

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

Half-year information for the six months ended 31 December 2008  
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 2008.

## Appendix 4D

Half-year report for the six months to 31 December 2008

Reece Australia Limited  
(ABN 49 004 313 133)

### 1. Reporting period

Report for the half-year ended 31 December 2008.

Previous corresponding period is the financial year ended 30 June 2008 and half-year ended 31 December 2007.

### 2. Results for announcement to the market

			\$A'000
Revenues from ordinary activities	up	6.8% to	768,165
Profit from ordinary activities after tax attributable to members	down	14.1% to	45,745
Net profit for the period attributable to members	down	14.1% to	45,745

  

Dividends	Amount per security	Franked amount per security
Interim dividend	18 cents	18 cents
Previous corresponding period – interim dividend	20 cents	20 cents
Record date for determining entitlements to the dividend		11 March 2009

### Commentary

For the 6 months ended 31 December 2008, the Company earned a net profit after tax and impairment charges of \$45.7M. The impairment charges of \$3.7M relate to a decision of the Board to write off the entire goodwill and future tax income benefit in the New Zealand operation as a consequence of the significant downturn in that economy. The normalised operating profit for the six months ending 31 December 2008 was 7.1% down on the prior corresponding period.

In keeping with the results for the half year, the Board has announced a decrease of 2 cents in the interim dividend to 18 cents per share, fully franked.

The Company continues to have a strong balance sheet and the Board is generally satisfied with the half year result having regard to the slowdown in the economy which is providing tougher trading conditions.

In Australia the Company has continued to grow its network, commencing trading from 38 new outlets during the half-year. At the end of the half year the Company had 425 trading outlets throughout Australia and New Zealand. The rate of growth in the new outlets is higher than initially planned and has contributed to the increase in cost of doing business. The Board expects a further 12 store openings in the second half of this financial year.

Looking ahead to 2010, the rate of store openings is expected to be somewhat lower as we enter a period of consolidation in this challenging economic environment. Notwithstanding the economic downturn, the Board expects the Company to at least maintain its market share but in these present uncertain times is not prepared to forecast for the immediate period ahead.

## Appendix 4D

Half-year report for the six months to 31 December 2008

Reece Australia Limited  
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	2008 \$A'000	2007 \$A'000
<b>3. Net tangible assets per security</b>		
Net tangible asset backing per ordinary security	502 cents	456 cents
<b>4. Dividends</b>		
Ordinary shares		
Dividends paid during the half-year	36,852	34,860

Subsequent events

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

18 cents per ordinary share fully franked	17,928	19,920
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The interim dividend relating to the half-year ended on 31 December 2008 has not been included as a provision in the financial statements because the dividend was declared after balance date.

Date dividend is payable 19 March 2009

Record date to determine entitlements to the dividend 11 March 2009

Amount per ordinary security

		Amount per security	Franked amount per security
Interim dividend:	Current year	18 cents	18 cents (at 30% tax rate)
	Previous year	20 cents	20 cents (at 30% tax rate)

5. The financial information provided in the Appendix 4D is based on the half-year condensed consolidated financial report (attached).

### 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.

26 February 2009  
Melbourne

Gavin Street  
Company Secretary

**Reece Australia Limited**

(ABN 49 004 313 133)  
and controlled entities

Financial report for the half-year ended 31 December 2008

This half-year financial report is to be read in conjunction with  
the financial report for the year ended 30 June 2008

**Reece Australia Limited and controlled entities**  
**Financial report for the half-year ended 31 December 2008**

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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 2008 and 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	39 years
Mr B. W. C. Wilson	38 years
Mr J. G. Wilson	24 years
Mr P. J. Wilson	11 years
Mr R. G. Pitcher	6 years
Mr A.T. Gorecki	9 months

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*

For the 6 months ended 31 December 2008, the Company earned a net profit after tax and impairment charges of \$45.7M. The impairment charges of \$3.7M relate to a decision of the Board to write off the entire goodwill and future tax income benefit in the New Zealand operation as a consequence of the significant downturn in that economy. The normalised operating profit for the six months ending 31 December 2008 was 7.1% down on the prior corresponding period.

In keeping with the results for the half year, the Board has announced a decrease of 2 cents in the interim dividend to 18 cents per share, fully franked.

The Company continues to have a strong balance sheet and the Board is generally satisfied with the half year result having regard to the slowdown in the economy which is providing tougher trading conditions.

In Australia the Company has continued to grow its network, commencing trading from 38 new outlets during the half-year. At the end of the half year the Company had 425 trading outlets throughout Australia and New Zealand. The rate of growth in the new outlets is higher than initially planned and has contributed to the increase in cost of doing business. The Board expects a further 12 store openings in the second half of this financial year.

Looking ahead to 2010, the rate of store openings is expected to be somewhat lower as we enter a period of consolidation in this challenging economic environment. Notwithstanding the economic downturn, the Board expects the Company to at least maintain its market share but in these present uncertain times is not prepared to forecast for the immediate period ahead.

**Reece Australia Limited and controlled entities**

**Directors' Report**

*Auditor's Declaration*

A copy of the Auditor's Independence 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 thousand dollars (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  
Executive Chairman

P.J. Wilson  
Chief Executive Officer

Melbourne  
26 February 2009

## **Auditor's Independence Declaration**

To the Directors of Reece Australia Limited

In relation to the half-year independent auditor's review for the six months to 31 December 2008, 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  
Melbourne

A. R. FITZPATRICK  
Partner  
26 February 2009

**Reece Australia Limited and controlled entities**  
**Condensed consolidated income statement for the half-year**  
**ended 31 December 2008**

	<b>2008</b>	<b>2007</b>
	<b>\$A'000</b>	<b>\$A'000</b>
Revenue		
Sales Revenue	767,271	718,092
Other income	894	1,144
	768,165	719,236
Cost of sales	531,397	495,268
Employee benefits expense	86,384	77,642
Depreciation	12,101	9,439
Finance costs	1,915	629
Other expenses	65,064	59,500
	696,861	642,478
Earnings before impairment and income tax	71,304	76,758
Impairment of Goodwill	2,928	0
Income tax expense	22,631	23,499
	45,745	53,259
Profit for the half-year	45,745	53,259
Profit attributable to the members of the parent	45,745	53,259
Earnings per security (EPS)		
Basic EPS	46 cents	53 cents
Diluted EPS	46 cents	53 cents

The accompanying notes form part of these financial statements

**Reece Australia Limited and controlled entities**

**Condensed consolidated balance sheet as at 31 December 2008**

	<b>31 December 2008 \$A'000</b>	<b>30 June 2008 \$A'000</b>
<b>Current assets</b>		
Cash and cash equivalents	20,619	38,505
Trade and other receivables	216,911	231,224
Inventories	245,209	219,074
<b>Total current assets</b>	<b>482,739</b>	<b>488,803</b>
<b>Non-current assets</b>		
Property, plant and equipment	296,504	271,142
Intangible assets	3	2,779
Deferred tax assets	18,408	18,717
<b>Total non-current assets</b>	<b>314,915</b>	<b>292,638</b>
<b>Total assets</b>	<b>797,654</b>	<b>781,441</b>
<b>Current liabilities</b>		
Trade and other payables	202,301	207,161
Short-term borrowings	54,956	31,767
Current tax payable	8,246	14,769
Short-term provisions	17,176	17,583
Other	3,474	8,269
<b>Total current liabilities</b>	<b>286,153</b>	<b>279,549</b>
<b>Non-current liabilities</b>		
Long-term borrowings	-	-
Long-term provisions	11,139	10,895
<b>Total non-current liabilities</b>	<b>11,139</b>	<b>10,895</b>
<b>Total liabilities</b>	<b>297,292</b>	<b>290,444</b>
<b>Net assets</b>	<b>500,362</b>	<b>490,997</b>
<b>Equity</b>		
Issued capital	9,960	9,960
Reserves	2,884	2,413
Retained earnings	487,518	478,624
<b>Total equity</b>	<b>500,362</b>	<b>490,997</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 2008

	2008 \$A'000	2007 \$A'000
Total equity at the beginning of the half-year	490,997	432,869
Exchange differences on translation of foreign operations	472	192
Net income recognised directly in equity	472	192
Profit for the half-year	45,745	53,259
Total recognised income and expenses for the period	46,217	53,451
Transactions with equity holders in their capacity as equity holders:		
Dividends paid	(36,852)	(34,860)
Total equity at the end of the half-year	500,362	451,460

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 2008**

	<b>2008</b>	<b>2007</b>
	<b>\$A'000</b>	<b>\$A'000</b>
<b>Cash flow from operating activities</b>		
Receipts from customers	859,410	803,225
Payments to suppliers and employees	(790,666)	(713,476)
Interest received	361	502
Borrowing costs	(1,915)	(629)
Income tax paid	(28,812)	(26,480)
<b>Net cash provided by operating activities</b>	<b>38,378</b>	<b>63,142</b>
<b>Cash flow from investing activities</b>		
Payments for property, plant and equipment	(42,927)	(32,893)
Proceeds from sale of property, plant and equipment	702	884
<b>Net cash used in investing activities</b>	<b>(42,225)</b>	<b>(32,009)</b>
<b>Cash flow from financing activities</b>		
Proceeds from borrowings	319,229	60,000
Repayments of borrowings	(296,416)	(60,000)
Dividends paid	(36,852)	(34,860)
<b>Net cash (used in)/provided by financing activities</b>	<b>(14,039)</b>	<b>(34,860)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(17,886)</b>	<b>(3,727)</b>
<b>Cash and cash equivalents at the beginning of the half-year</b>	<b>38,505</b>	<b>23,648</b>
<b>Cash and cash equivalents at the end of the half-year</b>	<b>20,619</b>	<b>19,921</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 2008**

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

This half-year financial report does not include all the notes of the type usually included in the annual financial report.

It is recommended that this financial report be read in conjunction with the financial report for the year ended 30 June 2008 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 general purpose half-year financial report has been prepared in accordance with Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001.

**(b) Summary of the significant accounting policies**

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2008.

**(c) 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.

**(d) Rounding amounts**

The company is of a kind referred to in ASIC Class Order CO 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 require recognition or disclosure in the half-year financial report.

**Reece Australia Limited and controlled entities**

**Notes to the condensed consolidated financial statements for the half-year  
ended 31 December 2008**

**Note 3: Dividends**

	<b>2008</b>	<b>2007</b>
	<b>\$A'000</b>	<b>\$A'000</b>
Ordinary shares		
Dividends provided for or paid during the half-year	36,852	34,860
Proposed dividends not recognised at the end of the half-year	17,928	19,920

**Note 4: Segment reporting**

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

**Note 5: Contingent liabilities**

There have been no changes in contingent liabilities since 30 June 2008.

**Reece Australia Limited**  
**ABN 49 004 313 133**

**Directors' Declaration**

The directors declare that the financial statements and notes set out on pages 4 to 9 are in accordance with the Corporations 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 2008 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  
Executive Chairman

P. J. Wilson  
Chief Executive Officer

Melbourne  
26 February 2009

**Independent Auditor's Review Report  
to the members of Reece Australia Limited**

**Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Reece Australia Limited, which comprises the condensed consolidated balance sheet as at 31 December 2008, and the condensed consolidated income statement, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

*Directors' Responsibility for the Half-Year Financial Report*

The directors of the Reece Australia Limited are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Reece Australia Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

*Conclusion*

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 the Corporations Act 2001 including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting and Corporations Regulations 2001*.

Pitcher Partners  
Melbourne

A. R. FITZPATRICK  
PARTNER  
26 February 2009