



**REECE AUSTRALIA LIMITED
ANNUAL REPORT 2001**

A.C.N. 004 313 133 A.B.N. 49 004 313 133



Leslie Thomas Wilson **20/10/1909 – 27/2/2001**

The 2001 year saw the passing of Mr Leslie Thomas Wilson. It is with sadness and gratitude that we reflect on his significant contribution to Reece.



Mr Wilson's involvement with Reece started in 1935 as a supplier of rainwater goods. In 1958 he became a Non-Executive Director and in 1969, at the age of 60, he became Chairman. At that time Reece had two stores. Mr Wilson chaired Reece through the next thirty-one years. Today, Reece has over 180 stores and is one of Australia's leading suppliers of plumbing and bathroom products.

During his time as Chairman, Mr Wilson made an outstanding contribution to the Company. He had an astute business mind and performed his role with common sense and humility. His counsel will be missed.

Mr Wilson lived his life by a set of clear values— values like respect, fairness and loyalty — values that have become a part of the culture of Reece itself. This lasting influence is his legacy.

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Controlled Entities	Reece Pty Ltd A.C.N. 004 097 090 A.B.N. 84 004 097 090 Plumbing World Pty Ltd A.C.N. 004 910 829 A.B.N. 99 004 910 829 Duncan and Ling Proprietary Limited A.C.N. 004 248 953 A.B.N. 73 004 248 953
Controlled Entity of Reece Pty Ltd	Bolong Pty Limited A.C.N. 008 576 903 A.B.N. 96 008 576 903
Directors	L.A. Wilson (Chairman and Managing Director) B.W.C. Wilson J.G. Wilson P.J. Wilson
Company Secretary	N.G. Cathie
Bankers	National Australia Bank Limited Commonwealth Bank of Australia Limited
Solicitors	Russell Kennedy
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 Level 12 565 Bourke Street Melbourne, Victoria, 3000 Telephone (03) 9611 5711 Facsimile (03) 9611 5710
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 Wednesday, 24 October, 2001 at 118 Burwood Highway, Burwood, Victoria.

REECE AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES Financial Statements and Reports for the year ended 30 June 2001

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DIRECTORS' REPORT

The Directors present their report together with the financial report of Reece Australia Limited (The Company) and the consolidated financial report of the economic entity, being the Company and its controlled entities for the year ended 30 June 2001 and the auditors' report thereon.

Directors

The Directors in office at any time during or since the end of the year are:

L.T. Wilson
L.A. Wilson
B.W.C. Wilson
J.G. Wilson
P.J. Wilson

Principal Activities

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

There were no significant changes in the nature of the economic entity's principal activities during the year.

Consolidated Result

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

	2001	2000
	(\$000's)	(\$000's)
Operating profit before income tax	44,767	61,949
Income tax expense	16,547	23,160
Operating profit after income tax attributable to the members of Reece Australia Limited	<u>28,220</u>	<u>38,789</u>

Dividends

Dividends paid or declared by the Company since the end of the previous financial year were:

As proposed and provided for in last year's report: (\$000's)

A final fully franked ordinary dividend of 50 cents per share in respect of the year ended 30 June 2000, was paid on 24 October 2000. 9,960

In respect of the current financial year:

An interim ordinary dividend of 25 cents per share was paid on 23 March 2001. 4,980

The final dividend recommended by the Directors of the Company to be paid on 24 October 2001 is an ordinary fully franked dividend of 32 cents per share. 6,374
11,354

Review of Operations

During the financial year the economic entity commenced trading from 23 outlets throughout mainland Australia.

The group will continue to expand into new geographic locations within Australia as and when opportunities arise.

The result for the economic entity for the financial year reflects the significant slow down in economic activity in the Australian economy and in particular, the post GST slump in building activity.

A gradual recovery is expected into the next financial period with results expected to be positively affected by factors such as a continuing low interest rate environment and the first home buyers subsidy program.

The economic entity will continue to pursue its policy of increasing its profitability and market share during the next financial year.

Environmental Regulations

The economic entity's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation.

State of Affairs

In the opinion of the Directors there were no significant changes in the state of affairs of the economic entity that occurred during the financial year under review not otherwise disclosed in this report or the financial report.

Events Subsequent to Balance Date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the company, to affect significantly the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity, in subsequent financial years.

Likely Developments

Likely developments in the operations of the economic entity and the expected results of those operations have not been included in this report as the Directors believe, on reasonable grounds, that the inclusion of such information would result in unreasonable prejudice to the economic entity.

INFORMATION ON DIRECTORS

Name: Mr Leslie T. Wilson
Age: 91
Position: Chairman
Experience: Appointed to the board in 1958. Chairman of Reece Australia Limited from 1969 to 2001. Resigned from the position of Chairman and from the board 10 January 2001.

Name: Mr L. Alan Wilson
Age: 60
Position: Managing Director
Experience: Appointed to the board 1969. General Manager 1970-1974. Deputy Chairman 1973 - 2001. Managing Director since 1974. Appointed Chairman 2001.

Name: Mr Peter J. Wilson
Age : 33
Position: Executive Director/
Marketing Manager
Experience: B.Comm (Melb). Appointed to the board in 1997.

Name: Mr. Bruce W.C. Wilson
Age: 55
Position: Non-Executive Director
Experience: B.Comm (Melb). Appointed to the board 1970. Secretary 1974 - 1999.

Name: Mr John G. Wilson
Age: 63
Position: Non-Executive Director
Experience: Appointed to the board in 1984.

DIRECTORS' REPORT

Meetings of Directors

The number of Directors' meetings (including audit committee meetings) and number of meetings attended by each of the Directors of the company during the financial year were :

Director	Number of Directors Meetings Attended	Number of Directors Meetings Held Whilst in Office
L.T. Wilson	6	6
L.A. Wilson	12	12
P.J. Wilson	12	12
B.W.C. Wilson	12	12
J.G. Wilson	12	12

Director	Number of Audit Committee Meetings Attended	Number of Audit Committee Meetings held
J.G. Wilson	3	3
B.W.C. Wilson	3	3

Directors' Interest

The relevant interest of each Director in the share capital of the company shown in the Register of Directors shareholdings as at the date of this report is:

	Ordinary Shares
L.A. Wilson	8,517,364
J.G. Wilson	8,679,864
B.W.C. Wilson	8,493,864
P.J. Wilson	21,300

Since the end of the previous financial year no Director of the company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors shown in the financial report) because of a contract made by the company, its controlled entities or a related body corporate with a Director or with a firm of which a director is a member, or with an entity in which the Director has a substantial interest. However, L.A. Wilson, B.W.C. Wilson, and J.G. Wilson have interests in, and are directors of, entities which let properties to a related entity under normal terms and conditions.

In addition, L.A. Wilson, B.W.C. Wilson and J.G. Wilson have interests in and are directors of entities which supply plumbing and building supplies to a related entity on terms and conditions no more favourable than other suppliers.

Further details of these transactions are set out in Note 23 to the financial statements.

DIRECTORS' REPORT

Directors and Senior Executive Officer Emoluments

Remuneration of the directors and the executive officers is the responsibility of the Board as a whole.

Details of the nature and amount of each major element of the emoluments of each director of the Company and, the executive officers who are concerned in, or take part in, the management of the Company and the Group are:

	Salary \$	Directors Fees \$	Super Contributions \$	Non-cash benefits \$	Total \$
Director					
L.A. Wilson	971,000	500	75,283	69,517	1,116,300
P.J. Wilson	202,843	500	19,045	17,514	239,902
B.W.C. Wilson	-	36,000	2,880	-	38,880
L.T. Wilson	-	18,000	-	-	18,000
J.G. Wilson	-	36,000	2,880	-	38,880
Executive					
L.A. Wilson	971,000	500	75,283	69,517	1,116,300
P.J. Wilson	202,843	500	19,045	17,514	239,902
N.G. Cathie	334,435	-	10,260	21,155	365,850

Share Options

No options to shares have been granted during the financial year and there were no options outstanding at the end of the financial year.

Indemnification and Insurance of Officers

During the year the Company has paid a premium in respect of an insurance contract to indemnify officers against liabilities that may arise from their position as officers of the Company and its controlled entities.

Officers indemnified include the Directors, Company Secretary and all executive officers participating in the management of the company and its controlled entities.

Further disclosure required under section 300(1)(g) of the Corporations Law is prohibited under the terms of the contract.

Rounding of Amounts to Nearest Thousand Dollars

The company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that class order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Dated at Melbourne on 18 September 2001.

Signed in accordance with a resolution of Directors.

L.A. WILSON
Director

P.J. WILSON
Director

CORPORATE GOVERNANCE STATEMENT

Reece Australia Limited is a long established Public Company that operates across a well-defined area of business. Corporate Governance practices have been implemented that are consistent with the nature of the economic entity's operations.

Responsibility for Corporate Governance

Responsibility for Corporate Governance lies with the Board of Directors of Reece Australia Limited. In conjunction with the senior management team, the Board is responsible for setting the strategic direction of the group, monitoring its performance and ensuring that appropriate policies and procedures regarding controls, risk management, financing, employment, occupational health and safety, environmental and trade practices are in place.

The Board sets benchmarks for the ethical and business standards of the organisation. This includes monitoring internal and external professional conduct, enhancing and promoting the business and community reputation of the group and delivering professionalism and equity within the workplace.

The Board of Directors

The Board comprises two executive directors; L.A. Wilson and P.J. Wilson and two non-executive directors; J.G. Wilson and B.W.C. Wilson. Further details of the directors experience and qualifications are set out on page 3. In accordance with the Articles of Association and subject to other provisions of the Corporations Act 2001, each director (apart from the managing director), must, every three years on a rotational basis, vacate their position and may offer themselves for re-election. Remuneration of both executive and non-executive directors is a responsibility of the Board as a whole.

Audit Committee

An Audit Committee exists comprising B.W.C. Wilson and J.G. Wilson. Meetings of the Committee are held periodically and may involve other participants at the discretion of the Committee. The duties of the Audit Committee include; the review and assessment of statutory and management financial statements, monitoring performance of the internal control environment including the identification of weaknesses and potential risks, monitoring conformance with statutory responsibilities, liaison with and appraisal of both internal and external audit functions, assessment and review of the performance of management, and, providing assurance to the Board regarding the reliability of financial information prepared for use by the Board.

Internal Controls and Risk Management

The Board is ultimately responsible for both the implementation and maintenance of a comprehensive framework of internal control within the organisation. Achieving the objectives of safeguarding the assets of the group whilst operating a competitive and efficient workplace is, however, a joint responsibility of all participants of the organisation.

To this end the Board and senior management have established a 'Continuous Improvement Program' to promote the ongoing development of the control and operating environment of the Reece group. This involves assessing the controls in place throughout all facets of the organisation, measuring their effectiveness in a continually changing environment, and developing new and improved procedures where necessary.

This process aids in the timely identification of business risks allowing management to control these risks in order to achieve the objectives of Reece Australia Limited.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF REECE AUSTRALIA LIMITED



Scope

We have audited the financial report of Reece Australia Limited for the financial year ended 30 June 2001 comprising of the Directors' Declaration, Statements of Financial Performance, Statements of Financial Position, Statements of Cash Flows and notes to the financial statements.

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

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

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

Audit Opinion

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

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

Dated at Melbourne on 19 September 2001.

PITCHER PARTNERS

S P CATLIN
Partner

DIRECTORS' DECLARATION

The directors of Reece Australia Limited declare that the financial statements and notes set out on pages 9 to 29:

- (a) comply with the Accounting Standards and the Corporations Act 2001; and
- (b) give a true and fair view of the financial position as at 30 June 2001 and financial performance for the year ended on that date of Reece Australia Limited and the economic entity.

The directors further declare that in their opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Dated at Melbourne on 18 September 2001.

Signed in accordance with a resolution of directors.

L.A. WILSON
Director

P.J. WILSON
Director

STATEMENTS OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2001

	Note	Consolidated		The Company	
		2001 (\$000's)	2000 (\$000's)	2001 (\$000's)	2000 (\$000's)
Revenues from ordinary activities	2	532,648	596,982	11,354	24,900
Expenses from ordinary activities, excluding borrowing costs expense		487,866	535,033	-	-
Borrowing costs expense		15	-	-	-
	3	487,881	535,033	-	-
Profit from ordinary activities before income tax expense		44,767	61,949	11,354	24,900
Income tax expense relating to ordinary activities	4	16,547	23,160	-	-
Net Profit from ordinary activities after income tax		28,220	38,789	11,354	24,900
Total changes in equity other than those resulting from transactions with owners as owners		28,220	38,789	11,354	24,900
Basic earnings per share	6	142 cents	195 cents	-	-
Diluted earnings per share	6	142 cents	195 cents	-	-

The Statements of Financial Performance are to be read in conjunction with the notes to the financial statements set out on pages 12 to 29.

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2001

	Note	Consolidated		The Company	
		2001 (\$000's)	2000 (\$000's)	2001 (\$000's)	2000 (\$000's)
Current Assets					
Cash assets	7	34,885	36,470	-	-
Receivables	8	89,509	104,111	-	-
Inventories	9	81,971	68,057	-	-
Other financial assets	10	-	10,306	-	-
Total Current Assets		206,365	218,944	-	-
Non-Current Assets					
Receivables	8	-	-	6,771	10,357
Other financial assets	10	-	-	9,711	9,711
Property, plant and equipment	11	83,226	73,320	-	-
Intangibles	13	612	778	-	-
Deferred tax asset	14	5,371	5,478	-	-
Total Non-Current Assets		89,209	79,576	16,482	20,068
Total Assets		295,574	298,520	16,482	20,068
Current Liabilities					
Accounts payable	15	93,122	102,182	-	-
Current tax liability	4	4,407	11,847	-	-
Provisions	16	12,587	15,857	6,374	9,960
Other	17	1,341	101	-	-
Total Current Liabilities		111,457	129,987	6,374	9,960
Non-Current Liabilities					
Non-current tax liability	4	1,926	3,852	-	-
Provisions	16	5,079	4,435	-	-
Total Non-Current Liabilities		7,005	8,287	-	-
Total Liabilities		118,462	138,274	6,374	9,960
Net Assets		177,112	160,246	10,108	10,108
Equity					
Contributed equity	18	9,960	9,960	9,960	9,960
Reserves	19	1,743	1,743	37	37
Retained Profits	20	165,409	148,543	111	111
Total Shareholders' Equity		177,112	160,246	10,108	10,108

The Statements of Financial Position are to be read in conjunction with the notes to the financial statements set out on pages 12 to 29.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2001

	Note	Consolidated		The Company	
		2001 (\$000's)	2000 (\$000's)	2001 (\$000's)	2000 (\$000's)
Cash flows from operating activities					
Cash receipts in the course of operations		540,516	565,824	14,940	22,410
Cash payments in the course of operations		(497,226)	(503,174)	-	-
Dividends received		2	8	-	-
Interest received		1,355	1,444	-	-
Income taxes paid		(25,806)	(19,284)	-	-
Borrowing costs paid		(15)	-	-	-
Net cash provided by operating activities	21(b)	18,826	44,818	14,940	22,410
Cash flows from investing activities					
Payments for property, plant and equipment		(16,303)	(19,396)	-	-
Proceeds from sale of property, plant, equipment and investments		824	1,630	-	-
Net cash provided by investing activities		(15,479)	(17,766)	-	-
Cash flows from financing activities					
Loans repaid by other entities		8	9	-	-
Dividends paid		(14,940)	(22,410)	(14,940)	(22,410)
Net cash provided by financing activities		(14,932)	(22,401)	(14,940)	(22,410)
Net increase in cash held		(11,585)	4,651	-	-
Cash at the beginning of the year		46,470	41,819	-	-
Cash at the end of the year	21 (a)	34,885	46,470	-	-

The Statements of Cash Flows are to be read in conjunction with the notes to the financial statements set out on pages 12 to 29.

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001

1. Statement of Significant Accounting Policies

The significant policies which have been adopted in the preparation of the financial report are:

Basis of Preparation

The financial report of the company and the economic entity is a general purpose financial report that has been drawn up in accordance with the Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Law. They have been prepared on the basis of historical costs and do not take into account changing money values nor, except where stated, current valuations of non-current assets. The accounting policies have been consistently applied.

Reclassification of Financial Information

Some line items and sub-totals reported in the previous financial year have been reclassified and repositioned in the financial statements as a result of the first time application on 1 July 2000 of the revised standards AASB 1018 *Statement of Financial Performance*, AASB 1034 *Financial Report Presentation and Disclosures* and the new AASB 1040 *Statement of Financial Position*.

The following assets and liabilities have been removed from previous classification and are now disclosed as separate line items on the face of the statements of financial position:

- deferred tax assets, previously presented within non-current assets
- current tax liabilities, previously presented within current provisions

Recoverable Amounts of Non-Current Assets

The carrying amounts of all non-current assets are reviewed at least annually to determine whether they are in excess of their recoverable amount. If the carrying amount of a non-current asset exceeds the recoverable amount, the asset is written down to the lower value. In assessing recoverable amounts the relevant cash flows have not been discounted to their present value.

Principles of Consolidation

The consolidated financial statements comprise the financial statements of the Company, being the parent entity, and its controlled entities. A list of controlled entities is contained in Note 29 to the financial statements.

All inter-entity balances and transactions (including unrealised profits or losses) have been eliminated on consolidation.

Where a controlled entity has been acquired during the year, its results are included in consolidated profit from the date of acquisition.

Income Tax

The liability method of tax-effect accounting has been adopted in the preparation of these financial statements.

Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the balance sheet as a future income tax benefit or a deferred tax liability, at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits which include tax losses are only brought to account when their realisation is virtually certain.

Capital Gains Tax

Capital gains tax is provided in the profit and loss account in the period in which the relevant asset is sold. The tax effect of capital gains or losses is not recorded unless realisation is virtually certain.

Property, Plant and Equipment

In electing to apply AASB1041 before the mandatory operative date of July 2001, the consolidated entity has elected to revert to the cost basis for measuring land and buildings which were carried at a revalued amount at 30 June 2000 by deeming the carrying amount of non-current assets comprising land and buildings at 1 July 2000 to be their cost. The carrying amount of property, plant and equipment is reviewed annually to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted back to their present values in determining recoverable amounts.

Acquisition

Items of property, plant and equipment are recorded at cost and depreciated as outlined below.

Revaluations

The valuation of property, plant and equipment is regularly reviewed and, where considered appropriate, revalued amounts are incorporated in the financial statements. This is in addition to the annual review for recoverable amount referred to above.

Where revalued amounts are included in the accounts, the potential impact of capital gains tax is not included where the asset is an integral part of the economic entity's operations. Where there is an intention to dispose of the revalued asset, the relevant capital gains tax liability is brought to account.

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001

Disposal of Revalued Assets

The gain or loss on disposal of revalued assets is calculated as the difference between the carrying amount of the asset at the time of disposal and the proceeds on disposal, and is included in the results in the year of disposal.

Any realised revaluation increment relating to the disposed asset standing in the asset revaluation reserve at the time of disposal is transferred to the capital profits reserve.

Depreciation

Items of plant and equipment are depreciated over their estimated useful lives commencing from the time the asset is held ready for use. The straight-line method of depreciation is used. The depreciation rates used for each class of depreciable assets are:

Freehold buildings	4%
Plant and equipment	5% - 37.5%
Motor vehicles	15% - 20%

Leased Motor Vehicles, Buildings, Plant and Equipment

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

Payments made under operating leases are charged against profits in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of the benefits to be derived from the leased property.

Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing condition and location.

Net Realisable Value

Net realisable value is determined on the basis of the normal selling pattern. Expenses of marketing, selling and distribution to customers are estimated and are deducted to establish net realisable value.

Provisions

Doubtful Debts

The collectibility of debts is assessed at year end and provision is made for any doubtful accounts.

Warranty

Provision is made in respect of the economic entity's estimated liability on all relevant products and services under warranty at balance date. The provision is based on the economic entity's history of warranty claims.

Employee Entitlements

The liability for employee entitlements represents the amount which the economic entity has a present obligation to pay resulting from employees' services provided up to balance date.

Annual Leave

The liability has been calculated at nominal amounts based on current wage and salary rates and includes related on-costs.

Long Service Leave

The liability for employee entitlements to long service leave represents the present value of the estimated future cash outflows to be made by the employer resulting from employees' services provided up to the balance date.

Liabilities for employee entitlements which are not expected to be settled within twelve months are discounted using the rates attaching to national government securities at balance date, which most closely match the terms of maturity of the related liabilities.

In determining the liability for employee entitlements, consideration has been given to future increases in wage and salary rates, and the economic entity's experience with staff departures. Related on-costs have also been included in the liability.

Foreign currency

Transactions

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling on that date.

Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account as exchange gains or losses in the statement of financial performance in the financial year in which the exchange rates change.

Superannuation Fund

Contributions are made to superannuation funds on behalf of employees. Contributions are based on the relevant industrial awards, the superannuation guarantee charge rate or the level of allowable contributions defined by the Australian Prudential Regulation Authority. Such contributions are charged against income.

Goodwill

Goodwill, representing the excess of the purchase consideration plus incidental costs over the fair value of the identifiable net assets acquired on the acquisition of a controlled entity, is amortised over the period of time during which benefits are expected to arise.

Goodwill on consolidation is amortised on a straight line basis over 20 years.

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001

The unamortised balance of all goodwill is reviewed at each reporting date. Where the balance exceeds the value of expected future benefits, the difference is charged to the profit and loss account.

Revenue Recognition

Sales revenue

Sales revenue comprises revenue earned from the provision of products to entities outside the economic entity. Sales revenue is recognised when the goods are invoiced.

Interest revenue

Interest revenue is recognised as it accrues.

Asset sales

The gross proceeds of asset sales are included as revenue of the consolidated entity. The profit or loss on disposal of assets is brought to account at the date an unconditional contract of sale is signed.

Dividends

Revenue from dividends from controlled entities is recognised by the parent entity when they are declared by the controlled entities.

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001

	Consolidated		The Company	
	2001 (\$000's)	2000 (\$000's)	2001 (\$000's)	2000 (\$000's)
2. Profit from Ordinary Activities				
Profit from ordinary activities before income tax expense has been determined after:				
Revenue and net gains				
Sales revenue	529,660	593,643	-	-
Dividends received or due and receivable from:				
Related entities	-	-	11,354	24,900
Other entities	2	4	-	-
Interest received or due and receivable from other persons	1,737	1,424	-	-
Gross proceeds on sale of property, plant, equipment & investments	823	1,630	-	-
Bad debts recovered	426	281	-	-
	532,648	596,982	11,354	24,900
Profit on sale of property, plant, equipment and investments	348	563	-	-
Expenses				
Bad debts written off:				
Trade Debtors	1,167	1,561	-	-
Amortisation of goodwill	166	403	-	-
Depreciation	7,416	6,806	-	-
Amounts set aside to:				
Provision for employee entitlements	626	1,164	-	-
Provision for obsolescence	907	563	-	-
Provision for doubtful debts	-	1,155	-	-
Provision for warranty	333	567	-	-
Lease rental paid or due payable to other entities	5,279	4,001	-	-

Auditors Remuneration

Consolidated amounts due and receivable by auditors of the parent entity for auditing the financial statements of any entity in the economic entity were \$236,500 (2000: \$220,000) and for other services provided for any entity in the economic entity were \$156,847 (2000: \$169,195)

	Note	Consolidated	
		2001 (\$000's)	2000 (\$000's)
3. Expenses Relating to Ordinary Activities by Function			
Cost of sales		394,684	438,702
Distribution expenses		47,335	44,002
Marketing expenses		2,341	2,119
Occupancy expenses		6,836	5,326
Administrative and other expenses		36,670	44,884
Borrowing costs expenses		15	-
Total expenses relating to Ordinary Activities		487,881	535,033

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001

	Consolidated		The Company	
	2001 (\$000's)	2000 (\$000's)	2001 (\$000's)	2000 (\$000's)
4. Income Tax				
Prima facie income tax expense calculated at 34% (2000 - 36%) on the operating profit	15,221	22,302	3,860	8,964
Increase in income tax expense due to:				
Non - deductible expenditure	554	747	-	-
Non - deductible capital losses	29	31	-	-
Change in tax rate	715	322	-	-
Underprovision in prior year	90	-	-	-
Decrease in income tax expense due to:				
Non - taxable profits on asset sales	(62)	(179)	-	-
Rebateable dividends	-	-	(3,860)	(8,964)
Overprovision in prior year	-	(63)	-	-
Income tax expense attributable to operating profit	16,547	23,160	-	-
Income tax expense attributable to operating profit is made up of:				
Current income tax expense	16,350	24,119	-	-
Future income tax benefit	107	(896)	-	-
Overprovision in prior year	-	(63)	-	-
Underprovision in prior year	90	-	-	-
	16,547	23,160	-	-
Provision for Current Income Tax				
Movements during the year were as follows:				
Balance at beginning of year	15,699	10,927	-	-
Income tax paid	(25,806)	(19,284)	-	-
Current income tax expense on operating profit	16,350	24,119	-	-
Income tax overprovided in prior year	-	(63)	-	-
Income tax underprovided in prior year	90	-	-	-
Deferral greater than twelve months	(1,926)	(3,852)	-	-
	4,407	11,847	-	-
Future Income Tax Benefit				
Future income tax benefit reflects the future benefit at future income tax rates on the following items:				
Provision for doubtful debts	1,006	1,141	-	-
Provision for employee entitlements	3,118	3,319	-	-
Provision for stock obsolescence	1,569	1,470	-	-
Provision for warranty	270	193	-	-
Prepayments	(258)	(336)	-	-
Other timing differences	(334)	(309)	-	-
	5,371	5,478	-	-
Future Income Tax Benefit Not Taken To Account				
The future income tax benefit arising from Capital losses has not been recognised as an asset because recovery is not virtually certain at 30% (2000 - 34%)	443	502	-	-

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

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

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001

	Consolidated		The Company	
	2001 (\$000's)	2000 (\$000's)	2001 (\$000's)	2000 (\$000's)
5. Dividends Paid and Proposed				
The following are the dividends paid and / or proposed for the financial year:				
Final dividend of 50 cents per share paid 24 October 2000, (fully franked to 34%)	9,960	7,470	9,960	7,470
Interim dividend of 25 cents per share paid 23 March 2001 (fully franked to 34%)	4,980	14,940	4,980	14,940
Dividend Proposed (32 cents per share fully franked)	6,374	9,960	6,374	9,960
	11,354	24,900	11,354	24,900
Dividend Franking Account				
Balance of franking account adjusted for franking credits that will arise after payment of income tax payable and after payment of proposed dividends. Class C - franked to 30% (2000 - 34%)	234,976	174,994	13	13

	Consolidated	
	2001	2000
6. Earnings per Share		
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share.	19,920,000	19,920,000

The earnings per share has been calculated on the weighted average of share capital during the year in accordance with Accounting Standard AASB 1027: Earnings Per Share.

	Consolidated		The Company	
	2001 (\$000's)	2000 (\$000's)	2001 (\$000's)	2000 (\$000's)
7. Cash Assets				
Cash on hand	148	127	-	-
Cash on deposit	34,737	36,343	-	-
	34,885	36,470	-	-

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001

	Consolidated		The Company	
	2001 (\$000's)	2000 (\$000's)	2001 (\$000's)	2000 (\$000's)
8. Receivables				
Current				
Trade debtors	84,012	95,939	-	-
Less: Provision for doubtful debts	3,355	(3,355)	-	-
	80,657	92,584	-	-
Other debtors and prepaid expenses	8,852	11,527	-	-
	89,509	104,111	-	-
Non-current				
Loans, controlled entities	-	-	6,771	10,357
9. Inventories				
Current				
Finished goods, at cost	87,201	72,380	-	-
Provision for obsolescence	(5,230)	(4,323)	-	-
	81,971	68,057	-	-
10. Investments				
Current				
Short maturity bills and term deposits	-	10,000	-	-
Shares in quoted corporations, at deemed cost	-	306	-	-
	-	10,306	-	-
Non-current				
Shares in related corporations at deemed cost	-	-	9,711	9,711

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001

	Consolidated		The Company	
	2001 (\$000's)	2000 (\$000's)	2001 (\$000's)	2000 (\$000's)
11. Property, Plant and Equipment				
Freehold land at deemed cost	27,305	26,313	-	-
Freehold buildings at deemed cost	42,911	38,360	-	-
Less: Accumulated depreciation	(13,224)	(11,668)	-	-
	56,992	53,005	-	-
Total land and buildings	70,216	64,673	-	-
Less: Accumulated depreciation	(13,224)	(11,668)	-	-
	56,992	53,005	-	-
Fixtures, fittings and equipment at cost	44,027	35,896	-	-
Less: Accumulated depreciation	(28,103)	(24,935)	-	-
	15,924	10,961	-	-
Motor vehicles at cost	22,612	20,125	-	-
Less: Accumulated depreciation	(12,302)	(10,771)	-	-
	10,310	9,354	-	-
	83,226	73,320	-	-

Land and buildings with a deemed cost of \$6,534,787 are used as security for the entities banking facilities.

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment are set out below:

Freehold land

Carrying amount at beginning of year	26,313
Additions	992
Disposals	-
Carrying amount at end of year	<u>27,305</u>

Buildings

Carrying amount at beginning of year	26,692
Additions	4,551
Disposals	-
Depreciation	(1,556)
Carrying amount at end of year	<u>29,687</u>

Vehicles, fixtures, fittings & equipment

Carrying amount at beginning of year	20,315
Additions	12,096
Disposals	(317)
Depreciation	(5,860)
Carrying amount at end of year	<u>26,234</u>

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001

12. Current Value of Land and Buildings

A directors valuation of land and buildings was undertaken on 30 June 2001. The valuation was undertaken to comply with Accounting Standard AASB 1034 as part of a policy to reassess the current market value of land and buildings every 3 years. In preparing their valuation the directors took account of periodic independent kerbside valuations obtained throughout the reporting period. As at 30 June 2001 the directors assessment of the current market value of land and buildings is \$80,822,919.

	Consolidated		The Company	
	2001 (\$000's)	2000 (\$000's)	2001 (\$000's)	2000 (\$000's)
13. Intangibles				
Goodwill on consolidation	1,750	1,750	-	-
Less: Accumulated amortisation	(1,138)	(1,051)	-	-
	612	699	-	-
Goodwill, at cost	1,774	1,774	-	-
Less: Accumulated amortisation	(1,774)	(1,695)	-	-
	-	79	-	-
	612	778	-	-
14. Other Assets				
Non-current Future income tax benefit	5,371	5,478	-	-
15. Accounts Payable				
Current Trade creditors and accruals	93,122	102,182	-	-
16. Provisions				
Current				
Provision for employee entitlements	5,313	5,330	-	-
Provision for dividend	6,374	9,960	6,374	9,960
Provision for warranty	900	567	-	-
	12,587	15,857	6,374	9,960
Non-current				
Provision for employee entitlements	5,079	4,435	-	-
Aggregate employee entitlements	10,392	9,765	-	-
Number of employees at balance date	1,405	1,389	-	-

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001

	Consolidated		The Company	
	2001 (\$000's)	2000 (\$000's)	2001 (\$000's)	2000 (\$000's)
17. Other Current Liabilities				
Amount owing under contract of sale	1,341	101	-	-
18. Share Capital				
Issued and paid up capital				
19,920,000 Ordinary shares fully paid	9,960	9,960	9,960	9,960
19. Reserves				
Asset revaluation reserve	461	461	-	-
General reserve	51	51	-	-
Capital Profits reserve	1,231	1,231	37	37
	1,743	1,743	37	37
Movements during the year consist of:-				
Capital Profits reserve				
Balance at beginning of year	1,231	824	37	37
Profit on sale of land and buildings	-	407	-	-
Balance at end of year	1,231	1,231	37	37
20. Retained Profits				
Retained profits at beginning of year	148,543	135,061	111	111
Net profit attributable to members of parent entity	28,220	38,789	11,354	24,900
Dividends	(11,354)	(24,900)	(11,354)	(24,900)
Amounts transferred to reserves	-	(407)	-	-
Retained profits at end of year	165,409	148,543	111	111

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001

	Consolidated		The Company	
	2001 (\$000's)	2000 (\$000's)	2001 (\$000's)	2000 (\$000's)
21. Notes to the Statement of Cashflows				
(a) Reconciliation of Cash				
For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank, short term deposits at call and short maturity bills net of outstanding bank overdrafts. Cash as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the balance sheet as follows:				
Cash on hand	148	127	-	-
Cash on deposit	34,737	36,343	-	-
Short maturity bills and term deposits	-	10,000	-	-
	34,885	46,470	-	-
(b) Reconciliation of operating profit after income tax to net cash provided by operating activities				
Operating profit after income tax	28,220	38,789	11,354	24,900
<i>Add/(less) items classified as investing / financing activities:</i>				
Profit on sale of non-current assets	(348)	(568)	-	-
<i>Add/(less) non cash items:</i>				
Depreciation	7,416	6,806	-	-
Amortisation of goodwill	166	403	-	-
Dividend received - controlled entity	-	-	3,586	(2,490)
Amounts set aside to provisions	959	2,886	-	-
(Decrease)/increase in income taxes payable	(9,366)	4,771	-	-
Net cash from operating activities before change in assets and liabilities	27,047	53,087	14,940	22,410
Change in assets and liabilities during the financial year				
(Increase)/decrease in trade debtors	11,927	(26,143)	-	-
(Increase)/decrease in sundry debtors	2,668	(1,366)	-	-
(Increase)/decrease in inventory	(13,915)	(9,201)	-	-
Increase/(decrease) in trade creditors and accruals	(9,009)	29,337	-	-
(Increase)/decrease in deferred tax benefits	108	(896)	-	-
(Increase)/decrease in loans, controlled entities	-	-	3,586	(2,490)
Increase/(decrease) in provision for dividend	-	-	(3,586)	2,490
Net cash provided by operating activities	18,826	44,818	14,940	22,410

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001

	Consolidated		The Company	
	2001 (\$000's)	2000 (\$000's)	2001 (\$000's)	2000 (\$000's)
21. Notes to the Statement of Cashflows (continued)				
(c) Financing Facilities				
<u>Bank Loans and Overdraft</u>				
Bank facilities are secured by a letter of lien over certain of the entities property assets.				
The economic entity has access to the following lines of credit:				
Total Facilities available:				
Bank Overdraft	1,000	1,000	1,000	1,000
Bank Guarantees	140	140	140	140
Trade Refinance & documentary letters of credit/surrenders	500	500	500	500
Credit cards	1,100	1,100	-	-
Total	2,740	2,740	1,640	1,640
Facilities utilised at Balance Date:				
Bank Overdraft	-	-	-	-
Bank Guarantee	-	-	-	-
Trade Refinance & documentary letters of credit/surrenders	-	408	-	-
Credit cards	-	-	-	-
Total	-	408	-	-
22. Remuneration and Retirement Benefits				
(a) Directors' Remuneration	(\$)	(\$)	(\$)	(\$)
Income paid or payable, or otherwise made available, to all directors of each entity in the economic entity and any related party. Income includes salary, superannuation and other benefits.	1,451,962	2,067,498		
Income paid or payable, or otherwise made available, to all directors of the parent entity from the parent entity and any related party. Income includes salary, superannuation and other benefits.			1,451,962	2,067,498

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001

	Consolidated		The Company	
	2001	2000	2001	2000
22. Remuneration and Retirement Benefits				
(a) Directors' Remuneration (continued)				
The number of directors referred to above are shown below in their relevant income bands.				
\$10,000 and \$19,999	1	-	1	-
\$30,000 and \$39,999	2	2	2	2
\$230,000 and \$239,999	1	-	1	-
\$260,000 and \$269,999	-	1	-	1
\$340,000 and \$349,999	-	1	-	1
\$1,110,000 and \$1,119,999	1	-	1	-
\$1,380,000 and \$1,389,999	-	1	-	1
Total number of directors	5	5	5	5

	Consolidated		The Company	
	2001 (\$)	2000 (\$)	2001 (\$)	2000 (\$)
(b) Executive Officers' Remuneration				
Income received or due and receivable by executive officers of the economic entity, from all entities in the economic entity and any related entities, whose income is \$100,000 or more.				
Income includes salary, superannuation and other benefits.				
	1,722,052	2,059,294	-	-

	Consolidated		The Company	
	2001	2000	2001	2000
\$230,000 and \$239,999	1	-	1	-
\$260,000 and \$269,999	-	1	-	1
\$360,000 and \$369,999	1	-	1	-
\$400,000 and \$409,999	-	1	-	1
\$1,110,000 and \$1,119,999	1	-	1	-
\$1,380,000 and \$1,389,999	-	1	-	1

Directors' and executive officers' income bands do not include insurance premiums paid by the Company or related entities in respect of Directors' and Officers' Liabilities and Legal Expenses insurance contracts, as the insurance policies do not specify premiums payable in respect of each individual.

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001

23. 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.T. Wilson, L.A. Wilson, B.W.C. Wilson, J.G. Wilson and P.J. Wilson.

Details of directors remuneration, superannuation and retirement payments are set out in Note 22.

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

Directors of the company, Messrs L.T. Wilson, 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 economic 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 these entities during the year total \$2,981,134 of which \$313,433 was owing at year end.

Directors of the company Messrs L.A. Wilson, B.W.C. Wilson, J.G. Wilson have a beneficial interest in entities that

lease premises to the economic 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 \$475,000.

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

(b) Directors Holding of Shares and Share Options

The relevant interest of Directors of the reporting entity and their Director related entities in shares of Reece Australia Limited are set out in the Director's Report attached to these financial statements. All subsidiary entities are wholly owned directly and indirectly by the ultimate parent entity.

(c) Controlling Entity

Reece Australia Limited, is incorporated in Victoria, and is believed to be the ultimate Parent entity.

(d) Ownership Interests in Related Parties

Details of interests in wholly owned entities are set out in Note 29.

	Consolidated		The Company	
	2001 (\$000's)	2000 (\$000's)	2001 (\$000's)	2000 (\$000's)
24. Lease Rental Commitments				
Future operating lease rentals not provided for and payable in respect of :				
Motor Vehicles	32	100	-	-
Buildings	14,133	10,281	-	-
Equipment	470	1,038	-	-
	14,635	11,419	-	-
Due not later than one year	5,051	4,407	-	-
Due later than one year but not later than five years	9,584	7,012	-	-
	14,635	11,419	-	-
Rental expense	5,279	4,001		

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001

25. Amounts Payable in Foreign Currencies

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

	US dollar \$000's	EURO \$000's	Other \$000's
Current	1,432	626	55
Non-current	-	-	-
	1,432	626	55

26. Financial Instruments

(a) Terms, conditions and accounting policies

Recognised Financial Instrument	Note	Accounting Policy	Terms & Conditions
a) Financial assets			
Cash	7	Cash is carried at the lower of cost and net realisable value.	Cash balances in bank accounts receive the bank benchmark interest rates. Cash is at call.
Receivables - trade	8	Trade receivables are carried at nominal amounts less any provision for doubtful debts.	Trade receivables are on 30 day terms.
Receivables - other	8	Other receivables are carried at nominal amounts due.	
Term deposits	10	Term deposits are carried at the lower of cost and net realisable value.	Term deposits have varying maturity dates with effective interest rates of 4.59% to 6.55% (2000: 4.7% to 6.08%).
Shares in quoted corporations	10	Shares are carried at the lower of deemed cost and net realisable value.	All shares in quoted corporations were disposed of during the year.
b) Financial liabilities			
Trade creditors and accruals	15	Recognised for amounts to be settled in the future, whether or not billed to the economic entity.	Trade payables are ordinarily settled within 30 day terms.
Dividends payable	16	Dividends payable are recognised when declared by the company.	Dividends payable represent the final dividend of 32 cents (2000: 50 cents) per ordinary share for the financial year ended 30 June 2001. The dividend is fully franked and franking credits available for the subsequent financial year are disclosed in Note 5.
Amounts owing under contract of sale	17	Amounts owing under contract of sale are carried at the principal amount.	
c) Equity			
Ordinary shares	18	Ordinary share capital is recognised at the paid up amount of each share.	The company is authorised to issue up to 40,000,000 (2000: 40,000,000) ordinary shares.

There are no financial instruments not recognised in the accounts at balance date.

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001

26. Financial Instruments (Continued)

(b) Interest rate risks

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

	Weighted Average Interest Rate %		Variable Interest Rate		Fixed Interest Less than 1 year		Non Interest Bearing		Total	Total
	2001 %	2000 %	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
i) Financial assets										
Cash	5.00%	4.90	34,885	36,470	-	-	-	-	34,885	36,470
Receivables - trade	n/a	n/a	-	-	-	-	80,657	92,584	80,657	92,584
Receivables - other	n/a	n/a	-	-	-	-	8,852	11,527	8,852	11,527
Term deposits	-	5.16	-	-	-	10,000	-	-	-	10,000
Shares in quoted corporations	n/a	n/a	-	-	-	-	-	306	-	306
Total financial assets	-	-	34,885	36,470	-	10,000	89,509	104,417	124,394	150,887
ii) Financial liabilities										
Trade creditors & accruals	n/a	n/a	-	-	-	-	93,122	102,182	93,122	102,182
Dividends payable	n/a	n/a	-	-	-	-	6,374	9,960	6,374	9,960
Amounts owing under contracts of sale	n/a	n/a	-	-	-	-	1,341	101	1,341	101
Total financial liabilities	-	-	-	-	-	-	100,837	112,243	100,837	112,243

(c) Credit risk

i) Exposure to credit risk

The economic entity's maximum exposure to credit risk, not taking into account the value of any collateral or other security held by the company, at balance date, in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the balance sheet.

Credit risk in trade receivables is managed in the following ways:

- payment terms are 30 days; and
- a risk assessment process prior to granting credit is used for all customers.

ii) Concentrations of credit risk

The company minimises concentrations of credit risk in relation to trade receivables by undertaking transactions with a large number of customers in the plumbing, building and hardware industry in Australia.

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001

26. Financial Instruments (Continued)

(d) Foreign exchange risk

The consolidated entity enters into forward foreign exchange contracts to hedge a proportion of anticipated purchase commitments denominated in foreign currencies (EURO and US dollar only) expected in each month within the following twelve months, subject to Board approved limits.

Forward exchange contracts not settled at balance date:

US dollar	-
EURO	400,000

As these contracts are hedging anticipated purchases, any unrealised gains and losses on the contracts, together with the costs of the contracts, will be deferred and then recognised in the financial statements at the time the underlying transaction occurs.

(e) Net fair values

The following table details the net market values as at balance date of each class of financial asset and financial liability, both recognised and unrecognised.

	Carrying amount		Net fair value	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Financial assets				
<i>Readily traded</i>				
Cash	34,885	36,470	34,885	36,470
Shares in quoted corporation	-	306	-	430
Short maturity bills and term deposits	-	10,000	-	10,000
<i>Not readily traded</i>				
Receivables - trade	80,657	92,584	80,657	92,584
Receivables - other	8,852	11,527	8,852	11,527
Total financial assets	124,394	150,887	124,394	151,011
Financial liabilities				
<i>Not readily traded</i>				
Trade creditors and accruals	93,122	102,182	93,122	102,182
Dividends payable	6,374	9,960	6,374	9,960
Amounts owing under contract of sale	1,341	101	1,341	101
Total financial liabilities	100,837	112,243	100,837	112,243

Determination of Net Fair Value

Financial assets

Carrying value as noted in the balance sheet approximates net fair value.

Financial liabilities

Carrying value as noted in the balance sheet approximates net fair value.

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001

27. SUPERANNUATION COMMITMENTS

At 30 June 2001, entities within the economic entity participated in four employer established superannuation plans all of which are accumulation plans. In addition, entities within the economic entity participated in several award-related superannuation plans in order to satisfy award entitlements of employees. Employees contribute to the plans at various percentages of their salaries and wages. Entities within the economic entity also contribute to the plans at varying levels and satisfy all of their legal obligations. The assets of the plans are sufficient to satisfy all benefits that would have been vested under the plans in the event of termination of the plans or voluntary or compulsory termination of the employment of each employee.

28. GEOGRAPHICAL AND INDUSTRY SEGMENTS

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

29. PARTICULARS IN RELATION TO CORPORATIONS IN THE GROUP

Name of entity	Ownership Percentage 2001 %	Ownership Percentage 2000 %
Parent Entity		
Reece Australia Limited	-	-
Controlled entities of Reece Australia Limited		
Reece Pty Ltd	100%	100%
Plumbing World Pty Ltd	100%	100%
Duncan & Ling Proprietary Limited	100%	100%
Controlled entity of Reece Pty Ltd		
Bolong Pty Limited	100%	100%

Notes

- (i) All corporations in the group are incorporated in Australia.
- (ii) All shareholdings are of ordinary shares.
- (iii) All corporations in the group carry on business in Australia only.
- (iv) All corporations financial years end on 30 June.

SHAREHOLDERS INFORMATION

AS AT 31 JULY 2001

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

Shareholding Analysis

At 31 July 2001

(a) Distribution of Shareholders

The distribution of shareholdings were as follows:

Size Of Shareholding	Number of Shareholders
1 - 1,000	156
1,001 - 5,000	128
5,001 - 10,000	26
10,001 - 100,000	41
Over 100,000	22
Holdings of less than a marketable parcel.	2

(b) Substantial shareholdings

The number of shares held by the substantial shareholders listed in the Company's register of substantial shareholders as at 31 July 2001 were:

Shareholder	Number of Shares
Waln Pty Ltd	9,295,428
W.A.L. Investments Pty Ltd	10,260,292
Leslie Alan Wilson	8,517,364
Wilgay Pty Ltd	9,457,928
J.G.W. Investments Pty Ltd	10,260,292
John Gay Wilson	8,679,864
Lezirol Pty Ltd	8,623,364
Florizel Investments Pty Ltd	10,260,292
Bruce Walter Campbell Wilson	8,493,864
Adawarra Nominees Pty Ltd	15,070,492
Warramunda Investments Pty Ltd	15,070,492
L.T.W. Holdings Pty Ltd	15,070,492
L.T. Wilson Pty Ltd	15,070,492
Wilaust Holdings Pty Ltd	15,070,492
Austral Hardware Pty Ltd	15,070,492
Austral Hardware (Healesville) Pty Ltd	15,070,492
Tyara Pty Ltd	10,260,292
Wal Assets Pty Ltd	9,295,428
Abtourk Vic No. 11 Pty Ltd	9,457,928

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

SHAREHOLDERS INFORMATION

AS AT 31 JULY 2001

(c) Class of Shares and Voting Rights

At 31 July 2001, there were 373 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 31 July 2001:

Shareholder	Number	% Held
L.T. Wilson Pty Ltd	6,288,000	31.6%
L.T.W. Holdings Pty Ltd	2,400,000	12.0%
Warramunda Investments Pty Ltd	1,945,800	9.8%
Perpetual Nominees Limited	1,339,107	6.7%
Florizel Investments Pty Ltd	672,064	3.4%
W.A.L. Investments Pty Ltd	672,064	3.4%
J.G.W. Investments Pty Ltd	672,064	3.4%
Austral Hardware Pty Ltd	597,000	3.0%
Austral Hardware (Healesville) Pty Ltd	480,000	2.4%
Adawarra Nominees Pty Ltd	462,000	2.3%
JP Morgan Custodial Services Pty Ltd	398,772	2.0%
Wilaust Holdings Pty Ltd	349,200	1.7%
JP Morgan Custodial Services (Equi ¹ / _c)	348,338	1.7%
Chase Manhattan Nominees Limited	300,339	1.5%
Perpetual Trustees Nominees Limited	259,000	1.3%
Perpetual Nominees Limited (PIIC ¹ / _c)	234,489	1.2%
John G. Wilson	186,000	0.9%
Whitefield Limited	120,000	0.6%
National Nominees Limited	110,214	0.5%
Abtourk Vic No. 11 Pty Ltd	106,800	0.5%

The twenty members holding the largest number of shares together held a total of 90.1% of the issued capital.

VICTORIA

Plumbing Centres

Airport West
Armadale
Box Hill
Brunswick
Burwood
Camberwell
Campbellfield
Caulfield
City
Clayton
Cranbourne
Croydon
Dandenong
Diamond Creek
Doveton
Dromana
Emerald
Ferntree Gully
Footscray
Hastings
Healesville
Heidelberg
Hoppers Crossing
Lilydale
Melton
Mentone
Montmorency
Moonee Ponds
Mornington
Newport
Pakenham
Richmond
Ringwood
Seaford
St Kilda
Sth Melbourne
Sunbury
Sunshine
Templestowe
Thomastown
Tootgarook

Vic Country

Albury
Bairnsdale
Ballarat
Ballarat west
Bendigo
Colac
Echuca
Geelong
Geelong North
Hamilton
Horsham
Mildura
Moe
Ocean Grove
Sale
Seymour
Shepparton
Swan Hill
Traralgon
Warrnambool
Wangaratta
Wodonga
Wonthaggi

Irrigation

Clayton
Lilydale
Mildura
Mornington
Ringwood
Sunshine

Gas

Clayton
West Footscray

Mechanical Services

Albury
Clayton
Sunshine

NEW SOUTH WALES

Plumbing Centres

Artarmon
Blacktown
Brookvale
Castle Hill
Chipping Norton
Lewisham
Minchinbury
Mona Vale
Parramatta
Penrith
Punchbowl
Rockdale
Rydalmere
Taren Point
Thornleigh
Waterloo
Wetherill Park
Windsor

NSW Country

Ballina
Bowral
Coffs Harbour
Dubbo
Erina
Gosford
Goulburn
Grafton
Griffith
Lismore
Newcastle
Nth Wollongong
Oak Flats
Port Macquarie
Queanbeyan
Taree
Tweed Heads
Unanderra
Wagga Wagga
Warners Bay
Wollongong

Mechanical Services

Revesby

ACT

Braddon
Mitchell
Phillip



QUEENSLAND

Plumbing Centres

Albion
Beenleigh
Browns Plains
Caboolture
Capalaba
Enoggera
Geebung
Ipswich
Kedron
Morningside
Salisbury
Underwood
West End

QLD Country

Bundaberg
Burleigh Junction
Cairns
Caloundra
Cannonvale
Edmonton
Hervey Bay
Labrador
Mackay
Maroochydoore
Mermaid Beach
Mt Isa
Nerang
Noosa
Rockhampton
Toowoomba
Townsville

Mechanical Services

West End

NORTHERN TERRITORY

Plumbing Centres

Darwin
Palmerston

SOUTH AUSTRALIA

Plumbing Centres

Adelaide - Showroom
Adelaide - Trade Counter
Gawler
Hendon
Hilton
Lonsdale
Morphettville
Mt Barker
Mt Gambier
O'Halloran Hill
Ridgehaven
Salisbury Plains
Stepney
Willaston
Wingfield

Mechanical Services

Wingfield

WESTERN AUSTRALIA

Plumbing Centres

Albany
Belmont
Bunbury
Busselton
Cannington
Fremantle
Geraldton
Joondalup
Kalgoorlie
Mandurah
Midvale
Myaree
Osborne Park
Perth - Showroom
Perth - Trade Counter
Rockingham

Mechanical Services

Cannington



REECE AUSTRALIA LIMITED A.C.N. 004 313 133 A.B.N. 49 004 313 133 REGISTERED OFFICE: 118 BURWOOD HIGHWAY, BURWOOD, VICTORIA, 3125