



**2006 ANNUAL GENERAL MEETING
Wednesday 27 September 2006
AGL Theatre, Museum of Sydney
Chairman's Address**

Introduction

Good afternoon ladies and gentlemen and welcome to the 95th Alesco Annual General Meeting.

My name is Sean Wareing and I am your Chairman.

Before commencing proceedings I would like to introduce my fellow directors and some of our executive team.

From your left the directors are Barry Jackson, Rob Aitken, Ern Pope, Jim Hall and our managing director, Justin Ryan. Also with us today is Neil Thompson, our new chief financial officer and Luci Rafferty, our company secretary.

I am delighted to welcome both Justin and Neil. Justin, as you know, assumed the role of Chief Executive Officer from 1 June 2006, having joined the Company in early 2004 and comes from a private equity and investment background. Neil joined Alesco in January this year and brings a strong track record of financial management. Both Justin and Neil have extensive experience in managing a diverse portfolio of businesses and I congratulate them on their appointments.

There are three major parts to today's meeting. Firstly I will present a brief overview of the performance of the Company for the past financial year. Justin will then discuss the

results in greater detail. We will then turn to the more formal part of the meeting to consider, discuss and vote on the resolutions set out in the notice of meeting.

At the end of the meeting, all shareholders and visitors are invited to join us for refreshments in the foyer outside.

I confirm that the Secretary has advised me that a quorum of at least 3 members is present in person or by proxy. Accordingly, I declare the meeting open.

I am advised by the Secretary that no apologies have been received.

Turning to the results for the year.

Financial performance

I am pleased to present to shareholders a fifth consecutive year of record underlying earnings per share.

Alesco's diversity in its industrial brands portfolio has helped to deliver this strong result and will, in our view, help the Company to continue to deliver sustainable profit growth into the future.

In the financial year just ended, we experienced robust market conditions in our Construction & Mining Division and, at the same time, our Scientific & Medical Division continued to benefit from positive industry dynamics. These strong performances outweighed the tougher conditions facing the building and renovations businesses.

Our business model of managing a diverse portfolio of businesses with strong industrial brands, in niche or specialist markets, has allowed Alesco to continue to ensure that our investment objectives are met.

Our financial capacity is strong with a solid balance sheet and good cashflows. This has allowed us to continue to capitalise on value adding opportunities as they arise.

Alesco made a number of key acquisitions during the year. We expanded our Construction & Mining division with the acquisition of the Concrete Technologies and Flextool businesses. I am also delighted to report that earlier this month we further expanded this division with the acquisition of the Corkjoint businesses. Corkjoint markets and distributes an extensive range of concrete expansion jointing systems and materials and complements the Parchem range of products. These businesses together with Parchem, add critical mass to Alesco's concrete related products businesses, with annual sales in excess of \$100million.

I am also pleased to report that post year end we have two added acquisitions in the Scientific & Medical division: Promedica, a medical consumable business and App-Tek, a specialist manufacturer and marketer of gas detection equipment.

All of these acquisitions were immediately earnings per share accretive.

Justin will speak in more detail about these businesses in his address.

Key Highlights

[Slide show begins]

The slide presentation sets out some of our key highlights for the 2006 financial year.

Sales revenue for the year rose 5% to \$600 million compared to \$573 million for our continuing businesses in 2005.

Excluding the impact of significant items – which were net positive contributions to profit in both 2005 and 2006 – the net profit after tax increased to \$42.1 million up 13.3% from the previous year, resulting in underlying earnings per share (that is, before amortisation of intangibles and significant items) of 66.5 cents per share, up 10.3% over the previous year.

Looking to our key financial ratios, the EBITA to sales ratio has increased from 10.5% to 12.6% reflecting an improvement in the overall quality of the revenue base. Return on

funds employed has risen from 15.2% to 16.8% and return on equity has increased from 13.3% to 14.5%.

I am also pleased to report that the Company continues to generate strong cashflows and the Groups' net debt at the end of the financial year was \$154.8 million with gearing at 46.5% based on book equity and less than 20% of the market enterprise value. Interest cover was at a strong 6.8 times.

Dividends

As a result of the continuing strong performance of the Company, shareholders have also enjoyed higher dividends.

At the half-year, the Board announced an increase to the dividend payout ratio from around 70% to approximately 85% of the underlying earnings per share on a full year basis. This decision was driven by a number of factors including the strong cash generative characteristics of our businesses as well as the Company's ability to pay fully franked dividends for the foreseeable future.

The Company declared a final fully franked dividend of 31 cents per share which was paid on 31 August and together with the interim dividend of 25 cents per share (fully franked), shareholders have received total dividends for the year of 56 cents per share. This is an increase of 24% from the previous year.

[Slide show ends]

Directors

We are a small Board but we remain focused on performance and delivering results on behalf of our shareholders. This focus, however, is not at the expense of good corporate governance and risk practices.

In our Corporate Governance Statement included in the Annual Report, we reported that a Board performance review was conducted through an external consultant during the year with the performance of the Board benchmarked against the ASX Corporate

Governance Guidelines. I am pleased to report that no immediate concerns or issues were identified through this process. Your Board will, however, continue to look at ways in which it can further enhance its performance into the future.

I take this opportunity to thank the Board for their work in a busy year and to thank you, our shareholders, for continuing to invest in our Company.

Outlook

Our first quarter's trading is ahead of the previous year assisted by recent bolt-on acquisitions and overall we believe that the positive factors impacting the markets in which we operate will continue to outweigh the negatives.

We expect to see continuing strength in commodity and infrastructure markets and growth in the medical and environmental sectors. This will, however, be to some degree offset by the continuing softness in the Australian and New Zealand housing markets. Our exposure to these markets is split between new housing and renovations and whilst we expect new housing to remain soft (particularly in New South Wales) we are more confident that the renovations market has returned to growth.

In the absence of any major acquisitions, we confirm our previous guidance of single digit underlying EPS growth for the year.

In closing, the Board is confident the management team will continue to build value in Alesco for the benefit of shareholders, customers and employees.

I take this opportunity to thank each and every employee of the Alesco group for their hard work and continued performance. It has been an exciting and challenging year for the Group.

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I will now hand over to our Chief Executive, Mr Justin Ryan, who will provide you with more detail on the activities and developments within the business operations. Following this, we are happy to take any questions from you before the formal proceedings of the meeting begin. I also note that our auditors, KPMG, are present to take questions on the 2006 Financial Report.

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Resolutions to be put to today's meeting

Before moving to the formal part of the meeting, I would like to touch briefly on the resolutions to be put before shareholders today.

Four of the resolutions relate to directors and executive remuneration. I will, of course, take any questions or comments as they relate to the specific resolutions later in the meeting when the resolutions are being considered. I do, however, want to touch on the reasons and philosophy behind our remuneration strategies, particularly for our key executives.

Our achievement to date is principally due to the knowledge and skill of our people and, in particular, the senior executive team.

Given the development and growth of Alesco over the past few years, the Board considered it an appropriate time to reflect on its remuneration practices across the Group but, in particular, in relation to its key executives. Alesco needs to offer competitive remuneration packages in order to attract, motivate and retain the best people.

The Remuneration Report sets out the remuneration practices adopted by the Company during the past financial year.

This year, however, following an extensive review with the assistance of external consultants, the Board has put in place new remuneration packages for its key executive

team. This new package includes a fixed component and an “at risk” or performance related component (comprising both short and long term incentives).

The guiding principles for the Chief Executive and his direct reports is essentially for base salary to be set at around the comparative 50% percentile mark with the balance - up to the 90% percentile mark assuming stretch targets for out performance over the longer term are met - at risk.

The short term “at risk” component which is up to 75% of the base salary is payable in cash on achievement of certain corporate and individual performance targets. These targets are agreed in advance and objectively assessed at the end of the financial year.

As part of this process the Board also decided to establish a new long term incentive plan for its most senior executives. This new plan is intended to replace the existing share plan currently in place for these key executives, although I note that the existing share plans will continue to operate for other employees.

A summary of the new plan is set out in the explanatory material but I would like to make a few comments in relation to this plan.

The structure of the plan was chosen for a number of reasons: it is self funding - that is the achievement of the performance hurdle targets will be measured after the cost of the Plan is taken into account - and was designed to allow senior executives to be long term shareholders and to continue to motivate and drive performance at both the individual and corporate level.

The long term incentive target is based on Alesco’s underlying earnings per share. As highlighted in the explanatory material the hurdles are based on a sliding scale from 5% to 12% compounding annual growth over the measurement period. This is a change from prior practice which focused on a 5% earnings per share hurdle.

This long term incentive hurdle was chosen because it is a clear and measurable target, it encourages out-performance and is one which is reported to shareholders in our annual report each year. Each year we aim to deliver growth in our earnings per share

and, in the Board's view, if this is achieved both our executives and shareholders are rewarded.

In relation to the resolution seeking an increase in the remuneration cap for non-executive directors, I make the following observations. As I have previously mentioned, the existing Board is a small board with five non-executive directors. As noted in the explanatory material the Board does not intend on immediately utilising the remuneration cap. In looking to the future, however, the Directors recognise that as the Company grows it will be necessary and indeed appropriate for additional directors to be appointed to the Board in order to properly allocate and perform directors' responsibilities and duties. Any appointment will be duly considered by the Board having regard to the existing skill set and needs of the Group at the time. The increase in remuneration cap will also accommodate future increases in fees to maintain market competitiveness and to reflect the increasing demands on your directors.

The Board recommends that shareholders vote in favour of each resolution being put forward at today's meeting.

I will now turn to the formal part of this year's meeting and to the Notice of Meeting.

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