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**REECE AUSTRALIA LIMITED  
CHAIRMAN'S ADDRESS FROM AGM  
– 20 OCTOBER 2005**

I am pleased to report that Reece Australia Limited earned a net profit after tax of \$75.3m for the year ended 30 June 2005 which was a 22.4% increase over the previous year. Sales revenue for the year ended 30 June 2005 increased by 15.8% to \$1,009,640,252.

The strong trading result reflected the continuing demand for plumbing and related products in the markets in which the Company is active and a stronger than expected economy since the interim report. The Board was extremely pleased that the Company had, for the first time, passed the milestones of \$1,000,000,000 in sales revenue and \$100,000,000 in profit before tax in a twelve month period.

During the year ended 30 June 2005, the Company commenced trading from 20 new locations throughout Australia bringing the total trading locations to 236. This policy of green fielding additions to the Reece network will continue in 2006 with planned new store openings at a similar level to 2005. The funding for this growth was from internally generated cash. Business acquisitions will be considered if and when opportunities arise.

With the pace of expansion unaltered from the previous financial year, the Board was pleased with management's cost control measures although there was some increasing upward pressure on wages in a competitive labour market. Similar pressure was evident in relation to other business costs however management will continue to look for ways to reduce or cap costs going forward.

The Board was satisfied with the Company's level of receivables which rose in line with the increased level of trading year on year.

The growth in the Reece store network was reflected in the growth in inventories. The management of inventories tests most organizations and Reece is no exception.

The Board was generally satisfied with inventory levels across the group and monitors inventory turns and number of day's inventory on a regular basis. The Board believes its continued maintenance of an inventory obsolescence provision is a prudent approach to the management of ranges of inventory which are impacted by changing consumer demand patterns.

The Company has continued to grow its property portfolio with selective acquisitions and developments during the last financial year. This practice will continue as opportunities present. This approach to property ownership has in no way impeded the rapid store expansion programme.

The Board was particularly pleased with the impact of the Company's various marketing and advertising initiatives. Extensive market research undertaken indicated growing brand recognition nationally.

The Board was pleased to report the declaration of a final dividend of 26 cents per share fully franked, an increase of 7 cents per share. The final dividend will be paid today.

Total dividends paid relating to the year ended 30 June 2005 is 38 cents per share compared to 28 cents per share in 2004, which was a 35% increase.

Looking ahead, the Board anticipates moderate growth however is reluctant to forecast growth rates at a time of some interest rate uncertainty, an easing in new housing starts and renovations and the upward pressure on business costs. Key challenges in 2006 will be maintaining profitability in a weakening and increasingly competitive market, and management and staff development in order to support store expansion.

And now just a comment on how we are trading so far in the 2006 financial year. Just prior to this meeting we announced to the Australian Stock Exchange that sales for the three months ended 30 September 2005 are 11% ahead of the same period last year. Profits for the same period are ahead of the previous financial year by a similar percentage

**LA WILSON**  
**CHAIRMAN/CEO**