

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

**Half year information for the six months ended 31 December 2005  
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 2005.**

# Appendix 4D

Half year report for the six months to 31 December 2005

Reece Australia Limited  
(ABN 49 004 313 133)

## 1. Reporting period

Report for the half year ended 31 December 2005.

Previous corresponding period is the financial year ended 30 June 2005 and half year ended 31 December 2004.

## 2. Results for announcement to the market

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		\$A'000
Revenues from ordinary activities	up 9.3% to	550,535
Profit from ordinary activities after tax attributable to members	up 10.1% to	38,821
Net profit for the period attributable to members	up 10.1% to	38,821

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	Amount per security	Franked amount per security
Dividends		
Interim dividend	14.0 cents	14.0 cents
Previous corresponding period - interim	12.0 cents	12.0 cents
Record date for determining entitlements		10 March 2006

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### Commentary

The Company enjoyed a good six months to 31 December 2005 with better sales and profit than for the same period last year.

Revenues for the half year increased by 9.3% to \$550.5M and net profit after tax for the half year increased by 10.1% to \$38.8M.

As a consequence the Board has announced a fully franked interim dividend of 14 cents per share.

The Company continued to grow its network, adding 12 new locations during the half year. The Company now has a total of 249 trading locations throughout Australia. On 13 December 2005 the Company announced it had entered into an agreement to acquire the business of L G Carder Limited of New Zealand. The L G Carder plumbing supplies business is a long established and respected operator servicing the Auckland area from two trading locations. The New Zealand plumbing supplies market is mature and highly competitive. The Company is entering this market with plans to build a viable network over the longer term.

In its review of operations in the 2005 Annual Report, looking ahead the Board anticipated moderate growth with an easing in new housing starts and renovations and upward pressure on business costs. This has been the Company's experience. These factors are likely to continue to impact on the Company's performance for the remainder of the year. Due to the unpredictability of these factors the Board is reluctant to forecast future growth rates.

Looking forward, the Company will continue to focus on the principles and initiatives that have contributed to its solid performance over the longer term.

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 2005

Reece Australia Limited  
(ABN 49 004 313 133)

	2005	2004
	\$A'000	\$A'000

### 3. Net tangible assets per security

Net tangible asset backing per ordinary security at 31 December 2005 was 330 cents (30 June 2005 - 318 cents, 31 December 2004 - 290 cents)

### 4. Dividends

Ordinary shares

Dividends provided for or paid during the half year

	<u>25,896</u>	<u>18,924</u>
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Subsequent events

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

14 cents per ordinary share fully franked

	<u>13,944</u>	<u>11,952</u>
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The interim dividend relating to the half year ended on 31 December 2005 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 2006

Record date to determine entitlements to the dividend

10 March 2006

Amount per ordinary security

		<u>Amount per security</u>	<u>Franked amount per security</u>
Interim dividend:	Current year	14.0 cents	14.0 cents (at 30% tax rate)
	Previous year	12.0 cents	12.0 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 Equivalents of International Financial Reporting 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.

21 February 2006  
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 2005**

**This half-year financial report is to be read in conjunction with the financial report for the year ended 30 June 2005.**

**Reece Australia Limited and controlled entities**  
**Financial report for the half year ended 31 December 2005**

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## Reece Australia Limited and controlled entities

### Directors' Report

The Directors present their report together with the condensed financial report of the consolidated entity consisting of Reece Australia Limited and the entities it controlled, for the half-year ended 31 December 2005 and independent review report thereon. This financial report has been prepared in accordance with Australian Equivalents of International Financial Reporting Standards.

#### 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	36 years
Mr B. W. C. Wilson	35 years
Mr J. G. Wilson	21 years
Mr P. J. Wilson	8 years
Mr R. G. Pitcher	3 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 2005 with better sales and profit than for the same period last year. Revenues for the half year increased by 9.3% to \$550.5M and net profit after tax for the half year increased by 10.1% to \$38.8M.

As a consequence the Board has announced a fully franked interim dividend of 14 cents per share.

The Company continued to grow its network, adding 12 new locations during the half year. The Company now has a total of 249 trading locations throughout Australia. On 13 December 2005 the Company announced it had entered into an agreement to acquire the business of L G Carder Limited of New Zealand. The L G Carder plumbing supplies business is a long established and respected operator servicing the Auckland area from two trading locations. The New Zealand plumbing supplies market is mature and highly competitive. The Company is entering this market with plans to build a viable network over the longer term.

In its review of operations in the 2005 Annual Report, looking ahead the Board anticipated moderate growth with an easing in new housing starts and renovations and upward pressure on business costs. This has been the Company's experience. These factors are likely to continue to impact on the Company's performance for the remainder of the year. Due to the unpredictability of these factors the Board is reluctant to forecast future growth rates.

Looking forward, the Company will continue to focus on the principles and initiatives that have contributed to its solid performance over the longer term.

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.

#### 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  
21 February 2006

## **Auditor's Independence Declaration**

**To the Directors of Reece Australia Limited**

In relation to the half-year independent review for the six months to 31 December 2005, 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**

**21 February 2006  
Melbourne**

**S P CATLIN  
Partner**

**Reece Australia Limited and controlled entities**  
**Condensed consolidated income statement for the half year**  
**ended 31 December 2005**

	2005	2004
	\$A'000	\$A'000
<hr/>		
<b>Revenue</b>		
Sales Revenue	548,771	502,248
Other income	1,764	1,306
	<hr/>	<hr/>
	550,535	503,554
Change in inventory	6,471	13,837
Other costs of sale	397,180	356,510
Employee benefits expense	49,819	45,198
Depreciation expense	6,302	5,300
Other expenses	35,073	32,275
	<hr/>	<hr/>
	494,845	453,120
Profit before income tax	55,690	50,434
Income tax expense	<hr/>	<hr/>
	16,869	15,188
Profit for the half-year	<hr/>	<hr/>
	38,821	35,246
Profit attributable to the members of Reece Australia Limited	<hr/> <hr/>	<hr/> <hr/>
	38,821	35,246
<b>Earnings per security (EPS)</b>		
Basic EPS	<hr/>	<hr/>
	39 cents	35 cents
Diluted EPS	<hr/> <hr/>	<hr/> <hr/>
	39 cents	35 cents

The accompanying notes form part of these financial statements



Reece Australia Limited and controlled entities

Condensed consolidated balance sheet as at 31 December 2005

	31 December 2005 \$A'000	30 June 2005 \$A'000
<b>Current assets</b>		
Cash and cash equivalents	51,000	45,976
Trade receivables	157,681	174,724
Inventories	149,562	143,090
<b>Total current assets</b>	<b>358,243</b>	<b>363,790</b>
<b>Non-current assets</b>		
Property, plant and equipment	155,567	142,896
Deferred tax asset	13,461	12,620
<b>Total non-current assets</b>	<b>169,028</b>	<b>155,516</b>
<b>Total assets</b>	<b>527,271</b>	<b>519,306</b>
<b>Current liabilities</b>		
Trade and other payables	152,142	155,367
Current tax payable	8,677	11,285
Short-term provisions	10,654	9,979
Other current liabilities	4,528	5,068
<b>Total current liabilities</b>	<b>176,001</b>	<b>181,699</b>
<b>Non-current liabilities</b>		
Long-term provisions	9,245	8,507
<b>Total non-current liabilities</b>	<b>9,245</b>	<b>8,507</b>
<b>Total liabilities</b>	<b>185,246</b>	<b>190,206</b>
<b>Net assets</b>	<b>342,025</b>	<b>329,100</b>
<b>Equity</b>		
Share capital	9,960	9,960
Other reserves	3,003	3,003
Retained earnings	329,062	316,137
<b>Total equity</b>	<b>342,025</b>	<b>329,100</b>

The accompanying notes form part of these financial statements

**Reece Australia Limited and controlled entities**

**Condensed consolidated statement of changes in equity for the half year  
ended 31 December 2005**

	2005 \$A'000	2004 \$A'000
<b>Total equity at the beginning of the half-year</b>	329,100	284,214
<b>Profit for the half-year</b>	38,821	35,245
<b>Dividends paid</b>	(25,896)	(18,924)
<b>Total equity at the end of the half-year</b>	<u>342,025</u>	<u>300,535</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 2005

	2005 \$A'000	2004 \$A'000
<b>Cash flow from operating activities</b>		
Receipts from customers	562,330	555,233
Payments to suppliers and employees	(492,817)	(504,979)
Interest received	972	623
Income tax paid	(20,318)	(16,999)
<b>Net cash provided by operating activities</b>	<b>50,167</b>	<b>33,878</b>
<b>Cash flow from investing activities</b>		
Payments for property, plant and equipment	(19,854)	(15,078)
Proceeds from sale of property, plant and equipment	607	415
<b>Net cash provided by investing activities</b>	<b>(19,247)</b>	<b>(14,663)</b>
<b>Cash flow from financing activities</b>		
Dividends paid	(25,896)	(18,924)
<b>Net cash provided by financing activities</b>	<b>(25,896)</b>	<b>(18,924)</b>
<b>Net increase in cash and equivalents</b>	<b>5,024</b>	<b>291</b>
<b>Cash and cash equivalents at the beginning of the half-year</b>	<b>45,976</b>	<b>45,710</b>
<b>Cash and cash equivalents at the end of the half-year</b>	<b>51,000</b>	<b>46,001</b>

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 2005**

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

This general purpose half year financial report has been prepared in accordance with Accounting Standard AASB 134 "Interim Financial Reporting" 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 2005 and any public announcements made by Reece Australia Limited during the half-year in accordance with any continuous disclosure obligations arising under the Corporations Act 2001.

**(a) Basis of preparation of the half-year financial report**

This is the first financial report of Reece Australia Limited prepared in accordance with Australian Equivalents of International Financial Reporting Standards (AIFRS). The financial reports of Reece Australia Limited were prepared in accordance with the previous Australian Generally Accepted Accounting Principles (AGAAP) until 30 June 2005. There are certain differences between accounting policies under AIFRS and AGAAP and where applicable the comparative figures have been restated to reflect these adjustments. A summary of the significant accounting policies under AIFRS is provided below. Reconciliations of equity and operating profit between AGAAP and AIFRS are provided under notes 7 and 8.

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

Summary of the significant accounting policies under AIFRS:

**(b) Principles of Consolidation**

The consolidated financial statements are those of the consolidated entity, comprising the financial statements of the parent entity and of all entities, which Reece Australia Limited controlled from time to time during the half-year and at balance date.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies, which may exist. All inter-company balances and transactions, including any unrealised profits or losses have been eliminated on consolidation.

**(c) Revenue Recognition**

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Government grants received that relate to specific assets or expenses are deferred and recognised as income in the same period as the asset is consumed or when the associated expenses are incurred.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established.

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

**(d) Cash and cash equivalents**

Cash and cash equivalents include cash on hand and at banks, deposits held at call with financial institutions and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

**(e) 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.

**(f) Property, plant and equipment**

Items of property, plant and equipment are stated at cost less accumulated depreciation. These non-current assets have been subject to impairment testing. Refer Note 1(h).

There have not been additional writedowns for impairment of items of property, plant and equipment.

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

Reece Australia Limited and controlled entities

Notes to the condensed consolidated financial statements for the  
half year ended 31 December 2005

**Depreciation**

Land is not depreciated. The depreciable amounts of all other fixed assets are depreciated on a straight-line basis over their estimated useful lives commencing from the time the asset is held ready for use.

The useful lives for each class of assets are:

	2005	2004
Buildings	40 years	40 years
Fixtures, fittings and equipment	2.7 to 20 years	2.7 to 20 years
Motor vehicles	5 to 8 years	5 to 8 years

**(g) Leases**

Leases of buildings, and plant and equipment under which all the risks and benefits of ownership are not substantially assumed, are classified as operating expenses.

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses in the period in which they are incurred.

**(h) Impairment of assets**

Assets with an indefinite useful life are not amortised but are tested annually for impairment in accordance with AASB 136. Assets subject to annual depreciation or amortisation are reviewed for impairment whenever events or circumstances arise that indicate that the carrying amount of the asset may be impaired. An impairment loss is recognised where the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and value in use.

**(i) Taxes**

Current income tax expense or revenue is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

A balance sheet approach is adopted under which deferred tax assets and liabilities are recognised for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred tax asset or liability is recognised in relation to temporary differences arising from the initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for temporary differences and unused tax losses only when it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

**Tax Consolidation**

The parent entity and its controlled entities have formed an income tax consolidated group under the tax consolidation legislation.

The parent entity is responsible for recognising the current and deferred tax assets and liabilities for the tax consolidated group.

The tax consolidated group has also entered a tax sharing agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

**(j) Employee Benefits**

Liabilities arising in respect of wages and salaries, annual leave, long service leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

**Reece Australia Limited and controlled entities**

**Notes to the condensed consolidated financial statements for the  
half year ended 31 December 2005**

**(k) Financial Instruments**

**Financial Assets**

Trade receivables are carried at full amounts due less provision for doubtful debts. A provision for doubtful debts is recognised when collection of the full amount is no longer probable. Amounts receivable from other debtors are carried at full amounts due. Amounts receivable from related parties are carried at full amounts due.

**Financial Liabilities**

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the economic entity. Trade liabilities are normally settled on terms of 30 days from month end.

**(l) Foreign Currencies**

**Functional and presentation currency**

The consolidated financial statements are presented in Australian dollars as this is the parent entity's functional and presentation currency.

**Transactions and balances**

Transactions in foreign currencies of entities within the consolidated entity are translated into functional currency at the rate of exchange ruling at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the reporting date.

A monetary item arising under a foreign currency contract outstanding at the reporting date where the exchange rate for the monetary item is fixed in the contract is translated at the exchange rate fixed in the contract.

Resulting exchange differences arising on settlement or re-statement are recognised as revenues and expenses for the financial year.

**(m) Comparatives**

In accordance with the first-time adoption of AIFRS, comparative information has been reclassified where appropriate through retrospective application of AIFRS to the previous year results so as to achieve consistency with current year disclosures.

**(n) Rounding Amounts**

The company is of a kind referred to in ASIC Class Order 98/0100 and in accordance with that Class Order, amounts in the financial statements have been rounded off to the nearest thousand dollars, or in certain cases, to the nearest dollar.

**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.

**Reece Australia Limited and controlled entities**

**Notes to the condensed consolidated financial statements for the  
half year ended 31 December 2005**

**Note 3: Dividends**

Ordinary shares

Dividends provided for or paid during the half year	<u>25,896</u>	<u>18,924</u>
Proposed dividends not recognised at the end of the half-year	<u>13,944</u>	<u>11,952</u>

**Note 4: Segment reporting**

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

**Note 5: Contingent liabilities**

There have been no changes in contingent liabilities since 30 June 2005.

Reece Australia Limited and controlled entities

Notes to the condensed consolidated financial statements for the  
half year ended 31 December 2005

**Note 6: First-Adoption of AIFRS - Reconciliation of Equity Reported under AGAAP to Equity under AIFRS**  
(a) At the date of transition to AIFRS - 1 July 2004

	AGAAP \$	Adjustment \$	AIFRS \$
<b>Current assets</b>			
Cash and cash equivalents	45,710		45,710
Trade receivables	145,825		145,825
Inventories	132,969		132,969
<b>Total current assets</b>	<b>324,504</b>		<b>324,504</b>
<b>Non-current assets</b>			
Property, plant and equipment	123,708		123,708
Intangible assets	3		3
Deferred tax asset	8,009	3,187	11,196
<b>Total non-current assets</b>	<b>131,720</b>	<b>3,187</b>	<b>134,907</b>
<b>Total assets</b>	<b>456,224</b>	<b>3,187</b>	<b>459,411</b>
<b>Current liabilities</b>			
Trade and other payables	142,586		142,586
Current tax payable	9,870		9,870
Short-term provisions	8,986		8,986
Other current liabilities	6,117		6,117
<b>Total current liabilities</b>	<b>167,559</b>		<b>167,559</b>
<b>Non-current liabilities</b>			
Long-term provisions	7,638		7,638
<b>Total non-current liabilities</b>	<b>7,638</b>		<b>7,638</b>
<b>Total liabilities</b>	<b>175,197</b>		<b>175,197</b>
<b>Net assets</b>	<b>281,027</b>	<b>3,187</b>	<b>284,214</b>
<b>Equity</b>			
Share capital	9,960		9,960
Other reserves	3,003		3,003
Retained earnings	268,064	3,187	271,251
<b>Total equity</b>	<b>281,027</b>	<b>3,187</b>	<b>284,214</b>



Reece Australia Limited and controlled entities

Notes to the condensed consolidated financial statements for the  
half year ended 31 December 2005

**Note 6: First-Adoption of AIFRS - Reconciliation of Equity Reported under AGAAP to Equity under AIFRS**  
(b) At the date of the last half-year reporting period under AGAAP - 31 December 2004

	AGAAP \$	Adjustment \$	AIFRS \$
<b>Current assets</b>			
Cash and cash equivalents	46,001		46,001
Trade receivables	141,690		141,690
Inventories	146,806		146,806
<b>Total current assets</b>	<b>334,497</b>		<b>334,497</b>
<b>Non-current assets</b>			
Property, plant and equipment	128,749		128,749
Intangible assets	3		3
Deferred tax asset	8,558	3,400	11,958
<b>Total non-current assets</b>	<b>137,310</b>	<b>3,400</b>	<b>140,710</b>
<b>Total assets</b>	<b>471,807</b>	<b>3,400</b>	<b>475,207</b>
<b>Current liabilities</b>			
Trade and other payables	146,342		146,342
Current tax payable	8,821		8,821
Short-term provisions	9,531		9,531
Other current liabilities	1,668		1,668
<b>Total current liabilities</b>	<b>166,362</b>		<b>166,362</b>
<b>Non-current liabilities</b>			
Long-term provisions	8,310		8,310
<b>Total non-current liabilities</b>	<b>8,310</b>		<b>8,310</b>
<b>Total liabilities</b>	<b>174,672</b>		<b>174,672</b>
<b>Net assets</b>	<b>297,135</b>	<b>3,400</b>	<b>300,535</b>
<b>Equity</b>			
Share capital	9,960		9,960
Other reserves	3,003		3,003
Retained earnings	284,172	3,400	287,572
<b>Total equity</b>	<b>297,135</b>	<b>3,400</b>	<b>300,535</b>

Reece Australia Limited and controlled entities

Notes to the condensed consolidated financial statements for the  
half year ended 31 December 2005

**Note 6: First-Adoption of AIFRS - Reconciliation of Equity Reported under AGAAP to Equity under AIFRS**  
(c) At the end of the last annual reporting period under AGAAP - 30 June 2005

	AGAAP \$	Adjustment \$	AIFRS \$
<b>Current assets</b>			
Cash and cash equivalents	45,976		45,976
Trade receivables	174,724		174,724
Inventories	143,090		143,090
<b>Total current assets</b>	<b>363,790</b>		<b>363,790</b>
<b>Non-current assets</b>			
Property, plant and equipment	142,896		142,896
Intangible assets	0		0
Deferred tax asset	8,990	3,630	12,620
<b>Total non-current assets</b>	<b>151,886</b>	<b>3,630</b>	<b>155,516</b>
<b>Total assets</b>	<b>515,676</b>	<b>3,630</b>	<b>519,306</b>
<b>Current liabilities</b>			
Trade and other payables	155,367		155,367
Current tax payable	11,285		11,285
Short-term provisions	9,979		9,979
Other current liabilities	5,068		5,068
<b>Total current liabilities</b>	<b>181,699</b>		<b>181,699</b>
<b>Non-current liabilities</b>			
Long-term provisions	8,507		8,507
<b>Total non-current liabilities</b>	<b>8,507</b>		<b>8,507</b>
<b>Total liabilities</b>	<b>190,206</b>		<b>190,206</b>
<b>Net assets</b>	<b>325,470</b>	<b>3,630</b>	<b>329,100</b>
<b>Equity</b>			
Share capital	9,960		9,960
Other reserves	3,003		3,003
Retained earnings	312,507	3,630	316,137
<b>Total equity</b>	<b>325,470</b>	<b>3,630</b>	<b>329,100</b>

Reece Australia Limited and controlled entities

Notes to the condensed consolidated financial statements for the  
half year ended 31 December 2005

**Note 7: First-Adoption of AIFRS - Reconciliation of Profit reported under AGAAP to Profit under AIFRS**

(a) Reconciliation of profit for the half-year ended 31 December 2004

	AGAAP \$	Adjustment \$	AIFRS \$
<b>Revenue</b>			
Sales Revenue	502,248		502,248
Other income	1,306		1,306
	<u>503,554</u>		<u>503,554</u>
Change in inventory	13,837		13,837
Other costs of sale	356,510		356,510
Employee benefits expense	45,198		45,198
Depreciation expense	5,300		5,300
Other expenses	32,275		32,275
	<u>453,120</u>		<u>453,120</u>
Profit before income tax	50,434		50,434
Income tax expense	15,401	(212)	15,189
Profit attributable to the members of Reece Australia Limited	<u>35,033</u>	212	<u>35,245</u>

(b) Reconciliation of profit for the year ended 30 June 2005

	AGAAP \$	Adjustment \$	AIFRS \$
<b>Revenue</b>			
Sales Revenue	1,009,640		1,009,640
Other income	2,164		2,164
	<u>1,011,804</u>		<u>1,011,804</u>
Change in inventory	10,121		10,121
Other costs of sale	725,394		725,394
Employee benefits expense	92,191		92,191
Depreciation expense	10,711		10,711
Other expenses	64,874		64,874
	<u>903,291</u>		<u>903,291</u>
Profit before income tax	108,513		108,513
Income tax expense	33,194	(443)	32,751
Profit attributable to the members of Reece Australia Limited	<u>75,319</u>	443	<u>75,762</u>

**Reece Australia Limited and controlled entities**

**Notes to the condensed consolidated financial statements for the  
half year ended 31 December 2005**

**Note 8 First-Adoption of AIFRS - Reconciliation of Cash Flow Statement for the year ended  
30 June 2005 as reported under GAAP to Cash Flows under AIFRS**

The adoption of AIFRS has not resulted in any material adjustments to the cash flow statement.

**Note 9 First-Adoption of AIFRS - Explanation of changes in accounting policy arising on first-time  
adoption of AIFRS**

**(a) Impairment of assets**

Under AIFRS the recoverable amount test under the previous AGAAP is 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.

**(b) Income taxes**

Under AIFRS a balance sheet approach has been 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. A future income tax benefit is recognised for tax losses where their realisation is considered probable.

On first-time adoption of AIFRS, adjustment to the provision for deferred tax has been made for initial asset revaluations.

**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 17 in accordance with the Corporation Act 2001:

- (a) Comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001 and,
- (b) Give a true and fair view of the financial position of the consolidated entity as at 31 December 2005 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 Reece Australia Limited 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  
21 February 2006

## **Independent Review Report to the members of Reece Australia Limited**

### **Scope**

We have reviewed the condensed consolidated financial report of Reece Australia Limited for the half-year ended 31 December 2005 as set on pages 5 to 18. 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 134 "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 2005 and of its performance for the half-year ended on that date; and
  - (b) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (2) other mandatory professional reporting requirements in Australia.

Pitcher Partners

S P CATLIN  
Partner

21 February 2006  
Melbourne