reece

Annual Report 2013

REECE AUSTRALIA LIMITED

A.B.N. 49 004 313 133

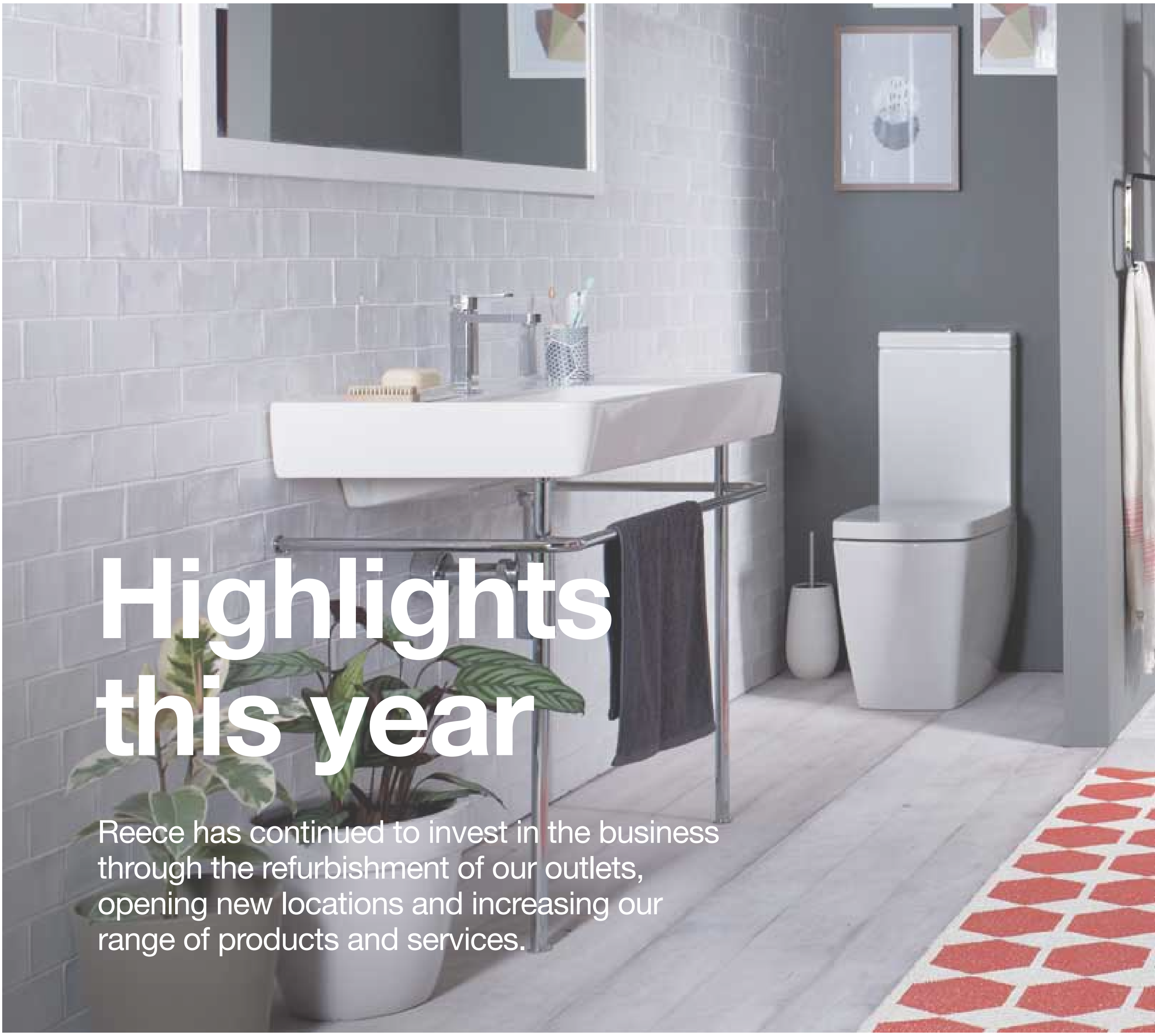
Controlled Entities	Reece Pty Ltd A.B.N. 84 004 097 090 Plumbing World Pty Ltd A.B.N. 99 004 910 829 Reece Project Supply Pty Ltd A.B.N. 54 100 065 307 Reece International Pty Ltd A.B.N. 11 100 278 171 Reece New Zealand Limited Company No. 1530569
Directors	L.A. Wilson (Executive Chairman) P.J. Wilson (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 3pm on Thursday, 31 October, 2013 at 452 Johnston Street, Abbotsford, Victoria

Contents

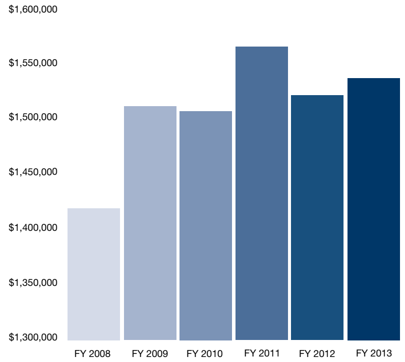
Reece Australia Limited and its controlled entities
Annual Report for the financial year ended 30 June 2013



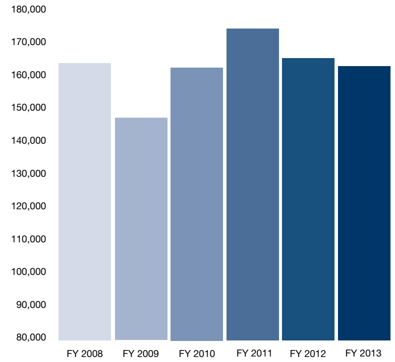
Highlights this year

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)

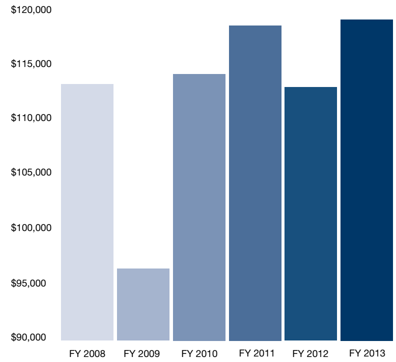


EBIT*
(000's)

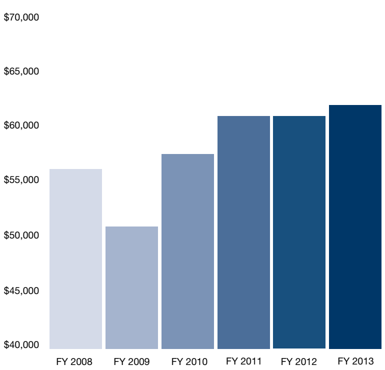


*before unrealised gains / losses on foreign currency

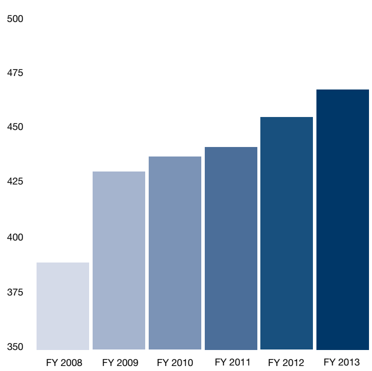
NPAT
(000's)



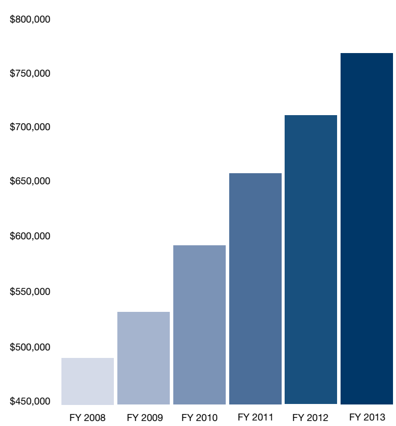
Dividends
(000's)



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 Reece. 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 details the Board's composition, their functions, responsibilities and powers. Other than the authority specifically reserved for the Board that is outlined in the Charter, the responsibility of management of Reece's business activities is delegated to the Chief Executive Officer and senior executives who are accountable to the Board. The Board Charter is available from Reece upon request.

The Board is responsible for establishing Reece's business strategies, overseeing the company's management, setting the values and standards of the company which we uphold when dealing with all of our stakeholders and, acting as custodian of our shareholder's interests.

More particularly, the Board's responsibilities encompass:

- Setting and monitoring the strategic plans and corporate objectives, including performance objectives;
- Monitoring the company's operational and financial activities;
- Overviewing the risk management strategy, internal policies and procedures and, accounting and reporting systems;
- Approving and monitoring capital expenditure, capital management and acquisitions;
- Monitoring compliance with legal and regulatory requirements;
- Monitoring compliance with Reece's own ethical and business standards, including codes of conduct;
- Monitoring the performance of senior executives;
- Appointing or removing the Chief Executive Officer, the Chief Financial Officer and the Company Secretary;
- Approving the appointment and, where appropriate, the removal of executives who report directly to the Chief Executive Officer, including their remuneration;
- Approving the annual reports and disclosures to the market; and
- Approving the appointment of directors who will come before shareholders for election at the annual general meeting (AGM).

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

Principle 2

Structure the Board to add value

The growth of the Company, its trading results and returns to shareholders, reflects the Board's wide management and professional experience, as well as 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	44 years
Mr B.W.C. Wilson	43 years
Mr J.G. Wilson	29 years
Mr P.J. Wilson	16 years
Mr R.G. Pitcher, AM	10 years
Mr A.T. Gorecki	5 years

Principle 2.1 and 2.2 of the ASX Corporate Governance Principles and Recommendations recommends 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. 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 Reece and has been Chief Executive Officer since 1 January 2008.

Principle 2.4 of the ASX Corporate Governance Principles and Recommendations recommends that the Board establishes a nomination committee. Reece 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 its structure and performance is effective and appropriate to Reece and the Board has the range of skills, knowledge and experience to direct the company.

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; and
- Have undergone an induction process to enable them to be effective directors and gain substantial knowledge about Reece.

Corporate Governance Statement

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 that Reece's ethical reputation is maintained. Senior executives and employees are required to complete online Code of Conduct training when they commence with Reece. The Reece Code of Conduct for Directors and Senior Executives and Code of Business Ethics and Conduct are published on the Reece website.

Reece has in place a policy concerning trading in company securities. The Share Trading for Directors and Employees Policy includes detailed requirements for directors, officers and key management on when they can trade Reece securities. The Policy is published on the Reece website.

Reece has in place an Equal Opportunity and Diversity Policy which is published on the Reece website.

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. These concerns can be raised internally with our human resources department, or via an independent and confidential service.

The Board encourages and supports the Reece commitment to an ethical and responsible work environment that provides an equal opportunity to all employees. Reece has implemented the following initiatives:

– Made the Policy available to all employees;
– Introduced online training programs on equal opportunity;
– Continued providing management training programs that highlight the importance and benefits of diversity in the work force;
– Continually re-enforced our policy to recruit for the best available talent regardless of gender, age, ethnicity, disability or cultural background; and
– Conducted an annual review by the company's Risk and Compliance Committee and the Board of the Reece gender profile.

Of the company's employees, 21% are women and 14% are in senior management roles. There are currently no female directors on the Board.

The Board confirms it has undertaken an annual review of the aforementioned policies and has set objectives for the Equal Opportunity and Diversity Policy for the financial year 2014. The Board has confirmed that it will maintain the existing measurable objectives, in addition to:

– Managing and taking action on complaints, recommendations, changes and breaches for the Equal Opportunity and Diversity Policy;
– Discussing recommendations and approving recommendations at Board meetings; and
– Conducting an annual review of the Policy.

Principle 4

Safeguard integrity in financial reporting

Reece 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 and have extensive experience in, and knowledge of, the industry in which Reece 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. Minutes are taken at each Audit Committee meeting, with the minutes tabled in the following full Board meeting.

The Audit Committee operates under its own charter that details the roles, duties and membership requirements. The Audit Committee Charter is available on request.

The Audit Committee reports back to the Board on all matters relevant to the Committee's roles and responsibilities. This includes:

- An assessment of the adequacy of Reece's external reporting for shareholder needs;
- An assessment of the management processes to support external reporting;
- The procedures to select and appoint an external auditor and for the rotation of external audit engagement partners in accordance with regulatory requirements;
- Recommendations for the appointment or, if required, the removal of an external auditor;
- Assessment of the performance of the external auditor;
- Assessment of the performance and objectivity of Reece's internal audit function; and
- Review of Reece's risk management system and associated internal controls.

In addition to their roles and responsibilities, the key activities undertaken by the Audit Committee during the year include:

- Monitoring developments in accounting and financial reporting that is relevant to Reece;
- Approval of the scope, plan and fees for the 2013 external audit;
- Meeting with external auditors and monitoring the progress of the external audit for 2013;
- Reviewing and recommending to the Board the adoption of Reece's half year and annual financial statements;
- Jointly with the full Board, monitoring the progress of matters arising from the Code of Conduct and Whistleblower Policy;
- Review and recommend to the Board for the adoption of Reece's half year and annual financial statement;
- Review of the internal audit reports and approval of the 2014 Internal Audit Plan.

Corporate Governance Statement

Principle 5

Make timely and balanced disclosure

Reece has policies and procedures to ensure compliance with the ASX Listing Rule requirements for the timely and balanced disclosure of all material matters concerning the company. 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 our website directly after public release.

Principle 6

Respect the rights of shareholders

Reece provides a printed copy of its annual report to all requesting shareholders. The annual report contains relevant information about the company's operations during the year, changes in the state of affairs and, other disclosures required by the Corporations Act. The half year report contains summarised financial information and a review of Reece operations during the period.

The Reece website provides all shareholders and the public access to our announcements to the ASX, and general information about Reece and our business.

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.

Our external auditor attends each annual general meeting and is available to answer shareholder questions about the audit.

Principle 7

Recognise and manage risk

The Board recognises that effective risk management 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 oversight 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 Reece 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;
- Integrity and reliability of financial reporting;
- Compliance with internal policies and procedures;
- Compliance with regulatory requirements; and
- 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; and
- 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. Reece's 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.

Remuneration of the directors and senior executives is the responsibility of the Remuneration Committee. The Committee obtains advice, where necessary, to ensure that Reece attracts and retains talented and motivated employees who can enhance our 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 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.

The Remuneration Committee operates under its own charter available 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 ("Reece"), for the financial year ended 30 June 2013 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. Our 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:

	2013 (000's)	2012 (000's)
Profit before gain/(loss) on foreign exchange contracts and income tax	163,278	164,720
Unrealised gain/(loss) on foreign exchange contracts	8,327	(1,713)
Profit before income tax	171,605	163,007
Income tax expense	52,474	49,727
Operating profit after income tax attributable to the members of Reece Australia Limited	119,131	113,280

Review of Operations

In challenging economic conditions, sales revenue increased 1.1% to $1,535m against prior year (2012 $1,519m). Profit before unrealised gains on foreign exchange contracts was down 0.9%, however favourable unrealised gains from foreign exchange contracts led to an increase in net profit before tax of 5.3% to $171.6m (2012 $163.0m). Net profit after tax was $119.1m for the year ending 30 June 2013; an increase of 5.2% on the prior year (2012 $113.3m).

The ordinary profit from operations result was affected by the slowdown in economic growth, particularly in the building and construction industry in Australia and the continued uncertainty in consumer confidence.

The strength of Reece's balance sheet continued, highlighted by our strong cash position, with cash and cash equivalents of $156.2m as at 30 June 2013. Net assets increased by 8.3% to $765.8m (2012 $706.9m), with the growth funded through internally generated profit.

Despite the challenging operating environment, Reece continued to invest in core areas of the business to deliver the best possible customer service proposition.

We continued to invest in our branch network, adding important sites in each state and refurbishing existing branches. Our network is representative of our commitment to deliver the best possible customised service proposition focused on quality and strong customer service. Reece will continue to look at opportunities to expand our branch network over the coming years. The company also continued to look for suitable acquisitions.

Customised service continues to be our priority. We are committed to receiving customer feedback and responding by improving our business and developing plans to ensure future growth. This has been reinforced by our investment into improving our in store and online offering and providing a range of solutions that offer our trade and retail customers greater access to products and information. These solutions include enhancements to our website and My Account, the introduction of a range of customer focused tools and enriching our in-store offering and service. We will continue to invest in the development of new technology to further improve our business processes and customised service offering.

To ensure that we are providing the best customer service and meeting our customer's needs, we continued to invest in the development of new products and sourcing a range of quality brand products both locally and internationally. All of our products undergo rigorous testing to ensure that our high level of quality is maintained.

Inventory levels increased against the prior year, predominately associated with an increase in the number of branches and, maintaining our in-stock service levels to our customers. We have continued to automate and digitise our logistic processes to drive efficiencies and improve our customers' experience. We will continue to maximise the benefits of our branch network and market leading warehousing to ensure that we continue enhancing the service to our customers.

With the challenging economic environment for the building and construction industry, we have continued to work with our customers to manage our relationships and develop solutions to assist our customers in managing their accounts. Our bad debts reduced on the prior year and remain within acceptable levels.

The Board is pleased to advise it has declared a final dividend of 41 cents per share fully franked. The final dividend will be paid on 24 October 2013 with the record date for entitlement being 7 October 2013. Total dividends paid and to be paid relating to the year ended 30 June 2013 will be 62 cents per share, an increase of 1 cent against the prior year.

The Board expects the tough economic conditions to continue into 2014 and is reluctant to provide a forecast. Guidance will be provided to the market at the appropriate time.

Directors' Report

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 2012 was paid on 25 October 2012.	39,840
In respect of the current financial year:	
An interim ordinary dividend of 21 cents per share was paid on 22 March 2013.	20,916
Dividends declared after the reporting period and not recognised: The final dividend declared to be paid on 24 October 2013 is an ordinary fully franked dividend of 41 cents per share.	40,836
	61,752

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.

Reece has not, during or since the financial year, indemnified or agreed to indemnify the auditor of Reece 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 $475,000 (2012 - $490,000) 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	50,000
Prostate Cancer Foundation of Australia	25,000
Centre for Eye Research Australia	35,000
Alzheimers Australia	20,000
Mental Health Research Institute	30,000
Motor Neurone Disease Association of Victoria	20,000
Baker Heart Research Institution	30,000
Legacy	20,000
St. Vincent's Institute	20,000
Trust of Nature	10,000
Evolve at Typo Station	15,000
Scope	20,000
Epworth Medical Foundation	20,000

Directors' Report

Information on Directors and Company Secretary

Name: **Mr L. Alan Wilson**
Age: 72
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 2013.

Name: **Mr Peter J. Wilson**
Age: 45
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 2013.

Name: **Mr Bruce W.C. Wilson**
Age: 67
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 2013.

Name: **Mr John G. Wilson**
Age: 75
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 2013.

Name: **Mr Ronald G. Pitcher, AM**
Age: 74
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 9 years

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Name: **Mr Andrzej (Andrew) T. Gorecki**
Age: 58
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 2013.

Name: **Mr Gavin W. Street**
Age: 44
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	10	11
B.W.C. Wilson	10	11
J.G. Wilson	11	11
R.G. Pitcher, AM	9	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	2	2
B.W.C. Wilson	2	2
A.T. Gorecki	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	**30,000**
A.T. Gorecki	**10,000**

Directors' Interests in Contracts

Directors' interests in contracts are disclosed in note 25 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.

	2013 $	2012 $
Audit/Review fees	465,000	462,140
Amounts paid and payable to Pitcher Partners for Non-audit services:		
Taxation services	41,851	7,775
Other assurance services	52,115	22,935
	93,966	30,710
Amounts paid and payable to network firms of Pitcher Partners:		
Audit/Review fees	1,283	1,299
Other assurance services	9,037	14,578
	10,319	15,877

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 under ASIC Class Order 98/0100. Reece 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 our 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. Reece 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 our trading and operating performance. The Chief Executive Officer'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 Chief Executive Officer'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 performance. The Chief Executive Officer is required to provide a 6 month notice period on resignation. The company is required to provide a 12 month notice period on termination.

The Company Secretary / Chief Financial Officer's performance based incentive is structured around similar company performance criteria as the Chief Financial Officer but with a ceiling of 40% of base salary. The Company Secretary / Chief Financial Officer's employment agreement contains a 3 month notice period.

The Executive Chairman does not participate in the company's performance based incentive scheme.

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.

Relationship between remuneration and company performance	2013 $(000's)	2012 $(000's)	2011 $(000's)	2010 $(000's)
Net Profit After Tax	119,131	113,280	118,611	114,261
Dividends Declared	61,752	60,756	60,756	57,768
Performance Based Incentives to KMP	1,174	947	1,674	1,332

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)						
2013	1,410,000	-	56,703	25,000	1,491,703	0%
2012	1,385,000	-	66,587	50,000	1,501,587	0%
P.J. Wilson (Chief Executive Officer)						
2013	1,630,000	995,813	85,671	25,000	2,736,484	36%
2012	1,630,000	794,925	80,988	25,000	2,530,913	31%
B.W.C. Wilson (Non-Executive)						
2013	75,000	-	-	6,750	81,750	0%
2012	75,000	-	-	6,750	81,750	0%
J.G. Wilson (Non-Executive)						
2013	75,000	-	-	6,750	81,750	0%
2012	75,000	-	-	6,750	81,750	0%
R.G. Pitcher, AM (Non-Executive)						
2013	130,000	-	-	11,700	141,700	0%
2012	130,000	-	-	11,700	141,700	0%
A.T. Gorecki (Non-Executive)						
2013	95,000	-	-	8,550	103,550	0%
2012	95,000	-	-	8,550	103,550	0%
Total Remuneration: Directors						
2013	3,415,000	995,813	142,374	83,750	4,636,937	21%
2012	3,390,000	794,925	147,575	108,750	4,441,250	18%
Executives						
G.W. Street (Company Secretary, Chief Financial Officer)						
2013	585,000	178,221	-	25,000	788,221	23%
2012	585,000	152,157	-	25,000	762,157	20%
Total Remuneration: Executives						
2013	585,000	178,221	-	25,000	788,221	23%
2012	585,000	152,157	-	25,000	762,157	20%

"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 our 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 requiring consideration at the Annual General Meeting.

Dated at Melbourne on 29 August 2013.
Signed in accordance with a resolution of Directors.

L. A. WILSON
Executive Chairman

P.J. WILSON
Chief Executive Officer

Auditor's Independence Declaration

PITCHER PARTNERS

To the Directors of Reece Australia Limited

In relation to the independent audit for the year ended 30 June 2013, 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
29 August 2013

PITCHER PARTNERS
Melbourne

An independent Victorian Partnership ABN 27 975 255 196
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Consolidated Statement Of Comprehensive Income

for the year ended 30 June 2013

		Consolidated Entity	
	Notes	2013 ($000's)	2012 ($000's)
Revenue			
Sales revenue	4	1,534,878	1,518,507
Other income	4	5,924	7,295
		1,540,802	1,525,802
Less: Expenses			
Cost of goods sold		1,042,437	1,034,105
Employee benefits expense	5	166,382	167,247
Depreciation	5	37,138	32,998
Finance costs		269	445
Other expenses		131,298	126,287
Unrealised (Gain)/Loss on foreign exchange contracts		(8,327)	1,713
Profit before income tax		171,605	163,007
Income tax expense	6	52,474	49,727
Net Profit for the year from continuing operations	5	119,131	113,280
Other Comprehensive Income **Items that maybe reclassified subsequently to profit and loss:**			
Exchange differences on translation of foreign operations, net of tax		510	106
Total comprehensive income		119,641	113,386
Basic earnings per share	23	120 cents	114 cents
Diluted earnings per share	23	120 cents	114 cents

The Consolidated Statement of Comprehensive Income is to be read in conjunction with the notes to the financial statements set out on pages 22 to 35.

Consolidated Statement Of Financial Position

for the year ended 30 June 2013

	Notes	Consolidated Entity 2013 ($000's)	2012 ($000's)
Current Assets			
Cash and cash equivalents	8	156,232	166,758
Receivables	9	245,377	230,248
Inventories	10	224,609	212,624
Total Current Assets		626,218	609,630
Non-Current Assets			
Property, plant and equipment	11, 12	423,779	374,198
Intangible assets	13	3,367	-
Deferred tax assets	6	23,390	25,038
Total Non-Current Assets		450,536	399,236
Total Assets		1,076,754	1,008,866
Current Liabilities			
Payables	14	236,850	229,898
Short-term borrowings	15	8,889	9,018
Current tax payable	6	12,344	12,234
Provisions	16	35,529	33,072
Other	17	11,096	10,694
Total Current Liabilities		304,708	294,916
Non-Current Liabilities			
Long-term payables	14	4,171	4,762
Provisions	16	2,043	2,241
Total Non-Current Liabilities		6,214	7,003
Total Liabilities		310,922	301,919
Net Assets		765,832	706,947
Equity			
Contributed equity	18	9,960	9,960
Reserves	19	3,077	2,567
Retained earnings	20	752,795	694,420
Total Equity		765,832	706,947

The Consolidated Statement of Financial Position is to be read in conjunction with the notes to the financial statements set out on pages 22 to 35.

Consolidated Statement Of Changes In Equity

for the year ended 30 June 2013

Consolidated Entity	Contributed Equity $A'000	Reserves $A'000	Retained Earnings $A'000	Total Equity $A'000
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
Balance as at 1 July 2012	9,960	2,567	694,420	706,947
Profit for the year	-	-	119,131	119,131
Exchange differences on translation of foreign operations, net of tax	-	510	-	510
Total comprehensive income for the year	-	510	119,131	119,641
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 2013	9,960	3,077	752,795	765,832

The Consolidated Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements set out on pages 22 to 35.

Consolidated Statement Of Cash Flows

for the year ended 30 June 2013

		Consolidated Entity	
	Notes	2013 ($000's)	2012 ($000's)
Cash flow from operating activities			
Receipts from customers		1,675,220	1,687,397
Payments to suppliers and employees		(1,490,295)	(1,479,430)
Interest received		5,845	5,756
Borrowing costs		(270)	(457)
Income tax paid		(50,738)	(56,713)
Net cash provided by operating activities	21(a)	139,762	156,553
Cash flow from investing activities			
Payment for property, plant and equipment		(89,898)	(67,749)
Purchase of goodwill on acquisition		(3,367)	
Proceeds from sale of property, plant and equipment		3,861	3,809
Net cash used in investing activities		(89,404)	(63,940)
Cash flow from financing activities			
Dividends paid		(60,756)	(60,756)
Repayments of borrowings		(33,919)	(41,307)
Proceeds from borrowings		33,791	42,022
Net cash used in financing activities		(60,884)	(60,041)
Net increase in cash and cash equivalents		(10,526)	32,572
Cash and cash equivalents at the beginning of the year		166,758	134,186
Cash and cash equivalents at the end of the year	8	156,232	166,758

The Consolidated Statement of Cash Flows is to be read in conjunction with the notes to the financial statements set out on pages 22 to 35.

Customer service is our priority

Customised service is our promise

In a challenging market, we are driving performance by continually improving the service we provide our customers. We are committed to understanding the individual needs of our customers and tailoring solutions to meet those needs.

Delivering great service

Whether it is over the trade counter, in a showroom, onsite or even in their homes, we are making it easier for customers to do business with us.

We have expanded our range of online tools to help our customers do business more efficiently and effectively. My Account allows plumbers to access product information as well view their statements. They can now convert quotes to orders and order products online for pickup or delivery. Our new Bathroom Happiness™ Zone offers retail customers more guidance and inspiration than ever before.

We are complementing our online innovation with continued investment in our store network, adding important sites in each state and refurbishing existing stores. We want to be where our customers need us and we want them to enjoy an efficient and engaging in-store experience.

Standing behind our quality

Our customers want peace of mind and we deliver it with a comprehensive commitment to product quality and customer care. All of the products we sell are independently tested in our quality facility to ensure that they comply with all standards - including our own. We support our products with easy to access technical guides, installation specifications and care information. We also offer industry-leading warranties on all of our exclusive value added products, and our Customer Care department offers responsive service for any after sales issues.

Strengthening our relationships

Our focus is on building long-term relationships with our customers. We see our customers as business partners, not just a transaction. So we work hard to tailor solutions for their individual needs and that starts with listening. We constantly seek feedback from our customers and identify opportunities to improve the service we provide.

We continually look for ways we can work together to build our customers' businesses and our own. We have introduced a range of online learning and development tools that go beyond product training - providing plumbers with assistance in running other areas of their business.

We continue to support our customers with industry wide programs like the "Don't risk it use a licensed plumber" campaign, and the Reece Bathroom Innovation Award that supports the architecture and design community while promoting Australian design innovation.

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 financial report was authorised for issue as at the date of the Directors' Report.

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 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 27.

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:

	2013	2012
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.

A business combination is a transaction or other event in which an acquirer obtains control of one or more businesses and results in the consolidation of the assets and liabilities acquired. Business combinations are accounted for by applying the acquisition method.

The consideration transferred is determined as the aggregate of fair values of assets given, equity issued and liabilities assumed in exchange for control. Deferred consideration payable is measured at fair value.

Goodwill is recognised initially at the excess over the aggregate of the consideration transferred, the fair value of the non-controlling interest, and the acquisition date fair value of the acquirer's previously held equity interest (in case of step acquisition), less the fair value of the identifiable assets acquired and liabilities assumed.

(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 and other receivables are carried at full amounts due less impairments.

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

AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures, AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards, and AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments were effective 1 January 2013. The consolidated entity has performed a detailed analysis of the new requirements and has determined AASB 10 and AASB 11 have no impact on the composition of the consolidated group.

AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) and AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosure (effective from 1 January 2015)

The consolidated entity does not have any financial liabilities that are designated at fair value through profit or loss. The new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss. Therefore, there will be no impact on the consolidated entity's accounting for financial liabilities. The consolidated entity has decided not to early adopt AASB 9 at 30 June 2013.

AASB 13 introduces a fair value framework for all fair value measurements in the full suite of accounting standards. This standard explains how to measure fair value and aims to enhance fair value disclosures. The consolidated entity has performed a detailed analysis of the new requirements and has determined that these new rules will have no impact on any of the amounts recognised in the financial statements. However, application of the new standard may impact the type of information disclosed in the notes to the financial statements.

A number of other accounting standards and interpretations have been issued at the reporting date but are not yet effective. When adopted, these standards and interpretations are likely to impact on the financial information presented, however the assessment of impact has not yet been completed.

(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 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 $67,155,054 (2012: $101,950,198).

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 States Dollars	Sell Australian Dollars		Average Exchange Rate	
Settlement	**2013**	2012	**2013**	2012
	$'000	$'000	**$**	$
Less than 6 months	**41,159**	21,054	**1.00**	1.02
6 months to 1 year	**17,983**	43,214	**1.06**	1.01
1 to 2 years	**4,891**	-	**1.02**	-

Buy Euros	Sell Australian Dollars		Average Exchange Rate	
Settlement	**2013**	2012	**2013**	2012
	$'000	$'000	**$**	$
Less than 6 months	**2,495**	11,513	**0.80**	0.78
6 months to 1 year	**627**	26,169	**0.80**	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 $4.7m after tax (2012: $7.1m). 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 $5.7m after tax (2012: $4.9m).

Notes
To the financial statements for the year ended 30 June 2013

(b) Interest Rate Risk

The consolidated entity's main interest rate risk arises from short-term cash deposits. During 2013 and 2012, the consolidated entity 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.

At 30 June 2013, 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
	2013 2012	2013 2012	2013 2012	2013 2012	2013 2012	2013 2012	2013 2012
	$'000 $'000	$'000 $'000	$'000 $'000	$'000 $'000	$'000 $'000	$'000 $'000	% %
(i) Financial assets							
Cash	41,292 19,758	114,940 147,000	- -	- -	- -	156,232 166,758	4.03 4.94
Trade and other receivables	- -	- -	- -	- -	245,377 230,248	245,377 230,248	
Total financial assets	**41,292 19,758**	**114,940 147,000**	- -	- -	**245,377 230,248**	**401,609 397,006**	
(ii) Financial liabilities							
Short-term borrowings	886 600	8,003 8,418	- -	- -	- -	8,889 9,018	3.46 3.70
Trade payables	- -	- -	- -	- -	236,850 229,898	236,850 229,898	
Amounts owing under contract	- -	- -	- -	- -	11,096 10,694	11,096 10,694	
Long-term payables	- -	- -	- -	- -	4,171 4,762	4,171 4,762	
Total financial liabilities	**886 600**	**8,003 8,418**	- -	- -	**252,117 245,354**	**261,006 254,372**	

(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 Australian 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. All forward exchange contracts are transacted with a selection of major Australian banks.

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.

The consolidated entity has established systems and controls in relation to the approval of credit terms for each customer, monitoring of any overdue amounts and removal of credit terms where appropriate. In addition the consolidated entity holds an insurance policy against certain larger customers whereby the consolidated entity is compensated in the event of a customer default.

At balance date 96.0% of trade receivables are within approved credit terms (2012: 95.8%). All trade receivables that are not impaired are expected to be received in accordance with trading terms.

(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 21(b). All current payables and borrowings are expected to be settled within 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. Forward exchange contracts are level 2 financial instruments in the fair value measurement hierarchy.

	Consolidated Entity	
	2013 ($000's)	2012 ($000's)
4. Revenue		
Revenues from continuing operations:		
Revenue from sale of goods	1,534,878	1,518,507
Other Income		
Interest received or due and receivable from other persons	5,328	6,522
Bad debts recovered	596	773
	5,924	7,295
Total revenues from continuing operations	1,540,802	1,525,802
5. Profit from Continuing Operations		
Profit from continuing operations before income tax has been determined after the following specific expenses:		
Cost of goods sold	1,042,437	1,034,105
Bad debts written off:		
Trade Debtors	2,360	2,778
Depreciation:		
Buildings	4,284	4,193
Motor vehicles	7,854	7,251
Fixtures, fittings and equipment	25,000	21,554
Employee benefits expense:		
Wages and salaries	154,201	155,206
Superannuation costs	12,181	12,041
Other expense items:		
Loss on disposal of fixed assets	833	274
Operating lease rentals	25,842	24,888

Notes

To the financial statements for the year ended 30 June 2013

	Consolidated Entity	
	2013 ($000's)	2012 ($000's)
6. Income Tax		
(a) The components of tax expense:		
Current tax	50,848	50,618
Deferred tax	1,626	(957)
Under provision in prior years	-	66
Income tax expense	52,474	49,727
(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% (2012: 30%)	51,482	48,902
Tax effect of amounts which are not deductible in calculating taxable income:		
Non-deductible expenditure	992	759
Underprovision in prior year	-	66
Income tax expense	52,474	49,727
(c) Deferred tax asset relates to the following:		
Employee benefits	11,001	9,705
Provisions and other timing differences	4,243	6,029
Depreciation of buildings & rental incentives	8,146	9,304
	23,390	25,038
Movement in deferred tax asset:		
Balance at beginning of year	25,038	24,081
Foreign Exchange movement on foreign DTA	(22)	-
Movement to the statement of financial position	(1,626)	957
Balance at the end of the year	23,390	25,038
Current tax liability		
Balance at beginning of the year	12,234	18,263
Current tax	50,848	50,618
Tax instalments paid	(50,738)	(56,713)
Under provision	-	66
Balance at the end of the year	12,344	12,234
Deferred tax asset not brought to account		
Deferred tax asset relating to tax losses at 28% (2012: 30%)	2,538	2,266

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.

Notes
To the financial statements for the year ended 30 June 2013

	Consolidated Entity	
	2013 ($000's)	2012 ($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 25 October 2012 (fully franked to 30%)	39,840	39,840
In respect of the current financial year:		
Interim dividend of 21 cents per share paid 22 March 2013 (fully franked to 30%)	20,916	20,916
Dividends declared after the reporting period and not recognised:		
Dividend to be paid 24 October 2013 (41 cents per share fully franked)	40,836	39,840
	61,752	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.	363,503	338,692
Impact on the franking account of dividends recommended by the directors since the year end but not recognised as a liability at year end.	(17,501)	(17,074)
	346,002	321,618
8. Cash and Cash Equivalents		
Cash on hand	177	171
Cash on deposit	156,055	166,587
	156,232	166,758
9. Receivables		
Current		
Trade receivables	229,375	218,827
Less: Impairment	(4,979)	(4,979)
	224,396	213,848
Other receivables and prepayments	20,981	16,400
	245,377	230,248
10. Inventories		
Finished goods, at lower of costs or net realisable value	224,609	212,624

	Consolidated Entity	
	2013 ($000's)	2012 ($000's)
11. Property, Plant and Equipment		
Freehold land at cost	125,451	111,493
Freehold buildings at cost	127,696	112,331
Less: Accumulated depreciation	(49,610)	(45,090)
	78,086	67,241
Fixtures, fittings and equipment at cost	295,637	265,086
Less: Accumulated depreciation	(118,830)	(107,665)
	176,807	157,421
Motor vehicles at cost	73,321	66,131
Less: Accumulated depreciation	(29,886)	(28,088)
	43,435	38,043
Total property, plant and equipment	423,779	374,198

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

Freehold land		
Carrying amount at beginning of year	111,493	102,209
Additions	15,474	9,474
Disposals	(1,516)	(190)
Carrying amount at end of year	125,451	111,493
Buildings		
Carrying amount at beginning of year	67,241	67,192
Additions	15,129	4,424
Disposals	-	(182)
Depreciation	(4,284)	(4,193)
Carrying amount at end of year	78,086	67,241
Fixtures, fittings & equipment		
Carrying amount at beginning of year	157,421	138,296
Additions	44,568	40,696
Disposals	(182)	(17)
Depreciation	(25,000)	(21,554)
Carrying amount at end of year	176,807	157,421
Motor vehicles		
Carrying amount at beginning of year	38,043	33,315
Additions	16,305	15,672
Disposals	(3,059)	(3,693)
Depreciation	(7,854)	(7,251)
Carrying amount at end of year	43,435	38,043

12. Current Value of Land and Buildings

A Directors' valuation of land and buildings was undertaken on 30 June 2013. In their valuation, the directors took account of independent valuations previously completed over the last 3 years. As at 30 June 2013, the directors' assessment of the current market value of land and buildings based on continuing use is $301,080,668. The Company has not provided any land or buildings as security.

Notes

To the financial statements for the year ended 30 June 2013

	Consolidated Entity	
	2013 ($000's)	2012 ($000's)
13. Intangibles		
Goodwill	3,367	-
During the year an independent plumbing business comprising of two outlets in New South Wales was acquired.		
14. Payables		
Current		
Trade payables	236,850	229,898
Non Current		
Other	4,171	4,762
15. Short Term Borrowings		
Current		
Bank overdraft secured by guarantee from Reece Australia Limited	886	600
Multi-Currency Cash Advance	8,003	8,418
	8,889	9,018
16. Provisions		
Current		
Employee benefits	32,579	30,122
Warranty	2,200	2,200
Other	750	750
	35,529	33,072
Non-current		
Employee benefits	2,043	2,241
Aggregate employee benefits liability	34,622	32,363
17. Other Current Liabilities		
Amounts owing under contract	11,096	10,694
18. 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.

Capital Management

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 2013, management paid /declared dividends of $61.8m (2012: $60.8m).

Notes

To the financial statements for the year ended 30 June 2013

	Consolidated Entity	
	2013 ($000's)	2012 ($000's)
19. 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)	74	(436)
	3,077	2,567
20. Retained Earnings		
Balance at the beginning of year	694,420	641,896
Net profit attributable to members of parent entity	119,131	113,280
Dividends paid	(60,756)	(60,756)
Balance at end of year	752,795	694,420
21. Cash Flow Information		
(a) Reconciliation of the net profit after tax to the net cash flows from operations:		
Net profit	119,131	113,280
Add/(less) non cash items:		
(Profit) / loss on sale or disposal of non-current assets	833	273
Depreciation	37,138	32,998
Exchange translation	(425)	(75)
Amounts set aside to provisions	2,258	2,621
Net cash flows from operations before change in assets and liabilities	158,935	149,097
Change in assets and liabilities		
(Increase)/decrease in receivables	(10,549)	16,132
(Increase)/decrease in other receivables	(4,580)	(123)
(Increase)/decrease in inventory	(11,985)	(143)
Increase /(decrease) in payables	6,183	(1,424)
Increase/(decrease) in income taxes payable	110	(6,029)
(Increase)/decrease in deferred tax assets	1,648	(957)
Net cash flow from operating activities	139,762	156,553

		Consolidated Entity	
		2013 ($000's)	2012 ($000's)

21. 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 2013

		2013 ($000's)	2012 ($000's)
Bank Overdraft	- facility	842	783
	- unused	-	174
Uncommitted Placement Line	- facility	25,000	25,000
	- unused	25,000	25,000
Multi-Currency Multi-Jurisdictional	- facility	15,000	15,000
	- unused	6,997	6,582
Bank Guarantees	- facility	5,000	5,000
	- unused	525	755
Trade Refinance & documentary letters of credit/surrenders	- facility	7,000	7,000
	- unused	2,631	3,982
Credit cards	- facility	3,411	3,396
	- unused	2,908	2,821
Total	- facility	56,253	56,179
	- unused	38,061	39,314

22. Commitments

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

	2013 ($000's)	2012 ($000's)
Buildings	155,030	165,037
Equipment	3,073	385
	158,103	165,422
Due not later than one year	28,940	28,280
Due later than one year but not later than five years	82,975	82,418
Due later than five years	46,188	54,724
	158,103	165,422

Commitment for future purchases and development of property is stated in Note 17

23. Earnings per Share

	2013	2012
Earnings used in calculating basic and diluted earnings per share.	119,131,344	113,280,228
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.	120 cents	114 cents

Notes
To the financial statements for the year ended 30 June 2013

	Consolidated Entity	
	2013 ($)	2012 ($)
24. Auditors' Remuneration		
Audit/Review Fees	**465,000**	**462,140**
Amounts paid and payable to Pitcher Partners for non-audit services:		
Taxation services	41,851	7,775
Other assurance services	52,115	22,935
	93,966	**30,710**
Amounts paid and payable to network firms of Pitcher Partners:		
Audit/Review fees	1,283	1,299
Other assurance services	9,037	14,578
	10,319	15,877

25. 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 $5,316,408 (2012: $5,069,657) and superannuation benefits of $108,750 (2012: $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 Reece 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 Reece, Messrs L.A. Wilson, B.W.C. Wilson and J. G. Wilson have a beneficial interest in an entity that sold plumbing and building supplies to the consolidated entity. All dealings are in the ordinary course of business and on normal terms and conditions no more favourable than those which it is reasonable to expect would have been accepted if dealing at arms length in the same circumstances. Goods purchased from this entity during the year total $3,888,091 (2012 $4,487,631) of which $308,099 (2012 $338,151) was owing at year end.

Directors of Reece 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 $1,105,967 (2012 $1,078,089).

From time to time, directors and senior manager of Reece 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.

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

(b) Ownership Interests in Related Parties

Details of interests in controlled entities are set out in Note 27.

26. 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.

27. Particulars in Relation to Corporations in the Group

	Ownership Percentage 2013	Ownership Percentage 2012
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

28. Subsequent Events

There has been no matter or circumstance, which has arisen since 30 June 2013, that has significantly affected or may significantly affect:

(a) the operations, in financial years subsequent to 30 June 2013, of the consolidated entity, or

(b) the results of those operations, or

(c) the state of affairs, in financial years subsequent to 30 June 2013, of the consolidated entity.

29. Parent Entity Details

	Consolidated Entity	
	2013 ($000's)	2012 ($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	60,756
Other comprehensive income for the year payable	-	-
Total comprehensive income for the year	60,756	60,756

(c) Parent entity guarantees		
Bank Overdraft	842	600

(d) The final dividend declared to be paid on 24 October 2013 as per note 7 shall be funded by way of a dividend received from fully owned subsidiary.

Directors' Declaration

The directors declare that the financial statements and notes set out on pages 16 to 35 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 2013 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 2013.

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

Dated at Melbourne on 29 August 2013.

L. A. Wilson
Executive Chairman

P.J. Wilson
Chief Executive Officer

Independent Auditors' Report

PITCHER PARTNERS

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 2013, 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 2013 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 13 to 14 of the directors' report for the year ended 30 June 2013. 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

In our opinion, the Remuneration Report of Reece Australia Limited and controlled entities for the year ended 30 June 2013 complies with section 300A of the *Corporations Act 2001*.

D. A. KNOWLES
Partner
29 August 2013

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 14 August 2013, the distribution of shareholdings was as follows:

Size of Shareholding	Number of Shareholders
1 – 1,000	654
1,001 – 5,000	352
5,001 – 10,000	74
10,001 – 100,000	111
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 14 August 2013 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
Addawarra 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 14 August 2013, there were 1,229 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 2013:

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)	6,859,469	6.9%
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%
J P Morgan Nominees Australia Limited	2,458,975	2.5%
Austral Hardware (Healesville) Pty Ltd	2,400,000	2.4%
Addawarra Nominees Pty Ltd	2,310,000	2.3%
Wilaust Holdings Pty Ltd	1,746,000	1.8%
UBS Nominees Pty Ltd	1,571,394	1.6%
National Nominees Limited	1,346,042	1.4%
Citicorp Nominees Pty Ltd (Colonial First State Inv A/C)	1,219,122	1.2%
RBC Investor Services Australia Nominees Pty Ltd (PIIC A/C)	1,032,955	1.0%
John G. Wilson	934,000	0.9%
BNP Paribas Noms Pty Ltd <Master Cust DRP>	857,602	0.9%
Citicorp Nominees Pty Limited	770,695	0.8%
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.

Reece. Works for you.

Reece Australia Limited
A.B.N. 49 004 313 133