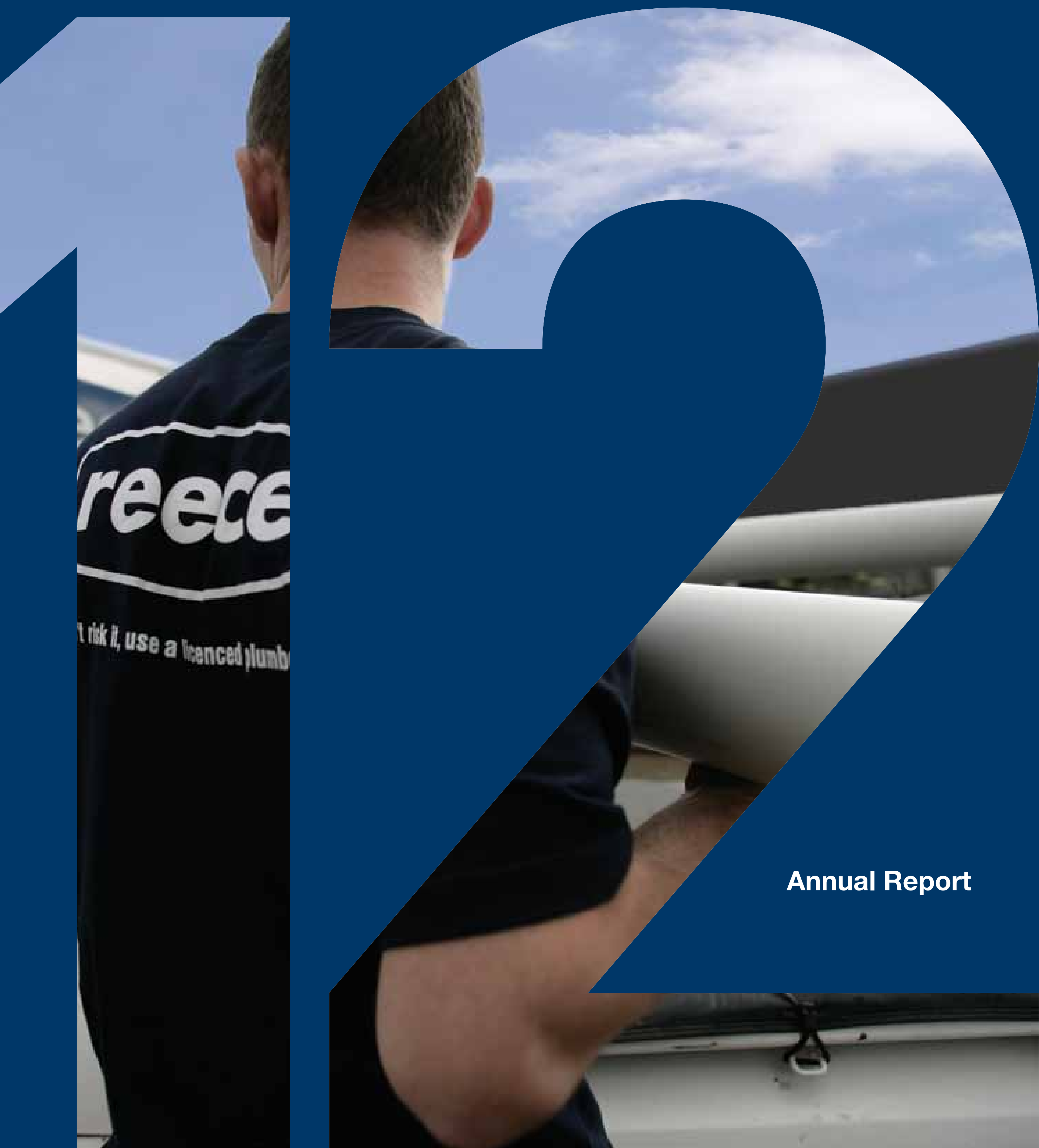
reece



12 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 (Executive Chairman) P.J. Wilson (Chief Executive Officer) B.W.C. Wilson J.G. Wilson R.G. Pitcher, AM A.T. Gorecki
Company Secretary	G.W. Street
Bankers	National Australia Bank Limited Commonwealth Bank of Australia Limited Bank of New Zealand Limited
Solicitors	Russell Kennedy Lander & Rogers
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

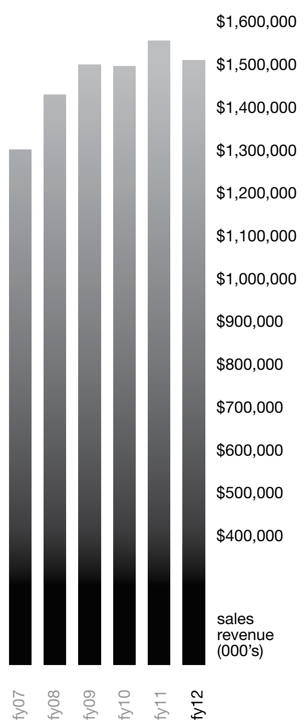
Notice is hereby given that the Annual General Meeting of Reece Australia Limited will be held at 3 pm on Thursday, 25 October, 2012 at 452 Johnston Street, Abbotsford, Victoria

CONTENTS

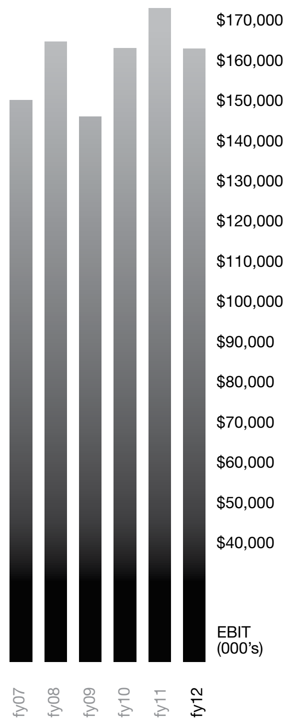
Reece Australia Limited and its controlled entities
Annual Report for the financial year ended 30 June 2012

2012 Highlights

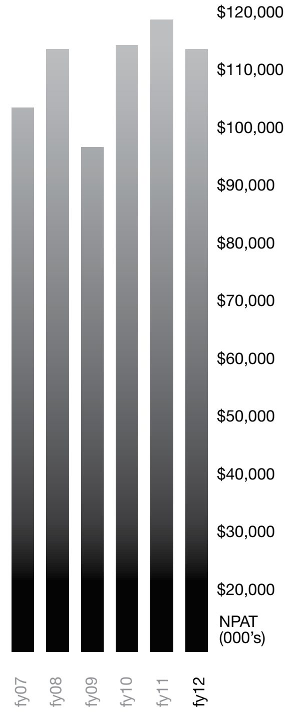
Reece has continued to invest in the business through the refurbishment of our outlets, opening new locations and increasing our range of products and services.



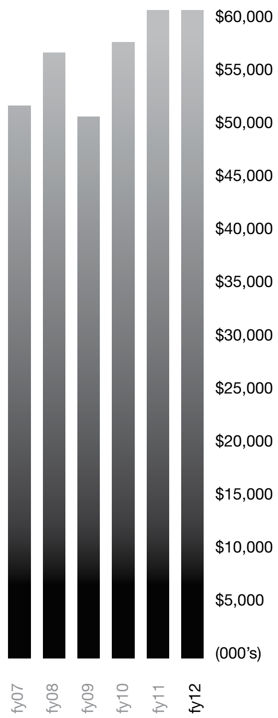
Sales Revenue (000's)



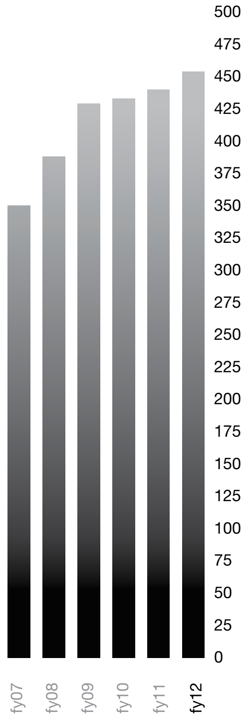
EBIT (000's)



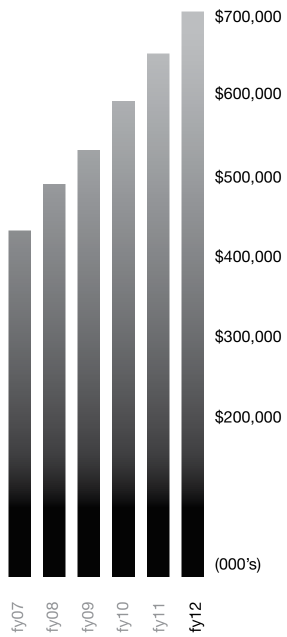
NPAT (000's)



Dividends (000's)



Number of Outlets



Net Assets (000's)

Corporate Governance Statement

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

This statement outlines the corporate governance policies and practices formally adopted by the Company. These policies and practices are in accordance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations with 2010 Amendments (2nd Edition) unless otherwise stated.

Principle 1

Lay solid foundations for management and oversight

The role of the Board is to provide strategic guidance and effective oversight of management. 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 senior executives, and is available from the Company upon request.

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:

- Setting and monitoring the strategic plans and corporate objectives for the Company
- Monitoring the operational and financial aspects of the Company's activities
- Overview of the Company's risk management strategy, internal controls and accounting and reporting systems
- Approving and monitoring capital expenditure, capital management and acquisitions
- Monitoring compliance with regulatory requirements
- Monitoring the performance of senior executives
- Appointing or removing the Chief Executive Officer, the Chief Financial Officer and the Company Secretary
- Monitoring compliance with the Company's own ethical and business standards

An internal process of evaluation was undertaken during the year of the performance of senior executives, including executive directors, having regard to the overall performance of the Company and of the individual Directors against the Board Charter.

Principle 2

Structure the Board to add value

The growth of the Company, strong 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	43 years
Mr B.W.C. Wilson	42 years
Mr J.G. Wilson	28 years
Mr P.J. Wilson	15 years
Mr R.G. Pitcher, AM	9 years
Mr A.T. Gorecki	4 years

The ASX Corporate Governance Principles and Recommendations recommend that the Board comprise a majority of directors who are independent, and an independent Chairperson.

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 Executive Chairman since 1 January 2008 having previously held the position of Chairman and Chief Executive Officer.

Mr B.W.C. Wilson and Mr J.G. Wilson are substantial shareholders of the Company. They, along with Mr R.G. Pitcher and Mr A.T. Gorecki, represent a majority of non-executive directors in the current Board structure and bring objective judgement to bear on Board decisions commensurate with their commercial knowledge, experience and expertise.

Mr P.J. Wilson is a senior executive of the Company and has been Chief Executive Officer since 1 January 2008.

The Company does not have a nomination committee with the role being carried out by the full Board.

An internal process of evaluation was undertaken during the year of the performance of the Board and its committees. This review provided satisfaction to the Board that it is effective and appropriate to the Company's circumstances.

To enable performance of their duties, all directors:

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

Principle 3

Promote ethical and responsible decision making

The Board places great emphasis on honesty and integrity in all its business dealings, recognising that the interests of all stakeholders will be best served when directors, senior executives and employees adhere to high standards of business ethics and comply with the law.

In order to clarify the standards of ethical behaviour required of its directors, senior executives and employees the Board has established Codes of Conduct to ensure the Company's ethical reputation is maintained. The Company's Code of Conduct for Directors and Senior Executives and Code of Business Ethics and Conduct are published on the Company's website at www.reece.com.au.

The Company has in place a policy concerning trading in Company securities. The Company's Policy on Share Trading by Directors and Employees is published on the Company's website at www.reece.com.au.

The Company has in place an Equal Opportunity and Diversity Policy which is published on the Company's website at www.reece.com.au.

The Company has adopted a Whistleblower policy designed to provide all employees the opportunity to raise concerns regarding improper conduct without fear of any adverse ramifications. The Board encourages and supports the Company's commitment to providing a work environment that provides an equal opportunity to all employees.

The Company has implemented the following initiatives during the year:

- the policy made available to all employees and included in new staff training programs
- management training programs highlighting the importance and benefits of diversity in the work force
- continually re-enforcing its policy to recruit for the best available talent regardless of gender, age, ethnicity, disability or cultural background
- annual review by the Risk and Compliance Committee and the Board of the Company's gender profile

17% of the corporate group employees are women and 18% of senior management roles are filled by women. There are currently no female directors on the Board.

The Board confirms it has undertaken an annual review of the Equal Opportunity and Diversity Policy and the measurable objectives for the Financial Year 2013. The Board has determined it will maintain the existing measurable objectives.

Principle 4

Safeguard integrity in financial reporting

The Company has an audit committee comprised of a majority of independent directors. The audit committee presently comprises Mr R.G. Pitcher (Chairman), Mr A.T. Gorecki and Mr B.W.C. 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.

The details of the number of audit committee meetings held and attended are included in the Directors' Report.

The Audit Committee operates under its own charter which is available from the Company upon request.

The Audit Committee ensures the rotation of the external audit engagement partners in accordance with regulatory requirements.

Corporate Governance Statement

Principle 7

Recognise and manage risk

The Board recognises that the effective management of risk is an integral part of good management and vital to the continued growth and success of the Company. The Board has decided against the establishment of a separate Board risk committee at this time, and risk oversite remains a direct responsibility of the full Board. As a part of the risk management process a Risk and Compliance Committee made up of senior management meet quarterly and report to the Board.

The Company's risk management policy aims not to eliminate risk but to identify, monitor and manage material risks inherent in the activities of the Company.

In managing risk, the Board has charged the Risk and Compliance Committee with the responsibility of determining and implementing risk management controls in the conduct of the business in at least the following areas:

- strategic risks
- operations including business continuity
- product and service quality
- reputation
- ethical conduct in business dealings
- maintenance of a safe work environment
- management of technology resources
- the integrity and reliability of financial reporting
- compliance with internal policies and procedures
- compliance with regulatory requirements
- compliance with environmental obligations

The Company has effective risk management controls implemented by Reece management incorporating:

- a clearly defined organisational structure with defined management responsibilities
- segregation of duties
- delegated limits of authority
- reliable and stable management reporting systems and accounting controls
- internal audit function to review the quality and effectiveness of internal processes, procedures and controls
- procedures for managing financial risk and the treasury function
- a comprehensive insurance programme which is reviewed annually
- utilisation of an independent, confidential and impartial whistleblowing management service
- a clearly defined set of standards and behaviours expected from those working within the Company

The board has received written assurances from management as to the effectiveness of the company's management of its material business risks.

The Board retains oversight responsibility for assessing the effectiveness of the Company's systems for the management of material business risks.

The Chief Executive Officer and Chief Financial Officer have provided written assurance that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Principle 8

Remunerate fairly and responsibly

The ASX Corporate Governance Principles and Recommendations recommend that a listed company should have a Remuneration Committee comprising at least three members with the majority being independent directors.

The Remuneration Committee currently consists of three non-executive directors with the majority being independent.

The Committee is chaired by an independent director, Mr R.G. Pitcher and comprises of Mr B.W.C. Wilson and Mr. A.T. Gorecki. Mr. B.W.C. Wilson is a non-executive director and a substantial shareholder of the Company.

The Remuneration Committee operates under its own charter available from the company upon request.

Remuneration of the directors and senior executives is the responsibility of the Remuneration Committee. The Committee obtains advice where necessary to ensure the Company attracts and retains talented and motivated directors and employees who can enhance Company performance through their contributions and leadership. 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 components of remuneration for each executive director and senior executive are largely cash based. There are no share based payments and non-cash benefits are modest. Performance based cash payments are largely related to Company trading and operating performance. Currently 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.

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.

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 ("Reece"), for the financial year ended 30 June 2012 and auditor's report thereon. This financial report has been prepared in accordance with Australian Accounting Standards .

Principal Activities

Reece is a leading supplier of plumbing and bathroom products with operations in Australia and New Zealand. Its activities include importing, wholesaling, distribution, marketing and retailing. Reece supplies customers in the trade, retail, professional and commercial markets.

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:

	2012 ($000's)	2011 ($000's)
Profit before income tax	163,007	171,040
Income tax expense	49,727	52,429
Operating profit after income tax attributable to the members of Reece Australia Limited	113,280	118,611

Review of Operations

Reece earned a net profit after tax of $113.3m for the year ended 30 June 2012, down 4.5% on the prior year (2011 $118.6m). Sales revenue was down 2.9% to $1,519m (2011 $1,564m), with profit before income tax down 4.7% to $163.0m (2011 $171.0m). The profit after tax result was impacted by lower revenue due to the reduction in building activity and the challenging economic conditions in both Australia and New Zealand. The Company has maintained investment in key areas of the business whilst continuing to deliver process improvements to ensure costs are tightly managed. The Directors wish to record their appreciation of the work and commitment of the company's employees in delivering a commendable result in these difficult times.

Reece has maintained a very strong cash position with cash and cash equivalents of $166.8m at 30 June 2012. Net assets increased by 8.1% to $707m (2011 $654m) with growth funded through internally generated profit.

Investment in the branch network continued with the refurbishment of trade and showroom outlets during the year. In addition, the company has completed the roll out of the new corporate identity as well as opening 13 new outlets in Australia and 1 new outlet in New Zealand. One outlet was closed in Australia. At the end of the year 453 outlets were trading in Australia and New Zealand. The Company will continue to invest in the development of key sites in both Australia and New Zealand and intends to open more sites over the next twelve months.

Customer service continues to be the number one business priority. Customer feedback is used by management to identify opportunities and develop plans to further improve the in-store service and on-line experience. Reece has introduced a range of new products during the year, sourced both locally and overseas, to further increase the product offering. The Company has a comprehensive development and testing program to ensure the high level of quality is maintained.

Inventory levels are in line with prior year despite an increase in the number of outlets. The stock management system and stock ordering process allowed the Company to more effectively manage inventory and improve customer service. This was further enhanced with the opening of the new regional distribution centre in Queensland. The new distribution centre incorporates the latest warehouse management technology and allows the Company, in conjunction with the national distribution centre in Victoria, to provide a more effective and efficient service to the branch network.

The IT transformation program is well underway with the Company enhancing the online offering to both trade and retail customers with new functionality launched during the year. The development of the new point of sale system continued with new functionality implemented during the year. Reece will continue to invest in the development of new technology to further improve business processes and customer service.

Trading conditions continued to be challenging for the building and construction industry. Reece has worked closely with customers to manage customer relationships and receivables during the year. Bad debts were contained within acceptable levels.

The Board is pleased to advise it has declared a final dividend of 40 cents per share fully franked. The final dividend will be paid on 25 October 2012 with the record date for entitlement being 8 October 2012. Total dividends paid and to be paid relating to the year ended 30 June 2012 will be 61 cents per share, the same as the prior year.

The Board expects the challenging economic environment to continue into 2013 and is reluctant to provide a forecast. Guidance will be provided to the market at the appropriate time.

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.

Environmental Regulations

The consolidated entity's operations are subject to certain environmental regulation under a law of the Commonwealth or of a State. The consolidated entity is not aware of any significant breaches of environmental regulations during the year.

Dividends

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

In respect of the previous financial year:	**($000's)**
A final fully franked ordinary dividend of 40 cents per share in respect of the year ended 30 June 2011 was paid on 27 October 2011.	39,840
In respect of the current financial year:	
An interim ordinary dividend of 21 cents per share was paid on 21 March 2012.	20,916
The final dividend declared to be paid on 25 October 2012 is an ordinary fully franked dividend of 40 cents per share.	39,840
	60,756

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, Officers and Auditors

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 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 $490,000 (2011 - $645,000) 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:

MS Society of Victoria Ltd	20,000
Salvation Army	20,000
The Smith Family	20,000
Royal Flying Doctor Service	25,000
Doctors Without Borders	50,000
Barnados	25,000
Peter MacCallum Cancer Centre	25,000
Prostate Cancer Foundation of Australia	25,000
Centre for Eye Research Australia	35,000
Alzheimers Australia	20,000
Sane Australia	20,000
Mental Health Research Institute	30,000
Motor Neurone Disease Association of Victoria	20,000
St Vincent De Paul Society	20,000
Baker Heart Research Institution	30,000
Legacy	20,000
St. Vincent's Institute	20,000
Trust of Nature	10,000
Typo Station	15,000
Murdochs Children's Medical Research Institute	20,000
Scope	20,000

Directors' Report

Information on Directors and Company Secretary

Name: **Mr L. Alan Wilson**
Age: 71
Position: Executive Chairman
Experience: Appointed to the Board 1969.
General Manager 1970 - 1974.
Deputy Chairman 1973 - 2001.
Managing Director 1974 - 2008.
Appointed Chairman 2001.

No other directorships of listed companies were held at any time during the three years prior to 30 June 2012.

Name: **Mr Peter J. Wilson**
Age: 44
Position: Chief Executive Officer
Experience: B.Comm (Melb), FAIM
Appointed to the Board 1997
General Manager Operations 2002 - 2004
Chief Operating Officer 2005 - 2007
Appointed Chief Executive Officer 2008.

No other directorships of listed companies were held at any time during the three years prior to 30 June 2012

Name: **Mr Bruce W.C. Wilson**
Age: 66
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 2012.

Name: **Mr John G. Wilson**
Age: 74
Position: Non-Executive Director
Experience: Appointed to the Board 1984.

No other directorships of listed companies were held at any time during the three years prior to 30 June 2012

Name: **Mr Ronald G. Pitcher, AM**
Age: 73
Position: Non-Executive Director
Experience: FCA, FCPA, ACAA.

A chartered accountant and business consultant with over 45 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: McMillan Shakespeare Limited 8 years

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Name: **Mr Andrzej (Andrew) T. Gorecki**
Age: 57
Position: Non-Executive Director
Experience: Master of Science (Engineering), Warsaw Technical University

Appointed to the Board March 2008.
Managing Director of I.T. company Retail Directions.

Committee Membership: Member of Audit Committee
Member of Remuneration Committee
(appointed November 2010)

No other directorships of listed companies were held at any time during the three years prior to 30 June 2012.

Name: **Mr Gavin W. Street**
Age: 43
Position: Company Secretary & Chief Financial Officer
Experience: B.Bus, B.Comp (Monash), CPA
Joined consolidated entity 2008
Appointed Company Secretary & Chief Financial Officer 2008

Directors' Report

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	10	11
R.G. Pitcher, AM	10	11
A.T. Gorecki	11	11

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

Director	Number of Remuneration Committee Meetings Attended	Number of Remuneration Committee Meetings Held Whilst In Office
R.G. Pitcher, AM	3	3
B.W.C. Wilson	3	3
A.T. Gorecki	3	3

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	**30,000**
A.T. Gorecki	**10,000**

Directors' Interests in Contracts

Directors' interests in contracts are disclosed in note 24 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.

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.

	2012 $	2011 $
Audit/Review fees	**462,140**	435,465
Amounts paid and payable to Pitcher Partners for Non-audit services:		
Taxation services	**7,775**	28,500
Other assurance services	**22,935**	82,685
	30,710	111,185
Amounts paid and payable to network firms of Pitcher Partners:		
Audit/Review fees	**1,299**	982
Other assurance services	**14,578**	16,939
	15,877	17,921

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.

Remuneration Report

Remuneration Policies

Remuneration of the directors and senior managers is the responsibility of the Remuneration Committee. The broad remuneration policy is to ensure remuneration packages properly reflect the person's duties and responsibilities and that remuneration is competitive in attracting and retaining talented and motivated executives who can enhance Company performance through their contributions and leadership. The Committee did not seek external advice in relation to these matters.

The components of remuneration for each executive director and senior manager are largely cash based and comprise fixed remuneration (including superannuation and benefits) and performance based short-term incentives. There is no share-based remuneration. The executive director and senior management have employment contracts with notice periods executable by either party. Apart from termination benefits which accrue under statute including accrued leave entitlements and superannuation benefits, there are no arrangements in place to provide any executive director or senior manager with retirement benefits. The Company pays superannuation contributions at the required superannuation guarantee rate or greater into an accumulation type fund and therefore there are no future liabilities in respect of these payments.

Performance based cash payments are largely related to Company trading and operating performance. The CEO's performance based incentive scheme is largely structured around the achievement of targets within a range of financial performance criteria. This criteria encompasses return on equity, EBIT to sales and the rate of profit before tax growth. The CEO's performance based cash payment is calculated on 75% of base salary with a ceiling of 112.5% for exceptional performance. The scheme provides for no payment in the event of unacceptable Company performance.

The Company Secretary / Chief Financial Officers' performance based incentive is structured around the same company performance criteria as the CEO but with a ceiling of 40% of base salary. The Executive Chairman declined to participate in the company's performance based incentive scheme in the current year.

Non-executive directors receive fees and do not receive performance based payments. Their fees reflect the additional committees that they may serve on from time to time. The aggregate remuneration paid to non-executive directors is capped at the level approved by shareholders for this purpose. There are no termination benefits for non-executive directors.

	2012 $(000's)	2011 $(000's)	2010 $(000's)	2009 $(000's)
Dividends Declared	60,756	60,756	57,768	50,796
Performance Based Incentives to KMP	947	1,674	1,332	604

Key Management Personnel

	Short Term		Other	Post Employment		
	Salary & Fees $	Performance Based Payment $	Non-cash benefits $	Super Contributions $	Total	Total Performance Related %
Directors						
L.A. Wilson (Executive Chairman)						
2012	1,385,000	-	66,587	50,000	1,501,587	0%
2011	1,383,886	476,754	67,398	50,000	1,978,038	24%
P.J. Wilson (Chief Executive Officer)						
2012	1,630,000	794,925	80,988	25,000	2,530,913	31%
2011	1,525,000	1,012,409	77,564	25,000	2,639,973	38%
B.W.C. Wilson (Non-Executive)						
2012	75,000	-	-	6,750	81,750	0%
2011	75,000	-	-	6,750	81,750	0%
J.G. Wilson (Non-Executive)						
2012	75,000	-	-	6,750	81,750	0%
2011	75,000	-	-	6,750	81,750	0%
R.G. Pitcher, AM (Non-Executive)						
2012	130,000	-	-	11,700	141,700	0%
2011	130,000	-	-	11,700	141,700	0%
A.T. Gorecki (Non-Executive)						
2012	95,000	-	-	8,550	103,550	0%
2011	95,000	-	-	8,550	103,550	0%
Total Remuneration: Directors						
2012	3,390,000	794,925	147,575	108,750	4,441,250	18%
2011	3,283,886	1,489,163	144,962	108,750	5,026,761	30%
Executives						
G.W. Street (Company Secretary, Chief Financial Officer)						
2012	585,000	152,157	-	25,000	762,157	20%
2011	551,666	184,374	-	25,000	761,040	24%
Total Remuneration: Executives						
2012	585,000	152,157	-	25,000	762,157	20%
2011	551,666	184,374	-	25,000	761,040	24%

"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.

At the Company's most recent Annual General Meeting, resolution to adopt the prior year remuneration was put to the vote and at least 75% of "yes" votes were cast for adoption of the report. No comments were made on the remuneration report that were considered at the Annual General Meeting.

Dated at Melbourne on 30 August 2012.

Signed in accordance with a resolution of Directors.

L. A. WILSON
Executive Chairman

P.J. WILSON
Chief Executive Officer

Auditors' Independence Declaration

PITCHER PARTNERS
An independent Victorian Partnership
ABN 27 975 255 196

To the Directors of Reece Australia Limited

In relation to the independent audit for the year ended 30 June 2012, to the best of my knowledge and belief there have been:

(i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*.

(ii) No contraventions of any applicable code of professional conduct.

D. A. KNOWLES
Partner
30 August 2012

PITCHER PARTNERS
Melbourne

Liability limited by a scheme approved under Professional Standards Legislation

Pitcher Partners, including Johnston Rorke, is an association of independent firms
Melbourne | Sydney | Perth | Adelaide | Brisbane
An independent member of Baker Tilly International

Consolidated Statement of Comprehensive Income for the year ended 30 June 2012

		Consolidated Entity	
	Notes	2012 ($000's)	2011 ($000's)
Revenue			
Sales revenue	4	1,518,507	1,563,634
Other income		7,295	6,634
		1,525,802	1,570,268
Less: Expenses			
Cost of goods sold		1,035,818	1,073,993
Employee benefits expense		167,247	161,857
Depreciation		32,998	29,619
Finance costs		445	2,520
Other expenses		126,287	131,239
Profit before income tax		163,007	171,040
Income tax expense	6	49,727	52,429
Net Profit for the year from continuing operations	5	113,280	118,611
Other Comprehensive Income			
Exchange differences on translation of foreign operations, net of tax		106	(401)
Total comprehensive income		113,386	118,210
Basic earnings per share	22	114 cents	119 cents
Diluted earnings per share	22	114 cents	119 cents

The Consolidated Statement of Comprehensive Income is to be read in conjunction with the notes to the financial statements set out on pages 20 to 33.

Consolidated Statement of Financial Position as at 30 June 2012

		Consolidated Entity	
	Notes	2012 ($000's)	2011 ($000's)
Current Assets			
Cash and cash equivalents	8	166,758	134,186
Receivables	9	230,248	246,257
Inventories	10	212,624	212,481
Total Current Assets		609,630	592,924
Non-Current Assets			
Property, plant and equipment	11, 12	374,198	341,012
Deferred tax assets	6	25,038	24,081
Total Non-Current Assets		399,236	365,093
Total Assets		1,008,866	958,017
Current Liabilities			
Payables	13	229,898	229,251
Short-term borrowings	14	9,018	8,302
Current tax payable	6	12,234	18,263
Provisions	15	33,072	30,951
Other	16	10,694	10,069
Total Current Liabilities		294,916	296,836
Non-Current Liabilities			
Long-term payable	13	4,762	5,122
Provisions	15	2,241	1,742
Total Non-Current Liabilities		7,003	6,864
Total Liabilities		301,919	303,700
Net Assets		706,947	654,317
Equity			
Contributed equity	17	9,960	9,960
Reserves	18	2,567	2,461
Retained earnings	19	694,420	641,896
Total Equity		706,947	654,317

The Consolidated Statement of Financial Position is to be read in conjunction with the notes to the financial statements set out on pages 20 to 33.

Consolidated Statement of Changes In Equity for the year ended 30 June 2012

Consolidated Entity	Contributed Equity $A'000	Reserves $A'000	Retained Earnings $A'000	Total Equity $A'000
Balance as at 1 July 2010	9,960	2,862	582,049	594,871
Profit for the year	-	-	118,611	118,611
Exchange differences on translation of foreign operations, net of tax	-	(401)	-	(401)
Total comprehensive income for the year	-	(401)	118,611	118,210
Transactions with owners in their capacity as owners:				
Dividends paid	-	-	(58,764)	(58,764)
Total transactions with owners in their capacity as owners:	-	-	(58,764)	(58,764)
Balance as at 30 June 2011	9,960	2,461	641,896	654,317
Balance as at 1 July 2011	9,960	2,461	641,896	654,317
Profit for the year	-	-	113,280	113,280
Exchange differences on translation of foreign operations, net of tax	-	106	-	106
Total comprehensive income for the year	-	106	113,280	113,386
Transactions with owners in their capacity as owners:				
Dividends paid	-	-	(60,756)	(60,756)
Total transactions with owners in their capacity as owners	-	-	(60,756)	(60,756)
Balance as at 30 June 2012	9,960	2,567	694,420	706,947

The Consolidated Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements set out on pages 20 to 33.

Consolidated Statement of Cash Flows for the year ended 30 June 2012

	Notes	Consolidated Entity	
		2012 ($000's)	2011 ($000's)
Cash flow from operating activities			
Receipts from customers		1,687,397	1,705,056
Payments to suppliers and employees		(1,479,430)	(1,522,412)
Interest received		5,756	6,072
Borrowing costs		(457)	(2,506)
Income tax paid		(56,713)	(50,378)
Net cash provided by operating activities	20(a)	156,553	135,832
Cash flow from investing activities			
Payment for property, plant and equipment		(67,749)	(67,334)
Proceeds from sale of property, plant and equipment		3,809	2,479
Net cash used in investing activities		(63,940)	(64,855)
Cash flow from financing activities			
Dividends paid		(60,756)	(58,764)
Repayments of borrowings		(41,307)	(38,815)
Proceeds from borrowings		42,022	38,157
Net cash used in financing activities		(60,041)	(59,422)
Net increase in cash and cash equivalents		32,572	11,555
Cash and cash equivalents at the beginning of the year		134,186	122,631
Cash and cash equivalents at the end of the year	8	166,758	134,186

The Consolidated Statement of Cash Flows is to be read in conjunction with the notes to the financial statements set out on pages 20 to 33.

A continued customer focus

In a tougher market, we aim to reinforce our competitive advantage by continuing to focus on our customers and providing them with the best service possible.

We continue to listen and respond

Now more than ever, it is important to strengthen relationships with our customers. To understand their needs and respond with tailored solutions. We will continue to listen to our customers feedback and identify opportunities to further improve our in-store service and on-line offering to provide a more effective and personalised service.

We continue to set the standards

Over the past 12 months we have continued to refurbish our trade and showroom outlets and completed the roll out of our new corporate identity. We also introduced a number of new products from here and overseas, increasing the range of brands for our customers. We will continue to differentiate Reece from our competitors by offering our customers the best products and store environments.

We continue to make it easy to do business

During the year we introduced and developed a number of initiatives to enhance the customer experience. Our new regional distribution centre in Queensland has improved our stock ordering and management process ensuring customers get the products they need quickly and efficiently. Our IT transformation program is well underway and we are continually improving our online offering to both trade and retail customers with new functionality.

We continue to provide peace of mind

Reece has always stood behind the quality of our products. In today's environment this commitment is even more important. We have a comprehensive development and testing program to ensure product quality. And our extensive warranty program, which was launched last year, continues to offer both our trade and retail customers some of the industry's best warranties. This is supported by our ongoing "Don't risk it, use a licensed plumber" campaign.

1. Basis of Preparation

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

The financial report covers Reece Australia Limited and controlled entities as a consolidated entity. Reece Australia Limited is a company limited by shares, incorporated and domiciled in Australia. Reece Australia Limited is a for-profit entity for the purpose of preparing the financial statements.

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.

The financial report has been prepared on a going concern basis.

(a) Basis of Preparation of the Financial Report

Compliance with IFRS

Australian Accounting Standards ensure compliance with International Financial Reporting Standards.

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 26.

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.

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

Rent revenue from operating leases is recognised on a straight-line basis over the term of the lease.

(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 and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

(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. Fixtures, fittings and equipment 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:

	2012	2011
Buildings	25 years	25 years
Fixtures, fittings and equipment	2.5 to 20 years	2.5 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.

Lease incentives received under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(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 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.

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 be settled 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 impairments. Amounts receivable from other debtors 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.

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 the fair value of derivatives that are designated and qualified as fair value hedges are recorded in the statement of financial position, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Other Derivatives

Where a derivative financial instrument is not designated in a qualifying hedge relationship, it is measured at fair value and changes in fair value are recognised immediately in the profit and loss.

(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 statement of financial position

(n) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

(o) 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.

(p) New Accounting Standards and Interpretations

A number of accounting standards and interpretations have been issued at the reporting date but are not yet effective. While the consolidated entity does not expect AASB10 and AASB 11 to have a significant impact on its composition, it has yet to perform a detailed analysis of the new guidance in the context of its various investees that may or may not be controlled under the new rules.

(q) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

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

The consolidated entity is exposed to a variety of financial risks comprising:

a) Currency risk

b) Interest rate risk

c) Credit risk

d) Liquidity risk

e) Fair values

The board of directors has overall responsibility for identifying and managing operational and financial risks.

(a) Currency Risk – Forward exchange contracts

Forward exchange contracts are entered into in order 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 consolidated entity reviews its currency risk on a regular basis, taking into account refinancing, renewal of existing positions and alternative financing. Budgeted foreign currency requirements are determined over a rolling 12 month period and forward exchange positions are taken in consideration of those requirements in accordance with the consolidated entity's Foreign Exchange Management Policy.

The full amount of the foreign currency the consolidated entity will be required to pay or purchase when settling the brought forward exchange contracts should the counterparty not pay the currency it is committed to deliver at balance date was $101,950,198 (2011: $0).

The consolidated entity utilised a mixture of forward exchange contracts and direct purchase of foreign currency to manage its foreign currency exposure.

The accounting policy in regards to forward exchange contracts is detailed in Note 1(l).

At balance date, the details of outstanding forward exchange contracts are:

Buy United State Dollars	Sell Australian Dollars		Average Exchange Rate	
Settlement	**2012**	2011	**2012**	2011
	$'000	$'000	**$**	$
Less than 6 months	**21,054**	-	**1.02**	-
6 months to 1 year	**43,214**	-	**1.01**	-

Buy Euros	Sell Australian Dollars		Average Exchange Rate	
Settlement	**2012**	2011	**2012**	2011
	$'000	$'000	**$**	$
Less than 6 months	**11,513**	-	**0.78**	-
6 months to 1 year	**26,169**	-	**0.78**	-

If the exchange rate was to increase by 10% from the rates used to determine the fair values as at the reporting date, then the impact for the year would be an additional loss of $10.2M. If the exchange rate was to decrease by 10% from the rates used to determine the fair values as at the reporting date, then the impact for the year would be an addition profit of $7.0M.

(b) Interest Rate Risk

The consolidated entity's main interest rate risk arises from short-term cash deposits. During 2012 and 2011, the consolidated entity's held both fixed and variable rate deposits.

The consolidated entity reviews its interest rate exposure on a monthly basis, taking into account both short-term and long-term deposit rates. A t 30 June 2012, if interest rates had changed -/+1% from the year-end rates, with all other variables held constant, the effect on post-tax profit for the year would have been immaterial.

The consolidated entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are as follows:

Financial Instruments		Fixed interest rate maturing in:					
	Floating interest rate	1 year or less	Over 1 to 5 years	More than 5 years	Non-interest bearing	Total carrying amount as per Statement of financial position	Weighted average effective interest rate
	2012 2011	2012 2011	2012 2011	2012 2011	2012 2011	2012 2011	2012 2011
	$'000 $'000	$'000 $'000	$'000 $'000	$'000 $'000	$'000 $'000	$'000 $'000	% %
(i) Financial assets							
Cash	19,758 69,186	147,000 65,000	- -	- -	- -	166,758 134,186	4.94 5.30
*** Trade and other receivables**	- -	- -	- -	- -	230,248 246,257	230,248 246,257	
Total financial assets	19,758 69,186	147,000 65,000	- -	- -	230,248 246,257	397,006 380,443	
(ii) Financial liabilities							
Short-term borrowings	600 582	8,418 7,720	- -	- -	- -	9,018 8,302	3.70 4.33
Trade payables	- -	- -	- -	- -	229,898 229,251	229,898 229,251	
Amounts owing under contract	- -	- -	- -	- -	10,694 10,069	10,694 10,069	
Long-term payables	- -	- -	- -	- -	4,762 5,122	4,762 5,122	
Total financial liabilities	600 582	8,418 7,720	- -	- -	245,354 244,442	254,372 252,744	

(c) 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 impairment as disclosed in the Statement of Financial Position and Notes to the financial statements.

Credit risk for cash deposits is managed by holding all cash deposits with a selection of major Australia banks.

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.

With the exception of its bankers, 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.

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

95.8% of trade receivables are within approved credit terms (2011: 94.8%)

(d) Liquidity Risk

The consolidated entity's risk management includes maintaining sufficient cash and the availability of funding via an adequate amount of credit facilities as disclosed in note 20(b). All borrowings are less than 6 months.

(e) Fair values

The fair value of financial assets and financial liabilities approximates their carrying amounts as disclosed in the Statement of financial position and Notes to the financial statements. Other derivative instruments in relation to forward exchange contracts have been recognised at fair value through the profit and loss.

	Consolidated Entity	
	2012 ($000's)	2011 ($000's)
4. Revenue		
Revenues from continuing operations:		
Revenue from sale of goods	1,518,507	1,563,634
Other Income		
Interest received or due and receivable from other persons	6,522	6,083
Bad debts recovered	773	551
	7,295	6,634
Total revenues from continuing operations	1,525,802	1,570,268
5. Profit from Continuing Operations		
Profit from continuing operations before income tax has been determined after the following specific expenses:		
Cost of goods sold	1,034,264	1,071,144
Foreign currency loss	1,554	2,849
	1,035,818	1,073,993
Bad debts written off:		
Trade Debtors	2,778	2,356
Depreciation:		
Buildings	4,193	4,098
Motor vehicles	7,251	6,524
Fixtures, fittings and equipment	21,554	18,997
Employee benefits expense:		
Wages and salaries	155,206	149,572
Superannuation costs	12,041	12,285
Other expense items:		
Operating lease rentals	24,888	23,408

	Consolidated Entity	
	2012 ($000's)	2011 ($000's)
6. Income Tax		
(a) The components of tax expense:		
Current tax	50,618	54,031
Deferred tax	(957)	(1,650)
Under(over) provision in prior years	66	48
Income tax expense	49,727	52,429
(b) The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows:		
At the statutory income tax rate of 30% (2011: 30%)	48,902	51,312
Tax effect of amounts which are not deductible in calculating taxable income:		
Non-deductible expenditure	759	1,069
Underprovision in prior year	66	48
Income tax expense	49,727	52,429
(c) Deferred tax asset relates to the following:		
Employee benefits	9,705	8,997
Other provisions	6,029	5,895
Depreciation of buildings & rental incentives	9,304	9,189
	25,038	24,081
Movement in deferred tax asset:		
Balance at beginning of year	24,081	22,431
Movement to the statement of financial position	957	1,650
Balance at the end of the year	25,038	24,081
Current tax liability		
Balance at beginning of the year	18,263	14,562
Current tax	50,618	54,031
Tax instalments paid	(56,713)	(50,378)
(Over)/under provision	66	48
Balance at the end of the year	12,234	18,263
Deferred tax asset not brought to account		
Deferred tax asset relating to tax losses at 30% (2011: 30%)	2,266	1,955

The deferred tax asset not brought to account relates to a foreign subsidiary and will only be obtained if:

(i) the subsidiary derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised; and

(ii) the subsidiary continues to comply with the conditions for deductibility imposed by the law; and

(iii) no changes in tax legislation adversely affect the subsidiary in realising the benefit.

	Consolidated Entity	
	2012 ($000's)	2011 ($000's)
7. Dividends on Ordinary Shares		
The following are the dividends paid and/or proposed for the financial year:		
In respect of the previous financial year:		
Final dividend of 40 cents per share paid 27 October 2011 (fully franked to 30%)	39,840	37,848
In respect of the current financial year:		
Interim dividend of 21 cents per share paid 21 March 2012 (fully franked to 30%)	20,916	20,916
Dividend declared to be paid 25 October 2012 (40 cents per share fully franked)	39,840	39,840
	60,756	60,756
Dividend franking account		
Balance of franking account at year end adjusted for franking credits arising from payment of income tax and franking debits arising from dividends paid.	338,692	314,107
Impact on the franking account of dividends recommended by the directors since the year end but not recognised as a liability at year end.	(17,074)	(17,074)
	321,618	297,033
8. Cash and Cash Equivalents		
Cash on hand	171	166
Cash on deposit	166,587	134,020
	166,758	134,186
9. Receivables		
Current		
Trade receivables	218,827	234,959
Less: Provision for doubtful debts	(4,979)	(4,979)
	213,848	229,980
Other debtors and prepayments	16,400	16,277
	230,248	246,257
10. Inventories		
Finished goods, at lower of costs or net realisable value	212,624	212,481

11. Property, Plant and Equipment

	Consolidated Entity 2012 ($000's)	2011 ($000's)
Freehold land at cost	111,493	102,209
Freehold buildings at cost	112,331	108,400
Less: Accumulated depreciation	(45,090)	(41,208)
	67,241	67,192
Fixtures, fittings and equipment at cost	265,086	224,393
Less: Accumulated depreciation	(107,665)	(86,097)
	157,421	138,296
Motor vehicles at cost	66,131	60,904
Less: Accumulated depreciation	(28,088)	(27,589)
	38,043	33,315
Total property, plant and equipment	374,198	341,012

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

	2012 ($000's)	2011 ($000's)
Freehold land		
Carrying amount at beginning of year	102,209	86,936
Additions	9,474	15,290
Disposals	(190)	(17)
Carrying amount at end of year	111,493	102,209
Buildings		
Carrying amount at beginning of year	67,192	61,575
Additions	4,424	9,715
Disposals	(182)	-
Depreciation	(4,193)	(4,098)
Carrying amount at end of year	67,241	67,192
Fixtures, fittings & equipment		
Carrying amount at beginning of year	138,296	128,146
Additions	40,696	29,147
Disposals	(17)	-
Depreciation	(21,554)	(18,997)
Carrying amount at end of year	157,421	138,296
Motor vehicles		
Carrying amount at beginning of year	33,315	31,389
Additions	15,672	11,666
Disposals	(3,693)	(3,216)
Depreciation	(7,251)	(6,524)
Carrying amount at end of year	38,043	33,315

12. Current Value of Land and Buildings

A Directors' valuation of land and buildings was undertaken on 30 June 2012. In their valuation, the directors took account of independent valuations previously completed over the last 3 years. As at 30 June 2012, the directors' assessment of the current market value of land and buildings based on continuing use is $278,879,044. The Company has not provided any land or buildings as security.

	Consolidated Entity	
	2012 ($000's)	2011 ($000's)
13. Payables		
Current		
Trade payables	229,898	229,251
Non Current		
Other	4,762	5,122
14. Short Term Borrowings		
Current		
Bank overdraft secured by guarantee from Reece Australia Limited	600	582
Multi-Currency Cash Advance	8,418	7,720
	9,018	8,302
15. Provisions		
Current		
Employee benefits	30,122	28,251
Warranty	2,200	2,200
Other	750	500
	33,072	30,951
Non-current		
Employee benefits	2,241	1,742
Aggregate employee benefits liability	32,363	29,993
Number of employees at year end	3,025	3,074
16. Other Current Liabilities		
Amounts owing under contract	10,694	10,069
17. Contributed Equity		
Issued and paid up capital		
Ordinary shares fully paid (99,600,000 ordinary shares)	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 shareholder's 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.

When managing capital, management's objective is to ensure the consolidated entity continues as a going concern as well as to maintain returns to shareholders and benefits for other stakeholders. This is achieved through the monitoring of historical and forecast performance and cash flows.

During 2012, management paid /declared dividends of $60.8m (2011: $60.8m).

Management manages capital through the gearing ratio (net debt / total capital). The policy for the consolidated entity's gearing ratio is less than 40%.

	Consolidated Entity	
	2012 ($000's)	2011 ($000's)
18. Reserves		
Asset revaluation reserve (historic revaluation of properties)	461	461
General reserve	51	51
Capital profits reserve (historic profits from sale of property)	2,491	2,491
Foreign currency translation reserve (translation of foreign entity)	(436)	(542)
	2,567	2,461
19. Retained Earnings		
Balance at the beginning of year	641,896	582,049
Net profit attributable to members of parent entity	113,280	118,611
Dividends paid	(60,756)	(58,764)
Balance at end of year	694,420	641,896
20. Cash Flow Information		
(a) Reconciliation of the net profit after tax to the net cash flows from operations:		
Net profit	113,280	118,611
Add/(less) non cash items:		
(Profit) / loss on sale or disposal of non-current assets	273	754
Depreciation	32,998	29,619
Exchange translation	(75)	287
Amounts set aside to provisions	2,621	1,945
Net cash flows from operations before change in assets and liabilities	149,097	151,216
Change in assets and liabilities		
(Increase)/decrease in trade debtors	16,132	(12,138)
(Increase)/decrease in other debtors	(123)	(2,286)
(Increase)/decrease in inventory	(143)	(10,320)
Increase /(decrease) in trade creditors and accruals	(1,424)	7,309
Increase/(decrease) in income taxes payable	(6,029)	3,701
(Increase)/decrease in deferred tax assets	(957)	(1,650)
Net cash flow from operating activities	156,553	135,832

		Consolidated Entity	
		2012 ($000's)	2011 ($000's)

20. Cash Flow Information (cont'd)

(b) Financing facilities

Bank Loans and Overdraft

Bank facilities are secured by Deed of Negative Pledge which includes the following financial covenants; shareholder equity, interest cover ratio and gearing ratio

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

Total facilities available and unused at 30 June 2012

		2012 ($000's)	2011 ($000's)
Bank Overdraft	- facility	783	772
	- unused	174	190
Uncommitted Placement Line	- facility	25,000	25,000
	- unused	25,000	25,000
Multi-Currency Multi-Jurisdictional	- facility	15,000	50,000
	- unused	6,582	42,509
Bank Guarantees	- facility	5,000	5,000
	- unused	755	802
Trade Refinance & documentary letters of credit/surrenders	- facility	7,000	7,000
	- unused	3,982	3,747
Credit cards	- facility	3,396	3,393
	- unused	2,821	2,777
Total	- facility	56,179	91,165
	- unused	39,314	75,025

21. Commitments

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

	2012 ($000's)	2011 ($000's)
Buildings	165,037	140,928
Equipment	385	1,067
	165,422	141,995
Due not later than one year	28,280	26,143
Due later than one year but not later than five years	82,418	76,705
Due later than five years	54,724	39,147
	165,422	141,995

Commitment for future purchases and development of property is stated in Note 16

22. Earnings per Share

	2012	2011
Earnings used in calculating basic and diluted earnings per share.	113,280,228	118,610,998
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.	114 cents	119 cents

	Consolidated Entity	
	2012 ($000's)	2011 ($000's)
23. Auditors' Remuneration		
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	462	436
Taxation services	8	29
Other assurance services	23	82
	493	547

24. 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, R.G. Pitcher and A.T. Gorecki. Senior management was G.W. Street.

Short-term employee benefits of $5,069,657 (2011: $5,654,051) and post-employment benefits of $133,750 (2011: $133,750) were made to the directors and senior manager.

Apart from the details disclosed in this note, no director or senior manager 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' or senior manager 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 $4,487,631 (2011 $5,100,328) of which $338,151 (2011 $452,936) 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 $1,078,089 (2011 $1,056,868).

From time to time, directors and senior manager 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 26.

25. Segment Information

The sole activity of the consolidated entity is the supply of plumbing and bathroom products in Australia and New Zealand. The revenue for the New Zealand operations are not material.

26. Particulars in Relation to Corporations in the Group

	Ownership Percentage 2012	Ownership Percentage 2011
Name of entity	%	%
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

27. Subsequent Events

There has been no matter or circumstance, which has arisen since 30 June 2012, that has significantly affected or may significantly affect:

(a) the operations, in financial years subsequent to 30 June 2012, of the consolidated entity, or

(b) the results of those operations, or

(c) the state of affairs, in financial years subsequent to 30 June 2012, of the consolidated entity.

28. Parent Entity Details

	Consolidated Entity	
	2012 ($000's)	2011 ($000's)
(a) Summarised statement of financial position		
Assets		
Current Assets	-	-
Non-current Assets	25,354	25,354
Total Assets	25,354	25,354
Liabilities		
Current Liabilities	13,831	13,831
Non-current Liabilities	-	-
Total Liabilities	13,831	13,831
Net Assets	11,523	11,523
Equity		
Contributed equity	9,960	9,960
Retained earnings	1,526	1,526
Reserves	37	37
Total Equity	11,523	11,523

(b) Summarised statement of comprehensive income		
Profit for the year	60,756	58,764
Other comprehensive income for the year payable	-	-
Total comprehensive income for the year	60,756	58,764

(c) Parent entity guarantees		
Bank Overdraft	600	582

(d) The final dividend declared to be paid on 25 October 2012 as per note 7 shall be funded by way of a fully owned subsidiary.

Directors' Declaration

The directors declare that the financial statements and notes set out on pages 14 to 33 in accordance with the *Corporations Act 2001*:

(a) Comply with Accounting Standards and the Corporations Regulations 2001, and other mandatory professional reporting requirements;

(b) As stated in Note 1(a) the consolidated financial statements also comply with International Financial Reporting Standards; and

(c) Give a true and fair view of the financial position of the consolidated entity as at 30 June 2012 and of its performance 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 sections 295A of the *Corporations Act 2001* for the financial year ending 30 June 2012.

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

Dated at Melbourne on 30 August 2012.

L. A. Wilson
Executive Chairman

P.J. Wilson
Chief Executive Officer

Independent Auditors' Report

PITCHER PARTNERS
An independent Victorian Partnership
ABN 27 975 255 196

We have audited the accompanying financial report of Reece Australia Limited and controlled entities, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.*

Auditors' 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view 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 company'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*.

Auditors' 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 consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b) the consolidated financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages pages 11 to 12 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditors' Opinion

IIn our opinion, the Remuneration Report of Reece Australia Limited and controlled entities for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

D. A. KNOWLES
Partner
30 August 2012

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 13 August 2012, the distribution of shareholdings was as follows:

Size of Shareholding	Number of Shareholders
1 – 1,000	691
1,001 – 5,000	352
5,001 – 10,000	70
10,001 – 100,000	119
Over 100,000	37
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 13 August 2012 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.

(c) Class of shares and voting rights

At 13 August 2012, there were 1,269 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 13 August 2012:

Shareholder	Number of Shares	% Held
L.T. Wilson Pty Ltd	31,440,000	31.6%
L.T.W. Holdings Pty Ltd	12,000,000	12.1%
Warramunda Investments Pty Ltd	9,729,000	9.8%
RBC Investor Services Australia Nominees Pty Ltd (PI Pooled A/C)	8,896,793	8.9%
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%
Wilaust Holdings Pty Ltd	1,746,000	1.8%
Citicorp Nominees Pty Ltd (Colonial First State Inv A/C)	1,441,732	1.5%
UBS Nominees Pty Ltd	1,288,805	1.3%
RBC Investor Services Australia Nominees Pty Ltd (PIIC A/C)	1,212,312	1.2%
J P Morgan Nominees Australia Limited	953,457	1.0%
John G. Wilson	934,000	0.9%
BNP Paribas Noms Pty Ltd <Master Cust DRP>	911,592	0.9%
National Nominees Limited	776,346	0.8%
Citicorp Nominees Pty Limited	621,529	0.6%
Argo Investments Limited	583,006	0.6%

The twenty members holding the largest number of shares together held a total of 90.7% of the issued capital.