

**FINANCIAL INFORMATION**  
for the year ended  
30 June 2007

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 2007

Previous corresponding period is the financial year ended 30 June 2006

### 2. Results for announcement to the market

		\$A'000
Revenues from ordinary activities	up 17.4% to	1,310,062
Profit from ordinary activities after tax attributable to members	up 19.2% to	103,493
Net profit for the period attributable to members	up 19.2% to	103,493
<b>Dividends</b>	<b>Amount per security</b>	<b>Franked amount per security</b>
Interim dividend	17 cents	17 cents
Final dividend	35 cents	35 cents
Record date for determining entitlements to the dividend		11 October 2007

### 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 2007	23 March 2007	16,932,000
Final dividend – year ended 30 June 2007	25 October 2007	34,860,000
<b>Amount per ordinary security</b>	<b>Amount per security</b>	<b>Franked amount per security</b>
Final dividend: Current year	35 cents	35 cents (at 30% tax rate)
Previous year	30 cents	30 cents (at 30% tax rate)
Interim dividend: Current year	17 cents	17 cents (at 30% tax rate)
Previous year	14 cents	14 cents (at 30% tax rate)
<b>Total dividend per security</b>	<b>Current period</b>	<b>Previous period</b>
Ordinary securities	52 cents	44 cents

### 7. Statement of retained earnings

	Consolidated Entity		Parent Entity	
	2007 (\$000's)	2006 (\$000's)	2007 (\$000's)	2006 (\$000's)
Balance at beginning of year	363,156	316,137	1,526	1,526
Net profit attributable to members of the parent entity	103,493	86,859	46,812	39,840
Dividends paid	(46,812)	(39,840)	(46,812)	(39,840)
Balance at end of year	419,837	363,156	1,526	1,526

### 8. Net tangible assets per security

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	416 cents	360 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 \$103.4m for the year ended 30 June 2007 which is a 19.2% increase over the previous year. Sales revenue for the year ended 30 June 2007 increased by 17.5% to \$1,308,703,282.

During the year ended 30 June 2007 the Company commenced trading from 34 new locations throughout Australia, further building on a strong national network and bringing the total trading locations to 305. This translates to a network of 350 outlets throughout Australia and New Zealand 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 2008 and the Board expects new store openings to continue at a pace similar to that achieved over the past few years. The funding for this growth is from internally generated cash and borrowings as required. Business acquisitions will be considered if and when opportunities arise.

The Board is satisfied with the first full year trading results from its 2 New Zealand outlets. These stores will form the foundation for a much larger network which the Company plans to build over the longer term. The Board anticipates a further 3 store openings in New Zealand during 2008.

Like many Australian and New Zealand business's, a tight labour market is putting pressure on the Company's personnel recruitment efforts. With such a bold store opening programme, Reece offers wonderful career opportunities throughout Australia and New Zealand. The Company is participating in a range of recruiting initiatives which to date is securing quality candidates for the positions available, although there is a continuing upward pressure on wage costs in such a competitive labour market.

Throughout the year the Company maintained its strong focus on Occupational Health and Safety. In conjunction with the Company's continuing focus on manual handling which accounts for around 70% of compensable injuries, we have introduced further materials handling initiatives. For example new initiatives have been introduced in relation to the direct delivery by suppliers of heavy or awkward product such as roofing materials and rainwater tanks. As a consequence, we are seeing less serious materials handling injuries and lower WorkCover premiums.

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 quality and quantum of the Company's receivables which have risen in line with the increased level of trading year on year.

The Board is generally satisfied with inventory levels across the group and monitors inventory turns and days inventory held 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.

During 2007 the Company has regularly used funding available to it via facilities provided by its bankers. These borrowings have been for working capital purposes and will continue to be utilised as required.

The Company has commenced a major refresh of its Information Technology and Supply Chain systems. This is being done in a considered and measured manner utilising internal and specialist external consulting resources. This refresh is being carried out at the Board's direction to ensure the Company's systems scale with the demands of the business. The Board is providing the necessary oversight to ensure related costs are appropriate for the business and will deliver real business benefit.

The Board is pleased to advise it has declared a final dividend of 35 cents per share fully franked, an increase of 5 cents per share. The final dividend will be paid on 25 October 2007 with the record date for entitlement being 11 October 2007. Total dividends paid and to be paid relating to the year ended 30 June 2007 will be 52 cents per share compared to 44 cents per share in 2006, which is a 18.2% increase.

Looking ahead the Board anticipates continued growth however is reluctant to forecast growth rates at a time of tight labour conditions and the related upward pressure on wage costs, rising interest rates and unfavourable housing affordability data. Notwithstanding these factors, the Company is looking forward to the new challenges of its Information Technology and Supply Chain refresh programmes and the continuing challenge of attracting the right people with whom it can expand its Australian and New Zealand network.

### 11. The audit has been completed

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

The annual general meeting will be held as follows:

Place	118 Burwood Hwy Burwood, Victoria
Time	3.00 pm
Date	25 October 2007

Approximate date the annual report will be distributed:  
17 September 2007

N G Cathie  
Company Secretary  
28 August 2007





07

# 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  
Lander & Rogers  
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, 25 October, 2007 at 118 Burwood Highway, Burwood, Victoria.

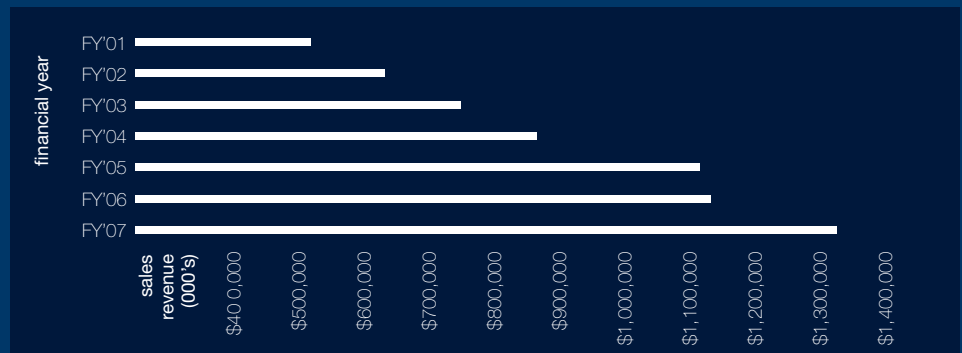
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Reece Australia Limited and its controlled entities  
Annual Report for the financial year ended 30 June 2007

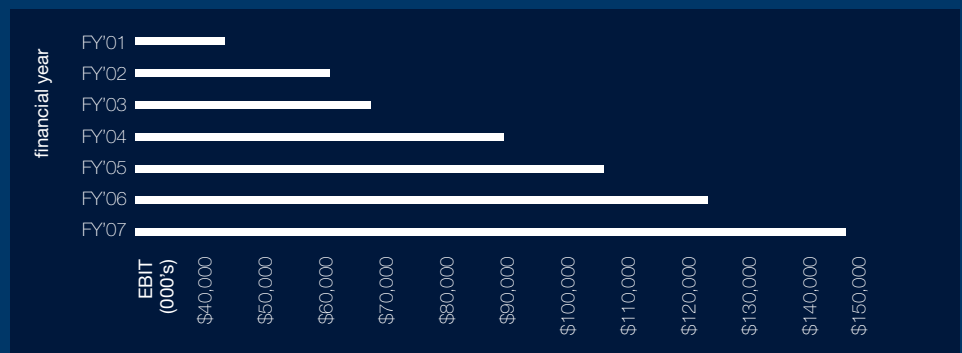
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# 2007 Highlights

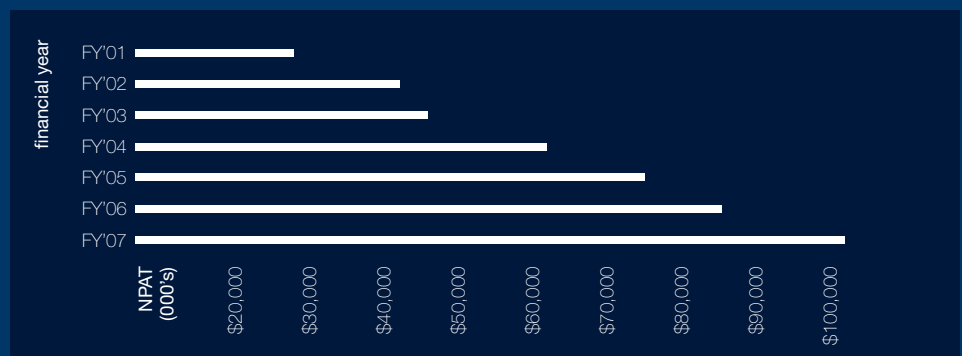
## Sales Revenue (000's)



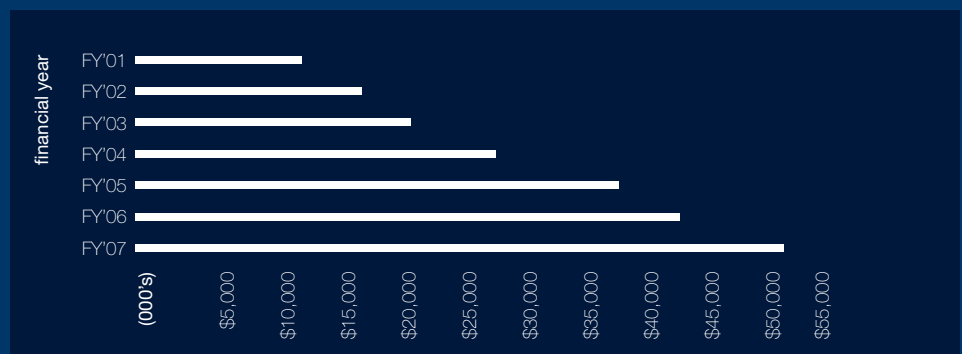
## EBIT (000's)



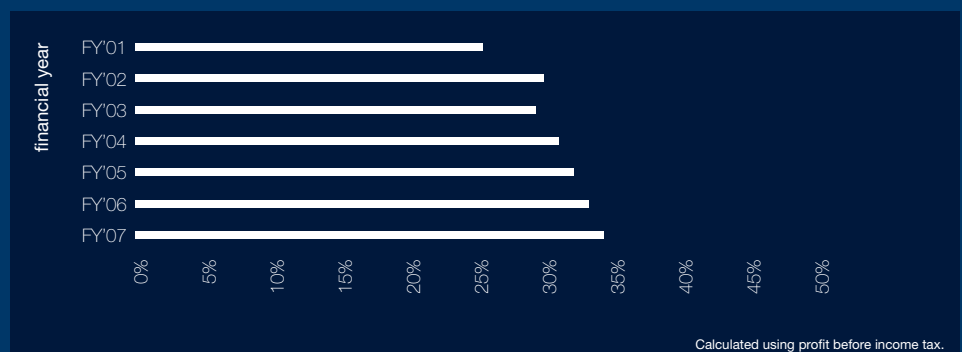
## NPAT (000's)



## Dividends



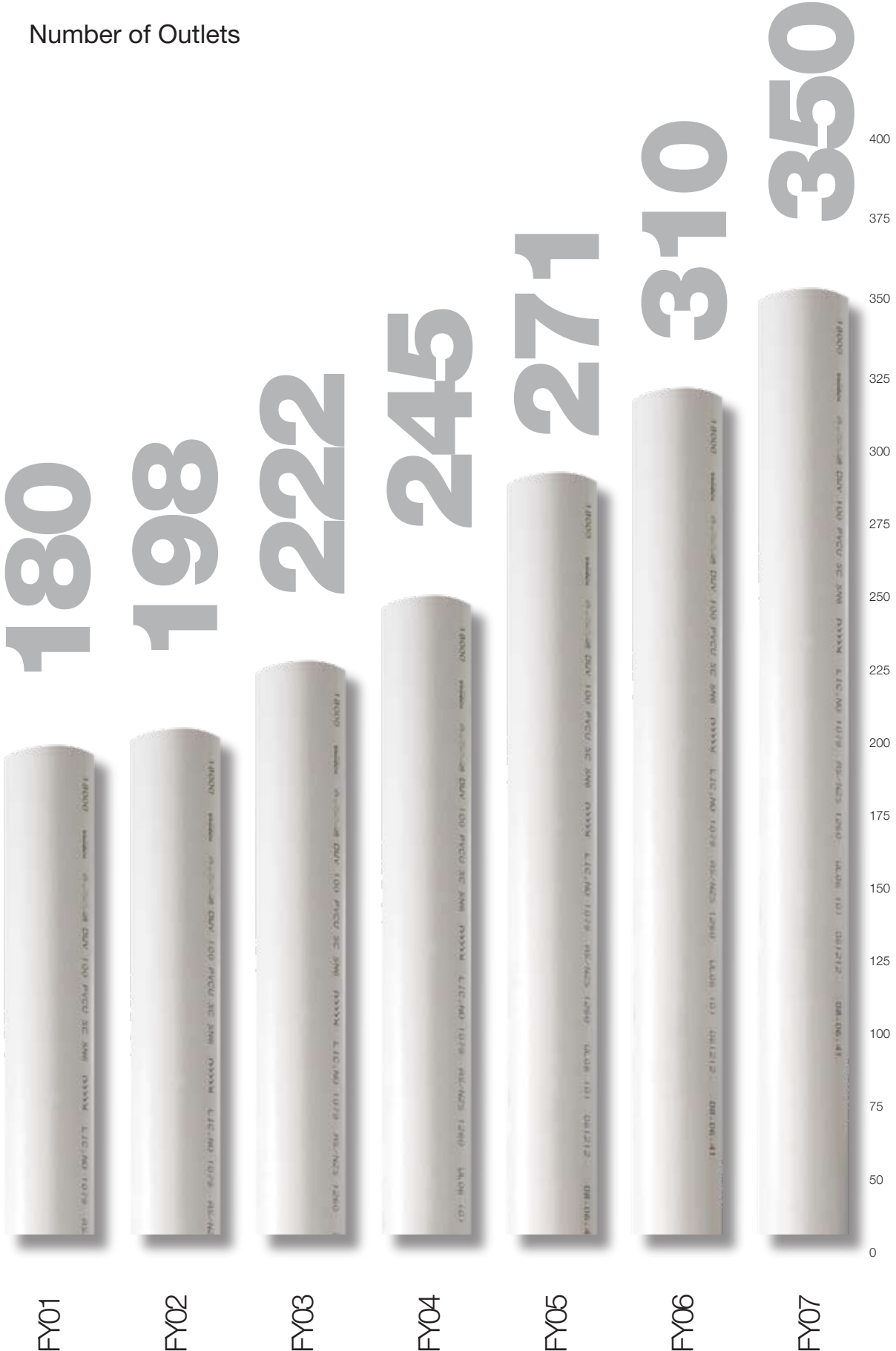
## Return on Equity



Calculated using profit before income tax.



Number of Outlets



# Corporate Governance Statement

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

It has implemented the guidelines 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 guideline 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	38 years
Mr B.W.C. Wilson	37 years
Mr J.G. Wilson	23 years
Mr P.J. Wilson	10 years
Mr R.G. Pitcher, AM	4 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 38 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.

## 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 audit.

## 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, 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 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 are not 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.

# Directors' Report

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 2007 and independent auditors report thereon. This financial report has been prepared in accordance with Australian Equivalents of International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures compliance with International Financial Reporting Standards (IFRS).

## 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:

	2007 (\$000's)	2006 (\$000's)
Operating Profit before income tax	149,130	124,583
Income tax expense	45,637	37,724
Operating profit after income tax attributable to the members of Reece Australia Limited	103,493	86,859

## Review of Operations

Reece Australia Limited, Australia's leading distributor of plumbing and bathroom products, earned a net profit after tax of \$103.4m for the year ended 30 June 2007 which is a 19.2% increase over the previous year. Sales revenue for the year ended 30 June 2007 increased by 17.5% to \$1,308,703,282.

During the year ended 30 June 2007 the Company commenced trading from 34 new locations throughout Australia, further building on a strong national network and bringing the total trading locations to 305. This translates to a network of 350 outlets throughout Australia and New Zealand 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 2008 and the Board expects new store openings to continue at a pace similar to that achieved over the past few years. The funding for this growth is from internally generated cash and borrowings as required. Business acquisitions will be considered if and when opportunities arise.

The Board is satisfied with the first full year trading results from its 2 New Zealand outlets. These stores will form the foundation for a much larger network which the Company plans to build over the longer term. The Board anticipates a further 3 store openings in New Zealand during 2008.

Like many Australian and New Zealand business's, a tight labour market is putting pressure on the Company's personnel recruitment efforts. With such a bold store opening programme, Reece offers wonderful career opportunities throughout Australia and New Zealand. The Company is participating in a range of recruiting initiatives which to date is securing quality candidates for the positions available, although there is a continuing upward pressure on wage costs in such a competitive labour market.

Throughout the year the Company maintained its strong focus on Occupational Health and Safety. In conjunction with the Company's continuing focus on manual handling which accounts for around 70% of compensable injuries, we have introduced further materials handling initiatives. For example new initiatives have been introduced in relation to the direct delivery by suppliers of heavy or awkward product such as roofing materials and rainwater tanks. As a consequence, we are seeing less serious materials handling injuries and lower WorkCover premiums.

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 quality and quantum of the Company's receivables which have risen in line with the increased level of trading year on year.

The Board is generally satisfied with inventory levels across the group and monitors inventory turns and days inventory held 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.

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The Company has commenced a major refresh of its Information Technology and Supply Chain systems. This is being done in a considered and measured manner utilising internal and specialist external consulting resources. This refresh is being carried out at the Board's direction to ensure the Company's systems scale with the demands of the business. The Board is providing the necessary oversight to ensure related costs are appropriate for the business and will deliver real business benefit.

The Board is pleased to advise it has declared a final dividend of 35 cents per share fully franked, an increase of 5 cents per share. The final dividend will be paid on 25 October 2007 with the record date for entitlement being 11 October 2007. Total dividends paid and to be paid relating to the year ended 30 June 2007 will be 52 cents per share compared to 44 cents per share in 2006, which is a 18.2% increase.

Looking ahead the Board anticipates continued growth however is reluctant to forecast growth rates at a time of tight labour conditions and the related upward pressure on wage costs, rising interest rates and unfavourable housing affordability data. Notwithstanding these factors, the Company is looking forward to the new challenges of its Information Technology and Supply Chain refresh programmes and the continuing challenge of attracting the right people with whom it can expand its Australian and New Zealand network.

## 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.

## 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 30 cents per share in respect of the year ended 30 June 2006, was paid on 26 October 2006.	29,880
<b>In respect of the current financial year:</b>	
An interim ordinary dividend of 17 cents per share was paid on 23 March 2007.	16,932
The final dividend declared to be paid on 25 October 2007 is an ordinary fully franked dividend of 35 cents per share.	34,860
	<b>51,792</b>

## 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.

## Indemnification and Insurance of Directors and Officers

A deed of indemnity, insurance and access has been entered into with each director, and with the company secretary, 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 \$47,000 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 \$385,000 (2006 - \$300,000) to various charitable organisations. This is a continuing initiative and recipients may vary from year to year at the discretion of the Board. The recipients this year were:

The Asthma Foundation	20,000
Multiple Sclerosis Australia	20,000
Salvation Army	20,000
The Smith Family	20,000
Royal Flying Doctor Service	20,000
Doctors without Borders	20,000
Barnados	20,000
National Stroke Foundation	20,000
Peter MacCallum Cancer Centre	40,000
Prostate Cancer Foundation of Australia	20,000
Centre for Eye Research Australia	20,000
Alzheimers Australia	20,000
Beyond Blue	20,000
Legacy	20,000
Mental Health Research Institute	20,000
Motor Neurone Disease Association of Victoria	20,000
St Vincent De Paul Society	20,000
Typo Station	20,000
Teen Challenge	5,000

# Directors' Report

## Information on Directors and Company Secretary

**Name:** Mr L. Alan Wilson  
**Age:** 66  
**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 2007.

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**Name:** Mr Peter J. Wilson  
**Age:** 39  
**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 2007.

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**Name:** Mr Bruce W.C. Wilson  
**Age:** 61  
**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 2007.

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**Name:** Mr John G. Wilson  
**Age:** 69  
**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 2007.

**Name:** Mr Ronald G. Pitcher, AM  
**Age:** 68  
**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:**

Cellestis Limited	6 years
McMillan Shakespeare Limited	3 years
National Can Industries Limited	13 years

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**Name:** Mr Neil G. Cathie  
**Age:** 51  
**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	10	10
P.J. Wilson	10	10
B.W.C. Wilson	10	10
J.G. Wilson	9	10
R.G. Pitcher, AM	10	10

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

Director	Number of Remuneration Committee Meetings Attended	Number of Remuneration Committee Meetings Held Whilst In Office
R.G. Pitcher, AM	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, AM	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.

# Directors' Report

## 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.

	2007 \$	2006 \$
<b>Audit/Review fees</b>	<b>408,979</b>	<b>358,865</b>
Non-audit fees:		
Taxation services	21,350	18,820
Review of accounting policies	4,500	3,405
Other assurance services	21,039	24,500
	<b>46,889</b>	<b>46,725</b>

## 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. In addition, the Committee makes reference to the current employment market in which the consolidated entity operates when setting remuneration arrangements.

The components of remuneration for each executive director and executive are largely cash based and comprise fixed remuneration (including superannuation and benefits) and performance based short-term incentives. 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. There are no arrangements in place to provide any executive director or executive with retirement benefits other than statutory superannuation and accrued leave entitlements.

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>					
<b>L.A. Wilson</b> (Chairman and Chief Executive Officer)					
2007	1,227,717	1,491,000	62,342	105,113	2,886,172
2006	1,125,000	1,246,000	17,169	87,141	2,475,310
<b>P.J. Wilson</b> (Chief Operating Officer)					
2007	745,835	380,000	27,902	42,385	1,196,122
2006	535,000	300,000	11,780	28,600	875,380
<b>B.W.C. Wilson</b> (Non-Executive)					
2007	50,000	-	-	4,500	54,500
2006	50,000	-	-	4,500	54,500
<b>J.G. Wilson</b> (Non-Executive)					
2007	50,000	-	-	4,500	54,500
2006	50,000	-	-	4,500	54,500
<b>R.G. Pitcher</b> (Non-Executive)					
2007	-	-	-	81,750	81,750
2006	75,000	-	-	6,750	81,750
<b>Total Remuneration: Directors</b>					
2007	2,073,552	1,871,000	90,244	238,248	4,273,044
2006	1,835,000	1,546,000	28,949	131,491	3,541,440
<b>Executives</b>					
<b>N.G. Cathie</b> (Company Secretary, Chief Financial Officer)					
2007	512,817	345,000	49,225	105,000	1,012,042
2006	458,000	290,000	27,182	81,000	856,182
<b>Total Remuneration: Executives</b>					
2007	512,817	345,000	49,225	105,000	1,012,042
2006	458,000	290,000	27,182	81,000	856,182

"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 28 August 2007.

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 2007, 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.

A.R. FITZPATRICK  
Partner  
28 August 2007

PITCHER PARTNERS  
Melbourne

## **Our goal**

**To be the  
— best by  
— continually  
— improving  
the service we  
provide our  
customers.**

# Consolidated Income Statement

for the year ended 30 June 2007

	Notes	CONSOLIDATED ENTITY		PARENT ENTITY	
		2007 (\$000's)	2006 (\$000's)	2007 (\$000's)	2006 (\$000's)
<b>Revenue</b>					
Sales revenue	4	1,308,703	1,113,427	-	-
Other income		1,359	2,210	46,812	39,840
		<b>1,310,062</b>	<b>1,115,637</b>	<b>46,812</b>	<b>39,840</b>
Cost of goods sold		926,915	794,409	-	-
Employee benefits expense		118,744	100,667	-	-
Depreciation		16,244	13,348	-	-
Finance costs		1,500	80	-	-
Other expenses		97,529	82,550	-	-
<b>Profit before income tax</b>	4	<b>149,130</b>	<b>124,583</b>	<b>46,812</b>	<b>39,840</b>
Income tax expense	5	45,637	37,724	-	-
<b>Profit for the year</b>		<b>103,493</b>	<b>86,859</b>	<b>46,812</b>	<b>39,840</b>
Profit attributable to the members of the parent		103,493	86,859	46,812	39,840
Basic earnings per share	23	104 cents	87 cents	-	-
Diluted earnings per share	23	104 cents	87 cents	-	-

The Consolidated Income Statement is to be read in conjunction with the notes to the financial statements set out on pages 18 to 32.

# Consolidated Balance Sheet

as at 30 June 2007

	Notes	CONSOLIDATED ENTITY		PARENT ENTITY	
		2007 (\$000's)	2006 (\$000's)	2007 (\$000's)	2006 (\$000's)
<b>Current Assets</b>					
Cash and cash equivalents	7	23,648	53,665	-	-
Receivables	8	215,908	191,323	-	-
Inventories	9	197,856	166,210	-	-
<b>Total Current Assets</b>		<b>437,412</b>	<b>411,198</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	211,312	176,734	-	-
Intangible assets	13	3,177	2,879	-	-
Deferred tax assets	5	15,716	14,319	-	-
<b>Total Non-Current Assets</b>		<b>230,205</b>	<b>193,932</b>	<b>11,523</b>	<b>11,523</b>
<b>Total Assets</b>		<b>667,617</b>	<b>605,130</b>	<b>11,523</b>	<b>11,523</b>
<b>Current Liabilities</b>					
Payables	14	185,646	184,264	-	-
Current tax payable		13,381	12,410	-	-
Provisions	15	13,686	11,312	-	-
Other	17	7,152	8,539	-	-
<b>Total Current Liabilities</b>		<b>219,865</b>	<b>216,525</b>	<b>-</b>	<b>-</b>
<b>Non-Current Liabilities</b>					
Long term borrowings	16	5,215	3,208	-	-
Provisions	15	9,668	9,394	-	-
<b>Total Non-Current Liabilities</b>		<b>14,883</b>	<b>12,602</b>	<b>-</b>	<b>-</b>
<b>Total Liabilities</b>		<b>234,748</b>	<b>229,127</b>	<b>-</b>	<b>-</b>
<b>Net Assets</b>		<b>432,869</b>	<b>376,003</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	3,072	2,887	37	37
Retained earnings	20	419,837	363,156	1,526	1,526
<b>Total Equity</b>		<b>432,869</b>	<b>376,003</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 18 to 32.

# Consolidated Statement Of Changes In Equity

as at 30 June 2007

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2007 (\$000's)	2006 (\$000's)	2007 (\$000's)	2006 (\$000's)
Total equity at the beginning of the year	376,003	329,100	11,523	11,523
Exchange differences on translation of foreign operations	185	(116)	-	-
Net income recognised directly in equity	185	(116)	-	-
Profit for the year	103,493	86,859	46,812	39,840
Total recognised income and expense for the period	103,678	86,743	46,812	39,840
Transactions with equity holders in their capacity as equity holders:				
Dividends paid	(46,812)	(39,840)	(46,812)	(39,840)
Total equity at the end of the year	432,869	376,003	11,523	11,523

The Consolidated Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements set out on pages 18 to 32.

# Consolidated Statement Of Cash Flows

for the year ended 30 June 2007

	Notes	CONSOLIDATED ENTITY		PARENT ENTITY	
		2007 (\$000's)	2006 (\$000's)	2007 (\$000's)	2006 (\$000's)
<b>Cash flow from operating activities</b>					
Receipts from customers		1,413,531	1,205,194	-	-
Payments to suppliers and employees		(1,299,408)	(1,077,734)	-	-
Dividends received		-	-	46,812	39,840
Interest received		741	1,542	-	-
Borrowing costs		(1,500)	(80)	-	-
Income tax paid		(46,053)	(38,298)	-	-
<b>Net cash provided by operating activities</b>	21(a)	<b>67,311</b>	<b>90,624</b>	<b>46,812</b>	<b>39,840</b>
<b>Cash flow from investing activities</b>					
Payment for property, plant and equipment		(53,323)	(44,330)	-	-
Proceeds from sale of property, plant and equipment		1,188	906	-	-
Purchase of intangibles		-	(2,879)	-	-
<b>Net cash used in investing activities</b>		<b>(52,135)</b>	<b>(46,303)</b>	<b>-</b>	<b>-</b>
<b>Cash flow from financing activities</b>					
Dividends paid		(46,812)	(39,840)	(46,812)	(39,840)
Repayment of borrowings		(333,000)	-	-	-
Proceeds from borrowings		334,619	3,208	-	-
<b>Net cash used in financing activities</b>		<b>(45,193)</b>	<b>(36,632)</b>	<b>(46,812)</b>	<b>(39,840)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>		<b>(30,017)</b>	<b>7,689</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>53,665</b>	<b>45,976</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>23,648</b>	<b>53,665</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 18 to 32.

# Notes

## to the financial statements for the year ended 30 June 2007

### 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

##### *Compliance with IFRS*

Australian Accounting Standards include Australian Equivalents to International Financial Reporting Standards (AIFRSs). Compliance with AIFRS ensures compliance with International Financial Reporting Standards (IFRSs).

##### *Historical Cost Convention*

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets 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.

##### *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:

	2007	2006
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



**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, if any.

**(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 liabilities and deferred tax assets arising in respect of tax losses for the tax consolidated group. The tax consolidated group has also entered into 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.

# Notes

## to the financial statements for the year ended 30 June 2007

### *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

Certain derivatives 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 derivatives 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

Where necessary, comparative information has been reclassified and repositioned for 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.

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2007 (\$000's)	2006 (\$000's)	2007 (\$000's)	2006 (\$000's)
<b>4. Profit from Continuing Operations</b>				
Profit from continuing operations before income tax has been determined after:				
<b>Revenues</b>				
Sales	1,308,703	1,113,427	-	-
Other Income				
Dividends received or due and receivable from related entities	-	-	46,812	39,840
Interest received or due and receivable from other persons	741	1,542	-	-
Net gain on sale or disposal of property, plant and equipment	241	291	-	-
Foreign currency gain	-	112	-	-
Bad debts recovered	377	265	-	-
	1,359	2,210	46,812	39,840
<b>Total revenues from continuing operations</b>	<b>1,310,062</b>	<b>1,115,637</b>	<b>46,812</b>	<b>39,840</b>
<b>Expenses</b>				
Cost of goods sold	926,915	794,409	-	-
Bad debts written off:				
Trade Debtors	1,373	1,196	-	-
Depreciation:				
Buildings	3,072	2,654	-	-
Motor vehicles	5,081	4,276	-	-
Fixtures, fittings and equipment	8,091	6,418	-	-
Employee benefits expense:				
Wages and salaries	109,997	93,232	-	-
Superannuation costs	8,747	7,435	-	-
Interest	1,500	80	-	-
Other expense items:				
Provision for inventory obsolescence	400	1,040	-	-
Provision for warranty	537	-	-	-
Foreign currency loss	1,084	-	-	-
Operating lease rentals	13,282	10,597	-	-

# Notes

to the financial statements  
for the year ended 30 June 2007

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2007 \$000's)	2006 (\$000's)	2007 (\$000's)	2006 (\$000's)
<b>5. Income Tax</b>				
(a) The components of tax expense:				
Current tax	46,683	39,516	-	-
Deferred tax	(1,397)	(1,699)	-	-
Under(over)provision in prior years	351	(93)	-	-
Income tax expense	45,637	37,724	-	-
(b) The prima facie tax on profit, using tax rates applicable in the country of operation, differs from the income tax provided in the financial statements as follows:				
At the statutory income tax rate of 30% (2006: 30%)	44,739	37,375	14,044	11,952
Tax effect of amounts which are not deductible in calculating taxable income:				
Non-deductible expenditure	547	442	-	-
Underprovision in prior year	351	(93)	-	-
Rebateable dividends	-	-	(14,044)	(11,952)
Income tax expense	45,637	37,724	-	-
(c) Deferred tax asset relates to the following:				
Employee benefits	6,517	5,884	-	-
Other provisions	4,544	4,263	-	-
Losses available for offset against future taxable income	-	66	-	-
Depreciation of buildings	4,655	4,106	-	-
	15,716	14,319	-	-
Movement in deferred tax asset:				
Balance at beginning of year	14,319	12,620	-	-
Credited to the income statement	1,397	1,699	-	-
Balance at the end of the year	15,716	14,319	-	-
<b>Deferred tax asset not brought to account</b>				
Deferred tax asset relating to unused capital tax losses at 30% (2006: 30%)	495	495	-	-

The deferred tax asset which has not been recognised as an asset will only be obtained if:

- (i) the tax consolidated group derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised; and
- (ii) the tax consolidated group continues to comply with the conditions for deductibility imposed by the law; and
- (iii) no changes in tax legislation adversely affect the group in realising the benefit.

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2007 (\$000's)	2006 (\$000's)	2007 (\$000's)	2006 (\$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 30 cents per share paid 26 October 2006 (fully franked to 30%)	29,880	25,896	29,880	25,896
<b>In respect of the current financial year:</b>				
Interim dividend of 17 cents per share paid 23 March 2007 (fully franked to 30%)	16,932	13,944	16,932	13,944
Dividend Declared to be paid 25 October 2007 (35 cents per share fully franked)	34,860	29,880	34,860	29,880
	51,792	43,824	51,792	43,824
<b>Dividend franking account</b>				
Balance of franking account at year end adjusted for franking credits arising from payment of income tax and franking debits arising from dividends paid.	207,688	193,884	207,688	193,884
Impact on the franking account of dividends recommended by the directors since the year end but not recognised as a liability at year end.	(14,940)	(12,805)	(14,940)	(12,805)
	192,748	181,079	192,748	181,079
<b>7. Cash and Cash Equivalents</b>				
Cash on hand	242	220	-	-
Cash on deposit	23,406	53,445	-	-
	23,648	53,665	-	-

# Notes

to the financial statements  
for the year ended 30 June 2007

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2007 (\$000's)	2006 (\$000's)	2007 (\$000's)	2006 (\$000's)
<b>8. Receivables</b>				
Current				
Trade debtors	201,448	178,406	-	-
Less: Provision for doubtful debts	(5,379)	(5,379)	-	-
	196,069	173,027	-	-
Other debtors and prepayments	19,839	18,296	-	-
	215,908	191,323	-	-
Non-current				
Loans, controlled entities	-	-	1,812	1,812
<b>9. Inventories</b>				
Current				
Finished goods, at cost	206,026	173,980	-	-
Less: Provision for obsolescence	(8,170)	(7,770)	-	-
	197,856	166,210	-	-
<b>10. Other Financial Assets</b>				
Non-current				
Shares in related corporations at cost	-	-	9,711	9,711
<b>11. Property, Plant and Equipment</b>				
Freehold land at cost	60,992	49,286	-	-
Freehold buildings at cost	81,414	74,203	-	-
Less: Accumulated depreciation	(26,377)	(23,415)	-	-
	116,029	100,074	-	-
Total land and buildings	142,406	123,489	-	-
Less: Accumulated depreciation	(26,377)	(23,415)	-	-
	116,029	100,074	-	-
Fixtures, fittings and equipment at cost	127,634	104,494	-	-
Less: Accumulated depreciation	(58,366)	(50,280)	-	-
	69,268	54,214	-	-
Motor vehicles at cost	46,830	41,743	-	-
Less: Accumulated depreciation	(20,815)	(19,297)	-	-
	26,015	22,446	-	-
Total property, plant and equipment	211,312	176,734	-	-

## 11. Property, Plant and Equipment (continued)

### Reconciliations

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

	CONSOLIDATED ENTITY	
	2007 (\$000's)	2006 (\$000's)
<b>Freehold land</b>		
Carrying amount at beginning of year	49,286	43,939
Additions	11,731	5,754
Disposals	(25)	(407)
<b>Carrying amount at end of year</b>	<b>60,992</b>	<b>49,286</b>
<b>Buildings</b>		
Carrying amount at beginning of year	50,788	43,577
Additions	7,360	9,865
Disposals	(39)	-
Depreciation	(3,072)	(2,654)
<b>Carrying amount at end of year</b>	<b>55,037</b>	<b>50,788</b>
<b>Fixtures, fittings &amp; equipment</b>		
Carrying amount at beginning of year	54,214	37,328
Additions	23,147	23,391
Disposals	(2)	(87)
Depreciation	(8,091)	(6,418)
<b>Carrying amount at end of year</b>	<b>69,268</b>	<b>54,214</b>
<b>Motor vehicles</b>		
Carrying amount at beginning of year	22,446	18,052
Additions	9,530	9,198
Disposals	(880)	(528)
Depreciation	(5,081)	(4,276)
<b>Carrying amount at end of year</b>	<b>26,015</b>	<b>22,446</b>

## 12. Current Value of Land and Buildings

A directors' valuation of land and buildings was undertaken on 30 June 2007. In their valuation, the directors took account of independent valuations previously obtained. As at 30 June 2007, the directors' assessment of the current market value of land and buildings is \$186,301,468.

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2007 (\$000's)	2006 (\$000's)	2007 (\$000's)	2006 (\$000's)
<b>13. Intangibles</b>				
Goodwill at cost	3,177	2,879	-	-
Accumulated impairment loss	-	-	-	-
	<b>3,177</b>	<b>2,879</b>	<b>-</b>	<b>-</b>

# Notes

to the financial statements  
for the year ended 30 June 2007

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2007 (\$000's)	2006 (\$000's)	2007 (\$000's)	2006 (\$000's)
<b>14. Payables</b>				
Current				
Trade creditors and accruals	185,646	184,264	-	-
<b>15. Provisions</b>				
Current				
Employee benefits	12,087	10,250	-	-
Warranty	1,599	1,062	-	-
	13,686	11,312	-	-
Non-current				
Employee benefits	9,668	9,394	-	-
Aggregate employee benefits liability	21,755	19,644	-	-
Number of employees at year end	2,950	2,677	-	-
<b>16. Long Term Borrowings</b>				
Non-current				
Secured				
Fixed rate term loan	5,215	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.				
<b>17. Other Current Liabilities</b>				
Amounts owing under contract	7,152	8,539	-	-
<b>18. Contributed Equity</b>				
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.				
<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	69	(116)	-	-
	3,072	2,887	37	37



	CONSOLIDATED ENTITY		PARENT ENTITY	
	2007 (\$000's)	2006 (\$000's)	2007 (\$000's)	2006 (\$000's)
<b>20. Retained Earnings</b>				
Balance at the beginning of year	363,156	316,137	1,526	1,526
Net profit attributable to members of parent entity	103,493	86,859	46,812	39,840
Dividends paid	(46,812)	(39,840)	(46,812)	(39,840)
Balance at end of year	419,837	363,156	1,526	1,526

## 21. Cash Flow Information

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

Net profit	103,493	86,859	46,812	39,840
Add/(less) non cash items:				
Profit on sale or disposal of non-current assets	(241)	(291)	-	-
Depreciation	16,244	13,348	-	-
Exchange translation	144	(116)	-	-
Amounts set aside to provisions	2,648	2,220	-	-
<b>Net cash flows from operations before change in assets and liabilities</b>	<b>122,288</b>	<b>102,020</b>	<b>46,812</b>	<b>39,840</b>
<b>Change in assets and liabilities</b>				
(Increase)/decrease in trade debtors	(23,042)	(17,368)	-	-
(Increase)/decrease in other debtors	(1,543)	769	-	-
(Increase)/decrease in inventory	(31,646)	(23,120)	-	-
Increase/(decrease) in trade creditors and accruals	1,680	28,897	-	-
(Decrease)/increase in income taxes payable	971	1,125	-	-
(Increase)/decrease in deferred tax assets	(1,397)	(1,699)	-	-
<b>Net cash flow from operating activities</b>	<b>67,311</b>	<b>90,624</b>	<b>46,812</b>	<b>39,840</b>

# Notes

to the financial statements  
for the year ended 30 June 2007

		CONSOLIDATED ENTITY		PARENT ENTITY	
		2007	2006	2007	2006
		(\$000's)	(\$000's)	(\$000's)	(\$000's)
<b>21. Cash Flow Information (continued)</b>					
(b) Financing facilities					
Bank Loans and Overdraft					
Bank facilities are secured by Deeds of Negative Pledge					
The consolidated entity has access to the following lines of credit:					
Total facilities available and unused at 30 June 2007					
Bank Overdraft	- facility	5,000	25,000	-	-
	- unused	5,000	25,000	-	-
Committed Cash Advance	- facility	67,256	6,579	-	-
	- unused	62,041	3,371	-	-
Uncommitted Cash Advance	- facility	50,000	-	-	-
	- unused	50,000	-	-	-
Uncommitted Placement Line	- facility	25,000	-	-	-
	- unused	25,000	-	-	-
Bank Guarantees	- facility	1,500	300	-	-
	- unused	961	181	-	-
Trade Refinance & documentary letters of credit/surrenders	- facility	5,000	5,000	-	-
	- unused	2,614	1,663	-	-
Credit cards	- facility	3,427	3,220	-	-
	- unused	2,957	3,171	-	-
Total	- facility	157,183	40,099	-	-
	- unused	148,573	33,386	-	-

## 22. Commitments

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

Buildings	66,325	41,215	-	-
Equipment	3,440	4,301	-	-
	69,765	45,516	-	-
Due not later than one year	16,263	11,750	-	-
Due later than one year but not later than five years	37,201	27,685	-	-
Due later than five years	16,301	6,081	-	-
	69,765	45,516	-	-

		CONSOLIDATED ENTITY	
		2007	2006
<b>23. Earnings per Share</b>			
Earnings used in calculating basic and diluted earnings per share.		103,493,022	86,858,741
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.		104 cents	87 cents

## 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)						
2007	1,227,717	1,491,000	62,342	105,113	2,886,172	66,625,820
2006	1,125,000	1,246,000	17,169	87,141	2,475,310	66,625,820
P.J. Wilson (Chief Operating Officer)						
2007	745,835	380,000	27,902	42,385	1,196,122	106,500
2006	535,000	300,000	11,780	28,600	875,380	106,500
B.W.C. Wilson (Non-Executive)						
2007	50,000	-	-	4,500	54,500	66,508,320
2006	50,000	-	-	4,500	54,500	66,508,320
J.G. Wilson (Non-Executive)						
2007	50,000	-	-	4,500	54,500	67,438,320
2006	50,000	-	-	4,500	54,500	67,438,320
R.G. Pitcher (Non-Executive)						
2007	-	-	-	81,750	81,750	25,000
2006	75,000	-	-	6,750	81,750	25,000
<b>Total Remuneration: Directors</b>						
2007	2,073,552	1,871,000	90,244	238,248	4,273,044	
2006	1,835,000	1,546,000	28,949	131,491	3,541,440	
<b>Executives</b>						
N.G. Cathie (Company Secretary, Chief Financial Officer)						
2007	512,817	345,000	49,225	105,000	1,012,042	30,480
2006	458,000	290,000	27,182	81,000	856,182	30,480
<b>Total Remuneration: Executives</b>						
2007	512,817	345,000	49,225	105,000	1,012,042	
2006	458,000	290,000	27,182	81,000	856,182	

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. In addition, the Committee makes reference to the current employment market in which the consolidated entity operates when setting remuneration arrangements.

The components of remuneration for each executive director and executive are largely cash based and comprise fixed remuneration (including superannuation and benefits) and performance based short-term incentives. 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. There are no arrangements in place to provide any executive director or executive with retirement benefits other than statutory superannuation and accrued leave entitlements.

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.

# Notes

to the financial statements  
for the year ended 30 June 2007

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2007 (\$000's)	2006 (\$000's)	2007 (\$000's)	2006 (\$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	409	359	-	-
Other financial services	47	47	-	-
	456	406	-	-

## 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 \$2,979,350 (2006 \$3,540,500) of which \$211,962 (2006 \$307,192) 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 \$949,225 (2006 \$901,215).

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.

## 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	
	2007 (\$000's)	2006 (\$000's)	2007 (\$000's)	2006 (\$000's)	2007 (\$000's)	2006 (\$000's)
Current	2,577	2,635	2,782	2,374	369	384
Non-current	-	-	-	-	-	-
	2,577	2,635	2,782	2,374	369	384

## 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. (2006: 200,000,000)

# Notes

to the financial statements  
for the year ended 30 June 2007

## 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 twelve months, are:

	2007	2006
US dollar	15,800,000	4,100,000
EURO	2,050,000	650,000

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

Name of entity	OWNERSHIP PERCENTAGE 2007	OWNERSHIP PERCENTAGE 2006
	%	%
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%	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 2007, that has significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 30 June 2007, of the consolidated entity, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial years subsequent to 30 June 2007, of the consolidated entity.

# Directors Declaration

The directors declare that the financial statements and notes set out on pages 14 to 32 in accordance with the Corporations Act 2001:

- (a) Comply with Accounting Standards and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) Give a true and fair view of the financial position of the company and the consolidated entity as at 30 June 2007 and of their performance as represented by the results of their operations, changes in equity and their 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 by the Chief Executive Officer and Chief Financial Officer to the directors in accordance with section 295A of the Corporations Act 2001 for the financial period ending 30 June 2007.

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

Dated at Melbourne on 28 August 2007.

L.A. Wilson  
Chairman

# Independent Audit Report



We have audited the accompanying financial report of Reece Australia Limited and controlled entities. The financial report comprises the Balance Sheet as at 30 June 2007, and the Income Statement, Statement of Changes in Equity and Cash Flow Statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the director's declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

## Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

## Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement in the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Independence

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

## Auditor's Opinion

In our opinion,

- (a) the financial report of Reece Australia Limited is in accordance with 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 2007 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

A.R. FITZPATRICK  
Partner  
28 August 2007

PITCHER PARTNERS  
Melbourne



# Shareholders Information

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 20 August 2007, the distribution of shareholdings was as follows:

SIZE OF SHAREHOLDING	NUMBER OF SHAREHOLDERS
1 – 1,000	485
1,001 – 5,000	315
5,001 – 10,000	73
10,001 – 100,000	132
Over 100,000	38
Holdings of less than a marketable parcel	0

### (b) Substantial shareholdings

The number of shares held by the substantial shareholders listed in the Company's register of substantial shareholders as at 20 August 2007 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
Austral 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.

# Shareholders Information

## (c) Class of shares and voting rights

At 20 August 2007, there were 1,043 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 20 August 2007:

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)	8,263,132	8.3%
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)	1,983,378	2.0%
Wilaust Holdings Pty Ltd	1,746,000	1.8%
J P Morgan Nominees Australia Limited	1,151,161	1.2%
National Nominees Limited	1,023,121	1.0%
John G. Wilson	934,000	0.9%
UBS Nominees Pty Ltd	914,315	0.9%
Cogent Nominees Pty Limited	910,708	0.9%
Citicorp Nominees Pty Ltd (CFSIL CWLTH AUST SHS 4 A/C)	863,621	0.9%
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 90.16% of the issued capital.

the 1990s, the number of people with a mental health problem has increased in the UK. The prevalence of mental health problems in the UK is estimated to be 16.5% (Mental Health Foundation, 2007). The prevalence of mental health problems in the UK is estimated to be 16.5% (Mental Health Foundation, 2007).

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