year financial and strategic goals. The revised STI plan has the following design features:

Objective	STI awards are determined by the Board following satisfaction of specific performance conditions	
Nature	100% cash. Payment of 100% cash STI is consistent with USA market practice which for the Company is the main market in which executives are based. For Senior Executives, this represents a change from the nature of the STI award applying for FY2021 as explained above.	
Target Opportunity	CEO: 80% of fixed remuneration CFO: 40% of fixed remuneration Other eligible participants: 10% to 40% of fixed remuneration depending on tier level Entitlement measured against the Performance Metrics and scaling criteria below.	
Maximum Opportunity	CEO: 160% of fixed remuneration CFO: 80% of fixed remuneration Other eligible participants: 20% to 80% of fixed remuneration Entitlement measured against the Performance Metrics and scaling criteria below.	
Performance Metrics Mix	The mix of financial and non-financial criteria to be applied is:	
	Group participants (including CEO and CFO)	Group EBIT – 70% Personal KPI goals – 30%
	Region participants	Group EBIT – 30% Region EBIT – 40% Personal KPI goals – 30%

REMUNERATION REPORT

For the year ended 30 June 2021 (audited)

Performance Metrics

Financial Metric – Earnings before Interest and Tax ("EBIT")

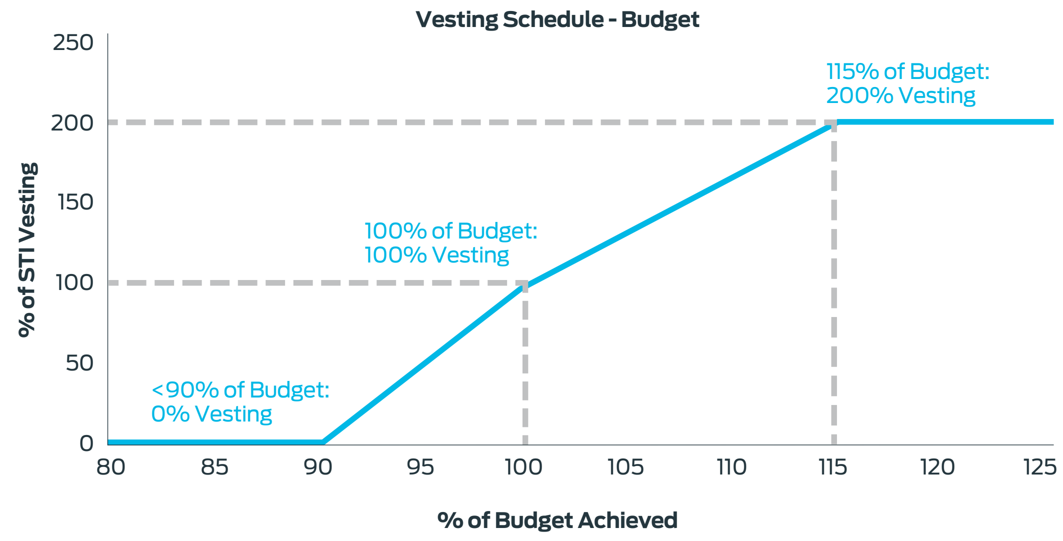
The relevant portion of the STI award subject to financial performance is intended to be measured by reference to budgeted Group or Region EBIT, as applicable ("Budget"). The Board retains a discretion to adjust the award outcome based on achievements during a reporting period. For Senior Executives, this is a change from the previous financial metric of EBITDA. The Board considers EBIT to be a more appropriate measure of operational management of the business.

The EBIT metric may be adjusted at the Board's discretion to exclude the effects of significant events deemed not appropriate to assess actual employee performance. These significant events may include:

- Acquisition related charges and other items;
- Restructuring and other charges;
- Non-cash impairments;
- Impacts resulting from material changes in foreign currency exchange rates; and
- Any other significant items deemed appropriate by the Board.

The following scale applies for the financial metric:

% of Budget achieved	Payout (% of Target)
Less than 90% of Budget	Nil
Between 90% and less than 100% of Budget	Straight line pro-rating from Nil to Target Opportunity
100% of Budget	100% of Target Opportunity
Above 100% and less than 115% of Budget	Straight line pro-rating from Target Entitlement to Maximum Opportunity
115% of Budget and greater	100% of Maximum Opportunity (200% x Target Opportunity)



REMUNERATION REPORT

For the year ended 30 June 2021 (audited)

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. EBIT 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. Actual EBIT and Budget will be compared on a like for like basis.

The thresholds below which no payout for the financial metric occurs and above which the maximum payout is triggered have been reduced from prior year levels so as to make the target level a better reflection of the fair value of the STI opportunity. This was an important element in the shift from fixed remuneration to variable.

Personal KPI goals

The relevant portion of the STI award subject to personal KPIs is intended to be measured by scorecard performance against role specific objectives to be settled with eligible participants annually. Non-financial objectives are set to measure the participant's performance against RWC's business strategies and core values. KPIs will be set based on:

Criteria	Target %	Examples
RWC values and culture leadership (SPIRIT)	10%	Living our values, culture, safety, diversity and inclusion, ESG
Business leadership	10%	Team management, talent development, succession planning, training
Personal objectives	10%	Business development, product development, cost control, strategic growth, expansion of RWC's business activities, ESG goals

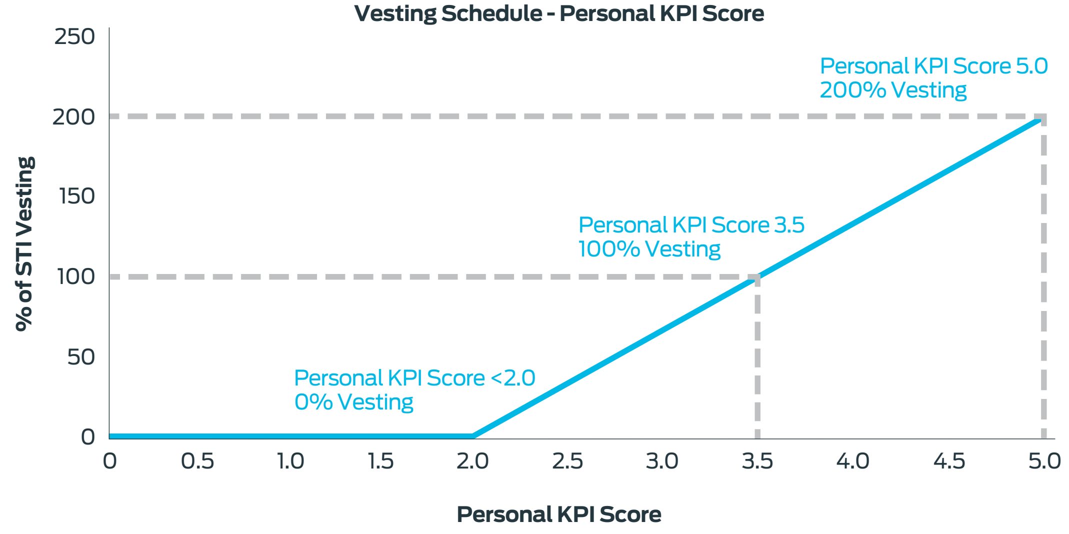
Non-financial KPIs are chosen to encourage the achievement of personal business goals consistent with the Group's overall objectives.

The following scale applies for the personal KPI goals:

Average personal KPI score	Payout (% of Target)
Less than 2	Nil
Between 2 and less than 3.5	Straight line pro-rating from Nil to Target
3.5	100% of Target
Above 3.5 and less than 5	Straight line pro-rating from Target to Maximum
5	100% of Maximum (200% x Target)

REMUNERATION REPORT

For the year ended 30 June 2021 (audited)



	A combination of financial and non-financial performance criteria were 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 Budget will be assessed by the Nomination and Remuneration Committee based on the Company's audited financial results. Performance against personal KPIs will be assessed annually as part of the broader performance review process for Senior Executives. 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.

LTI Plan

The LTI plan is designed to assist in the motivation, retention and reward of eligible employees and 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 revised LTI plan has the following design features:

Nature	Annual grants of Rights. 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.
Eligible Participants	Senior Executives and other eligible executives and employees subject to Board approval.
Vesting Criteria	Subject to Board approval: • Continuous service period. For FY2022 grants, the continuous service period will be 3 years from grant date; and • Performance conditions will apply for all grants, to Senior Executives and Tier 2 and Tier 3 executives. Performance conditions for FY2022 grants are described below. Any Rights which do not vest will immediately lapse.

REMUNERATION REPORT

For the year ended 30 June 2021 (audited)

Number of Rights to be granted	The number of Rights to be granted will be calculated using an independently assessed fair value. The assessment will be made at the commencement of the Performance Period Measurement date (1 July).
Performance Conditions and assessment	Rights granted to Senior Executives and Tier 2 and Tier 3 executives will be subject to performance conditions in addition to a continuous service period. 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. The two performance conditions are:

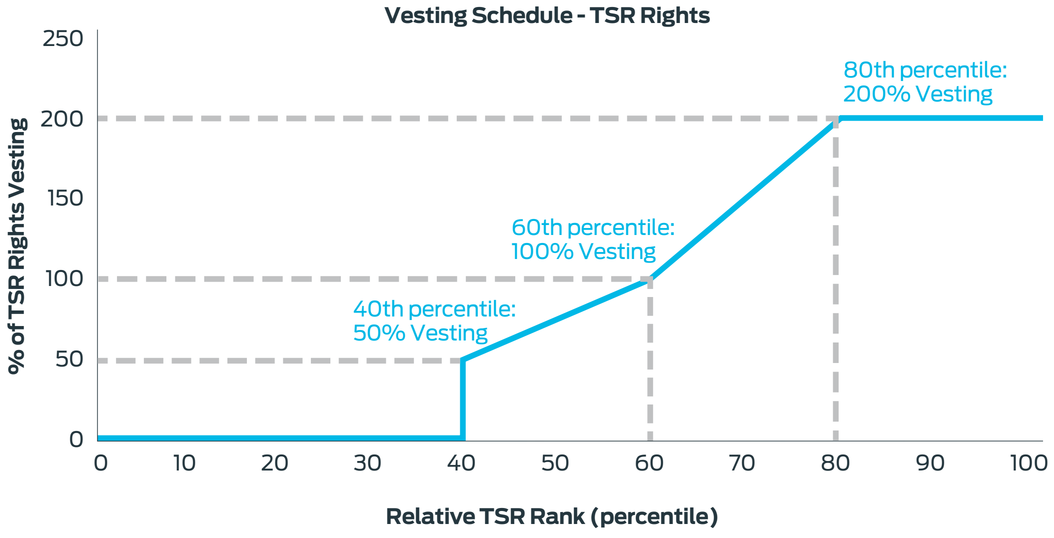
- 50% of the Rights ("TSR Rights") will be subject to a relative total shareholder return ("TSR") performance condition, which will compare the TSR performance of the Company with the TSR performance of each of the entities in a comparator group over the Performance Measurement Period ("TSR Hurdle").

  TSR measures the growth in the Company's share price together with the value of dividends over the measurement period (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 was chosen because, in the opinion of the Board, it provides the most direct link to shareholder return.

  The number of TSR Rights which will be eligible to vest in relation to the TSR Hurdle will be determined by reference to the following schedule:

Relative TSR Ranking	% TSR Rights eligible to vest
Below 40th percentile	Nil
40th percentile	50%
Above 40th and less than 60th percentile	Pro rata straight line vesting between 40th and 60th percentile
60th percentile	100% (Target Amount)
Above 60th and less than 80th percentile	Pro rata straight line vesting between 60th and 80th percentile
80th percentile or above	200% (Maximum Amount)



REMUNERATION REPORT

For the year ended 30 June 2021 (audited)

50% of the Rights ("EPS Rights") will be subject to an earnings per share compound average growth rate performance condition ("EPS Hurdle"). This condition measures earnings per share growth over the Performance Measurement Period. It was chosen as a performance condition because, in the opinion of the Board, it is a measure of the success of Senior Executives and other participants in generating continued business growth.

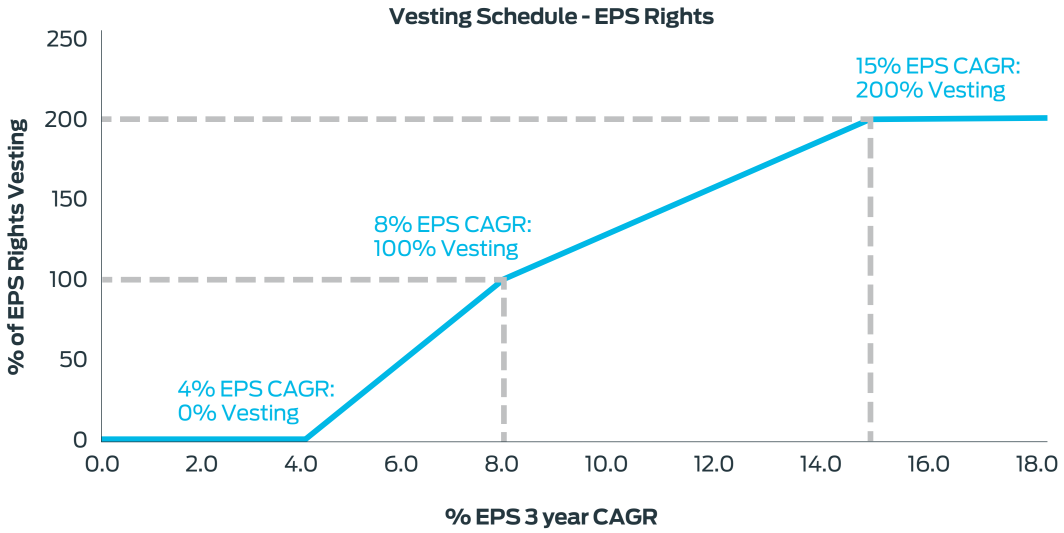
Earnings per share is determined by dividing net profit after tax ("NPAT") into the weighted average number of issued shares. The EPS compound average growth rate will be measured on a point to point basis over the Performance Measurement Period.

NPAT may be adjusted at the Board's discretion to exclude the effects of significant events deemed not appropriate to assess actual employee performance. These significant events may include:

- Acquisition related charges and other items;
- Restructuring and other charges;
- Non-cash impairments;
- Impacts resulting from material changes in foreign currency exchange rates;
- Impact of statutory tax rate changes enacted during the performance period; and
- Any other significant items deemed appropriate by the Board.

The number of EPS Rights which will be eligible to vest in relation to the EPS Hurdle will be determined by reference to the following schedule:

% Growth	% EPS Rights eligible to vest
4% (Threshold)	Nil
Above 4% and less than 8%	Pro rata straight line vesting from Nil to Target
8% (Target)	100% (Target Amount)
Above 8% and less than 15%	Pro rata straight line vesting from Target to Maximum
15% (Maximum)	200%



Assessment of each performance condition will occur after the end of the Performance Measurement Period.

These methods of assessing performance are chosen as they are, as far as practicable, objective, measurable and capable of being independently audited.

REMUNERATION REPORT

For the year ended 30 June 2021 (audited)

Performance Measurement Period	Three years commencing 1 July each year. For FY2022, the Performance Measurement Period commences on 1 July 2021 and ends on 30 June 2024.
Assessment of performance	Performance Conditions will be independently assessed following the end of the Performance Measurement Period.
Voting and dividend rights	Rights do not carry any voting or dividend rights prior to vesting.
Clawback	Defined criteria are in place to prevent inappropriate benefits being paid.

(k) Senior Executive remuneration for FY2022

The remuneration arrangements for Senior Executives reflect the revised remuneration framework summarised above in sections (i) and (j) and include:

Fixed remuneration

CEO: US$ 1,250,000, a decrease of 7% from FY2021 fixed remuneration for the reasons set out previously; and
CFO: US$ 600,000, representing no change from the current amount.

STI Opportunity

The STI opportunity for FY2022 will be cash only for the reasons set out previously. The key criteria are set out in section (j).

LTI award for FY2022

The Company intends offering:

- 315,990 Rights (target opportunity) to the CEO subject to shareholder approval. The maximum opportunity is 631,980 Rights for which approval is intended to be sought at the 2021 Annual General Meeting; and
- 100,315 Rights (target opportunity) to the CFO. The maximum opportunity is 200,630 Rights.

The Performance Measurement Period will be for the three years commencing on 1 July 2021.

Key conditions are summarised in section (j).

(l) Minimum Shareholding Policy

The Company has approved a Minimum Shareholding Policy which applies to all KMP and certain other senior executives. The policy came into effect on 1 July 2021. The policy requires KMP and other senior executives to hold and maintain a minimum number of RWC's ordinary shares based on:

- Non-executive Directors – 100% of annual base fees (excluding additional Committee fees);
- Group CEO – 100% of Total Fixed Remuneration; and
- Other members of the senior executive team – 50% of Total Fixed Remuneration.

The minimum holding is required to be obtained within 5 years from the later of the date the policy commences or appointment as either a director or member of the senior executive team.

REMUNERATION REPORT

For the year ended 30 June 2021 (audited)

D. Other disclosures

(m) New Service Agreements with 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. New service agreements have been entered into with each Senior Executive during 2021. The key terms and conditions of the employment contracts for 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 and reflect the revised remuneration framework effective from 1 July 2021.

Heath Sharp, Managing Director and Group Chief Executive Officer

Term	Mr. Sharp is employed by Reliance Worldwide Corporation (a company in the Group which carries on operations in the USA) The new agreement has an initial term of five years from 1 July 2021. Thereafter, automatically extended for one year rolling terms unless and until either party gives notice of an intention not to renew. The employer shall give any such non-renewal notice at least 90 days prior to the end of the then applicable term. Mr. Sharp shall give any such non-renewal notice at least 12 months prior to the end of the then applicable term.
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 cure period. ▪ Where he terminates without good reason, 12 months written notice is required to be provided.
Termination payments[1]	▪ Where Mr. Sharp's employment is terminated by the employer without cause or by Mr. Sharp with good reason, he is entitled to 12 months' severance pay (in addition to any notice period) plus accrued entitlements (comprising accrued but unpaid annual base salary, accrued unused vacation pay and unreimbursed properly incurred business expenses) plus he remains eligible for a pro rata bonus for the days he was employed during the applicable fiscal year and payment of certain health insurance premiums. ▪ Where his employment is terminated due to death or disability, Mr. Sharp is entitled to accrued entitlements, 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. Sharp without good reason, then the employer shall have no further payment obligations other than for accrued entitlements and continuation of applicable welfare and health benefits entitlements. ▪ Where Mr. Sharp provides notice of non-renewal, then no severance amount will be payable.
Restraint	Mr. Sharp's employment agreement contains a restraint of trade, which operates for a maximum period of 24 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.

REMUNERATION REPORT

For the year ended 30 June 2021 (audited)

Andrew Johnson, Group Chief Financial Officer

Andrew Johnson was appointed Interim Group Chief Financial Officer on 11 March 2020 and was confirmed as Group Chief Financial Officer on 6 July 2020. A revised employment agreement came into effect from 1 January 2021 with the key terms set out below, excluding remuneration arrangements which are presented in other sections of this report. Previously, Mr. Johnson was employed on a standard RWC employment arrangement which includes no fixed term, appropriate benefits and statutory entitlements upon termination.

Term	Mr. Johnson is employed by Reliance Worldwide Corporation (a company in the Group which carries on operations in the USA). The employment agreement contains no fixed term.
Notice	*Termination by the employer* • Mr. Johnson's employment may be terminated by the employer without cause (excluding due to death or disability) upon giving 3 months written notice; and • may be terminated by the employer for cause at any time. *Termination by Andrew Johnson* • Mr. Johnson may terminate his employment with good reason upon giving 3 months written notice and allowing a cure period. • Where he terminates without good reason, 3 months written notice is required to be provided.
Termination payments[1]	• Where Mr. Johnson's employment is terminated by the employer without cause or by Mr. Johnson with good reason, he is entitled to 9 months' severance pay (in addition to any notice period) plus accrued entitlements (comprising accrued but unpaid annual base salary, accrued unused vacation pay and unreimbursed properly incurred business expenses) plus he remains eligible for a pro rata bonus for the days he was employed during the applicable fiscal year and payment of certain health insurance premiums. • Where his employment is terminated due to death or disability, Mr. Johnson is entitled to accrued entitlements, 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. Johnson without good reason, then the employer shall have no further payment obligations other than for accrued entitlements and con-tinuation of applicable welfare and health benefits entitlements.
Restraint	Mr. Johnson's employment agreement contains non-compete and non-solicitation clauses which operate for a period of 12 months following his ceasing to work for RWC.

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.

REMUNERATION REPORT

For the year ended 30 June 2021 (audited)

(n) 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 FY2021 are set out below.

Name	Held at 1 July 2020	Net change[1]	Held at 30 June 2021
Christine Bartlett	20,000	-	20,000
Russell Chenu[2]	155,217	-	155,217
Stuart Crosby[2]	150,506	-	150,506
Ross Dobinson	32,457	(32,457)	-
Darlene Knight	-	-	-
Sharon McCrohan	-	-	-
Ian Rowden	-	10,000	10,000
Heath Sharp	1,204,041	71,327	1,275,368
Andrew Johnson[3]	-	512	512

(o) Remuneration Consultants or other advisors

The Company engaged a consultant, JAL Executive HR Consulting ("Consultant"), to provide a range of services, including assisting with the design, recommendations, implementation of the revised remuneration framework, talent management and succession planning and undertaking an assessment of the Group's human resources structure ("Services"). The Consultant provided a remuneration recommendation for Senior Executives. Fees paid to the Consultant for Services provided during the reporting period were approximately US$288,000. The Company estimates that US$259,200 (90%) relates to the remuneration recommendation services (including review and design of the framework) and US$28,800 (10%) to other services.

The Board is satisfied that appropriate arrangements were implemented to ensure the Consultant would be free to carry out its work free from undue influence by members of KMP about whom the recommendations may relate. The arrangements included requiring the Consultant to:

- regularly meet with the Chair of the Nomination and Remuneration Committee ("NRC Chair") to report on progress with the Services, including any remuneration recommendations;
- obtain prior approval to interact with executive KMP in relation to the Services and keep the NRC Chair informed of those interactions; and
- present reports and recommendations directly to the Nomination and Remuneration Committee for approval.

The Board is satisfied these arrangements were appropriately followed and that remuneration recommendations made by the Consultant were free of any undue influence.

(p) Material contracts with Related Parties

New employment agreements have been entered into with Senior Executives. Key terms and conditions are summarised throughout this report. 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.

(q) 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 disclosed in the Prospectus.
3 Acquired as a participant in the Company's Share Match Plan.

KPMG

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 2021 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

Tony Romeo

Partner

Melbourne

23 August 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2021

	Note	2021 A$000	2020 A$000
Revenue from sale of goods	3	1,340,813	1,162,411
Cost of sales		(750,449)	(685,140)
Gross profit		**590,364**	**477,271**
Other income		2,266	1,464
Product development expenses		(16,098)	(25,916)
Selling, warehousing and marketing expenses		(161,663)	(161,285)
Administration expenses		(116,375)	(114,313)
Other expenses	6	(14,146)	(21,324)
Operating profit		**284,348**	**155,897**
Finance income	5	180	645
Finance costs	5	(12,207)	(20,675)
Net finance costs		**(12,027)**	**(20,030)**
Profit before tax		**272,321**	**135,867**
Income tax expense	7	(84,072)	(46,426)
Profit for the period attributable to the Owners of the Company		**188,249**	**89,441**
Other comprehensive profit			
Items that may be classified to profit or loss:			
Foreign currency translation differences		43,313	(7,397)
Total comprehensive profit for the period attributable to the Owners of the Company		**231,562**	**82,044**
		Cents	**Cents**
Earnings per share			
Basic earnings per share attributable to ordinary equity holders	4	24.0	11.4
Diluted earnings per share attributable to ordinary equity holders	4	23.9	11.4

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 2021

	Note	2021 A$000	2020 A$000
Assets			
Current Assets			
Cash and cash equivalents	12	28,427	82,166
Trade and other receivables	8	293,220	263,205
Inventories	8	260,395	215,450
Current tax assets		8,547	9,671
Other current assets		15,799	16,066
Total Current Assets		**606,388**	**586,558**
Non-current Assets			
Property, plant and equipment	9	266,898	264,965
Right-of-use assets	10	91,114	99,969
Deferred tax assets	7	34,335	36,973
Goodwill	11	914,885	897,350
Other intangible assets	11	320,463	325,660
Other non-current assets		–	2,052
Total Non-current Assets		**1,627,695**	**1,626,969**
Total Assets		**2,234,083**	**2,213,527**
Liabilities			
Current Liabilities			
Trade and other payables	8	239,984	168,426
Current tax liabilities		11,924	5,256
Employee benefits	16	12,071	16,665
Dividend payable[1]	24	–	35,554
Other current liabilities	13	34,806	15,335
Total Current Liabilities		**298,785**	**241,236**
Non-current Liabilities			
Borrowings	12	202,333	384,377
Deferred tax liabilities	7	66,479	68,184
Employee benefits	16	6,782	6,693
Other non-current liabilities		68,425	93,546
Total Non-current Liabilities		**344,019**	**552,800**
Total Liabilities		**642,804**	**794,036**
Net Assets		**1,591,279**	**1,419,491**
Equity			
Share capital	14	2,330,408	2,330,533
Reserves	15	(1,034,327)	(1,084,228)
Retained earnings		295,198	173,186
Total Equity		**1,591,279**	**1,419,491**

1 The payment of the interim dividend for the financial year ended 30 June 2020 of 4.5 cents per share ($35.6 million), declared on 24 February 2020, was deferred to 9 October 2020.

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 2021

	Note	Share Capital A$000	Foreign Currency Translation Reserve A$000	Merger Reserve A$000	Share-based Payment Reserve A$000	Hedging Reserve A$000	Retained Profits A$000	Total Equity A$000
Balance at 30 June 2019		2,329,126	21,726	(1,100,943)	8,923	(10,767)	158,434	1,406,499
Profit for the period		–	–	–	–	–	89,441	89,441
Foreign currency translation reserve	15	–	(7,397)	–	–	–	–	(7,397)
Total comprehensive income		**–**	**(7,397)**	**–**	**–**	**–**	**133,017**	**82,044**
Transactions with owners of the Company								
Purchase of treasury shares	14	1,407	–	–	–	–	–	1,407
Share-based payments	17	–	–	–	4,230	–	–	4,230
Capital raising costs		–	–	–	–	–	–	–
Dividends paid		–	–	–	–	–	(74,689)	(74,689)
Total transactions with owners of the Company		**1,407**	**–**	**–**	**4,230**	**–**	**(74,689)**	**(69,052)**
Balance at 30 June 2020		**2,330,533**	**14,329**	**(1,100,943)**	**13,153**	**(10,767)**	**173,186**	**1,419,491**
Balance at 30 June 2020		**2,330,533**	**14,329**	**(1,100,943)**	**13,153**	**(10,767)**	**173,186**	**1,419,491**
Profit for the period		–	–	–	–	–	188,249	188,249
Foreign currency translation reserve	15	–	43,313	–	–	–	–	43,313
Total comprehensive income		**–**	**43,313**	**–**	**–**	**–**	**188,249**	**231,562**
Transactions with owners of the Company								
Treasury shares	14	(125)	–	–	–	–	–	(125)
Share-based payments	17	–	–	–	6,588	–	–	6,588
Dividends paid or provided		–	–	–	–	–	(66,237)	(66,237)
Total transactions with owners of the Company		**(125)**	**–**	**–**	**6,588**	**–**	**(66,237)**	**(59,774)**
Balance at 30 June 2021		**2,330,408**	**57,642**	**(1,100,943)**	**19,741**	**(10,767)**	**295,198**	**1,591,279**

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 2021

	Note	2021 A$000	2020 A$000
Cash flows from operating activities			
Receipts from customers		1,303,822	1,134,085
Payments to suppliers and employees and for customer rebates		(969,564)	(855,747)
Cash generated from operations		334,258	278,338
Income taxes paid		(59,269)	(37,493)
Net cash inflow from operating activities		**274,989**	**240,845**
Cash flows from investing activities			
Payments for purchase of property, plant and equipment	9	(47,355)	(28,048)
Proceeds from sale of property, plant and equipment		1,405	4,940
Payments for intellectual property and other intangible assets acquired	11	(1,215)	(15,384)
Net cash used in investing activities		**(47,165)**	**(38,492)**
Cash flows from financing activities			
Purchase of treasury shares		(125)	-
Proceeds from borrowings	12	69,000	59,000
Repayment of borrowings	12	(223,853)	(179,612)
Interest received		180	645
Interest paid		(7,155)	(14,705)
Dividends paid		(101,791)	(39,135)
Lease payments	10	(15,780)	(16,390)
Net cash outflow from financing activities		**(279,524)**	**(190,197)**
Net change in cash and cash equivalents		(51,700)	12,156
Cash and cash equivalents at 1 July		82,166	69,279
Effects of movements in exchange rates on cash held		(2,039)	731
Cash and cash equivalents at 30 June		**28,427**	**82,166**
Represented by:			
Cash at bank		28,427	82,166
Cash and cash equivalents at the end of the year	12	**28,427**	**82,166**

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 2021

1. Basis of preparation

(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 consolidated financial statements were authorised for issue by the Board of Directors on 23 August 2021.

(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 2021;
- have been prepared on a going concern basis using historical cost conventions;
- are presented in Australian dollars and 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 2020; 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 and Note 25 set out details of accounting policies which aid the understanding of the financial statements as a whole.

(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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

1. Basis of preparation (continued)

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 7);
- Recoverability of trade and other receivables (Note 8);
- Estimation of net realisable value and possible obsolescence of inventories (Note 8);
- Recoverability of goodwill and other indefinite life intangible assets (Note 11); and
- Assessment of lease term extension options to be taken into account in the present value of the remaining lease payments (Note 10).

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

The Group has adopted all amendments to Australian Accounting Standards which became applicable from 1 July 2020.

(f) New accounting standards, interpretations and amendments not yet applicable to the Group

AASB standards not yet applicable are not expected to have a material impact on the RWC Group.

(g) COVID-19 Impacts

The global COVID-19 pandemic and the ongoing restrictions imposed by governments across the world have impacted business activity levels in countries and markets where the Group operates. The Group has managed, and continues to manage, the risks arising from COVID-19 to minimise negative impacts on its operations and financial position. During FY2021, the Group has also taken proactive measures to manage liquidity including:

- Extending the maturity of its syndicated bank Facility A of $250 million from 30 September 2021 to 30 September 2023;
- Prudently managing selling, general and administration costs; and
- Appropriately allocating capital expenditures given continuing uncertainty.

As at 30 June 2021, the Group had cash and cash equivalents of $28 million and committed undrawn borrowing facilities of $583 million.

The ongoing COVID-19 pandemic has increased the estimation uncertainty in the preparation of these financial statements. At 30 June 2021, the Group has reassessed all significant judgements, assumptions and critical estimates included in the consolidated financial statements, including but not limited to, provisions against trade debtors and inventory and impairment of non-current assets.

These financial statements have been prepared on a going concern basis. In the context of the COVID-19 pandemic, the review of the current financial forecasts and the consideration of the financial position summarised above support the conclusion on going concern, including that there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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 geographic 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

2. Segment reporting (continued)

	Americas		Asia Pacific		EMEA		Corporate/Other		Elimination		Total	
	2021 $000	2020 $000	2021 $000	2020 $000	2021 $000	2020 $000	2021 $000	2020 $000	2021 $000	2020 $000	2021 $000	2020 $000
Revenue												
From external customers	840,237	736,481	161,736	145,536	338,840	280,394	–	–	–	–	1,340,813	1,162,411
From other segments	3,181	2,636	115,518	99,220	51,948	43,905	–	–	(170,647)	(145,761)	–	–
Segment revenues	**843,418**	**739,117**	**277,254**	**244,756**	**390,788**	**324,299**	**–**	**–**	**(170,647)**	**(145,761)**	**1,340,813**	**1,162,411**
Cost of sales	(540,343)	(479,087)	(185,083)	(176,361)	(195,670)	(175,453)	–	–	170,647	145,761	(750,449)	(685,140)
Gross profit	**303,075**	**260,030**	**92,171**	**68,395**	**195,118**	**148,846**	**–**	**–**	**–**	**–**	**590,364**	**477,271**
Other income	1,294	44	320	3,599	652	–	–	–	–	(2,179)	2,266	1,464
Product development expenses	(9,403)	(19,053)	(3,226)	(4,552)	(3,469)	(4,490)	–	–	–	2,179	(16,098)	(25,916)
Selling and marketing expenses	(100,594)	(103,698)	(18,939)	(19,313)	(40,784)	(36,813)	(1,345)	(1,461)	–	–	(161,663)	(161,285)
Administration expenses	(54,038)	(52,564)	(14,279)	(18,068)	(40,462)	(39,931)	(7,595)	(3,750)	–	–	(116,375)	(114,313)
Other expenses	(6,413)	(14,124)	(2,754)	–	(3,823)	(6,660)	(1,156)	(540)	–	–	(14,146)	(21,324)
Segment operating profit/(loss)	**133,921**	**70,635**	**53,293**	**30,060**	**107,232**	**60,952**	**(10,097)**	**(5,751)**	**-**	**-**	**284,348**	**155,896**
Segment assets	**830,762**	**715,204**	**306,456**	**362,981**	**1,165,213**	**1,143,996**	**1,253,845**	**1,430,140**	**(1,322,193)**	**(1,438,794)**	**2,234,083**	**2,213,527**
Segment liabilities	**281,896**	**248,229**	**99,044**	**167,300**	**103,598**	**74,381**	**1,480,459**	**1,742,920**	**(1,322,193)**	**(1,438,794)**	**642,804**	**794,036**
EBITDA[1]	156,188	96,787	66,185	44,263	126,811	81,066	(8,530)	(4,191)	–	–	**340,653**	**217,925**
Depreciation of property plant and equipment	(18,924)	(21,183)	(11,904)	(13,180)	(17,685)	(19,017)	(248)	(202)	–	–	**(48,760)**	**(53,582)**
Amortisation of intangible assets	(3,343)	(4,969)	(989)	(1,022)	(1,894)	(1,097)	(1,319)	(1,358)	–	–	**(7,545)**	**(8,446)**
Impairment of assets	(6,404)	(12,997)	–	–	(2,213)	(5,871)	–	–	–	–	**(8,617)**	**(18,868)**
Finance income	114	574	6	1	17	3	44	67	–	–	**180**	**645**
Finance costs	(4,126)	(11,337)	(1,437)	(1,554)	(364)	(404)	(6,280)	(7,380)	–	–	**(12,207)**	**(20,675)**
Income tax expense	(46,488)	(12,594)	(12,517)	(8,495)	(20,709)	(10,068)	(4,359)	(15,269)	–	–	**(84,072)**	**(46,426)**
Additions to property plant and equipment[2]	13,629	19,275	8,896	4,711	24,830	4,062	–	–	–	–	**47,355**	**28,048**
Non-current assets excluding other financial assets and deferred tax assets	402,075	426,207	167,694	170,278	1,017,499	987,130	6,092	6,381	–	–	**1,593,360**	**1,589,996**

1 EBITDA is operating profit before, interest, tax, depreciation and amortisation. 2 Excludes the addition of Right of Use lease assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

3. Revenue

Accounting Policy

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

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

The major products from which the aforementioned segments derive revenue are:

- **Push to Connect Fittings** – brass and plastic push-to-connect plumbing fittings (primarily sold under the SharkBite and JG Speedfit brands) for the installation and repair of water reticulation systems in both domestic and commercial applications;
- **Other Fittings** – brass and plastic crimp fittings, expansion fittings and accessories;
- **Pipe** – coiled and straight length tubing manufactured from cross-linked polyethylene and designed for high temperature and pressure domestic and commercial applications; polybutylene pipe for domestic water and central heating systems; LLDPE tubing for fluid control applications; rigid nylon and aluminium piping for air and pneumatic systems;
- **Valves** – temperature and pressure relief valves, pressure regulation valves and thermostatic mixing valves that protect and safeguard hot water systems;
- **Fluid Tech** – plastic push-to-connect technologies for drink dispense, pure water, air and pneumatics, blown fibre, automotive, and OEM solutions;
- **Integrated Installation Solutions** – engineered plumbing and mechanical solutions that support the delivery of water and firestop solutions; and
- **Other Products** – including backflow preventers, expansion vessels, underfloor heating components and kit systems, water meters, and water mains connection fittings and repair sleeves.

Revenue by product group for the year ended 30 June 2021 is:

	2021 $000	2020 $000
Push to Connect Fittings	615,272	517,383
Other Fittings	131,699	111,803
Pipes	160,084	128,482
Valves	154,305	137,077
Fluid Tech	137,833	130,449
Integrated Installation Solutions	122,087	118,349
Other Products	19,533	18,867
	1,340,813	**1,162,411**

The Group had two significant customers each representing greater than 10% of the Group's revenue in the 2021 financial year. Both customers are in the Americas segment and contributed a combined $432.9 million of the Group's revenue in the financial year.

Revenue by geography	2021 $000	2020 $000
Australia	138,706	127,752
United Kingdom	251,536	205,807
United Sates of America	789,765	691,645
Other	160,806	137,207
	1,340,813	**1,162,411**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

4. Earnings per share

Accounting Policy

Earnings Per Share (EPS) is the amount of profit/(loss) attributable to each share. Basic EPS is calculated on the Group's profit/(loss) for the reporting period attributable to ordinary shareholders divided by the weighted average number of shares on issue during the year. Diluted EPS reflects any commitments the Group has to issue shares in the future.

(a) Basic earnings per share

	2021 $000	2020 $000
Profit attributable to ordinary shareholders	188,249	89,441

Weighted average number of ordinary shares at 30 June (basic)	Number of shares 2021	Number of shares 2020
– Issued ordinary shares (weighted average)	790,094,765	790,094,765
– Treasury shares (weighted average)	(6,897,564)	(7,366,351)
	783,197,201	782,728,414
	Cents	Cents
Basic earnings per share	**24.0**	**11.4**

(b) Diluted earnings per share

	2021 $000	2020 $000
Profit attributable to ordinary shareholders	188,249	89,441

Weighted average number of ordinary shares at 30 June (diluted)	Number of shares 2021	Number of shares 2020
– Issued ordinary shares (weighted average)	790,094,765	790,094,765
– Effect of share options on issue	4,500,000	4,567,320
– Treasury shares (weighted average)	(6,897,564)	(7,366,351)
	787,697,201	787,295,734
	Cents	Cents
Diluted earnings per share	**23.9**	**11.4**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

5. Net 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.

	2021 $000	2020 $000
Interest income from cash and cash equivalents	**180**	**645**
Interest and borrowing expenses	(8,696)	(16,360)
Interest expense on lease liabilities	(3,511)	(4,315)
Total Finance costs	**(12,207)**	**(20,675)**

6. Other expenses

	2021 $000	2020 $000
Impairment expenses on specific property, plant, equipment and right-of-use assets	(8,617)	(6,952)
Impairment expenses on specific intangible assets	-	(11,916)
Other	(5,529)	(2,456)
Total Other Expenses	**(14,146)**	**(21,324)**

Impairment expenses of $7.6 million were recorded during the year as a result of the finalisation of plans to expand and rationalise distribution and logistics operations in the US and the UK. These were mainly impairment of right-of-use property assets in the context of the realignment of warehousing/distribution centre footprints.

Net restructuring and severance costs of $0.6 million relating to the UK distribution operations have been reported in in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. A further $0.3 million in lease and asset modification costs also relating to the above consolidation of warehousing and distribution facilities in the US and the UK have been reported in Other expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

7. Income tax expense

Accounting Policy

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 end of 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.

(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 2021, the Australian tax consolidated group has $11.4 million (2020: $2.6 million) franking credits available for subsequent reporting periods.

Critical accounting estimates and assumptions

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

7. Income tax expense (continued)

(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 consolidated profit or loss statement are as follows:

	2021 $000	2020 $000
Profit before income tax	272,321	135,867
Prima facie income tax expense at 30%	(81,696)	(40,760)
Tax effect of items which (increase)/decrease tax expense:		
Effect of tax rates in foreign jurisdictions	18,762	3,777
Benefits arising from US tax concessions	-	6,631
Non-deductible expenses	(3,667)	(5,139)
Net (under)/over provision from prior years[1]	(346)	(5,892)
Foreign income subject to US tax	(20,326)	(7,482)
Other	3,201	2,439
Actual income tax expense reported in the consolidated statement of profit or loss	**(84,072)**	**(46,426)**

(b) Components of income tax:

	2021 $000	2020 $000
Current tax	(80,267)	(24,328)
Deferred tax	(3,805)	(22,098)
	(84,072)	**(46,426)**

(c) Deferred tax balances

2021	Opening Balance $000	Recognised in Profit or loss $000	Foreign Exchange $000	Closing Balance $000
Deferred tax assets				
Employee benefits	4,856	248	(78)	5,026
Other provisions and accruals	10,270	2,116	(548)	11,838
Other items giving rise to deferred tax assets	21,847	(3,152)	(1,224)	17,471
Total	**36,973**	**(788)**	**(1,850)**	**34,335**
Deferred tax liabilities				
Property, plant and equipment	(17,410)	935	955	(15,520)
Unrealised foreign exchange movements	(14,936)	13,588	1,204	(144)
Other items giving rise to a deferred tax liability	(35,838)	(17,540)	2,563	(50,815)
Total	**(68,184)**	**(3,017)**	**4,722**	**(66,479)**

1 FY2020 primarily relates to the derecognition of foreign tax credits partially offset by the recognition of R&D tax credits and US state tax credits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

7. Income tax expense (continued)

2020	Opening Balance $000	Recognised in Profit or loss $000	Foreign Exchange $000	Closing Balance $000
Deferred tax assets				
Employee benefits	3,215	1,690	(49)	4,856
Other provisions and accruals	5,865	4,396	9	10,270
IPO costs deductible in future periods	1,208	(1,208)	–	–
Other items giving rise to deferred tax assets	5,090	16,704	53	21,847
Total	**15,378**	**21,582**	**13**	**36,973**
Deferred tax liabilities				
Property, plant and equipment	(11,558)	(6,047)	195	(17,410)
Unrealised foreign exchange movements	(3,323)	(11,521)	(92)	(14,936)
Other items giving rise to a deferred tax liability	(10,112)	(26,112)	386	(35,838)
Total	**(24,993)**	**(43,680)**	**489**	**(68,184)**

8. Working Capital

(a) Trade and other receivables

Accounting Policy

Trade and other receivables are initially recognised at fair value and subsequently at 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. The Group has adopted the Expected Credit Loss ('ECL') model under AASB 9 Financial Instruments to determine its allowance for doubtful debts calculation. This takes into consideration management's assessment of the likely level of bad debts (based on historical experience and forward-looking information) as well as any known 'at risk' receivables. The recoverability of debtors at 30 June 2021 has been assessed to consider the impact of the COVID-19 pandemic and no material recoverability issues have been identified.

	2021 $000	2020 $000
Trade debtors	265,603	229,927
Less: provision for doubtful debts	(2,276)	(2,236)
	263,327	227,691
Other debtors	14,015	18,255
Tax receivable	15,878	17,259
	293,220	**263,205**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

8. Working Capital (continued)

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

	2021 $000	2020 $000
Neither past due nor impaired	272,069	245,179
Past due 1 to 30 days	16,425	14,086
Past due 31 to 60 days	3,052	1,483
Over 60 days	1,674	2,457
Total	**293,220**	**263,205**

(b) Inventories

Accounting Policy

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. .

	2021 $000	2020 $000
At cost		
Raw materials and stores	94,866	98,241
Work in progress	25,421	21,860
Finished goods	161,171	113,110
	281,458	233,211
Less: provision for diminution	(21,063)	(17,761)
	260,395	**215,450**

(c) Trade and other payables

	2021 $000	2020 $000
Current:		
Trade payables	112,624	75,711
Other creditors, accruals and provision for employee bonuses	127,360	92,715
	239,984	**168,426**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

9. Property, plant and equipment

Accounting Policy

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 Consolidated Statement of Profit or Loss and Other Comprehensive Income.

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.

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, at least annually. Any impairment losses are recognised in the statement of profit or loss and other comprehensive income.

	2021 $000	2020 $000
Carrying amounts of:		
Freehold land[1]	36,659	19,128
Buildings	52,823	66,627
Leasehold improvements	3,708	8,451
Plant and equipment	173,708	170,759
	266,898	**264,965**

1 As of July 2020, the land element of several UK freehold properties has been reclassified from 'Buildings' to 'Freehold Land' for a value of $12.1 million

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

9. Property, plant and equipment (continued)

	Freehold Land		Buildings		Leasehold Improvements		Plant and Equipment		Total	
	2021 $000	2020 $000	2021 $000	2020 $000	2021 $000	2020 $000	2021 $000	2020 $000	2021 $000	2020 $000
Cost										
Opening balance	19,128	215	79,768	108,104	12,471	8,768	329,479	325,404	440,845	442,491
Transfers/ reclassification	16,837	19,620	(10,770)	(28,514)	(1,270)	4,031	(4,796)	2,619	-	(2,244)
Additions	-	-	568	-	63	257	46,724	27,791	47,355	28,048
Disposals	-	-	(45)	(235)	(362)	(625)	(11,445)	(24,995)	(11,851)	(25,854)
Net effect of change in exchange rates	694	(707)	(1,639)	413	(183)	40	(5,508)	(1,341)	(6,636)	(1,595)
Closing balance at 30 June	36,659	19,128	67,882	79,768	10,719	12,471	354,454	329,479	469,713	440,845
Accumulated depreciation and impairment										
Opening balance	–	–	(13,141)	(10,993)	(4,020)	(3,513)	(158,720)	(138,496)	(175,881)	(153,002)
Depreciation	–	–	(2,045)	(2,611)	(724)	(1,118)	(31,972)	(34,897)	(34,740)	(38,626)
Disposals	–	–	45	23	362	621	9,565	21,569	9,971	22,213
Impairment	–	–	(20)	-	(2,598)	-	(1,027)	(6,952)	(3,645)	(6,952)
Net effect of change in exchange rates	–	–	102	440	(31)	(10)	1,408	56	1,479	486
Closing balance at 30 June	–	–	(15,059)	(13,141)	(7,011)	(4,020)	(180,746)	(158,720)	(202,815)	(175,880)
Net carrying value at 30 June	**36,659**	**19,128**	**52,823**	**66,627**	**3,708**	**8,451**	**173,708**	**170,759**	**266,898**	**264,965**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

10. 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. 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.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. 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.

Critical accounting estimates and assumptions

Extension options are included in most property leases across the Group. These options are included to maximise operational flexibility in terms of managing lease contracts. Extension options are only included in the assessed lease term if the lease is reasonably certain to be extended. The assessment is reviewed if a significant event or change in circumstance occurs which affects this assessment and that is within the control of the lessee.

Right-of-use assets

	Properties $000	Equipment $000	Vehicles $000	Total $000
Balance at 1 July 2020	**96,117**	**2,854**	**998**	**99,969**
Depreciation charge for the year	(12,184)	(1,159)	(678)	(14,021)
Addition to right-of-use assets	3,991	45	1,000	5,036
Lease modifications	3,445	116	–	3,561
Foreign exchange impact	(3,249)	(130)	(52)	(3,431)
Balance at 30 June 2021	**88,120**	**1,726**	**1,268**	**91,114**
Additions at 1 July 2019 on transition to AASB16	**111,073**	**4,065**	**1,676**	**116,814**
Depreciation charge for the year	(13,029)	(1,137)	(639)	(14,805)
Foreign exchange impact	(1,927)	(74)	(39)	(2,040)
Balance at 30 June 2020	**96,117**	**2,854**	**998**	**99,969**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

10. Leases (continued)

Amounts recognised in the statement of financial performance

	2021 $000	2020 $000
Depreciation charge for right-of-use assets		
Properties	12,184	13,029
Equipment	1,159	1,137
Vehicles	678	639
Total depreciation charge for right-of-use assets	**14,021**	**14,805**
Expense relating to short-term and low value leases	2,651	2,739
Interest expense on lease liabilities	3,511	4,315
Finance income on a property sub-lease	(78)	(321)

The statement of cash flows for 30 June 2021 includes cash outflows for lease payments of $15.8 million (30 June 2020 – $16.4 million) within Cash flows from financing activities.

Some property leases contain extension options exercisable by the Group up to the end of the non-cancellable contract period. The Group has estimated that the potential future lease payments, should it exercise all available extension options, would result in an increased lease liability of $41.2 million.

11. Goodwill and other intangible assets

(a) Goodwill

Accounting Policy

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.

	2021 $000	2020 $000
Opening balance	897,350	901,428
Foreign currency exchange differences	17,535	(4,078)
Carrying value	**914,885**	**897,350**

For the purpose of undertaking impairment testing, the Group has identified its cash generating units (CGUs). These are the smallest groups 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 was $914.9 million. This was allocated to the Asia Pacific, Americas and EMEA operating segments based on which CGUs were expected to benefit from the relevant business combinations at the time of acquisition. The total carrying value of indefinite life intangible assets at balance sheet date was $225.3 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

11. Goodwill and other intangible assets (continued)

Goodwill	Asia Pacific $000	Americas $000	EMEA $000	Total $000
John Guest acquisition (2018)	41,386	165,542	620,782	827,710
Holdrite acquisition (2017)	–	42,731	–	42,731
Pre IPO-acquisitions	44,444	–	–	44,444
Total	**85,830**	**208,273**	**620,782**	**914,885**
Indefinite life intangible assets	**–**	**–**	**225,337**	**225,337**

Goodwill and other intangible assets in respect of the Asia Pacific, Americas and EMEA CGUs have been tested for impairment at period end. The recoverable amount of the Group's CGUs has been assessed utilising value in use methodologies, which is determined by discounting the future cash flows expected to be generated from the continuing use of the CGUs.

As at 30 June 2020, given the high degree of uncertainty due to the COVID-19 pandemic, the cash flow projections used for the impairment assessments at the time were formed on the basis of a probability weighted view of a number of potential future scenarios for each CGU (Base, Upside and Downside case scenarios). Given that the level of certainty on future macroeconomic outlooks in all three CGUs/regions has improved year on year, with the impacts of COVID-19 now better understood, management has reverted to the use of a single set of cash flow projections in the 30 June 2021 impairment testing rather than considering multiple scenarios as was done at 30 June 2020. The Asia Pacific, Americas and EMEA CGUs all achieved stronger earnings and cash flow generation than estimated in the impairment testing performed at 30 June 2020, exceeding the most optimistic 'Quick Recovery' upside scenario.

The value in use assessment at 30 June 2021 was therefore 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 FY22 budget submissions from each region for the years 2022, 2023 and 2024, and cash flows beyond the three-year period extrapolated using estimated long-term growth rates
- FY22-FY24 average revenue growth rate of 2.9% in Asia Pacific, 4.9% in Americas and 6.7% for EMEA based on business assessments

The following nominal discount rates have been used in discounting the projected cash flows:

	Pre-tax discount rates	Post-tax discount rates
Americas	12.00%	8.75%
Asia Pacific	12.75%	9.50%
EMEA	10.00%	8.00%

The discount rates represent the current market assessment of the risks specific to each CGU and are derived from its weighted average cost of capital (WACC). The discount rates applied to each impairment model falls within a reasonable range supported by market observed data. The discount rates at 30 June 2021 were unchanged compared to the prior year as market increases in long term interest rates (risk-free rates) were offset by the consideration of lower market-specific risks.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

11. Goodwill and other intangible assets (continued)

The terminal value of the CGUs has been forecast using the following nominal long-term growth rates:

- Americas: 2.0%
- Asia Pacific: 2.5%
- EMEA: 2.0%

Terminal growth rates are considered by management to be an appropriate estimate of the long-term average growth rates achievable in the industries and geographies in which the Group participates. Terminal growth rates are consistent with the prior year.

Americas Cash Generating Unit

The carrying value of the Americas CGU includes goodwill of $208.3 million. Following a detailed impairment review of future cash flow projections consistent with the Group assumptions detailed above, the recoverable amount of the Americas CGU is estimated to exceed the carrying amount at 30 June 2021.

There are no reasonably possible changes to key assumptions used in the determination of the CGU recoverable amounts that would result in a material impairment to the CGU or Group.

Asia Pacific Cash Generating Unit

The carrying value of the Asia Pacific CGU includes goodwill of $85.8 million. Following a detailed impairment review of future cash flow projections consistent with the Group assumptions detailed above, the recoverable amount of the APAC CGU is estimated to exceed the carrying amount at 30 June 2021.

There are no reasonably possible changes to key assumptions used in the determination of the CGU recoverable amounts that would result in a material impairment to the CGU or Group.

EMEA Cash Generating Unit

The carrying value of the EMEA CGU includes goodwill of $620.8 million and other indefinite life intangible assets (brand names) for an amount of $225.3 million. Following a detailed impairment review of future cash flow projections consistent with the Group assumptions detailed above, the recoverable amount of the EMEA CGU is estimated to exceed the carrying amount at 30 June 2021.

During the period ended 30 June 2021, the EMEA CGU performed strongly, with revenue growth, earnings and cash flows above levels estimated in the FY2020 impairment assessment. This was as a result of improved market conditions in the UK, the finalisation of the basis of trade arrangements between the UK and EU member nations following Brexit and the execution of revenue and margin improvement initiatives in the business. As a result of this, there are currently no reasonably possible changes to key assumptions used in the determination of the CGU recoverable amounts that would result in a material impairment to the CGU or Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

11. Goodwill and other intangible assets (continued)

(b) Other intangible assets

Critical accounting estimates and assumptions

At the time of acquisition, management determined that some of the intangible assets (Brand names, trade names and trademarks) recognised as part of business combinations had indefinite useful lives. This means that the value of these assets does not reduce over time and therefore they are not amortised. These assets have no legal or contractual expiry date and are integral to future revenue generation. Management intends to continue to promote, maintain and defend the brands, trade names and trademarks to the extent necessary to maintain their values for the foreseeable future. Management assesses the useful lives of the Group's intangible assets at the end of each reporting period. If an intangible asset is no longer considered to have an indefinite useful life, this change is accounted for prospectively.

Accounting Policy

Other intangible assets are non-physical assets held by the Group in order to generate revenue and profit. These assets include brand names, trade names, trademarks, intellectual property and licences, software and website development and work in progress. They are recognised either at the cost the Group has paid for them or at their fair value if they are acquired as part of a business combination. They are amortised over their expected useful life unless they are considered to have an indefinite useful life.

Type of intangible asset	Valuation method	Amortisation method	Estimated useful life
Brand names, trade names and trademarks	Initially at cost, or fair value if acquired as part of a business combination	Indefinite life brands not amortised, reviewed for impairment at least annually	n/a
Intellectual property, software and licence fees	Initially at cost and subsequently at cost less accumulated amortisation	Straight-line	Up to 10 years
Product technology	Initially at cost and subsequently at cost less accumulated amortisation	Straight-line	Up to 20 years
Customer relationship and distribution agreements	Initially at fair value at date of business combination	Straight-line	Up to 20 years

(i) 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.

(ii) Intellectual property and licence fees

Intellectual property consists of technical drawings and certifications. Software and licence fees mainly relate to the accounting and reporting platform being implemented throughout the Group.

(iii) Product technology

Technology based intangible assets relate to innovations or technological advances, such as patented technology.

(iv) Customer relationships and distribution agreements

Customer relationship-based intangibles assets relate to established customer relationships and distribution agreements for the supply of product.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

11. Goodwill and other intangible assets (continued)

	Intellectual Property, Trade Names, Brand Names and Trademarks		Product Technology		Customer Relationships		Licence Fees, Software and Other		Total	
	2021 $000	2020 $000	2021 $000	2020 $000	2021 $000	2020 $000	2021 $000	2020 $000	2021 $000	2020 $000
Cost										
Opening balance	257,006	257,560	33,611	30,862	29,526	29,420	40,611	24,408	360,754	342,250
Additions	–	–	–	–	–	–	1,215	15,384	1,215	15,384
Disposals	–	–	–	–	–	–	–	(8)	–	(8)
Transfers from PP&E	–	–	–	2,244	–	–	(17)	–	(17)	2,244
Net effect of change in exchange rates	2,811	(554)	(2,689)	505	(470)	106	(538)	827	(887)	884
Closing balance at 30 June	259,817	257,006	30,922	33,611	29,056	29,526	41,271	40,611	361,065	360,754
Accumulated Depreciation and impairment										
Opening balance	(8,774)	(1,675)	(8,212)	(3,489)	(3,620)	(2,119)	(14,488)	(7,711)	(35,094)	(14,994)
Amortisation	(34)	(948)	(1,570)	(1,906)	(1,433)	(1,428)	(4,508)	(4,164)	(7,545)	(8,446)
Impairment	–	(6,321)	–	(2,886)	–	–	–	(2,709)	–	(11,916)
Disposals	–	–	–	–	–	–	–	7	–	7
Net effect of change in exchange rates	698	170	664	69	358	(73)	317	89	2,037	255
Closing balance at 30 June	(8,110)	(8,774)	(9,118)	(8,212)	(4,695)	(3,620)	(18,679)	(14,488)	(40,602)	(35,094)
Net carrying value at 30 June	**251,707**	**248,232**	**21,804**	**25,399**	**24,361**	**25,906**	**22,592**	**26,123**	**320,463**	**325,660**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

12. Net debt

Accounting Policy

Borrowings are initially recognised net of transaction costs incurred. Fees paid on the establishment of loan facilities are recognised as transaction costs where it is probable that some or all of the facility will be drawn down. The fee is deferred until the drawdown occurs and is amortised on a straight-line basis over the entire life of the facility. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

At 30 June 2021	Facility Limit $000	Borrowings $000	Cash $000	Net cash/(debt) Balance $000
Syndicated Facility – Tranche A	(250,000)	–	–	–
Syndicated Facility – Tranche B	(250,000)	(197,333)	–	(197,333)
Syndicated Facility – Tranche C	(250,000)	(5,000)	–	(5,000)
Cash and cash equivalent	–	–	28,427	28,427
Total RWC Group	**(750,000)**	**(202,333)**	**28,427**	**(173,906)**

At 30 June 2020	Facility Limit $000	Borrowings $000	Cash $000	Net cash/(debt) Balance $000
Syndicated Facility – Tranche A	(250,000)	(207,247)	–	(207,247)
Syndicated Facility – Tranche B	(250,000)	(177,130)	–	(177,130)
Syndicated Facility – Tranche C	(250,000)	–	–	–
Cash and cash equivalent	–	–	82,166	82,166
Total RWC Group	**(750,000)**	**(384,377)**	82,166	**(302,211)**

(a) Borrowings

	Current		Non-current		Total	
	2021 $000	2020 $000	2021 $000	2020 $000	2021 $000	2020 $000
Secured:						
Borrowings	–	–	202,333	384,377	202,333	384,377
Total secured borrowings	–	–	**202,333**	**384,377**	**202,333**	**384,377**

The Company and certain of its subsidiaries are parties to a $750 million syndicated facility agreement (30 June 2020 - $750 million) which is available for drawing by way of cash advances ("Facility"). During October 2020, the Company reached an agreement with its lending syndicate to extend the maturity date of the $250 million Tranche A Facility from 30 September 2021 to 30 September 2023.

The Facility will mature as follows:

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

12. Net debt (continued)

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 which are not incorporated in the United Kingdom (refer Note 18) 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 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.

(b) 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	
	2021 $000	2020 $000	2021 $000	2020 $000	2021 $000	2020 $000
Opening Balance	**–**	**–**	**384,377**	**495,886**	**384,377**	**495,886**
Changes from financing cash flows						
Proceeds from drawdowns on Facility	–	–	69,000	59,000	69,000	59,000
Repayments of Facility	–	–	(223,853)	(179,612)	(223,853)	(179,612)
Interest paid	(7,155)	(14,705)	–	–	(7,155)	(14,705)
Total changes from financing cash flows	**(7,155)**	**(14,705)**	**(154,853)**	**(120,612)**	**(162,008)**	**(135,317)**
Other non-cash changes						
Transfers	–	–	–	–	–	–
Interest expense	7,155	14,705	–	–	7,155	14,705
Other including foreign exchange movement	–	–	(27,191)	9,103	(27,191)	9,103
Closing balance	**–**	**–**	**202,333**	**384,377**	**202,333**	**384,377**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

12. Net debt (continued)

(c) Cash and cash equivalents

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:

Cash on hand and at bank comprises:		2021 $000	2020 $000
AUD	Australian dollar	4,902	12,056
USD	United States dollar	9,157	44,247
GBP	Pound sterling	276	7,954
EUR	Euro	4,891	11,464
NZD	New Zealand dollar	765	839
CAD	Canadian dollar	3,827	2,889
KRW	South Korean won	2,150	1,280
PLN	Polish zloty	653	541
CZK	Czech koruna	715	630
CNY	Chinese yuan	1,091	266
		28,427	82,166
Cash and cash equivalents in the Consolidated Statement of Cash Flows		**28,427**	**82,166**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

12. Net debt (continued)

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

	2021 $000	2020 $000
Profit/(loss) from operations after income tax	**188,249**	**89,441**
Depreciation expense	48,760	53,582
Amortisation expense	7,545	8,446
(Profit)/loss on disposal of non-current assets	(1,405)	(1,299)
Impairment expense	8,617	18,868
Share-based payments	6,588	4,229
Net interest expense accounted for as financing cash flows	7,155	14,060
Other finance costs	4,872	5,970
Changes in operating assets and liabilities:		
Trade and other receivables	(39,297)	(26,847)
Inventories	(44,945)	13,640
Prepayments	(315)	(3,882)
Trade and other payables	65,561	38,023
Tax balances	24,803	8,933
Employee entitlements	(4,505)	10,497
Other assets and liabilities	3,306	7,184
Net cash from operating activities	**274,989**	**240,845**

13. 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, tariff rates and import duties). Activities in the repair end-market are also impacted by extreme weather events.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

13. Financial risk management (continued)

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.

The Group's balance sheet exposures of cash, external receivables and payables balances for the major currency exposures at 30 June 2021 are set out below in Australian dollar equivalents.

	USD		GBP		EUR	
	2021 $000	2020 $000	2021 $000	2020 $000	2021 $000	2020 $000
Spot exchange rate	0.7500	0.6900	0.5423	0.5566	0.6325	0.6144
Cash	9,070	43,989	275	7,953	4,891	11,466
Trade and other receivables	3,415	3,789	–	–	397	332
Trade and other payables	(9,922)	(6,424)	(1,417)	(137)	(8,303)	(2,790)
Net external exposure	**2,563**	**41,354**	**(1,142)**	**7,816**	**(3,015)**	**9,008**

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	
	2021 $000	2020 $000	2021 $000	2020 $000
At relevant 30 June 2021 rates				
If foreign exchange rate +5%	76	2,770	76	2,770
If foreign exchange rate - 5%	(80)	(3,062)	(80)	(3,062)

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 100 basis points higher the interest expense for the year would have increased by $3.2 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 12.

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 prices, working with suppliers to achieve the maximum level of stability in their costs and related pricing and seeking alternative supply sources when necessary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

13. Financial risk management (continued)

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.

The Group had cash and cash equivalents of $28.4m at 30 June 2021 (30 June 2020 – $82.2m). In addition to its operating cash at bank the Group has undrawn borrowing facilities available. Details of the borrowing facilities in place and their terms are disclosed at Note 12.

	2021 $000	2020 $000
Total facilities available	750,000	750,000
Amount drawn at 30 June	202,333	384,377
Available at 30 June	**547,667**	**365,623**

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:

2021 Financial liabilities	Carrying amount $000	Less than 1 year $000	1 to 2 years $000	2 to 5 years $000	More than 5 years $000	Total $000
Trade and other payables	239,984	239,984	–	–	–	239,984
Lease liabilities	103,230	34,806	11,291	32,048	35,268	113,413
Bank borrowings	202,333	–	197,333	5,000	–	202,333
Total	**545,547**	**274,790**	**208,624**	**37,048**	**35,268**	**555,730**

2020 Financial liabilities	Carrying amount $000	Less than 1 year $000	1 to 2 years $000	2 to 5 years $000	More than 5 years $000	Total $000
Trade and other payables	168,426	168,426	–	–	–	168,426
Lease liabilities	108,881	15,335	14,226	38,169	55,830	123,560
Bank borrowings	384,377	–	207,247	177,130	–	384,377
Total	**661,684**	**183,761**	**221,473**	**215,299**	**55,830**	**676,363**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

13. Financial risk management (continued)

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:

	2021 Carrying amount $000	2020 Carrying amount $000
Americas	182,487	183,177
Asia Pacific	42,583	33,614
EMEA	68,150	46,414
Total	**293,220**	**263,205**

At 30 June 2021, the Group's most significant customer accounted for $56.5 million of the trade debtors and receivables amount. Further details of the Group's trade receivables are included in Note 8.

14. Share Capital

Share Capital

	Number of shares		Company	
	2021 Number	2020 Number	2021 $	2020 $
Ordinary shares				
Opening balance	790,094,765	790,094,765	2,330,533,119	2,329,126,597
Treasury shares (Note 17)	–	–	(124,995)	1,406,522
Total	**790,094,765**	**790,094,765**	**2,330,408,124**	**2,330,533,119**

The total acquisition cost of treasury shares held at 30 June 2021 was $26,107,978 (30 June 2020 – $25,982,795).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

15. Reserves

	2021 $000	2020 $000
Foreign currency translation reserve:		
Opening balance	14,329	21,726
Movement resulting from translation of financial statements of foreign subsidiaries net of tax impacts	43,313	(7,397)
	57,642	14,329
Merger reserve:		
Opening balance	(1,100,943)	(1,100,943)
	(1,100,943)	(1,100,943)
Share-based payments reserve:		
Opening balance	13,153	8,923
Share-based payments expense	6,588	4,230
	19,741	13,153
Hedging reserve:		
Opening balance	(10,767)	(10,767)
Hedging loss during the year	–	–
	(10,767)	(10,767)
Total reserves	**(1,034,327)**	**(1,084,228)**

Nature and purpose of reserves

(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 2021

16. Employee benefits

Accounting Policy

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.

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

Restructuring provisions

A provision is made for restructuring where the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

16. Employee benefits (continued)

(a) Employee benefits expenses

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

	2021 $000	2020 $000
Wages and salaries	192,421	186,459
Severance and restructuring costs	3,182	9,799
Employee leave entitlements	5,901	5,310
Workers compensation premiums	1,037	811
Superannuation contributions	10,158	9,319
Payroll related taxes	15,627	14,959
Contract labour	18,326	11,790
Share-based payment expense	6,286	5,636
Other payroll related expenses	339	498
	253,277	**244,581**
Recovered in costs of goods sold	(49,607)	(48,953)
	203,670	**195,628**

The Group applied for the UK Government wage subsidy in April 2020 under the Coronavirus Job Retention Scheme where 80% of wages were subsidised for the Group's UK furloughed employees. These support payments are presented as offsets of the related wage expenses in the consolidated profit or loss statement, in line with AASB 120 Accounting for Government Grants and Disclosure of Government Assistance. A total of $1.0 million (2020: $3.7 million) has been recognised in the consolidated statement of profit or loss as the amount offsetting wages paid for the period July to October 2020.

(b) Employee benefits provisions

	Current		Non-current		Total	
	2021 $000	2020 $000	2021 $000	2020 $000	2021 $000	2020 $000
Employee entitlements						
Opening balance	16,665	7,468	6,693	5,394	23,358	12,862
Charged to profit or loss	8,131	14,519	62	590	8,193	15,109
Paid during the period	(12,077)	(4,229)	(107)	(648)	(12,184)	(4,877)
Foreign currency exchange differences	(205)	(63)	35	327	(170)	264
Reclassification	(443)	(1,030)	99	1,030	(344)	–
Closing balance	**12,071**	**16,665**	**6,782**	**6,693**	**18,853**	**23,358**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

17. Share-based payments

Accounting Policy

The cost of share-based payments is recognised by expensing the fair value of the options or rights granted, over the period during which the employees become unconditionally entitled to these benefits. Where the plan will be settled by issuing equity, the corresponding entry is an increase in the share based payments reserve.

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

	Vested (#)	Unvested (#)	Total (#)
Balance at 30 June 2020	567,320	4,000,000	4,567,320
Exercised during the reporting period	(67,320)	–	(67,320)
Cancelled, forfeited or lapsed	–	–	–
Balance at 30 June 2021	**500,000**	**4,000,000**	**4,500,000**
Vesting date (subject to vesting conditions)	–	30 June 2022	
Expiry date	5 December 2024	30 June 2031	

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.

At 30 June 2021, the number of unvested Rights which had been granted by the Company to all participants was 6,364,864 (30 June 2020 – 6,394,624). The opening and closing balances of all unvested Rights granted are reconciled as follows:

	Number of Rights
Granted and unvested at 30 June 2020	**6,394,624**
Granted during FY2021 with the following vesting dates:	
23 December 2022	110,620
1 January 2024	331,263
6 May 2024	12,100
1 July 2025	150,000
Total granted during FY2021	603,983
Forfeited, cancelled or lapsed during FY2021	(633,743)
Unvested at 30 June 2021	**6,364,864**

No Rights vested during the reporting period or have subsequently vested. A further 196,546 Rights lapsed or have been forfeited or cancelled subsequent to 30 June 2021 (none of which were granted to Senior Executives). No Rights have been granted subsequent to 30 June 2021 to the date of this report. Vesting conditions for all grants of Rights include a continuous service period ranging between two and five years. Details of Rights granted during the reporting period are set out in the Remuneration Report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

17. Share-based payments (continued)

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. The movement in the number of shares held during the reporting period is:

	Total
Shares held at 30 June 2020	6,913,644
Acquired during FY2021 (at an average cost of $3.88 per share)	71,327
Allocated property transferred to participants	(130,612)
Shares held at 30 June 2021	**6,854,359**

Share Match Plan

A share match plan was introduced during the reporting period to encourage employees to own shares in the Company. Eligible employees can acquire up to $5,000 of shares in RWC per plan year from post tax income with contributions made via a regular salary deduction ("Purchased Shares"). The Company will match the shares acquired on a 1:2 basis up to a cap $2,500 of Purchased Shares subject to the terms of the Share Match Plan ("Matching Rights"). There is a minimum holding period for Purchased Shares of 2 years and a continuous service obligation for Matching Rights to convert into shares on a 1:1 basis. There are no performance conditions. Participants receive dividends and have voting rights on their Purchased Shares. Matching Rights have no voting or dividend entitlements prior to vesting. 307 employees were participating in this plan at 30 June 2021. The total number of Matching Rights granted at 30 June 2021 was 42,884.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

18. 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 and 25.

Name of Entity	Country of Incorporation	Class of Shares	Equity Holding 2021	Equity Holding 2020	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[1]	New Zealand	Ordinary	–	100%	NZD
Titon Limited[1]	New Zealand	Ordinary	–	100%	NZD
Reliance Worldwide Corporation (Canada) Inc	Canada	Ordinary	100%	100%	CAD
Reliance Worldwide Holdings (USA) Corporation	America	Ordinary	100%	100%	USD
Reliance Worldwide International Group Holdings 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	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	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	United Kingdom	Ordinary	100%	100%	GBP
John Guest Automotive GmbH	Germany	Ordinary	100%	100%	Euro
John Guest GmbH	Germany	Ordinary	100%	100%	Euro
Reliance Worldwide Corporation France SAS	France	Ordinary	100%	100%	Euro
John Guest SRL	Italy	Ordinary	100%	100%	Euro
John Guest Pacific Ltd[2]	New Zealand	Ordinary	–	100%	NZD
John Guest Korea Ltd	Korea	Ordinary	100%	100%	KRW
John Guest (Shanghai) Trading Co. Ltd	China	Ordinary	100%	100%	CNY
John Guest Czech S.R.O	Czech Republic	Ordinary	100%	100%	CZK
John Guest Sp zoo	Poland	Ordinary	100%	100%	PLN

1 De-registered from the New Zealand Companies register on 15 March 2021
2 John Guest Pacific Limited amalgamated with Reliance Worldwide Corporation (NZ) on 7 December 2020

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

19. Commitments and contingencies

(a) Expenditure commitments

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

	2021 $000	2020 $000
Payable not later than one year	18,818	3,694
Payable later than one year and not later than five years	–	–
	18,818	**3,694**

Details of the Group's lease commitments are captured in lease liabilities in Note 10.

(b) Contingencies

Financial guarantees

The Company has agreed to provide guarantees to third parties 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 at 30 June 2021 totalling $1,344,884 (2020: $1,233,733).

General contingencies

The Group may be involved in legal claims, administrative actions and proceedings related to the normal conduct of its business including, among other things, general liability, commercial, employment, intellectual property, and products liability matters such as the proceeding listed below. Based upon existing information, it is not possible to predict with certainty the outcome or cost of current legal claims, actions and proceedings. 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.

The Company is aware of a legal proceeding filed in the United States federal district court in Atlanta, Georgia, against Reliance Worldwide Corporation, a member of the Group, ("RWC USA") to a putative class action in connection with alleged product liability claims. 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 continue vigorously defending this matter.

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

20. 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 Chairman
Russell Chenu	Independent Non-Executive Director
Ross Dobinson	Independent Non-Executive Director (until 14 April 2021)
Sharon McCrohan	Independent Non-Executive Director
Christine Bartlett	Independent Non-Executive Director
Ian Rowden	Independent Non-Executive Director (appointed 6 July 2020)
Darlene Knight	Independent Non-Executive Director (appointed 14 April 2021)
Heath Sharp	Managing Director and Group Chief Executive Officer
Andrew Johnson	Group Chief Financial Officer

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

20. Key Management Personnel and related party transactions (continued)

(a) Key Management Personnel compensation

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

	2021 $	2020 $
Short-term employee benefits	5,073,214	4,794,096
Post-employment benefits	124,169	130,964
Termination benefits	-	614,192
Share-based payments	2,593,676	1,635,202
Total	**7,791,059**	**7,174,454**

(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 2021 are:

	Shares		Options[1]		Rights[1]	
	2021 Number	2020 Number	2021 Number	2020 Number	2021 Number	2020 Number
Russell Chenu	155,217	155,217	–	–	–	–
Stuart Crosby	150,506	150,506	–	–	–	–
Ross Dobinson[2]	–	32,457	–	–	–	–
Sharon McCrohan	–	–	–	–	–	–
Christine Bartlett	20,000	20,000	–	–	–	–
Ian Rowden	10,000	–	–	–	–	–
Darlene Knight	–	–	–	–	–	–
Heath Sharp	1,275,368	1,204,041	4,000,000	4,000,000	611,201	611,201[3]
Andrew Johnson	512	–	–	–	582,919	251,400
Total	**1,611,603**	**1,562,221**	**4,000,000**	**4,000,000**	**1,194,120**	**862,201**

At 30 June 2021, 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.

(c) Transactions with other related parties

New employment agreements have been entered into with Senior Executives. Key terms and conditions are summarised in the Remuneration Report. 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.

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 Details of Options and Rights granted to Key Management Personnel are disclosed in the Remuneration Report
2 Ceased to be a member of KMP on 14 April 2021
3 After forfeiture of Rights following assessment of performance conditions subsequent to 30 June 2020

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

21. Auditor's remuneration

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

	2021 $	2020 $
KPMG Australia		
Audit services	699,500	623,500
Other assurance and non-audit services		
▪ Tax services	43,750	35,000
▪ Other services	–	–
Total remuneration paid to KPMG Australia	743,250	658,500
Overseas KPMG offices		
Audit services	328,119	404,914
Tax services	127,861	249,100
Total remuneration paid to KPMG overseas	455,980	654,014
Total remuneration to KPMG	**1,199,230**	**1,312,514**
Total remuneration for audit services	**1,027,619**	**1,028,414**
Total remuneration for non-audit services	**171,611**	**284,100**

22. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

22. Deed of cross guarantee (continued)

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 2021 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

	2021 $000	2020 $000
Revenue from sale of goods	246,509	227,788
Cost of sales	(181,213)	(162,773)
Gross profit	**65,296**	**65,015**
Other income	179	249
Product development expenses	(3,226)	(3,800)
Selling, warehousing and marketing expense	(18,031)	(18,543)
Administration expense	(19,895)	(19,103)
Other expenses	(3,117)	(1,284)
Operating profit	**21,206**	**22,534**
Finance income	1,771	44,218
Finance costs	(7,700)	(8,916)
Net finance costs	**(5,929)**	**35,302**
Dividend income	128,929	–
Profit before tax	**144,206**	**57,874**
Income tax expense	(7,116)	(17,162)
Profit for the period attributable to the Owners of the Company	**137,090**	**40,712**
Other comprehensive profit		
Items that may be classified to profit or loss: Foreign currency translation differences	–	–
Total comprehensive profit for the period attributable to the Owners of the Company	**137,090**	**40,712**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

22. Deed of cross guarantee (continued)

Statement of financial position at 30 June 2021

	2021 $000	2020 $000
Assets		
Current Assets		
Cash and cash equivalents	8,352	32,652
Trade and other receivables	67,731	49,486
Inventories	58,096	59,365
Current tax assets	7,749	–
Other current assets	7,365	8,763
Total Current Assets	**149,293**	**150,266**
Non-current Assets		
Property, plant and equipment	33,334	30,664
Right-of-use assets	38,598	43,128
Investment in subsidiaries	2,139,815	2,098,099
Deferred tax assets	7,088	5,989
Goodwill	39,825	39,825
Other intangible assets	8,857	10,665
Other non-current assets	15,256	42,945
Total Non-current assets	**2,282,773**	**2,271,315**
Total Assets	**2,432,066**	**2,421,581**
Liabilities		
Current Liabilities		
Trade and other payables	70,887	34,027
Current tax liabilities	–	2,956
Employee benefits	4,325	3,131
Dividend payable	–	35,554
Other current liabilities	5,671	5,518
Total Current Liabilities	**80,883**	**81,186**
Non-current Liabilities		
Borrowings	5,000	38,000
Deferred tax liabilities	2,281	2,132
Employee benefits	5,254	5,120
Other non-current liabilities	35,292	69,095
Total Non-current Liabilities	**47,827**	**114,347**
Total Liabilities	**128,710**	**195,533**
Net Assets	**2,303,356**	**2,226,048**
Equity		
Share capital	2,330,408	2,330,533
Reserves	(141,637)	(148,224)
Retained earnings	114,585	43,739
Total Equity	**2,303,356**	**2,226,048**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

23. Parent entity disclosure

As at, and throughout, the financial year ended 30 June 2021, the parent entity of the Group was Reliance Worldwide Corporation Limited.

(a) Result of the parent entity

	2021 $000	2020 $000
Profit/(Loss) for the period	154,561	115,758
Other comprehensive income	–	–
Total comprehensive profit/(loss) for the period	**154,561**	**115,758**

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

	2021 $000	2020 $000
Assets		
Current Assets	19,623	156,024
Non-current Assets	2,475,105	2,318,391
Total Assets	**2,494,728**	**2,474,415**
Liabilities		
Current Liabilities	3,676	54,287
Non-current Liabilities	16,189	39,122
Total Liabilities	**19,865**	**93,409**
Net Assets	**2,474,863**	**2,381,006**
Equity		
Share-capital	2,318,324	2,318,449
Reserves	19,741	13,153
Retained Profits/(Accumulated Losses)	136,798	49,404
Total Equity	**2,474,863**	**2,381,006**

(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 19.

(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 22.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

24. Subsequent events

On 23 August 2021, the Directors resolved to declare a final dividend for the 2021 financial year of 7 cents per share franked to 20%. The aggregate dividend payment amount is $55.3 million. The dividend will be paid to eligible shareholders on 8 October 2021. The Company does not have a dividend reinvestment plan.

On 20 July 2021, the Group announced that it had entered into an agreement to acquire the business assets of LCL Pty Ltd ("LCL"); the transaction completed on 2 August 2021 for a final purchase price of $36.7 million. The acquisition was funded through existing committed borrowing facilities.

LCL is one of Australia's largest producers of high-quality copper-based alloys and processes both new and recycled non-ferrous materials to produce a range of brass copper alloys. In addition to being the principal supplier of brass to RWC in Australia, LCL also recycles excess brass (swarf) arising from RWC's product manufacturing activities.

Preliminary net asset value and allocation of the purchase price to acquired assets are as follows:

	$000
Final purchase price	**36,712**
Payment – Working Capital Adjustment	1,647
Final consideration transferred	**38,359**
Property, plant and equipment	10,961
Inventories	10,647
Employee leave entitlements	(577)
Total identifiable net assets acquired	**21,031**
Preliminary goodwill arising from acquisition	17,328

The acquisition accounting will be finalised within 12 months of the acquisition date.

The Group intends to change its reporting currency from Australian dollars to US dollars with effect from 1 July 2021. Consolidated financial results for the half year ending 31 December 2021 and for the year ending 30 June 2022 will be reported in US dollars, with comparative prior year financial information restated in US dollar.

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.

25. Other accounting policies

(a) Basis of consolidation

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

25. Other accounting policies (continued)

(b) 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 18.

(i) Foreign currency transactions

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

(ii) Foreign operations

For the purpose of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Australian dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at average exchange rates. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in 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.

(c) Financial instruments

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

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.

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 and;
- 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

25. Other accounting policies (continued)

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.

(d) 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.

DIRECTORS' DECLARATION

For the year ended 30 June 2021

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

1. the consolidated financial statements and notes set out on pages 85 to 128, 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 2021 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 22 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 22.

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

Melbourne
23 August 2021

Heath Sharp
Group Chief Executive Officer
and Managing Director

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 2021 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 2021;
- *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;
- *Directors' Declaration.*

The ***Group*** consists of Reliance Worldwide Corporation Limited (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 (including Independence Standards) (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

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.

This matter was 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 this matter.

Valuation of goodwill and indefinite life intangible assets ($1,140 million)

Refer to Note 11 *Goodwill and other intangible assets* in the Financial Report

The key audit matter	How the matter was addressed in our audit
A key audit matter for us was the Group's annual testing of goodwill and indefinite life intangible assets for impairment, given the size of the balance (being 51% of total assets), and the significant estimation uncertainty continuing from the business disruption impact of the COVID-19 global pandemic. We exercised significant judgement in evaluating the evidence available. We focussed on the significant forward-looking assumptions the Group applied in their value in use model, including: • Forecast operating cash flows – there remains a level of future economic uncertainty as a result of COVID-19. These conditions increase the risk of inaccurate forecasts or a significantly wider range of possible outcomes, for us to consider. We focused on what the Group considers as its future business plans when assessing the feasibility of the Group's forecast cashflows. • Terminal growth rates – in addition to the uncertainties described above, the Group's models are sensitive to changes in terminal growth rates. This drives additional audit effort specific to their feasibility and consistency of application to the Group's strategy. • Discount rate - these are complicated in nature and vary according to the conditions and environment the specific Cash Generating Unit (CGU) is subject	Our procedures included: • Considering the appropriateness of the value in use method applied by the Group to perform the annual impairment test against the requirements of the accounting standards. • Testing key controls in the Group's valuation process including Board approval of budgets and review and approval of the impairment assessment, including cash flow forecasts, by examining information reviewed and approved by the Board. • Comparing the forecast cash flows contained in the value in use model to forecasts reflecting the expected ongoing impact for the Group arising from COVID-19 and the future business plans approved by the Board. • Assessing the integrity of the value in use model used, including the accuracy of the underlying calculation formulas. • Assessing the accuracy of previous Group forecasts for each CGU's cash flows to inform our evaluation of forecasts incorporated in the models. • Considering the sensitivity of the models by varying key assumptions such as forecast operating cash flows in light of the impacts of COVID-19 on the expected rate of recovery for the Group and its future business plans, copper pricing, terminal growth rates and discount rates, within a reasonably possible range, to identify those assumptions at higher risk of bias or inconsistency in application and to focus our further procedures. • We challenged the Group's significant forecast cash flow and terminal growth rate assumptions in light of the ongoing impacts of COVID-19 on the Group's ongoing business plans. We used our knowledge of the Group's operations, their past performance and our

to from time to time, and the models approach to incorporating risks into the cash flows or discount rates. We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter.	industry experience to evaluate the feasibility of these plans. • Working with our valuation specialists, we independently developed a discount rate range for each CGU, using publicly available market data for comparable entities, adjusted for risk factors specific to the Group and the industry it operates in. We compared the discount rates applied by the Group for each CGU to our acceptable range. • Assessing the disclosures in the financial report using our understanding of the matter obtained from our testing and 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.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do 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.

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/admin/file/content102/c3/ar2_2020.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 2021, 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 2021.

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

KPMG

Tony Romeo

Partner

Melbourne

23 August 2021

SHAREHOLDER INFORMATION

The information set out below was applicable at 30 July 2021.

Distribution of Equities – Ordinary Shares

Range	Total holders	Number of shares	% of issued shares
1 – 1,000	3,154	1,586,290	0.20
1,001 – 5,000	5,425	14,567,578	1.84
5,001 – 10,000	2,054	15,066,420	1.91
10,001 – 100,000	1,625	35,790,035	4.53
100,001 and over	93	723,084,442	91.52
Total	**12,351**	**790,094,765**	**100.00**

The number of shareholders holding less than a marketable parcel of shares was 151.

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	226,370,998	28.65
J P Morgan Nominees Australia Pty Limited	184,588,533	23.36
Citicorp Nominees Pty Limited	135,985,874	17.21
BNP Paribas Nominees Pty Ltd	48,949,591	6.20
National Nominees Limited	44,863,580	5.68
BNP Paribas Noms Pty Ltd	14,966,447	1.89
Australian Foundation Investment Company Limited	10,963,279	1.39
Reliance Employee Share Investments Pty Limited	6,854,359	0.87
HSBC Custody Nominees (Australia) Limited	5,725,735	0.72
Citicorp Nominees Pty Limited	4,319,355	0.55
Netwealth Investments Limited	3,285,264	0.42
BNP Paribas Nominees Pty Ltd Six Sis Ltd	2,232,795	0.28
BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd	1,963,784	0.25
AMP Life Limited	1,690,082	0.21
BNP Paribas Nominees Pty Ltd	1,394,046	0.18
HSBC Custody Nominees (Australia) Limited	1,342,630	0.17
Buttonwood Nominees Pty Ltd	1,321,269	0.17
Mr Heath Sharp	1,275,368	0.16
Broadgate Investments Pty Ltd	1,247,264	0.16
Powerwrap Limited	1,206,941	0.15

Substantial Shareholders

The number of shares held by substantial shareholders at 30 July 2021 was:

Name	Number of shares held	%
Australian Super	86,100,059	10.90
Bennelong Australian Equity Partners Limited	69,918,362	8.85
Challenger Limited	48,346,568	6.12
The Vanguard Group, Inc.	39,565,578	5.01

SHAREHOLDER INFORMATION

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 3 8352 1400.

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
Christine Bartlett
Russell Chenu
Darlene Knight
Sharon McCrohan
Ian Rowden

Company Secretary

David Neufeld

Registered Office

28 Chapman Place
Eagle Farm, QLD 4009

T: +61 7 3018 3400
F: +61 7 3105 8130

Principal Place of Business

Level 26, 140 William Street
Melbourne, VIC 3000

T: +61 3 8352 1400
F: +61 3 8080 9128

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