

REMUNERATION REPORT

REMUNERATION REPORT SUMMARY (UNAUDITED)

The Alesco Group's remuneration strategy is designed to attract, retain and motivate appropriately qualified and experienced Directors and senior executives. With Group performance showing improvement on the previous two years of disappointing results, the Board has continued in FY11 to balance the expectations of shareholders and the need to attract, motivate and reward executives. Alesco's executive remuneration framework places a substantial focus on delivering performance-based remuneration outcomes through 'at-risk' remuneration elements.

Key personnel changes in FY11

On 3 August 2010, Alesco appointed Jennifer Tait, Non-Executive Director, taking the composition of the Board to six Non-Executive and two Executive Directors.

In November 2010, appointments were made to two newly created roles – Noel Hopper to the role of Group General Manager B&D, and Albert Jokubaitis to the role of Group General Manager Automatic Technologies Australia (ATA). Together, the B&D and ATA businesses form Alesco's Garage Doors & Openers (GDO) Division. Noel and Albert are members of Alesco's Executive Committee, and are included as Key Management Personnel in the FY11 Remuneration Report.

Rob Guttentag, Group General Manager Functional & Decorative Products, ceased employment with Alesco on 15 March 2011. Richard Lewis was appointed as Interim Group General Manager Functional and Decorative Products on 16 March 2011, following his appointment to Alesco's Executive Committee as Group General Manager Operations on 1 June 2010.

Due to the sale of the Water Products & Services Division, Wayne Powell, Group General Manager, and Alan Fonseca, General Manager Finance, ceased employment with Alesco on 28 February 2011.

Key remuneration decisions in FY11

In the past year the Board has, with the support of management, focussed on ensuring appropriate remuneration practices that reflect the circumstances and performance of the Company, and good governance practice. Key elements of Alesco's remuneration approach in FY11 include:

- Maintaining Non-Executive Directors' fees at the level set in February 2008;
- Agreeing increases to Fixed Annual Remuneration for senior executives assuming new roles (either interim or permanent), and a market-based adjustment to the salary of the Chief Information Officer, but otherwise maintaining salaries at levels set in June 2008;
- Awarding moderate, performance-based increases to Fixed Annual Remuneration for non-executive salaried staff;
- Approving moderate incentive payments for performance in the FY11 Short Term Incentive Plan (STIP) in instances where threshold profit performance had been met;
- Setting the performance measures for FY12 STIP as Profit After Tax and Return on Net Assets;
- Rebalancing the total potential remuneration available to senior executives by reducing maximum participation in Long Term Incentives from 70% to 50% of Fixed Annual Remuneration (100% for CEO), and adjusting performance hurdles applicable to Short Term Incentives from 95% to 90% of budget for threshold performance, and 115% to 110% of budget for stretch performance. In assessing whether an STIP payment is due, the cost of the STIP must be included within the performance achieved;

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2011

- Establishing a new Long Term Incentive Plan (LTIP), Alesco's Performance Rights Plan (PRP) which rewards eligible executives for compound annual growth in earnings per share (EPSG) and total shareholder return (TSR) relative to the Small Ordinaries Index (XSO) of the Australian Securities Exchange. Both measures are calculated over a three year period, with a re-testing opportunity at the end of the fourth year. The EPSG target for FY11 was set at 19.2cps. The EPSG base for FY12 is not disclosed in this report due to the direct relationship with current financial forecasts. The base target for FY12 will take a stretch position on FY11 performance and will be disclosed in the 2012 Remuneration Report. Offers were made under this plan on 31 May 2011 based on the 30 day volume weighted average price (VWAP) of shares immediately before the 2010 annual general meeting;
- Determining there would be no vesting of the respective 2008 LTIPs (AMSP and APSAP) because performance hurdles were not reached;
- Choosing not to make a grant under Alesco's Employee Share Plan (AESP) given continued disappointing returns to shareholders;
- Deciding to allow outstanding APSAP loans held by senior executives who cease to be employed by Alesco in the future to remain outstanding for the original loan period of 10 years, instead of requiring repayment on or before the thirtieth day following the end of employment with Alesco. All loans are fully recourse to the executive and must be paid in full at maturity. Shares issued under this plan continue to be subject to a holding lock, and the Board may exercise its discretion to reduce the outstanding loan balance to the market value of the shares where the loan value is greater when employment of the executive comes to an end. To date, the Board has not exercised this discretion and currently all outstanding loans remain payable.

Remuneration outcomes in FY11

In keeping with current market best practices, a substantial proportion of remuneration for KMPs in FY11 was 'at risk' and would only be paid if key performance measurements were met. The following table sets out the total potential remuneration made available to KMPs in FY11 (excluding FBT amounts). Total potential remuneration is achievable by the KMP only where stretch outcomes are achieved in all measures established in the FY11 Short and Long Term Incentive Plans.

FY11 ANNUAL REMUNERATION (% TOTAL POTENTIAL REMUNERATION PACKAGE)				
	FIXED REMUNERATION	VARIABLE ('AT RISK') REMUNERATION		
	BASE SALARY INCLUSIVE OF SUPERANNUATION	SHORT-TERM INCENTIVE (STI)	LONG-TERM INCENTIVE (LTI)	TOTAL VARIABLE REMUNERATION
Managing Director	33.4%	33.3%	33.3%	66.6%
Finance Director	43.5%	34.8%	21.7%	56.5%
Other executives (in aggregate)	47.0%	32.7%	20.3%	53.0%

DIRECTORS' REPORT (CONTINUED)

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The table below sets out the remuneration received by executives in FY11 in actual pay terms. The amounts required under the Corporations Act are set out on page 46.

In summary:

- 5 senior executives will receive a short term incentive payment made under the FY11 STI Plan;
- 8 executives will receive payments in relation to retention arrangements agreed in previous reporting years;
- 3 executives received payments in relation to ceasing employment with the Group;
- no value was derived in relation to the Long Term Incentive Plan granted to Executive Directors and senior management in 2008 as the three year performance hurdles to 31 May 2011 were not met. As a result, these incentives will either be forfeited or awards not granted as the case requires.

EXECUTIVE	FIXED REMUNERATION	SHORT-TERM INCENTIVE (STI)		LONG-TERM INCENTIVE (LTI) ¹		OTHER		TOTAL FY11 CASH ENTITLEMENT
	BASE SALARY PLUS SUPER-ANNUATION	MAXIMUM PAYMENT OUTCOME	PAYMENT OUTCOME ACHIEVED	MAXIMUM AWARD	AWARD ACHIEVED	RETENTION	TERMINATION ⁵	ACHIEVED
	\$	\$	\$	\$	\$	\$	\$	\$
Current Executives								
PJ Boyd	750,000	750,000	–	349,712	–	125,000 ³	–	875,000
J Brennan	468,272	352,000	–	73,127	–	182,139 ⁴	–	650,411
SS Cox	420,001	336,000	53,000	69,803	–	105,000 ³	–	578,001
N Hopper ⁶	372,643	176,128	86,000	15,617	–	–	–	458,643
AZ Jokubaitis ⁶	293,546	164,025	96,000	6,790	–	–	–	389,546
RW Lewis	390,320	308,000	–	16,636	–	–	–	390,320
RK Moriarty	350,000	280,000	–	–	–	–	–	350,000
BJ O'Connor	338,335	270,667	–	53,184	–	80,000 ³	–	418,335
L Rafferty	440,000	352,000	–	76,452	–	110,000 ³	–	550,000
NA Thompson	550,000	440,000	–	48,404	–	137,500 ³	–	687,500
Former Executives								
AJ Fonseca (to 28 February 2011)	300,425	192,000	50,330	277,184 ²	109,670	80,000 ³	160,000	700,425
RF Guttentag (to 15 March 2011)	403,891	288,000	–	–	–	–	360,000	763,891
WL Powell (to 28 February 2011)	351,409	252,000	66,059	363,803 ²	143,941	105,000 ³	210,000	876,409

1. This relates to the 2008 LTIPs (AMSP and APSAP) which had a measurement period ended 31 May 2011. No incentives vested in relation to the 2008 LTI. As the performance periods for the 2009, 2010 and 2011 LTI plans have not yet ended, no amounts have been included above as the final outcome on these incentives is still to be determined.
2. For AJ Fonseca and WL Powell only, this maximum potential entitlement includes the 2010 CIP entitlement in addition to that outlined in footnote 1. The Board chose to use their discretion to pay 49% of the CIP maximum entitlement at the time of their termination of employment due to sale of business.
3. These payments relate to retention arrangements agreed in 2008 which provide for payment of 25% of 2008 Fixed Annual Remuneration if employed on 31 May 2011. AJ Fonseca and WL Powell elected to pay these amounts, net of tax, against outstanding APSAP loans.
4. This payment relates to retention arrangements agreed in 2009 upon commencement in a newly created executive role. A second amount of equal value will be paid subject to continued employment as at 1 November 2011.
5. These amounts relate to contractual termination payments made upon ceasing employment with the Group.
6. N Hopper and AZ Jokubaitis have been classified as KMPs for the full reporting period for the purposes of the Remuneration Report.

DIRECTORS' REPORT (CONTINUED)

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REMUNERATION REPORT (AUDITED)

This Remuneration Report forms part of the Directors' Report and has been prepared in accordance with section 300A of the *Corporations Act 2001* for the Company and the consolidated entity (the Alesco Group) for the year ended 31 May 2011.

This report provides a summary of the remuneration policies and practices adopted by the Alesco Group during the FY11 period for Directors and other key management personnel as defined by the Accounting Standard AASB124 *Related Party Disclosures*.

Alesco's FY11 Remuneration Report is divided into the following sections:

Section 1 – Introduction

Section 2 – Executive Remuneration Approach and Framework

Section 3 – Company Performance Outcomes

Section 4 – Executive Remuneration

Section 5 – Non-Executive Directors' Remuneration

Appendix – Overview of Legacy Long Term Incentive Plans

DIRECTORS' REPORT (CONTINUED)

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SECTION 1 – INTRODUCTION

KEY MANAGEMENT PERSONNEL

For the purposes of this report, except where otherwise specified, the remuneration arrangements disclosed in this report apply to the Executive Directors and senior executives (together, the **Key Management Personnel** or **KMPs**) and the Non-Executive Directors set out below which includes the five highest remunerated executives of the Company and the Group during the reporting period.

NAME	POSITION	APPOINTMENT DATE (IF FY11)
Non-Executive Directors		
Mark Bernard Luby	Non-Executive Director and Chairman	
Robert (Rob) Murray Aitken	Non-Executive Director	
James (Jim) William Hall	Non-Executive Director	
Robert (Bob) Victor McKinnon	Non-Executive Director	
Ernest (Ern) John James Pope	Non-Executive Director	
Jennifer (Jenny) Anne Tait	Non-Executive Director	3 August 2010
Executives		Commencement date in current role (if FY11)
Peter John Boyd	Managing Director and Chief Executive Officer	
Neil Alexander Thompson	Finance Director	
James (Jim) Brennan	General Manager Sales & Marketing Functional & Decorative Products	
Stephen Scott Cox	Group General Manager Construction Products & Equipment	
Noel Hopper	Group General Manager B&D	9 November 2010
Albert Zigmas Jokubaitis	Group General Manager Automatic Technologies Australia	9 November 2010
Richard William Lewis	(Interim) Group General Manager Functional & Decorative Products	16 March 2011
Rebelle Kim Moriarty	Group General Manager Human Resources	
Brian Joseph O'Connor	Chief Information Officer	
Luci Rafferty	Group General Manager Legal & Corporate Affairs	
Former executives		Leaving date
Alan Joseph Fonseca	General Manager Finance Water Products & Services	28 February 2011
Robert (Rob) Francois Guttentag	Group General Manager Functional & Decorative Products	15 March 2011
Wayne Lawrence Powell	Group General Manager Water Products & Services	28 February 2011

REMUNERATION GOVERNANCE

The Board oversees and is responsible for remuneration decisions at Alesco. To assist the Board, governance and oversight of remuneration are delegated to the Human Resources Committee, for which a charter is available on Alesco's website. The Committee comprises only Non-Executive Directors, and members of the Committee in FY11 were Rob Aitken (Chair), Mark Luby, Ern Pope and Jenny Tait (from 3 August 2010).

The Committee has responsibility for remuneration policies and practices applicable to Non-Executive Directors, the Managing Director and Chief Executive Officer, Senior Executives and other key managers. The Committee makes recommendations to the Board on the level and form of executive remuneration which they consider to reflect fair

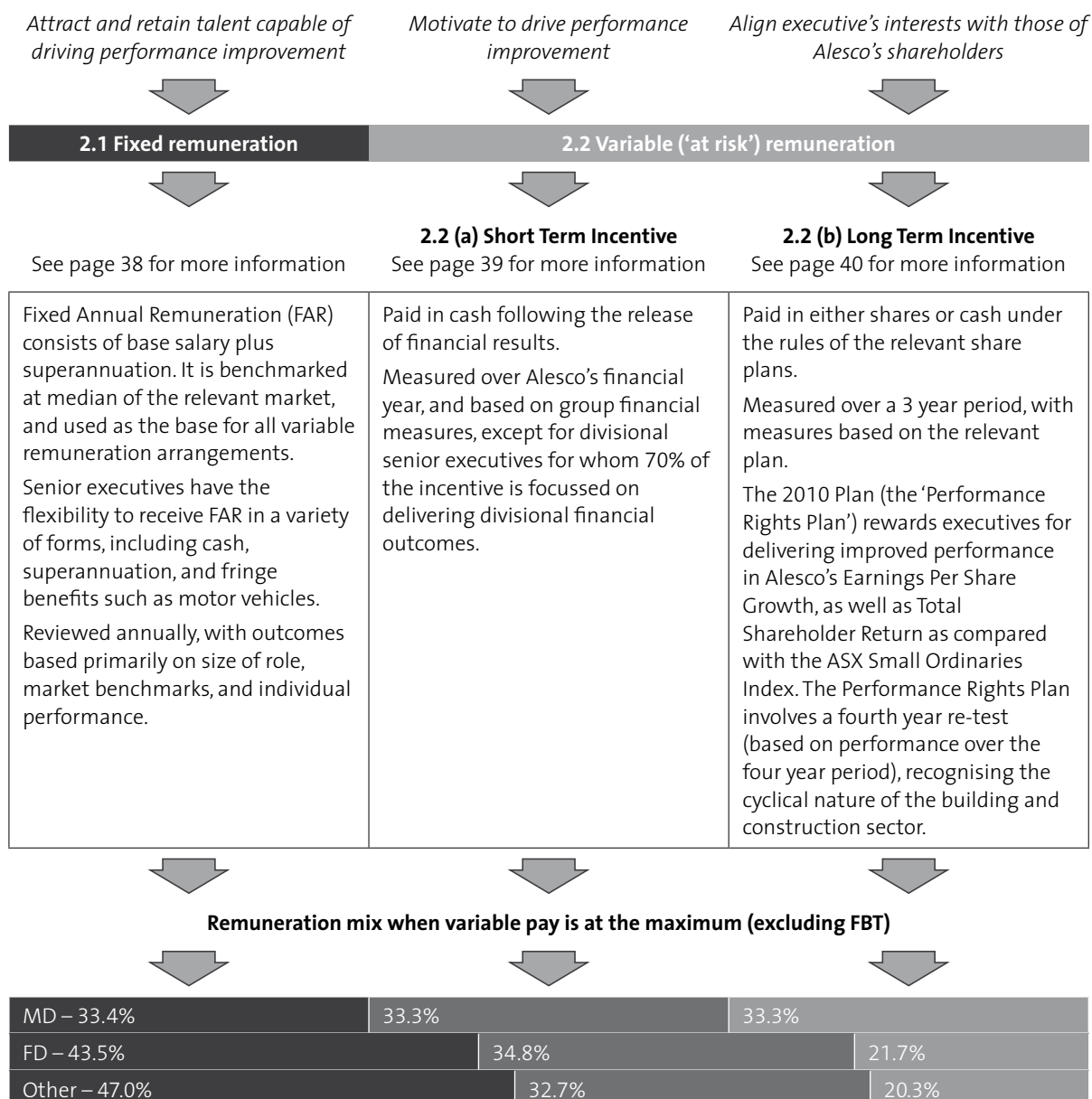
DIRECTORS' REPORT (CONTINUED)

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and responsible reward outcomes in light of Company performance, performance of the executive and the external remuneration market. To assist in this process, the Committee involves the CEO and certain other senior executives in relevant deliberations (not involving their own employment matters), and from time to time seeks independent external advice on the appropriateness of the remuneration framework and remuneration packages available within the Company.

SECTION 2 – EXECUTIVE REMUNERATION APPROACH AND FRAMEWORK

The Alesco group's remuneration strategy is designed to attract, retain and motivate appropriately qualified and experienced senior executives with the capability to drive business performance improvement that delivers long term shareholder value. Consistent with current market best practice, Alesco's remuneration strategy is realised through a remuneration framework which includes an appropriate mix of fixed and variable remuneration, including short-term and long-term performance-based incentives which seek to maximise performance of the Company. The diagram below provides a summary of the Company's remuneration framework as it applies to Senior Executives:



DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2011

2.1 Fixed remuneration

The fixed remuneration portion of the remuneration package for all KMPs consists of base salary plus superannuation (known as Fixed Annual Remuneration), and is determined by reference to the scope and nature of each individual's role, performance, experience, work requirements and remuneration level for comparable roles in companies of similar complexity, as well as the prevailing market conditions. Fixed remuneration is reviewed annually, and when a promotion or significant change in the role occurs. Annual salary reviews for senior executives and managers are preceded by formal, individual performance review and evaluation against pre-established annual job objectives, the outcomes of which will contribute to the salary review process in FY12. The salary review process does not result in guaranteed increases to fixed remuneration, and all increases are based on an evaluation of individual performance and contribution, and competitive and fair market positioning. In FY11, the annual salary review resulted in a market based adjustment for the role of Chief Information Officer, and moderate increases for salaried non-executive staff. In addition, salary increases for senior executives were approved outside of the annual salary review process in instances of job promotion (both permanent and interim).

Fixed remuneration is generally pitched at a market median based on the 50th percentile of a selected comparator group and is calculated on a total cost basis. The competitor comparator group is a mix of between 15-20 companies listed on the Australian Securities Exchange with a range of market capitalisations and revenues and reflect a group of companies which Alesco may compete with or are in a similar industry to Alesco or to which Alesco may look to recruit and/or may be at risk of losing key executives.

While Fixed Annual Remuneration for KMPs is intended to incorporate costs incurred by the Company arising from the application of the *Fringe Benefits Tax Assessment Act 1986*, FBT related to city-based car parking is provided over and above FAR for relevant KMPs.

Alesco provides employees with access to defined contribution plans in Australia and New Zealand.

DIRECTORS' REPORT (CONTINUED)

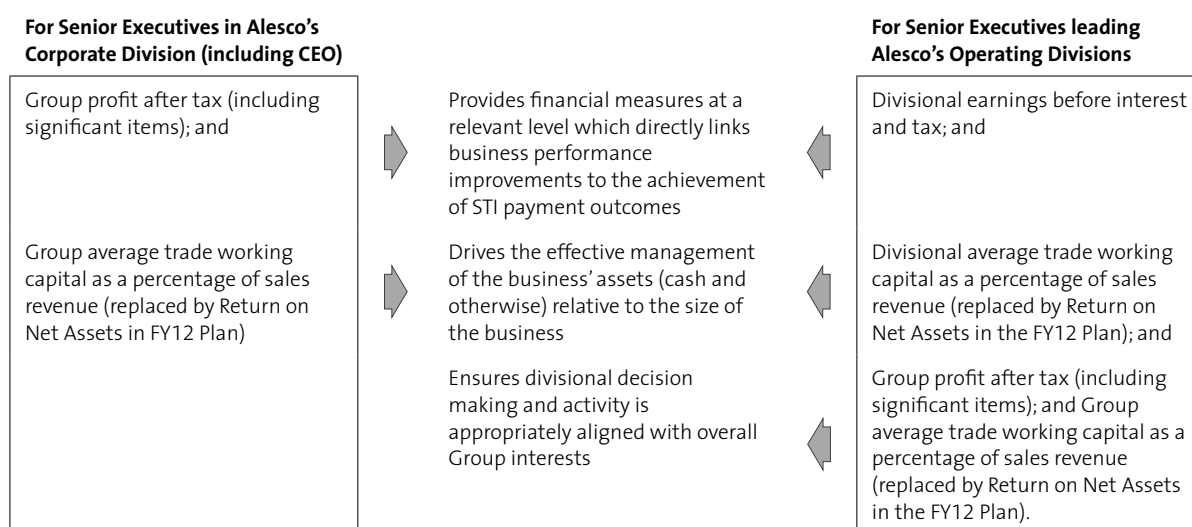
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2.2 Variable remuneration

Variable remuneration includes both short-term and long-term incentives and is designed to reward executives for improved business performance which benefits Alesco's shareholders.

2.2 (a) Short-term incentives

Alesco's Short Term Incentive Plan (STIP) rewards senior executives for delivering divisional and group financial performance in line with agreed annual business plans and targets. In FY11, these measures were:



Below senior executive levels, the STIP rewards key managers for delivering divisional, team and individual operational performance outcomes. Whilst up to half of the performance measures at these levels may be non-financial, all performance measures must be capable of objective and verifiable evaluation; contribute to achieving established business goals; and in FY11 demonstrated clear linkages with Alesco's operational improvement program, including restructuring and rationalisation, supply chain improvement, and strategic growth initiatives.

STIP targets for eligible employees are set based on job level and having regard to market conditions. Maximum incentive outcomes under the STIP are designed to deliver total cash remuneration in the upper quartile for the respective comparator group. The maximum STIP payment outcome achievable for the CEO is 100% of FAR, and for Senior Executives varies between 60% and 80%.

Under the STIP, target performance is, ordinarily, performance which meets agreed budgets and attracts 50% of an individual's maximum payment outcome. Payments under the STIP commence when 90% of target performance is achieved, and maximum payment outcomes result from performance at or above 110% of target performance.

The STIP runs on an annual basis aligned with Alesco's financial year. At the commencement of year, the Human Resources Committee reviews the STIP levels relevant to senior executives and key managers, and the proposed performance measures and associated weightings, and provides recommendations to the Board. At the conclusion of the year, the Human Resources Committee reviews the performance of the Group and divisions against the objective measures established at the beginning of the year, and recommend STIP payment outcomes for each eligible executive to the Board for approval. Payment of STI occurs upon the completion of this review and following the release to the market of the audited year-end financial results.

The Board retains discretion over the payment of awards under the STIP, and may exercise this discretion to cease to pay, or pay reduced awards, at an individual, divisional or group level. The Board also retains discretion in awarding payments to executives who retire or are retrenched during the performance period. No payments are made to executives who have their employment terminated for inadequate performance or misconduct before the end of the performance period.

DIRECTORS' REPORT (CONTINUED)

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2.2 (b) Long-term incentives

Legacy plans

Long-term incentives have in the past been provided to Alesco's senior executive and other eligible managers through equity-based plans under which participants receive shares in the Company. In prior years, two separate equity-based plans were in place for key executives (the Alesco Performance Share Acquisition Plan (**APSAP**) and the Alesco Management Share Plan (**AMSP**)) and, in FY10, an interim Cash Incentive Plan (**CIP**) was introduced. The purpose and details of these plans are provided in the Appendix to this report. Each of these plans were suspended prior to FY11, however, performance testing continues until 2010, 2011 and 2012 (respectively) for the final plan allocations. Details of current outstanding awards for each Long Term Incentive Plan are provided below:

	PLAN	ISSUE PRICE	VESTING PERIOD	PERFORMANCE HURDLE	PERFORMANCE STATUS	FINAL RELEASE DATE
2007	APSAP	\$11.28 and \$12.28	1 June 2007 – 31 May 2010	Alesco's compound annual EPSG to be in the range of 5% – 12%.	Performance hurdle not met.	31 May 2017
	AMSP	\$11.28		Alesco's compound annual EPSG equals or exceeds 5%.	Performance hurdle not met.	1 June 2017
2008	APSAP	\$6.79	1 June 2008 – 31 May 2011	Alesco's compound annual EPSG to be in the range of 0% – 10% from a starting base of 73.47 cents per share.	Performance hurdle not met.	31 May 2018
	AMSP			Alesco's compound annual EPSG equals or exceeds 3%.	Performance hurdle not met.	1 June 2018
2009	APSAP	\$4.8508	1 June 2009 – 31 May 2012	Alesco's compound annual EPSG to be in the range of 0% – 10% from a starting base of 45.30 cents per share.	Performance hurdle testing window has not yet been reached.	31 May 2019
	CIP	NA		EPSG in line with APSAP 2009; and, assessed separately, TSR as measured against the ASX 200 Index.	Performance hurdle testing window has not yet been reached.	NA

In line with Alesco's operational improvement program, Project Restore, senior executives have pursued a considerable change agenda, which has included taking decisive action to improve the overall profitability of the organisation's portfolio of assets. Despite delivering improvements across the business this year, those senior executives who have participated in the APSAP between 2006 and 2009 have outstanding Company loan balances which presently exceed the underlying value of Alesco shares. The Board has considered how to best develop a high performance culture in the senior executive team that will directly contribute to sustained improvement in value to shareholders. Consistent with its previous decisions in relation to Alesco's former CEO, Mr Justin Ryan, and other executives who have been made redundant or transferred to a new owner of a divested business, the Board has chosen to allow all outstanding APSAP loans held by participating senior executives who cease to be employed by Alesco in the future to remain outstanding for the original loan period of 10 years, instead of requiring repayment on or before the thirtieth day following the end of employment with Alesco. All loans remain in place and are to be paid in full by the executive at maturity. Shares issued under this plan continue to be subject to a holding lock, and the Board may exercise its discretion to reduce the outstanding loan balance to the market value of the shares where the loan value is greater when employment of the executive comes to an end. To date, the Board has not exercised this discretion and currently all outstanding loans remain payable.

DIRECTORS' REPORT (CONTINUED)

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In addition to the above-listed legacy plans, in 2008 the Board entered into agreements with senior executives to participate in an executive retention arrangement that would provide a one-off cash payment should the executive continue to be employed by Alesco on 31 May 2011. Participating executives who have met the employment condition will be paid an amount equalling 25% of their Fixed Annual Remuneration (as at 31 May 2008) in September 2011.

2010 plan

In FY11, shareholders approved the adoption of a new Long Term Incentive Plan, Alesco's Performance Rights Plan (PRP). The plan is designed to drive the achievement of strategic long-term business objectives that create value for shareholders, and to recognise and retain high performing executives.

The level of award was determined by reference to the individual's Fixed Annual Remuneration (in September 2010) and their job level. The maximum achievement level for the CEO is 100% of FAR, and up to 50% for executives. Grants were made in line with these award levels on 31 May 2011. The number of performance rights granted to individuals was determined by reference to the 30 day volume weighted average price (VWAP) of shares traded on the Australian Securities Exchange immediately before the date of the 2010 annual general meeting. The VWAP on 22 September 2010 was \$2.85.

The vesting of performance rights are subject to two performance hurdles, each of which accounts for 50% of the maximum award, and are assessed separately over a three-year period commencing 1 June 2010 and ending 31 May 2013:

	Net Earnings per Share Growth (EPSG)	Total Shareholder Return (TSR)
Measure	The compound annual growth in earnings per share where EPSG is the Company's reported profit after tax divided by the volume weighted average shares on issue for a 12 month period ended 31 May.	Total shareholder return performance as measured against the ASX Small Ordinaries Index.
Purpose	The EPSG hurdle is a measure of profitability, a direct determinant of dividends and, overall, a measure of Alesco's long-term success as it contains clear links to shareholder value creation.	The TSR hurdle allows the Company to benchmark itself against external market performance, directly linking executive reward to delivering competitive returns for shareholders. The ASX Small Ordinaries Index (XSO) represents the small cap members of the ASX 300 (i.e. excluding ASX 100 companies). The constituent group of the XSO is considered to appropriately reflect Alesco's market and competitive positioning.
Vesting	Vesting of performance rights commences when EPSG performance exceeds 0%. Awards vest on a pro rata basis to 10% EPSG where the maximum award is achievable. The 2010 EPSG base price is 19.2cps. (The EPSG base for the forthcoming 2011 grant is not disclosed in this report due to its direct relationship with current financial forecasts. This base takes a stretch position on prior year performance and will be disclosed in the 2012 Remuneration Report.)	The minimum ranking required for vesting is the 51st percentile of the peer group, at which point 50% of the TSR portion of the award vests. Maximum vesting occurs at the 75th percentile or above.

Given the cyclical nature of the building and construction sector, the hurdles will be re-tested one year after the end of the measurement period should the maximum award not vest at the end of the measurement period. This re-testing is based on performance over the four year period ending 31 May 2014.

Unvested performance rights lapse when an employee's employment with the Company has ceased before the end of the measurement period. Where an employee is ceasing employment as a Good Leaver (for instance, in the

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case of redundancy), the Board may use its discretion to determine that all or a portion of the unvested rights should vest.

There are no holding restrictions placed on shares awarded to an employee resulting from performance of the plan, however the Alesco Share Trading Policy applies restrictions to the owning and selling of Alesco shares including those accumulated as a result of the PRP. This policy also prohibits Directors and employees from using derivatives or other similar mechanisms to limit the economic risk of participating in entitlements held under any equity-based remuneration schemes. The Company monitors this by requiring Directors and executives to make annual declarations of their compliance with the Alesco Share Trading Policy.

Employee Share Plans

All permanent employees of the Company in Australia and New Zealand (other than Australian employees earning in excess of \$180,000 per annum) with more than one year of service may be offered participation in Alesco's Employee Share Plan (AESP). Under this plan, eligible employees may acquire up to \$1,000 worth of Alesco shares. Employees other than New Zealand employees generally can receive up to \$500 worth of Alesco ordinary shares for no consideration. Due to legislative requirements, New Zealand employees are required to pay a nominal amount for these shares. Shares issued under the AESP must be held for at least three years, or until the employee ceases employment.

The AESP commenced in Australia in 2002 (and one year later in New Zealand) to enable all employees to share in the rewards provided to Alesco's shareholders. Due to Alesco's financial performance in recent years, the Board has not made an AESP offer since 2009. Whilst it was the Board's stated intention that an offer be made to employees during FY11, a decision was made to not proceed with this offer given continued disappointing results. An award under the AESP will again be considered by the Board in FY12.

SECTION 3 – COMPANY PERFORMANCE OUTCOMES

A key underlying principle of Alesco's approach to executive remuneration is that it should demonstrate strong links to Group performance and shareholder returns. The Board considers the current performance-linked remuneration framework in place is aligned with shareholders interests and supports and drives the achievement of the Company's strategic objectives as well as motivating senior management to strive to achieve ongoing performance improvement.

Consistent with Alesco's challenging circumstances and disappointing financial results in recent years:

- Increases to Fixed Annual Remuneration were agreed for senior executives assuming new roles (either interim or permanent), and a market-based adjustment made to the salary of the Chief Information Officer, but otherwise salaries have been maintained at levels set in June 2008;
- A reduction in CEO Fixed Annual Remuneration occurred in FY10, upon appointment of a new CEO;
- Limited payments have been made to executives arising from performance in the STIP since FY08, with the exception of executives in divisional businesses which have exceeded agreed divisional performance hurdles;
- LTIP awards in 2007 and 2008 plans have been forfeited as a result of the Company not meeting performance hurdles;
- Hurdles for existing unvested LTIP grants remain difficult to meet. For instance, to meet the TSR hurdle of the 2010 CIP, the Company's relative TSR performance over the remainder of the performance period will need to firstly, recover its relative performance against companies in the ASX200 and then outperform those Companies, reversing the decline in share price and dividend performance over recent years;
- Remuneration outcomes for senior executives in FY10 and FY11 have been between 30.8% – 54.3% of total potential remuneration (i.e. the remuneration available to the executive when maximum performance is achieved in variable remuneration outcomes).

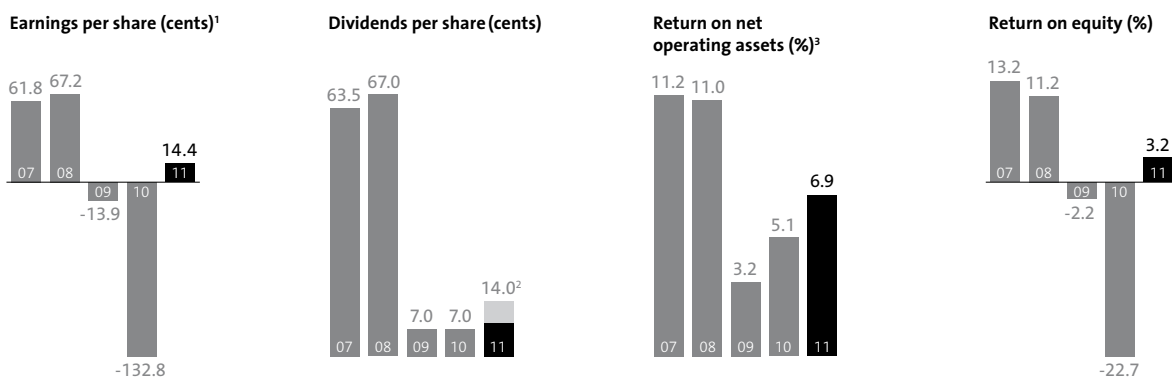
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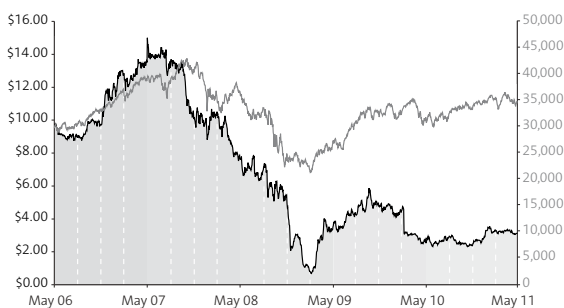
Supporting these remuneration outcomes is the performance-linked design of each element of Alesco's remuneration framework:

- Financial measures are the sole focus for the senior executive STIP in FY11, and a substantial focus (at least 50%) for other executives;
- The LTIP is driven by measures that reward participants only when value has been created for Alesco's shareholders:
 - **TSR** – Half the LTIP will vest only when the Company has delivered superior share price and dividend returns to shareholders over the performance period; and
 - **EPSG** – Half the LTIP will vest only where Company profitability is substantially improved.

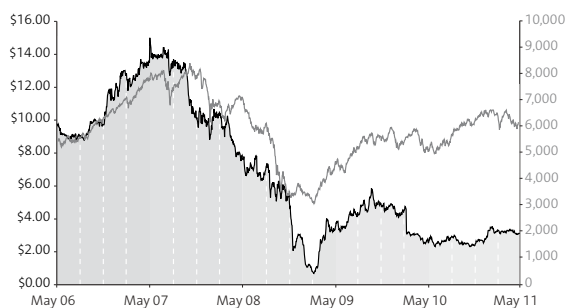
The charts below demonstrate the performance of the Group over the past five financial years:



Alesco Share Price (LHS) S&P/ASX 200 Accumulation Index (RHS)



Alesco Share Price (LHS) S&P/ASX Small Ords Accumulation Index (RHS)⁴



1. Post significant items.
2. Total dividends for the FY11 year include a special dividend of 5.5 cps.
3. Earnings before interest and tax divided by average net operating assets for continuing businesses.
4. This index represents the small cap members of the S&P/ASX 300 Index but excludes those in S&P/ASX 100 Index.

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SECTION 4 – EXECUTIVE REMUNERATION

Executive Contracts

It is the Alesco group's policy that service contracts for senior executives and managers are unlimited in term but capable of termination on at least one month's notice and up to 12 months' notice in the case of the Managing Director. The Alesco group retains the right to terminate the contract immediately by making a payment in lieu of notice. The senior executives (other than the Managing Director) identified in this report all have a notice period of between three – nine months.

Managing Director & Chief Executive Officer

Peter Boyd was appointed Managing Director and Chief Executive Officer of Alesco on 3 May 2010. A summary of the key terms of his contract is available on the Alesco website. The contract has no fixed term and the key elements of his remuneration package are:

Fixed Annual Remuneration	\$750,000
Short Term Incentive	An annual short-term incentive with a maximum payment outcome of 100% of Fixed Annual Remuneration based on the achievement of performance measures determined by the Board. In FY11, all measures were financial.
Long Term Incentive	An annual grant of Alesco shares equivalent to a maximum of 100% of Fixed Annual Remuneration based on the achievement of financial performance measures as determined by the Board. In FY11, performance rights were issued in place of shares.
Retention Payment	In line with the terms of an executive retention arrangement entered into in 2008 whilst in the role of Group General Manager Garage Doors & Openers, Mr Boyd will be paid an amount of \$125,000 in September 2011 as a result of meeting the relevant retention condition.
Notice period	The Company may terminate Mr Boyd's appointment for cause or by giving him 12 months' notice in writing, or a payment in lieu. For example, if this were to occur in FY12, Mr Boyd would be entitled to a termination payment of \$750,000.
Car parking	Mr Boyd is provided with an allocated car park at Alesco's Corporate Office in Sydney's CBD. The value of this parking benefit is \$4393 using the operating method of calculation under the <i>Fringe Benefits Tax Assessment Act 1986</i> . In FY11, the cost of this benefit has been assumed by the Company over and above Mr Boyd's Fixed Annual Remuneration.

Group General Manager Water Products & Services

The employment of Mr Wayne Powell was terminated by Alesco on 28 February 2011 as a result of the divestment of the Water Products and Services Division. Under his executive contract, Mr Powell was entitled to a termination payment equal to six months' pay (FAR), together with accrued statutory entitlements such as annual and long service leave. In addition to these entitlements, Mr Powell has been paid a pro-rata amount of \$66,058 relating to the achievement of an established performance target (divisional trade working capital) under the FY11 Short Term Incentive Plan.

In relation to outstanding LTI arrangements, Mr Powell participated in Alesco's CIP in 2009, and APSAP between 2006 and 2008, and was subject to retention arrangements agreed with the Board in 2008. In recognition of Mr Powell's substantial contribution to the Alesco business, with particular regard to leadership of the Scientific and Medical Division between 2003 and 2008 (which generated significant value for shareholders upon divestment in 2009), the Board has chosen to exercise the discretion available to it under the plan rules to pay 49% of Mr Powell's CIP grant, totalling \$143,941, and an amount of \$105,000 relating to the 2008 retention arrangements. Mr Powell chose to apply the after tax amount of this retention payment against his outstanding APSAP loans. Additionally, as permitted under the rules of the APSAP, the Board has chosen to allow Mr Powell's loans to remain outstanding for the original term of 10 years from the drawdown date of each loan.

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2011

General Manager Finance Water Products & Services

The employment of Mr Alan Fonseca was terminated by Alesco on 28 February 2011 as a result of the divestment of the Water Products and Services Division. Under his executive contract, Mr Fonseca was entitled to a termination payment equal to six months' pay (FAR), together with accrued statutory entitlements such as annual and long service leave. In addition to these entitlements, Mr Fonseca has been paid a pro-rata amount of \$50,330 relating to the achievement of an established performance target (divisional trade working capital) under the FY11 Short Term Incentive Plan.

In relation to outstanding LTI arrangements, Mr Fonseca participated in Alesco's CIP in 2009, and APSAP between 2006 and 2008, and was subject to retention arrangements agreed with the Board in 2008. In recognition of Mr Fonseca's substantial contribution to the Alesco business, both at a Corporate and divisional level, the Board has chosen to exercise the discretion available to it under the plan rules to pay 49% of Mr Fonseca's CIP grant, totalling \$109,670, and an amount of \$80,000 relating to the 2008 retention arrangements. Mr Fonseca chose to apply the after tax amount of this retention payment against his outstanding APSAP loans. Additionally, as permitted under the rules of the APSAP, the Board has chosen to allow Mr Fonseca's loans to remain outstanding for the original term of 10 years from the drawdown date of each loan.

Group General Manager Functional & Decorative Products

Mr Rob Guttentag ceased employment with Alesco on 15 March 2011. In accordance with Mr Guttentag's contract of employment, he received a termination payment of nine month's pay (FAR) and accrued statutory entitlements. Any rights under the FY10 Cash Incentive Plan were forfeited as a result of ceasing employment with Alesco.

Details of remuneration paid to KMPs

The table on the following page sets out the actual payments due to KMPs during the FY11 and FY10 periods as well as other benefits which did not deliver value to executives in these periods. These other benefits are included under the heading equity and includes accounting values for long-term incentive grants to KMPs which have not yet been realised (and may never be realised) as they are dependent on future market-based and Company-based performance hurdles being met. The actual payments to KMPs relating to the FY11 and FY10 periods (where relevant) appear in the sub-total column.

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2011

EXECUTIVES	SHORT-TERM		POST-EMPLOYMENT			CASH PAYMENT ENTITLEMENT			EQUITY			TOTAL		PROPORTION OF REMUNERATION - PERFORMANCE-RELATED ¹⁰		VALUE OF REMUNERATION - PERFORMANCE-RELATED ¹⁰ AS A PERCENTAGE OF REMUNERATION ¹⁰		
	SALARY AND FEES ¹	STI/CASH BONUS AWARD ²	NON-MONETARY BENEFITS ³	NON-ANNUATION BENEFITS ⁴	SUPER-ANNUATION BENEFITS ⁴	SUBTOTAL ⁵	TERMINATION BENEFITS ⁶	SHARE-BASED PAYMENT ⁷	LONG-TERM BENEFITS ⁸	OTHER BENEFITS ⁹	ACCELERATED SHARE PLAN EXPENSES ⁹	\$	\$	%	%	\$	%	
Current Executives																		
PJ Boyd	2011 725,862	-	4,393	24,138	24,138	754,393	-	-	30,124	-	-	784,517	-	n/c	n/c	-	-	-
CEO & Managing Director	2010 486,461	248,000	348	26,773	26,773	761,582	-	-	99,060	114,161	114,161	974,803	27.9%	27.9%	27.9%	-	-	-
NA Thompson	2011 534,862	-	4,393	15,138	15,138	554,393	-	(10,405)	38,493	-	-	582,481	-	n/c	n/c	-	-	-
Finance Director	2010 535,598	-	4,176	64,402	64,402	604,176	-	10,405	149,438	421,379	421,379	1,185,398	2.3%	2.3%	2.3%	0.9%	0.9%	0.9%
JBrennan¹¹	2011 386,094	-	32,178	50,000	50,000	468,272	-	-	165,351	-	-	633,623	-	n/c	n/c	-	-	-
GM Sales & Marketing, Functional & Decorative Products	2010 255,072	60,000	24,476	38,261	38,261	377,809	-	-	175,216	226,229	226,229	779,254	8.8%	8.8%	8.8%	-	-	-
SS Cox	2011 348,282	53,000	47,714	24,005	24,005	473,001	-	(21,021)	41,748	-	-	493,728	-	6.5%	6.5%	-	-	-
GGM Construction Products & Equipment	2010 366,563	-	27,366	26,071	26,071	420,000	-	21,021	116,593	461,095	461,095	1,018,709	2.1%	2.1%	2.1%	-	-	-
N Hopper¹²	2011 347,306	86,000	-	25,338	25,338	458,644	-	-	5,959	-	-	464,603	-	18.5%	18.5%	-	-	-
GGM B&D	2010 203,440	96,000	35,728	54,378	54,378	389,546	-	-	4,640	-	-	394,186	-	24.4%	24.4%	-	-	-
AZ Jokubaitis¹²	2011 335,852	-	4,452	50,016	50,016	390,320	-	-	6,253	-	-	396,573	-	-	-	-	-	-
GGM Automatic Technologies Australia	2010 334,862	-	-	15,138	15,138	350,000	-	-	5,581	-	-	355,581	-	-	-	-	-	-
RK Moriarty	2011 41,269	-	-	2,410	2,410	43,679	-	-	688	-	-	44,367	-	-	-	-	-	-
GGM Human Resources	2010 303,197	-	-	35,138	35,138	338,335	-	(16,016)	32,054	-	-	354,373	-	n/c	n/c	-	-	-
Chief Information Officer	2010 285,598	-	-	34,402	34,402	320,000	-	16,016	92,858	367,303	367,303	796,177	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
L Rafferty	2011 424,862	-	4,393	15,138	15,138	444,393	-	(22,022)	43,822	-	-	466,193	-	n/c	n/c	-	-	-
GGM Legal & Corporate Affairs	2010 425,598	-	4,176	14,402	14,402	444,176	-	22,022	121,570	482,040	482,040	1,069,808	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%
Former Executives																		
AJ Fonseca	2011 289,087	50,330	-	11,338	11,338	350,755	160,000	-	125,882	-	-	636,637	-	22.7%	22.7%	-	-	-
GGM Finance Water Products & Services	2010 368,361	-	22,925	12,605	12,605	403,891	360,000	-	(1,113)	-	-	762,778	-	n/c	n/c	-	-	-
RF Guttentag	2011 155,180	-	-	4,820	4,820	160,000	-	-	10,221	-	-	170,221	-	4.5%	4.5%	-	-	-
GGM Functional & Decorative Products	2010 307,840	66,059	25,168	18,401	18,401	417,468	210,000	-	164,564	-	-	792,032	-	24.0%	24.0%	-	-	-
WL Powell	2011 360,380	-	33,558	26,062	26,062	420,000	-	-	119,122	293,504	293,504	832,626	-	2.4%	2.4%	-	-	-
GGM Water Products & Services	2010 913,129	-	3,828	21,627	21,627	938,584	1,700,000	-	322,688	2,169,099	2,169,099	5,130,371	-	-	-	-	-	-
JJ Ryan¹³	2011 4,909,907	351,389	181,344	350,771	350,771	5,793,411	730,000	(69,464)	663,358	-	-	7,117,305	-	-	-	-	-	-
CEO & Managing Director	2010 3,824,848	308,000	97,928	259,230	259,230	4,490,006	1,700,000	69,464	1,207,454	4,534,810	4,534,810	12,001,734	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%
Total																		

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2011

Explanation of the table

1. Salary and fees represents base salary during the period. Amounts disclosed in the table represent the full expense in the relevant financial year.
2. The short-term incentive is a cash payment based on performance achieved during the relevant financial year in the performance measures set out on page 39.
3. Non-monetary benefits includes all amounts received as non-monetary benefits including motor vehicles which are salary sacrificed as part of an individual's Fixed Annual Remuneration, as well as Fringe Benefits Tax amounts. FBT amounts related to city based car parking have been included in FY10 and FY11 for relevant KMPs. This amount was not reported in prior years.
4. Superannuation benefits represent superannuation guarantee contribution (SGC) at 9% superannuation capped at the statutory threshold and includes salary sacrificed amounts.
5. Sub-total equals cash payment entitlements due to KMPs in respect of FY11 remuneration.
6. Termination benefits means any termination payment paid to a KMP during the period.
7. Share-based payment represents the value of tranches of new shares issued by the Company under the LTI plans during 2007-2009 (2010 figures) and 2008-2010 (2011 figures).
8. Other long-term benefits includes the value of long service leave accrual, the value of the interest free benefit from participation in the APSAP, the 2009 Cash Incentive Plan and retention payments (including the cash component of the 2008 LTIP). This amount is the value attributable to the FY11 period.
9. In accordance with Australian Accounting Standards, Alesco accelerated a non-cash accounting expense of \$5.1 million relating to the benefit of interest free loans granted to participants under the Alesco Performance Share Acquisition Plan (APSAP). While this acceleration impacted FY10 financial results, its impact is reversed in future years with the Company progressively recognising the notional interest income over the remaining period of the loans. As a result, there is an overall net zero impact in FY11.
10. n/c means non-calculable.
11. J Brennan was classified as a KMP from 1 June 2009 to 3 February 2010, and FY10 remuneration details are included for that period only.
12. N Hopper and AZ Jokubaitis are classified as KMPs for the full reporting period.
13. JJ Ryan was a KMP during FY10 prior to his resignation on 2 May 2010. Remuneration details for Mr Ryan are included only in tables relevant to FY10 KMPs.

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2011

Incentive payments included in compensation

This table sets out the details of the short-term incentive payments awarded as compensation to, or forfeited by, each key management personnel as a result of the application of the FY11 Short Term Incentive Plan (the sole source of short-term incentive payments during the performance period).

EXECUTIVES	MAXIMUM PAYMENT OUTCOME (\$)	ACTUAL PAYMENT OUTCOME (\$)	% PAID	% NOT PAID
PJ Boyd	750,000	0	0	100
J Brennan	352,000	0	0	100
SS Cox	336,000	53,000	15.8	84.2
N Hopper	176,128	86,000	48.8	51.2
AZ Jokubaitis	164,025	96,000	58.5	41.5
RW Lewis	308,000	0	0	100
RK Moriarty	280,000	0	0	100
BJ O'Connor	270,667	0	0	100
L Rafferty	352,000	0	0	100
NA Thompson	440,000	0	0	100
FORMER EXECUTIVES				
AJ Fonseca	192,000	50,330	26.2	73.8
RF Guttentag	288,000	0	0	100
WL Powell	252,000	66,059	26.2	73.8
Total		351,389		

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2011

Analysis of LTI incentives

EXECUTIVES	GRANTED			% VESTED IN YEAR	% FORFEITED IN YEAR	FINANCIAL YEAR VESTING	VALUE YET TO VEST	
	NUMBER	\$	DATE				MINIMUM \$	MAXIMUM \$
PJ Boyd								
– AMSP 2006	20,000		Mar 2007	0	100	2009	–	–
– APSAP 2007	26,426		Jun 2007	0	100	2010	–	–
– AMSP 2008	51,503		Sep 2008	0	100	2011	–	–
– 2008 Cash LTI		125,000	Nov 2008	100	0	2011	–	–
– CIP 2009		350,000	Nov 2009	n/a	n/a	2012	0	350,000
– PRP 2010 – TSR ¹	131,579	144,737	May 2011	n/a	n/a	2013	0	144,737
– PRP 2010 – EPSG ¹	131,579	236,447	May 2011	n/a	n/a	2013	0	405,263
Total	361,087	856,184					0	900,000
J Brennan								
– APSAP 2007	18,616		Nov 2007	0	100	2009	–	–
– APSAP 2008	45,323		Sep 2008	0	100	2011	–	–
– 2009 Cash bonus ²		182,139	Nov 2009	100	0	2011	–	–
– 2009 Cash bonus ²		182,139	Nov 2009	n/a	n/a	2012	0	182,139
– 2008 Cash LTI		110,000	Nov 2008	0	100	2011	–	–
– CIP 2009		125,861	Nov 2009	n/a	n/a	2012	0	125,861
– PRP 2010 – TSR ¹	15,439	16,983	May 2011	n/a	n/a	2013	0	16,983
– PRP 2010 – EPSG ¹	15,438	27,742	May 2011	n/a	n/a	2013	0	47,549
Total	94,816	644,864					0	372,532
SS Cox								
– APSAP 2006	21,025		Oct 2006	0	100	2009	–	–
– APSAP 2007	23,581		Nov 2007	0	100	2010	–	–
– APSAP 2008	43,263		Sep 2008	0	100	2011	–	–
– APSAP 2009	60,609		Nov 2009	n/a	n/a	2012	0	308,304
– 2008 Cash LTI		105,000	Nov 2008	100	0	2011	–	–
– PRP 2010 – TSR ¹	36,842	40,525	May 2011	n/a	n/a	2013	0	40,526
– PRP 2010 – EPSG ¹	36,842	66,205	May 2011	n/a	n/a	2013	0	113,473
Total	222,162	211,730					0	462,303
N Hopper								
– AMSP 2008	2,300		Sep 2008	0	100	2011	–	–
– PRP 2010 – TSR ¹	18,948	20,843	May 2011	n/a	n/a	2013	0	20,843
– PRP 2010 – EPSG ¹	18,947	34,048	May 2011	n/a	n/a	2013	0	58,357
Total	40,195	54,891					0	79,200
AZ Jokubaitis								
– AMSP 2008	1,000		Sep 2008	0	100	2011	–	–
– PRP 2010 – TSR ¹	12,198	13,418	May 2011	n/a	n/a	2013	0	13,418
– PRP 2010 – EPSG ¹	12,197	21,918	May 2011	n/a	n/a	2013	0	37,567
Total	25,395	35,336					0	50,985
RW Lewis								
– AMSP 2008	2,450		Sep 2008	0	100	2011	–	–
– PRP 2010 – TSR ¹	33,772	37,149	May 2011	n/a	n/a	2013	0	37,149
– PRP 2010 – EPSG ¹	33,772	60,688	May 2011	n/a	n/a	2013	0	104,018
Total	69,994	97,837					0	141,167
RK Moriarty								
– CIP 2009	0	30,000	Apr-10	n/a	n/a	2012	0	30,000
Total	0	30,000					0	30,000

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2011

EXECUTIVES	GRANTED					VALUE YET TO VEST		
	NUMBER	\$	DATE	% VESTED IN YEAR	% FORFEITED IN YEAR	FINANCIAL YEAR VESTING	MINIMUM \$	MAXIMUM \$
BJ O'Connor								
- APSAP 2006	20,325		Oct 2006	0	100	2009	-	-
- APSAP 2007	18,927		Nov 2007	0	100	2010	-	-
- APSAP 2008	32,963		Sep 2008	0	100	2011	-	-
- APSAP 2009	46,178		Nov 2009	n/a	n/a	2012	0	234,897
- 2008 Cash LTI		80,000	Nov 2008	100	0	2011	-	-
Total	118,393	80,000					0	234,897
L Rafferty								
- APSAP 2006	21,025		Oct 2006	0	100	2009	-	-
- APSAP 2007	23,581		Nov 2007	0	100	2010	-	-
- APSAP 2008	47,384		Sep 2008	0	100	2011	-	-
- APSAP 2009	63,495		Nov 2009	n/a	n/a	2012	0	322,985
- 2008 Cash LTI		110,000	Nov 2008	100	0	2011	-	-
- PRP 2010 - TSR ¹	38,597	42,456	May 2011	n/a	n/a	2013	0	42,456
- PRP 2010 - EPSG ¹	38,596	69,357	May 2011	n/a	n/a	2013	0	118,876
Total	232,678	221,813					0	484,317
NA Thompson								
- APSAP 2006	25,931		Oct 2006	0	100	2009	-	-
- APSAP 2007	40,000		Nov 2007	0	100	2010	-	-
- APSAP 2008	30,000		Sep 2008	0	100	2011	-	-
- APSAP 2009	30,000		Nov 2009	n/a	n/a	2012	0	152,603
- 2008 Cash LTI		137,500	Nov 2008	100	0	2011	-	-
- CIP 2009		239,476	Nov 2009	n/a	n/a	2012	0	239,476
- PRP 2010 - TSR ¹	48,246	53,070	May 2011	n/a	n/a	2013	0	53,070
- PRP 2010 - EPSG ¹	48,245	86,696	May 2011	n/a	n/a	2013	0	148,595
Total	222,422	516,742					0	593,744
Former Executives								
A Fonseca								
- APSAP 2006	18,222		Oct 2006	0	100	2009	-	-
- APSAP 2007	18,616		Nov 2007	0	100	2010	-	-
- APSAP 2008	32,963		Sep 2008	0	100	2011	-	-
- 2008 Cash LTI		80,000	Nov 2008	100	0	2011	-	-
- CIP 2009		224,000	Nov 2009	49	51	2011	-	-
Total	69,801	304,000					0	0
RF Guttentag								
- CIP 2009		112,000	Feb 2010	0	100	2011	-	-
Total	0	112,000					0	0
WL Powell								
- APSAP 2006	21,025		Oct 2006	0	100	2009	-	-
- APSAP 2007	22,340		Nov 2007	0	100	2010	-	-
- APSAP 2008	43,263		Sep 2008	0	100	2011	-	-
- 2008 Cash LTI		105,000	Nov 2008	100	0	2011	-	-
- CIP 2009		294,000	Nov 2009	49	51	2011	-	-
Total	86,628	399,000					0	0

- For the 2010 PRP plan, the number of rights represents the maximum number of shares to which executives would be entitled if the performance and service conditions are satisfied. As outlined above, there are two performance criteria for PRP; Earnings Per Share Growth (EPSG) and Total Shareholder Return (TSR). The minimum potential value of the entitlements under the PRP is nil. The estimated fair value of the share rights is \$1.10 per share right under the EPSG performance criteria and \$1.80 per share right under the TSR performance criteria. The grant date of the shares was 30 May 2011. The closing share price for the Group's ordinary shares on the ASX at 30 May 2011 was \$3.08.
- This payment relates to retention arrangements agreed in 2009 upon commencement in a newly created executive role.

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2011

Senior Executive Performance Share Acquisition Plan – financial year 2011

This table provides details related to APSAP loans for FY11 KMIPs.

	TOTAL SHARES HELD AT 1 JUNE 2010	NUMBER	CARRYING VALUE OF LOANS HELD AT 1 JUNE 2010 ¹	\$	SHARES GRANTED DURING YEAR	NUMBER	PRESENT VALUE OF LOAN GRANTED DURING THE YEAR ¹	\$	LOANS ADJUST- MENTS	\$	REPAY- MENTS MADE	\$	UNWIND OF INTEREST- FREE ELEMENT OF LOAN ²	\$	TOTAL SHARES HELD AT 31 MAY 2011	NUMBER	VALUE OF LOANS FORGIVEN DURING YEAR	\$	CARRYING VALUE OF LOANS AT 31 MAY 2011 ¹	\$	FACE VALUE OF LOANS AT 31 MAY 2011	\$
Executive Directors																						
PJ Boyd	26,426		158,499		-		-				(303)		16,110		26,426		-		174,306		308,567	
NA Thompson	125,931		503,514		-		-				(1,444)		51,599		125,931		-		553,669		999,948	
Executives																						
J Brennan	63,939		243,268		-		-				(733)		24,962		63,939		-		267,497		500,893	
SS Cox	148,478		492,743		-		-				(1,702)		50,755		148,478		-		541,796		1,016,607	
BJ O'Connor	118,393		402,271		-		-				(1,357)		41,407		118,393		-		442,321		822,981	
L Rafferty	155,485		511,473		-		-				(1,783)		52,697		155,485		-		562,387		1,057,932	
Former Executives																						
A Fonseca	69,801		296,075		-		-				(43,600)		66,397		69,801		-		318,872		537,224	
WL Powell	86,628		362,645		-		-				(57,168)		84,502		86,628		-		389,979		657,152	

1. Amounts shown are at present value, and are therefore net of any performance discount expected to be achieved and the interest free element of the loan.

2. This amount is the value of the notional interest income recognised by the Company on the loan balance.

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2011

Senior Executive Performance Share Acquisition Plan – financial year 2010

This table provides details related to APSAP loans for FY10 KMPS.

	TOTAL SHARES HELD AT 1 JUNE 2009	CARRYING VALUE OF LOANS HELD AT 1 JUNE 2009 ¹	SHARES GRANTED DURING YEAR	PRESENT VALUE OF LOAN GRANTED DURING THE YEAR ¹	LOANS ADJUSTMENTS	REPAYMENTS MADE	UNWIND OF INTEREST-FREE ELEMENT OF LOAN	SHARES HELD ON RETIREMENT	TOTAL SHARES HELD AT 31 MAY 2010	VALUE OF LOANS FORGIVEN DURING YEAR	CARRYING VALUE OF LOANS AT 31 MAY 2010 ¹	FACE VALUE OF LOANS AT 31 MAY 2010
	NUMBER	\$	NUMBER	\$	\$	\$	\$	NUMBER	NUMBER	\$	\$	\$
Executive Directors												
PJ Boyd	26,426	236,071	–	–	(99,953)	(2,828)	25,209	–	26,426	–	158,499	308,869
NA Thompson	95,931	654,105	30,000	74,475	(290,643)	(11,870)	77,447	–	125,931	–	503,514	1,001,392
Executives												
J Brennan	63,939	363,563	–	–	(152,726)	(6,841)	39,272	–	63,939	–	243,268	501,626
SS Cox	87,869	544,506	60,609	150,461	(264,412)	(12,645)	74,833	–	148,478	–	492,743	1,018,310
BJ O'Connor	72,215	453,627	46,178	114,636	(216,892)	(10,198)	61,098	–	118,393	–	402,271	824,339
WL Powell	86,628	535,285	–	–	(220,688)	(9,269)	57,317	–	86,628	–	362,645	714,320
L Rafferty	91,990	563,486	63,495	157,625	(274,138)	(13,240)	77,740	–	155,485	–	511,473	1,059,714
Former Executive												
JJ Ryan ²	443,942	2,829,486	257,689	639,709	(1,328,095)	(61,288)	372,394	–	701,631	–	2,452,206	4,971,803

1. Amounts shown are at present value, and are therefore net of any performance discount expected to be achieved and the interest free element of the loan.

2. JJ Ryan was a KMP during FY10 prior to his resignation on 2 May 2010. Remuneration details for Mr Ryan are included only in tables relevant to FY10 KMPS.

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2011

SECTION 5 – NON-EXECUTIVE DIRECTORS' REMUNERATION

Fees payable to Non-Executive Directors are determined within the maximum aggregate amount approved by shareholders. The current maximum aggregate amount of \$1,000,000 per annum (excluding any superannuation contributions required by law) was last approved by shareholders at the 2006 annual general meeting. The remuneration of the Non-Executive Directors is not linked to the performance of the Company in order to maintain independence and impartiality. Non-Executive Directors do not participate in any incentive or equity-based plans.

The Directors' fees are reviewed annually through the Human Resources Committee. A formal review was last conducted in January 2008 through external and independent compensation advisers Godfrey Remuneration Group based on available data on fees payable to Directors of companies of a similar size. The Non-Executive Directors' fees were last increased on 1 February 2008. There was no increase in Non-Executive Directors' fees during FY11, however changes to Committee participation are reflected in compensation changes for some Non-Executive Directors. The Chairman does not participate in discussions relating to the determination of his own fees.

Total (annualised) fees paid to Non-Executive Directors in FY11 amounted to \$821,538. Currently, the Non-Executive Directors' fees are as follows:

ROLE	DIRECTORS' FEES (ANNUALISED) ¹
Chairman's fees	\$250,000 ²
Non-Executive Directors base fees	\$100,000
Chairman of the Audit & Compliance Committee	\$27,250
Audit & Compliance Committee members	\$13,625
Chairman of the Human Resources Committee	\$10,900
Human Resources Committee members	\$7,630
Chairman of the Safety, Health and Environment Committee	\$10,900
Safety, Health and Environment Committee members	\$7,630
Chairman of the Nominations Committee	nil
Nominations Committee members	nil

1. Inclusive of superannuation.
2. Inclusive of all Committee fees.

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2011

Details of Non-Executive Directors compensation

DIRECTORS ¹		SHORT-TERM			POST-EMPLOYMENT			EQUITY			OTHER BENEFITS			TOTAL		
		SALARY AND FEES \$	STI/CASH BONUS \$	NON-MONETARY BENEFITS \$	SUPER-ANNUATION BENEFITS \$	RETIREMENT BENEFITS \$	SHARE-BASED PAYMENT \$	TERMINATION \$	LONG-TERM BENEFITS \$	OTHER \$	PROPORTION OF REMUNERATION ANCE-RELATED %	PROPORTION OF REMUNERATION PERFORMANCE-RELATED %	VALUE OF SHARES AS OF REMUNERATION %			
MB Luby	2011	234,862	-	-	15,138	-	-	-	-	-	-	-	250,000	-	-	
Chairman	2010	184,837	-	-	25,905	-	-	-	-	-	-	-	210,742	-	-	
RM Aitken	2011	108,743	-	-	9,787	-	-	-	-	-	-	-	118,530	-	-	
	2010	107,743	-	-	9,697	-	-	-	-	-	-	-	117,440	-	-	
JW Hall	2011	116,743	-	-	10,507	-	-	-	-	-	-	-	127,250	-	-	
	2010	116,743	-	-	10,507	-	-	-	-	-	-	-	127,250	-	-	
RV McKinnon	2011	104,243	-	-	9,382	-	-	-	-	-	-	-	113,625	-	-	
	2010	104,243	-	-	9,382	-	-	-	-	-	-	-	113,625	-	-	
EJ Pope	2011	91,230	-	-	27,300	-	-	-	-	-	-	-	118,530	-	-	
	2010	87,530	-	-	31,000	-	-	-	-	-	-	-	118,530	-	-	
JA Tait ²	2011	85,874	-	-	7,729	-	-	-	-	-	-	-	93,603	-	-	
Former Director																
SP Wareing ³	2010	60,473	-	-	28,094	-	-	-	-	-	-	-	88,567	-	-	
Total	2011	741,695	-	-	79,843	-	-	-	-	-	-	-	821,538	-	-	
	2010	661,569	-	-	114,585	-	-	-	-	-	-	-	776,154	-	-	

1. Non-Executive Directors do not participate in any STI and LTI arrangements.

2. JA Tait commenced on 3 August 2010.

3. SP Wareing retired as a Non-Executive Director on 23 September 2009. He received a retirement benefit payment of \$257,850. This entitlement was frozen at 31 May 2004 following the decision by the Board in 2003 to discontinue the policy of retirement benefits for Non-Executive Directors in preference for payment of Directors' fees only.

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2011

APPENDIX – OVERVIEW OF LEGACY LONG TERM INCENTIVE PLANS

ALESICO PERFORMANCE SHARE ACQUISITION PLAN (APSAP)			
History	The Company first implemented the APSAP for its most senior executives in 2006 and made offers to participants on an annual basis until the final offer was made in 2009, after which time the plan was suspended. All details outlined below relate to the final offer under this plan.		
Operation of the 2009 APSAP	Loans were provided to the key management personnel to fund the acquisition of ordinary fully paid shares in the Company at \$4.8508 per share (the issue price at the time of allocation). Ownership in the shares vested immediately with the senior executive and although the loans are interest-free, they are full recourse loans.		
Participation	Key management personnel approved by the Board. Participation in the plan was voluntary. In 2009, participants could elect to participate in the CIP rather than the APSAP.		
Offer timing	Grants were made following the release of the FY09 results on or about 2 November 2009 to key management personnel, approved by the Board.		
Reasons why performance conditions were chosen	The performance condition was driven around earnings per share growth (before amortisation of intangibles and significant items) (EPSG) over a three year measurement period. This measure was chosen principally because it is a measure of profitability, is a direct determinant of dividends and, overall, is a measure of Alesco's long-term success as it contains clear links to shareholder value creation. This measure provides an incentive for decisions to be made with regard to long term performance outcomes over three financial years and seeks to lock-in high performing employees with deferred vesting of a three year period.		
Achievement levels	Loans provided: <ul style="list-style-type: none"> • for executives were in amounts up to 70% of FAR; and • for the Chief Executive (i.e. the Chief Executive at the time of the grant) in amounts up to 125% of FAR. 		
Restriction period	The shares issued under the APSAP are subject to a holding lock which will apply until the later of the third anniversary of the grant date and the date the loan relating to the shares has been fully repaid. The Plan rules provide that the loan must be repaid by no later than the 10th anniversary of the issue date of the shares or within 30 days after cessation of employment, subject to the discretion of the Board. In FY11, a decision was made to allow all outstanding APSAP loans held by participating senior executives who cease to be employed by Alesco in the future to remain outstanding for the original loan period of 10 years, instead of requiring repayment on or before the thirtieth day following the end of employment with Alesco.		
Awards	Awards are earned in the form of either cash bonuses (with the after tax amount used to pay down the outstanding loan) or loan waivers. The awards are subject to the performance hurdle which then determines the extent of the cash bonus or loan waiver granted. The amount of the award granted, if any, will be an amount equal to or less than 53.5% of the amount of the relevant loan depending on the level of performance against the performance hurdle.		
Performance conditions	The performance hurdle required EPSG for the period from 1 June 2009 to 31 May 2012 to be in the range of 0% – 10%. In determining this EPSG, the base number used was determined based on target and stretch amounts approved by the Board having regard to the future plans and objectives of the Company and the base number was set at 45.30 cents per share. The 2009 performance condition will be measured following the release of the FY13 audited financial results.		
Measurement	EPS Growth over the Measurement Period	% of Maximum Award	Amount of Loan reduction as % of Initial Loan to acquire Shares*
	<0%	0%	0%
	>0% and <5%	Pro-rata	Pro-rata
	5%	66.7%	35.67%
	>5% and <10%	Pro-rata	Pro-rata
	10% or>	100%	53.5%
	*assumes a highest marginal tax rate of 46.5% (inclusive of Medicare levy).		

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2011

ALESKO PERFORMANCE SHARE ACQUISITION PLAN (APSAP) (continued)	
Treatment of dividends	Any dividends paid by the Company on a post-tax basis (using the highest marginal tax rate, including Medicare levy and the benefit of any imputation credits) will be applied to reduce the loan balance.
Sales restrictions post vesting	Shares may be sold provided the loan relating to the shares has been fully repaid (or the proceeds from the sale will be used to repay the loan) and in accordance with the Company's Share Trading Policy.
Treatment of awards on cessation of employment	<p>The Rules of the Plan provide that a participant who ceases to be employed (through resignation, retrenchment or other Company initiated termination other than for cause) prior to the performance condition being met will be required to repay the outstanding loan amount in full within 30 days of cessation of employment, or longer at the discretion of the Board. Ownership of the shares remains with the participant. All rights to an award are forfeited except to the extent otherwise determined by the Board. If the outstanding loan balance is greater than the market value of the shares at the date of cessation, the Board may exercise its discretion and reduce the outstanding loan balance to the market value of the shares.</p> <p>In the case of death or total permanent disability (TPD), the Board will determine the extent to which an award will be granted and the outstanding loan balance is repayable in full within 12 months of death or determination of TPD. If the outstanding loan balance is greater than the market value of the shares at the date of death or TPD, the Board will reduce the outstanding loan balance to the market value of the shares.</p>
Treatment of awards on change of control	If a change of control in the Company occurs whereby more than 50% of the issued capital is acquired by a third party, the award will be determined to be the maximum amount possible and granted upon the change of control event. If the Board so determines the participant may sell the shares to the bidder in which case the outstanding loan balance is repayable in full within 30 days of the sale. If the outstanding loan balance is greater than the market value of the shares at the date of the sale, the Board will reduce the outstanding loan balance to the market value of the shares.
Other restrictions	The Company has in place a policy prohibiting Directors and employees from using derivatives or other similar mechanisms to limit the economic risk of participating in entitlements held under any equity-based remuneration schemes. Any trading of Alesco shares must be in accordance with the Alesco Share Trading policy.

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2011

ALESKO MANAGEMENT SHARE PLAN (AMSP)	
History	<p>The Alesco Management Share Plan (AMSP) was in place from 2002. Eligible employees could participate in two ways:</p> <ul style="list-style-type: none">• Remuneration Shares: senior managers could elect to purchase Alesco shares with pre-tax remuneration (subject to local legislation) or bonuses;• Incentive Shares: offered at the discretion of the Board and subject to the satisfaction of specific performance conditions. <p>The AMSP was suspended in 2009 following changes to share plans announced in the Federal Budget in May 2009 and no offers were made to participants.</p> <p>All details outlined below relate to the final offer under this plan (2008).</p>
Grant timing	<p>Offers were made following the release of the FY2008 results with grants being made on 1 September 2008.</p>
Restriction period	<p>Shares issued under the AMSP are held by a trustee and have a three-year holding lock. This trading lock is only released and the shares transferred to the participant once the relevant performance condition has been met and the participant calls for the shares. If the participant does not call for the vested shares they will be released 10 years after the allocation date.</p>
Reasons why performance conditions were chosen	<p>The performance condition was driven around earnings per share growth (before amortisation of intangibles and significant items). This measure was chosen principally because it is a measure of profitability, is a direct determinant of dividends and, overall, is a measure of Alesco's long term success as it contains clear links to shareholder value creation.</p>
Performance conditions	<p>For senior executives, the performance hurdle requires Alesco's compound annual growth rate in earnings per share (before amortisation of intangibles and significant items) (EPSG) for the period from 1 June 2008 to 31 May 2011 to be in the range of 0 – 10%. In EPSG, the base number to be used was set at 73.47 cents per share.</p> <p>In the case of senior managers and managers, the performance hurdle requires Alesco's EPSG (before amortisation of intangibles and significant items) for the period 1 June 2008 to 31 May 2011 to equal or exceed 3%. In determining EPSG, the base number to be used is 75.02 cents per share. If this performance hurdle is achieved, the Incentive Shares will vest on the date after the FY2011 audited financial results are realised to the ASX.</p>
Treatment of dividends	<p>Participants are entitled to receive any dividends paid by the Company during the vesting period.</p>
Sales restrictions post vesting	<p>The participant may request that any shares which have vested be transferred to the participant. The participant is permitted to sell these shares in accordance with the Company's Share Trading Policy.</p>
Treatment of awards on cessation of employment	<p>Generally, a participant who ceases to be employed (through resignation, retrenchment or other Company initiated termination other than for cause) prior to the performance condition being met will forfeit rights to their incentive shares. Any vested shares credited to the participants account will be released to the participant.</p>
Other restrictions	<p>The Company has in place a policy prohibiting Directors and employees from using derivatives or other similar mechanisms to limit the economic risk of participating in entitlements held under any equity-based remuneration schemes. The Company monitors this by requiring Directors and KMPs to make annual declarations of their compliance with the Alesco Share Trading Policy.</p>

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2011

CASH INCENTIVE PLAN (CIP)	
History	The CIP was introduced in 2009 as an interim measure and as an alternative to the APSAP. Key management personnel as approved by the Board were offered the opportunity of receiving a cash bonus payment less applicable tax subject to certain performance hurdles being achieved over the measurement period.
Grant timing	Grants were made in November 2009 following release of the FY09 audited financial results and completion of the performance and remuneration review process.
Achievement levels	Achievement levels are: <ul style="list-style-type: none">• for executives up to 70% of FAR; and• for the Chief Executive up to 125% of FAR (ie, the Chief Executive at the time of the grant).
Measurement period	Three years commencing from 1 June 2009 until 31 May 2012.
Reasons why performance conditions were chosen	The performance conditions comprising a mix of Company-based and market-based based performance are focussed on Alesco's earnings per share growth (before amortisation of intangibles and significant items) (EPSG) and total shareholder returns (TSR) over a three year period commencing from 1 June 2009 until 31 May 2012 (Measurement Period). The EPS Growth hurdle was chosen principally because they are a measure of profitability, a direct determinant of dividends and, overall, a measure of Alesco's long-term success as it contains clear links to shareholder value creation. TSR was introduced to allow the Company to benchmark itself against external market performance reflecting current market practice. At the time of the grant, the Company was part of the ASX 200 Index and the TSR measure provided a direct link between the vesting of the CIP and shareholder returns.

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2011

CASH INCENTIVE PLAN (CIP) (continued)

Performance conditions The **EPSG** hurdle is the same hurdle under the APSAP being Alesco's compound annual growth rate in earnings per share (before amortisation of intangibles and significant items) for the Measurement Period. In determining this compound annual growth rate, the base number used was determined based on target and stretch amounts approved by the Board having regard to the group budget. The base number used for the FY10 offer was 45.30 cents per share. The percentage of Maximum EPS Award specified in the right hand column of the table below relates to the maximum award to which participants are entitled in respect of Alesco's EPS Growth (i.e. 50% of the Maximum Total Award).

EPS Growth over the Measurement Period	% of maximum EPS award
<0%	No incentive payment
>0% and <5%	Pro-rata
5%	66.7%
>5% and <10%	Pro-rata
10% or >	100%

The TSR hurdle was introduced in the CIP plan and is based on a comparison of Alesco's TSR with the TSR of the constituents of the ASX 200 Index. In order for any award to vest, the Company's TSR must be equal to or greater than the median TSR performance of the comparator group. The comparator group is the constituent companies of the ASX/S&P 200 Index as defined at the commencement of the performance period.

The threshold hurdle will be the 51st percentile at which 50% of the total shareholder returns related incentive will vest. At the 75th percentile, 100% of the total shareholder returns related incentive will vest, with a linear progression between the two points. The percentage of Maximum TSR Award specified in the right hand column in the table below relates to the maximum award which KMPs can be entitled in respect of Alesco's performance against the TSR hurdle (i.e. 50% of the Maximum Total Award).

TSR over the Measurement Period	% of maximum TSR award
>0 and <50 percentile of the ASX 200 Index	No incentive payment
51st percentile	50%
>51st percentile and <75th percentile	Pro-rata
75th percentile or >	100%

The TSR hurdle and EPS Growth hurdle are assessed separately and participants do not need to achieve both the TSR hurdle and the EPS Growth hurdle in order to be entitled to a payment under the CIP; that is if the TSR hurdle is achieved but the EPS Growth hurdle is not (or vice versa), participants are still entitled to be paid an amount up to a maximum of 50% of the Maximum Total Award, depending on the performance against the TSR hurdle or EPS Growth hurdle, as applicable. If the Company's performance against both the EPS Growth hurdle and the TSR hurdle is less than the minimum threshold specified below, no incentive will vest.

Treatment of awards on cessation of employment	Participants will not be entitled to any payment under the CIP if they are not employed by a member of the Alesco Group on 31 May 2012, except in the special circumstances as determined by the Board.
Other restrictions	Not applicable.

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2011

Lead auditor's independence declaration under section 307C of the *Corporations Act 2001*

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* can be found on page 139 and forms part of this Directors' Report.

Signed in accordance with a resolution of the Directors.



MB LUBY

26 July 2011