

# financial information

for the year ended

**30 june 2006**

provided to the asx under  
listing rule 4.3a

# appendix 4e

## Preliminary Final Report

### 1. Reporting period

Report for the financial year ended 30 June 2006

Previous corresponding period is the financial year ended 30 June 2005

### 2. Results for announcement to the market

		\$A'000's
Revenue from ordinary activities	up 10.3% to	1,115,637
Profit from ordinary activities after tax attributable to members	up 14.6% to	86,859
Net profit for the period attributable to members	up 14.6% to	86,859
	<b>Amount per security</b>	<b>Franked amount per security</b>
<b>Dividends</b>		
Interim dividend	14 cents	14 cents
Final dividend	30 cents	30 cents
Record date for determining entitlements to the dividend		12 October 2006

### 3. Income Statement

Refer Annual Report which accompanies this announcement.

### 4. Balance Sheet

Refer Annual Report which accompanies this announcement.

### 5. Statement of Cash Flows

Refer Annual Report which accompanies this announcement.

### 6. Dividends

	Date of payment	Total amount of dividend \$
Interim dividend - year ended 30 June 2006	24 March 2006	13,944,000
Final dividend - year ended 30 June 2006	26 October 2006	29,880,000
	<b>Amount per security</b>	<b>Franked amount per security</b>
<b>Amount per ordinary security</b>		
Final dividend: Current year	30 cents	30 cents (at 30% tax rate)
Previous year	26 cents	26 cents (at 30% tax rate)
Interim dividend: Current year	14 cents	14 cents (at 30% tax rate)
Previous year	12 cents	12 cents (at 30% tax rate)
<b>Total dividend per security</b>	<b>Current period</b>	<b>Previous period</b>
Ordinary securities	44 cents	38 cents

### 7. Statement of Retained Earnings

	Consolidated Entity		Parent Entity	
	2006 (\$000's)	2005 (\$000's)	2006 (\$000's)	2005 (\$000's)
Balance at beginning of year	316,137	271,251	1,526	1,526
Net profit attributable to members of the parent entity	86,859	75,762	39,840	30,876
Dividends paid	(39,840)	(30,876)	(39,840)	(30,876)
Balance at end of year	363,156	316,137	1,526	1,526

# appendix 4e

## Preliminary Final Report

### 8. Net tangible assets per security

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	360 cents	318 cents

9. The financial information provided in the Appendix 4E is based on the Annual Report accompanying this announcement which has been prepared in accordance with Australian Accounting Standards.

### 10. Commentary on the results for the period

Reece Australia Limited, Australia's leading distributor of plumbing and bathroom products, today announced a net profit after tax of \$86.8m for the year ended 30 June 2006 which is a 14.6% increase over the previous year. Sales revenue for the year ended 30 June 2006 increased by 10.3% to \$1,113,427,064.

In its review of operations in the 2005 Annual Report, looking ahead the Board anticipated moderate growth with an easing in new housing starts and renovations and upward pressure on business costs. This has certainly been the Company's experience throughout the year but the Board is delighted that, in such an environment, such a solid trading result has been achieved.

During the year ended 30 June 2006 the Company commenced trading from 30 new locations throughout Australia bringing the total trading locations to 267. This translates to a network of 308 outlets throughout Australia with a number of locations having multiple businesses operating from the same site. The Company's policy of greenfielding additions to the Reece network will continue in 2007 and the Board expects new store openings to be equivalent to the average level of openings over the last three years. The funding for this growth is from internally generated cash. Business acquisitions will be considered if and when opportunities arise.

In addition, on 31 March 2006 the Company commenced trading from two locations in Auckland, New Zealand, following acquisition of the assets and business of L G Carder Limited, a long established and respected operator servicing the Auckland market. The Company plans to build a viable network over the longer term by greenfielding additions or through acquisition if and when opportunities arise.

The growth of the Reece network in 2006 is unprecedented in the Company's history and is providing great employment opportunities to a large number of people across Australia and now in New Zealand. In its review in the 2005 Annual Report, looking ahead the Board indicated recruitment and training would be a key focus. This has indeed been the case with the Company's participation in a range of initiatives to attract people to the Reece down-to-earth culture, which is based on solid, old-style values. With the aim of increasing staff retention, the Company is continuing to refine its workplace strategies in order to provide a good team environment and access to training and development opportunities.

Throughout the year the Company maintained its strong focus on Occupational Health and Safety with the implementation of a number of initiatives including a focus on manual handling which accounts for approximately 70% of all compensable injuries.

This has resulted in the development of an employee handbook for manual handling, storage and driver safety. Initiatives such as these have proved beneficial in a number of ways. Firstly and most importantly they have resulted in safer work environments and work practices. In addition they underline our commitment to our staff, customers and the general public, and to the principles of health and safety legislation.

To meet its commitment of supplying quality products the Company has invested in the establishment of an in-house test facility to ensure its imported product meets the required standards. An extensive quality awareness program is being driven by the Company's marketing department in order to educate staff and customers on the importance of supply of quality product.

The Company has continued to grow its property portfolio with selective acquisitions and developments during the year. This practice will continue as opportunities present. This approach to property ownership has in no way impeded the rapid store expansion programme.

The Board is satisfied with the Company's level of receivables which have risen in line with the increased level of trading year on year.

The growth in the Reece store network is reflected in the growth in inventories. The Board is generally satisfied with inventory levels across the group and monitors inventory turns on a regular basis. The Board believes its continued maintenance of an inventory obsolescence provision is a prudent approach to the management of ranges of inventory which are impacted by changing consumer demand patterns.

The Board is pleased to advise it has declared a final dividend of 30 cents per share fully franked, an increase of 4 cents per share. The final dividend will be paid on 26 October 2006 with the record date for entitlement being 12 October 2006. Total dividends paid relating to the year ended 30 June 2006 will be 44 cents per share compared to 38 cents per share in 2005, which is a 15.8% increase.

Looking ahead, the Board anticipates continued but moderate growth, however is reluctant to forecast growth rates at a time of renewed interest rate uncertainty, subdued building activity in some areas and the continuing upward pressure on business costs. Key challenges in 2007 will continue to revolve around people. By recruiting people with the right attitude and providing them with comprehensive training, a safe workplace, competitive remuneration and opportunity for growth the Board believes the company will have a workforce ready for expected future growth.

### 11. The audit has been completed

The financial report is not subject to audit dispute or qualification.

# appendix 4e

Preliminary Final Report

**The annual general meeting will be held as follows:**

**Place:** 118 Burwood Hwy, Burwood, Victoria

**Time:** 3.00 pm

**Date:** 26 October 2006

**Approximate date the annual report will be distributed:** 14 September 2006

N G Cathie  
Company Secretary  
31 August 2006



06

**reece**™ annual report

# Reece Australia Limited

A.B.N. 49 004 313 133

## Controlled Entities

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

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

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

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

Reece New Zealand Limited  
Company No. 1530569

## Directors

L.A. Wilson (Chairman and C.E.O.)

P.J. Wilson

B.W.C. Wilson

J.G. Wilson

R.G. Pitcher

## Company Secretary

N.G. Cathie

## Bankers

National Australia Bank Limited  
Commonwealth Bank of Australia Limited  
Bank of New Zealand Limited

## Solicitors

Russell Kennedy  
Simpson Grierson

## Auditors

Pitcher Partners

## Registered Office

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

## Share Registry

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

## Stock Exchange Listing

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

## NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of Reece Australia Limited will be held at 3pm on Thursday, 26 October, 2006 at 118 Burwood Highway, Burwood, Victoria.

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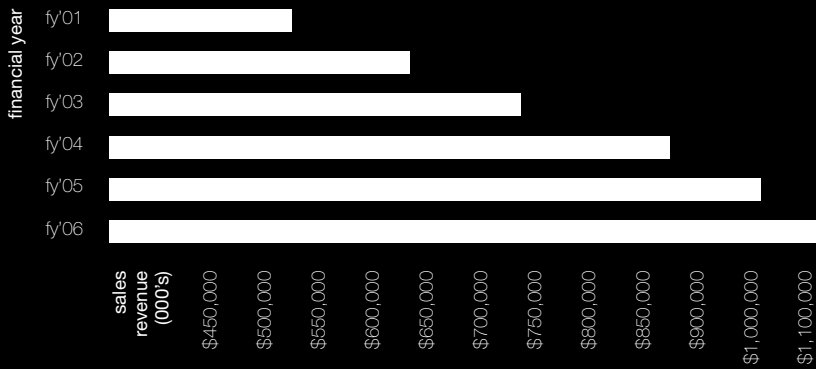
reece annual report 06

Reece Australia Limited and its  
controlled entities Annual Report for the  
financial year ended 30 June 2006

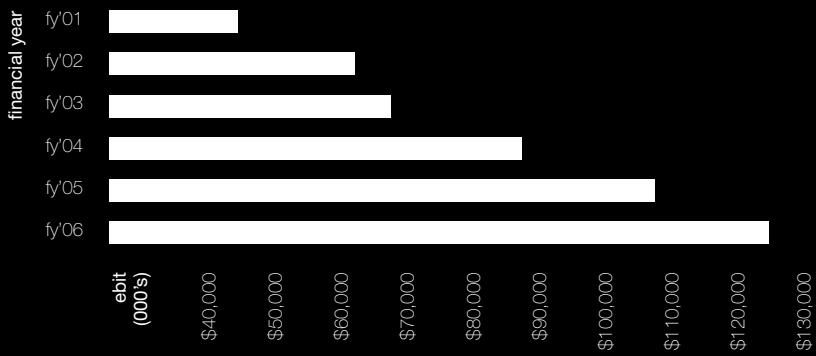
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# 02 2006 highlights

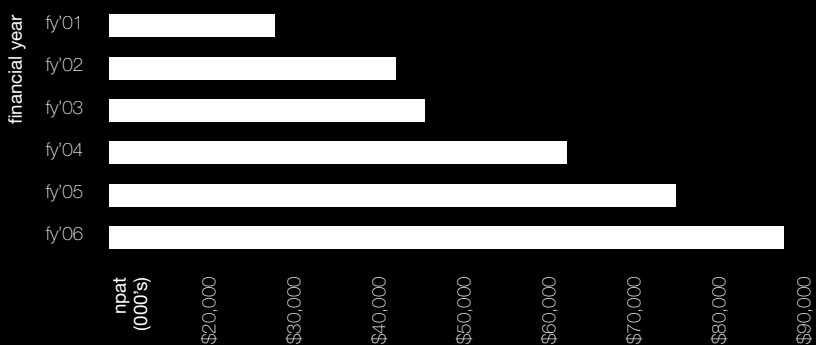
sales revenue (000's)



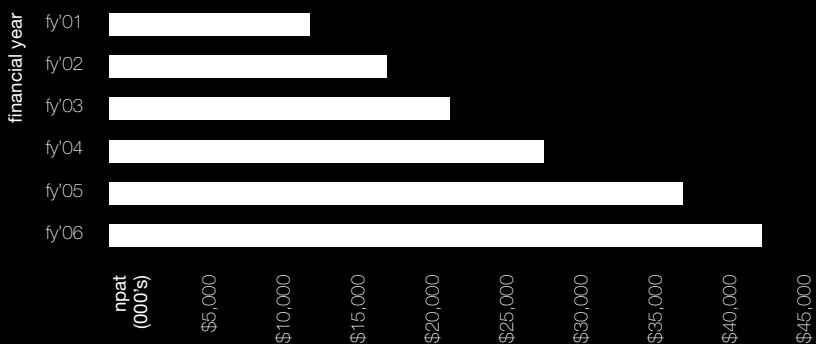
ebit (000's)



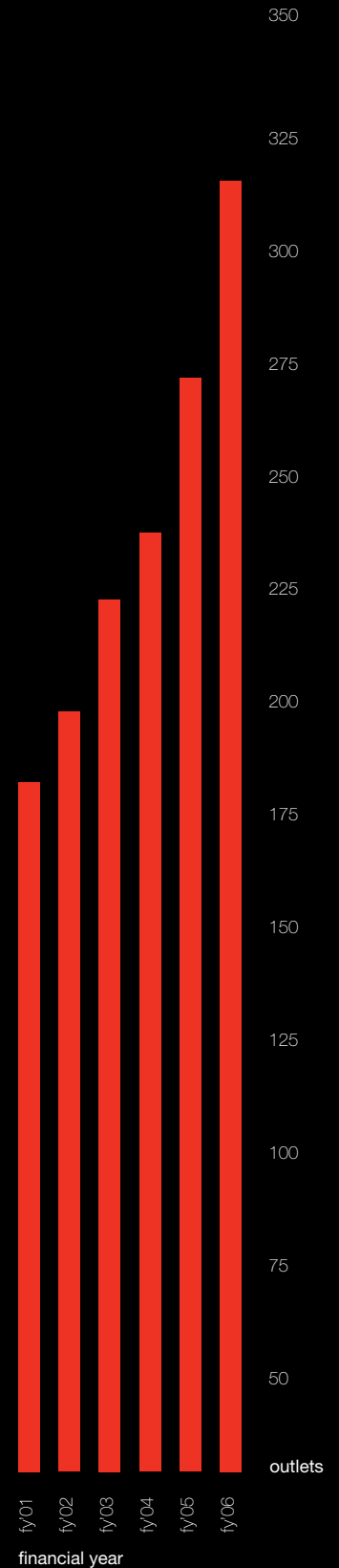
npat (000's)



dividends



number of outlets





# corporate governance statement

reece annual report 06

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

It has implemented the Best Practice Recommendations of the ASX Corporate Governance Council to the extent appropriate for the size and nature of the Company's business as described below.

Where a recommendation has not been followed, this is clearly stated along with an explanation for the departure.

## Principle 1

### Lay solid foundations for management and oversight

The Board operates in accordance with the principles outlined in the Board Charter. The Charter describes the Board's composition, functions and responsibilities and designates authority reserved to the Board and that delegated to management.

The Board is generally responsible for the business strategies of the Company, overseeing the management of the Company, setting the values and standards of the Company to uphold in dealings with all stakeholders and acting as custodian of the Company's shareholders' interests.

More particularly, the Board's responsibilities encompass:

- Review and development of its control, risk management, compliance and accountability systems
- Development of corporate strategy
- Monitoring the operational and financial aspects of the Company's activities
- Monitoring performance of senior management
- Ratifying the appointment or removal of the Chief Executive Officer and the Chief Financial Officer

Non-executive directors Mr R.G. Pitcher, Mr B.W.C. Wilson and Mr J.G. Wilson represent a majority on the current Board of five directors. With the Chief Financial Officer not being a director, there is separation between management and the Board.

## Principle 2

### Structure the Board to add value

The growth of the Company, its outstanding results and returns to shareholders, reflects the Board's wide management and professional experience and its commitment to growing returns for shareholders and protecting shareholders' investment.

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

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

Name	Term in office
Mr L.A. Wilson	37 years
Mr B.W.C. Wilson	36 years
Mr J.G. Wilson	22 years
Mr P.J. Wilson	9 years
Mr R.G. Pitcher	3 years

The ASX guidelines recommend that a listed company should have a majority of directors who are independent. They also recommend the roles of Chairperson and Chief Executive Officer should not be exercised by the same individual.

The Board, as currently composed, does not comply with these recommendations.

Mr L.A. Wilson is a substantial shareholder of the Company. He has been Chief Executive Officer since 1970 and was appointed Chairman in 2001. Much of the success of Reece over the past 37 years is attributable to the expertise, experience, leadership and vision of Mr Wilson. Given the performance and financial standing of the Company under the leadership of Mr Wilson, the Board believes it is inappropriate and unnecessary to separate the roles of Chairman and Chief Executive Officer at this time.

Mr B.W.C. Wilson and Mr J.G. Wilson are substantial shareholders of the Company. They, along with Mr R.G. Pitcher, represent a majority of non-executive directors in the current Board structure and are segregated from operational management. The commercial knowledge, experience and expertise of the non-executive directors enables them to effectively review and challenge the performance of management.

Mr P.J. Wilson is an executive of the Company being Chief Operating Officer.

## Principle 3

### Promote ethical and responsible decision making

The Board places great emphasis on ethics and integrity in all its business dealings.

In order to clarify the standards of ethical behaviour required of its directors and key executives, the Board has established a Code of Conduct which summarises the expectations of these key personnel.

The Company has in place a policy concerning trading in Company securities by directors, officers and employees.

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## corporate governance statement

reece annual report 06

### Principle 4

#### Safeguard integrity in financial reporting

The ASX guidelines recommend that a listed company should have an Audit Committee comprising a majority of independent directors.

The Audit Committee, as currently composed, does not comply with this recommendation.

The Audit Committee of the Company comprises Mr R.G. Pitcher (Chairman), Mr B.W.C. Wilson and Mr J.G. Wilson. All members of the committee are non-executive directors of the Company and have extensive experience in, and knowledge of, the industry in which the Company operates. Mr R.G. Pitcher and Mr B.W.C. Wilson have accounting qualifications.

Mr. B.W.C. Wilson and Mr J.G. Wilson are substantial shareholders of the Company but as non-executive directors are segregated from management in the exercise of their committee duties.

The Audit Committee operates under its own charter.

The Chief Executive Officer and Chief Financial Officer have made a statement in writing to the Board that:

- the Company's financial reports present a true and fair view, in all material aspects, of the financial condition and operational financial results of the Company;
- the Company's financial reports have been prepared in accordance with relevant accounting standards; and
- the financial records of the Company for the financial year have been properly maintained.

### Principle 5

#### Make timely and balanced disclosure

The Company has in place policies and procedures to ensure that Reece manages the disclosure of price sensitive information effectively and in accordance with the requirements as set out by regulatory bodies. All market disclosures are approved by the Board.

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

All announcements made to the ASX are placed on the Company's website directly after public release.

### Principle 6

#### Respect the rights of shareholders

The Company provides a hard copy of its annual and half-year report to all shareholders and makes these reports available on its corporate website.

Copies of the Company charters and codes of conduct approved by the Board can be obtained from the Company upon request.

The format of general meetings aims to encourage shareholders to actively participate in the meeting through being invited to comment or raise questions of directors on any matter relevant to the performance and operation of the Company.

The external auditor of the Company attends each annual general meeting and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

### Principle 7

#### Recognise and manage risk

The Board is committed to protecting the Company's employees, assets and earnings with risk management being a key review responsibility of the Audit Committee. Managing risk is absolutely fundamental to a Board that has directors owning more than three quarters of the Company.

At the Audit Committee's direction, an annual risk profile is undertaken involving key members of the senior management team at which material financial and non-financial risks facing the Company are reviewed and updated.

At the Audit Committee's direction, and independent of the external audit, comprehensive internal review programmes and processes have been developed to measure internal compliance with the Company's policies, systems and procedures. The Board fosters a strong culture of continual improvement throughout the Company and the internal review function complements the strategy that a single set of policies, systems and procedures be the operational foundation for the Company's geographically diverse network.

The Chief Executive Officer and Chief Financial Officer have made statements in writing to the Board on the integrity of the Company's financial statements and that they are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board and which operates efficiently and effectively in all material aspects.

The Company also has in place classes of insurance at levels which, in the reasonable opinion of the directors, are appropriate for its size and type of operations.

## Principle 8

### Encourage enhanced performance

A formal process of evaluation was undertaken during the year of the performance of the Board and its committees.

To enable the performance of their duties, all directors:

- have access to management
- are provided with appropriate management information in a timely manner
- are able to seek independent professional advice at the Company's expense
- are entitled to request additional management information at any time

## Principle 9

### Remunerate fairly and responsibly

The Board has established a Remuneration Committee which consists of at least two members, all of whom must be non-executive directors. The Committee currently comprises Mr R.G. Pitcher (Chairman) and Mr B.W.C. Wilson. Executive directors shall not be entitled to be a member of the Committee but may be required to attend meetings to provide information and advice.

The Remuneration Committee operates under its own charter.

The Board has been able to retain a high calibre management team through a policy of fair and appropriate remuneration which takes into consideration prevailing employment market conditions and which is linked to the Company's financial and operational performance.

The Board has ensured there is a high level of transparency in remuneration paid to directors and management. There are no share based payments and non-cash benefits are minimal. There is no scheme to provide any director or member of management with retirement benefits other than accrued long service leave, accrued annual leave and superannuation benefits. In relation to the Company's incentive scheme, discretion is exercised by the Board, having regard to the overall performance of the Company and of the individual.

Non-executive directors are remunerated by way of cash fees plus statutory superannuation and do not participate in the Company's incentive scheme. There is no scheme to provide non-executive directors with retirement benefits other than statutory superannuation.

Director and executive disclosure requirements are dealt with in the Directors' Report and notes to the accounts.

## Principle 10

### Recognise the legitimate interests of stakeholders

The Board recognises that the interests of all stakeholders will be best served when the Company, its directors and staff adhere to high standards of business ethics and comply with the law.

The Board expects a high standard of ethical corporate behaviour from all directors and staff. As a result, a Code of Business Ethics has been developed outlining the policies and procedures which operate within the Company to ensure its exemplary reputation is maintained.

Copies of the Company charters and codes approved by the Board can be obtained from the Company upon request.

# 06 directors' report

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The Directors present their report together with the financial report of the consolidated entity consisting of Reece Australia Limited and the entities it controlled, for the financial year ended 30 June 2006 and independent auditors report thereon. This financial report has been prepared in accordance with Australian Equivalents of International Financial Reporting Standards.

## Principal Activities

The principal activities of the consolidated entity during the financial year were plumbing, building and hardware merchants.

There has been no significant change in the nature of these activities during the financial year.

## Results

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

	2006 (\$000's)	2005 (\$000's)
Operating Profit before income tax	124,583	108,513
Income tax expense	37,724	32,751
Operating profit after income tax attributable to the members of Reece Australia Limited	86,859	75,762

## Review of Operations

Reece Australia Limited, Australia's leading distributor of plumbing and bathroom products, earned a net profit after tax of \$86.8m for the year ended 30 June 2006 which is a 14.6% increase over the previous year. Sales revenue for the year ended 30 June 2006 increased by 10.3% to \$1,113,427,064.

In its review of operations in the 2005 Annual Report, looking ahead the Board anticipated moderate growth with an easing in new housing starts and renovations and upward pressure on business costs. This has certainly been the Company's experience throughout the year but the Board is delighted that, in such an environment, such a solid trading result has been achieved.

During the year ended 30 June 2006 the Company commenced trading from 30 new locations throughout Australia bringing the total trading locations to 267. This translates to a network of 308 outlets throughout Australia with a number of locations having multiple businesses operating from the same site. The Company's policy of greenfielding additions to the Reece network will continue in 2007 and the Board expects new store openings to be equivalent to the average level of openings over the last three years. The funding for this growth is from internally generated cash. Business acquisitions will be considered if and when opportunities arise.

In addition, on 31 March 2006 the Company commenced trading from two locations in Auckland, New Zealand, following acquisition of the assets and business of L G Carder Limited, a long established and respected operator servicing the Auckland market. The Company plans to build a viable network over the longer term by greenfielding additions or through acquisition if and when opportunities arise.

The growth of the Reece network in 2006 is unprecedented in the Company's history and is providing great employment opportunities to a large number of people across Australia and now in New Zealand. In its review in the 2005 Annual Report, looking ahead the Board indicated recruitment and training would be a key focus. This has indeed been the case with the Company's participation in a range of initiatives to attract people to the Reece down-to-earth culture, which is based on solid, old-style values. With the aim of increasing staff retention, the Company is continuing to refine its workplace strategies in order to provide a good team environment and access to training and development opportunities.

Throughout the year the Company maintained its strong focus on Occupational Health and Safety with the implementation of a number of initiatives including a focus on manual handling which accounts for approximately 70% of all compensable injuries. This has resulted in the development of an employee handbook for manual handling, storage and driver safety. Initiatives such as these have proved beneficial in a number of ways. Firstly and most importantly they have resulted in safer work environments and work practices. In addition they underline our commitment to our staff, customers and the general public, and to the principles of health and safety legislation.

To meet its commitment of supplying quality products the Company has invested in the establishment of an in-house test facility to ensure its imported product meets the required standards. An extensive quality awareness program is being driven by the Company's marketing department in order to educate staff and customers on the importance of supply of quality product.

The Company has continued to grow its property portfolio with selective acquisitions and developments during the year. This practice will continue as opportunities present. This approach to property ownership has in no way impeded the rapid store expansion programme.

The Board is satisfied with the Company's level of receivables which have risen in line with the increased level of trading year on year.

The growth in the Reece store network is reflected in the growth in inventories. The Board is generally satisfied with inventory levels across the group and monitors inventory turns on a regular basis. The Board believes its continued maintenance of an inventory obsolescence provision is a prudent approach to the management of ranges of inventory which are impacted by changing consumer demand patterns.

The Board is pleased to advise it has declared a final dividend of 30 cents per share fully franked, an increase of 4 cents per share. The final dividend will be paid on 26 October 2006 with the record date for

entitlement being 12 October 2006. Total dividends paid relating to the year ended 30 June 2006 will be 44 cents per share compared to 38 cents per share in 2005, which is a 15.8% increase.

Looking ahead, the Board anticipates continued but moderate growth, however is reluctant to forecast growth rates at a time of renewed interest rate uncertainty, subdued building activity in some areas and the continuing upward pressure on business costs. Key challenges in 2007 will continue to revolve around people. By recruiting people with the right attitude and providing them with comprehensive training, a safe workplace, competitive remuneration and opportunity for growth, the Board believes the company will continue to maintain and grow a competent workforce to manage its future growth.

### Significant Changes in the State of Affairs

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

### After Balance Date Events

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

### Likely Developments

The consolidated entity will continue to pursue its operating strategy to create shareholder value. In the opinion of the directors, disclosure of any further information would be likely to result in unreasonable prejudice to the consolidated entity.

### Environmental Regulations

The consolidated entity's operations are not subject to any significant environmental Commonwealth or State regulations or laws.

### Share Options

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

### Dividends

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

	(\$000's)
<b>In respect of the previous financial year:</b>	
A final fully franked ordinary dividend of 26 cents per share in respect of the year ended 30 June 2005, was paid on 20 October 2005.	25,896
<b>In respect of the current financial year:</b>	
An interim ordinary dividend of 14 cents per share was paid on 24 March 2006.	13,944
The final dividend declared to be paid on 26 October 2006 is an ordinary fully franked dividend of 30 cents per share.	29,880
	<b>43,824</b>

### Indemnification and Insurance of Directors and Officers

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

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

During the financial year the consolidated entity paid a premium of \$42,000 for Directors' and Officers' Liability Insurance. Further disclosure is prohibited under the terms of the contract.

### Proceedings on Behalf of the Consolidated Entity

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

### Philanthropic Initiatives

During the financial year, the Board approved payments totalling \$300,000 (2005 - \$260,000) to various charitable organisations. This is a continuing initiative and recipients may vary from year to year at the discretion of the Board.

# 08 directors' report

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## Information on Directors and Company Secretary

**Name:** Mr L. Alan Wilson  
**Age:** 65  
**Position:** Chairman & Chief Executive Officer  
**Experience:** Appointed to the Board 1969.  
General Manager 1970 – 1974.  
Deputy Chairman 1973 – 2001.  
Managing Director since 1974.  
Appointed Chairman 2001.

No other directorships of listed companies were held at any time during the three years prior to 30 June 2006.

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**Name:** Mr Peter J. Wilson  
**Age:** 38  
**Position:** Executive Director &  
Chief Operating Officer  
**Experience:** B.Comm (Melb).  
Appointed to the Board 1997.

No other directorships of listed companies were held at any time during the three years prior to 30 June 2006.

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**Name:** Mr Bruce W.C. Wilson  
**Age:** 60  
**Position:** Non-Executive Director  
**Experience:** B.Comm (Melb).  
Appointed to the Board 1970.  
Secretary 1974 – 1999.  
**Committee Membership:** Member of Audit Committee  
Member of Remuneration Committee

No other directorships of listed companies were held at any time during the three years prior to 30 June 2006.

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**Name:** Mr John G. Wilson  
**Age:** 68  
**Position:** Non-Executive Director  
**Experience:** Appointed to the Board 1984.  
**Committee Membership:** Member of Audit Committee

No other directorships of listed companies were held at any time during the three years prior to 30 June 2006.

**Name:** Mr Ronald G. Pitcher  
**Age:** 67  
**Position:** Non-Executive Director  
**Experience:** FCA, FCPA, ACAA.

A chartered accountant and business consultant with over 46 years experience in the accounting profession and in the provision of business advisory services. Appointed to the Board 2003.

Mr Pitcher was a previous partner of the Company's audit firm until his retirement from the audit firm in 1999.

**Committee Membership:** Chairman of Audit Committee  
Chairman of Remuneration Committee

**Directorships of other Listed Companies:**

Capral Aluminium Limited	4 years
Cellestis Limited	5 years
McMillan Shakespeare Limited	2 years
National Can Industries Limited	12 years

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**Name:** Mr Neil G. Cathie  
**Age:** 50  
**Position:** Company Secretary &  
Chief Financial Officer  
**Experience:** FCPA, MAICD, Dip. Bus.  
Appointed Company Secretary 1999.  
Joined the consolidated entity in 1981.

## Directors' Meetings

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

Director	Number of Directors Meetings Attended	Number of Directors Meetings Held Whilst in Office
L.A. Wilson	11	11
P.J. Wilson	11	11
B.W.C. Wilson	11	11
J.G. Wilson	11	11
R.G. Pitcher	9	11

Director	Number of Audit Committee Meetings Attended	Number of Audit Committee Meetings Held Whilst In Office
R.G. Pitcher	2	3
J.G. Wilson	3	3
B.W.C. Wilson	2	3

Director	Number of Remuneration Committee Meetings Attended	Number of Remuneration Committee Meetings Held Whilst In Office
R.G. Pitcher	2	2
B.W.C. Wilson	2	2

## Directors' Interests in Shares

Directors' relevant interests in shares of Reece Australia Limited are detailed below.

Director	Ordinary Shares of Reece Australia Limited
J.G. Wilson	67,438,320
L.A. Wilson	66,625,820
B.W.C. Wilson	66,508,320
P.J. Wilson	106,500
R.G. Pitcher	25,000

## Directors' Interests in Contracts

Directors' interests in contracts are disclosed in note 26 to the financial statements.

## Auditor's Independence Declaration

A copy of the auditor's independence declaration in relation to the audit for the financial year is provided with this report.

# 10 directors' report

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## Non-Audit Services

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

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

	2006 \$	2005 \$
<b>Audit/Review fees</b>	<b>358,865</b>	<b>352,725</b>
Non-audit fees:		
Taxation services	18,820	39,860
Review of accounting policies	3,405	39,060
Special reviews/investigations	-	12,415
Other services	24,500	38,787
	46,725	130,122

## Remuneration Report

### Remuneration Policies

Remuneration of the directors and executives is the responsibility of the Remuneration Committee. The Committee obtains advice where necessary to ensure that the Company attracts and retains talented and motivated directors and employees who can enhance Company performance through their contributions and leadership.

For executive directors and executives the Company provides a remuneration package that is largely cash based. There is no share-based remuneration. Performance based cash payments are the responsibility of the Remuneration Committee and are largely related to the Company performance. In determining performance based payments the Committee exercises its discretion having regard to the overall performance of the Company and of the individual. The CEO's performance based cash payment is 1% of the consolidated entity's operating profit before tax provided return on equity is 20% or greater. Non-executive directors receive fees and do not receive performance based payments. There are no contracts in place.

Details of the nature and amount of each major element of the remuneration of each director of the Company, and the executives who are directly accountable and responsible for the operational management and strategic direction of the Company and the consolidated entity, are detailed on page 11.



## Key Management Personnel

	Short Term		Other	Post Employment	Total \$
	Salary & Fees \$	Performance Based Payment \$	Non-cash benefits \$	Super Contributions \$	
<b>Directors</b>					
L.A. Wilson (Chairman and Chief Executive Officer.)					
2006	1,125,000	1,246,000	17,169	87,141	2,475,310
2005	1,125,000	1,085,000	37,168	87,141	2,334,309
P.J. Wilson (Chief Operating Officer)					
2006	535,000	300,000	11,780	28,600	875,380
2005	400,000	250,000	11,124	28,600	689,724
B.W.C. Wilson (Non-Executive)					
2006	50,000	-	-	4,500	54,500
2005	50,000	-	-	4,500	54,500
J.G. Wilson (Non-Executive)					
2006	50,000	-	-	4,500	54,500
2005	50,000	-	-	4,500	54,500
R.G. Pitcher (Non-Executive)					
2006	75,000	-	-	6,750	81,750
2005	75,000	-	-	6,750	81,750
<b>Total Remuneration: Directors</b>					
2006	1,835,000	1,546,000	28,949	131,491	3,541,440
2005	1,700,000	1,335,000	48,292	131,491	3,214,783
<b>Executives</b>					
N.G. Cathie (Company Secretary, Chief Financial Officer)					
2006	458,000	290,000	27,182	81,000	856,182
2005	450,000	250,000	27,977	39,000	766,977
<b>Total Remuneration: Executives</b>					
2006	458,000	290,000	27,182	81,000	856,182
2005	450,000	250,000	27,977	39,000	766,977

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

## Rounding of Amounts

The amounts contained in the report and in the financial report, other than remuneration, have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

Dated at Melbourne on 31 August 2006.

Signed in accordance with a resolution of Directors.

**L.A. WILSON**  
Chairman

# auditor's independence declaration

To the Directors of Reece Australia Limited

In relation to the independent audit for the financial year ended 30 June 2006, to the best of my knowledge and belief there have been:

1. No contraventions of the auditor independence requirements of the Corporations Act 2001.
2. No contraventions of any applicable code of professional conduct.

31 August 2006  
Melbourne

Pitcher Partners

S.P. CATLIN  
Partner

# consolidated income statement

for the year ended 30 June 2006

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	Notes	Consolidated Entity		Parent Entity	
		2006 (\$000's)	2005 (\$000's)	2006 (\$000's)	2005 (\$000's)
<b>Revenue</b>					
Sales revenue	4	1,113,427	1,009,640	-	-
Other income		2,210	1,611	39,840	30,876
		<b>1,115,637</b>	<b>1,011,251</b>	<b>39,840</b>	<b>30,876</b>
Change in inventory		23,120	10,121	-	-
Purchases		771,177	725,394	-	-
Employee benefits expense		100,667	86,030	-	-
Depreciation		13,348	10,711	-	-
Finance costs		80	-	-	-
Other expenses		82,662	70,482	-	-
<b>Profit before income tax</b>	4	<b>124,583</b>	<b>108,513</b>	<b>39,840</b>	<b>30,876</b>
Income tax expense	5	37,724	32,751	-	-
<b>Profit for the year</b>		<b>86,859</b>	<b>75,762</b>	<b>39,840</b>	<b>30,876</b>
Profit attributable to the members of the parent		<b>86,859</b>	<b>75,762</b>	<b>39,840</b>	<b>30,876</b>
Basic earnings per share	23	<b>87 cents</b>	76 cents	-	-
Diluted earnings per share	23	<b>87 cents</b>	76 cents	-	-

The Consolidated Income Statement is to be read in conjunction with the notes to the financial statements set out on pages 17 to 36.

# consolidated balance sheet

as at 30 June 2006

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	Notes	Consolidated Entity		Parent Entity	
		2006 (\$000's)	2005 (\$000's)	2006 (\$000's)	2005 (\$000's)
<b>Current Assets</b>					
Cash and cash equivalents	7	53,665	45,976	-	-
Receivables	8	191,323	174,724	-	-
Inventories	9	166,210	143,090	-	-
<b>Total Current Assets</b>		<b>411,198</b>	<b>363,790</b>	<b>-</b>	<b>-</b>
<b>Non-Current Assets</b>					
Receivables	8	-	-	1,812	1,812
Other financial assets	10	-	-	9,711	9,711
Property, plant and equipment	11	176,734	142,896	-	-
Intangible assets	13	2,879	-	-	-
Deferred tax assets	5	14,319	12,620	-	-
<b>Total Non-Current Assets</b>		<b>193,932</b>	<b>155,516</b>	<b>11,523</b>	<b>11,523</b>
<b>Total Assets</b>		<b>605,130</b>	<b>519,306</b>	<b>11,523</b>	<b>11,523</b>
<b>Current Liabilities</b>					
Payables	14	184,264	155,367	-	-
Current tax payable		12,410	11,285	-	-
Provisions	15	11,312	9,979	-	-
Other	17	8,539	5,068	-	-
<b>Total Current Liabilities</b>		<b>216,525</b>	<b>181,699</b>	<b>-</b>	<b>-</b>
<b>Non-Current Liabilities</b>					
Interest-bearing liabilities	16	3,208	-	-	-
Provisions	15	9,394	8,507	-	-
<b>Total Non-Current Liabilities</b>		<b>12,602</b>	<b>8,507</b>	<b>-</b>	<b>-</b>
<b>Total Liabilities</b>		<b>229,127</b>	<b>190,206</b>	<b>-</b>	<b>-</b>
<b>Net Assets</b>		<b>376,003</b>	<b>329,100</b>	<b>11,523</b>	<b>11,523</b>
<b>Equity</b>					
Contributed equity	18	9,960	9,960	9,960	9,960
Reserves	19	2,887	3,003	37	37
Retained earnings	20	363,156	316,137	1,526	1,526
<b>Total Equity</b>		<b>376,003</b>	<b>329,100</b>	<b>11,523</b>	<b>11,523</b>

The Consolidated Balance Sheet is to be read in conjunction with the notes to the financial statements set out on pages 17 to 36.

# consolidated statement of changes in equity

as at 30 June 2006

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	Notes	Consolidated Entity		Parent Entity	
		2006 (\$000's)	2005 (\$000's)	2006 (\$000's)	2005 (\$000's)
<b>Total equity at the beginning of the year</b>		329,100	284,214	11,523	11,523
Exchange differences on translation of foreign operations		(116)	-	-	-
<b>Net income recognised directly in equity</b>		(116)	-	-	-
<b>Profit for the year</b>		86,859	75,762	39,840	30,876
<b>Total recognised income and expenses for the period</b>		86,743	75,762	39,840	30,876
<b>Transactions with equity holders in their capacity as equity holders:</b>					
Dividends paid		(39,840)	(30,876)	(39,840)	(30,876)
<b>Total equity at the end of the year</b>		376,003	329,100	11,523	11,523

The Consolidated Balance Sheet is to be read in conjunction with the notes to the financial statements set out on pages 17 to 36.

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# consolidated statement of cash flows

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for the year ended 30 June 2006

	Notes	Consolidated Entity		Parent Entity	
		2006 (\$000's)	2005 (\$000's)	2006 (\$000's)	2005 (\$000's)
<b>Cash flow from operating activities</b>					
Receipts from customers		1,205,194	1,081,708	-	-
Payments to suppliers and employees		(1,077,734)	(988,151)	-	-
Dividends received		-	-	39,840	30,876
Interest received		1,542	1,032	-	-
Borrowing costs		(80)	-	-	-
Income tax paid		(38,298)	(32,760)	-	-
<b>Net cash provided by operating activities</b>	21(a)	<b>90,624</b>	<b>61,829</b>	<b>39,840</b>	<b>30,876</b>
<b>Cash flow from investing activities</b>					
Payment for property, plant and equipment		(44,330)	(31,496)	-	-
Proceeds from sale or disposal of property, plant and equipment		906	809	-	-
Purchase of intangibles		(2,879)	-	-	-
<b>Net cash used in investing activities</b>		<b>(46,303)</b>	<b>(30,687)</b>	<b>-</b>	<b>-</b>
<b>Cash flow from financing activities</b>					
Dividends paid		(39,840)	(30,876)	(39,840)	(30,876)
Proceeds from borrowings		3,208	-	-	-
<b>Net cash used in financing activities</b>		<b>(36,632)</b>	<b>(30,876)</b>	<b>(39,840)</b>	<b>(30,876)</b>
<b>Net increase in cash and cash equivalents</b>		<b>7,689</b>	<b>266</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>45,976</b>	<b>45,710</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at the end of the year</b>	21(b)	<b>53,665</b>	<b>45,976</b>	<b>-</b>	<b>-</b>

The Consolidated Statement of Cash Flows is to be read in conjunction with the notes to the financial statements set out on pages 17 to 36.

## 1. Basis of Preparation

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

The financial report covers Reece Australia Limited as an individual parent entity and Reece Australia Limited and controlled entities as a consolidated entity. Reece Australia Limited is a company limited by shares, incorporated and domiciled in Australia.

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

### (a) Basis of preparation of the financial report

The financial report of Reece Australia Limited and controlled entities, and Reece Australia Limited as an individual parent entity, complies with Australian equivalents to International Financial Reporting Standards (AIFRS).

This is the first financial report of Reece Australia Limited prepared in accordance with Australian Equivalents of International Financial Reporting Standards (AIFRS). The financial reports of Reece Australia Limited were prepared in accordance with the previous Australian Generally Accepted Accounting Principles (AGAAP) until 30 June 2005. There are certain differences between accounting policies under AIFRS and AGAAP and where applicable the comparative figures have been restated to reflect these adjustments. A summary of the significant accounting policies under AIFRS is provided below. Reconciliations of equity and operating profit/loss between AGAAP and AIFRS are provided under notes 32 to 34.

The financial report has been prepared under the historical cost convention except for certain classes of assets measured at fair value as described in the accounting policies.

### (b) Principles of Consolidation

The consolidated financial statements are those of the consolidated entity, comprising the financial statements of the parent entity and of all entities which Reece Australia Limited controlled from time to time during the year and at balance date. Details of the controlled entities are contained in Note 30.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies which may exist.

All inter-company balances and transactions, including any unrealised profits or losses have been eliminated on consolidation.

### (c) Revenue Recognition

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

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established.

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

### (d) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and at banks, short-term deposits with an original maturity of three months or less held at call with financial institutions, net of bank overdrafts.

### (e) Inventories

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

### (f) Property, plant and equipment

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

The carrying amount of property, plant and equipment is reviewed for impairment annually by the directors for events or changes in circumstances that indicate the carrying value may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets are written down to their recoverable amount.

### Depreciation

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

The useful lives for each class of assets are:

	2006	2005
Buildings	25 years	25 years
Fixtures, fittings and equipment	2.7 to 20 years	2.7 to 20 years
Motor vehicles	5 to 8 years	5 to 8 years

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## (g) Leases

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

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

## (h) Intangibles

### Goodwill

Goodwill is not amortised but is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less accumulated impairment losses.

### (i) Impairment of assets

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

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

## (j) Taxes

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

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

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

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

## Tax Consolidation

The parent entity and its Australian controlled entities have formed an income tax consolidated group under the tax consolidation legislation. The parent entity is responsible for recognising the current tax liability and deferred tax assets relating to tax losses for the tax consolidated group. The tax consolidated group has also entered a tax funding agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

## (k) Employee Benefits

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

All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

Contributions are made by the economic entity to employee superannuation funds and are charged as expenses when incurred.

## (l) Financial Instruments

### Financial Assets

Trade receivables are carried at full amounts due less provision for doubtful debts. Amounts receivable from other debtors are carried at full amounts due. Amounts receivable from related parties are carried at full amounts due.

### Financial Liabilities

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the economic entity.

## (m) Foreign Currencies

### Functional and presentation currency

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



## Transactions and Balances

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

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

Resulting exchange differences arising on settlement or re-statement are recognised as revenues and expenses for the financial year.

## Group Companies

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

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

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve as a separate component of equity in the balance sheet.

## (n) Hedge Accounting

Forward exchange contracts are designated as hedging instruments and are further classified as fair value hedges.

At the inception of each hedging transaction the group documents the relationship between the hedging instruments and hedged items, its risk management objective and its strategy for undertaking the hedge transaction. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

## Fair value hedge

Changes in fair value of forward exchange contracts that are designated and qualified as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

## (o) Comparatives

In accordance with the first-time adoption of AIFRS, comparative information has been reclassified where appropriate through retrospective application of AIFRS to the previous year results so as to achieve consistency with current year disclosures.

## (p) Rounding Amounts

The Company is of a kind referred to in ASIC Class Order 98/100, and in accordance with that Class Order, amounts in the financial statements have been rounded off to the nearest thousand dollars, or in certain cases, to the nearest dollar.

## 2. Critical Accounting Estimates and Judgements

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

### Income taxes

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

## 3. Financial Risk Management

### Forward exchange contracts

The group enters into forward exchange contracts to buy specified amounts of foreign currencies in the future at stipulated exchange rates. The objective in entering the forward exchange contracts is to protect the economic entity against unfavourable exchange rate movements for both the contracted and anticipated future purchases undertaken in foreign currencies.

**Victoria**

Airport West, Ararat, Armadale, Box Hill, Ballarat, Brunswick, Burwood, Camberwell, Campbellfield, Caroline Springs, Caulfield, City, Clayton, Coburg, Cranbourne, Croydon, Lakes Entrance, Dandenong, Diamond Creek, Docklands, Doveton, Dromana, Drysdale, Emerald, Ferntree Gully, Footscray, Hastings, Healesville, Heidelberg, Hoppers Crossing, Kew, Lilydale, Melton, Melton Timber, Mentone, Mill Park, Montmorency, Moonee Ponds, Mornington, Narre Warren, Newport, Pakenham, Richmond, Ringwood, Seaford, South Melbourne, St Kilda, Sunbury, Sunshine, Templestowe, Thomastown, Tootgarook, Werribee, Whittlesea, Yarra Junction

**Tasmania**

Hobart, Launceston, Moonah, Mornington, Artarmon, Auburn, Balmain, Blacktown, Brookvale, Castle Hill, Chatswood, Chipping Norton, Gladesville, Kirrawee, Lewisham, Minchinbury, Mona Vale, Narellan, Parramatta, Penrith, Prestons, Punchbowl, Pymble, Rockdale, Rydalmere, Taren Point, Thornleigh, Waterloo, Waverley, West Ryde, Weitherrill Park, Windsor

**New South Wales**

Armidale, Ballina, Batemans Bay, Bathurst, Bowral, Broken Hill, Byron Bay, Cessnock, Charmhaven, Coffs Harbour, Coffs Harbour South, Dubbo, Erina, Gateshead, Gosford, Goulburn, Grafton, Griffith, Katoomba, Lavington, Lismore, Morisset, Mudgee, Newcastle, North Wollongong, Nowra, Oak Flats, Orange, Parkes, Port Macquarie, Rutherford, Salamander Bay, Singleton, Tamworth, Taree, Thornton, Unanderra, Wagga Wagga, East Wagga Wagga, Walsend, Warner's Bay, Wollongong

**ACT**

Braddon, Mitchell, Phillip, Queanbeyan

**Queensland**

Albion, Beenleigh, Browns Plains, Caboolture, Capalaba, Enoggera, Geebung, Kedron, Mansfield, Morningside, Oxenford, Redcliffe, Salisbury, Strathpine, Taringa, Tweed Heads, Underwood, West End, Wynnum

**Queensland Country**

Bundaberg, Burleigh Junction, Cairns, Caloundra, Cannonvale, Condon, Edmontton, Gladstone, Hervey Bay, Innisfail, Ipswich, Jimboomba, Kirwan, Labrador, Gold Coast, Mackay, Mackay North, Maroochydore, Mermaid Beach, Mount Isa, Nerang, Noosa, Rockhampton, Smithfield, Toowoomba, Toowoomba West, Townsville

**Northern Territory**

Alice Springs, Darwin, Palmerston, Stuart Park

**South Australia**

Adelaide, Berri, Daw Park, Greenacres, Hendon, Hilton, Kadina, Lonsdale, Morphettville, Mt Barker, Mt Gambier, Murray Bridge, Naracoorte, O'Halloran Hill, Port Lincoln, Salisbury Plains, St Agnes, Stepney, Victor Harbor, Whyalla, Willaston

**Western Australia**

Albany, Belmont, Bunbury, Busselton, Cannington, Claremont, Fremantle, Geraldton, Joondalup, Kalgoorlie, Kalamscott, Malaga, Mandurah, Michvale, Morley, Myaree, Osborne Park, Perth, Rockingham

**New Zealand**

Northshore, Auckland





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	Consolidated Entity		Parent Entity	
	2006 (\$000's)	2005 (\$000's)	2006 (\$000's)	2005 (\$000's)
<b>4. Profit from Continuing Operations</b>				
Profit from continuing operations before income tax has been determined after:				
<b>Revenues</b>				
Sales	1,113,427	1,009,640	-	-
Other Income				
Dividends received or due and receivable from related entities	-	-	39,840	30,876
Interest received or due and receivable from other persons	1,542	1,032	-	-
Net gain on sale or disposal of property, plant and equipment	291	256	-	-
Foreign currency gain	112	-	-	-
Bad debts recovered	265	323	-	-
	2,210	1,611	39,840	30,876
<b>Total revenues from continuing operations</b>	<b>1,115,637</b>	<b>1,011,251</b>	<b>39,840</b>	<b>30,876</b>
<b>Expenses</b>				
Cost of goods sold	794,297	735,515	-	-
Bad debts written off:				
Trade Debtors	1,196	695	-	-
Depreciation:				
Buildings	2,654	2,367	-	-
Motor vehicles	4,276	3,711	-	-
Fixtures, fittings and equipment	6,418	4,633	-	-
Employee benefits expense:				
Wages and Salaries	93,232	79,657	-	-
Superannuation costs	7,435	6,373	-	-
Interest	80	-	-	-
Other expense items:				
Provision for inventory obsolescence	1,040	555	-	-
Provision for doubtful debts	-	868	-	-
Foreign currency loss	-	83	-	-
Operating lease rentals	10,597	9,672	-	-



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	Consolidated Entity		Parent Entity	
	2006 (\$000's)	2005 (\$000's)	2006 (\$000's)	2005 (\$000's)
<b>6. Dividends Paid and Proposed</b>				
The following are the dividends paid and/or proposed for the financial year:				
<b>In respect of the previous financial year:</b>				
Final dividend of 26 cents per share paid 20 October 2005 (fully franked to 30%)	25,896	18,924	25,896	18,924
<b>In respect of the current financial year:</b>				
Interim dividend of 14 cents per share paid 24 March 2006 (fully franked to 30%)	13,944	11,952	13,944	11,952
Dividend Declared to be paid 26 October 2006 (30 cents per share fully franked)	29,880	25,896	29,880	25,896
	43,824	37,848	43,824	37,848
<b>Dividend franking account</b>				
Balance of franking account at year end adjusted for franking credits arising from payment of provision for income tax and after deducting franking credits to be used in payment of proposed dividends.	193,884	171,443	193,884	171,443
Impact on the franking account of dividends recommended by the directors since the year end but not recognised as a liability at year end.	(12,805)	(11,098)	(12,805)	(11,098)
	181,079	160,345	181,079	160,345
<b>7. Cash and Cash Equivalents</b>				
Cash on hand	220	194	-	-
Cash on deposit	53,445	45,782	-	-
	53,665	45,976	-	-

	Consolidated Entity		Parent Entity	
	2006 (\$000's)	2005 (\$000's)	2006 (\$000's)	2005 (\$000's)
<b>8. Receivables</b>				
Current				
Trade debtors	178,406	161,038	-	-
Less: Provision for doubtful debts	(5,379)	(5,379)	-	-
	173,027	155,659	-	-
Other debtors and prepayments	18,296	19,065	-	-
	191,323	174,724	-	-
Non-current				
Loans, controlled entities	-	-	1,812	1,812

## 9. Inventories

Current				
Finished goods, at cost	173,980	149,820	-	-
Less: Provision for obsolescence	(7,770)	(6,730)	-	-
	166,210	143,090	-	-

## 10. Other Financial Assets

Non-current				
Shares in related corporations at cost	-	-	9,711	9,711

## 11. Property, Plant and Equipment

Freehold land at cost	49,286	43,939	-	-
Freehold buildings at cost	74,203	64,338	-	-
Less: Accumulated depreciation	(23,415)	(20,761)	-	-
	100,074	87,516	-	-
Total land and buildings	123,489	108,277	-	-
Less: Accumulated depreciation	(23,415)	(20,761)	-	-
	100,074	87,516	-	-
Fixtures, fittings and equipment at cost	104,494	81,953	-	-
Less: Accumulated depreciation	(50,280)	(44,625)	-	-
	54,214	37,328	-	-
Motor vehicles at cost	41,743	36,188	-	-
Less: Accumulated depreciation	(19,297)	(18,136)	-	-
	22,446	18,052	-	-
Total property, plant and equipment	176,734	142,896	-	-

Land and buildings with a carrying value of \$7,218,248 are used as security for the consolidated entity's banking facilities.

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### 11. Property, Plant and Equipment (cont'd)

#### Reconciliations

Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year.

	Consolidated Entity	
	2006 (\$000's)	2005 (\$000's)
Freehold land		
Carrying amount at beginning of year	43,939	39,643
Additions	5,754	4,336
Disposals	(407)	(40)
<b>Carrying amount at end of year</b>	<b>49,286</b>	<b>43,939</b>
Buildings		
Carrying amount at beginning of year	43,577	40,241
Additions	9,865	5,703
Disposals	-	-
Depreciation	(2,654)	(2,367)
<b>Carrying amount at end of year</b>	<b>50,788</b>	<b>43,577</b>
Fixtures, fittings & equipment		
Carrying amount at beginning of year	37,328	28,765
Additions	23,391	13,203
Disposals	(87)	(7)
Depreciation	(6,418)	(4,633)
<b>Carrying amount at end of year</b>	<b>54,214</b>	<b>37,328</b>
Motor vehicles		
Carrying amount at beginning of year	18,052	15,059
Additions	9,198	7,210
Disposals	(528)	(506)
Depreciation	(4,276)	(3,711)
<b>Carrying amount at end of year</b>	<b>22,446</b>	<b>18,052</b>

### 12. Current Value of Land and Buildings

A directors' valuation of land and buildings was undertaken on 30 June 2006. In their valuation, the directors took account of independent valuations previously obtained. As at 30 June 2006, the directors' assessment of the current market value of land and buildings is \$160,789,810.



	Consolidated Entity		Parent Entity	
	2006 (\$000's)	2005 (\$000's)	2006 (\$000's)	2005 (\$000's)
<b>13. Intangibles</b>				
Goodwill at cost	2,879	-	-	-
Accumulated impairment loss	-	-	-	-
	<b>2,879</b>	-	-	-

## 14. Payables

Current				
Trade creditors and accruals	184,264	155,367	-	-

## 15. Provisions

Current				
Employee benefits	10,250	8,917	-	-
Warranty	1,062	1,062	-	-
	<b>11,312</b>	9,979	-	-
Non-current				
Employee benefits	9,394	8,507	-	-
Aggregate employee benefits liability	19,644	17,424	-	-
Number of employees at year end	2,677	2,326	-	-

## 16. Interest Bearing Liabilities

Non-current				
Secured				
Fixed rate term loan	3,208	-	-	-
Under a facility for NZ\$8M established by Reece New Zealand Limited with the Bank of New Zealand which is guaranteed by Reece Australia Limited and Reece Pty Ltd.				

## 17. Other Current Liabilities

Amounts owing under contract	8,539	5,068	-	-
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## 18. Contributed Equity

Issued and paid up capital				
Ordinary shares fully paid (99,600,000 ordinary shares)	9,960	9,960	9,960	9,960

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

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

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	Consolidated Entity		Parent Entity	
	2006 (\$000's)	2005 (\$000's)	2006 (\$000's)	2005 (\$000's)
<b>19. Reserves</b>				
Asset revaluation reserve	461	461	-	-
General reserve	51	51	-	-
Capital profits reserve	2,491	2,491	37	37
Foreign currency translation reserve	(116)	-	-	-
	<b>2,887</b>	<b>3,003</b>	<b>37</b>	<b>37</b>

## 20. Retained Earnings

Balance at the beginning of year	316,137	271,251	1,526	1,526
Net profit attributable to members of parent entity	86,859	75,762	39,840	30,876
Dividends paid	(39,840)	(30,876)	(39,840)	(30,876)
Balance at end of year	<b>363,156</b>	<b>316,137</b>	<b>1,526</b>	<b>1,526</b>

## 21. Cash Flow Information

(a) Reconciliation of the net profit after tax to the net cash flows from operations:

Net profit	86,859	75,762	39,840	30,876
Add/(less) non cash items:				
Profit on sale or disposal of non-current assets	(291)	(256)	-	-
Depreciation	13,348	10,711	-	-
Exchange translation	(116)	-	-	-
Amounts set aside to provisions	2,220	1,862	-	-
<b>Net cash flows from operations before change in assets and liabilities</b>	<b>102,020</b>	<b>88,079</b>	<b>39,840</b>	<b>30,876</b>
<b>Change in assets and liabilities</b>				
(Increase)/decrease in trade debtors	(17,368)	(25,031)	-	-
(Increase)/decrease in other debtors	769	(3,868)	-	-
(Increase)/decrease in inventory	(23,120)	(10,121)	-	-
Increase/(decrease) in trade creditors and accruals	28,897	12,779	-	-
(Decrease)/increase in income taxes payable	1,125	1,415	-	-
(Increase)/decrease in deferred tax assets	(1,699)	(1,424)	-	-
<b>Net cash flow from operating activities</b>	<b>90,624</b>	<b>61,829</b>	<b>39,840</b>	<b>30,876</b>

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	Consolidated Entity		Parent Entity	
	2006 (\$000's)	2005 (\$000's)	2006 (\$000's)	2005 (\$000's)
<b>21. Cash Flow Information (cont'd)</b>				
(b) Reconciliation of cash				
Cash balance comprises:				
Cash on hand	220	194	-	-
Cash on deposit	53,445	45,782	-	-
Closing cash balance	53,665	45,976	-	-

(c) Financing facilities

Bank Loans and Overdraft

Bank facilities are secured by a registered mortgage over certain of the entities property assets.

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

Total facilities available and unused at 30 June 2006

Bank Overdraft	- facility	25,000	25,000		
	- unused	25,000	25,000		
Committed Cash Advance Facility	- facility	6,579	-	-	-
	- unused	3,371	-	-	-
Bank Guarantees	- facility	300	300	-	-
	- unused	181	146	-	-
Trade Refinance & documentary letters of credit/surrenders	- facility	5,000	5,000	-	-
	- unused	1,663	1,047	-	-
Credit cards	- facility	3,220	2,500	-	-
	- unused	3,171	2,475	-	-
Total	- facility	40,099	32,800	-	-
	- unused	33,386	28,668	-	-

## 22. Commitments

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

Buildings	41,215	24,442	-	-
Equipment	4,301	396	-	-
	45,516	24,838	-	-
Due not later than one year	11,750	8,078	-	-
Due later than one year but not later than five years	27,685	15,459	-	-
Due later than five years	6,081	1,301	-	-
	45,516	24,838	-	-

## 23. Earnings per Share

	Consolidated Entity	
	2006	2005
Earnings used in calculating basic and diluted earnings per share.	86,858,741	75,761,818
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic and diluted earnings per share.	99,600,000	99,600,000
The earnings per share has been calculated on the weighted average of share capital during the year.	87 cents	76 cents

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## 24. Key Management Personnel Compensations

	Short Term		Other	Post Employment	Total	Relevant interest in ordinary shares of parent entity
	Salary & Fees	Performance Based Payment	Non-cash benefits	Super Contributions		
	\$	\$	\$	\$	\$	
<b>Directors</b>						
L.A. Wilson (Chairman and Chief Executive Officer)						
2006	1,125,000	1,246,000	17,169	87,141	2,475,310	66,625,820
2005	1,125,000	1,085,000	37,168	87,141	2,334,309	66,625,820
P.J. Wilson (Chief Operating Officer)						
2006	535,000	300,000	11,780	28,600	875,380	106,500
2005	400,000	250,000	11,124	28,600	689,724	106,500
B.W.C. Wilson (Non-Executive)						
2006	50,000	-	-	4,500	54,500	66,508,320
2005	50,000	-	-	4,500	54,500	66,508,320
J.G. Wilson (Non-Executive)						
2006	50,000	-	-	4,500	54,500	67,438,320
2005	50,000	-	-	4,500	54,500	67,438,320
R.G. Pitcher (Non-Executive)						
2006	75,000	-	-	6,750	81,750	25,000
2005	75,000	-	-	6,750	81,750	15,000
<b>Total Remuneration: Directors</b>						
2006	1,835,000	1,546,000	28,949	131,491	3,541,440	
2005	1,700,000	1,335,000	48,292	131,491	3,214,783	
<b>Executives</b>						
N.G. Cathie (Company Secretary, Chief Financial Officer)						
2006	458,000	290,000	27,182	81,000	856,182	30,480
2005	450,000	250,000	27,977	39,000	766,977	30,480
Total Remuneration: Executives						
2006	458,000	290,000	27,182	81,000	856,182	
2005	450,000	250,000	27,977	39,000	766,977	

Remuneration of the directors and executives is the responsibility of the Remuneration Committee. The Committee obtains advice where necessary to ensure that the Company attracts and retains talented and motivated directors and employees who can enhance Company performance through their contributions and leadership.

For executive directors and executives the Company provides a remuneration package that is largely cash based. There is no share-based remuneration. Performance based cash payments are the responsibility of the Remuneration Committee and are largely related to the Company performance. In determining performance based payments the Committee exercises its discretion having regard to the overall performance of the Company and of the individual. The CEO's performance based cash payment is 1% of the consolidated entity's operating profit before tax provided return on equity is 20% or greater. Non-executive directors receive fees and do not receive performance based payments. There are no contracts in place.

Details of the nature and amount of each major element of the remuneration of each director of the Company, and the executives who are directly accountable and responsible for the operational management and strategic direction of the Company and the consolidated entity, are detailed above.

	Consolidated Entity		Parent Entity	
	2006 (\$000's)	2005 (\$000's)	2006 (\$000's)	2005 (\$000's)
<b>25. Auditor's Remuneration</b>				
Amounts received or due and receivable by Pitcher Partners for:				
An audit or review of the financial report of the entity and any other entity in the consolidated entity	359	353	-	-
Other financial services	47	130	-	-
	<b>406</b>	<b>483</b>	<b>-</b>	<b>-</b>

## 26. Related Party Disclosures

### (a) Directors

The names of each person holding the position of Director of Reece Australia Limited during the financial year were L.A. Wilson, B.W.C. Wilson, J.G. Wilson, P.J. Wilson and R.G. Pitcher.

Details of directors' remuneration, superannuation and retirement payments are set out in Note 24.

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

Directors of the Company, Messrs L.A. Wilson, B.W.C. Wilson and J. G. Wilson have a beneficial interest in an entity that sold plumbing and building supplies to the consolidated entity. All dealings are in the ordinary course of business and on normal terms and conditions no more favourable than those which it is reasonable to expect would have been accepted if dealing at arms length in the same circumstances.

Goods purchased from this entity during the year total \$3,540,500 (2005 \$3,288,595) of which \$307,192 (2005 \$269,181) was owing at year end.

Directors of the Company Messrs L.A. Wilson, B.W.C. Wilson and J.G. Wilson have a beneficial interest in entities that lease premises to the consolidated entity. All dealings with these entities are in the ordinary course of business and on normal terms and conditions no more favourable than those which would have been expected if dealing at arms length in the same circumstances. Lease rentals paid to these entities during the year were \$901,215 (2005 \$859,125).

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

### (b) Ownership Interests in Related Parties

Details of interests in controlled entities are set out in Note 30.

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## 27. Segment Information

The sole activity of the consolidated entity is that of plumbing, building and hardware merchants in Australia and New Zealand.

## 28. Amounts Payable in Foreign Currencies

The Australian dollar equivalents of amounts payable in foreign currencies, calculated at the year-end exchange rates, are as follows:

	US dollar		EURO		Other	
	2006 (\$000's)	2005 (\$000's)	2006 (\$000's)	2005 (\$000's)	2006 (\$000's)	2005 (\$000's)
Current	2,635	2,366	2,374	2,128	384	439
Non-current	-	-	-	-	-	-
	2,635	2,366	2,374	2,128	384	439

## 29. Financial Instruments

### (a) Terms, conditions and accounting policies

Recognised Financial Instrument	Note	Accounting Policy	Terms & Conditions
<b>i) Financial assets</b>			
Cash	7	Cash is carried at face value.	Cash balances in bank accounts receive the bank benchmark interest rates. Cash is at call.
Receivables – trade	8	Trade receivables are carried at nominal amounts less any provision for doubtful debts.	Trade receivables are on 30 day terms.
Receivables – other	8	Other receivables are carried at nominal amounts due.	
<b>ii) Financial liabilities</b>			
Trade creditors and accruals	14	Recognised for amounts to be settled in the future, whether or not billed to the consolidated entity.	Trade payables are ordinarily settled within 30 day terms.
Amounts owing under contract	17	Amounts owing under contract are carried at the principal amount.	
<b>iii) Equity</b>			
Ordinary Shares	18	Ordinary share capital is recognised at the paid up amount of each share.	The Company is authorised to issue up to 200,000,000 ordinary shares. (2005: 200,000,000)

The only financial instruments not recognised in the financial statements at balance date are forward exchange contracts (refer Note 29(d)).

## 29. Financial Instruments (cont'd)

### (b) Credit risk exposures

At balance date, the maximum exposure to credit risk, excluding the value of any collateral or other security, to recognised financial assets is the carrying amount of those assets, net of any provisions for doubtful debts as disclosed in the Balance Sheet and Notes to the Financial Statements.

Credit risk for derivative financial instruments arises from the potential failure by counterparties to the contract to meet their obligations. The credit risk exposure to forward exchange contracts is the net fair value of these contracts.

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

### Concentrations of credit risk

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

### (c) Fair values

The net fair value of financial assets and financial liabilities approximates their carrying amounts as disclosed in the Balance Sheet and Notes to the Financial Statements.

### (d) Forward exchange contracts

The consolidated entity enters into forward exchange contracts to buy and sell specified amounts of foreign currency in the future at stipulated exchange rates. The objective in entering the forward exchange contracts is to protect the consolidated entity against unfavourable exchange rate movements for both the contracted and anticipated future purchases undertaken in foreign currencies.

The accounting policy in regard to forward exchange contracts is detailed in Note 1 (n).

At balance date, the details of outstanding forward exchange contracts, all of which will be settled within six months, are:

	2006 \$	2005 \$
US dollar	4,100,000	1,500,000
EURO	650,000	2,300,000

### (e) Interest rate risk

The consolidated entity's financial assets and liabilities are all non-interest bearing except for its overdraft facilities (which are unused at balance date), and its New Zealand bank borrowings of NZ\$3,900,000 which have a fixed interest rate of 7.39%.

## 30. Particulars in Relation to Corporations in the Group

Name of entity	Ownership Percentage 2006	Ownership Percentage 2005
	%	%
Parent entity Reece Australia limited		
Controlled entities of Reece Australia Limited		
1. Reece Pty Ltd	100%	100%
2. Plumbing World Pty Ltd	100%	100%
3. Reece Project Supply Pty Ltd	100%	100%
4. Reece International Pty Ltd	100%	100%
5. Reece New Zealand Limited	100%	-

### Notes

- (i) Controlled entities 1 to 4 are incorporated in Australia
- (ii) Controlled entity 5 is incorporated in New Zealand
- (iii) All shareholdings are of ordinary shares
- (iv) Controlled entities 1 to 4 carry on business in Australia only
- (v) Controlled entity 5 carries on business in New Zealand only
- (vi) All corporations financial years end on 30 June

## 31. Subsequent Events

There has been no matter or circumstance, which has arisen since 30 June 2006, that has significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 30 June 2006, of the consolidated entity, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial years subsequent to 30 June 2006, of the consolidated entity.

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## 32. First-Adoption of AIFRS – Reconciliation of Equity Reported under AGAAP to Equity under AIFRS

(a) At the date of transition to AIFRS – 1 July 2004

	AGAAP \$	Adjustment \$	AIFRS \$
Current assets			
Cash and cash equivalents	45,710		45,710
Receivables	145,825		145,825
Inventories	132,969		132,969
<b>Total current assets</b>	<b>324,504</b>		<b>324,504</b>
Non-current assets			
Property, plant and equipment	123,708		123,708
Intangible assets	3		3
Deferred tax asset	8,009	3,187	11,196
<b>Total non-current assets</b>	<b>131,720</b>	<b>3,187</b>	<b>134,907</b>
<b>Total assets</b>	<b>456,224</b>	<b>3,187</b>	<b>459,411</b>
Current liabilities			
Payables	142,586		142,586
Current tax payable	9,870		9,870
Provisions	8,986		8,986
Other current liabilities	6,117		6,117
<b>Total current liabilities</b>	<b>167,559</b>		<b>167,559</b>
Non-current liabilities			
Provisions	7,638		7,638
<b>Total non-current liabilities</b>	<b>7,638</b>		<b>7,638</b>
<b>Total liabilities</b>	<b>175,197</b>		<b>175,197</b>
<b>Net assets</b>	<b>281,027</b>	<b>3,187</b>	<b>284,214</b>
Equity			
Contributed equity	9,960		9,960
Reserves	3,003		3,003
Retained earnings	268,064	3,187	271,251
<b>Total equity</b>	<b>281,027</b>	<b>3,187</b>	<b>284,214</b>



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## 32. First-Adoption of AIFRS – Reconciliation of Equity Reported under AGAAP to Equity under AIFRS (cont'd)

(b) At the end of the last annual reporting period under AGAAP – 30 June 2005

	AGAAP \$	Adjustment \$	AIFRS \$
Current assets			
Cash and cash equivalents	45,976		45,976
Receivables	174,724		174,724
Inventories	143,090		143,090
<b>Total current assets</b>	<b>363,790</b>		<b>363,790</b>
Non-current assets			
Property, plant and equipment	142,896		142,896
Deferred tax asset	8,990	3,630	12,620
<b>Total non-current assets</b>	<b>151,886</b>	<b>3,630</b>	<b>155,516</b>
<b>Total assets</b>	<b>515,676</b>	<b>3,630</b>	<b>519,306</b>
Current liabilities			
Payables	155,367		155,367
Current tax payable	11,285		11,285
Provisions	9,979		9,979
Other current liabilities	5,068		5,068
<b>Total current liabilities</b>	<b>181,699</b>		<b>181,699</b>
Non-current liabilities			
Provisions	8,507		8,507
<b>Total non-current liabilities</b>	<b>8,507</b>		<b>8,507</b>
<b>Total liabilities</b>	<b>190,206</b>		<b>190,206</b>
<b>Net assets</b>	<b>325,470</b>	<b>3,630</b>	<b>329,100</b>
Equity			
Contributed equity	9,960		9,960
Reserves	3,003		3,003
Retained earnings	312,507	3,630	316,137
<b>Total equity</b>	<b>325,470</b>	<b>3,630</b>	<b>329,100</b>

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## 33. First-adoption of AIFRS – Reconciliation of Profit reported under AGAAP to Profit under AIFRS

### (a) Reconciliation of profit for the year ended 30 June 2005

	AGAAP \$	Adjustment \$	AIFRS \$
Revenue			
Sales Revenue	1,009,640		1,009,640
Other Income	1,611		1,611
	1,011,251		1,011,251
Change in inventory	10,121		10,121
Purchases	725,394		725,394
Employee benefits expense	86,030		86,030
Depreciation expense	10,711		10,711
Other expenses	70,482		70,482
	902,738		902,738
Profit before income tax	108,513		108,513
Income tax expense	33,194	(443)	32,751
Profit attributable to the members of Reece Australia Limited	<b>75,319</b>	<b>443</b>	<b>75,762</b>

## 34. First-adoption of AIFRS – Explanation of changes in accounting policy arising on first-time adoption of AIFRS

### (a) Impairment of assets

Under AIFRS the recoverable amount test under the previous AGAAP is replaced by impairment testing whereby the recoverable amount is determined as the higher of fair value less costs to sell and value in use. Value in use incorporates the use of discounted cash flows.

### (b) Income taxes

Under AIFRS a balance sheet approach has been adopted under which temporary differences are identified for each asset and liability rather than accounting for the effect of timing and permanent differences between taxable and accounting profit. A deferred tax asset is recognised for tax losses where their realisation is considered probable.

On first-time adoption of AIFRS, adjustment for deferred tax consequences for initial asset revaluations has been assessed.

### (c) Property, plant and equipment

In accordance with AASB 1, on first-time adoption of AIFRS the entity has elected to use the previous AGAAP revaluation of property, plant and equipment at 30 June 2004, being its fair value at the date of transition to AIFRS, as its deemed cost.

Under AIFRS the gain or loss on the disposal of an item of property, plant and equipment is to be recognised on a net basis as revenue or an expense, rather than separately recognising the consideration received as revenue.

# 37 directors declaration

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The directors declare that the financial statements and notes set out on pages 13 to 36 are in accordance with the Corporations Act 2001:

(a) Comply with Accounting Standards and the Corporations Regulations, and

(b) Give a true and fair view of the financial position of the consolidated entity as at 30 June 2006 and of its performance as represented by the results of its operations and its cash flows, for the year ended on that date.

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

This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial period ending 30 June 2006.

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

Dated at Melbourne on 31 August 2006.

L.A. Wilson  
Chairman

# independent audit report

## Scope

We have audited the financial report of Reece Australia Limited and controlled entities for the financial year ended 30 June 2006 comprising the Directors' Declaration, Income Statement, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows and notes to the financial statements.

The Company's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and Corporations Act 2001 so as to present a view which is consistent with our understanding of the Company's and the consolidated entity's financial position and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

## Audit Opinion

In our opinion, the financial report of Reece Australia Limited is in accordance with:

- (a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2006 and of its performance for the financial year ended on that date; and
  - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory professional requirements in Australia.

Dated at Melbourne on 31 August 2006.

PITCHER PARTNERS

S P CATLIN  
Partner  
Melbourne

# shareholders information

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

## Shareholding Analysis

### (a) Distribution of shareholders

At 21 August 2006, the distribution of shareholdings were as follows:

Size of Shareholding	Number of Shareholders
1 – 1,000	380
1,001 – 5,000	275
5,001 – 10,000	65
10,001 – 100,000	134
Over 100,000	39
Holdings of less than a marketable parcel	1

### (b) Substantial shareholdings

The number of shares held by the substantial shareholders listed in the Company's register of substantial shareholders as at 21 August 2006 were:

Shareholder	Number of Shares
Waln Pty Ltd	42,465,320
W.A.L. Investments Pty Ltd	41,931,320
Leslie Alan Wilson	66,625,820
Wilgay Pty Ltd	42,465,320
J.G.W. Investments Pty Ltd	42,465,320
John Gay Wilson	67,438,320
Lezirol Pty Ltd	42,465,320
Florizel Investments Pty Ltd	41,931,320
Bruce Walter Campbell Wilson	66,508,320
Adawarra Nominees Pty Ltd	55,479,000
Warramunda Investments Pty Ltd	55,479,000
L.T.W. Holdings Pty Ltd	53,169,000
L.T. Wilson Pty Ltd	38,571,000
Wilaust Holdings Pty Ltd	38,571,000
Austral Hardware Pty Ltd	38,571,000
Australia Hardware (Healesville) Pty Ltd	38,571,000
Tyara Pty Ltd	42,465,320
Wal Assets Pty Ltd	42,465,320
Abtourk Vic No. 11 Pty Ltd	42,465,320
Perpetual Trustees Australia Limited	13,817,545

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

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## (c) Class of shares and voting rights

At 21 August 2006, there were 893 holders of ordinary shares of the Company. All of the issued shares in the capital of the parent entity are ordinary shares and each shareholder is entitled to one vote per share.

## (d) Twenty largest shareholders, as at 21 August 2006:

Shareholder	Number of Shares	% Held
L.T. Wilson Pty Ltd	31,440,000	31.6%
L.T.W. Holdings Pty Ltd	12,000,000	12.0%
Warramunda Investments Pty Ltd	9,729,000	9.8%
RBC Dexia Investor Services Australia Nominees Pty Ltd (PI Pooled A/C)	7,992,578	8.0%
Florizel Investments Pty Ltd	3,360,320	3.4%
W.A.L. Investments Pty Ltd	3,360,320	3.4%
J.G.W. Investments Pty Ltd	3,360,320	3.4%
Austral Hardware Pty Ltd	2,985,000	3.0%
Austral Hardware (Healesville) Pty Ltd	2,400,000	2.4%
Adawarra Nominees Pty Ltd	2,310,000	2.3%
RBC Dexia Investor Services Australia Nominees Pty Ltd (PIIC A/C)	2,247,446	2.3%
Wilaust Holdings Pty Ltd	1,746,000	1.8%
J P Morgan Nominees Australia Limited	1,343,613	1.4%
National Nominees Limited	1,314,211	1.3%
Cogent Nominees Pty Limited	1,127,138	1.1%
John G. Wilson	934,000	0.9%
Citicorp Nominees Pty Ltd (CFSIL CWLTH AUST SHS 4 A/C)	605,456	0.6%
UBS Nominees Pty Ltd	593,725	0.6%
Abtourk (Vic No. 11) Pty Ltd	534,000	0.5%
WAL Assets Pty Ltd	534,000	0.5%

The twenty members holding the largest number of shares together held a total of 90.29% of the issued capital.



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notice of  
annual general  
meeting/  
proxy form  
2006

# 01 notice of meeting

The fifty-third Annual General Meeting of the Company will be held at 3pm on Thursday 26 October 2006 at the offices of Reece Australia Limited, 118 Burwood Highway Burwood, Victoria.

## Ordinary Business

1. To receive and consider the financial statements for the Company and its controlled entities, together with the statements and reports of the directors and auditors thereon for the year ended 30 June 2006.

2. To elect Directors

To consider and if thought fit, to pass, the following resolutions as ordinary resolutions –

“That Mr B.W.C. Wilson, who retires by rotation in accordance with clause 113 of the Company’s Constitution, and who is recommended for re-appointment by the Board, be re-elected as a director of the Company.”

“That Mr R.G. Pitcher, who retires in accordance with clause 114 of the Company’s Constitution, and who is recommended for re-appointment by the Board, be re-elected as a director of the Company.”

Separate resolutions will be put in respect of each of the above directors.

3. To adopt Remuneration Report

The following non-binding ordinary resolution will be put to the meeting:

“That the Remuneration Report for the financial year ended 30 June 2006 be adopted.”

4. To transact any other business which, under the Constitution of the Company, and/or the Corporations Act 2001, ought to be transacted at the annual general meeting.

## Special Business

1. Amendment of Clause 166 of the Company’s Constitution

To consider and, if thought fit, to pass the following resolution as a special resolution:

“THAT Clause 166 of the Company’s Constitution be and is hereby amended as follows:

- (i) By deleting sub-clause 166.1.1 and substituting the following:

“166.1.1 “Officer” means every person who at any time is, or has at any time been, a “director” or “secretary” of the Company within the meaning of those expressions as defined or used in the Corporations Act 2001.”

- (ii) By deleting sub-clause 166.5 and substituting the following:

“166.5 Where the Directors consider it appropriate, the Company may:

166.5.1 give a Director or former director, or a Secretary or former secretary, access to various Company papers, including documents provided or available to the Directors and other papers referred to in those documents; and

166.5.2 bind itself in a deed (in such terms as the Directors consider appropriate) with a Director or former director, or a Secretary or former secretary, to give that access.”

## Proxies

A form of proxy is enclosed and any member wishing to appoint a proxy or proxies should note the following.

- Each member entitled to attend and vote may appoint a proxy.
- If the member is entitled to cast two or more votes at the meeting, the member may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints two proxies and the appointment does not specify the proportion or number of the member’s votes each proxy may exercise, each proxy may exercise one half of the votes.
- Where a member appoints two proxies, neither proxy shall be entitled to vote on a show of hands.
- An additional proxy form will be supplied by the Company on request.
- A proxy need not be a member of the Company.
- A member may appoint the Chairman of the meeting as his or her proxy.
- The proxy form must be signed by the member or the member’s attorney.
- To be effective the proxy and the power of attorney (if any) under which it is signed shall be lodged at the registered office of the Company (118 Burwood Highway Burwood Victoria) not less than 48 hours before the time of holding the meeting. The proxy and the power of attorney (if any) under which it is signed may also be returned by fax to fax number (03) 9274 0197, or by email to neil.cathie@reece.com.au.
- In the case of a corporation, the proxy form, or body corporate representative appointment, must be executed in accordance with the corporation’s constitution and the Corporations Act 2001 or may be signed on its behalf by an attorney of the corporation.
- If you wish to direct your proxy how to vote, you should place a mark in the appropriate box on the proxy form against each item, otherwise your proxy may vote as he or she thinks fit or abstain from voting.
- The Company has determined, in accordance with regulation 7.11.37 of the Corporations Regulations, that for the purpose of voting at the Annual General Meeting, shares will be taken to be held by those persons who hold them at 12 noon on Wednesday, 25 October 2006. Accordingly, those persons will be entitled to attend and vote at the Annual General Meeting.

By order of the Board

**N.G. Cathie**  
**Company Secretary**  
**31 August 2006**



# 02 proxy form

I/We \_\_\_\_\_  
of \_\_\_\_\_  
being a member of Reece Australia Limited, hereby appoint  
\_\_\_\_\_  
of \_\_\_\_\_

or failing him/her the Chairman of the meeting as my proxy to vote for me and on my behalf at the Annual General Meeting of the Company to be held on Thursday, 26 October 2006 and at any adjournment thereof.

The proportion of the member's voting rights that this proxy is appointed to represent is \_\_\_\_\_  
(to be completed if two proxies are being appointed)

Signed this: \_\_\_\_\_ day of: \_\_\_\_\_ 2006

Signature of member: \_\_\_\_\_

Should you desire to direct your proxy how to vote or to abstain from voting, please mark in the appropriate box against each item hereunder, otherwise your proxy may vote as he or she thinks fit, or abstain from voting.

## Annual General Meeting Ordinary Business

	For	Against	Abstain
To elect directors: Mr B.W.C Wilson Mr R.G. Pitcher	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
To adopt the remuneration report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

## Special Business

Amendment of clause 166 of the Company's Constitution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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## Notes

- Each member entitled to attend and vote may appoint a proxy.
- If the member is entitled to cast two or more votes at the meeting, the member may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints two proxies and the appointment does not specify the proportion or number of the member's votes each proxy may exercise, each proxy may exercise one half of the votes.
- Where a member appoints two proxies, neither proxy shall be entitled to vote on a show of hands.
- An additional proxy form will be supplied by the Company on request.
- A proxy need not be a member of the Company.
- A member may appoint the Chairman of the meeting as his or her proxy.
- The proxy form must be signed by the member or the member's attorney.
- To be effective the proxy and the power of attorney (if any) under which it is signed shall be lodged at the registered office of the company (118 Burwood Highway Burwood Victoria) not less than 48 hours before the time of holding the meeting. The proxy and the power of attorney (if any) under which it is signed may also be returned by fax to fax number (03) 9274 0197, or by email to neil.cathie@reece.com.au.
- In the case of a corporation, the proxy form, or body corporate representative appointment, must be executed in accordance with the corporation's constitution and the Corporations Act 2001 or may be signed on its behalf by an attorney of the corporation.
- If you wish to direct your proxy how to vote, you should place a mark in the appropriate box on the proxy form against each item, otherwise your proxy may vote as he or she thinks fit or abstain from voting.
- The Company has determined, in accordance with regulation 7.11.37 of the Corporations Regulations, that for the purpose of voting at the Annual General Meeting, shares will be taken to be held by those persons who hold them at 12 noon on Wednesday, 25 October 2006. Accordingly, those persons will be entitled to attend and vote at the Annual General Meeting.

# 03 explanatory notes

## Ordinary Business

### Item 2 - Election of Directors

#### Election of Mr B.W.C. Wilson

**Name:** Mr Bruce W.C. Wilson  
**Age:** 60  
**Position:** Non-Executive Director  
**Experience:** B. Comm (Melb). Appointed to the board 1970. Secretary 1974 – 1999.  
No other directorships of listed companies.

The directors (excluding Mr B.W.C. Wilson) recommend that shareholders vote in favour of this resolution.

#### Election of Mr R.G. Pitcher

**Name:** Mr Ronald G. Pitcher  
**Age:** 67  
**Position:** Non-Executive Director  
**Experience:** FCA, FCPA, ACAA. A chartered accountant with over 46 years experience in the accounting profession and in the provision of business advisory services. Appointed to the board in 2003. Also a director of listed companies Capral Aluminium Limited, Cellestis Limited, McMillan Shakespeare Limited and National Can Industries Limited.

The directors, (excluding Mr. R.G. Pitcher) recommend that shareholders vote in favour of this resolution.

### Item 3 - Adoption of Remuneration Report

In accordance with the requirements of the Corporations Act 2001 (Cth) (the "Act") the Board submits its Remuneration Report for the financial year ended 30 June 2006 to members for consideration and adoption.

The Remuneration Report is included in the Directors' Report on pages 10 and 11 of the 2006 Annual Report.

As provided for in the Act, the vote on this resolution is advisory only and does not bind the directors or the Company. The Board will, however, take the outcome of the vote into consideration when reviewing remuneration practices and policies.

A reasonable opportunity will be provided to ask questions about, or to make comments on, the Remuneration Report at the meeting.

The directors recommend that shareholders vote in favour of the resolution for the adoption of the Remuneration Report.

## Special Business

### Amendment of Clause 166 of the Company's Constitution

#### (i) Proposed amendment to sub-clause 166.1.1

Clause 166 of the Company's Constitution deals with indemnification of directors, secretaries and other officers of the Company.

Since Clause 166 was introduced into the Company's Constitution in 1999 there have been changes to the provisions of the Corporations Act 2001 ("the Act") concerning indemnification of directors, secretaries and other officers of companies, and related insurance issues. Although these provisions are substantially similar to the ones they replaced, the Act no longer defines (and has deleted) the term "executive officer" and has not replaced it with any equivalent term.

Sub-clause 166.1 of the Company's Constitution presently refers to present and former directors, secretaries and "executive officers" of the Company. The proposed amendment to sub-clause 166.1.1 would delete reference to the now redundant term "executive officer" and so confine the operation of Clause 166 to present and former directors and secretaries of the Company.

#### (ii) Proposed amendment to sub-clause 166.5

Sub-clause 166.5 can presently only be applied in favour of present and former directors.

The amendment proposed to Sub-clause 166.5 would extend its possible application to present and former secretaries.

If the amending resolution is passed the Board intends to enter into a deed of indemnity, insurance and access in favour of the Company Secretary in similar terms to the deeds which the Company has already entered into with each of its directors.