

Reece Australia Limited
(ABN 49 004 313 133)
and controlled entities

**Half year information for the six months ended 31 December 2004
provided to the ASX under listing rule 4.2A.**

**This half-year financial report is to be read in conjunction with the
financial report for the year ended 30 June 2004.**

Appendix 4D

Half year report for the six months to 31 December 2004

Reece Australia Limited
(ABN 49 004 313 133)

1. Reporting period

Report for the half year ended 31 December 2004.

Previous corresponding period is the financial year ended 30 June 2004 and half year ended 31 December 2003.

2. Results for announcement to the market

		\$A'000
Revenues from ordinary activities	up 17.6% to	503,554
Profit from ordinary activities after tax attributable to members	up 29.8% to	35,033
Net profit for the period attributable to members	up 29.8% to	35,033

Dividends	Amount per security	Franked amount per security
Interim dividend	12.0 cents	12.0 cents
Previous corresponding period - interim	9.0 cents	9.0 cents
Record date for determining entitlements		10 March 2005

Commentary

The Company enjoyed a good six months to 31 December 2004 with better sales and profit than for the same period last year. Each division of the Company (Plumbing & Bathroom, HVAC, Industrial, Irrigation and Commercial Projects) improved its performance. Revenues for the half year increased by 17.6% to \$503.5M and net profit after tax for the half year increased by 29.8% to 35.0M.

As a consequence the Board has announced a fully franked interim dividend of 12 cents per share.

The Company continued to grow its network, adding 10 new locations during the half year. The Company now has a total of 225 trading locations throughout Australia. There were no acquisitions during the period.

The strong results can be attributed in part to a housing and renovation market that remained reasonably buoyant and the absence of any significant interest rate increases. These external factors are likely to continue to impact on the Company's performance for the remainder of the year. However the building market has shown signs of softening with an easing of new housing starts and interest rate uncertainty. Due to the unpredictability of these factors the Board is reluctant to forecast any future growth rates.

Looking forward, the Company will continue to focus on the principles and initiatives that have contributed to its strong performance to date. These include:

- Commitment to its continuous improvement program
- Staff training and development
- Effective marketing activity
- Improved customer service
- Strong management and leadership
- Effective teamwork
- Efficient and reliable technology

With a focus on these areas, the Board is confident that the Company can maintain its position as Australia's leading distributor of plumbing and bathroom products.

Appendix 4D

Half year report for the six months to 31 December 2004

Reece Australia Limited
(ABN 49 004 313 133)

	2004	2003
	\$A'000	\$A'000

3. Net tangible assets per security

Net tangible asset backing per ordinary security at 31 December 2004 was 290 cents (30 June 2004 - 274cents, 31 December 2003 - 249 cents)

4. Dividends

Ordinary shares

Dividends provided for or paid during the half year

	<u>18,924</u>	<u>13,446</u>
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Subsequent events

Since the end of the half year the directors have declared the following interim dividend:

12 cents per ordinary share fully franked

	<u>11,952</u>	<u>8,964</u>
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The interim dividend relating to the half year ended on 31 December 2004 has not been included as a provision in the financial statements because the dividend was declared after balance date.

Date dividend is payable

24 March 2005

Record date to determine entitlements to the dividend

10 March 2005

Amount per ordinary security

		<u>Amount per security</u>	<u>Franked amount per security</u>
Interim dividend:	Current year	12.0 cents	12.0 cents (at 30% tax rate)
	Previous year	9.0 cents	9.0 cents (at 30% tax rate)

5. The financial information provided in the Appendix 4D is based on the half year condensed financial report (attached), which has been prepared in accordance with Australian Accounting Standards.

6. Independent review of the financial report

The financial report has been independently reviewed. The financial report is not subject to a qualified independent review statement.

24 February 2005
Melbourne

N G Cathie
Company Secretary

Reece Australia Limited
(ABN 49 004 313 133)
and controlled entities

Financial report for the half-year ended 31 December 2004

This half-year financial report is to be read in conjunction with the financial report for the year ended 30 June 2004.

Reece Australia Limited and controlled entities
Financial report for the half year ended 31 December 2004

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Reece Australia Limited and controlled entities

Directors' Report

The Directors present their report together with the financial report of the consolidated entity consisting of Reece Australia Limited and the entities it controlled, for the half-year ended 31 December 2004 and the Independent Review Report thereon.

Directors Names

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

Name	Period of directorship
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	2 years

Each Director has been in office since the start of the financial period to the date of this report unless otherwise stated.

Review of Operations

The Company enjoyed a good six months to 31 December 2004 with better sales and profit than for the same period last year. Each division of the Company (Plumbing & Bathroom, HVAC, Industrial, Irrigation and Commercial Projects) improved its performance. Revenues for the half year increased by 17.6% to \$503.5M and net profit after tax for the half year increased by 29.8% to 35.0M.

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Auditor's Declaration

A copy of the auditor's declaration in relation to the review for the half-year is provided with this report.

Rounding of amounts to nearest thousand dollars

The amounts contained in the report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the Company under ASIC Class Order 98/100. The Company is an entity to which the Class Order applies.

Signed in accordance with a resolution of Directors.

L. A. Wilson
Chairman

Melbourne
24 February 2005

Auditors Independence Declaration

To the Directors of Reece Australia Limited

In relation to the half-year independent review for the six months to 31 December 2004, to the best of my knowledge and belief there have been:

- (1) No contraventions of the auditor independence requirements of the Corporations Act 2001**
- (2) No contraventions of any applicable code of professional conduct**

Pitcher Partners

**S P CATLIN
Partner**

**24 February 2005
Melbourne**

Reece Australia Limited and controlled entities

Condensed consolidated statement of financial performance
for the half year ended 31 December 2004

	Note	2004 \$A'000	2003 \$A'000
Revenue from ordinary activities	3	503,554	428,355
Expenses from ordinary activities, excluding borrowing costs	3	453,120	389,177
Borrowing costs		<u>0</u>	<u>0</u>
Profit from ordinary activities before income tax		50,434	39,178
Income tax expense relating to ordinary activities		<u>15,401</u>	<u>12,178</u>
Net profit from ordinary activities after income tax		<u>35,033</u>	<u>27,000</u>
Net profit for the period attributable to members of Reece Australia Limited		<u><u>35,033</u></u>	<u><u>27,000</u></u>
Earnings per security (EPS)			
Basic EPS		<u><u>35 cents</u></u>	<u><u>27 cents</u></u>
Diluted EPS		<u><u>35 cents</u></u>	<u><u>27 cents</u></u>

The accompanying notes form part of these financial statements

Reece Australia Limited and controlled entities
Condensed consolidated statement of financial position
as at 31 December 2004

	31 December 2004 \$A'000	30 June 2004 \$A'000
Current assets		
Cash assets	46,001	45,710
Receivables	141,690	145,825
Inventories	146,806	132,969
Total current assets	<u>334,497</u>	<u>324,504</u>
Non-current assets		
Property, plant and equipment	128,749	123,708
Intangible assets	3	3
Deferred tax asset	8,558	8,009
Total non-current assets	<u>137,310</u>	<u>131,720</u>
Total assets	<u>471,807</u>	<u>456,224</u>
Current liabilities		
Payables	146,342	142,586
Current tax liability	8,821	9,870
Provisions	9,531	8,986
Other	1,668	6,117
Total current liabilities	<u>166,362</u>	<u>167,559</u>
Non-current liabilities		
Provisions	8,310	7,638
Total non-current liabilities	<u>8,310</u>	<u>7,638</u>
Total liabilities	<u>174,672</u>	<u>175,197</u>
Net assets	<u>297,135</u>	<u>281,027</u>
Equity		
Contributed equity	9,960	9,960
Reserves	3,003	3,003
Retained profits	284,172	268,064
Total equity	<u>297,135</u>	<u>281,027</u>

The accompanying notes form part of these financial statements

Reece Australia Limited and controlled entities

Condensed consolidated statement of cash flows
for the half year ended 31 December 2004

	2004 \$A'000	2003 \$A'000
Cash flows from operating activities		
Cash receipts in the course of operations	555,233	471,940
Cash payments in the course of operations	(504,979)	(437,905)
Interest received	623	696
Income taxes paid	(16,999)	(12,013)
Net cash provided by operating activities	33,878	22,718
Cash flows from investing activities		
Payments for property, plant and equipment	(15,078)	(14,734)
Proceeds from insurance and disposal of property, plant and equipment	415	1,121
Net cash provided by investing activities	(14,663)	(13,613)
Cash flows from financing activities		
Dividends paid	(18,924)	(13,446)
Net cash provided by financing activities	(18,924)	(13,446)
Net increase in cash held	291	(4,341)
Cash at the beginning of the financial year	45,710	45,072
Cash at the end of the reporting period	46,001	40,731

The accompanying notes form part of these financial statements

Reece Australia Limited and controlled entities

**Notes to the condensed consolidated financial statements for the
half year ended 31 December 2004**

Note 1: Basis of preparation of half-year financial report

This general purpose half year financial report has been prepared in accordance with Accounting Standard AASB 1029 "Interim Financial Reporting", Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

This half year financial report does not include all the notes of the type usually included in an annual financial report. It is recommended that this financial report be read in conjunction with the financial report for the year ended 30 June 2004 and any public announcements made by Reece Australia Limited during the half year in accordance with any continuous disclosure obligations arising under the Corporations Law.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

Note 2: Subsequent events

There have been no material events subsequent to the end of the half-year that have not been recognised in the half-year financial statements.

Note 3: Profit from ordinary activities

	2004	2003
	\$A'000	\$A'000
Revenue		
Sales revenue	502,248	426,321
Interest received or due and receivable from other persons	623	696
Bad debts recovered	268	217
Gross proceeds on sale/disposal of property, plant and equipment	415	1,121
	503,554	428,355
Expenses		
Cost of sales	370,347	315,315
Distribution expenses	38,151	33,788
Marketing expenses	2,526	2,425
Occupancy expenses	5,310	4,482
Administration & other expenses	36,786	33,167
	453,120	389,177

Note 4: Dividends

Ordinary shares		
Dividends provided for or paid during the half year	18,924	13,446

Note 5: Segment reporting

The sole activity of the operating companies within the group is that of plumbing, building and hardware merchants in Australia.

Note 6: Contingent liabilities

There have been no changes in contingent liabilities since 30 June 2004.

Reece Australia Limited and controlled entities

Notes to the condensed consolidated financial statements for the
half year ended 31 December 2004

**Note 7: Impact of adopting Australian equivalents to International
Financial Reporting Standards**

The company has evaluated the key differences in accounting policies, identified the changes to the company's financial reporting systems and evaluated the financial impact arising from the key differences in accounting policies which will arise from adopting Australian equivalents to IFRS.

For first-time adoption of Australian equivalents to IFRS, the date of transition will be 1 July 2004. The key differences in accounting policies which will arise from adopting Australian equivalents to IFRS are detailed below. A reconciliation of the adjustment to opening balances at 1 July 2004 is provided in Note 8.

(a) Impairment of assets

The recoverable amount test under Australian GAAP will be replaced by impairment testing whereby the recoverable amount is determined as the higher of fair value less costs to sell and value in use. Value in use incorporates the use of discounted cash flows. Reece does not anticipate any additional write-downs for impairment of non-current assets on first-time adoption of IFRS, nor in the half-year to 31 December 2004.

(b) Income Tax

Under IFRS a balance sheet approach will be adopted under which temporary differences are identified for each asset and liability rather than accounting for the effect of timing and permanent differences between taxable and accounting profit.

**Note 8: Reconciliation of reported amounts under Australian
Accounting Standards to Australian equivalents of IFRS**

	<u>\$A'000</u>
Total equity at 1 July 2004 as reported under Australian Accounting Standards	268,064
Adjustments relating to recalculation of deferred tax asset using the balance sheet method at 30 June 2004	3,187
As restated under Australian equivalents of IFRS	271,251

Reece Australia Limited
ABN 49 004 313 133

Directors Declaration

The directors declare that the financial statements and notes set out on pages 5 to 9:

- (a) Comply with Accounting Standards, the Corporations Regulations and other mandatory professional reporting requirements, and
- (b) Give a true and fair view of the financial position of the consolidated entity as at 31 December 2004 and of its performance as represented by the results of its operations and its cash flows, for the half-year ended on that date.

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 directors.

L. A. Wilson
Chairman

Melbourne
24 February 2005

Independent Review Report to the members of Reece Australia Limited

Scope

We have reviewed the financial report of Reece Australia Limited for the half-year ended 31 December 2004 as set on pages 5 to 10. The directors are responsible for the financial report. We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029 "Interim Financial Reporting" 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 consolidated entity's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the entity to lodge the financial report with the Australian Securities and Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Reece Australia Limited is not in accordance with:

- (1) the Corporations Act 2001, including:
 - (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2004 and of its performance for the half-year ended on that date; and
 - (b) complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (2) other mandatory professional reporting requirements in Australia.

Pitcher Partners

S P CATLIN
Partner

24 February 2005
Melbourne