



annual report 04



Creating value for volume builders.
A multi-divisional business

reece ON SITE





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

Directors

- L.A. Wilson (Chairman and C.E.O.)
- P.J. Wilson
- B.W.C. Wilson
- J.G. Wilson
- R.G. Pitcher

Company Secretary

N.G. Cathie

Bankers

- National Australia Bank Limited
- Commonwealth Bank of Australia Limited

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
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, 21 October, 2004 at 118 Burwood Highway, Burwood, Victoria.



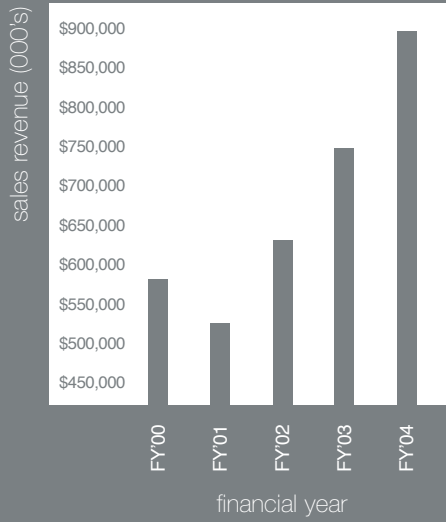
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Reece Australia Limited and its controlled entities
Financial Statements and Reports for the year ended 30 June 2004

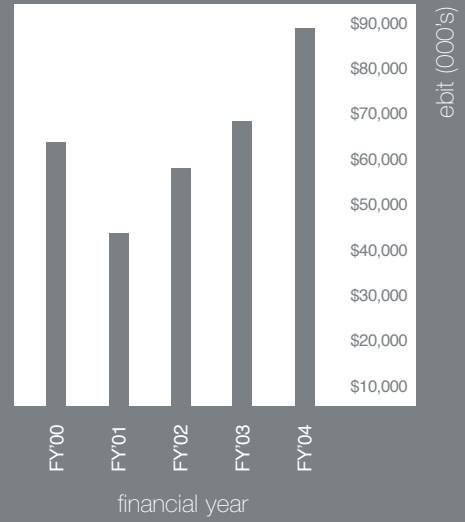
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04 highlights

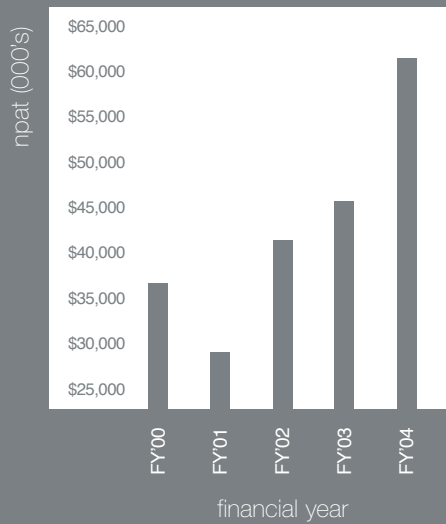
sales revenue



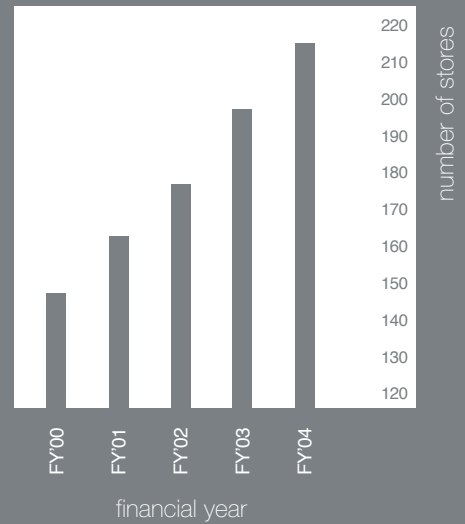
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npat



number of locations



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 2004 and the auditors' report thereon.

Directors

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

L.A. Wilson
P.J. Wilson
B.W.C. Wilson
J.G. Wilson
R.G. Pitcher

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:

	2004 (\$000's)	2003 (\$000's)
Operating profit before income tax	89,129	67,685
Income tax expense	<u>27,601</u>	<u>20,945</u>
Operating profit after income tax attributable to the members of Reece Australia Limited	<u>61,528</u>	<u>46,740</u>

Dividends

Dividends paid or declared by the Company 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 13.5 cents per share in respect of the year ended 30 June 2003, was paid on 23 October 2003. 13,446

In respect of the current financial year:

An interim ordinary dividend of 9 cents per share was paid on 25 March 2004. 8,964

The final dividend declared by the Directors of the Company to be paid on 21 October 2004 is an ordinary fully franked dividend of 19 cents per share. 18,924
27,888

Review of Operations

The Board is very pleased with this strong trading result which reflects the continuing demand for plumbing and related products in the markets in which the Company is active and is somewhat better than expected. The Board is also pleased to report an improved contribution from each division of the Company, these being, Plumbing & Bathroom, HVAC, Industrial and Irrigation.

The strong result continues to be positively impacted by relatively low interest rates, low inflation and low unemployment although housing credit growth looks to have peaked and building activity in some parts of Australia appears to be easing.

With the pace of expansion unaltered from the previous year, the Board is pleased with management's cost control measures and the positive impact this has had on the final result.

During the year ended 30 June 2004 the Company commenced trading from 21 new locations throughout Australia bringing the total of trading locations to 215. This policy of greenfielding additions to the Reece network will continue in 2005 with new store openings at a similar level to 2004. Business acquisitions will be considered if and when opportunities arise.

The Board is pleased to advise it has declared a final dividend of 19 cents per share. The final dividend will be paid on 21 October 2004 with the record date for entitlement being 7 October 2004. Total dividends paid relating to the year ended 30 June 2004 will be 28 cents per share compared to 21 cents per share in 2003.

Looking ahead, the Board anticipates moderate but steady growth however is reluctant to forecast growth rates at a time of some interest rate uncertainty, a softening of the domestic housing sector and the upward pressure on business costs.

Environmental Regulations

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

State of Affairs

The Directors are of the opinion that there were no significant changes in the state of affairs of the economic entity that occurred during the financial year under review other than disclosed elsewhere 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.

Philanthropic Initiatives

During the financial year the Board approved payments totalling \$180,000 (2003 - \$160,000) to various charitable organisations. This is a continuing initiative and recipients may vary from year to year at the discretion of the Board.

Information on Directors

Name: Mr L. Alan Wilson
Age: 63
Position: Chairman & C.E.O.
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: 36
Position: Executive Director/
General Manager - Operations
Experience: B.Comm (Melb). Appointed
to the board 1997.

Name: Mr. Bruce W.C. Wilson
Age: 58
Position: Non-Executive Director
Experience: B.Comm (Melb). Appointed
to the board 1970. Secretary
1974 - 1999.

Name: Mr John G. Wilson
Age: 66
Position: Non-Executive Director
Experience: Appointed to the board 1984.

Name: Mr Ronald G. Pitcher
Age: 65
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.

Meetings of Directors

The number of Directors' meetings (including audit committee and remuneration 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.A. Wilson	11	11
P.J. Wilson	10	11
B.W.C. Wilson	10	11
J.G. Wilson	10	11
R.G. Pitcher	11	11

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

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

Directors' Interest

The relevant interest of Directors of the reporting entity and their Director related entities in shares of Reece Australia Limited are set out in Note 22(b) to the financial statements.

Since the end of the previous financial year, except as disclosed in Note 22 to the financial statements, 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.

Directors and Executive Officers Emoluments

Remuneration of the directors and the executive officers is the responsibility of the Remuneration Committee.

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 directly accountable and responsible for the operational management and strategic direction of the Company and the consolidated entity:

	Salary & Fees \$	Performance Based Payment \$	Super Contributions \$	Non-cash benefits \$	Total \$
Directors					
L.A. Wilson					
2004	975,000	891,000	87,141	15,821	1,968,962
2003	550,000	1,127,045	82,054	63,511	1,822,610
P.J. Wilson					
2004	300,000	221,000	28,600	10,780	560,380
2003	220,000	138,865	28,600	10,724	398,189
B.W.C. Wilson					
2004	36,000	-	3,240	-	39,240
2003	36,000	-	3,240	-	39,240
J.G. Wilson					
2004	36,000	-	3,240	-	39,240
2003	36,000	-	3,240	-	39,240
R.G. Pitcher					
2004	60,000	-	5,400	-	65,400
2003	30,000	-	2,700	-	32,700
Executive Officers					
L.A. Wilson					
2004	975,000	891,000	87,141	15,821	1,968,962
2003	550,000	1,127,045	82,054	63,511	1,822,610
P.J. Wilson					
2004	300,000	221,000	28,600	10,780	560,380
2003	220,000	138,865	28,600	10,724	398,189
N.G. Cathie					
2004	400,000	225,000	39,000	31,345	695,345
2003	300,000	240,321	37,522	24,870	602,713

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 Act 2001 is prohibited under the terms of the contract.

Proceedings on Behalf of the Company

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

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 13 September 2004.

Signed in accordance with a resolution of Directors.

L.A. WILSON
Chairman

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

The format of the Corporate Governance Statement has changed in comparison to the previous year due to the introduction of the Australian Stock Exchange Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations" which are summarised as follows:

- Principle 1** Lay solid foundations for management and oversight
- Principle 2** Structure the Board to add value
- Principle 3** Promote ethical and responsible decision making
- Principle 4** Safeguard integrity in financial reporting
- Principle 5** Make timely and balanced disclosure
- Principle 6** Respect the rights of shareholders
- Principle 7** Recognise and manage risk
- Principle 8** Encourage enhanced performance
- Principle 9** Remunerate fairly and responsibly
- Principle 10** Recognise the legitimate interests of stakeholders

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

Principle 1

Lay solid foundations for management and oversight

The Board operates in accordance with the principles outlined in the Board Charter which is available from the Company upon request. The Charter describes the Board's composition, functions and responsibilities and designates authority reserved to the Board and that delegated to management.

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

More particularly, the Boards responsibilities encompass:

- Review and development of its control, risk management, compliance and accountability systems
- Development of corporate strategy
- Monitoring the operational and financial aspects of the company's activities
- Monitoring performance of senior management
- Ratifying the appointment or removal of the chief executive officer and the chief financial officer

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

Principle 2

Structure the Board to add value

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

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

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

Name	Term in office
Mr L. A. Wilson	35 years
Mr B. W. C. Wilson	34 years
Mr J. G. Wilson	20 years
Mr P. J. Wilson	7 years
Mr R. G. Pitcher	20 months

The ASX guidelines recommend that a listed company should have a majority of directors who are independent. They also recommend the role of chairperson and chief executive officer should not be exercised by the same individual.

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

Mr L. A. Wilson is a substantial shareholder of the Company. He has been Chief Executive Officer since 1970 and was appointed Chairman in 2001. Much of the success of Reece over the past 35 years is attributable to the expertise, experience, leadership and vision of Mr Wilson. Given the performance and financial standing of the Company under the leadership of Mr Wilson the Board believes it is inappropriate and unnecessary to separate the roles of Chairman and Chief Executive Officer at this time.

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

Mr P. J. Wilson is an executive of the company being General Manager - Operations.

Due to the Board's current size the directors have determined there would be no further efficiencies gained by the establishment of a separate nomination committee.

Principle 3 Promote ethical and responsible decision making

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

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

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

Principle 4 Safeguard integrity in financial reporting

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

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

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

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

The Audit Committee operates under its own charter.

The Chief Executive Officer and Chief Financial Officer have made a statement in writing to the audit committee that the Company's financial reports present a true and fair view, in all material aspects, of the financial condition and operational financial results of the Company and have been prepared in accordance with relevant accounting standards.

Principle 5 Make timely and balanced disclosure

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

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

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

Principle 6 Respect the rights of shareholders

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

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

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

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

Principle 7 Recognise and manage risk

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

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

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

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

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

Principle 8 Encourage enhanced performance

A process of informal evaluation was undertaken during the year of the performance of the Board and its Committees. The Board is planning to adopt a formal process of assessing performance in the next reporting period.

To enable the performance of their duties, all directors:

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

Principle 9 Remunerate fairly and responsibly

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

The Remuneration Committee operates under its own charter.

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

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

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

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

Principle 10 Recognise the legitimate interests of stakeholders

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

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

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



Scope

We have audited the financial report of Reece Australia Limited and controlled entities for the financial year ended 30 June 2004 comprising of the Directors' Declaration, Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows and notes to the financial statements.

The financial report includes the consolidated financial statements of the economic 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 in Australia and statutory requirements so as to present a view which is consistent with our understanding of the company's and the economic 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 economic entity's financial position as at 30 June 2004 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

Dated at Melbourne on 13 September 2004.

PITCHER PARTNERS

S P CATLIN
Partner

directors' declaration

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 13 to 33 are in accordance with the Corporations Act 2001; and
 - (a) comply with Accounting Standards in Australia and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position as at 30 June 2004 and of the financial performance for the year ended on that date of the Company and the economic entity.
2. In the directors' 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.

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

Dated at Melbourne on 13 September 2004.

L.A. WILSON
Chairman

statement of financial performance

for the year ended
30 June 2004

	Note	Consolidated		The Company	
		2004 (\$000's)	2003 (\$000's)	2004 (\$000's)	2003 (\$000's)
Revenues from ordinary activities	2	874,381	743,134	22,410	8,885
Expenses from ordinary activities, excluding borrowing costs expense	3	785,252	675,449	-	-
Borrowing costs expense		-	-	-	-
		785,252	675,449	-	-
Profit from ordinary activities before income tax expense	2	89,129	67,685	22,410	8,885
Income tax expense relating to ordinary activities	4	27,601	20,945	-	-
Net Profit from ordinary activities after income tax		61,528	46,740	22,410	8,885
Total changes in equity other than those resulting from transactions with owners as owners		61,528	46,740	22,410	8,885
Basic earnings per share	6	62 cents	47 cents	-	-
Diluted earnings per share	6	62 cents	47 cents	-	-

The Statement of Financial Performance is to be read in conjunction with the notes to the financial statements set out on pages 16 to 33

statement of financial position

for the year ended
30 June 2004

		Consolidated		The Company	
	Note	2004 (\$000's)	2003 (\$000's)	2004 (\$000's)	2003 (\$000's)
Current Assets					
Cash assets	7	45,710	45,072	-	-
Receivables	8	145,825	124,085	-	-
Inventories	9	132,969	107,180	-	-
Total Current Assets		324,504	276,337	-	-
Non-Current Assets					
Receivables	8	-	-	1,812	1,812
Other financial assets	10	-	-	9,711	9,711
Property, plant and equipment	11	123,708	105,770	-	-
Intangible assets	13	3	444	-	-
Deferred tax asset	4	8,009	6,679	-	-
Total Non-Current Assets		131,720	112,893	11,523	11,523
Total Assets		456,224	389,230	11,523	11,523
Current Liabilities					
Payables	14	142,586	122,633	-	-
Current tax liability	4	9,870	5,449	-	-
Provisions	15	8,986	7,797	-	-
Other	16	6,117	4,364	-	-
Total Current Liabilities		167,559	140,243	-	-
Non-Current Liabilities					
Provisions	15	7,638	7,078	-	-
Total Non-Current Liabilities		7,638	7,078	-	-
Total Liabilities		175,197	147,321	-	-
Net Assets		281,027	241,909	11,523	11,523
Equity					
Contributed equity	17	9,960	9,960	9,960	9,960
Reserves	18	3,003	2,507	37	37
Retained Profits	19	268,064	229,442	1,526	1,526
Total Equity		281,027	241,909	11,523	11,523

The Statement of Financial Position is to be read in conjunction with the notes to the financial statements set out on pages 16 to 33

statement of cash flows

for the year ended
30 June 2004

		Consolidated		The Company	
	Note	2004 (\$000's)	2003 (\$000's)	2004 (\$000's)	2003 (\$000's)
Cash flows from operating activities					
Cash receipts in the course of operations		849,675	731,083	-	-
Cash payments in the course of operations		(778,500)	(666,052)	-	-
Dividends received		-	-	22,410	18,426
Interest received		1,009	1,049	-	-
Income taxes paid		(24,509)	(24,115)	-	-
Net cash provided by operating activities	20(b)	47,675	41,965	22,410	18,426
Cash flows from investing activities					
Payments for property, plant and equipment		(26,578)	(22,954)	-	-
Proceeds from sale or disposal of property, plant and equipment		1,951	811	-	-
Purchase of intangibles		-	(3)	-	-
Net cash used in investing activities		(24,627)	(22,146)	-	-
Cash flows from financing activities					
Loans repaid by other entities		-	1	-	-
Dividends paid		(22,410)	(18,426)	(22,410)	(18,426)
Net cash used in financing activities		(22,410)	(18,425)	(22,410)	(18,426)
Net increase in cash held		638	1,394	-	-
Cash at the beginning of the year		45,072	43,678	-	-
Cash at the end of the year	20 (a)	45,710	45,072	-	-

The Statement of Cash Flows is to be read in conjunction with the notes to the financial statements set out on pages 16 to 33

1. Statement of Significant Accounting Policies

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

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 Act 2001. 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. Cost is based on the fair values of the consideration given in exchange for assets. The accounting policies have been consistently applied.

Certain accounting policies will be impacted when Australian equivalents of International Financial Reporting Standards are adopted in 2005. An explanation of how the transition to Australian equivalents to International Financial Reporting Standards is being managed, together with an explanation of the key differences in accounting policies that are expected to arise, is provided in Note 29.

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

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 28.

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

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

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 Statement of Financial Position as a deferred tax asset 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.

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

Tax Consolidation

The parent entity Reece Australia Limited and its wholly owned controlled entities have implemented the tax consolidation legislation and formed a tax-consolidated group from 1 July 2002. In accordance with the Income Tax Assessment Act (1997), the head entity in the consolidated group, Reece Australia Limited, is liable for the income tax payable by the group.

The parent entity and controlled entities in the tax-consolidated group have entered into a tax-funding agreement such that each entity in the tax-consolidated group recognises the assets, liabilities, expenses and revenues in relation to its own transactions, events and balances only. All entities in the tax-consolidated group have adopted UIG 52 to account for the effects of the tax funding agreement under the tax consolidation system. This means that:

- the parent entity recognises all current and deferred tax amounts relating to its own transactions, events and balances only;
- the subsidiaries recognise current or deferred tax amounts arising in respect of their own transactions, events and balances;
- all expenses and revenues arising under the tax funding agreement are recognised as a component of income tax expense or income tax revenue by each individual entity;
- all assets and liabilities arising under the tax funding agreement are recognised as tax-related amounts receivable from or payable to other entities in the group, rather than as tax assets or tax liabilities;
- the economic entity recognises current and deferred tax amounts in respect of the transactions, events and balances of the entities in the economic entity.

The tax consolidated group also has a tax sharing agreement in place to limit the liability of controlled entities in the tax consolidated group arising under the joint and several liability requirements of the tax consolidation system, in the event of default by the parent entity to meet its payment obligations.

Capital Gains Tax

Capital gains tax is provided for in the Statement of Financial Performance in the period in which the relevant asset is sold. The tax effect of capital gains or losses is not recognised where there is no intention to dispose of the asset in the foreseeable future.

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 Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

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.

Property, Plant and Equipment

The carrying amount of property, plant and equipment is reviewed annually to ensure it is not in excess of the recoverable amount of 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.

Capital Profits Reserve

The consolidated entity elected at 1 July 2000 to revert to the cost basis for measuring land and buildings which were previously carried at a revalued amount. The gain or loss on disposal of previously 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 buildings, 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%
Fixtures, fittings and equipment	5% - 37.5%
Motor vehicles	12.5% - 20%

Leased Buildings, Plant and Equipment

Leases of 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.

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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 negotiated contributions under individual employment agreements. Such contributions are charged against income.

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, except where hedging arrangements exist for specific anticipated transactions.

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 and/or business assets, is amortised over the period of time during which benefits are expected to arise.

All goodwill has been fully amortised.

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 disposals are included as revenue of the economic 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.

Comparative Figures

Where required by Accounting Standards, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

	Consolidated		The Company	
	2004 (\$000's)	2003 (\$000's)	2004 (\$000's)	2003 (\$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	871,814	740,236	-	-
Dividends received or due and receivable from:				
Related entities	-	-	22,410	8,885
Interest received or due and receivable from other persons	1,009	1,049	-	-
Gross proceeds on sale or disposal of property, plant and equipment	1,158	1,604	-	-
Bad debts recovered	400	245	-	-
	874,381	743,134	22,410	8,885
Profit on sale or disposal of property, plant and equipment	731	812	-	-

Expenses

Bad debts written off:

Trade Debtors	1,092	1,101	-	-
Amortisation of goodwill	441	163	-	-
Depreciation:				
Buildings	2,094	1,821	-	-
Motor vehicles	3,461	3,341	-	-
Fixtures, fittings and equipment	4,508	3,944	-	-
Foreign currency loss	-	27	-	-
Amounts set aside to:				
Provision for employee entitlements	1,748	2,076	-	-
Provision for inventory obsolescence	1,195	465	-	-
Provision for doubtful debts	1,156	-	-	-
Lease rental paid or due and payable to other entities	7,707	6,496	-	-

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 \$279,000 (2003: \$264,000) and for other services provided for any entity in the economic entity were \$151,003 (2003: \$178,883).

	Consolidated	
	2004 (\$000's)	2003 (\$000's)
3. Expenses Relating to Ordinary Activities by Function		
Cost of sales	638,142	548,597
Distribution expenses	68,521	60,918
Marketing expenses	4,990	5,835
Occupancy expenses	10,095	8,428
Administrative and other expenses	63,504	51,671
Total expenses relating to ordinary activities	785,252	675,449

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	Consolidated		The Company	
	2004 (\$000's)	2003 (\$000's)	2004 (\$000's)	2003 (\$000's)
4. Income Tax				
Prima facie income tax expense calculated at 30% (2003 - 30%) on the operating profit	26,739	20,306	6,723	2,666
Increase in income tax expense due to:				
Non - deductible expenditure	798	684	-	-
Non - deductible capital losses	-	26	-	-
Underprovision in prior year	82	142	-	-
Decrease in income tax expense due to:				
Non - taxable profits on asset sales or disposals	(18)	(213)	-	-
Rebateable dividends	-	-	(6,723)	(2,666)
Income tax expense relating to ordinary activities	27,601	20,945	-	-
Income tax expense relating to ordinary activities is made up of:				
Current income tax expense	28,848	21,433	-	-
Deferred income tax expense (benefit)	(1,329)	(630)	-	-
Underprovision in prior year	82	142	-	-
	27,601	20,945	-	-
Current tax liability				
Movements during the year were as follows:				
Balance at beginning of year	5,449	7,989	-	-
Income tax paid	(24,509)	(24,115)	-	-
Current income tax expense on operating profit	28,848	21,433	-	-
Income tax underprovided in prior year	82	142	-	-
	9,870	5,449	-	-
Deferred tax asset				
Deferred tax asset reflects the future benefit at future income tax rates on the following items:				
Provision for doubtful debts	1,353	1,006	-	-
Provision for employee entitlements	4,669	4,144	-	-
Provision for stock obsolescence	1,852	1,494	-	-
Provision for warranty	319	319	-	-
Prepayments	(184)	(284)	-	-
	8,009	6,679	-	-
Deferred tax asset				
The future income tax benefit arising from capital losses has not been recognised as an asset because recovery is not virtually certain at 30% (2003 - 30%)	495	495	-	-
The deferred tax asset which has not been recognised as an asset will only be obtained if:				
(i) the tax consolidated group derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised; and				
(ii) the tax consolidated group continues to comply with the conditions for deductibility imposed by the law; and				
(iii) no changes in tax legislation adversely affect the group in realising the benefit.				

	Consolidated		The Company	
	2004 (\$000's)	2003 (\$000's)	2004 (\$000's)	2003 (\$000's)
5. Dividends Paid and Proposed				
The following are the dividends paid and/ or proposed for the financial year:				
In respect of the previous financial year:				
Final dividend of 13.5 cents per share paid 23 October 2003, (fully franked to 30%)	13,446	10,956	13,446	10,956
In respect of the current financial year:				
Interim dividend of 9 cents per share paid 25 March 2004 (fully franked to 30%)	8,964	7,470	8,964	7,470
Dividend Declared to be paid 21 October 2004 (19 cents per share fully franked)	18,924	13,446	18,924	13,446
	27,888	20,916	27,888	20,916
Dividend franking account				
Balance of franking account adjusted for franking credits that will arise after payment of income tax payable and after payment of declared dividends. The franking account has been restated to reflect tax paid as required per tax legislation amendments.				
Class C - franked to 30%.	150,441	131,296	150,441	131,296

	Consolidated	
	2004	2003

6. Earnings per Share

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 in accordance with Accounting Standard AASB 1027: Earnings Per Share.

	Consolidated		The Company	
	2004 (\$000's)	2003 (\$000's)	2004 (\$000's)	2003 (\$000's)
7. Cash Assets				
Cash on hand	175	179	-	-
Cash on deposit	45,535	44,893	-	-
	45,710	45,072	-	-

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	Consolidated		The Company	
	2004 (\$000's)	2003 (\$000's)	2004 (\$000's)	2003 (\$000's)
8. Receivables				
Current				
Trade debtors	135,139	113,513	-	-
Less: Provision for doubtful debts	(4,511)	(3,355)	-	-
	130,628	110,158	-	-
Other debtors and prepayments	15,197	13,927	-	-
	145,825	124,085	-	-
Non-current				
Loans, controlled entities	-	-	1,812	1,812
9. Inventories				
Current				
Finished goods, at cost	139,144	112,160	-	-
Less: Provision for obsolescence	(6,175)	(4,980)	-	-
	132,969	107,180	-	-
10. Other Financial Assets				
Non-current				
Shares in related corporations at deemed cost	-	-	9,711	9,711
11. Property, Plant and Equipment				
Freehold land at deemed cost	39,643	37,050	-	-
Freehold buildings at deemed cost	58,636	50,551	-	-
Less: Accumulated depreciation	(18,395)	(16,301)	-	-
	79,884	71,300	-	-
Total land and buildings	98,279	87,601	-	-
Less: Accumulated depreciation	(18,395)	(16,301)	-	-
	79,884	71,300	-	-
Fixtures, fittings and equipment at cost	68,758	56,748	-	-
Less: Accumulated depreciation	(39,993)	(35,689)	-	-
	28,765	21,059	-	-
Motor vehicles at cost	32,138	28,994	-	-
Less: Accumulated depreciation	(17,079)	(15,583)	-	-
	15,059	13,411	-	-
Total property, plant and equipment	123,708	105,770	-	-

Land and buildings with a deemed cost of \$7,046,889 are used as security for the economic entities banking facilities.

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

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	37,050
Additions	2,593
Disposals	-
Carrying amount at end of year	39,643

Buildings

Carrying amount at beginning of year	34,250
Additions	8,085
Disposals	-
Depreciation	(2,094)
Carrying amount at end of year	40,241

Fixtures, fittings & equipment

Carrying amount at beginning of year	21,059
Additions	12,217
Disposals	(3)
Depreciation	(4,508)
Carrying amount at end of year	28,765

Motor vehicles

Carrying amount at beginning of year	13,411
Additions	5,534
Disposals	(425)
Depreciation	(3,461)
Carrying amount at end of year	15,059

12. Current Value of Land and Buildings

A directors valuation of land and buildings was undertaken on 30 June 2004. The valuation was undertaken to comply with Accounting Standard AASB 1040 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 valuations. As at 30 June 2004 the directors assessment of the current market value of land and buildings is \$114,246,459.

	Consolidated		The Company	
	2004 (\$000's)	2003 (\$000's)	2004 (\$000's)	2003 (\$000's)
13. Intangibles				
Goodwill on consolidation	1,750	1,750	-	-
Less: Accumulated amortisation	(1,750)	(1,313)	-	-
	-	437	-	-
Goodwill and trademarks, at cost	1,927	1,927	-	-
Less: Accumulated amortisation	(1,924)	(1,920)	-	-
	3	7	-	-
	3	444	-	-

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for the year ended
30 June 2004

	Consolidated		The Company	
	2004 (\$000's)	2003 (\$000's)	2004 (\$000's)	2003 (\$000's)
14. Payables				
Current				
Trade creditors and accruals	142,586	122,633	-	-
15. Provisions				
Current				
Provision for employee entitlements	7,924	6,735	-	-
Provision for warranty	1,062	1,062	-	-
	8,986	7,797	-	-
Non-current				
Provision for employee entitlements	7,638	7,078	-	-
Aggregate employee entitlements	15,562	13,813	-	-
Number of employees at balance date	2,031	1,816	-	-
16. Other Current Liabilities				
Amounts owing under contract	6,117	4,364	-	-
17. Contributed Equity				
Issued and paid up capital (99,600,000 ordinary shares)	9,960	9,960	9,960	9,960
Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.				
At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.				
18. Reserves				
Asset revaluation reserve	461	461	-	-
General reserve	51	51	-	-
Capital profits reserve	2,491	1,995	37	37
	3,003	2,507	37	37
Reconciliation of movement in capital profits reserve:				
Balance at beginning of year	1,995	1,230	37	37
Capital profit on sale or disposal of land and buildings	496	765	-	-
Balance at end of year	2,491	1,995	37	37

	Consolidated		The Company	
	2004 (\$000's)	2003 (\$000's)	2004 (\$000's)	2003 (\$000's)
19. Retained Profits				
Retained profits at beginning of year	229,442	190,937	1526	111
Net profit attributable to members of parent entity	61,528	46,740	22,410	8,885
Dividends	(22,410)	(7,470)	(22,410)	(7,470)
Transfer to capital profits reserve	(496)	(765)	-	-
Retained profits at end of year	268,064	229,442	1,526	1,526

20. 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 Statement of Financial Position as follows:

Cash on hand	175	179	-	-
Cash on deposit	45,535	44,893	-	-
	45,710	45,072	-	-

(b) Reconciliation of operating profit after income tax to net cash provided by operating activities

Operating profit after income tax	61,528	46,740	22,410	8,885
Add/(less) items classified as investing / financing activities:				
Profit on sale or disposal of non-current assets	(731)	(812)	-	-
Add/(less) non cash items:				
Depreciation	10,063	9,106	-	-
Amortisation of goodwill	441	163	-	-
Dividend received - controlled entity	-	-	-	9,541
Amounts set aside to provisions	1,748	2,076	-	-
(Decrease)/increase in income taxes payable	4,421	(2,540)	-	-

Net cash from operating activities before change in assets and liabilities

77,470 54,733 22,410 18,426

Change in assets and liabilities during the financial year

(Increase)/decrease in trade debtors	(20,470)	(8,239)	-	-
(Increase)/decrease in other debtors	(2,063)	1,509	-	-
(Increase)/decrease in inventory	(25,789)	(12,223)	-	-
Increase/(decrease) in trade creditors and accruals	19,857	6,815	-	-
(Increase)/decrease in deferred tax assets	(1,330)	(630)	-	-
(Increase)/decrease in loans, controlled entities	-	-	-	10,956
Increase/(decrease) in provision for dividend	-	-	-	(10,956)

Net cash provided by operating activities 47,675 41,965 22,410 18,426

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		Consolidated		The Company	
		2004	2003	2004	2003
		(\$000's)	(\$000's)	(\$000's)	(\$000's)
20. Notes to the Statement of Cashflows (cont'd)					
(c) Financing facilities					
Bank Loans and Overdraft					
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 and unused at 30 June 2004					
Bank Overdraft					
	- facility	1,000	1,000	-	-
	- unused	1,000	1,000	-	-
Bank Guarantees					
	- facility	140	140	-	-
	- unused	99	99	-	-
Trade Refinance & documentary letters of credit/surrenders					
	- facility	3,000	3,000	-	-
	- unused	810	1,036	-	-
Credit cards					
	- facility	1,500	1,500	-	-
	- unused	1,465	1,451	-	-
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Total	- facility	5,640	5,640	-	-
	- unused	3,374	3,586	-	-
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21. Remuneration Disclosures

	Salary & Fees \$	Performance Based Payment \$	Super Contributions \$	Non-cash benefits \$	Total \$
Specified Directors					
L.A. Wilson					
2004	975,000	891,000	87,141	15,821	1,968,962
2003	550,000	1,127,045	82,054	63,511	1,822,610
P.J. Wilson					
2004	300,000	221,000	28,600	10,780	560,380
2003	220,000	138,865	28,600	10,724	398,189
B.W.C. Wilson					
2004	36,000	-	3,240	-	39,240
2003	36,000	-	3,240	-	39,240
J.G. Wilson					
2004	36,000	-	3,240	-	39,240
2003	36,000	-	3,240	-	39,240
R.G. Pitcher					
2004	60,000	-	5,400	-	65,400
2003	30,000	-	2,700	-	32,700
Total Remuneration: Specified Directors					
2004	1,407,000	1,112,000	127,621	26,601	2,673,222
2003	872,000	1,265,910	119,834	74,235	2,331,979
Specified Executives					
N.G. Cathie					
2004	400,000	225,000	39,000	31,345	695,345
2003	300,000	240,321	37,522	24,870	602,713
Total Remuneration: Specified Executives					
2004	400,000	225,000	39,000	31,345	695,345
2003	300,000	240,321	37,522	24,870	602,713

"Specified executives" are those directly accountable and responsible for the operational management and strategic direction of the Company and the consolidated entity. Accordingly there is only one employee in this category. Being a working Board, strategic direction and decision is exercised through the Board.

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22. Related Party Disclosures

(a) Directors

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

Details of directors remuneration, superannuation and retirement payments are set out in Note 21.

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.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 \$2,879,496 (2003 \$2,654,487) of which \$240,088 (2003 \$197,900) 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 \$866,625 (2003 \$852,406).

From time to time, directors of the Company 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 number of shares of the Company in which each of its directors has a 'relevant interest' (as defined in the Corporations Act 2001) is:

Director	Number of Shares
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	15,000

(c) Remuneration Practices

The Company's policy for determining the nature and amount of emoluments of board members and senior executives of the Company is as follows:

The remuneration structure for executive officers, including executive directors, is based on a number of factors, including length of service, particular experience of the individual concerned and overall performance of the Company.

(d) Ownership Interests in Related Parties

Details of interests in controlled entities are set out in Note 28.

	Consolidated		The Company	
	2004 (\$000's)	2003 (\$000's)	2004 (\$000's)	2003 (\$000's)

23. Lease Rental Commitments

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

Buildings	21,497	18,490	-	-
Equipment	1,200	1,989	-	-
	22,697	20,479	-	-
Due not later than one year	7,696	7,035	-	-
Due later than one year but not later than five years	13,642	12,280	-	-
Due later than five years	1,359	1,164	-	-
	22,697	20,479	-	-
Rental expense	7,707	6,496	-	-

24. Amounts Payable in Foreign Currencies

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

	US dollar		EURO		Other	
	2004 (\$000's)	2003 (\$000's)	2004 (\$000's)	2003 (\$000's)	2004 (\$000's)	2003 (\$000's)
Current	2,165	1,980	1,893	2,684	305	197
Non-current	-	-	-	-	-	-
	2,165	1,980	1,893	2,684	305	197

25. 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.	
b) Financial liabilities			
Trade creditors and accruals	14	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.
Amounts owing under contract	16	Amounts owing under contract are carried at the principal amount.	
c) Equity			
Ordinary shares	17	Ordinary share capital is recognised at the paid up amount of each share.	The Company is authorised to issue up to 200,000,000 ordinary shares. (2003: 200,000,000)

The only financial instruments not recognised in the financial statements at balance date are forward exchange contracts (refer Note 25(d)).

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25. Financial Instruments (Continued)

(b) Interest rate risks

All financial assets and financial liabilities are non-interest bearing except for cash balances which are carried at variable interest rates. The weighted average interest rate for the year ended 30 June 2004 for cash is 5.27% (2003 4.75%).

(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.

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.

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

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

(d) Foreign exchange risk

The consolidated entity enters into forward foreign exchange contracts and flexible forward transaction agreements to hedge a proportion of anticipated purchase commitments denominated in foreign currencies expected in each month within the following twelve months, subject to Board approved limits.

Forward exchange contracts not settled at balance date:

	2004 \$	2003 \$
US dollar	2,000,000	752,034
EURO	1,500,000	881,653

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

(e) Net fair values

The net 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.

26. Superannuation Commitments

At 30 June 2004, an entity within the economic entity participated in an employer established superannuation plan which is an accumulation plan. In addition, an entity 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. An entity within the economic entity also contributes to the plans at varying levels and satisfies all of its 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.

27. Geographical and Industry Segments

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

28. Particulars in Relation to Corporations in the Group

Name of entity	Ownership Percentage 2004 %	Ownership Percentage 2003 %
Parent entity		
Reece Australia Limited	-	-
Controlled entities of Reece Australia Limited		
Reece Pty Ltd	100%	100%
Plumbing World Pty Ltd	100%	100%
Reece Project Supply Pty Ltd	100%	100%
Reece International Pty Ltd	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.

29. Adoption of Australian Equivalents to International Financial Reporting Standards

For the reporting period beginning on or after 1 January 2005, Reece Australia Limited must comply with International Financial Reporting Standards (IFRS) as issued by the Australian Accounting Standards Board.

Reece's Board of Directors, along with it's auditors, are continuing to assess the significance of these changes and prepare for their implementation. This process involves evaluating the key differences in accounting policies and their financial impact, and identifying the changes to the Company's financial reporting systems. The directors are of the opinion that the key differences in the economic entity's accounting policies which will arise from the adoption of IFRS are:

Impairment of assets

The economic entity currently determines the recoverable amount of an asset on the basis of undiscounted net cash flows that will be received from the assets use and subsequent disposal. In terms of pending AASB136: Impairment of Assets, the recoverable amount of an asset will be determined as the higher of the fair value less costs to sell and value in use. Value in use incorporates the use of discounted cash flows.

Income Tax

Currently, the economic entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the accounting profit adjusted for any permanent differences. Timing differences are currently brought to account as either a provision for deferred income tax or deferred tax asset. Under the Australian equivalent to IAS 12, the economic entity will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than the effects of the timing and permanent differences between taxable income and accounting profit.

Goodwill

Under IFRS goodwill is to be subjected to an annual impairment test and amortisation of goodwill prohibited. Reece have fully amortised all goodwill that existed in the books as at 30 June 2004. Accordingly, Reece is no longer impacted by these changes.

Provision for Dividends

Under IFRS a provision for dividends will be recognised when they are proposed rather than when they are declared.

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

Shareholding Analysis

At 31 August 2004

(a) Distribution of shareholders

The distribution of shareholdings were as follows:

Size Of Shareholding	Number of Shareholders
1 - 1,000	193
1,001 - 5,000	224
5,001 - 10,000	63
10,001 - 100,000	135
Over 100,000	40
Holdings of less than a marketable parcel	1

(b) Substantial shareholdings

The number of shares held by the substantial shareholders listed in the Company's register of substantial shareholders as at 31 August 2004 were:

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

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

(c) Class of shares and voting rights

At 31 August 2004, there were 655 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 August 2004:

Shareholder	Number	% Held
L.T. Wilson Pty Ltd	31,440,000	31.6%
L.T.W. Holdings Pty Ltd	12,000,000	12.0%
Warramunda Investments Pty Ltd	9,729,000	9.8%
RBC Global Services Australia Nominees Pty Ltd (PI Pooled A/C)	8,740,682	8.8%
Florizel Investments Pty Ltd	3,360,320	3.4%
W.A.L. Investments Pty Ltd	3,360,320	3.4%
J.G.W. Investments Pty Ltd	3,360,320	3.4%
Austral Hardware Pty Ltd	2,985,000	3.0%
Austral Hardware (Healesville) Pty Ltd	2,400,000	2.4%
RBC Global Services Australia Nominees Pty Ltd (PIIC A/C)	2,370,088	2.4%
Adawarra Nominees Pty Ltd	2,310,000	2.3%
Wilaust Holdings Pty Ltd	1,746,000	1.8%
National Nominees Limited	1,622,370	1.6%
J P Morgan Nominees Australia Limited	1,375,361	1.4%
John G. Wilson	934,000	0.9%
RBC Global Services Australia Nominees Pty Ltd	889,455	0.9%
Cogent Nominees Pty Limited	549,008	0.6%
Abtourk (Vic No. 11) Pty Ltd	534,000	0.5%
Tyara Pty Ltd	534,000	0.5%
WAL Assets Pty Ltd	534,000	0.5%

The twenty members holding the largest number of shares together held a total of 91.2% of the issued capital.



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