

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

Half-year information for the six months ended 31 December 2009  
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 2009.

## Appendix 4D

Half-year report for the six months to 31 December 2009

Reece Australia Limited  
(ABN 49 004 313 133)

### 1. Reporting period

Report for the half-year ended 31 December 2009.

Previous corresponding period is the financial year ended 30 June 2009 and half-year ended 31 December 2008.

### 2. Results for announcement to the market

			\$A'000
Revenues from ordinary activities	up	0.3% to	770,752
Profit from ordinary activities after tax attributable to members	up	25.9% to	57,614
Net profit for the period attributable to members	up	25.9% to	57,614

  

Dividends	Amount per security	Franked amount per security
Interim dividend	20 cents	20 cents
Previous corresponding period – interim dividend	18 cents	18 cents
Record date for determining entitlements to the dividend		15 March 2010

#### Commentary

For the 6 months ended 31 December 2009, the Company earned a profit after tax of \$57.6M an increase of 25.9% over the prior corresponding period. Normalised earnings before impairments, interest and income tax were up 12.8% to \$82.6M (2008 \$73.2M), primarily driven by the lower cost of doing business. Sales revenue was up 0.3% to \$769M (2008 \$767M).

In line with the half-year results, the Board has announced an increase of 2 cents in the interim dividend to 20 cents per share, fully franked.

The Board is satisfied with the half year result taking into account the current economic conditions in both Australia and New Zealand. The continued uncertainty for both consumers and business combined with the reduction in Government stimulus packages provide a challenging trading environment. Actions taken by management to reduce the cost of doing business has resulted in significant savings being recognised in the current period.

The Company continues to have a strong balance sheet with no net debt as at 31 December 2009. Net assets have increased by 11.6% to \$558M (2008 \$500M) funded through internally generated cash and borrowings as required.

In Australia the Company has continued to grow its network, commencing trading from 12 new outlets during the half-year whilst consolidating 3 existing sites. In New Zealand total outlets remained at 5. At the end of the half year the Company had 438 trading outlets throughout Australia and New Zealand.

Looking ahead, the Company will continue to invest in the refurbishment program for existing stores and grow its outlets with selective property acquisitions. With uncertainty around the market conditions, the Board is reluctant to provide a forecast for the immediate period ahead.

## Appendix 4D

Half-year report for the six months to 31 December 2009

Reece Australia Limited  
(ABN 49 004 313 133)

	2009 \$A'000	2008 \$A'000
<b>3. Net tangible assets per security</b>		
Net tangible asset backing per ordinary security	541 cents	502 cents

### 4. Dividends

Ordinary shares

Dividends paid during the half-year	32,868	36,852
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The final dividend relating to the year ended on 30 June 2009 was paid on 22 October 2009.

Subsequent events

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

20 cents per ordinary share fully franked	19,920	17,928
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The interim dividend relating to the half-year ended on 31 December 2009 has not been included as a provision in the financial statements because the dividend was declared after balance date.

Date dividend is payable 26 March 2010

Record date to determine entitlements to the dividend 15 March 2010

Amount per ordinary security

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

## **Reece Australia Limited**

(ABN 49 004 313 133)  
and controlled entities

Financial report for the half-year ended 31 December 2009

This half-year financial report is to be read in conjunction with  
the financial report for the year ended 30 June 2009

**Reece Australia Limited and controlled entities**  
**Financial report for the half-year ended 31 December 2009**

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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 2009 and independent auditor's 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	40 years
Mr B. W. C. Wilson	39 years
Mr J. G. Wilson	25 years
Mr P. J. Wilson	12 years
Mr R. G. Pitcher, AM	7 years
Mr A.T. Gorecki	1 year

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 2009, the Company earned a profit after tax of \$57.6M an increase of 25.9% over the prior corresponding period. Normalised earnings before impairments, interest and income tax were up 12.8% to \$82.6M (2008 \$73.2M), primarily driven by the lower cost of doing business. Sales revenue was up 0.3% to \$769M (2008 \$767M).

In line with the half-year results, the Board has announced an increase of 2 cents in the interim dividend to 20 cents per share, fully franked.

The Board is satisfied with the half year result taking into account the current economic conditions in both Australia and New Zealand. The continued uncertainty for both consumers and business combined with the reduction in Government stimulus packages provide a challenging trading environment. Actions taken by management to reduce the cost of doing business has resulted in significant savings being recognised in the current period.

The Company continues to have a strong balance sheet with no net debt as at 31 December 2009. Net assets have increased by 11.6% to \$558M (2008 \$500M) funded through internally generated cash and borrowings as required.

In Australia the Company has continued to grow its network, commencing trading from 12 new outlets during the half-year whilst consolidating 3 existing sites. In New Zealand total outlets remained at 5. At the end of the half year the Company had 438 trading outlets throughout Australia and New Zealand.

Looking ahead, the Company will continue to invest in the refurbishment program for existing stores and grow its outlets with selective property acquisitions. With uncertainty around the market conditions, the Board is reluctant to provide a forecast for the immediate period ahead.

**Reece Australia Limited and controlled entities**

**Directors' Report**

*Significant changes in the state of affairs*

There have been no significant changes in the consolidated group / company's state of affairs during the financial year.

*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  
25 February 2010

## **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 2009, 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.

A. R. FITZPATRICK  
Partner  
25 February 2010

PITCHER PARTNERS  
Melbourne

Reece Australia Limited and controlled entities

Condensed consolidated statement of comprehensive income for the half-year  
ended 31 December 2009

	2009 \$A'000	2008 \$A'000
Revenue		
Sales Revenue	769,239	767,271
Other income	1,513	894
	<u>770,752</u>	<u>768,165</u>
Cost of sales	531,655	531,397
Employee benefits expense	74,774	86,384
Depreciation	14,014	12,101
Other expenses	67,747	65,064
	<u>688,190</u>	<u>694,946</u>
Profit before impairment, interest and income tax	82,562	73,219
Finance Costs	842	1,915
Impairment of Goodwill	-	2,928
Income tax expense	24,106	22,631
	<u>24,106</u>	<u>22,631</u>
Profit for the half-year	<u>57,614</u>	<u>45,745</u>
Profit attributable to the members of the parent	<u><u>57,614</u></u>	<u><u>45,745</u></u>
Earnings per security (EPS)		
Basic EPS	<u>58 cents</u>	<u>46 cents</u>
Diluted EPS	<u><u>58 cents</u></u>	<u><u>46 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 2009**

	<b>31 December 2009 \$A'000</b>	<b>30 June 2009 \$A'000</b>
<b>Current assets</b>		
Cash and cash equivalents	85,501	54,546
Trade and other receivables	213,760	242,699
Inventories	209,534	219,211
<b>Total current assets</b>	<b>508,795</b>	<b>516,456</b>
<b>Non-current assets</b>		
Property, plant and equipment	304,844	302,397
Deferred tax assets	19,359	19,760
<b>Total non-current assets</b>	<b>324,203</b>	<b>322,157</b>
<b>Total assets</b>	<b>832,998</b>	<b>838,613</b>
<b>Current liabilities</b>		
Trade and other payables	191,604	212,129
Short-term borrowings	32,940	47,790
Current tax payable	9,029	4,444
Short-term provisions	26,498	27,703
Other	8,249	6,635
<b>Total current liabilities</b>	<b>268,320</b>	<b>298,701</b>
<b>Non-current liabilities</b>		
Long-term payables	5,816	5,972
Long-term provisions	734	685
<b>Total non-current liabilities</b>	<b>6,550</b>	<b>6,657</b>
<b>Total liabilities</b>	<b>274,870</b>	<b>305,358</b>
<b>Net assets</b>	<b>558,128</b>	<b>533,255</b>
<b>Equity</b>		
Issued capital	9,960	9,960
Reserves	2,846	2,719
Retained earnings	545,322	520,576
<b>Total equity</b>	<b>558,128</b>	<b>533,255</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 2009**

	<b>Contributed equity \$A'000</b>	<b>Reserves \$A'000</b>	<b>Retained earnings \$A'000</b>	<b>Non- controlling interest \$A'000</b>	<b>Total Equity \$A'000</b>
Balance as at 1 July 2008	9,960	2,413	478,624	-	490,997
Profit for the half-year	-	-	45,745	-	45,745
Exchange differences on translation of foreign operations, net of tax	-	472	-	-	472
<b>Total comprehensive income for the half-year</b>	<b>9,960</b>	<b>2,885</b>	<b>524,369</b>	<b>-</b>	<b>537,214</b>
Transactions with owners in their capacity as owners:					
Dividends paid	-	-	(36,852)	-	(36,852)
<b>Total transactions with owners in their capacity as owners:</b>	<b>-</b>	<b>-</b>	<b>(36,852)</b>	<b>-</b>	<b>(36,852)</b>
<b>Balance as at 31 December 2008</b>	<b>9,960</b>	<b>2,885</b>	<b>487,517</b>	<b>-</b>	<b>500,362</b>
	<b>Contributed equity \$A'000</b>	<b>Reserves \$A'000</b>	<b>Retained earnings \$A'000</b>	<b>Non- controlling interest \$A'000</b>	<b>Total Equity \$A'000</b>
Balance as at 1 July 2009	9,960	2,719	520,576	-	533,255
Profit for the half-year	-	-	57,614	-	57,614
Exchange differences on translation of foreign operations, net of tax	-	127	-	-	127
<b>Total comprehensive income for the half-year</b>	<b>9,960</b>	<b>2,846</b>	<b>578,190</b>	<b>-</b>	<b>590,996</b>
Transactions with owners in their capacity as owners:					
Dividends paid	-	-	(32,868)	-	(32,868)
<b>Total transactions with owners in their capacity as owners:</b>	<b>-</b>	<b>-</b>	<b>(32,868)</b>	<b>-</b>	<b>(32,868)</b>
<b>Balance as at 31 December 2009</b>	<b>9,960</b>	<b>2,846</b>	<b>545,322</b>	<b>-</b>	<b>558,128</b>

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 2009**

	<b>2009</b>	<b>2008</b>
	<b>\$A'000</b>	<b>\$A'000</b>
Cash flow from operating activities		
Receipts from customers	874,571	859,410
Payments to suppliers and employees	(760,572)	(790,666)
Interest received	1,039	361
Borrowing costs	(842)	(1,915)
Income tax paid	(19,118)	(28,812)
Net cash provided by operating activities	<u>95,078</u>	<u>38,378</u>
Cash flow from investing activities		
Payments for property, plant and equipment	(17,308)	(42,927)
Proceeds from sale of property, plant and equipment	904	702
Net cash used in investing activities	<u>(16,404)</u>	<u>(42,225)</u>
Cash flow from financing activities		
Proceeds from borrowings	10,105	319,229
Repayments of borrowings	(24,956)	(296,416)
Dividends paid	(32,868)	(36,852)
Net cash used in financing activities	<u>(47,719)</u>	<u>(14,039)</u>
Net (decrease)/increase in cash and cash equivalents	30,955	(17,886)
Cash and cash equivalents at the beginning of the half-year	<u>54,546</u>	<u>38,505</u>
Cash and cash equivalents at the end of the half-year	<u>85,501</u>	<u>20,619</u>

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 2009**

**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 2009 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. The half year financial report was authorised for issue by the directors as at the date of the director's report.

**(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 2009.

**(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 2009

**Note 3: Dividends**

	2009 \$A'000	2008 \$A'000
Ordinary shares		
Dividends paid during the half-year	32,868	36,852
Proposed dividends not recognised at the end of the half-year	19,920	17,928

**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: Property, plant and equipment**

**Acquisitions and disposals**

During the six months ended 31 December 2009 the Group acquired assets with a cost of \$17.4 million (six months ended 31 December 2008: \$37.5 million).

Assets with a carrying amount of \$836 thousand were disposed of during the six months ended 31 December 2009 (six months ended 31 December 2008: \$632 thousand), resulting in a gain on disposal of \$68 thousand (six months ended 31 December 2008: gain of \$70 thousand).

**Note 6: Contingent liabilities**

There have been no changes in contingent liabilities since 30 June 2009.

**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 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 2009 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  
25 February 2010

## **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 and controlled entities, which comprises the condensed consolidated statement of financial position as at 31 December 2009, and the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows 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 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 2009 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 2009 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*.

A. R. FITZPATRICK  
Partner  
25 February 2010

PITCHER PARTNERS  
Melbourne