

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

Half-year information for the six months ended 31 December 2010
provided to the ASX under listing rule 4.2A.

This half-year financial report is to be read in conjunction with
the financial report for the year ended 30 June 2010.

Appendix 4D

Half-year report for the six months to 31 December 2010

Reece Australia Limited
(ABN 49 004 313 133)

1. Reporting period

Report for the half-year ended 31 December 2010.

Previous corresponding period is the financial year ended 30 June 2010 and half-year ended 31 December 2009.

2. Results for announcement to the market

			\$A'000
Revenues from ordinary activities	up	3.9% to	800,628
Profit from ordinary activities after tax attributable to members	up	3.8% to	59,826
Net profit for the period attributable to members	up	3.8% to	59,826

Dividends	Amount per security	Franked amount per security
Interim dividend	21 cents	21 cents
Previous corresponding period – interim dividend	20 cents	20 cents
Record date for determining entitlements to the dividend		15 March 2011

Commentary

The Company earned a profit after tax of \$59.8M for the six months ending December 2010, an increase of 3.8% over the prior corresponding period. Sales revenue was up 3.5% to \$796.4M (2009 \$769.2M) for the six months ending December 2010. Earnings before interest and income tax were up 5.6% to \$87.2M (2009 \$82.6M). The growth of the profit after tax was impacted by the diminishing effect of the government investment allowance scheme which was introduced in 2009 and expires in the current financial year.

The Board has declared an interim dividend of 21 cents per share (2009 20 cents per share), fully franked. The interim dividend will be paid on 25 March 2011.

The Board is also satisfied that the financial position of the company remains strong. Net Assets continued to grow as evidenced by additions to Property, Plant and Equipment whilst total liabilities have decreased since June 2010.

The Company has continued to grow its network commencing trading from 4 new outlets in Australia during the half-year whilst in New Zealand total outlets remained at 5. At the end of the half-year the Company had 437 trading outlets throughout Australia and New Zealand. In addition, the Company has continued to invest in the branch network through the refurbishment of existing trade and showroom outlets.

Reece was not materially impacted by the recent floods in Queensland and country Victoria. Affected sites were closed at various times during the floods but were able to be quickly re-opened for trading. The Company made donations to the Red Cross to assist with the flood relief efforts in Queensland and Victoria as well as responding to local community initiatives.

The Board anticipates a challenging operating environment as a consequence of the climatic events which will lead to uncertain market conditions in the immediate period ahead.

Appendix 4D

Half-year report for the six months to 31 December 2010

Reece Australia Limited
(ABN 49 004 313 133)

	2010 \$A'000	2009 \$A'000
3. Net tangible assets per security		
Net tangible asset backing per ordinary security	619 cents	541 cents

4. Dividends

Ordinary shares

Dividends paid during the half-year	37,848	32,868
-------------------------------------	--------	--------

The final dividend relating to the year ended on 30 June 2010 was paid on 28 October 2010.

Subsequent events

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

21 cents per ordinary share fully franked	20,916	19,920
---	--------	--------

The interim dividend relating to the half-year ended on 31 December 2010 has not been included as a provision in the financial statements because the dividend was declared after balance date.

Date dividend is payable 25 March 2010

Record date to determine entitlements to the dividend 15 March 2010

Amount per ordinary security

		Amount per security	Franked amount per security
Interim dividend:	Current year	21 cents	21 cents (at 30% tax rate)
	Previous year	20 cents	20 cents (at 30% tax rate)

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

6. Independent review of the financial report

The financial report has been independently reviewed. The financial report is not subject to a qualified independent review statement.

Reece Australia Limited

(ABN 49 004 313 133)
and controlled entities

Financial report for the half-year ended 31 December 2010

This half-year financial report is to be read in conjunction with
the financial report for the year ended 30 June 2010

Reece Australia Limited and controlled entities
Financial report for the half-year ended 31 December 2010

Table of Contents

	Page
Directors' Report	1
Auditor's Independence Declaration	3
Financial Report for the half-year ended 31 December 2010	
Condensed Consolidated Statement of Comprehensive Income	4
Condensed Consolidated Statement of Financial Position	5
Condensed Consolidated Statement of Changes in Equity	6
Condensed Consolidated Statement of Cash Flows	7
Notes to the Financial Statements	8
Directors' Declaration	10
Independent Auditor's Review Report	11

Reece Australia Limited and controlled entities

Directors' Report

The Directors present their report together with the condensed financial report of the consolidated entity consisting of Reece Australia Limited and the entities it controlled, for the half-year ended 31 December 2010 and independent auditor's review report thereon. This financial report has been prepared in accordance with Australian Accounting Standards.

Directors' Names

The names of the Directors in office at any time during or since the end of the half-year are:

Name	Period of directorship
Mr L. A. Wilson	41 years
Mr B. W. C. Wilson	40 years
Mr J. G. Wilson	26 years
Mr P. J. Wilson	13 years
Mr R. G. Pitcher, AM	8 years
Mr A.T. Gorecki	2 years

Each Director has been in office since the start of the financial period to the date of this report unless otherwise stated.

Review of Operations

The Company earned a profit after tax of \$59.8M for the six months ending December 2010, an increase of 3.8% over the prior corresponding period. Sales revenue was up 3.5% to \$796.4M (2009 \$769.2M) for the six months ending December 2010. Earnings before interest and income tax were up 5.6% to \$87.2M (2009 \$82.6M). The growth of the profit after tax was impacted by the diminishing effect of the government investment allowance scheme which was introduced in 2009 and expires in the current financial year.

The Board has declared an interim dividend of 21 cents per share (2009 20 cents per share), fully franked. The interim dividend will be paid on 25 March 2011.

The Board is also satisfied that the financial position of the company remains strong. Net Assets continued to grow as evidenced by additions to Property, Plant and Equipment whilst total liabilities have decreased since June 2010.

The Company has continued to grow its network commencing trading from 4 new outlets in Australia during the half-year whilst in New Zealand total outlets remained at 5. At the end of the half-year the Company had 437 trading outlets throughout Australia and New Zealand. In addition, the Company has continued to invest in the branch network through the refurbishment of existing trade and showroom outlets.

Reece was not materially impacted by the recent floods in Queensland and country Victoria. Affected sites were closed at various times during the floods but were able to be quickly re-opened for trading. The Company made donations to the Red Cross to assist with the flood relief efforts in Queensland and Victoria as well as responding to local community initiatives.

The Board anticipates a challenging operating environment as a consequence of the climatic events which will lead to uncertain market conditions in the immediate period ahead.

Reece Australia Limited and controlled entities

Directors' Report

Significant changes in the state of affairs

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

Auditor's Declaration

A copy of the auditor's declaration as required under section 307C of the Corporation Act 2001 in relation to the review for the half-year is provided with this report.

Rounding of amounts to nearest thousand dollars

The amounts contained in the report and in the financial report have been rounded to the nearest thousand dollars (where rounding is applicable) under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

Signed in accordance with a resolution of Directors.

L.A. Wilson
Executive Chairman

P.J. Wilson
Chief Executive Officer

Melbourne
24 February 2011

Auditor's Independence Declaration

To the Directors of Reece Australia Limited

In relation to the half-year independent auditor's review for the half-year to 31 December 2010, to the best of my knowledge and belief there have been:

- (1) No contraventions of the auditor independence requirements of the Corporations Act 2001.
- (2) No contraventions of any applicable code of professional conduct.

A. R. FITZPATRICK
Partner
24 February 2011

PITCHER PARTNERS
Melbourne

Reece Australia Limited and controlled entities

Condensed consolidated statement of comprehensive income for the half-year
ended 31 December 2010

	Half-year	
	2010 \$A'000	2009 \$A'000
Revenue		
Sales Revenue	796,397	769,239
Other income	4,231	1,513
	<u>800,628</u>	<u>770,752</u>
Cost of sales	550,229	531,655
Employee benefits expense	80,357	74,774
Depreciation	14,598	14,014
Other expenses	68,293	67,747
	<u>713,477</u>	<u>688,190</u>
Profit before interest and income tax	87,151	82,562
Finance Costs	1,294	842
Income tax expense	26,031	24,106
	<u>59,826</u>	<u>57,614</u>
Profit from continuing operations	<u>59,826</u>	<u>57,614</u>
Profit for the half-year	<u><u>59,826</u></u>	<u><u>57,614</u></u>
Earnings per security (EPS)		
Basic EPS	<u>60 cents</u>	<u>58 cents</u>
Diluted EPS	<u><u>60 cents</u></u>	<u><u>58 cents</u></u>

The accompanying notes form part of these financial statements

Reece Australia Limited and controlled entities

Condensed consolidated statement of financial position as at 31 December 2010

	31 December 2010 \$A'000	30 June 2010 \$A'000
Current assets		
Cash and cash equivalents	98,501	122,631
Trade and other receivables	222,057	231,833
Inventories	222,121	202,161
Total current assets	542,679	556,625
Non-current assets		
Property, plant and equipment	320,486	308,046
Deferred tax assets	23,215	22,431
Total non-current assets	343,701	330,477
Total assets	886,380	887,102
Current liabilities		
Trade and other payables	202,183	221,506
Short-term borrowings	7,982	8,960
Current tax payable	14,670	14,562
Provisions	30,226	29,150
Other	7,623	10,910
Total current liabilities	262,684	285,088
Non-current liabilities		
Payables	5,663	5,546
Provisions	1,690	1,597
Total non-current liabilities	7,353	7,143
Total liabilities	270,037	292,231
Net assets	616,343	594,871
Equity		
Issued capital	9,960	9,960
Reserves	2,356	2,862
Retained earnings	604,027	582,049
Total equity	616,343	594,871

The accompanying notes form part of these financial statements

Reece Australia Limited and controlled entities

**Condensed consolidated statement of changes in equity for the half-year
ended 31 December 2010**

	Contributed equity \$A'000	Reserves \$A'000	Retained earnings \$A'000	Total Equity \$A'000
Balance as at 1 July 2009	9,960	2,719	520,576	533,255
Profit for the half-year	-	-	57,614	57,614
Exchange differences on translation of foreign operations, net of tax	-	127	-	127
Total comprehensive income for the half-year	<u>9,960</u>	<u>2,846</u>	<u>578,190</u>	<u>590,996</u>
Transactions with owners in their capacity as owners:				
Dividends paid	<u>-</u>	<u>-</u>	<u>(32,868)</u>	<u>(32,868)</u>
Total transactions with owners in their capacity as owners	<u>-</u>	<u>-</u>	<u>(32,868)</u>	<u>(32,868)</u>
Balance as at 31 December 2009	<u>9,960</u>	<u>2,846</u>	<u>545,322</u>	<u>558,128</u>
	Contributed equity \$A'000	Reserves \$A'000	Retained earnings \$A'000	Total Equity \$A'000
Balance as at 1 July 2010	9,960	2,862	582,049	594,871
Profit for the half-year	-	-	59,826	59,826
Exchange differences on translation of foreign operations, net of tax	-	(506)	-	(506)
Total comprehensive income for the half-year	<u>9,960</u>	<u>2,356</u>	<u>641,875</u>	<u>654,191</u>
Transactions with owners in their capacity as owners:				
Dividends paid	<u>-</u>	<u>-</u>	<u>(37,848)</u>	<u>(37,848)</u>
Total transactions with owners in their capacity as owners	<u>-</u>	<u>-</u>	<u>(37,848)</u>	<u>(37,848)</u>
Balance as at 31 December 2010	<u>9,960</u>	<u>2,356</u>	<u>604,027</u>	<u>616,343</u>

The accompanying notes form part of these financial statements

Reece Australia Limited and controlled entities

**Condensed consolidated statement of cash flows for the half-year
ended 31 December 2010**

	Half-year	
	2010 \$A'000	2009 \$A'000
<hr/>		
Cash flow from operating activities		
Receipts from customers	889,865	874,571
Payments to suppliers and employees	(820,084)	(760,572)
Interest received	3,028	1,039
Borrowing costs	(1,237)	(842)
Income tax paid	(26,711)	(19,118)
	<hr/>	<hr/>
Net cash provided by operating activities	44,861	95,078
Cash flow from investing activities		
Payments for property, plant and equipment	(31,284)	(17,308)
Proceeds from sale of property, plant and equipment	1,118	904
	<hr/>	<hr/>
Net cash used in investing activities	(30,166)	(16,404)
Cash flow from financing activities		
Proceeds from borrowings	14,988	10,105
Repayments of borrowings	(15,965)	(24,956)
Dividends paid	(37,848)	(32,868)
	<hr/>	<hr/>
Net cash used in financing activities	(38,825)	(47,719)
Net (decrease)/increase in cash and cash equivalents	(24,130)	30,955
Cash and cash equivalents at the beginning of the half-year	122,631	54,546
	<hr/>	<hr/>
Cash and cash equivalents at the end of the half-year	98,501	85,501
	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes form part of these financial statements

Reece Australia Limited and controlled entities

**Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2010**

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

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

It is recommended that this financial report be read in conjunction with the financial report for the year ended 30 June 2010 and any public announcements made by Reece Australia Limited during the half-year in accordance with any continuous disclosure obligations arising under the Corporations Act 2001.

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

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

This general purpose half-year financial report has been prepared in accordance with Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001.

(b) Summary of the significant accounting policies

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2010.

(c) Principles of consolidation

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

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

(d) Rounding amounts

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

Note 2: Subsequent events

There have been no material events subsequent to the end of the half-year that require recognition or disclosure in the half-year financial report.

Reece Australia Limited and controlled entities

**Notes to the condensed consolidated financial statements for the half-year
ended 31 December 2010**

Note 3: Dividends

	2010	2009
	\$A'000	\$A'000
Ordinary shares		
Dividends paid at 38 cents per share (2009: 33 cents) fully franked at 30%	37,848	32,868
Proposed dividends not recognised at the end of the half-year at 21 cents per share (2009: 20 cents) fully franked at 30%	20,916	19,920

Note 4: Segment reporting

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

Note 5: Property, plant and equipment

Acquisitions and disposals

During the six months ended 31 December 2010 the Group acquired assets with a cost of \$29.1 million (six months ended 31 December 2009: \$17.4 million).

Assets with a carrying amount of \$1.25 million were disposed of during the six months ended 31 December 2010 (six months ended 31 December 2009: \$836 thousand), resulting in a loss on disposal of \$131 thousand (six months ended 31 December 2009: gain of \$68 thousand).

Note 6: Contingent liabilities

There have been no changes in contingent liabilities since 30 June 2010.

Reece Australia Limited and controlled entities
ABN 49 004 313 133

Directors' Declaration

The directors declare that the financial statements and notes set out on pages 4 to 9 in accordance with the Corporations Act 2001:

- (a) Comply with Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Regulations 2001, and other mandatory professional reporting requirements, and
- (b) Give a true and fair view of the financial position of the consolidated entity as at 31 December 2010 and of its performance for the half-year ended on that date.

In the directors' opinion there are reasonable grounds to believe that Reece Australia Limited will be able to pay its debts as and when they become due and payable.

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

L. A. Wilson
Executive Chairman

P. J. Wilson
Chief Executive Officer

Melbourne
24 February 2011

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Reece Australia Limited and controlled entities, which comprises the condensed consolidated statement of financial position as at 31 December 2010, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, 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 period's end or from time to time during the half year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Reece Australia Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Reece Australia Limited is not in accordance with the Corporations Act 2001 including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

A. R. FITZPATRICK
Partner
24 February 2011

PITCHER PARTNERS
Melbourne