

Appendix 4E

Preliminary Final Report

Report for the financial year ended 30 June 2004

Previous corresponding period is the financial year ended 30 June 2003

Results for announcement to the market

		\$A'000
Revenues from ordinary activities	up 17.7% to	874,381
Profit from ordinary activities after tax attributable to members	up 31.6% to	61,528
Net profit for the period attributable to members	up 31.6% to	61,528

Dividends	Amount per security	Franked amount per security
Final dividend	19 cents	19 cents
Previous corresponding period - final	13.5 cents	13.5 cents

Record date for determining entitlements to the dividend **7 October 2004**

Commentary

Reece Australia Limited, Australia's leading distributor of plumbing and bathroom products today announced a net profit after tax of \$61.5M for the year ended 30 June 2004 which is a 31.6% increase over the previous year. Sales revenue for the year ended 30 June 2004 increased by 17.8% to \$871.8M.

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

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

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

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

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

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

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	Note	2004 \$A'000	2003 \$A'000
Consolidated statement of financial performance for the year ended 30 June 2004			
Revenue from ordinary activities	2	874,381	743,134
Expenses from ordinary activities, excluding borrowing costs	3	785,252	675,449
Borrowing costs	3	<u>0</u>	<u>0</u>
Profit from ordinary activities before income tax		89,129	67,685
Income tax expense relating to ordinary activities		<u>27,601</u>	<u>20,945</u>
Net profit from ordinary activities after income tax		<u>61,528</u>	<u>46,740</u>
Net profit for the period attributable to members of Reece Australia Limited		<u><u>61,528</u></u>	<u><u>46,740</u></u>
Earnings per security (EPS)			
Basic EPS	4	<u>62 cents</u>	<u>47 cents</u>
Diluted EPS	4	<u>62 cents</u>	<u>47 cents</u>

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	Note	2004 \$A'000	2003 \$A'000
Consolidated statement of financial position			
as at 30 June 2004			
Current assets			
Cash assets	7	45,710	45,072
Receivables		145,825	124,085
Inventories		132,969	107,180
Total current assets		324,504	276,337
Non-current assets			
Property, plant and equipment		123,708	105,770
Intangible assets		3	444
Deferred tax asset		8,009	6,680
Total non-current assets		131,720	112,894
Total assets		456,224	389,231
Current liabilities			
Payables		142,586	122,633
Current tax liability		9,870	5,449
Provisions		8,986	7,797
Other		6,117	4,364
Total current liabilities		167,559	140,243
Non-current liabilities			
Provisions		7,638	7,078
Total non-current liabilities		7,638	7,078
Total liabilities		175,197	147,321
Net assets		281,027	241,910
Equity			
Contributed equity		9,960	9,960
Reserves		3,003	2,508
Retained profits	6	268,064	229,442
Total equity		281,027	241,910

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	Note	2004 \$A'000	2003 \$A'000
Consolidated statement of cash flows for the year ended 30 June 2004			
Cash flows from operating activities			
Cash receipts in the course of operations		849,675	731,083
Cash payments in the course of operations		(778,500)	(666,052)
Interest received		1,009	1,049
Income taxes paid		(24,509)	(24,115)
Net cash provided by operating activities		47,675	41,965
Cash flows from investing activities			
Payments for property, plant and equipment		(26,578)	(22,954)
Proceeds from sale or disposal of property, plant and equipment		1,951	811
Purchase of intangibles		0	(3)
Net cash used in investing activities		(24,627)	(22,146)
Cash flows from financing activities			
Loans repaid by other entities		0	1
Dividends paid		(22,410)	(18,426)
Net cash used in financing activities		(22,410)	(18,425)
Net increase in cash held		638	1,394
Cash at the beginning of the year		45,072	43,678
Cash at the end of the year	7	45,710	45,072

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

Note 1: Final Dividends

The final dividend relating to the year ended on 30 June 2004 has not been included as a provision in the financial statements because the dividends were declared after balance date.

Balance of the franking account adjusted for franking credits that will arise after payment of income tax payable and after payment of dividends up to 30 June 2004 is \$150,440,647 (Class C - franked to 30%).

The franking account has been re-stated to reflect tax paid as required per tax legislation amendments.

Date final dividend is payable 21 October 2004

Record date to determine entitlements to the final dividend 7 October 2004

Amount per ordinary security

	Amount per security	Franked amount per security	Total amount of Dividend \$
Final dividend: Current year	19 cents	19 cents (at 30% tax rate)	18,924,000
Previous year	13.5 cents	13.5 cents (at 30% tax rate)	13,446,000
Interim dividend: Current year	9 cents	9 cents (at 30% tax rate)	8,964,000
Previous year	7.5 cents	7.5 cents (at 30% tax rate)	7,470,000

Total dividend per security

	Current year	Previous year
Ordinary securities	28 cents	21 cents

Note 2: Profit from ordinary activities

Profit from ordinary activities before income tax expense has been determined after:

Revenue

Sales revenue	871,814	740,236
Interest received or due and receivable from other persons	1,009	1,049
Bad debts recovered	400	245
Gross proceeds on sale/disposal of property, plant and equipment	1,158	1,604
	<u>874,381</u>	<u>743,134</u>

Expenses

Bad debts written off:		
Trade Debtors	1,092	1,101
Amortisation of goodwill	441	163
Depreciation	10,063	9,106
Amounts set aside to:		
Provision for employee entitlements	1,748	2,076
Provision for inventory obsolescence	1,195	465
Provision for doubtful debts	1,156	0
Operating lease rental expense	7,707	6,496

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	2004 \$A'000	2003 \$A'000
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Note 3: Expenses relating to ordinary activities by function

Cost of sales	638,142	548,597
Distribution expenses	68,521	60,918
Marketing expenses	4,990	5,835
Occupancy expenses	10,095	8,428
Administrative and other expenses	63,504	51,671
Borrowing cost expenses	-	-
Total expenses relating to ordinary activities	<u>785,252</u>	<u>675,449</u>

Note 4: Earnings per security (EPS)

Calculation of the following in accordance with AASB 1027: Earnings per Share

(a)	Basic EPS	<u>62 cents</u>	<u>47 cents</u>
(b)	Diluted EPS	<u>62 cents</u>	<u>47 cents</u>
	Adjusted weighted average number of ordinary shares:	<u>99,600,000</u>	<u>99,600,000</u>

Note 5: NTA backing

Net tangible asset backing per ordinary security	<u>274 cents</u>	<u>236 cents</u>
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Note 6: Retained profits

Retained profits at the beginning of the financial year	229,442	190,937
Net Profit attributable to members of Reece Australia Limited	61,528	46,740
Transfer to capital profits reserve	(496)	(765)
Dividend	<u>(22,410)</u>	<u>(7,470)</u>
Retained profits at end of year	<u>268,064</u>	<u>229,442</u>

Note 7: Reconciliation of cash

Cash as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Cash on hand	175	179
Cash on deposit	<u>45,535</u>	<u>44,893</u>
	<u>45,710</u>	<u>45,072</u>

Note 8: Segment reporting

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

Note 9: Adoption of Australian Equivalents to International Financial Reporting Standards

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

Reece's Board of Directors, along with its auditors, are continuing to assess the significance of these changes and prepare for their implementation. This process involves evaluating the key differences in accounting policies and their financial impact, and identifying the changes to the company's financial reporting systems.

The directors are of the opinion that the key differences in the economic entity's accounting policies which will arise from the adoption of IFRS are:

Impairment of assets

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

Income Tax

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

Goodwill

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

Provision for Dividends

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

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The annual general meeting will be held as follows:

Place	118 Burwood Hwy Burwood, Victoria
Time	3.00 pm
Date	21 October 2004
Approximate date the annual report will be available	17 September 2004

Compliance statement

1 This report is based on financial statements to which one of the following applies.

The financial statements
have been audited

The financial statements have
been subject to review

The financial statements are
in the process of being
audited or subject to review.

The financial statements have
not yet been audited or
reviewed

2 The financial report is not likely to be subject to audit dispute or qualification.

3 This report is based on financial statements which have been prepared in accordance with Australian Accounting Standards.

4 The entity has a formally constituted audit committee.

N G Cathie
Company Secretary

26 August 2004
