reece

2014 ANNUAL REPORT

REECE AUSTRALIA LIMITED A.B.N. 49 004 313 133

Controlled Entities	Reece Pty Ltd A.B.N. 84 004 097 090 Plumbing World Pty Ltd A.B.N. 99 004 910 829 Reece Project Supply Pty Ltd A.B.N. 54 100 065 307 Reece International Pty Ltd A.B.N. 11 100 278 171 Reece New Zealand Limited Company No. 1530569 Actrol Parts Holdings Pty Ltd A.B.N. 98 142 644 488 Actrol Parts Finance Pty Ltd A.B.N. 21 142 653 889 Actrol Parts Pty Ltd A.B.N. 93 142 654 564 A.C. Components Pty Ltd A.B.N. 69 134 588 935 Metalflex Pty Ltd A.B.N. 18 007 133 057 Metalflex Regional Pty Ltd A.B.N. 50 142 651 509 Metalflex (S.A) Pty Ltd A.B.N. 88 084 260 837 Metalflex (W.A.) Pty Ltd A.B.N. 98 105 291 263 Air Plus Pty Ltd A.B.N. 33 135 270 718
Directors	L.A. Wilson (Executive Chairman) P.J. Wilson (Chief Executive Officer) B.W.C. Wilson J.G. Wilson R.G. Pitcher, AM A.T. Gorecki
Company Secretary	G.W. Street
Bankers	National Australia Bank Limited Commonwealth Bank of Australia Limited Bank of New Zealand Limited
Solicitors	Russell Kennedy Lander & Rogers Mills Oakley Lawyers
Auditors	Pitcher Partners
Registered Office	118 Burwood Highway Burwood, Victoria, 3125 Telephone (03) 9274 0000 Facsimile (03) 9274 0197
Share Registry	Computershare Investor Services Pty Limited Yarra Falls 452 Johnston Street Abbotsford, Victoria, 3067 Telephone (03) 9415 5000 Facsimile (03) 9473 2500
Stock Exchange Listing	Reece Australia Limited shares are listed on the Australian Stock Exchange ASX Code: REH

NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of Reece Australia Limited will be held at 3pm on Thursday, 30 October, 2014 at 452 Johnston Street, Abbotsford, Victoria

Contents

Reece Australia Limited and its controlled entities
Annual Report for the financial year ended 30 June 2014

2014 was a record year for Reece.

This result was pleasing because it reflects the hard work and talent of the many people who make up Reece. Strong leadership with a clear strategy, teamwork across our store network, effective supplier relationships, and ongoing innovation all contributed to deliver the strong performance. Most importantly, the result reflects our commitment to our customers.

While we are proud of the result we are not complacent. We look ahead to a challenging 2015 with a focus on continuously improving all aspects of our business. Our objective remains to create value for our customers, people and shareholders.

CHAIRMAN'S REPORT

L. Alan Wilson
Executive Chairman

The Board is pleased to announce Reece Australia limited has delivered a strong result for the 2014 financial year. The results include the acquisition of the Actrol Group, the largest acquisition in the history of Reece. Sales revenue of $1,776m was 15.7% above the prior year, with sales revenue excluding the Actrol Group up 8.7% on the prior year. The profit after tax result of $123m was a record result.

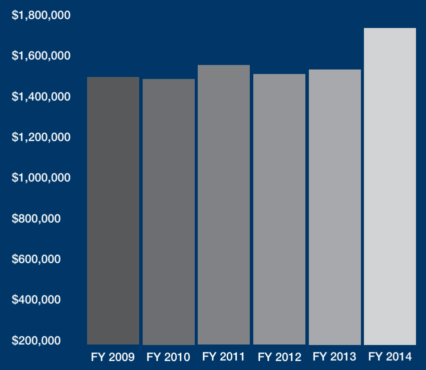
This performance reflects the strong management of the company as well as our commitment to continually improving all aspects of the service we provide our customers. We continued to source and develop innovative products that deliver value and peace of mind for our customers. We continued to develop services and tools that make it easier for our customers to do business with us. And we continued to invest in our store network, adding important sites and refurbishing existing stores.

Reece has a very strong balance sheet with net assets of $827m an increase of 8.0% on the prior year. To facilitate the acquisition of the Actrol Group we have taken out a $200m debt facility. We have continued to invest in the branch network. Including the acquisition of the Actrol Group at the end of the financial year, we had 550 outlets in Australia and 9 outlets in New Zealand.

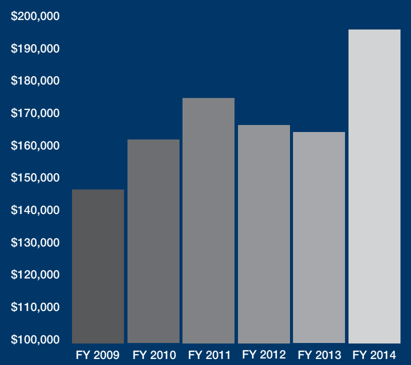
The Board is pleased to advise it has declared a final dividend of 42 cents per share fully franked. The final dividend will be paid on 30 October 2014 with the record date for entitlement being 8 October 2014. Total dividends paid and declared for the year ended 30 June 2014 will be 64 cents per share, an increase of 2 cents against the prior year.

Reece remains a very well managed company that is well placed to manage the integration of the Actrol business and continue to focus on developing our products and service to our customers.

SALES REVENUE
(000'S)

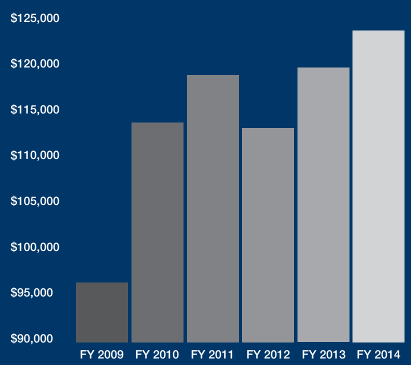


EBIT*
(000'S)



* Before unrealised gain/loss on foreign currency

NPAT
(000'S)

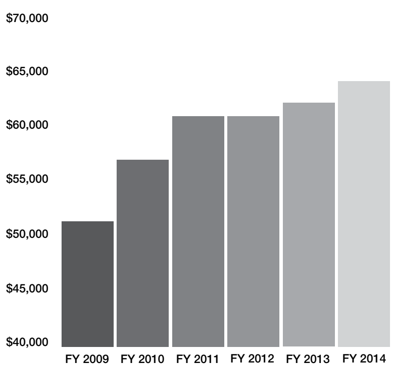


CEO'S REPORT

Peter J. Wilson
Chief Executive Officer

2014 was a record year for Reece for sales and profitability. Total sales for the group were $1.776b up 15.7% on the prior year. Earnings before interest, tax and unrealised loss on foreign currency was $189.1m up 15.6% on the prior year. Net profit after tax and unrealised loss on foreign currency was $123m, up 3.3% on prior year. Excluding the impact of the sales revenue from the Actrol Group, the business grew by 8.7% to $1,668m.

DIVIDENDS
(000'S)



During the year Reece acquired the Actrol Parts Holdings Pty Ltd, which includes Actrol Parts Pty Ltd and A.C. Components Pty Ltd (trading as Metalflex and Air Plus). The Actrol Group is a specialist industrial wholesale group providing components, units, systems and refrigerant gases to the Australian heating, ventilation, air conditioning and refrigeration ('HVAC-R') industry.

The purchase price of the Actrol Group was $280m plus adjustments for stock and working capital. The acquisition represents a unique and exciting opportunity for Reece to establish a presence in Australia's heating, refrigeration and air conditioning industries. Actrol Parts and AC Components represent a compelling strategic fit with Reece and, one that will enable us to grow our wholesale trade business and diversify our offering to our customers. Integration of the Reece and Actrol Group business is progressing very well.

We have continued to invest in our branch network adding 15 new locations during the year and continuing to invest in the refurbishment of the network making sure our customers have access to a great in store experience at more locations than ever before. Our trade customers can purchase goods direct in store or order on-line and choose to pick up the goods through our express "Click and Collect" service, or arrange for goods to be delivered to site.

Customer service remains our number one priority with our aim to be the best by continually improving the service we provide to our customers. We continue to receive and action feedback from our trade and retail customers and invest in the development of new technology to further improve our business processes and customised service offering.

We have continued to focus on improving the level of products and services to our customers. During the year we launched the new 3D planner to help our customers bring their bathroom design to life. We have enhanced our website to make it easier for customers to view products and technical information. Our trade customers now have access to more information than ever before through MyAccount to make it easier to do business with Reece.

We have sourced more exclusive products backed by warranties, extensive testing and customer care support. The in-stock service proposition is a focus to ensure we can meet the needs of our customers. As a result of the increase in products, sales growth, additional new branches and the focus on in stock service proposition the inventory levels have increased against the prior year.

We have invested in new technology to realise process efficiencies and deliver a better service to our customers. During the year we launched an on-line credit application form, enhanced our point of sale systems and implemented new internal systems for HR and Finance. We will continue to invest in new technology to provide better service and reduce costs.

Our branch network is supported by a market leading logistics capability. We have introduced new high density racking into our national distribution centre to further maximise space and productivity. We have recently signed an agreement for an additional warehouse in Victoria to support the growth of the business.

The team is committed to receiving and actioning staff feedback to make sure Reece is a great place to work. We have invested in both online and face to face training to ensure we can develop our staff to provide great service to our customers.

Overall the economy has shown signs of improving throughout 2014 with momentum expected to continue. We have a very strong team that is committed to delivering on our key objectives in 2015.

2014
Highlights

Year in review

Kartell by Laufen launch

Actrol. A cool fit.

Reece acquired the Actrol Group which includes Actrol Parts and A.C. Components (trading as Metalflex and Air Plus). The Actrol Group supplies components, units, systems and refrigerant gases to the Australian heating, ventilation, air conditioning and refrigeration industry. The acquisition will allow Reece to establish a presence in the heating, refrigeration and air-conditioning markets, broadening our offering to our customers.

Creating the right environment.

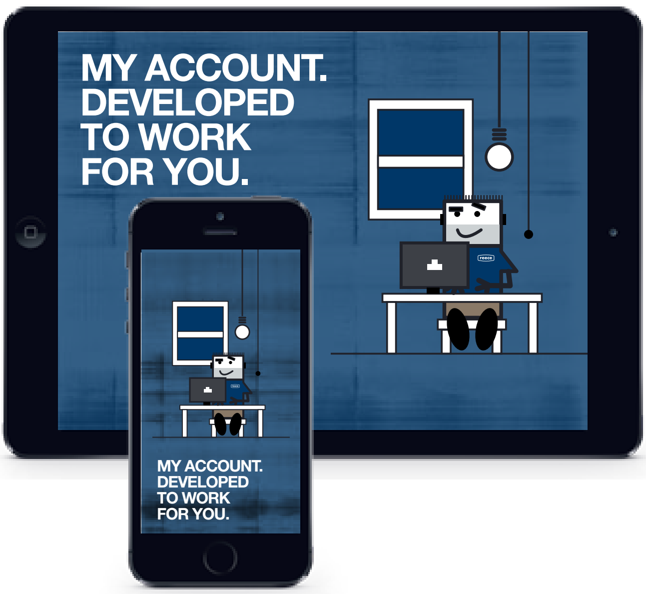
Fifteen new stores and continued investment in our rolling refurbishment program ensures our customers enjoy the best in-store experience across more locations than ever before. Including the acquisition of the Actrol Group, we now have 550 outlets in Australia and 9 outlets in New Zealand.

Leader in leading brands.

We continued to source exclusive products to offer our plumbing and bathroom customers the best choice in quality products from Australia and the world. We secured an exclusive agreement with REHAU Group, a world leader in polymer technologies, for distribution of German precision engineered REHAU PE-X piping & fittings for hot and cold water. Another highlight of the year was the national launch of the exclusive Kartell by Laufen bathroom range, featuring its creator, award winning international designer, Roberto Palomba.

Technology innovation. Inside Out.

Innovation in technology continued to generate efficiencies and improve the customer experience. We continued to expand the features of My Account including a new "Click and Collect" pick up or delivery service. 3D Bathroom Planner, on-line credit application system and significant enhancements to our website were just some of the other initiatives introduced during the year.



REHAU PE-X piping & fittings

Always delivering. End to end.

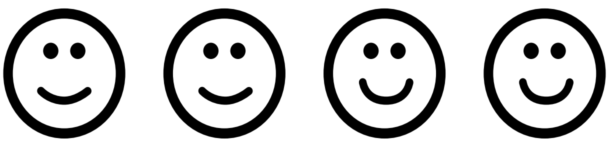
Our market leading supply chain and logistics capability continues to support our store network. New high density racking in our National Distribution Centre further maximises space and productivity. And additional warehousing facilities in Victoria will ensure we continue to provide our customers with what they need, when and where they need it.

Customised Service

Our goal is to be the best by providing the very best service to our customers. We continued to engage with our customers, seeking and acting on feedback to improve our products and services.

People First

We continued to invest in our most valuable asset – our people. We enhanced the quality and variety of training and development options. We also published our Workplace Gender Equality Agency report as part of our support for gender equality in our workplace. Pleasingly, our internal staff surveys and measures revealed our highest levels of engagement and satisfaction.



CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Reece Australia Limited is responsible for the corporate governance of the Company.

This statement outlines the corporate governance policies and practices formally adopted by Reece. These policies and practices are in accordance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations with 2010 Amendments (2nd Edition) unless otherwise stated.

Principle 1

Lay solid foundations for management and oversight

The role of the Board is to provide strategic guidance and effective oversight of management. The Board operates in accordance with the principles outlined in the Board Charter. The Charter details the Board's composition, their functions, responsibilities and powers. Other than the authority specifically reserved for the Board that is outlined in the Charter, the responsibility of management of Reece's business activities is delegated to the Chief Executive Officer and senior executives who are accountable to the Board. The Board Charter is available from Reece upon request.

The Board is responsible for establishing Reece's business strategies, overseeing the company's management, setting the values and standards of the company which we uphold when dealing with all of our stakeholders and, acting as custodian of our shareholder's interests.

More particularly, the Board's responsibilities encompass:

- Setting and monitoring the strategic plans and corporate objectives, including performance objectives;
- Monitoring the company's operational and financial activities;
- Overviewing the risk management strategy, internal policies and procedures and, accounting and reporting systems;
- Approving and monitoring capital expenditure, capital management and acquisitions;
- Monitoring compliance with legal and regulatory requirements;
- Monitoring compliance with Reece's own ethical and business standards, including codes of conduct;
- Monitoring the performance of senior executives;
- Appointing or removing the Chief Executive Officer, the Chief Financial Officer and the Company Secretary;
- Approving the appointment and, where appropriate, the removal of executives who report directly to the Chief Executive Officer, including their remuneration;
- Approving the annual reports and disclosures to the market; and
- Approving the appointment of directors who will come before shareholders for election at the annual general meeting (AGM).

An internal process of evaluation was undertaken during the year of the performance of senior executives, including executive directors, with regard to the overall performance of Reece and of the individual directors against the Board Charter.

Principle 2

Structure the Board to add value

The growth of the Company, its trading results and returns to shareholders, reflects the Board's wide management and professional experience, as well as its commitment to growing returns for shareholders and protecting shareholders' investment.

The experience and expertise relevant to the position of director held by each director in office at the date of the annual report is included in the Directors' Report.

The term in office held by each director in office at the date of this report is as follows:

Name	Term in office
Mr L.A. Wilson	45 years
Mr B.W.C. Wilson	44 years
Mr J.G. Wilson	30 years
Mr P.J. Wilson	17 years
Mr R.G. Pitcher, AM	11 years
Mr A.T. Gorecki	6 years

Principle 2.1 and 2.2 of the ASX Corporate Governance Principles and Recommendations recommends that the Board comprise a majority of directors who are independent, and an independent Chairperson. The Board, as currently composed, does not comply with these recommendations.

Mr L.A. Wilson is a substantial shareholder. He has been Executive Chairman since 1 January 2008 having previously held the position of Chairman and Chief Executive Officer.

Mr B.W.C. Wilson and Mr J.G. Wilson are substantial shareholders of the company. They, along with Mr R.G. Pitcher and Mr A.T. Gorecki, represent a majority of non-executive directors in the current Board structure and bring objective judgement to bear on Board decisions commensurate with their commercial knowledge, experience and expertise.

Mr P.J. Wilson is a senior executive of Reece and has been Chief Executive Officer since 1 January 2008.

Principle 2.4 of the ASX Corporate Governance Principles and Recommendations recommends that the Board establishes a nomination committee. Reece does not have a nomination committee, with the role being carried out by the full Board.

An internal process of evaluation was undertaken during the year of the performance of the Board and its committees. This review provided satisfaction to the Board that its structure and performance is effective and appropriate to Reece and the Board has the range of skills, knowledge and experience to direct the company.

To enable performance of their duties, all directors:

- Are provided with appropriate information in a timely manner and can request additional information at any time;
- Have access to the Company Secretary;
- Are able to seek independent professional advice at the company's expense; and
- Have undergone an induction process to enable them to be effective directors and gain substantial knowledge about Reece.

CORPORATE GOVERNANCE STATEMENT

Principle 3

Promote ethical and responsible decision making

The Board places great emphasis on honesty and integrity in all its business dealings, recognising that the interests of all stakeholders will be best served when directors, senior executives and employees adhere to high standards of business ethics and comply with the law.

In order to clarify the standards of ethical behaviour required of its directors, senior executives and employees the Board has established Codes of Conduct to ensure that Reece's ethical reputation is maintained. Senior executives and employees are required to complete online Code of Conduct training when they commence with Reece. The Reece Code of Conduct for Directors and Senior Executives and Code of Business Ethics and Conduct are published on the Reece website.

Reece has in place a policy concerning trading in company securities. The Share Trading for Directors and Employees Policy includes detailed requirements for directors, officers and key management on when they can trade Reece securities. The Policy is published on the Reece website.

Reece has in place an Equal Opportunity and Diversity Policy which is published on the Reece website.

The Company has adopted a Whistleblower Policy designed to provide all employees the opportunity to raise concerns regarding improper conduct without fear of any adverse ramifications. These concerns can be raised internally with our human resources department, or via an independent and confidential service.

The Board encourages and supports the Reece commitment to an ethical and responsible work environment that provides an equal opportunity to all employees. Reece has implemented the following initiatives:

- Made the Policy available to all employees;
- Introduced online training programs on equal opportunity;
- Continued providing management training programs that highlight the importance and benefits of diversity in the work force;
- Continually re-enforced our policy to recruit for the best available talent regardless of gender, age, ethnicity, disability or cultural background; and
- Conducted an annual review by the company's Risk and Compliance Committee and the Board of the Reece gender profile.

Of the company's employees, 22% are women and 18% of the senior management roles are occupied by women. There are currently no female directors on the Board.

The Board confirms it has undertaken an annual review of the aforementioned policies and has set objectives for the Equal Opportunity and Diversity Policy for the financial year 2015. The Board has confirmed that it will maintain the existing measurable objectives, in addition to:

- Managing and taking action on complaints, recommendations, changes and breaches for the Equal Opportunity and Diversity Policy;
- Discussing recommendations and approving recommendations at Board meetings; and
- Conducting an annual review of the Policy.

Principle 4

Safeguard integrity in financial reporting

Reece has an audit committee comprised of a majority of independent directors. The audit committee presently comprises Mr R.G. Pitcher (Chairman), Mr A.T. Gorecki and Mr B.W.C. Wilson. All members of the committee are non-executive directors and have extensive experience in, and knowledge of, the industry in which Reece operates. Mr R.G. Pitcher and Mr B.W.C. Wilson have accounting qualifications.

The details of the number of audit committee meetings held and attended are included in the Directors' Report. Minutes are taken at each Audit Committee meeting, with the minutes tabled in the following full Board meeting.

The Audit Committee operates under its own charter that details the roles, duties and membership requirements. The Audit Committee Charter is available on request.

The Audit Committee reports back to the Board on all matters relevant to the Committee's roles and responsibilities. This includes:

- An assessment of the adequacy of Reece's external reporting for shareholder needs;
- An assessment of the management processes to support external reporting;
- The procedures to select and appoint an external auditor and for the rotation of external audit engagement partners in accordance with regulatory requirements;
- Recommendations for the appointment or, if required, the removal of an external auditor;
- Assessment of the performance of the external auditor;
- Assessment of the performance and objectivity of Reece's internal audit function; and
- Review of Reece's risk management system and associated internal controls.

In addition to their roles and responsibilities, the key activities undertaken by the Audit Committee during the year include:

- Monitoring developments in accounting and financial reporting that is relevant to Reece;
- Approval of the scope, plan and fees for the 2014 external audit;
- Meeting with external auditors and monitoring the progress of the external audit for 2014;
- Reviewing and recommending to the Board the adoption of Reece's half year and annual financial statements;
- Jointly with the full Board, monitoring the progress of matters arising from the Code of Conduct and Whistleblower Policy;
- Review and recommend to the Board for the adoption of Reece's half year and annual financial statement;
- Review of the internal audit reports and approval of the 2015 Internal Audit Plan.

CORPORATE GOVERNANCE STATEMENT

Principle 5

Make timely and balanced disclosure

Reece has policies and procedures to ensure compliance with the ASX Listing Rule requirements for the timely and balanced disclosure of all material matters concerning the company. All market disclosures are approved by the Board.

The Chairman and the Company Secretary are authorised to communicate with shareholders and the market in relation to Board approved ASX disclosures. Other directors and management must adhere to this policy at all times.

All announcements made to the ASX are placed on our website directly after public release.

Principle 6

Respect the rights of shareholders

Reece provides a printed copy of its annual report to all requesting shareholders. The annual report contains relevant information about the company's operations during the year, changes in the state of affairs and, other disclosures required by the Corporations Act. The half year report contains summarised financial information and a review of Reece operations during the period.

The Reece website provides all shareholders and the public access to our announcements to the ASX, and general information about Reece and our business.

The format of general meetings aims to encourage shareholders to actively participate in the meeting through being invited to comment, or raise questions of directors on any matter relevant to the performance and operation of the company.

Our external auditor attends each annual general meeting and is available to answer shareholder questions about the audit.

Principle 7

Recognise and manage risk

The Board recognises that effective risk management is an integral part of good management and vital to the continued growth and success of the company. The Board has decided against the establishment of a separate Board risk committee at this time, and risk oversight remains a direct responsibility of the full Board. As a part of the risk management process a Risk and Compliance Committee, made up of senior management, meet quarterly and report to the Board.

Reece risk management policy aims not to eliminate risk but to identify, monitor and manage material risks inherent in the activities of the company.

In managing risk, the Board has charged the Risk and Compliance Committee with the responsibility of determining and implementing risk management controls in the conduct of the business in at least the following areas:

- Strategic risks;
- Operations, including business continuity;
- Product and service quality;
- Reputation;
- Ethical conduct in business dealings;
- Maintenance of a safe work environment;
- Management of technology resources;
- Integrity and reliability of financial reporting;
- Compliance with internal policies and procedures;
- Compliance with regulatory requirements; and
- Compliance with environmental obligations.

The Company has effective risk management controls implemented by Reece management incorporating:

- A clearly defined organisational structure with defined management responsibilities;
- Segregation of duties;
- Delegated limits of authority;
- Reliable and stable management reporting systems and accounting controls;
- Internal audit function to review the quality and effectiveness of internal processes, procedures and controls;
- Procedures for managing financial risk and the treasury function;
- A comprehensive insurance programme which is reviewed annually;
- Utilisation of an independent, confidential and impartial whistleblowing management service; and
- A clearly defined set of standards and behaviours expected from those working within the company.

The Board has received written assurances from management as to the effectiveness of the company's management of its material business risks.

The Board retains oversight responsibility for assessing the effectiveness of the company's systems for the management of material business risks.

The Chief Executive Officer and Chief Financial Officer have provided written assurance that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

CORPORATE GOVERNANCE STATEMENT

Principle 8

Remunerate fairly and responsibly

The ASX Corporate Governance Principles and Recommendations recommend that a listed company should have a Remuneration Committee comprising at least three members, with the majority being independent directors. Reece's Remuneration Committee currently consists of three non-executive directors with the majority being independent.

The Committee is chaired by an independent director, Mr R.G. Pitcher and comprises of Mr B.W.C. Wilson and Mr. A.T. Gorecki. Mr. B.W.C. Wilson is a non-executive director and a substantial shareholder.

Remuneration of the directors and senior executives is the responsibility of the Remuneration Committee. The Committee obtains advice, where necessary, to ensure that Reece attracts and retains talented and motivated employees who can enhance our performance through their contributions and leadership. The Board has been able to retain a high calibre management team through a policy of fair and appropriate remuneration which takes into consideration prevailing employment market conditions and is linked to the company's financial and operational performance.

The components of remuneration for each executive director and senior executive are largely cash based. There are no share based payments and non-cash benefits are modest. Performance based cash payments are largely related to company trading and operating performance. Currently there is no scheme to provide any director, or member of management, with retirement benefits other than accrued long service leave, accrued annual leave and superannuation benefits.

Non-executive directors are remunerated by way of cash fees plus statutory superannuation and do not participate in the company's incentive scheme. There is no scheme to provide non-executive directors with retirement benefits other than statutory superannuation.

Director and executive disclosure requirements are dealt with in the Directors' Report. The Remuneration Committee operates under its own charter available from the company upon request.

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 ("Reece"), for the financial year ended 30 June 2014 and auditor's report thereon. This financial report has been prepared in accordance with Australian Accounting Standards.

Principal Activities

Reece is a leading supplier of plumbing and bathroom products with operations in Australia and New Zealand. Our activities include importing, wholesaling, distribution, marketing and retailing. Reece supplies customers in the trade, retail, professional and commercial markets.

During the year Reece acquired Actrol Parts Holdings Pty Ltd and its controlled entities.The company is a supplier of heating, ventilation, air-conditioning and refrigeration in Australia and supplies customers in the trade, retail and commercial markets.

Results

The consolidated profit for the year attributable to the members of Reece Australia Limited was:

	2014 (000's)	2013 (000's)	% Change
Profit before gain/(loss) on foreign exchange contracts and income tax	**184,875**	163,278	13.2%
Unrealised gain/(loss) on foreign exchange contracts	**(6,382)**	8,327	
Profit before income tax	**178,493**	171,605	4.0%
Income tax expense	**55,468**	52,474	
Operating profit after income tax attributable to the members of Reece Australia Limited	**123,025**	119,131	3.3%

Review of Operations

Including the acquisition of Actrol Parts, sales revenue increased 15.7% to $1,776m against prior year (2013 $1,535m). Profit before tax and unrealised loss on foreign exchange contracts was up 13.2% to $184.9m (2013 $163.3m), net profit before tax after unrealised loss from foreign exchange was up 4.0% to $178.5m (2013 $171.6m). Net profit after tax was $123.0m for the year ending 30 June 2014; an increase of 3.3% on the prior year (2013 $119.1m).

Reece utilises forward exchange contracts to manage currency risk to provide a level of certainty on the foreign exchange position for the company over the next 18 months. The unrealised foreign exchange loss reflects the current market valuation of the forward exchange contracts as at 30 June 2014.

During the year Reece Australia Limited acquired 100% of the shares in Actrol Parts Holdings Pty Ltd (Actrol Group) and its subsidiaries which included Actrol Parts Pty Ltd and A.C. Components Pty Ltd (trading as Metalflex and Air Plus). The acquisition of Actrol Group was completed on the 31st January 2014 and incurred transaction costs of $4.1m. The business was acquired for $280M plus working capital adjustments of $19.9m. The Actrol Group has 79 branches, 5 distribution centres and a gas decanting plant. The acquisition was funded through a $200m Bank Debt facility and cash reserves.

Sales revenue excluding the Actrol Group increased by 8.7% to $1,668m. The result reflected strong performances in our plumbing and speciality businesses supported by an improving economy in both Australia and New Zealand.

Cost of doing business increased by 14.8% to $385m (2013: $335m). The increase was driven by the additional operating and funding costs associated with running the Actrol Group, acquisition costs relating to the purchase of the Actrol Group and continued investment in the overall business. Reece is committed to its continuous improvement program which in conjunction with technology has delivered process improvements during the year to ensure costs are tightly managed. In addition Reece has maintained the investment in the branch network adding 15 new locations during the year and continuing to invest in the refurbishment of the branch network.

Inventory levels as at 30 June 2014 were $325.7m an increase of 45% over the prior year. The majority of the increase in inventory was as a result of the acquisition of the Actrol Group. The remaining increase was driven by the addition of new outlets, maintaining our in-stock service levels and increased sales and product range.

Reece has maintained a very strong balance sheet with Net Assets increasing by 8.0% to $827.0m (2013 $765.8m). Goodwill and Intangibles relating to the acquisition of Actrol Group were $208.5m. Total borrowings were $204.8m. The business continued to generate strong cash flow with cash and cash equivalents of $73.7m at the end of the year.

The Board has declared a final dividend of 42 cents per share fully franked. The final dividend will be paid on 30 October 2014 with the record date for entitlement being 8 October 2014. Total dividends paid and to be paid relating to the year ended 30 June 2014 will be 64 cents per share, an increase of 2 cents against the prior year.

The Board anticipates 2015 to be another challenging year, however the Board does confirm Reece is maintaining a positive outlook for the ongoing growth of the business.

Significant Changes in the State of Affairs

During the year the year Reece Australia Limited acquired 100% of the shares in Actrol Parts Holdings Pty Ltd (Actrol Group). The acquisition was completed on the 31st January 2014. The business was acquired for $280M plus working capital adjustments of $19.9m.

After Balance Date Events

No matters or circumstances have arisen since the end of the financial year that have significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Likely Developments

The consolidated entity will continue to pursue its operating strategy to create shareholder value.

DIRECTORS' REPORT

Environmental Regulations

The consolidated entity's operations are subject to certain environmental regulations under a law of the Commonwealth or of a State. The consolidated entity is not aware of any significant breaches of environmental regulations during the year.

Dividends

Dividends paid or declared by Reece Australia Limited since the end of the previous financial year were:

In respect of the previous financial year:	($000's)
A final fully franked ordinary dividend of 41 cents per share in respect of the year ended 30 June 2013 was paid on 24 October 2013.	40,836
In respect of the current financial year:	
An interim ordinary dividend of 22 cents per share was paid on 21 March 2014.	21,912
Dividends declared after the reporting period and not recognised:	
The final dividend declared to be paid on 30 October 2014 is an ordinary fully franked dividend of 42 cents per share.	41,832
	63,744

Share Options

No options over unissued shares or interests in the consolidated entity were granted during or since the end of the financial year and there were no options outstanding at the end of the financial year.

Indemnification and Insurance of Directors, Officers and Auditors

A deed of indemnity, insurance and access has been entered into with each director, and with the Company Secretary, of the consolidated entity.

Reece has not, during or since the financial year, indemnified or agreed to indemnify the auditor of Reece against a liability incurred as auditor.

During the financial year the consolidated entity paid a premium for Directors' and Officers' Liability insurance. Further disclosure is prohibited under the terms of the contract.

Proceedings on Behalf of the Consolidated Entity

The Australian Competition and Consumer Commission (ACCC) commenced proceedings in May 2014 against Actrol Parts Pty Ltd alleging that in 2012 it made false and misleading representations and engaged in misleading or deceptive conduct in contravention of the Australian Consumer Law. The allegations occurred prior to the acquisition by Reece Australia Limited. Information regarding the ACCC investigation was disclosed during due diligence.

No other person has applied for leave of Court to bring proceedings on behalf of the consolidated entity.

Philanthropic Initiatives

During the financial year, the Board approved payments totalling $505,000 (2013:$475,000) to various charitable organisations. This is a continuing initiative and recipients may vary from year to year at the discretion of the Board. The recipients this year were:

MS Society of Victoria Ltd	20,000
Salvation Army	20,000
The Smith Family	20,000
Royal Flying Doctor Service	25,000
Doctors Without Borders	75,000
Barnados	25,000
Peter MacCallum Cancer Centre	50,000
Prostate Cancer Foundation of Australia	25,000
Centre for Eye Research Australia	35,000
Alzheimers Australia	20,000
Mental Health Research Institute	30,000
Motor Neurone Disease Association of Victoria	20,000
Baker Heart Research Institution	20,000
Legacy	20,000
St. Vincent's Institute	20,000
Bush Heritage Australia	10,000
Evolve at Typo Station	15,000
Empart	10,000
Sane	25,000
Epworth Medical Foundation	20,000

DIRECTORS' REPORT

Information on Directors and Company Secretary

Name:	**Mr L. Alan Wilson**
Age:	73
Position:	Executive Chairman
Experience:	Appointed to the Board 1969. General Manager 1970 – 1974. Deputy Chairman 1973 – 2001. Managing Director 1974 - 2008. Appointed Chairman 2001.

No other directorships of listed companies were held at any time during the three years prior to 30 June 2014.

Name:	**Mr Peter J. Wilson**
Age:	46
Position:	Chief Executive Officer/ Managing Director
Experience:	B.Comm (Melb), FAIM Appointed to the Board 1997 General Manager Operations 2002 - 2004 Chief Operating Officer 2005 - 2007 Appointed Chief Executive Officer/Managing Director 2008.

No other directorships of listed companies were held at any time during the three years prior to 30 June 2014.

Name:	**Mr Bruce W.C. Wilson**
Age:	68
Position:	Non-Executive Director
Experience:	B.Comm (Melb). Appointed to the Board 1970. Secretary 1974 – 1999.
Committee Membership:	Member of Audit Committee Member of Remuneration Committee

No other directorships of listed companies were held at any time during the three years prior to 30 June 2014.

Name:	**Mr John G. Wilson**
Age:	76
Position:	Non-Executive Director
Experience:	Appointed to the Board 1984.

No other directorships of listed companies were held at any time during the three years prior to 30 June 2014.

Name:	**Mr Ronald G. Pitcher, AM**
Age:	75
Position:	Non-Executive Director
Experience:	FCA, FCPA, ACAA. A chartered accountant and business consultant with over 50 years' experience in the accounting profession and in the provision of business advisory services. Appointed to the Board 2003. Mr Pitcher was a previous partner of the Company's audit firm until his retirement from the audit firm in 1999.
Committee Membership:	Chairman of Audit Committee Chairman of Remuneration Committee
Directorships of other Listed Companies:	McMillan Shakespeare Limited 10 years

Name:	**Mr Andrzej (Andrew) T. Gorecki**
Age:	59
Position:	Non-Executive Director
Experience:	Master of Science (Engineering), Warsaw Technical University Appointed to the Board March 2008. Managing Director of I.T. company Retail Directions.
Committee Membership:	Member of Audit Committee Member of Remuneration Committee

No other directorships of listed companies were held at any time during the three years prior to 30 June 2014.

Name:	**Mr Gavin W. Street**
Age:	45
Position:	Company Secretary & Chief Financial Officer
Experience:	B.Bus, B.Comp (Monash), CPA Joined consolidated entity 2008 Appointed Company Secretary & Chief Financial Officer 2008

DIRECTORS' REPORT

Directors' Meetings

The number of meetings of the board of directors and of each board committee held during the financial year and the number of meetings attended by each director were:

Director	Number of Directors Meetings Attended	Number of Directors Meetings Held Whilst in Office
L.A. Wilson	11	11
P.J. Wilson	11	11
B.W.C. Wilson	10	11
J.G. Wilson	9	11
R.G. Pitcher, AM	11	11
A.T. Gorecki	11	11

Director	Number of Audit Committee Meetings Attended	Number of Audit Committee Meetings Held Whilst In Office
R.G. Pitcher, AM	4	4
B.W.C. Wilson	3	4
A.T. Gorecki	4	4

Director	Number of Remuneration Committee Meetings Attended	Number of Remuneration Committee Meetings Held Whilst In Office
R.G. Pitcher, AM	4	4
B.W.C. Wilson	4	4
A.T. Gorecki	4	4

Directors' Interests in Contracts

Directors' interests in contracts are disclosed in the remuneration report.

Auditor's Independence Declaration

A copy of the auditor's independence declaration in relation to the audit for the financial year is provided with this report.

Non-Audit Services

Non-audit services are approved by resolution of the Audit Committee and approval is provided in writing to the Board of Directors. Non-audit services provided by the auditors of the consolidated entity during the year, Pitcher Partners, are detailed below. The directors are satisfied that the provision of the non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001.*

Amounts paid or payable to an auditor for non-audit services provided during the year by the auditor to any entity that is part of the consolidated entity are detailed below.

	2014 $	2013 $
Audit/Review fees	660,879	465,000
Amounts paid and payable to Pitcher Partners for Non-audit services:		
Taxation services	92,105	41,851
Other assurance services	464,941	52,115
	557,046	93.966
Amounts paid and payable to network firms of Pitcher Partners:		
Audit/Review fees	1,757	1,283
Other assurance services	20,701	9,037
	22,458	10,319

DIRECTORS' REPORT

Rounding of Amounts

The amounts contained in the report and in the financial report, other than remuneration, have been rounded to the nearest $1,000 (where rounding is applicable) under the option available under ASIC Class Order 98/0100. Reece is an entity to which the Class Order applies.

Remuneration Report (Audited)

The names of each person holding the position of Director of Reece Australia Limited during the financial year were L.A. Wilson, B.W.C. Wilson, J.G. Wilson, P.J. Wilson, R.G. Pitcher and A.T. Gorecki. Senior management was G.W. Street.

Apart from the details disclosed in this report, no director or senior manager has entered into a material contract with Reece or the consolidated entity since the end of the previous financial year and there were no material contracts involving directors' or senior manager interests existing at year end.

Directors of Reece, Messrs L.A. Wilson, B.W.C. Wilson and J. G. Wilson have a beneficial interest in an entity that sold plumbing and building supplies to the consolidated entity. All dealings are in the ordinary course of business and on normal terms and conditions no more favourable than those which it is reasonable to expect would have been accepted if dealing at arm's length in the same circumstances. Goods purchased from this entity during the year total $3,554,781 (2013 $3,888,091) of which $295,344 (2013 $308,099) was owing at year end.

Directors of Reece Messrs L.A. Wilson, B.W.C. Wilson and J.G. Wilson have a beneficial interest in entities that lease premises to the consolidated entity. All dealings with these entities are in the ordinary course of business and on normal terms and conditions no more favourable than those which would have been expected if dealing at arm's length in the same circumstances. Lease rentals paid to these entities during the year were $1,132,905 (2013 $1,105,966).

From time to time, directors and senior manager of Reece or its controlled entities, may purchase goods from the consolidated entity. These transactions are on the same terms and conditions as those entered into by other consolidated entity employees.

Directors and key management personnel shareholding:

	Ordinary Shares of Reece Australia Limited	
Director	**2014**	**2013**
J.G. Wilson	67,438,320	67,438,320
L.A. Wilson	66,625,820	66,625,820
B.W.C. Wilson	66,508,320	66,508,320
P.J. Wilson	106,500	106,500
R.G. Pitcher, AM	30,000	30,000
A.T. Gorecki	10,000	10,000

Note: Many of the director's shareholdings relate to the same shares.

DIRECTORS' REPORT

Remuneration Report (Audited)

Remuneration Policies

Remuneration of the directors and senior managers is the responsibility of the Remuneration Committee. The broad remuneration policy is to ensure remuneration packages properly reflect the person's duties and responsibilities and that remuneration is competitive in attracting and retaining talented and motivated executives who can enhance our performance through their contributions and leadership. The Committee did not seek external advice in relation to these matters.

The components of remuneration for each executive director and senior manager are largely cash based and comprise fixed remuneration (including superannuation and benefits) and performance based short-term incentives. There is no share-based remuneration. The Chief Executive Officer and senior management have employment contracts with notice periods executable by either party. Apart from termination benefits, which accrue under statute including accrued leave entitlements and superannuation benefits, there are no arrangements in place to provide any executive director, the Chief Executive Officer or senior manager with retirement benefits. Reece pays superannuation contributions at the required superannuation guarantee rate or greater into an accumulation type fund and therefore there are no future liabilities in respect of these payments.

Performance based incentives are based on a range of financial and non-financial measures related to our trading and operating performance and individual performance. The majority of the Chief Executive Officer's performance based incentive scheme is structured around the achievement of financial targets based on the following metrics; profit before tax growth, return on equity and profit before tax as a percentage of sales. The non-financial metrics set by the Board are based on customer satisfaction surveys, leadership surveys completed by staff and a performance evaluation completed by the Board. These metrics were designed to measure performance against company values and goals.

The Chief Executive Officer's performance based cash payment is calculated on 75% of base salary with a ceiling of 112.5% for exceptional performance. The scheme provides for no payment in the event of unacceptable performance. The Chief Executive Officer is required to provide a 6 month notice period on resignation. The company is required to provide a 12 month notice period on termination.

The Company Secretary / Chief Financial Officer's performance based incentive is structured around the same company performance criteria as the Chief Executive Officer but with a ceiling of 40% of base salary. The Company Secretary / Chief Financial Officer's employment agreement contains a 3 month notice period.

The Executive Chairman does not participate in the company's performance based incentive scheme.

Non-executive directors receive fees and do not receive performance based payments. Their fees reflect the additional committees that they may serve on from time to time. The aggregate remuneration paid to non-executive directors is capped at the level approved by shareholders for this purpose. There are no termination benefits for non-executive directors.

Relationship between remuneration and company performance	2014 $(000's)	2013 $(000's)	2012 $(000's)	2011 $(000's)	2010 $(000's)
Earings before interest, tax and forreign currency	189,060	163,547	165,165	176,409	163,744
Net Profit After Tax	123,025	119,131	113,280	118,611	114,261
Dividends Declared	63,744	61,752	60,756	60,756	57,768
Performance Based Incentives to KMP	1,854	1,174	947	1,674	1,332

	2014 $	2013 $	2012 $	2011 $	2010 $
Share Price at year-end	30.24	23.80	18.00	20.66	24.20

DIRECTORS' REPORT

Key Management Personnel

	Short Term		Other	Post Employment		
	Salary & Fees $	Performance Based Payment $	Non-cash benefits $	Super Contributions $	Total	Total Performance Related %
Directors						
L.A. Wilson (Executive Chairman)						
2014	1,400,000	-	57,042	35,000	1,492,042	0%
2013	1,410,000	-	56,703	25,000	1,491,703	0%
P.J. Wilson (Chief Executive Officer/Managing Director)						
2014	1,656,080	1,613,923	82,526	25,000	3,377,529	48%
2013	1,630,000	995,813	85,671	25,000	2,736,484	36%
B.W.C. Wilson (Non-Executive)						
2014	75,000	-	-	6,938	81,938	0%
2013	75,000	-	-	6,750	81,750	0%
J.G. Wilson (Non-Executive)						
2014	81,938	-	-		81,938	0%
2013	75,000	-	-	6,750	81,750	0%
R.G. Pitcher, AM (Non-Executive)						
2014	130,000	-	-	12,025	142,025	0%
2013	130,000	-	-	11,700	141,700	0%
A.T. Gorecki (Non-Executive)						
2014	95,000	-	-	8,788	103,788	0%
2013	95,000	-	-	8,550	103,550	0%
Total Remuneration: Directors						
2014	3,438,017	1,613,923	139,568	87,750	5,279,258	31%
2013	3,415,000	995,813	142,374	83,750	4,636,937	21%
Executives						
G.W. Street (Company Secretary, Chief Financial Officer)						
2014	594,360	239,616	-	25,000	858,976	28%
2013	585,000	178,221	-	25,000	788,221	23%
Total Remuneration: Executives						
2014	594,360	239,616	-	25,000	858,976	28%
2013	585,000	178,221	-	25,000	788,221	23%

"Executives" are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. Being a working Board, decisions and direction are exercised through the Board and accordingly, there is only one employee in addition to the directors who is in this category.

At our most recent Annual General Meeting, resolution to adopt the prior year remuneration was put to the vote and at least 75% of "yes" votes were cast for adoption of the report. No comments were made on the remuneration report requiring consideration at the Annual General Meeting. This concludes the Remuneration Report (Audited).

This concludes the Remuneration Report (Audited).

Dated at Melbourne on 28 August 2014.
Signed in accordance with a resolution of Directors.

L. A. WILSON
Executive Chairman

P. J. WILSON
Chief Executive Officer

AUDITOR'S INDEPENDENCE DECLARATION

PITCHER PARTNERS

To the Directors of Reece Australia Limited

In relation to the independent audit for the year ended 30 June 2014, to the best of my knowledge and belief there have been:

(i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*.

(ii) No contraventions of any applicable code of professional conduct.

D. A. KNOWLES
Partner
28 August 2014

PITCHER PARTNERS
Melbourne

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME For the year ended 30 June 2014

	Notes	Consolidated Entity 2014 ($000's)	2013 ($000's)
Revenue			
Sales revenue	4	1,775,876	1,534,878
Other income	4	3,574	5,924
		1,779,450	1,540,802
Less: Expenses			
Cost of goods sold	5	1,209,783	1,042,437
Employee benefits expense	5	193,744	166,382
Depreciation	5	42,006	37,138
Finance costs		4,185	269
Other expenses		144,857	131,298
Unrealised (gain) / loss on foreign exchange contracts		6,382	(8,327)
Profit before income tax		178,493	171,605
Income tax expense	6	55,468	52,474
Net Profit for the year from continuing operations	5	123,025	119,131
Other Comprehensive Income			
Items that maybe reclassified subsequently to profit and loss:			
Exchange differences on translation of foreign operations, net of tax		859	510
Total comprehensive income		123,884	119,641
Basic earnings per share	24	124 cents	120 cents
Diluted earnings per share	24	124 cents	120 cents

The Consolidated Statement of Comprehensive Income is to be read in conjunction with the notes to the financial statements set out on pages 26 to 43.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION As at 30 June 2014

		Consolidated Entity	
	Notes	2014 ($000's)	2013 ($000's)
Current Assets			
Cash and cash equivalents	8	73,762	156,232
Receivables	9	282,715	245,377
Inventories	10	325,655	224,609
Total Current Assets		682,132	626,218
Non-Current Assets			
Property, plant and equipment	11	452,138	423,779
Intangible assets	13	211,843	3,367
Deferred tax assets	6	30,671	23,390
Total Non-Current Assets		694,652	450,536
Total Assets		1,376,784	1,076,754
Current Liabilities			
Payables	15	281,992	236,850
Short-term borrowings	16	29,777	8,889
Current tax payable	6	10,518	12,344
Provisions	17	44,077	35,529
Other liabilities	18	2,935	11,096
Total Current Liabilities		369,299	304,708
Non-Current Liabilities			
Long-term payables	15	3,347	4,171
Long-term borrowings	16	175,000	-
Provisions	17	2,170	2,043
Total Non-Current Liabilities		180,517	6,214
Total Liabilities		549,816	310,922
Net Assets		826,968	765,832
Equity			
Contributed equity	19	9,960	9,960
Reserves	20	3,936	3,077
Retained earnings	21	813,072	752,795
Total Equity		826,968	765,832

The Consolidated Statement of Financial Position is to be read in conjunction with the notes to the financial statements set out on pages 26 to 43.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY For the year ended 30 June 2014

Consolidated Entity	Contributed Equity $A'000	Reserves $A'000	Retained Earnings $A'000	Total Equity $A'000
Balance as at 1 July 2012	9,960	2,567	694,420	706,947
Profit for the year	-	-	119,131	119,131
Exchange differences on translation of foreign operations, net of tax	-	510	-	510
Total comprehensive income for the year	-	510	119,131	119,641
Transactions with owners in their capacity as owners:				
Dividends paid	-	-	(60,756)	(60,756)
Total transactions with owners in their capacity as owners:	-	-	(60,756)	(60,756)
Balance as at 30 June 2013	9,960	3,077	752,795	765,832
Balance as at 1 July 2013	9,960	3,077	752,795	765,832
Profit for the year	-	-	123,025	123,025
Exchange differences on translation of foreign operations, net of tax	-	859	-	859
Total comprehensive income for the year	-	859	123,025	123,884
Transactions with owners in their capacity as owners:				
Dividends paid	-	-	(62,748)	(62,748)
Total transactions with owners in their capacity as owners:	-	-	(62,748)	(62,748)
Balance as at 30 June 2014	9,960	3,936	813,072	826,968

The Consolidated Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements set out on pages 26 to 43.

CONSOLIDATED STATEMENT OF CASH FLOWS As at 30 June 2014

		Consolidated Entity	
	Notes	2014 ($000's)	2013 ($000's)
Cash flow from operating activities			
Receipts from customers		1,969,867	1,675,220
Payments to suppliers and employees		(1,758,202)	(1,490,295)
Interest received		3,432	5,845
Borrowing costs		(4,191)	(270)
Income tax paid		(65,183)	(50,738)
Net cash provided by operating activities	22	145,723	139,762
Cash flow from investing activities			
Payment for property, plant and equipment		(65,907)	(89,898)
Purchase of subsidiary		(299,903)	(3,367)
Proceeds from sale of property, plant and equipment		4,477	3,861
Net cash used in investing activities		(361,333)	(89,404)
Cash flow from financing activities			
Dividends paid		(62,748)	(60,756)
Repayments of borrowings		(53,000)	(33,919)
Proceeds from borrowings		248,888	33,791
Net cash provided / (used) in financing activities		133,140	(60,884)
Net decrease in cash and cash equivalents		(82,470)	(10,526)
Cash and cash equivalents at the beginning of the year		156,232	166,758
Cash and cash equivalents at the end of the year	8	73,762	156,232

The Consolidated Statement of Cash Flows is to be read in conjunction with the notes to the financial statements set out on pages 26 to 43.

NOTES

To the financial statements for the year ended 30 June 2014

1. Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report covers Reece Australia Limited and controlled entities as a consolidated entity. Reece Australia Limited is a company limited by shares, incorporated and domiciled in Australia. Reece Australia Limited is a for-profit entity for the purpose of preparing the financial statements.

The financial report was authorised for issue as at the date of the Directors' Report.

The following is a summary of material accounting policies adopted by the consolidated entity in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Basis of Preparation of the Financial Report

Compliance with IFRS

Australian Accounting Standards ensure compliance with International Financial Reporting Standards.

Historical Cost Convention

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.

(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 year and at balance date. Details of the controlled entities are contained in Note 29.

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 when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

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

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

Rent revenue from operating leases is recognised on a straight-line basis over the term of the lease.

(d) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and at banks, short-term deposits with an original maturity of three months or less held at call with financial institutions and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

(e) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is based on the first-in first-out principle.

(f) Property, Plant and Equipment

All classes of property, plant and equipment are stated at cost less depreciation and any accumulated impairment losses.

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. Fixtures, fittings and equipment are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The useful lives for each class of assets are:

	2014	2013
Buildings	25 years	25 years
Fixtures, fittings and equipment	2.5 to 20 years	2.5 to 20 years
Motor vehicles	5 to 8 years	5 to 8 years

(g) Leases

Leases of buildings, plant and equipment under which the parent entity or its controlled entities do not assume substantially all the risks and benefits of ownership, are classified as operating leases.

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.

Lease incentives received under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(h) Business Combinations

A business combination is a transaction or other event in which an acquirer obtains control of one or more businesses and results in the consolidation of the assets and liabilities acquired. Business combinations are accounted for by applying the acquisition method.

The consideration transferred is determined as the aggregate of fair values of assets given, equity issued and liabilities assumed in exchange for control. Deferred consideration payable is measured at fair value.

Goodwill is recognised initially at the excess over the aggregate of the consideration transferred, the fair value of the non-controlling interest, and the acquisition date fair value of the acquirer's previously held equity interest (in case of step acquisition), less the fair value of the identifiable assets acquired and liabilities assumed.

If the fair value of the acquirer's interest is greater than the aggregate of the consideration transferred, the fair value of the non-controlling interest, and the acquisition date fair value of the acquirer's previously held equity interest (in case of step acquisition), the surplus is immediately recognised in the statement of comprehensive income.

Acquisition related costs are expensed as incurred.

(i) Intangibles

Goodwill

Goodwill is initially measured at the excess over the aggregate of the consideration transferred, the fair value (or proportionate share of net assets value) of the non-controlling interest, and the acquisition date fair value of the acquirer's previously held equity interest (in case of step acquisition), less the fair value of the identifiable assets acquired and liabilities assumed.

Goodwill is not amortised but is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less accumulated impairment losses.

NOTES

To the financial statements for the year ended 30 June 2014

(j) 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.

(k) Taxes

Current income tax expense 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.

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 Australian controlled entities have formed an income tax consolidated group under the tax consolidation legislation. The parent entity is responsible for recognising the current tax liabilities and deferred tax assets arising in respect of tax losses for the tax consolidated group. The tax consolidated group has also entered into a tax funding 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.

(l) Employee Benefits

Liabilities arising in respect of wages and salaries, annual 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.

Contributions are made by the economic entity to employee superannuation funds and are charged as expenses when incurred.

(m) Financial Instruments

Financial Assets

Trade receivables and other receivables are carried at full amounts due less impairments.

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.

Other derivatives

Where a derivative financial instrument is not designated in a qualifying hedge relationship, it is measured at fair value and changes in fair value are recognised immediately in the profit and loss.

(n) Foreign Currencies

Functional and presentation currency

The financial statements of each group entity are measured using its functional currency, which is the currency of the primary economic environment in which that entity operates. 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 end of the financial year.

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

Group Companies

The financial statements of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at the reporting date;
- Income and expenses are translated at average exchange rates for the period; and
- All resulting exchange differences are recognised as a separate component of equity.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve as a separate component of equity in the statement of financial position

(o) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

(p) Rounding Amounts

The company is of a kind referred to in ASIC Class Order 98/100, 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.

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To the financial statements for the year ended 30 June 2014

(q) New Accounting standards and interpretations

The following standards and interpretations have been issued at the reporting date but are not yet effective. The directors' assessment of the impact of these standards and interpretations is set out below.

AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010), AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosure and AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (effective from 1 January 2017)

The consolidated entity does not have any financial liabilities that are designated at fair value through profit or loss. The new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss. Therefore, there will be no impact on the consolidated entity's accounting for financial liabilities. The consolidated entity has decided not to early adopt AASB 9 at 30 June 2014.

(r) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

2. Critical Accounting Estimates and Judgements

The Group makes certain estimates and assumptions concerning the future, which, by definition, will seldom represent actual results. The estimates and assumptions that have a significant inherent risk in respect of estimates based on future events, which could have a material impact on the assets and liabilities in the next financial year, are discussed below:

(a) Income taxes

Income tax benefits are based on the assumption that no adverse change will occur in the income tax legislation and the anticipation that the company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(b) Impairment of goodwill

Goodwill is allocated to cash generating units (CGU) according to applicable business operations. The recoverable amount of a CGU is based on value in use calculations. These calculations are based on projected cash flows approved by management covering a period of 5 years. Management's determination of cash flow projections and gross margins are based on past performance and its expectation for the future. A terminal value growth rate of 3% and a discount rate of 14% has been used to determine value-in-use.

(c) Impairment of non-financial assets other than goodwill

All assets are assessed for impairment at each reporting date by evaluating whether indicators of impairment exist in relation to the continued use of the asset by the consolidated entity. Impairment triggers include declining product performance, technology changes, adverse changes in the economic or political environment or future product expectations. The recoverable amount of those assets is determined by value-in-use calculations as described in 2(b).

3. Financial Risk Management

The consolidated entity is exposed to a variety of financial risks comprising:

a) Currency risk
b) Interest rate risk
c) Credit risk
d) Liquidity risk
e) Fair values

The Board has overall responsibility for identifying and managing operational and financial risks.

(a) Currency Risk – Forward Exchange Contracts

Forward exchange contracts are entered into in order to buy and sell specified amounts of foreign currency in the future at stipulated exchange rates. The objective in entering the forward exchange contracts is to protect the consolidated entity against unfavourable exchange rate movements for both the contracted and anticipated future purchases undertaken in foreign currencies. The consolidated entity reviews its currency risk on a regular basis, taking into account refinancing, renewal of existing positions and alternative financing. Budgeted foreign currency requirements are determined over a rolling 12 month period and forward exchange positions are taken in consideration of those requirements in accordance with the consolidated entity's Foreign Exchange Management Policy.

The full amount of the foreign currency the consolidated entity will be required to pay or purchase when settling the brought forward exchange contracts should the counterparty not pay the currency it is committed to deliver at balance date was $251,724,942 (2013: $67,155,054).

The consolidated entity utilised a mixture of forward exchange contracts and direct purchase of foreign currency to manage its foreign currency exposure.

The accounting policy in regards to financial instruments is detailed in Note 1(m).

At balance date, the details of outstanding forward exchange contracts are:

Buy United States Dollars	Sell Australian Dollars		Average Exchange Rate	
Settlement	2014	2013	2014	2013
	$'000	$'000	$	$
Less than 6 months	62,390	41,159	0.93	1.00
6 months to 1 year	22,269	17,983	0.92	1.06
1 to 2 years	81,466	4,891	0.90	1.02

Buy Euros	Sell Australian Dollars		Average Exchange Rate	
Settlement	2014	2013	2014	2013
	$'000	$'000	$	$
Less than 6 months	30,498	2,495	0.66	0.80
6 months to 1 year	33,629	627	0.65	0.80
1 to 2 years	19,385	-	0.67	-

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Buy Japanese Yen	Sell Australian Dollars		Average Exchange Rate	
Settlement	2014	2013	2014	2013
	$'000	$'000	$	$
Less than 6 months	2,088	-	95.77	-

If the exchange rate was to increase by 10% from the rates used to determine the fair values as at the reporting date, then the impact for the year would be an additional loss of $15.5m after tax (2013: $4.7m). If the exchange rate was to decrease by 10% from the rates used to determine the fair values as at the reporting date, then the impact for the year would be an additional profit of $18.9m after tax (2013: $5.7m).

(b) Interest Rate Risk

The consolidated entity's long-term borrowings are for periods of 3 and 5 years at fixed interest rates. Interest rate risk arises from short-term cash deposits. During 2014 and 2013, the consolidated entity's held both fixed and variable rate deposits.

The consolidated entity reviews its interest rate exposure on a monthly basis, taking into account both short-term and long-term deposit rates. At 30 June 2014, if interest rates had changed -/+1% from the year-end rates, with all other variables held constant, the effect on post-tax profit for the year would have been immaterial.

The consolidated entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are as follows:

Financial Instruments		Fixed interest rate maturing in:					
	Floating interest rate	1 year or less	Over 1 to 5 years	More than 5 years	Non-interest bearing	Total carrying amount as per Statement of financial position	Weighted average effective interest rate
	2014 2013	2014 2013	2014 2013	2014 2013	2014 2013	2014 2013	2014 2013
	$'000	$'000	$'000	$'000	$'000	$'000	%
(i) Financial assets							
Cash	43,262 41,292	30,500 114,940	- -	- -	- -	73,762 156,232	3.51 4.03
Trade and other receivables	- -	- -	- -	- -	282,715 245,377	282,715 245,377	
Total financial assets	43,262 41,292	30,500 114,940	- -	- -	282,715 245,377	356,477 401,609	
(ii) Financial liabilities							
Borrowings	717 886	29,060 8,003	175,000 -	- -	- -	204,777 8,889	4.62 3.46
Trade payables	- -	- -	- -	- -	281,992 236,850	281,992 236,850	
Amounts owing under contract	- -	- -	- -	- -	2,935 11,096	2,935 11,096	
Long-term payables	- -	- -	- -	- -	3,347 4,171	3,347 4,171	
Total financial liabilities	717 886	29,060 8,003	175,000 -	- -	288,274 252,117	493,051 261,006	

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To the financial statements for the year ended 30 June 2014

(c) Credit Risk Exposures

At balance date, the maximum exposure to credit risk, excluding the value of any collateral or other security, to recognised financial assets is the carrying amount of those assets, net of any impairment as disclosed in the Statement of Financial Position and Notes to the financial statements.

Credit risk for cash deposits is managed by holding all cash deposits with a selection of major Australian banks.

Credit risk for derivative financial instruments arises from the potential failure by counterparties to the contract to meet their obligations. The credit risk exposure to forward exchange contracts is the net fair value of these contracts. All forward exchange contracts are transacted with a selection of major Australian banks.

With the exception of its bankers, the consolidated entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the consolidated entity.

The consolidated entity minimises concentrations of credit risk in relation to trade receivables by undertaking transactions with a large number of customers.

The consolidated entity has established systems and controls in relation to the approval of credit terms for each customer, monitoring of any overdue amounts and removal of credit terms where appropriate. In addition the consolidated entity holds an insurance policy against certain larger customers whereby the consolidated entity is compensated in the event of a customer default.

At balance date 95.6% of trade receivables are within approved credit terms (2013: 96.0%). All trade receivables that are not impaired are expected to be received in accordance with trading terms.

(d) Liquidity Risk

The consolidated entity's risk management includes maintaining sufficient cash and the availability of funding via an adequate amount of credit facilities as disclosed in note 22. Long-term borrowings are for periods of 3 and 5 years. All other current payables and borrowings are expected to be settled within 6 months.

(e) Fair values

The fair value of financial assets and financial liabilities approximates their carrying amounts as disclosed in the Statement of financial position and Notes to the financial statements. Other derivative instruments in relation to forward exchange contracts have been recognised at fair value through the profit and loss. Forward exchange contracts are level 2 financial instruments in the fair value measurement hierarchy.

The fair value of these foreign exchange contracts is the estimated amount that the consolidated entity would pay to terminate the contract at the balance date, taking into account current foreign exchange rates at the time of maturity.

At 30 June 2014 the unrealised loss on these agreements totalling $6.4 million was included in the payables liability within the Consolidated Statement of Financial Position.

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To the financial statements for the year ended 30 June 2014

	Consolidated Entity	
	2014 ($000's)	2013 ($000's)
4. Revenue		
Revenues from continuing operations:		
Revenue from sale of goods	1,775,876	1,534,878
Other Income		
Interest received or due and receivable from other persons	3,101	5,328
Bad debts recovered	473	596
	3,574	5,924
Total revenues from continuing operations	**1,779,450**	**1,540,802**
5. Profit from Continuing Operations		
Profit from continuing operations before income tax has been determined after the following specific expenses:		
Cost of goods sold	1,209,783	1,042,437
Bad debts written off:		
Trade debtors	1,932	2,360
Depreciation:		
Buildings	4,626	4,284
Motor vehicles	8,613	7,854
Fixtures, fittings and equipment	28,767	25,000
Employee benefits expense:		
Wages and salaries	179,997	154,201
Superannuation costs	13,747	12,181
Other expense items:		
Loss on disposal of fixed assets	169	833
Operating lease rentals	30,118	25,842

NOTES
To the financial statements for the year ended 30 June 2014

	Consolidated Entity	
	2014 ($000's)	2013 ($000's)
6. Income Tax		
(a) The components of tax expense:		
Current tax	60,674	50,848
Deferred tax	(5,206)	1,626
Income tax expense	55,468	52,474
(b) The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows:		
At the statutory income tax rate of 30% (2012: 30%)	53,548	51,482
Tax effect of amounts which are not deductible in calculating taxable income:		
Non-deductible expenditure	1,920	992
Income tax expense	55,468	52,474
(c) Deferred tax asset relates to the following:		
Employee benefits	13,388	11,001
Provisions and other timing differences	8,429	4,243
Depreciation of buildings & rental incentives	8,854	8,146
	30,671	23,390
Movement in deferred tax asset:		
Balance at beginning of year	23,390	25,038
Foreign Exchange movement on foreign DTA	(35)	(22)
Acquired DTA from business acquisition	2,110	-
Deferred tax expense	5,206	(1,626)
Balance at the end of the year	30,671	23,390
Current tax liability		
Balance at beginning of the year	12,344	12,234
Current tax	60,674	50,848
Tax instalments paid	(65,183)	(50,738)
Acquired provision from business acquisition	2,683	-
Balance at the end of the year	10,518	12,344
Deferred tax asset not brought to account		
Deferred tax asset relating to tax losses at 28% (2013: 28%)	2,818	2,538

The deferred tax asset not brought to account relates to a foreign subsidiary and will only be obtained if:

(i) the subsidiary derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised; and

(ii) the subsidiary continues to comply with the conditions for deductibility imposed by the law; and

(iii) no changes in tax legislation adversely affect the subsidiary in realising the benefit.

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To the financial statements for the year ended 30 June 2014

	Consolidated Entity	
	2014 ($000's)	2013 ($000's)
7. Dividends on Ordinary Shares		
The following are the dividends paid and/or proposed for the financial year:		
In respect of the previous financial year:		
Final dividend of 41 cents per share paid 24 October 2013 (fully franked to 30%)	40,836	39,840
In respect of the current financial year:		
Interim dividend of 22 cents per share paid 21 March 2014 (fully franked to 30%)	21,912	20,916
Dividends declared after the reporting period and not recognised:		
Dividend of 42 cents per share to be paid 30 October 2014 (fully franked to 30%)	41,832	40,836
	63,744	61,752
Dividend franking account		
Balance of franking account at year end adjusted for franking credits arising from payment of income tax and franking debits arising from dividends paid.	397,285	363,503
Impact on the franking account of dividends recommended by the directors since the year end but not recognised as a liability at year end.	(17,928)	(17,501)
	379,357	346,002
8. Cash and Cash Equivalents		
Cash on hand	181	177
Cash on deposit	73,581	156,055
	73,762	156,232
9. Receivables		
Current		
Trade receivables	275,498	229,375
Less: Impairment	(5,665)	(4,979)
	269,833	224,396
Other receivables and prepayments	12,882	20,981
	282,715	245,377
Provision for impairment		
Opening balance at 1 July	(4.979)	(4,979)
Additions through business combination	(826)	-
Amounts written off	140	-
Closing balance as at 30 June	(5,665)	(4,979)
10. Inventories		
Finished goods, at lower of costs or net realisable value	325,655	224,609

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To the financial statements for the year ended 30 June 2014

	Consolidated Entity	
	2014 ($000's)	2013 ($000's)
11. Property, Plant and Equipment		
Freehold land at cost	133,972	125,451
Freehold buildings at cost	129,563	127,696
Less: Accumulated depreciation	(54,279)	(49,610)
	75,284	78,086
Fixtures, fittings and equipment at cost	356,531	295,637
Less: Accumulated depreciation	(164,027)	(118,830)
	192,504	176,807
Motor vehicles at cost	83,197	73,321
Less: Accumulated depreciation	(32,819)	(29,886)
	50,378	43,435
Total property, plant and equipment	452,138	423,779

Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year.

Freehold land		
Carrying amount at beginning of year	125,451	111,493
Additions through business combination	-	-
Additions	9,959	15,474
Disposals	(1,438)	(1,516)
Carrying amount at end of year	**133,972**	125,451
Buildings		
Carrying amount at beginning of year	78,086	67,241
Additions through business combination	-	-
Additions	1,824	15,129
Disposals	-	-
Depreciation	(4,626)	(4,284)
Carrying amount at end of year	**75,284**	78,086
Fixtures, fittings & equipment		
Carrying amount at beginning of year	176,807	157,421
Additions through business combination	12,887	-
Additions	31,826	44,568
Disposals	(249)	(182)
Depreciation	(28,767)	(25,000)
Carrying amount at end of year	**192,504**	176,807
Motor vehicles		
Carrying amount at beginning of year	43,435	38,043
Additions through business combination	3,420	-
Additions	15,074	16,305
Disposals	(2,938)	(3,059)
Depreciation	(8,613)	(7,854)
Carrying amount at end of year	**50,378**	43,435

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To the financial statements for the year ended 30 June 2014

12. Current Value of Land and Buildings

A Directors' valuation of land and buildings was undertaken on 30 June 2014. In their valuation, the directors took account of independent valuations previously completed over the last 3 years. As at 30 June 2014, the directors' assessment of the current market value of land and buildings based on continuing use is $328,292,072. The Company has not provided any land or buildings as security. Property valuations are based on level 3 inputs as specified in AASB13, utilising both the direct comparative and income capitalisation methodologies.

	Consolidated Entity	
	2014 ($000's)	2013 ($000's)

13. Intangibles

	2014 ($000's)	2013 ($000's)
Goodwill		
Carrying amount at beginning of year	3,367	-
Additions through business combination	159,176	3,367
Carrying amount at end of year	**162,543**	3,367
Brand Names		
Carrying amount at beginning of year	-	-
Additions through business combination	49,300	-
Carrying amount at end of year	49,300	-
	211,843	3,367

The addition to goodwill and brand names are associated with one cash generating unit (CGU) being Actrol Parts Holdings Pty Ltd.

Goodwill and brand names have been tested for impairment as at 30 June 2014 using discounted cash flow on a value-in-use basis. These calculations are based on projected cash flows approved by management covering a period of 5 years. Management's determination of cash flow projections and gross margins are based on past performance and its expectation for the future. A terminal value growth rate of 3% and a discount rate of 14% have been used to determine value-in-use. The calculation confirmed there were no impairment issues requiring a write-down of goodwill.

No reasonable change in key assumptions would result in impairment.

14. Business Combinations

On 31 January 2014, the consolidated entity acquired 100% of the share capital of Actrol Parts Holdings Pty Ltd.

	($000's)
Consideration	299,903
Assets and liabilities acquired at fair value as a result of the business combination were:	
Trade receivables	51,330
Inventory	66,339
Brand Names	49,300
Other assets	19,375
Trade and other creditors	(40,493)
Provisions	(5,124)
Net Identifiable assets acquired	140,727
Goodwill	159,176

The goodwill on acquisition arises as a result of the purchase of the Actrol Parts Holdings Pty Ltd. The acquisition represents a unique opportunity for the consolidated entity to establish a presence in the heating, ventilation, air-conditioning and refrigeration industry.

Goodwill is not deductible for tax purposes. The fair value of trade receivables equals the contractual amounts due. Since the acquisition date Actrol Parts Holdings Pty Ltd has contributed revenue of $107.5m and profit after tax of $3.5m which is included within the consolidated profit. Had the combination occurred from the beginning of the year, revenue for the consolidated entity would have been $1,949.2m and profit after tax would have been $129.2m.

Transaction costs of $4.1m were incurred in relation to the acquisition. These costs are included with other expenses in the statement of comprehensive income.

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To the financial statements for the year ended 30 June 2014

	Consolidated Entity	
	2014 ($000's)	2013 ($000's)
15. Payables		
Current		
Trade payables	281,992	236,850
Non Current		
Other	3,347	4,171
16. Borrowings		
Current		
Bank overdraft secured by guarantee from Reece Australia Limited	717	886
Multi-Currency Cash Advance	9,060	8,003
Bank term loan facility	20,000	-
	29,777	8,889
Non-current		
Bank term loan facility	175,000	-
	204,777	8,889
17. Provisions		
Current		
Employee benefits	40,551	32,579
Warranty	2,776	2,200
Other	750	750
	44,077	35,529
Non-current		
Employee benefits	2,170	2,043
Aggregate employee benefits liability	42,721	34,622
18. Other Current Liabilities		
Amounts owing under contract	2,935	11,096
19. Contributed Equity		
Issued and paid up capital		
Ordinary shares fully paid (99,600,000 ordinary shares)	9,960	9,960

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At shareholder's meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Capital Management

When managing capital, management's objective is to ensure the consolidated entity continues as a going concern as well as to maintain returns to shareholders and benefits for other stakeholders. This is achieved through the monitoring of historical and forecast performance and cash flows.

During 2014, management paid /declared dividends of $63.7m (2013: $61.8m).

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To the financial statements for the year ended 30 June 2014

	Consolidated Entity	
	2014 ($000's)	2013 ($000's)
20. Reserves		
Asset revaluation reserve (historic revaluation of properties)	461	461
General reserve	51	51
Capital profits reserve (historic profits from sale of property)	2,491	2,491
Foreign currency translation reserve (translation of foreign entity)	933	74
	3,936	3,077
21. Retained Earnings		
Balance at the beginning of year	752,795	694,420
Net profit attributable to members of parent entity	123,025	119,131
Dividends paid	(62,748)	(60,756)
Balance at end of year	813,072	752,795
22. Cash Flow Information		
(a) Reconciliation of the net profit after tax to the net cash flows from operations:		
Net profit	123,025	119,131
Add/(less) non cash items:		
(Profit) / loss on sale or disposal of non-current assets	169	833
Depreciation	42,006	37,138
Exchange translation	859	(425)
Amounts set aside to provisions	3,551	2,258
Net cash flows from operations before change in assets and liabilities	169,610	158,935
Change in assets and liabilities		
(Increase)/decrease in receivables	13,992	(15,129)
(Increase)/decrease in inventory	(34,707)	(11,985)
Increase /(decrease) in payables	6,508	6,183
Increase/(decrease) in income taxes payable	(4,509)	110
(Increase)/decrease in deferred tax assets	(5,171)	1,648
Net cash flow from operating activities	145,723	139,762

Change in assets and liabilities excludes the acquired assets and liabilities from Actrol Parts Holdings Pty Ltd but includes the subsequent movement from settlement date.

NOTES

To the financial statements for the year ended 30 June 2014

		Consolidated Entity	
		2014 ($000's)	2013 ($000's)

22. Cash Flow Information (cont'd)

(b) Financing facilities

Bank Loans and Overdraft

Bank facilities are secured by Deed of Negative Pledge which includes the following financial covenants; shareholder equity, interest cover ratio and gearing ratio

The consolidated entity has access to the following lines of credit:

Total facilities available and unused at 30 June 2014

		2014 ($000's)	2013 ($000's)
Bank Overdraft	- facility	929	842
	- unused	211	-
Term Loan	- facility	195,000	-
	- unused	-	-
Uncommitted Placement Line	- facility	25,000	25,000
	- unused	25,000	25,000
Multi-Currency Cash Advance	- facility	15,000	15,000
	- unused	5,940	6,997
Cash Advance	- facility	50,000	-
	- unused	50,000	-
Bank Guarantees	- facility	7,000	5,000
	- unused	1,541	525
Trade Refinance & documentary letters of credit/surrenders	- facility	10,000	7,000
	- unused	4,844	2,631
Credit cards	- facility	3,432	3,411
	- unused	2,819	2,908
Total	- facility	306,150	56,253
	- unused	90,355	38,061

23. Commitments

Future operating lease rentals not provided for and payable in respect of:

	2014 ($000's)	2013 ($000's)
Buildings	176,970	155,030
Equipment	2,049	3,073
	179,019	158,103
Due not later than one year	37,939	28,940
Due later than one year but not later than five years	97,548	82,975
Due later than five years	43,532	46,188
	179,019	158,103

Commitment for future purchases and development of property is stated in Note 18

24. Earnings per Share

	2014	2013
Earnings used in calculating basic and diluted earnings per share.	123,025,314	119,131,344
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic and diluted earnings per share.	99,600,000	99,600,000
The the basic and diluted earnings per share has been calculated on the weighted average of share capital during the year.	124 cents	120 cents

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To the financial statements for the year ended 30 June 2014

	Consolidated Entity	
	2014 ($)	2013 ($)
25. Auditors' Remuneration		
Audit/Review Fees	**660,879**	**465,000**
Amounts paid and payable to Pitcher Partners for non-audit services:		
Taxation services	92,105	41,851
Other assurance services	464,941	52,115
	557,046	**93,966**
Amounts paid and payable to network firms of Pitcher Partners:		
Audit/Review fees	1,757	1,283
Other assurance services	20,701	9,037
	22,458	10,319

26. Related Party Disclosures

(a) Directors and key management personnel

The names of each person holding the position of Director of Reece Australia Limited during the financial year were

L.A. Wilson, B.W.C. Wilson, J.G. Wilson, P.J. Wilson, R.G. Pitcher and A.T. Gorecki. Senior management was G.W. Street.

Short-term employee benefits of $6,025,484 (2013: $5,316,408) and superannuation benefits of $112,750 (2013: $108,750) were made to the directors' and senior manager.

(b) Ownership Interests in Related Parties

Details of interests in controlled entities are set out in Note 29.

Further details regarding related party exposures are included in the Director's Report.

27. Segment Information

The sole activity of the consolidated entity is the supply of plumbing, bathroom, heating ventilation and air-conditioning products in Australia and New Zealand. The revenue and non-current assets for the New Zealand operations are not material.

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To the financial statements for the year ended 30 June 2014

28. Deed of Cross Guarantee

All entities listed in note 29 with the exception of Reece New Zealand Limited are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

A consolidated Statement of Comprehensive Income and Statement of Financial Position, comprising the Company and controlled entities subject to the deed, after eliminating all transactions between parties to the Deed of Cross Guarantee is set out as follows:

	Consolidated Entity	
	2014 ($000's)	2013 ($000's)
Revenue		
Sales revenue	1,755,470	1,519,167
Other income	3,571	5,883
	1,759,041	1,525,050
Less: Expenses		
Cost of goods sold	1,194,435	1,030,375
Employee benefits expense	191,656	164,785
Depreciation	40,944	36,289
Finance costs	3,860	-
Other expenses	142,313	129,208
(Gain)/Loss on foreign exchange contracts	6,382	(8,327)
Profit before income tax	179,451	172,720
Income tax expense	55,462	52,481
Net Profit for the year from continuing operations	123,989	120,239
Total comprehensive income	**123,989**	120,239
Basic earnings per share	124 cents	121 cents
Diluted earnings per share	124 cents	121 cents

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To the financial statements for the year ended 30 June 2014

28. Deed of Cross Guarantee (cont'd)

	Consolidated Entity	
	2014 ($000's)	2013 ($000's)
Movements in Retained Earnings		
Retained earnings at the beginning of the financial year	765,217	705,734
Profit for the year	123,989	120,239
Dividends Paid	(62,748)	(60,756)
Retained Earnings at end of financial year	826,458	765,217
Current Assets		
Cash and cash equivalents	73,759	156,230
Receivables	279,321	242,401
Inventories	321,485	221,368
Total Current Assets	674,565	619,999
Non-Current Assets		
Investments and receivables	22,118	20,199
Property, plant and equipment	437,695	410,947
Intangible assets	211,843	3,367
Deferred tax assets	31,046	23,724
Total Non-Current Assets	702,702	458,237
Total Assets	1,377.267	1,078,236
Current Liabilities		
Payables	280,055	235,077
Short term borrowings	20,000	-
Current tax payable	10,518	12,344
Provisions	43,821	35,318
Other	2,935	11,103
Total Current Liabilities	357,329	293,842
Non Current Liabilities		
Long-term payable	3,347	4,171
Long-term borrowings	175,000	-
Provisions	2,170	2,043
Total Non-Current Liabilities	180,517	6,214
Total Liabilities	537,846	300,056
Net Assets	839,421	778,180
Equity		
Contributed equity	9,960	9,960
Reserves	3,003	3,003
Retained earnings	826,458	765,217
Total Equity	839,421	778,180

NOTES
To the financial statements for the year ended 30 June 2014

29. Particulars in Relation to Corporations in the Group

		Ownership Percentage 2014	Ownership Percentage 2013
Name of entity		%	%
Parent entity Reece Australia Limited			
Controlled entities of Reece Australia Limited			
1.	Reece Pty Ltd	100%	100%
2.	Plumbing World Pty Ltd	100%	100%
3.	Reece Project Supply Pty Ltd	100%	100%
4.	Reece International Pty Ltd	100%	100%
5.	Reece New Zealand Limited	100%	100%
6.	Actrol Parts Holdings Pty Ltd	100%	0%
7.	Actrol Parts Finance Pty Ltd	100%	0%
8.	Actrol Parts Pty Ltd	100%	0%
9.	A.C. Components Pty Ltd	100%	0%
10.	Metalflex Pty Ltd	100%	0%
11.	Metalflex Regional Pty Ltd	100%	0%
12.	Metalflex (S.A.) Pty Ltd	100%	0%
13.	Metalflex (W.A.) Pty Ltd	100%	0%
14.	Air Plus Pty Ltd	100%	0%

Notes

(i) Controlled entities 1 to 4 and 6 to 14 are incorporated in Australia

(ii) Controlled entity 5 is incorporated in New Zealand

(iii) All shareholdings are of ordinary shares

(iv) Controlled entities 1 to 4 and 6 to 14 carry on business in Australia only

(v) Controlled entity 5 carries on business in New Zealand only

(vi) All corporations financial years end on 30 June

30. Subsequent Events

There has been no matter or circumstance, which has arisen since 30 June 2014, that has significantly affected or may significantly affect:

(a) the operations, in financial years subsequent to 30 June 2014, of the consolidated entity, or

(b) the results of those operations, or

(c) the state of affairs, in financial years subsequent to 30 June 2014, of the consolidated entity.

NOTES
To the financial statements for the year ended 30 June 2014

31. Parent Entity Details

	Consolidated Entity	
	2014 ($000's)	2013 ($000's)
(a) Summarised statement of financial position		
Assets		
Current Assets	-	-
Non-current Assets	332,024	25,354
Total Assets	332,024	25,354
Liabilities		
Current Liabilities	145,501	13,831
Non-current Liabilities	175,000	-
Total Liabilities	320,501	13,831
Net Assets	11,523	11,523
Equity		
Contributed equity	9,960	9,960
Retained earnings	1,526	1,526
Reserves	37	37
Total Equity	11,523	11,523
(b) Summarised statement of comprehensive income		
Profit for the year	62,748	60,756
Other comprehensive income for the year payable	-	-
Total comprehensive income for the year	62,748	60,756
(c) Parent entity guarantees		
Bank Overdraft	929	842
Cash advance facility	65,000	-
Term loan facility	195,000	-

(d) The final dividend declared to be paid on 30 October 2014 as per note 7 shall be funded by way of a dividend to be recieved from a wholy owned subsidiary.

DIRECTORS' DECLARATION

The directors declare that the financial statements and notes set out on pages 22 to 43 in accordance with the *Corporations Act 2001:*

(a) Comply with Accounting Standards and the Corporations Regulations 2001, and other mandatory professional reporting requirements;

(b) As stated in Note 1(a) the consolidated financial statements also comply with International Financial Reporting Standards; and

(c) Give a true and fair view of the financial position of the consolidated entity as at 30 June 2014 and of its performance for the 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.

The company and the group entities identified in Note 28 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to ASIC Class Order 98/1418.

This declaration has been made after receiving the declarations required to be made by the Chief Executive Officer and Chief Financial Officer to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ending 30 June 2014.

This declaration is made in accordance with a resolution of the directors.

Dated at Melbourne on 28 August 2014.

L. A. Wilson
Executive Chairman

P. J. Wilson
Chief Executive Officer

INDEPENDENT AUDITORS' REPORT

PITCHER PARTNERS

We have audited the accompanying financial report of Reece Australia Limited and controlled entities, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Auditors' Opinion

In our opinion:

(a) the financial report of Reece Australia Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b) the consolidated financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 18 to 20 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditors' Opinion

In our opinion, the Remuneration Report of Reece Australia Limited and controlled entities for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

D. A. KNOWLES
Partner
28 August 2014

PITCHER PARTNERS
Melbourne

SHAREHOLDERS INFORMATION

In accordance with Section 4.10 of the Australian Stock Exchange Limited Listing Rules, the directors provide the following information.

Shareholding Analysis

(a) Distribution of shareholders

At 13 August 2014, the distribution of shareholdings was as follows:

Size of Shareholding	Number of Shareholders
1 – 1,000	659
1,001 – 5,000	346
5,001 – 10,000	74
10,001 – 100,000	104
Over 100,000	37
Holdings of less than a marketable parcel	0

(b) Substantial shareholdings

The number of shares held by the substantial shareholders listed in the Company's register of substantial shareholders as at 13 August 2014 were:

Shareholder	Number of Shares
Waln Pty Ltd	42,465,320
W.A.L. Investments Pty Ltd	41,931,320
Leslie Alan Wilson	66,625,820
Wilgay Pty Ltd	42,465,320
J.G.W. Investments Pty Ltd	42,465,320
John Gay Wilson	67,438,320
Lezirol Pty Ltd	42,465,320
Florizel Investments Pty Ltd	41,931,320
Bruce Walter Campbell Wilson	66,508,320
Addawarra Nominees Pty Ltd	55,479,000
Warramunda Investments Pty Ltd	55,479,000
L.T.W. Holdings Pty Ltd	53,169,000
L.T. Wilson Pty Ltd	38,571,000
Wilaust Holdings Pty Ltd	38,571,000
Austral Hardware Pty Ltd	38,571,000
Austral Hardware (Healesville) Pty Ltd	38,571,000
Tyara Pty Ltd	42,465,320
Wal Assets Pty Ltd	42,465,320
Abtourk Vic No. 11 Pty Ltd	42,465,320
Perpetual Trustees Australia Limited	13,817,545

Note: Many of these substantial shareholdings relate to the same shares.

(c) Class of shares and voting rights

At 13 August 2014, there were 1,220 holders of ordinary shares of the Company. All of the issued shares in the capital of the parent entity are ordinary shares and each shareholder is entitled to one vote per share.

(d) Twenty largest shareholders, as at 13 August 2014:

Shareholder	Number of Shares	% Held
L.T. Wilson Pty Ltd	31,440,000	31.6%
L.T.W. Holdings Pty Ltd	12,000,000	12.1%
Warramunda Investments Pty Ltd	9,729,000	9.8%
RBC Investor Services Australia Nominees Pty Ltd (PI Pooled A/C)	6,005,033	6.0%
Florizel Investments Pty Ltd	3,360,320	3.4%
W.A.L. Investments Pty Ltd	3,360,320	3.4%
J.G.W. Investments Pty Ltd	3,360,320	3.4%
J P Morgan Nominees Australia Limited	3,294,635	3.3%
Austral Hardware Pty Ltd	2,985,000	3.0%
Austral Hardware (Healesville) Pty Ltd	2,400,000	2.4%
Adawarra Nominees Pty Ltd	2,310,000	2.3%
Citicorp Nominees Pty Limited	2,045,196	2.1%
UBS Nominees Pty Ltd	1,778,223	1.8%
Wilaust Holdings Pty Ltd	1,746,000	1.8%
National Nominees Limited	1,291,471	1.3%
RBC Investor Services Australia Nominees Pty Ltd (PIIC A/C)	1,046,083	1.1%
John G. Wilson	934,000	0.9%
BNP Paribas Noms Pty Ltd <DRP>	909,215	0.9%
Argo Investments Limited	620,506	0.6%
Abtourk (VIC NO 11) Pty Ltd	534,000	0.5%

The twenty members holding the largest number of shares together held a total of 91.5% of the issued capital.

Reece Australia Limited
A.B.N. 49 004 313 133

Reece. Works for you.