

Reece Australia Limited
(ABN 49 004 313 133)

Appendix 4E

Preliminary Final Report

Financial year ended 30 June 2003

Results for announcement to the market

		\$A'000
Revenues from ordinary activities	up 16.3% to	743,134
Profit from ordinary activities after tax attributable to members	up 10.1% to	46,740
Net profit for the period attributable to members	up 10.1% to	46,740

Dividends	Amount per security	Franked amount per security
Final dividend	13.5 cents	13.5 cents
Previous corresponding period - final	11 cents	11 cents
Record date for determining entitlements		9 October 2003

Commentary

Reece Australia Limited, Australia's leading distributor of plumbing and bathroom products today announced a net profit after tax of \$46.7M for the year ended 30 June 2003 which is a 10.1% increase over the previous year. Sales revenue for the year ended 30 June 2003 increased by 16.3% to \$743.1M.

The Board is very pleased with this solid result which has been driven again by consumer demand fuelled by continuing low interest rates, an extremely buoyant housing and renovation market and continuing internally generated efficiencies and profit opportunities. However the board remains cautious about the 2004 financial year with the much anticipated domestic slowdown in new housing and unit development expected during this period along with a continuing uncertain global environment. Under these circumstances, the Board is expecting only moderate growth in 2004.

During the year ended 30 June 2003 the Company commenced trading from 18 new locations throughout Australia. This policy of greenfielding additions to the Reece network will continue in 2004. Business acquisitions will be considered if and when they arise.

The Board is pleased to advise it has determined to increase the dividend payout ratio and has declared a final dividend of 13.5 cents per share. The final dividend will be paid on 23 October 2003 with the record date for entitlement being 9 October 2003. Total dividends paid relating to the year ended 30 June 2003 will be 21 cents per share compared to 17 cents per share in 2002.

	Note	2003 \$A'000	2002 \$A'000
Consolidated statement of financial performance for the year ended 30 June 2003			
Revenue from ordinary activities	2	743,134	638,915
Expenses from ordinary activities, excluding borrowing costs	3	675,449	577,459
Borrowing costs	3	0	0
Profit from ordinary activities before income tax		67,685	61,456
Income tax expense relating to ordinary activities		20,945	18,996
Net profit from ordinary activities after income tax		46,740	42,460
Net profit for the period attributable to members of Reece Australia Limited		46,740	42,460
Earnings per security (EPS)			
Basic EPS	4	47 cents	43 cents
Diluted EPS	4	47 cents	43 cents

	Note	2003 \$A'000	2002 \$A'000
Consolidated statement of financial position			
as at 30 June 2003			
Current assets			
Cash assets	7	45,072	43,678
Receivables		124,085	116,563
Inventories		107,180	94,957
Total current assets		276,337	255,198
Non-current assets			
Property, plant and equipment		105,770	90,465
Intangible assets		444	603
Deferred tax asset		6,680	6,050
Total non-current assets		112,894	97,118
Total assets		389,231	352,316
Current liabilities			
Payables		122,633	115,841
Current tax liability		5,449	7,989
Provisions		7,797	17,914
Other		4,364	2,091
Total current liabilities		140,243	143,835
Non-current liabilities			
Provisions		7,078	5,841
Total non-current liabilities		7,078	5,841
Total liabilities		147,321	149,676
Net assets		241,910	202,640
Equity			
Contributed equity		9,960	9,960
Reserves		2,508	1,743
Retained profits	6	229,442	190,937
Total equity		241,910	202,640

	Note	2003 \$A'000	2002 \$A'000
Consolidated statement of cash flows			
for the year ended 30 June 2003			
Cash flows from operating activities			
Cash receipts in the course of operations		731,083	614,612
Cash payments in the course of operations		(666,052)	(561,609)
Interest received		1,049	949
Income taxes paid		(24,115)	(18,019)
Net cash provided by operating activities		41,965	35,933
Cash flows from investing activities			
Payments for property, plant and equipment		(22,954)	(15,157)
Proceeds from sale or disposal of property, plant and equipment		811	509
Purchase of intangibles		(3)	(150)
Net cash provided by investing activities		(22,146)	(14,798)
Cash flows from financing activities			
Loans repaid by other entities		1	8
Dividends paid		(18,426)	(12,350)
Net cash provided by financing activities		(18,425)	(12,342)
Net increase in cash held		1,394	8,793
Cash at the beginning of the year		43,678	34,885
Cash at the end of the year	7	45,072	43,678

	2003	2002
	\$A'000	\$A'000

Note 1: Final Dividends

Provision for final dividends on ordinary securities	0	10,956
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The final dividends relating to the year ended on 30 June 2003 have not been included as a provision in the financial statements because the dividends were declared after balance date. This is in accordance with AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets" which became effective on 1 July 2002.

Balance of franking account adjusted for franking credits that will arise after payment of income tax payable and after payment of dividends up to 30 June 2003, \$306,356,353 (Class C - franked to 30%).

Date dividend is payable	23 October 2003
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Record date to determine entitlements to the dividend	9 October 2003
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Amount per ordinary security

		Amount per security	Franked amount per security
Final dividend:	Current year	13.5 cents	13.5 cents (at 30% tax rate)
	Previous year	11.0 cents	11.0 cents (at 30% tax rate)
Interim dividend:	Current year	7.5 cents	7.5 cents (at 30% tax rate)
	Previous year	6.0 cents	6.0 cents (at 30% tax rate)

Total dividend per security

	Current year	Previous year
Ordinary securities	21 cents	17 cents

Note 2: Profit from ordinary activities

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

Revenue

Sales revenue	740,236	636,711
Interest received or due and receivable from other persons	1,049	1,374
Bad debts recovered	245	321
Gross proceeds on sale/disposal of property, plant and equipment	1,604	509
	743,134	638,915

Expenses

Bad debts written off:		
Trade Debtors	1,101	882
Amortisation of goodwill	163	159
Depreciation	9,106	8,362
Amounts set aside to:		
Provision for employee entitlements	2,076	1,346
Provision for obsolescence	465	(715)
Provision for warranty	0	162
Operating lease rental expense	6,496	5,051

	2003 \$A'000	2002 \$A'000
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Note 3: Expenses relating to ordinary activities by function

Cost of sales	548,597	476,262
Distribution expenses	60,918	52,311
Marketing expenses	5,835	3,885
Occupancy expenses	8,428	6,803
Administrative and other expenses	51,671	38,198
Borrowing cost expenses	-	-
Total expenses relating to ordinary activities	675,449	577,459

Note 4: Earnings per security (EPS)

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

(a) Basic EPS	47 cents	43 cents
(b) Diluted EPS	47 cents	43 cents
Adjusted weighted average number of ordinary shares.	99,600,000	99,600,000

Note 5: NTA backing

Net tangible asset backing per ordinary security	236 cents	197 cents
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Note 6: Retained profits

Retained profits at the beginning of the financial year	190,937	165,409
Net Profit attributable to members of Reece Australia Limited	46,740	42,460
Transfer to capital profits reserve	(765)	-
Dividend	(7,470)	(16,932)
Retained profits at end of year	229,442	190,937

Note 7: Reconciliation of cash

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

Cash on hand	179	155
Cash on deposit	44,893	43,523
	45,072	43,678

Note 8: Segment reporting

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

The annual general meeting will be held as follows:

Place	118 Burwood Hwy Burwood, Victoria
Time	3.00 pm
Date	23 October 2003
Approximate date the annual report will be available	22 September 2003

Compliance statement

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

☐

The financial statements
have been audited.

☐

The financial statements have
been subject to review.

☒

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

☐

The financial statements have
not yet been audited or
reviewed

2 The entity has a formally constituted audit committee

N G Cathie
Company Secretary

28 August 2003
