



2004 ANNUAL GENERAL MEETING

Wednesday 22 September 2004
AGL Theatre, Museum of Sydney

Chairman's Address

Introduction

Good afternoon ladies and gentlemen and welcome to the 93rd Alesco Annual General Meeting.

My name is Sean Wareing and I am your Chairman. It is very pleasing to be able to present to you a third consecutive year of record results.

I would like to introduce you to your directors, and they are, from your left Don Watt, David Scanlan, Rob Aitken, Barry Jackson and our managing director, Kevin Clarke. Also with us today are the Chief Financial Officer Alan Fonseca and our Company Secretary, Luci Rafferty.

Financial performance

Turning to the results for the year, I am pleased to present another year of record results with earnings per share before goodwill amortisation and significant items a record 54.2 cents per share. This is an increase of 27% compared to last year's 42.7 cents per share. Net profit after tax increased from \$12.7 million last year to \$19.9 million, an increase of 57% and sales revenue rose to \$482 million up from \$392 million in the previous year. Importantly, return on funds employed increased from 15.3% to 18.1% over the year and despite additional capital being raised during the year, ROE rose from 13% to 15.5%. This result was driven by not only the strong performance of our recent

acquisitions Biolab and Robinhood but also the strong macroeconomic environment and a number of productivity initiatives undertaken across the group.

Shareholders received fully-franked dividends totaling 33 cents per share for the year up from 26 cents per share last year. The final dividend of 18 cents a share was paid to shareholders on 10 September 2004.

As noted in our annual report, part of our strategy is the accumulation and constant review of industrial brands through our corporate development initiatives. At last year's annual general meeting, the Board reported that it had undertaken two significant investments with the acquisition of the Robinhood and Biolab businesses. As you will see from our financial results this year, both businesses have performed extremely well in their first year under the Alesco umbrella.

Since year end, Alesco completed its most significant transaction to date with the acquisition of the B&D Doors and Openers business. The integration of this business into the Alesco Group is proceeding well and the Board is confident that this acquisition will deliver a solid return for Alesco shareholders. Our Chief Executive, Mr Kevin Clarke, will talk in greater detail on this transaction and its financial performance this year as well as provide you with an overview of each division's performance at the conclusion of my address.

Capital Raisings

Another highlight of the 2003/04 year was the completion of two successful capital raisings. Earlier in the year, Alesco raised approximately \$45 million through an institutional placement and participation by shareholders through a share purchase plan facility. More recently, in June, Alesco raised a further \$74 million. The capital raised was used to help fund the B&D acquisition which completed in June 2004. A number of the placements went to institutional shareholders as well as B&D management and these issues are subject to shareholder consideration in the formal part of the meeting.

On behalf of the Board I would like to thank all shareholders for the support and confidence that has been shown in Alesco over the years and, more particularly, for the

continued support for the company over the past 12 months. This support is critical to the development and future success of the company.

Outlook

At the time of the release of our 2004 financial results in July, we said that we expect trading conditions to remain at satisfactory levels for the 2005 financial year. We also said that subject to the continuation of reasonable economic conditions, we were budgeting for growth in earnings per share (before goodwill amortisation and significant items) of approximately 15% compared to last year.

I am happy to report that based on the group's performance for the first quarter of the new financial year, we expect to be slightly ahead of our budget for the first half-year.

Retirement of Don Watt

As reported to you in our annual report, Mr Don Watt will be retiring at the end of this meeting and not seeking re-election. Mr Watt was appointed to the Board of Alesco in 1986 and has played a significant role in Alesco's growth and development during this 18 year tenure. His decision to retire is in part driven by recent corporate governance developments as well as Alesco's more recent policy which provides that non-executive directors are expected to serve approximately three terms or a period of nine years and thereafter would be expected to retire at the next appropriate general meeting. This policy is in place in order to ensure a periodical refreshing of board membership and to avoid the potential for loss of objectivity in decision making over time.

Don's retirement marks an historical point in time for Alesco. He is our last Perth based director from the time when Alesco was a Perth based company known as Atkins Carlyle. When Don joined Atkins Carlyle, it was essentially an industrial consumables businesses focusing on two core divisions automotive and electrical. Since that time, Alesco has developed into a more diversified industrial brands company with a strong presence in selected niche industrial markets and a market capitalisation of approximately \$500 million.

As part of the Board, Don has overseen these changes and developments and provided valuable insight and guidance during this time. His wise counsel will be greatly missed.

On behalf of the Board I would like to thank him for his substantial contribution over the years and to wish him well in the future.

In the meantime, I am happy to confirm that the Board expects shortly to announce a replacement director to the Board. As Alesco's strategy as an industrial brands company is to continue to focus on niche markets in key industrial sectors, the Board is increasingly aware of the importance of brand marketing and how it applies to its markets. The replacement director we are seeking to appoint is expected to bring significant experience and expertise in the area of brand marketing and will, I believe, complement and enhance the skills of our current Board members.

Resolutions to be put to today's meeting

I would now like to touch briefly on the matters to be put before shareholders today.

As noted earlier, Alesco undertook a number of capital raisings during the year. Some of the shares issued were to both new and existing institutional shareholders as well as to B&D management as part of the B&D acquisition. The issue of these shares was within the 15% restriction imposed by the ASX Listing Rules. The proposed resolutions 2, 3 and 4 are effectively a retrospective approval or ratification of these issues so as to refresh the Company's capacity to issue further equity securities within the 15% limit within this 12 month period. If shareholders approve these resolutions, the Company will have the flexibility to issue more shares in the next 12 months if an opportunity arises which the Board believes is in the best interests of the Company. I note that Alesco is not presently considering any equity issue other than those in connection with the employee and management share plans, the exercise of any outstanding options on issue under the existing option plans and the dividend reinvestment plan. The Board believes, however, that it is prudent and appropriate for the matter to be considered at this meeting to allow the Company to operate efficiently.

If the resolutions are approved the issues will be treated as having been made with prior shareholder approval and will cease to use up part of the 15% limit. I note that should shareholders not approve Resolutions 2, 3 and 4, the issue of shares will not be invalidated.

Resolutions 5-8 relate to Alesco's employee and management share plans in place at the present time. The plans allow Alesco's employees and managers in Australia, New Zealand and Hong Kong to own shares in Alesco. The limit of participation for the employee share plans is set in accordance with currently available tax concessions to employees. The management share plans help to align the interests of management with shareholders with shares being allocated to managers on the satisfaction of specific performance criteria. The Board believes that these plans are important to Alesco as they assist in enhancing corporate and individual performance as well as meeting the appropriate recruitment and market demands and succession planning needs of Alesco.

Resolution 9 is intended to clarify an ambiguity in Alesco's constitution and, if approved, will allow superannuation contributions, which are required by law in any event, to be excluded from the \$650,000 non-executive director remuneration cap which was approved by shareholders at last year's meeting.

The resolutions put forward today are designed to assist the Board in the administration and efficiency of Alesco and the Board recommends that shareholders vote in favour each of the resolutions being put forward at today's meeting.

These and the other formal proceedings will be held towards the end of this meeting.

I will now hand over to our Chief Executive, Mr Kevin Clarke, who will provide you with more detail on the activities and developments within the business operations. Following this, Kevin and I are happy to take any questions from you before the formal proceedings of the meeting begin.

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