



# Portfolio Diversity Continues to Deliver Results

This is a copy of the Company's interim results announcement lodged with the Australian Stock Exchange on 31 January 2006.

## Trading results

The diversification of Alesco's portfolio has been a key driver in the Company's achievement of strong financial results for the period. The new homes market has experienced difficult trading conditions in both Australia and New Zealand while the construction and mining sector has experienced strong demand. The performance of the key operating ratios (on an AIFRS adjusted basis) for the half year was as follows:

FOR THE SIX MONTHS ENDED (PRE-AMORTISATION OF INTANGIBLES)	30 NOVEMBER 2005 <sup>1</sup>	30 NOVEMBER 2004
EBITA/Sales	13.2%	11.1%
Return on average funds employed	18.0%	17.2%
Return on average equity	15.8%	16.2%

1. Adjusted for significant items raised at 31 May 2005. In the current and previous corresponding periods there were no significant items.

The improvement in both the EBITA/Sales and return on average funds employed ratios has been driven by the strong performance in the Construction & Mining business while the small decline in the return on equity is predominantly due to Alesco being in an under-g geared situation compared to our target band (50–80%) for most of the half. The \$90.5 million of proceeds received on the divestment of the automotive businesses have now been fully reinvested. This will help improve the return on average equity on a full year basis.

## Business unit performance

Business unit results were as follows:

FOR THE SIX MONTHS ENDED	REVENUE		EBITA	
	30 NOVEMBER 2005 \$000	30 NOVEMBER 2004 \$000	30 NOVEMBER 2005 \$000	30 NOVEMBER 2004 \$000
Building & Renovations				
Garage Doors & Openers	106,580	90,049	18,977	16,659
Kitchen & Laundry Components	79,697	85,159	12,208	13,007
	186,277	175,208	31,185	29,666
Scientific & Medical	49,859	49,447	5,032	5,060
Construction & Mining	72,166	69,823	8,318	2,471
Discontinued (Automotive)	–	51,756	–	5,964
Corporate & Unallocated	234	–	(3,711)	(4,713)
	308,536	346,234	40,824	38,448



Sean P. Wareing Chairman

## Highlights include:

- Record earnings per share (pre-amortisation of intangibles) of 37.7 cents per share (cps), up 7.7% (Nov 2004: 35.0 cps – AIFRS adjusted)
- An increase in the dividend payout ratio to approximately 85% of the earnings per share (pre-amortisation of intangibles and significant items) on a full year basis
- Interim dividend of 25 cps (fully franked) up 25% (Nov 2004: 20 cps)
- Resilience of group earnings to downturn in new housing market due to portfolio diversity
- Synergistic industry roll-up in concrete products area through the acquisitions of Concrete Technologies Pty Ltd (\$50 million) and Flextool (Aust) Pty Ltd (\$14 million)
- Transition to new Chief Executive Officer progressing smoothly

## INCOME STATEMENT

FOR THE PERIOD ENDED 30 NOVEMBER 2005

FOR THE SIX MONTHS ENDED	30 NOVEMBER 2005 \$000	30 NOVEMBER 2004 \$000	CHANGE
Revenue from sale of goods	290,909	332,452	
Revenue from rendering services	17,627	13,782	
<b>Total revenue</b>	<b>308,536</b>	<b>346,234</b>	(11%)
Cost of sales	(187,712)	(219,577)	
<b>Gross profit</b>	<b>120,824</b>	<b>126,657</b>	
Other income	2,092	693	
Selling expenses	(22,729)	(24,567)	
Marketing expenses	(9,642)	(9,196)	
Customer service expenses	(7,790)	(9,356)	
Purchasing and inventory management	(1,208)	(1,598)	
Distribution expenses	(18,138)	(20,689)	
Administration and finance expenses	(24,864)	(24,831)	
<b>Profit before financing costs</b>	<b>38,545</b>	<b>37,113</b>	
Net financing costs	(4,640)	(5,374)	
Share of associates' equity accounted net profit	71	13	
<b>Profit before income tax</b>	<b>33,976</b>	<b>31,752</b>	7%
Income tax expense	(9,938)	(9,448)	
<b>Profit for the period</b>	<b>24,038</b>	<b>22,304</b>	

## STATEMENT OF RECOGNISED INCOME AND EXPENSE

FOR THE PERIOD ENDED 30 NOVEMBER 2005

FOR THE SIX MONTHS ENDED	30 NOVEMBER 2005 \$000	30 NOVEMBER 2004 \$000	CHANGE
Foreign exchange translation differences on translating foreign subsidiaries	(185)	3,852	
Management share plan shares not yet vested	1,039	827	
Net income recognised directly in equity	854	4,679	
<b>Profit for the period</b>	<b>24,038</b>	<b>22,304</b>	
<b>Total recognised income and expense for the period</b>	<b>24,892</b>	<b>26,983</b>	
<b>Dividends</b>			
Basic earnings per share	34.50¢	33.04¢	4%
Diluted earnings per share	34.50¢	32.99¢	
Basic earnings per share from continuing operations	34.50¢	30.18¢	14%
Diluted earnings per share from continuing operations	34.50¢	30.13¢	
<b>Interim ordinary dividend</b>			
Dividends per share	25¢	20¢	25%
Dividend	17,516	13,831	

The financial effect of current period dividends has not been brought to account in the consolidated entity's interim financial statements for the period ended 30 November 2005.

### Garage Doors & Openers – B&D

The Garage Doors & Openers division performed well in a difficult trading environment. Excluding the contribution from Dominator, which was acquired post the prior comparative period, earnings declined by only 4%. This is against a backdrop of new housing starts that have declined by more than 10%. Geographically, New South Wales experienced the largest downturn while the Western Australian market, led by the strong mining sector, was relatively buoyant.

During the period, work continued on Project Icon (announced in July 2005) with approximately 75% of Stage 1 now complete. This stage of the project, being managed with the assistance of outside consultants, is due to be completed in April 2006 and is designed to deliver productivity improvements and standardised processes. Stage 2 of the project, which involves a full SAP implementation, commenced earlier than originally expected in November 2005 and, at this stage, is expected to be completed by November 2006. Once completed, the project will move to its final stage involving the simplification of the supply chain and a reduction in the fixed cost base of the business. As previously disclosed, the full benefit of this project should deliver \$4 million of cost savings by financial year 2008.

### Kitchen & Laundry Components – Parbury & Robinhood

Earnings from the Kitchen & Laundry Components division were approximately 6% behind the prior comparative period. The Parbury business displayed a strong resilience to the housing downturn by achieving a flat earnings result when compared to the prior comparative period. This was predominantly due to its focus on the renovations sector and the launch of a new range of Wilsonart colours which was well received by customers.

From 1 July 2005 Parbury successfully began outsourcing all its manufactured product with a local manufacturer. This has allowed the business to focus on its key strengths of marketing and distribution, rather than manufacturing, and also released approximately \$3 million of funds employed. In addition, to diversify from the residential sector, the business has continued to explore opportunities in the growing commercial sector.

Robinhood's results were down from the high levels experienced in the prior comparative period due predominantly to the new homes downturn. The business was more affected by the downturn than Parbury due to the fixed cost base of its manufacturing activities.

**BALANCE SHEET**

AS AT 30 NOVEMBER 2005

AS AT	30 NOVEMBER 2005 \$000	31 MAY 2005 \$000	30 NOVEMBER 2004 \$000
<b>Current Assets</b>			
Cash and cash equivalents	8,046	12,279	12,971
Receivables	91,899	90,884	113,800
Inventories	82,928	89,560	103,898
Other	5,047	2,480	4,907
<b>Total current assets</b>	<b>187,920</b>	<b>195,203</b>	<b>235,576</b>
<b>Non-Current Assets</b>			
Receivables	50	487	637
Investments accounted for using the equity method	363	292	282
Other financial assets	89	100	152
Property, plant and equipment	63,402	62,321	58,784
Intangible assets	340,715	296,302	298,287
Deferred tax assets	15,224	16,974	16,030
<b>Total non-current assets</b>	<b>419,843</b>	<b>376,476</b>	<b>374,172</b>
<b>Total assets</b>	<b>607,763</b>	<b>571,679</b>	<b>609,748</b>
<b>Current Liabilities</b>			
Payables	62,224	73,304	83,902
Interest-bearing loans and borrowings	33,612	18,214	64,951
Current tax liabilities	2,111	13,238	12,986
Provisions	29,510	31,017	32,145
<b>Total current liabilities</b>	<b>127,457</b>	<b>135,773</b>	<b>193,984</b>
<b>Non-Current Liabilities</b>			
Interest-bearing loans and borrowings	129,240	97,576	102,631
Deferred tax liabilities	1,699	981	823
Provisions	20,373	19,920	12,352
<b>Total non-current liabilities</b>	<b>151,312</b>	<b>118,477</b>	<b>115,806</b>
<b>Total liabilities</b>	<b>278,769</b>	<b>254,250</b>	<b>309,790</b>
<b>Net assets</b>	<b>328,994</b>	<b>317,429</b>	<b>299,958</b>
<b>Equity</b>			
Issued capital	252,682	248,645	245,497
Reserves	7,115	6,261	5,164
Retained earnings	69,197	62,523	49,297
<b>Total equity</b>	<b>328,994</b>	<b>317,429</b>	<b>299,958</b>

Despite the downturn, the annualised return on funds employed of this business is still in excess of 25%. Going forward, the business continues to explore opportunities to streamline its supply chain as well as launching a new range of canopy rangehoods into the market.

**Scientific & Medical – Biolab**

Biolab has delivered a flat result at both the sales and EBITA levels compared to the prior corresponding period. This relates mainly to the timing of a number of large sales of capital items rather than a subdued trading environment. At this stage, Alesco anticipates a strong trading performance in the second half which will translate to an improved earnings result on a full year basis. Biolab's results during December 2005 and January 2006 have been strong. The business continues to explore bolt on acquisition opportunities in the scientific and medical equipment distribution sector.

**STATEMENT OF CASH FLOWS**

FOR THE PERIOD ENDED 30 NOVEMBER 2005

FOR THE SIX MONTHS ENDED	30 NOVEMBER 2005 \$000	30 NOVEMBER 2004 \$000
<b>Cash Flows from Operating Activities</b>		
Cash receipts in the course of operations	348,035	378,932
Cash payments in the course of operations	(298,933)	(339,589)
Income taxes paid	(13,995)	(6,248)
Net borrowing costs paid	(4,640)	(5,374)
<b>Net cash provided by operating activities</b>	<b>30,467</b>	<b>27,721</b>
<b>Cash Flows from Investing Activities</b>		
Rent received	46	148
Dividends received	–	142
Proceeds from sale of property, plant and equipment	5,947	511
Payments for property, plant and equipment	(8,459)	(5,423)
Income taxes paid on profit on sale of controlled entities	(7,000)	–
Payments for assets on acquisition of business	(4,347)	–
Payments for controlled entities net of cash acquired	(50,246)	(233,247)
<b>Net cash used in investing activities</b>	<b>(64,059)</b>	<b>(237,869)</b>
<b>Cash Flows from Financing Activities</b>		
Proceeds from issue of shares	5	69,550
Transaction costs from issue of shares	(1)	(2,209)
Dividends paid	(14,513)	(8,381)
Finance lease payments	(315)	(470)
Proceeds of borrowings	43,981	150,041
<b>Net cash provided by financing activities</b>	<b>29,157</b>	<b>208,531</b>
<b>Net decrease in cash held</b>	<b>(4,435)</b>	<b>(1,617)</b>
Cash at the beginning of the period	12,279	14,464
Effects of exchange rate fluctuations on the balances of cash held in foreign currencies	202	124
<b>Cash at the end of the period</b>	<b>8,046</b>	<b>12,971</b>

**Construction & Mining –  
Marathon, Parchem and Concrete Technologies**

Marathon experienced a strong trading performance during the half year principally due to the high levels of activity in the mining sector and the benefits flowing through from the restructuring initiatives undertaken in the prior corresponding period. The strength of the commodity boom has led to a shortage in the global supply of earth moving tyres and this has allowed the business to expand margins and improve its return on funds employed. In addition, the business has continued to focus on the provision of tyre servicing which has resulted in higher turnover and margins for this part of the business compared to the prior corresponding period. This will continue to be a major initiative for the business going forward.

Management is currently negotiating the renewal of the Michelin contract which expires in July 2006. At this stage it is anticipated the contract will be renewed.

Parchem delivered a strong trading result with sales, earnings and return on average funds employed all ahead of the prior corresponding result. The business continues to focus on the strong construction and commercial building sectors.

### Dividends – increased payout ratio

The Directors have announced an increase to the dividend payout ratio to approximately 85% of the earnings per share (pre-amortisation of intangibles and significant items) on a full year basis as part of its active capital management program to enhance shareholder value. This decision has been driven by the following factors:

- The strong cash generative characteristics of our businesses; and
- Our ability to pay fully franked dividends for the foreseeable future.

The increase in the interim dividend to 25 cps, fully franked and up from 20 cps for the prior corresponding period, represents a 25% increase. The dividend is payable in respect of shares registered as at 5:00pm (EST) on 16 February 2006 and will be paid on 2 March 2006. The dividend reinvestment plan will continue to operate without any discount being applied to the issue price.

### Acquisitions – concrete related products

Effective 1 October 2005, Alesco acquired the Concrete Technologies Group for a purchase price of \$50 million on a cash and debt free basis. Concrete Technologies is one of Australia's largest manufacturing, marketing and distribution businesses offering decorative concrete solutions. Its products have application in the residential, commercial and industrial paving and driveway markets and, with its complementary tooling and accessory products, is a one-stop shop for concrete applicators. The purchase price was funded entirely by debt and represented an EBITA multiple of approximately seven times on the estimated 2006 financial year earnings. The business is currently being integrated into the Alesco Group and contributed approximately \$1 million of earnings during the period.

On 12 December 2005 the Company announced it had entered into an agreement with Flextool (Aust) Pty Ltd to acquire the assets and undertakings of the Flextool concrete equipment and accessories business for a purchase price of approximately \$13.8 million. Flextool is a leading industrial brand with a product range that includes concrete vibrators, submersible water and trash pumps, concreting power finishing trowels and compactors. These products are complementary to both the Concrete Technologies and Parchem businesses. This transaction completed on 31 January 2006.

### Cash flow and gearing

Alesco generated strong operational cash flow of \$30.5 million during the period, which was an increase of 10% over the prior corresponding period. This was predominantly used to repay borrowings as they matured. At period end gearing (net debt/book equity) stood at 47.1%, still below the Company's target band of 50–80%. The completion of the acquisition of Flextool and the increase in dividend payout ratio will increase the Alesco's gearing to be within the target range. Interest cover (EBITA/net interest expense) for the period was a strong 8.8 times.

### Australian equivalent to International Financial Reporting Standards (AIFRS)

The Company has adopted the Australian equivalents to International Financial Reporting Standards (AIFRS) from 1 June 2005. As required under AASB1 "First time adoption of Australian equivalents to International Financial Reporting Standards" transition adjustments were made to the opening balance sheet as at 1 June 2004 and to all comparative financial information to reflect the requirements of the new accounting standards.

As previously advised, the adoption of AIFRS has had no significant impact on the cash flows or dividend policies of the Company. The key areas where AIFRS has impacted the Company are:

- AASB 2 "Share Based Payments" – the fair value of equity compensation for employees is now expensed to the profit and loss account over the vesting period. During the period approximately \$0.8 million (pre-tax) was recorded as an expense in respect of this standard.
- AASB 138 "Intangible Assets" – goodwill is no longer amortised over 20 years but rather tested for impairment on annual basis. The Company has incurred no impairment adjustments on transition to AIFRS.
- AASB 137 "Provisions, Contingent Assets and Contingent Liabilities" – a provision is recognised where there is an obligation to make-good certain leased premises. This resulted in an increase in provisions of \$3.7 million at 1 June 2004 which has been adjusted against opening retained earnings.

### Appointment of new Chief Executive Officer

As announced at Alesco's Annual General Meeting in September 2005, the Chief Executive Officer, Mr Kevin Clarke will retire at the end of his current employment contract in July 2006. The Board announced at that time that Mr Justin Ryan, who was appointed Deputy CEO in February 2005, will become Managing Director and Chief Executive Officer of Alesco effective 1 June 2006. Prior to joining Alesco, Mr Ryan had a successful career as a senior executive with Catalyst Investment Managers where he led and managed a number of their key investments, including B&D Doors, Pacific Brands and Taverner Hotel Group.

### Outlook

For the second half of our 2006 financial year, Alesco expects trading conditions to remain at similar levels to that currently being experienced. In relation to our Building & Renovation activities we are experiencing a soft landing and a bottoming in the new housing cycle. With our diversified portfolio and the contribution from our recent acquisitions we confirm our earnings guidance of growth in earnings per share (before amortisation of intangibles and significant items) for the 2005/06 year at a single digit rate.

### Update on AGM held on 28 September 2005

Mr Barry Jackson, Mr Ern Pope and Mr Jim Hall were re-elected as Directors of Alesco. The Remuneration Report was presented to the shareholders for the first time and a non-binding resolution in favour of the Report was received.

The Chairman's address and CEO's report given at the AGM as well as other information is available on our website at [www.alesco.com.au](http://www.alesco.com.au).

### Webcast

Alesco now webcasts live its financial results and Annual General Meeting. To access this new initiative log on to our website at [www.alesco.com.au](http://www.alesco.com.au) and follow the prompts.

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