

ASX Release – Alesco Corporation Limited (“ASX:ALS”)

FINANCIAL RESULTS FOR THE HALF-YEAR ENDED 30 NOVEMBER 2006

Date: 31 January 2007

Release: 31 January 2007

ACQUISITIONS & PORTFOLIO DIVERSITY CONTINUE TO DELIVER EARNINGS GROWTH

Alesco Corporation Limited (**Company**) today announced the audit reviewed financial results for the half-year ended 30 November 2006. Highlights include:

- **Record earnings per share (pre amortisation of intangibles) of 41.5 cents per share (cps), up 10.1% (Nov 2005: 37.7cps)**
- **Interim dividend of 27.5cps (fully franked) up 10% (Nov 2005: 25cps)**
- **Acquisition program contributed to earnings growth offsetting the subdued new housing market. Acquisition of Promedica (\$21 million) and App-Tek (\$3 million) completed during the half.**
- **Acquisition of Lincoln Sentry Group for \$84 million, Flextool NZ for \$6 million and EnviroEquip for \$9.1 million all announced subsequent to half year balance date and will contribute positively to second-half earnings.**
- **Restructuring programs within B&D (Project Icon) and Construction & Mining (Project Foundation) continue during the period with full annualised benefits to be achieved in FY 2008 and FY 2009 respectively.**

Trading results

Alesco’s acquisition program and portfolio diversification have been the key drivers to the Company achieving record financial results for the period. The Construction & Mining and Scientific & Medical divisions within the portfolio have experienced strong demand while the new home market, in both Australia (NSW) and New Zealand, continue to experience difficult trading conditions.

In Australia, housing starts were down 4% in the year to 30 September 2006. However, the renovations market is showing signs of a sustainable recovery. The Australian dollar was stable throughout the period.

asx release		
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The performance of the key operating ratios for the half-year was as follows:

	Nov 06	Nov 05	Nov 04
EBITA/Sales	13.3%	13.2%	11.1%
Return on average funds employed	18.5%	18.0%	17.2%
Return on average equity (pre amortisation of intangibles)	17.7%	15.8%	16.2%

The improvement in all key ratios continues to reinforce Alesco's strategy of building a strong and diverse portfolio of leading brands in niche markets. The strong improvement in the return on equity compared to the prior corresponding period has been enhanced by the earnings growth from debt funded acquisitions.

Since the end of the prior corresponding period the Company fully reinvested the proceeds from the disposal of the automotive division, through the acquisition of the Concrete Technologies, Flextool and Promedica businesses, and this is now delivering an improved return on equity.

Business Unit Performance

Business unit results were as follows:

\$ millions	Operating revenue		Trading EBITA		EBITA Margin	
	2006	2005	2006	2005	2006	2005
Garage Doors & Openers	108.4	106.6	17.7	19.0	16.3%	17.8%
Construction & Mining	95.2	72.2	13.6	8.3	14.3%	11.5%
Building Products	76.0	79.7	11.4	12.2	15.0%	15.3%
Scientific & Medical	73.3	49.9	8.0	5.0	10.9%	10.0%
Corporate/Unallocated	-	0.2	(3.8)	(3.7)	-	-
Total	352.9	308.6	46.9	40.8	13.3%	13.2%

Garage Doors & Openers

The business continues to experience difficult trading conditions in a subdued new housing market. At this stage the NSW market is yet to show any signs of improvement however the Western Australian market remains buoyant and the New Zealand market is showing early signs of a recovery.

While sales have increased over the prior corresponding period, EBITA for the period was down 6.8% with the margin declining 1.5% to 16.3%.

In addition to the difficult trading conditions, the margin decline resulted from the business incurring additional costs (not capitalised) in relation to the SAP implementation. These costs were incurred in order to maintain the market offer during the transitional period and predominantly relate to distribution (freight) and personnel (casual staff). The SAP implementation has also

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negatively impacted the balance sheet and hence the cash flow generated by the business. Additional investment of approximately \$8 million has been made in inventory and debtors during the transitional period. At this stage, it is expected that working capital will return to normal levels by the end of this financial year.

Project Icon continues to be a key focus of the Garage Doors & Openers division. During the period significant progress was made on Stage Two of the project (implementation of the national information technology platform - SAP) with both the Revesby (NSW) and Clontarf (Queensland) sites going “live” on SAP. Both implementations were completed successfully with only minor system disruptions being experienced. It is currently planned that the national rollout of the SAP system will be completed by the end of 2007. The completion of this stage will lead to the commencement of the final Stage Three which involves a simplification of the supply chain and a reduction in the fixed cost base of the business. Extensive planning has already been undertaken on Stage Three with completion expected during FY 2008. The project remains on budget with the previously outlined annualised savings of approximately \$4 million expected to be achieved following the completion of Stage Three.

Construction & Mining

Organic growth and acquisition activity has resulted in a record earnings performance from the Construction & Mining division.

Marathon continued its strong performance during the first half due to continued high levels of activity in the mining sector and its focus on improving the service offering to the mining industry. While tyre sales continue to form the main part of the business, there continues to be a growing focus on the important service element of the business.

The Construction Products and Equipment part of the business also performed strongly during the period with all businesses (Parchem, Flextool and Concrete Technologies) contributing to the earnings growth.

During the period, work continued on the restructuring program (Project Foundation) announced in July 2006. This project targets a number of improvement opportunities in the Construction Products and Equipment businesses across the areas of marketing, operations, supply chain, finance and IT systems. At this stage, annualised savings of \$2 million are expected by the end of FY 2009.

In December 2006 the acquisition of Corkjoint for \$8.2 million was completed. Corkjoint further strengthens our position as a leading provider of concrete accessory products. The business markets its own range of Corkjoint-branded products as well as a number of leading international brands.

The acquisition of three businesses in New Zealand for \$6 million was also announced in December 2006. This acquisition will allow the Australian business model to be replicated in New Zealand, establishing a one-stop shop for concrete applicators and gives the concrete business an outlet for a Trans-Tasman offering of its full product range. The Flextool NZ businesses will initially add approximately \$6 million in sales and approximately \$1 million in EBITA.

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Building Products

Building Products (comprising Parbury & Robinhood) earnings were 6.6% below the prior corresponding period. The Parbury business displayed a strong resilience to the new housing downturn by achieving earnings in line with the prior corresponding period. This was predominantly due to its focus on the renovations sector which has shown a demonstrable improvement since early 2006 with the value of approvals up nearly 10% year on year.

During the period a new “anti-bacterial” Silestone product was successfully launched with a focus on the commercial sector where Parbury currently does not have a significant presence. The business will continue to work closely with its’ key suppliers (including Wilsonart for laminate surfaces) to develop its product offering in the decorative surfaces area. In addition during the second half of the year a complete review of Parbury’s fixed cost base will be undertaken following the transition of the hardware part of the business to Lincoln Sentry.

Robinhood’s results were lower than the prior corresponding period due predominantly to the new housing downturn in both Australian and New Zealand. The downturn has greater impact on this business due to the fixed cost base contained within its manufacturing site and its concentration in the more subdued New Zealand market. Management has continued its major initiative to update and enhance the product offering to the market and introduce more flexibility in its supply chain by sourcing product from offshore where appropriate.

During the period a range of canopy hoods and Supertubs (sourced from Asia) were introduced and well received in the market. A further range of new products are due for release in FY 2008 with a focus on functional design and storage systems for laundries.

Scientific & Medical

Scientific & Medical has delivered strong growth at both the sales and EBITA line compared to the prior corresponding period. This growth has come organically from its medical and environmental businesses and through the acquisition of the Promedica (a supplier of medical and consumable products) and App-Tek (a specialist manufacturer and marketer of gas detection equipment for use in environmental and occupational health and safety applications) businesses. Both acquisitions have made a positive contribution to earnings during the period.

In addition to the above, the division’s own brand (Labserv) strategy will increasingly see product sourced from offshore which should result in margin improvement.

In January 2007 the Company announced the acquisition of the EnviroEquip business for approximately \$9.1m as part of its focus on the high growth environmental sector. EnviroEquip is a leading supplier of environmental equipment and instrumentation in Australia and New Zealand with revenues of approximately \$10 million. The acquisition is at a multiple of less than six times FY2006 EBITA and will be funded by existing debt facilities. Completion is likely to occur on 2 April 2007.

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The Company will continue to explore acquisition opportunities particularly in the high growth medical and environmental equipment distribution sectors.

Acquisition – Lincoln Sentry Group

Subsequent to half-year end the Company announced the acquisition of the Lincoln Sentry Group for \$84 million. The transaction is scheduled for completion today. Lincoln Sentry is one of Australia's leading suppliers and distributors of hardware components to the cabinet and furniture making industry and the window, door and glazing industries.

The business markets an extensive range of leading domestic and global hardware and component brands including Blum, Assa Abloy, 3M and Dow Corning. Lincoln Sentry has a strong focus on hardware and component distribution to its specialized trade industries and will form a third leg of the Building Products division.

Post completion the hardware business currently within the Parbury business will be consolidated into Lincoln Sentry to form Australia's largest specialist hardware distributor to the Kitchen, Window and Door industries. Planning has already begun on the transfer of the Parbury hardware business to Lincoln Sentry which is expected to be completed prior to the end of the current financial year. Whilst not yet finalised it is expected that a "one-off" cost of approximately \$2 million will be incurred during the transition with an annual saving of around \$1 million being achieved from the beginning of next financial year.

Lincoln Sentry has annual sales of approximately \$150 million. The purchase price represents a FY 2007 multiple of approximately 7.5 times EBITA. The acquisition is being funded by additional debt facilities and is expected to be immediately accretive to earnings per share. On a pro-forma annualised basis the acquisition is expected to add approximately 5cps for FY2008.

Interim dividend

The directors have declared a fully franked interim dividend of 27.5cps up 10% from the prior corresponding period. The dividend is payable in respect of shares registered as at 5:00pm (EST) on 16 February 2007 and will be paid on 2 March 2007. The dividend re-investment plan will continue to operate without any discount being applied to the issue price.

Cash Flow and Gearing

The Group generated operational cash flow of \$22.4 million during the period down 27% over the prior corresponding period. The principal reasons for the reduction were:

- The additional investment in working capital required at B&D to maintain the market offer over the transition period of the SAP implementation. As discussed earlier, it is expected that working capital will return to normal levels by the end of this financial year.
- The cash payments made (approximately \$4 million) on the extensive restructuring activities (Projects Icon and Foundation) undertaken during the period.

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At period end the Company gearing metrics were as follows:

	30 Nov 06	30 Nov 05
Net debt / book equity	57.0%	47.1%
Net debt / (Net debt + book equity)	36.3%	32.0%
Interest cover (EBITDA basis)	7.8x	10.1x

The completion of the acquisition of Lincoln Sentry Group and the recently announced acquisitions in New Zealand will increase the gearing in the Company on a pro forma basis to approximately 45% and the interest cover (EBITDA basis) to approximately 6.0x. During the period the Company reviewed its target gearing measures. Due to the strength of free cash flows generated by the Company the following new target gearing ranges have been set:

- Net debt / (net debt + book equity) – not more than 50%
- Interest cover (EBITDA basis) – not less than 5x

Outlook

For the second half of our 2007 financial year, Alesco expects trading conditions to remain at similar levels to that currently being experienced. With the portfolio diversity combined with recent acquisitions and efficiency improvements from our restructuring programs we believe growth in earnings per share (before amortisation of intangibles and significant items) for the 2006/07 year will be close to 10%.

For further information, please contact Alesco Corporation Limited:

Mr Justin Ryan
Chief Executive Officer
Tel: 61 2 9248 2022

Mr Neil Thompson
Chief Financial Officer
Tel: 61 2 9248 2022

Alesco manages a portfolio of leading industrial brands.

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Alesco Corporation Limited

ABN 23 008 666 064

Appendix 4D

Interim financial report for the period ended 30 November 2006

ASX code: ALS

APPENDIX 4D



Interim financial report Period ended 30 November 2006

Alesco Corporation Limited ABN 23 008 666 064
Level 24, 45 Clarence Street Sydney NSW 2000
PO Box 4268 Sydney NSW 2001
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RESULTS FOR ANNOUNCEMENT TO THE MARKET

Entity: Alesco Corporation Limited and its controlled entities
Reporting period: six months ended 30 November 2006
Previous corresponding period: six months ended 30 November 2005

					\$000
Revenue	up	14.3%	to		353,305
Net profit after tax	up	12.2%	to		26,973
Net profit after tax attributable to members	up	12.2%	to		26,973

DIVIDENDS	CENTS PER SECURITY	% FRANKED PER SECURITY
CURRENT PERIOD		
Interim dividend	27.5	100%
PREVIOUS PERIOD		
Interim dividend	25	100%

Record date for determining entitlements to dividends	16 February 2007
DRP election notice date	16 February 2007
Dividend payment date	2 March 2007



Alesco Corporation Limited

Interim financial report

30 November 2006

DIRECTORS' REPORT

The directors present their report together with the consolidated financial report for the half-year ended 30 November 2006 and the review report thereon.

Directors

The directors of the Company at any time during or since the end of the half year are:

Name	Position	Period of directorship
Sean Patrick Wareing	Chairman	Director since 2000
Justin James Ryan	Managing Director and CEO	Director since 2005
Neil Alexander Thompson	Finance Director	Appointed 31 January 2007
Robert Murray Aitken	Non-Executive Director	Director since 2003
James William Hall	Non-Executive Director	Director since 2005
Barry James Jackson	Non-Executive Director	Director since 2001
Ernest John Pope	Non-Executive Director	Director since 2004

Review of operations and likely developments

Highlights include:

- Record earnings per share (pre amortisation of intangibles) of 41.5 cents per share (cps), up 10.1% (Nov 2005: 37.7cps)
- Interim dividend of 27.5cps (fully franked) up 10% (Nov 2005: 25cps)
- Acquisition program contributed to earnings growth offsetting the subdued new housing market. Acquisition of Promedica (\$21 million) and App-Tek (\$3 million) completed during the half.
- Acquisition of Lincoln Sentry Group for \$84 million, Flextool NZ for \$6 million and EnviroEquip for \$9.1 million all announced subsequent to half year balance date and will contribute positively to second-half earnings.
- Restructuring programs within B&D (Project Icon) and Construction & Mining (Project Foundation) continue during the period with full annualised benefits to be achieved in FY 2008 and FY 2009 respectively.

Trading results

Alesco's acquisition program and portfolio diversification have been the key drivers to the Company achieving record financial results for the period. The Construction & Mining and Scientific & Medical divisions within the portfolio have experienced strong demand while the new home market, in both Australia (NSW) and New Zealand, continue to experience difficult trading conditions.

In Australia, housing starts were down 4% in the year to 30 September 2006. However, the renovations market is showing signs of a sustainable recovery. The Australian dollar was stable throughout the period.

DIRECTORS' REPORT

Review of operations and likely developments (continued)

Trading results (continued)

The performance of the key operating ratios for the half-year was as follows:

FOR THE SIX MONTHS ENDED (PRE AMORTISATION OF INTANGIBLES)	30 NOVEMBER 2006	30 NOVEMBER 2005	30 NOVEMBER 2004
EBITA/Sales	13.3%	13.2%	11.1%
Return on average funds employed	18.5%	18.0%	17.2%
Return on average equity	17.7%	15.8%	16.2%

The improvement in all key ratios continues to reinforce Alesco's strategy of building a strong and diverse portfolio of leading brands in niche markets. The strong improvement in the return on equity compared to the prior corresponding period has been enhanced by the earnings growth from debt funded acquisitions.

Since the end of the prior corresponding period the Company fully reinvested the proceeds from the disposal of the automotive division, through the acquisition of the Concrete Technologies, Flextool and Promedica businesses, and this is now delivering an improved return on equity.

Business Unit Performance

Business unit results were as follows:

FOR THE SIX MONTHS ENDED	OPERATING REVENUE		TRADING EBITA		EBITA MARGIN	
	30 NOVEMBER 2006	30 NOVEMBER 2005	30 NOVEMBER 2006	30 NOVEMBER 2005	30 NOVEMBER 2006	30 NOVEMBER 2005
	\$000	\$000	\$000	\$000	\$000	\$000
Garage Doors & Openers	108,400	106,600	17,700	19,000	16.3%	17.8%
Construction & Mining	95,200	72,200	13,600	8,300	14.3%	11.5%
Building Products	76,000	79,700	11,400	12,200	15.0%	15.3%
Scientific & Medical	73,300	49,900	8,000	5,000	10.9%	10%
Corporate & Unallocated	-	200	(3,800)	(3,700)	-	-
	352,900	308,600	46,900	40,800	13.3%	13.2%

Garage Doors & Openers

The business continues to experience difficult trading conditions in a subdued new housing market. At this stage the NSW market is yet to show any signs of improvement however the Western Australian market remains buoyant and the New Zealand market is showing early signs of a recovery.

While sales have increased over the prior corresponding period, EBITA for the period was down 6.8% with the margin declining 1.5% to 16.3%.

In addition to the difficult trading conditions, the margin decline resulted from the business incurring additional costs (not capitalised) in relation to the SAP implementation. These costs were incurred in order to maintain the market offer during the transitional period and predominantly relate to distribution (freight) and personnel (casual staff). The SAP implementation has also negatively impacted the balance sheet and hence the cash flow generated by the business. Additional investment of approximately \$8 million has been made in inventory and debtors during the transitional period. At this stage, it is expected that working capital will return to normal levels by the end of this financial year.

DIRECTORS' REPORT

Review of operations and likely developments (continued)

Business Unit Performance (continued)

Garage Doors & Openers (continued)

Project Icon continues to be a key focus of the Garage Doors & Openers division. During the period significant progress was made on Stage Two of the project (implementation of the national information technology platform - SAP) with both the Revesby (NSW) and Clontarf (Queensland) sites going "live" on SAP. Both implementations were completed successfully with only minor system disruptions being experienced. It is currently planned that the national rollout of the SAP system will be completed by the end of 2007. The completion of this stage will lead to the commencement of the final Stage Three which involves a simplification of the supply chain and a reduction in the fixed cost base of the business. Extensive planning has already been undertaken on Stage Three with completion expected during FY 2008. The project remains on budget with the previously outlined annualised savings of approximately \$4 million expected to be achieved following the completion of Stage Three.

Construction & Mining

Organic growth and acquisition activity has resulted in a record earnings performance from the Construction & Mining division.

Marathon continued its strong performance during the first half due to continued high levels of activity in the mining sector and its focus on improving the service offering to the mining industry. While tyre sales continue to form the main part of the business, there continues to be a growing focus on the important service element of the business.

The Construction Products and Equipment part of the business also performed strongly during the period with all businesses (Parchem, Flextool and Concrete Technologies) contributing to the earnings growth.

During the period, work continued on the restructuring program (Project Foundation) announced in July 2006. This project targets a number of improvement opportunities in the Construction Products and Equipment businesses across the areas of marketing, operations, supply chain, finance and IT systems. At this stage, annualised savings of \$2 million are expected by the end of FY 2009.

In December 2006 the acquisition of Corkjoint for \$8.2 million was completed. Corkjoint further strengthens our position as a leading provider of concrete accessory products. The business markets its own range of Corkjoint-branded products as well as a number of leading international brands.

The acquisition of three businesses in New Zealand for \$6 million was also announced in December 2006. This acquisition will allow the Australian business model to be replicated in New Zealand, establishing a one-stop shop for concrete applicators and gives the concrete business an outlet for a Trans-Tasman offering of its full product range. The Flextool NZ businesses will initially add approximately \$6 million in sales and approximately \$1 million in EBITA.

DIRECTORS' REPORT

Review of operations and likely developments (continued)

Business Unit Performance (continued)

Building Products

Building Products (comprising Parbury & Robinhood) earnings were 6.6% below the prior corresponding period. The Parbury business displayed a strong resilience to the new housing downturn by achieving earnings in line with the prior corresponding period. This was predominantly due to its focus on the renovations sector which has shown a demonstrable improvement since early 2006 with the value of approvals up nearly 10% year on year.

During the period a new "anti-bacterial" Silestone product was successfully launched with a focus on the commercial sector where Parbury currently does not have a significant presence. The business will continue to work closely with its' key suppliers (including Wilsonart for laminate surfaces) to develop its product offering in the decorative surfaces area. In addition during the second half of the year a complete review of Parbury's fixed cost base will be undertaken following the transition of the hardware part of the business to Lincoln Sentry.

Robinhood's results were lower than the prior corresponding period due predominantly to the new housing downturn in both Australian and New Zealand. The downturn has greater impact on this business due to the fixed cost base contained within its manufacturing site and its concentration in the more subdued New Zealand market. Management has continued its major initiative to update and enhance the product offering to the market and introduce more flexibility in its supply chain by sourcing product from offshore where appropriate.

During the period a range of canopy hoods and Supertubs (sourced from Asia) were introduced and well received in the market. A further range of new products are due for release in FY 2008 with a focus on functional design and storage systems for laundries.

Scientific & Medical

Scientific & Medical has delivered strong growth at both the sales and EBITA line compared to the prior corresponding period. This growth has come organically from its medical and environmental businesses and through the acquisition of the Promedica (a supplier of medical and consumable products) and App-Tek (a specialist manufacturer and marketer of gas detection equipment for use in environmental and occupational health and safety applications) businesses. Both acquisitions have made a positive contribution to earnings during the period.

In addition to the above, the division's own brand (Labserv) strategy will increasingly see product sourced from offshore which should result in margin improvement.

In January 2007 the Company announced the acquisition of the EnviroEquip business for approximately \$9.1m as part of its focus on the high growth environmental sector. EnviroEquip is a leading supplier of environmental equipment and instrumentation in Australia and New Zealand with revenues of approximately \$10 million. The acquisition is at a multiple of less than six times FY2006 EBITA and will be funded by existing debt facilities. Completion is likely to occur on 2 April 2007.

The Company will continue to explore acquisition opportunities particularly in the high growth medical and environmental equipment distribution sectors.

DIRECTORS' REPORT

Acquisition – Lincoln Sentry Group

Subsequent to half-year end the Company announced the acquisition of the Lincoln Sentry Group for \$84 million. The transaction is scheduled for completion today. Lincoln Sentry is one of Australia's leading suppliers and distributors of hardware components to the cabinet and furniture making industry and the window, door and glazing industries.

The business markets an extensive range of leading domestic and global hardware and component brands including Blum, Assa Abloy, 3M and Dow Corning. Lincoln Sentry has a strong focus on hardware and component distribution to its specialized trade industries and will form a third leg of the Building Products division.

Post completion the hardware business currently within the Parbury business will be consolidated into Lincoln Sentry to form Australia's largest specialist hardware distributor to the Kitchen, Window and Door industries. Planning has already begun on the transfer of the Parbury hardware business to Lincoln Sentry which is expected to be completed prior to the end of the current financial year. Whilst not yet finalised it is expected that a "one-off" cost of approximately \$2 million will be incurred during the transition with an annual saving of around \$1 million being achieved from the beginning of next financial year.

Lincoln Sentry has annual sales of approximately \$150 million. The purchase price represents a FY 2007 multiple of approximately 7.5 times EBITA. The acquisition is being funded by additional debt facilities and is expected to be immediately accretive to earnings per share. On a pro-forma annualised basis the acquisition is expected to add approximately 5cps for FY2008.

Interim dividend

The directors have declared a fully franked interim dividend of 27.5cps up 10% from the prior corresponding period. The dividend is payable in respect of shares registered as at 5:00pm (EST) on 16 February 2007 and will be paid on 2 March 2007. The dividend re-investment plan will continue to operate without any discount being applied to the issue price.

Cash Flow and Gearing

The Group generated operational cash flow of \$22.4 million during the period down 27% over the prior corresponding period. The principal reasons for the reduction were:

- The additional investment in working capital required at B&D to maintain the market offer over the transition period of the SAP implementation. As discussed earlier, it is expected that working capital will return to normal levels by the end of this financial year.
- The cash payments made (approximately \$4 million) on the extensive restructuring activities (Projects Icon and Foundation) undertaken during the period.

DIRECTORS' REPORT

Cash Flow and Gearing (continued)

At period end the Company gearing metrics were as follows:

FOR THE SIX MONTHS ENDED	30 NOVEMBER 2006	30 NOVEMBER 2005
Net debt / book equity	57.0%	47.1%
Net debt / (Net debt + book equity)	36.3%	32.0%
Interest cover (EBITDA basis)	7.8x	10.1x

The completion of the acquisition of Lincoln Sentry Group and the recently announced acquisitions in New Zealand will increase the gearing in the Company on a pro forma basis to approximately 45% and the interest cover (EBITDA basis) to approximately 6.0x. During the period the Company reviewed its target gearing measures. Due to the strength of free cash flows generated by the Company the following new target gearing ranges have been set:

- Net debt / (net debt + book equity) – not more than 50%
- Interest cover (EBITDA basis) – not less than 5x

Outlook

For the second half of our 2007 financial year, Alesco expects trading conditions to remain at similar levels to that currently being experienced. With the portfolio diversity combined with recent acquisitions and efficiency improvements from our restructuring programs we believe growth in earnings per share (before amortisation of intangibles and significant items) for the 2006/07 year will be close to 10%.

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set out on page 39 and forms part of the directors' report for the half-year ended 30 November 2006.

Rounding off

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Dated at Sydney this 31st day of January 2007 in accordance with a resolution of the directors:



SP Wareing
Chairman

CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTH PERIOD ENDED 30 NOVEMBER 2006

	CONSOLIDATED	
	30 NOVEMBER 2006 \$000	30 NOVEMBER 2005 \$000
Revenue from sale of goods	333,896	290,909
Revenue from rendering services	19,013	17,627
Other revenue	396	474
Total revenue	353,305	309,010
Other income	483	1,618
Cost of sales	(216,600)	(187,712)
Selling expenses	(28,119)	(22,729)
Marketing expenses	(8,541)	(9,642)
Customer service expenses	(8,305)	(7,790)
Purchasing and inventory management	(1,636)	(1,208)
Distribution expenses	(20,355)	(18,138)
Administration and general expenses	(25,588)	(24,864)
Profit before financing costs	44,644	38,545
Financial income	317	228
Financial expenses	(7,124)	(4,868)
Net financing costs	(6,807)	(4,640)
Share of associates equity accounted profit	-	71
Profit before income tax	37,837	33,976
Income tax expense	(10,864)	(9,938)
Profit for the period	26,973	24,038
Basic earnings per share	38.39¢	34.68¢
Diluted earnings per share	38.20¢	34.50¢

The consolidated income statement is to be read in conjunction with the notes to the interim financial statements as set out on pages 13 to 35.

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

FOR THE SIX MONTH PERIOD ENDED 30 NOVEMBER 2006

	CONSOLIDATED	
	30 NOVEMBER 2006 \$000	30 NOVEMBER 2005 \$000
Foreign exchange translation gain/(loss) on translating foreign subsidiaries	321	(185)
Loss from cash flow hedges taken to equity	(296)	-
Loss from cash flow hedges transferred from equity to the income statement	275	-
Income and expense recognised directly in equity	300	(185)
Profit for the period	26,973	24,038
Total recognised income and expense for the period	27,273	23,853

The consolidated statement of recognised income and expense is to be read in conjunction with the notes to the interim financial statements as set out on pages 13 to 35.

CONSOLIDATED BALANCE SHEET

AS AT 30 NOVEMBER 2006

	CONSOLIDATED	
	30 NOVEMBER 2006 \$000	31 MAY 2006 \$000
Current Assets		
Cash and cash equivalents	10,500	13,132
Receivables	106,191	94,536
Inventories	105,742	89,885
Other	7,325	3,184
Total current assets	229,758	200,737
Non-Current Assets		
Receivables	1,307	313
Investments in equity accounted investees	480	480
Other investments	89	89
Property, plant and equipment	63,907	63,167
Intangible assets	372,594	340,058
Deferred tax assets	17,888	17,520
Other	2,138	-
Total non-current assets	458,403	421,627
Total assets	688,161	622,364
Current Liabilities		
Payables	84,396	67,796
Interest-bearing loans and borrowings	37,751	36,924
Current tax liabilities	3,172	1,805
Provisions	31,743	35,065
Total current liabilities	157,062	141,590
Non-Current Liabilities		
Interest-bearing loans and borrowings	167,613	131,025
Provisions	21,236	17,072
Total non-current liabilities	188,849	148,097
Total liabilities	345,911	289,687
Net assets	342,250	332,677
Equity		
Issued capital	260,642	256,736
Reserves	4,297	3,777
Retained earnings	77,311	72,164
Total equity	342,250	332,677

The consolidated balance sheet is to be read in conjunction with the notes to the interim financial statements as set out on pages 13 to 35.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTH PERIOD ENDED 30 NOVEMBER 2006

	CONSOLIDATED	
	30 NOVEMBER	30 NOVEMBER
	2006	2005
	\$000	\$000
Cash Flows from Operating Activities:		
Cash receipts in the course of operations	382,243	348,035
Cash payments in the course of operations	(344,200)	(298,933)
Income taxes paid	(9,625)	(13,995)
Interest income	317	228
Interest paid	(6,382)	(4,868)
Net cash provided by operating activities	22,353	30,467
Cash Flows from Investing Activities:		
Rent received	-	46
Proceeds from sale of property, plant and equipment	1,614	5,947
Payments for property, plant, equipment and capitalised development expenditure	(9,332)	(8,459)
Payments for intangible assets	(3,091)	-
Loans to employees	(3,417)	-
Income taxes paid on profit on sale of controlled entities	-	(7,000)
Payments for assets on acquisition of business	(1,345)	(4,347)
Payments for controlled entities net of cash acquired	(24,912)	(50,246)
Net cash used in investing activities	(40,483)	(64,059)
Cash Flows from Financing Activities:		
Proceeds from issue of shares	-	5
Transaction costs from issue of shares	(9)	(1)
Dividends paid	(18,589)	(14,513)
Purchase of own shares for employee share plans	(543)	-
Finance lease payments	(82)	(315)
Proceeds of borrowings	34,602	43,981
Net cash provided by financing activities	15,379	29,157
Net decrease in cash held	(2,751)	(4,435)
Cash at the beginning of the period	13,132	12,279
Effects of exchange rate fluctuations on the balances of cash held in foreign currencies	119	202
Cash at the end of the period	10,500	8,046

The consolidated statement of cash flows is to be read in conjunction with the notes to the interim financial statements as set out on pages 13 to 35.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

Alesco Corporation Limited (the "Company") is a company domiciled in Australia. The consolidated interim financial report for the Company as at and for the six months ended 30 November 2006 comprises the Company and its subsidiaries (together referred to as the "consolidated entity") and the consolidated entity's interest in jointly controlled entities.

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134: Interim Financial Reporting and the Corporations Act 2001.

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the consolidated entity as at and for the year ended 31 May 2006.

This interim financial report was approved by the Board of Directors on 31 January 2007.

The consolidated entity is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with the Class Order, amounts in the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

(b) Basis of preparation

The interim financial report is presented in Australian dollars and is prepared on the historical cost basis except for derivative financial instruments that are stated at fair value. The accounting policies have been applied consistently throughout the consolidated entity for purposes of this interim financial report.

The consolidated entity adopted the following amendments as at 1 June 2006:

Pronouncement	Affected Standard	Nature of change
AASB 119	AASB 119	Amends disclosure for defined benefit plans
AASB 2004-3	AASB 1, 101, 124	Amends disclosure due to amendment of AASB 119
AASB 2005-1	AASB 139	Amends commentary and guidance on actuarial assumptions on defined benefit plans and to take into account future taxes
AASB 2005-3	AASB 119	Amends commentary and guidance on actuarial assumptions on defined benefit plans and to take into account future taxes
AASB 2005-4	AASB 132, 139, 1, 1023, 1038	Restricts the ability to designate financial assets and liabilities through profit and loss
AASB 2005-5	UIG 4,5 and AASB 1, 139	Optional exemption on adoption of a lease
AASB 2005-6	AASB 3	Adopts exclusions for business combinations involving entities or businesses under common control
AASB 2005-9	AASB 4, 1023	Requires the liabilities of a financial guarantee to be recognised
AASB 2005-11	AASB 101, 112, 132, 133, 139, 141	Editorial changes in the applicable standards
AASB 2005-12	AASB 1023, 1038	Amendment is applicable to insurance contracts
AASB 2006-1	AASB 121	Monetary items denominated in any currency can still be included in the net investment of the foreign operation
AASB 2006-2	AASB 1	Includes a clause for not for profits in the statement of compliance

The application of the above amendments has not had a material impact on the results of consolidated entity for the current and comparative periods.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of preparation (continued)

The preparation of an interim financial report requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the interim financial report from the date that control commences until the date that control ceases.

Investments in subsidiaries are carried at their cost of acquisition in the Company's financial statements.

Joint ventures

Joint ventures are those entities over whose activities the consolidated entity has joint control, established by contractual agreement.

In the interim financial report, investments in jointly controlled entities are accounted for using equity accounting principles. Investments in joint venture entities are carried at the lower of the equity accounted amount and recoverable amount. The consolidated entity's share of the jointly controlled entity's net profit or loss recognised in the interim income statement from the date joint control commenced until the date joint control ceases. Other movements in reserves are recognised directly in consolidated reserves.

Transactions eliminated on consolidation

Intragroup balances, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the interim financial statements.

Unrealised gains arising from transactions with jointly controlled entities are eliminated to the extent of the consolidated entity's interest in the entity with adjustments made to the "Investments accounted for using the equity method" and "Share of associates' equity accounted net profit" accounts.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Gains and losses are recognised as the contributed assets are consumed or sold by the jointly controlled entities or, if not consumed or sold by the jointly controlled entity, when the consolidated entity's interest in such entities is disposed of.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, generally are translated to Australian dollars at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to Australian dollars at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised directly in a separate component of equity.

Net investment in foreign operations

Exchange differences arising from the translation of the net investment in foreign operations, and of related hedges are taken to translation reserve. They are released into the income statement upon disposal.

(e) Derivative financial instruments

The consolidated entity uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the consolidated entity does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

The fair value of interest rate swaps is the estimated amount that the consolidated entity would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Hedging

On entering into a hedging relationship, the consolidated entity formally designates and documents the hedge relationship and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they have been highly effective throughout the financial reporting periods for which they are designated.

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. When the forecasted transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability.

If a hedge of a forecasted transaction subsequently results in the recognition of a financial asset or a financial liability, then the associated gains and losses that were recognised directly in equity are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss (i.e. when interest income or expense is recognised).

For cash flow hedges, other than those covered by the preceding two policy statements, the associated cumulative gain or loss is removed from equity and recognised in the income statement in the same period or periods during which the hedged forecast transaction affects profit or loss. The ineffective part of any gain or loss is recognised immediately in the income statement.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction still is expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, then the cumulative unrealised gain or loss recognised in equity is recognised immediately in the income statement.

Hedge of monetary assets and liabilities

When a derivative financial instrument is used to hedge economically the foreign exchange exposure of a recognised monetary asset or liability, hedge accounting is not applied and any gain or loss on the hedging instrument is recognised in the income statement.

Hedge of net investment in foreign operation

The portion of the gain or loss on an instrument used to hedge a net investment in a foreign operation that is determined to be an effective hedge is recognised directly in equity. The ineffective portion is recognised immediately in the income statement.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Cash and cash equivalents

Cash and cash equivalents comprises cash balances and call deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the consolidated entity's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Allowance is made for obsolete, damaged and slow moving inventories.

The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

(i) Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses.

(j) Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials and direct labour. The cost of self-constructed assets and acquired assets includes an initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leased assets

Leases in terms of which the consolidated entity assumes substantially all of the risks and rewards of ownership are classified as finance leases. Other leases are classified as operating leases.

Subsequent costs

The consolidated entity recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Intangible assets

Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is no longer amortised but is tested annually for impairment.

Negative goodwill arising on an acquisition is recognised directly in the income statement.

Brand names

Brand names represent the value of brands owned by controlled entities determined at acquisition that maintain a strong presence in the market place.

Patents and trademarks

Patents and trademarks represent the value of patents, trademarks and registered designs owned by controlled entities determined at acquisition which provide the entity with a market advantage.

Lease premium

Lease premium represents the value of leases assigned by the vendor to a controlled entity in the acquisition of the business of Robinson Industries Ltd on 30 April 2003.

Development costs

Development costs are primarily systems re-engineering costs comprising development expenditure and associated implementation costs.

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the consolidated entity has sufficient resources to complete development.

The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

Other intangible assets

Other intangible assets that are acquired by the consolidated entity are stated at cost less accumulated amortisation and impairment losses.

Expenditure on internally generated goodwill and brands is recognised in profit or loss as an expense as incurred.

Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Depreciation and amortisation

Depreciation and amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment (excluding land) and intangible assets unless such lives are indefinite. Land is not depreciated. Goodwill and intangible assets with an indefinite useful life are systematically tested for impairment at each annual balance sheet date. Other intangible assets are amortised from the date that they are available for use.

The depreciation rates and/or estimated useful lives in the current and prior year are as follows:

	RATES		USEFUL LIFE
	%		YEARS
Property, plant and equipment:		Intangibles:	
Buildings	2.5%	Brands – B&D, Flextool, Concrete	Indefinite
Plant and equipment	13% to 33%	Brands – others	5-20 years
Motor vehicles	15% to 25%	Patents and trademarks	5-15 years
Leasehold improvements	15% to 20%	Lease premium	6 years
Leased plant and equipment	13% to 33%	Development costs	3 to 7 years

The depreciation/amortisation methods and useful lives applied to an asset are reassessed at least annually.

(m) Impairment

The carrying amounts of the consolidated entity's assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each annual balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Impairment (continued)

Calculation of recoverable amount

The recoverable amount of the consolidated entity's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment. Impairment testing of significant receivables that are not assessed as impaired individually is performed by placing them into portfolios of significant receivables with similar risk profiles and undertaking a collective assessment of impairment. Non-significant receivables are not individually assessed. Instead, impairment testing is performed by placing non-significant receivables in portfolios of similar risk profiles, based on objective evidence from historical experience adjusted for any effects of conditions existing at each balance sheet date.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

Impairment losses, other than in respect of goodwill, are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

An impairment loss in respect of goodwill is not reversed.

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(n) Trade and other payables

Trade and other payables are stated at amortised cost. Trade payables are non-interest bearing and are normally settled on 30 to 180 day terms.

(o) Interest bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

Wages, salaries, annual leave and non-monetary benefits

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax. Non-accumulating non-monetary benefits are expensed based on the net marginal cost to the consolidated entity as the benefits are taken by the employees.

Long term service benefits

The consolidated entity's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted with reference to expected settlement dates using the rates attached to the Commonwealth Government bonds at the balance sheet date which have maturity dates approximating to the terms of the consolidated entity's obligations.

Profit sharing and bonus plans

A liability is recognised for profit sharing and bonus plans, including benefits based on the future value of equity instruments and benefits under plans allowing the consolidated entity to settle in either cash or shares once the cash election is decided, when there is no realistic alternative, the benefit calculations are formally documented, and determined before signing the financial report and past practice supports the calculation.

Share based payment transactions

The share plan programs allow consolidated entity employees to acquire shares of the Company. The fair value of shares granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the shares. The amount recognised as an expense is adjusted to reflect the actual number of shares that vest. The value of shares that are yet to vest are recorded in a share equity reserve and transferred to share capital once vested.

(q) Provisions

A provision is recognised in the balance sheet when the consolidated entity has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

Warranties

Provisions for warranty claims are made for claims received and claims expected to be received in relation to sales made prior to reporting date, based on historical claim rates, adjusted for specific information arising from internal quality assurance processes.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Provisions (continued)

Restructuring

A provision for restructuring is recognised when the consolidated entity has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

Surplus lease space

Provision is made for non-cancellable operating lease rentals payable on surplus leased premises when it is determined that no substantive future benefit will be obtained from its occupancy and sub-lease rentals do not recover the full rental cost.

The estimate is calculated based on discounted net future cash flows, using the interest rate implicit in the lease or an estimate thereof.

Deferred earn-outs

Provisions for deferred earn-outs are made based on management's estimates of likely payments required to be made in addition to initial consideration as part of acquisitions based on underlying sale and purchase agreements. These are generally made based on management budgets for the related earn-out periods.

Makegood

Provision for makegood in respect of leased properties is recognised based on the cost the consolidated entity would incur to restore premises to the required condition.

(r) Derecognition of financial assets and liabilities

A financial asset is derecognised when:

- the rights to receive cash flows from the asset have expired
- the consolidated entity retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party; or
- the consolidated entity has transferred its rights to receive cash flows from the asset and has either transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

(s) Re-purchase of issued capital

When issued capital previously recognised as equity is re-purchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity.

(t) Dividends

Dividends are recognised as a liability in the period in which they are declared. Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of shares outstanding during the period.

Diluted earnings per share is calculated by adjusting the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of dilutive potential ordinary shares.

(v) Revenue

Goods sold and services rendered

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from services rendered is recognised in the income statement in the period in which the services are performed. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the costs incurred or to be incurred cannot be measured reliably, there is a risk of return of goods or there is continuing management involvement with the goods.

Licence fee and royalty income

Licence fee and royalty income is recognised in the income statement as it accrues.

Dividend income

Dividend income is recognised in the income statement on the date the entity's right to receive payments is established.

Rental income

Rental income is recognised in the income statement on a straight-line basis over the term of the lease.

(w) Expenses

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense and are recognised on a straight-line basis over the lease term.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested and gains and losses on hedging instruments that are recognised in the income statement.

Interest income is recognised in the income statement as it accrues, using the effective interest method. The interest expense component of finance lease payments is recognised in the income statement using the effective interest rate method.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(y) Income tax

Income tax on the income statement for the periods presented comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

Tax consolidation

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 June 2004 and are therefore taxed as a single entity from that date. The Company is the head entity within the tax-consolidated group.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Income tax (continued)

Tax consolidation (continued)

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries is assumed by the head entity in the tax-consolidated group and are recognised as amounts payable (receivable) to (from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

Nature of tax funding arrangements and tax sharing agreements

The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability (asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable (payable) equal in amount to the tax liability (asset) assumed. The inter-entity receivable (payable) is at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The head entity in conjunction with other members of the tax-consolidated group, has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

(z) Segment reporting

A segment is a distinguishable component of the consolidated entity that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

NOTE 2: SEGMENT REPORTING

Segment information is presented in respect of the consolidated entity's business and geographical segments. The primary format, business segments, is based on the consolidated entity's management and internal reporting structure.

Inter-segment pricing is determined on an arms-length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated and elimination items mainly comprise corporate entities and elimination adjustments.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Business segments

The consolidated entity comprises the following main business segments:

Doors & Openers	garage doors and openers
Building Products	home building and renovation products to the kitchen, laundry and bathroom markets
Construction & Mining	specialised construction chemicals, earthmoving and heavy duty truck tyres and decorative concretes and associated equipment
Scientific & Medical	scientific and medical equipment for laboratory, environmental and research markets

NOTES TO THE INTERIM FINANCIAL STATEMENTS

NOTE 2: SEGMENT REPORTING (continued)

FOR THE SIX MONTHS ENDED 30 NOVEMBER	DOORS & OPENERS		BUILDING PRODUCTS		CONSTRUCTION & MINING		SCIENTIFIC & MEDICAL		UNALLOCATED & ELIMINATIONS		CONSOLIDATED	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000	2006 \$000	2005 \$000	2006 \$000	2005 \$000	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Revenue												
Revenue from sale of goods	102,205	100,418	75,942	79,697	86,329	63,659	69,420	47,135	–	–	333,896	290,909
Revenue from rendering of services	6,184	6,162	–	–	8,914	8,507	3,915	2,724	–	234	19,013	17,627
Other revenue	242	353	–	72	139	21	–	–	15	28	396	474
External segment revenue	108,631	106,933	75,942	79,769	95,382	72,187	73,335	49,859	15	262	353,305	309,010
Inter-segment revenue	–	–	–	–	75	59	403	393	(478)	(452)	–	–
Total revenue	108,631	106,933	75,942	79,769	95,457	72,246	73,738	50,252	(463)	(190)	353,305	309,010
Result												
EBITDA (pre associates)	19,624	21,237	13,263	14,241	14,797	9,338	8,598	5,458	(3,400)	(3,307)	52,882	46,967
Share of associates' net profit	–	71	–	–	–	–	–	–	–	–	–	71
EBITDA	19,624	21,308	13,263	14,241	14,797	9,338	8,598	5,458	(3,400)	(3,307)	52,882	47,038
Depreciation	(1,940)	(2,331)	(1,865)	(2,033)	(1,160)	(1,020)	(553)	(426)	(390)	(404)	(5,908)	(6,214)
EBITA	17,684	18,977	11,398	12,208	13,637	8,318	8,045	5,032	(3,790)	(3,711)	46,974	40,824
Amortisation of identifiable intangibles	(1,609)	(1,748)	(721)	(460)	–	–	–	–	–	–	(2,330)	(2,208)
EBIT	16,075	17,229	10,677	11,748	13,637	8,318	8,045	5,032	(3,790)	(3,711)	44,644	38,616
Net financing costs											(6,807)	(4,640)
Profit before income taxes											37,837	33,976
Income tax expense											(10,864)	(9,938)
Profit after income taxes											26,973	24,038

NOTES TO THE INTERIM FINANCIAL STATEMENTS**NOTE 3: TAXATION**

FOR THE SIX MONTHS ENDED 30 NOVEMBER	CONSOLIDATED	
	2006 \$000	2005 \$000
Prima facie income tax expense calculated at 30% (2005: 30%) on the profit before tax	11,351	10,193
Increase in income tax expense due to:		
Amortisation of intangibles (capital loss not brought to account)	568	524
Non-deductible expenses	93	117
Overseas tax rate differential	-	14
Decrease in income tax expense due to:		
Deemed interest deductions	-	(456)
Overseas tax rate differential	(93)	-
Recovery of tax losses not previously brought to account	(691)	-
Sundry items	(251)	(454)
Income tax expense on operating profit	10,977	9,938
Income tax over provided in prior year	(113)	-
Income tax expense attributable to pre-tax profit	10,864	9,938
Income tax expense attributable to operating profit is made up of:		
Current tax	9,414	9,813
Deferred tax	1,563	125
Over provision in prior year	(113)	-
	10,864	9,938

NOTE 4: EARNINGS PER SHARE

FOR THE SIX MONTHS ENDED 30 NOVEMBER	CONSOLIDATED	
	2006 \$000	2005 \$000
Earnings reconciliation		
Net profit	26,973	24,038
Basic and diluted earnings	26,973	24,038
AS AT 30 NOVEMBER	2006 NO.	2005 NO.
Weighted average number of shares used as the denominator		
Number of shares for basic earnings per share	70,255,268	69,312,616
Effect of incentive shares issued under Management Share Plans, not yet vested	352,099	358,213
Number of shares for diluted earnings per share	70,607,367	69,670,829

Incentive shares not yet vested under the Management Share Plans have been classified as potential ordinary shares and included in diluted earnings per share.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

NOTE 5: NTA BACKING

AS AT	CONSOLIDATED		
	30 NOVEMBER 2006	31 MAY 2006	30 NOVEMBER 2005
	\$	\$	\$
Net tangible asset backing per ordinary security	(\$0.43)	(\$0.10)	(\$0.17)

NOTE 6: DIVIDENDS

	CENTS PER SHARE	TOTAL AMOUNT \$000	DATE OF PAYMENT	FRANKED/ UNFRANKED
The following dividends were declared and paid by the consolidated entity:				
30 November 2006				
Final 2006 ordinary	31	21,826	31 August 2006	Franked
30 November 2005				
Final 2005 ordinary	25	17,364	1 September 2005	Franked

Franked dividends declared or paid during the period were franked at the tax rate of 30%.

Subsequent events

Since the end of the period, the directors declared the following dividend:

Interim 2007 ordinary	27.5	19,499	2 March 2007	Franked
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The financial effect of the dividend declared subsequent to reporting date has not been brought to account in the financial statements for the half year ended 30 November 2006 and will be recognised in subsequent financial reports.

Dividend reinvestment plans

Shareholders participating in the Dividend Reinvestment Plan (Plan) are entitled on each dividend payment to be allotted the number of ordinary shares (rounded to the nearest whole number) which the cash dividend on Plan Shares in the relevant shareholding account would purchase at the issue price. To participate in the Plan, eligible shareholders must complete a Notice of Dividend Election where participation commences on a date nominated by the Directors and is effective as regards the first dividend payment made following such nomination after receipt by the Company of the Notice of Dividend Election, provided it is received before the books closing date for that dividend. All administrative costs are met by the Company. The Company's Dividend Reinvestment Plan is currently in operation at a nil discount to market. The last date for receipt of election notices for the Plan is 16 February 2007.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

NOTE 7: CONTROLLED ENTITIES

Current period acquisitions of entities / businesses

The consolidated entity acquired 100% of the voting shares of Promedica Pty Ltd on 7 June 2006, a supplier of medical and consumable products for a purchase price of \$21,623,000, with additional potential for a deferred consideration payment based on 2007 earnings. During the period, the consolidated entity also acquired 100% of the voting shares of App-Tek Pty Ltd, App-Tek International Pty Ltd, App-Tek Safety Pty Ltd and App-Tek Victoria Pty Ltd on 31 August 2006, a specialist manufacturer and marketer of gas detection equipment for a purchase price of \$3,868,000, with additional potential for a deferred consideration payment based on 2007 earnings.

In addition, the consolidated entity acquired the business assets of Ashton Garage Doors Limited on 1 June 2006, a supplier of garage doors in New Zealand, for a purchase price of \$1,587,000, being a bolt on acquisition as part of the Doors and Openers segment.

During the period to 30 November 2006, in aggregate these subsidiaries contributed net profit after tax of approximately \$1,820,000. If the acquisitions had occurred on 1 June 2006, management estimates that consolidated revenue would have been approximately \$355,000,000 and consolidated net profit after tax would have been approximately \$27,000,000 for the six months ended 30 November 2006.

The above acquisitions, in aggregate, had the following effect on the consolidated entity's assets and liabilities:

	CONSOLIDATED		
	RECOGNISED VALUES ON ACQUISITION	FAIR VALUE ADJUSTMENTS	PRE- ACQUISITION CARRYING AMOUNTS
Cash and cash equivalents	822	-	822
Receivables	5,136	-	5,136
Inventories	4,430	(258)	4,688
Other assets	79	79	-
Property, plant and equipment	788	(322)	1,110
Deferred tax assets	316	91	225
Intangible assets	8,493	8,493	-
Payables	(3,343)	(72)	(3,271)
Current tax liabilities	(349)	155	(504)
Provisions	(950)	(421)	(529)
Interest-bearing loans and borrowings	(420)	-	(420)
Net identifiable assets and liabilities	15,002	7,745	7,257
Goodwill on acquisition	20,677		
Deferred consideration	(8,600)		
Consideration paid, satisfied in cash	27,079		
Cash acquired	(822)		
Net cash outflow	26,257		

The goodwill recognised on the above acquisitions is attributable mainly to the skills and technical talent of the acquired business workforce and synergies expected to be achieved from integrating the company into the consolidated entity's existing Scientific and Medical, Construction and Mining and Doors and Openers businesses.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

NOTE 7: CONTROLLED ENTITIES (CONTINUED)

Prior period acquisitions of entities / businesses

In the prior half-year to 30 November 2005, the consolidated entity acquired 100% of the voting shares of Drive Holdings Pty Ltd on 7 October 2005, a manufacturer and marketer of decorative concrete solutions.

During the prior half-year comparative period the consolidated entity also acquired the business assets of Nick Harris Garage Doors Pty Ltd, Flextool (Aust) Pty Ltd and Davidson Measurement Pty Ltd, being bolt on acquisitions as part of the Doors & Openers, Construction & Mining and Scientific and Medical segments respectively.

In the prior half-year to 30 November 2005, in aggregate, these subsidiaries contributed net profit after tax of approximately \$633,000. If the acquisitions had occurred on 1 June 2005, management estimates that consolidated revenue would have been approximately \$323,000,000 and consolidated net profit after tax would have been approximately \$25,000,000 for the six months ended 30 November 2005.

The above acquisitions, in aggregate, had the following effect on the consolidated entity's assets and liabilities:

	CONSOLIDATED		
	RECOGNISED VALUES ON ACQUISITION	FAIR VALUE ADJUSTMENTS	PRE- ACQUISITION CARRYING AMOUNTS
Cash and cash equivalents	1,144	-	1,144
Receivables	6,429	-	6,429
Inventories	5,410	-	5,410
Property, plant and equipment	2,302	-	2,302
Intangible assets	30,417	9,200	21,217
Deferred tax assets	607	-	607
Payables	(5,033)	-	(5,033)
Interest-bearing loans and borrowings	(299)	-	(299)
Current tax liabilities	(101)	-	(101)
Provisions	(806)	-	(806)
Net identifiable assets and liabilities	40,070	9,200	30,870
Goodwill on acquisition	15,667		
Consideration paid, satisfied in cash	55,737		
Cash acquired	(1,144)		
Net cash outflow	54,593		

The goodwill recognised on the above acquisitions is attributable mainly to the skills and technical talent of the acquired business workforce and synergies expected to be achieved from integrating the company into the consolidated entity's existing Construction and Mining and Doors and Openers businesses.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

NOTE 8: CONTRIBUTED EQUITY

AS AT	CONSOLIDATED		
	30 NOVEMBER 2006 \$000	31 MAY 2006 \$000	30 NOVEMBER 2005 \$000
Share capital			
70,906,443 (31 May 2006: 70,405,129; 30 November 2005: 70,063,654) ordinary shares, fully paid	260,642	256,736	252,682
Ordinary shares – movements during the period			
Balance at beginning of period	256,736	252,682	248,645
Shares issued:			
• 362,443 (31 May 2006: 341,475; 30 November 2005: 351,847) as part of dividend reinvestment plan	3,246	3,331	2,847
Associated transaction costs	(9)	(9)	(8)
• Nil (31 May 2006: nil; 30 November 2005: 5,000) from the exercise of options under the Executive Share Option Plan	–	–	15
Associated transaction costs	–	–	(1)
• 77,911 (31 May 2006: nil; 30 November 2005: 74,182) shares granted for no consideration under the employee and management share plans	381	–	626
• 48,248 (31 May 2006: nil; 30 November 2005: 45,629) shares issued for consideration under the employee share plans	477	–	399
• 12,712 (31 May 2006: nil; 30 November 2005: 19,377) shares issued for consideration under the management share plans	125	–	159
• Value attributable to 54,373 (31 May 2006: nil; 30 November 2005: Nil) shares purchased on market under the management share plans and not yet vested	(543)	–	–
• Value attributable to management share plan shares vested during the year (previously recognised in share equity reserve)	229	732	–
Balance at end of period	260,642	256,736	252,682

NOTES TO THE INTERIM FINANCIAL STATEMENTS

NOTE 9: CAPITAL AND RESERVES

Reconciliation of movement in capital and reserves

	SHARE CAPITAL	TRANSLATION RESERVE	HEDGING RESERVE	SHARE EQUITY RESERVE	RETAINED EARNINGS	TOTAL
	\$000	\$000	\$000	\$000	\$000	\$000
Balance at 1 June 2006	256,736	2,090	311	1,376	72,164	332,677
Total recognised income and expense	–	321	(21)	–	26,973	27,273
Shares issued	4,068	–	–	–	–	4,068
Equity settled share based payments	381	–	–	220	–	601
Shares acquired on-market by Employee Share Plan Trust (not vested)	(543)	–	–	–	–	(543)
Dividends to shareholders	–	–	–	–	(21,826)	(21,826)
Balance at 30 November 2006	260,642	2,411	290	1,596	77,311	342,250

NOTE 10: PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 November 2006 the consolidated entity acquired assets with a cost of \$6,150,000 (six months ended 30 November 2005: \$8,459,000), including assets acquired through business combinations of \$789,000 (six month ended 30 November 2005: \$2,302,000).

Assets with a carrying amount of \$1,168,000 were disposed of during the six months ended 30 November 2006 (six months ended 30 November 2005: \$4,638,000), resulting in a gain on disposal of \$446,000 (six months ended 30 November 2005: \$1,309,000), which is included in “other income”.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

NOTE 11: EMPLOYEE BENEFITS

During the six month period ended 30 November 2006, the consolidated entity established a Performance Share Plan (“the Plan”) that entitles key management personnel and senior employees (‘eligible employees’) to purchase shares in the entity utilising interest free loans.

Eligible employees are entitled to receive interest free loans with full recourse from Alesco Corporation Limited to fund the purchase of shares in the entity. These interest free loans have a term of up to ten years, or earlier in the case of eligible employee termination.

Eligible employees receiving loans to purchase shares are the registered owners of the shares from the date they are purchased/issued and have the right to vote and receive cash from dividends to meet their individual tax liability on the dividends. The balance of the dividends are used to repay the loans. A holding lock is placed on these shares to prevent sale until the respective loan has been repaid in full to the entity.

Loans issued may be waived based on the Company’s average annual earnings per share growth over a three year period, as set out under the plan. The maximum waiver allowed under the Plan is currently 53.5% of the loan to eligible employees.

The size of the annual acquisition of shares and therefore loans are calculated by the base salary package of the eligible employee multiplied by the stretch Long Term Incentive % target, divided by the share price of the entity.

During the six month period ended 30 November 2006, the consolidated entity recognised a loan receivable from eligible employees under the Plan for an amount of \$3,417,000 (30 November 2005: nil).

NOTE 12: EQUITY ACCOUNTED INVESTMENTS

PRINCIPAL ACTIVITIES	REPORTING DATE	ORDINARY SHARE OWNERSHIP INTEREST				INVESTMENT CARRYING AMOUNT	
		30 NOVEMBER 2006	30 NOVEMBER 2005	30 NOVEMBER 2006	30 NOVEMBER 2005		
		%	%	\$000	\$000		
Lux-a-Door Pty Ltd	manufacturing	30 June	50	50	480	363	

NOTES TO THE INTERIM FINANCIAL STATEMENTS

NOTE 13: CONTINGENT ASSETS AND LIABILITIES

In the ordinary course of business, the Company is involved as a defendant in legal proceedings. Where appropriate, the Company takes legal advice. The Group does not consider that the outcome of any current proceedings is likely to have a material effect on its operations or financial position.

A liability has been recognised for any known losses expected to be incurred where such losses are capable of reliable measurement.

NOTE 14: SUBSEQUENT EVENTS

On 1 December 2006, a subsidiary of the Company completed the acquisition of the businesses of Corkjoint Australia Pty Limited and Corkjoint VIC Pty Limited, distributors of concrete expansion jointing systems and materials, for a purchase price of \$8.2 million.

In addition, the Company announced that it had entered into an agreement to acquire 100% of the issued shares of Lincoln Sentry Group Pty Limited, a distributor of kitchen hardware and components, for a purchase price of \$84 million.

On 19 December 2006, the Company announced that it had entered into an agreement to purchase the businesses of Hanson Sales Limited, Conquip Limited and Concrete Plus Limited for a purchase price of \$6.0 million. Hanson Sales Limited and Conquip Limited are suppliers of concrete finishing tools and equipment. Concrete Plus Limited is a distribution business offering decorative concrete solutions.

On 18 January 2007, the Company announced that it had entered into an agreement to purchase 100% of the issued shares of EnviroEquip Pty Limited and the business assets of EnviroEquip Sales and Rentals Pty Limited, EnviroEquip WA Pty Limited and EnviroEquip Sales and Rentals Limited, for a purchase price of \$9.14 million. The EnviroEquip group of companies are suppliers of environmental equipment and instrumentation in Australia and New Zealand.

DIRECTORS' DECLARATION

In the opinion of the directors of Alesco Corporation Limited ("the Company"):

1. the financial statements and notes set out on pages 10 to 35, are in accordance with the Corporations Act 2001 including:
 - (a) giving a true and fair view of the financial position of the consolidated entity as at 30 November 2006 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting*, and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Sydney this 31st day of January 2007.

Signed in accordance with a resolution of the directors:



SP Wareing
Director



INDEPENDENT REVIEW REPORT TO THE MEMBERS OF ALESCO CORPORATION LIMITED

Scope

The financial report and directors' responsibility

The financial report comprises the condensed consolidated interim statement of income, statement of recognised income and expense, balance sheet, cash flows, accompanying notes 1 to 14 to the financial statements, and the directors' declaration for the Alesco Corporation Limited consolidated entity ("the consolidated entity"), for the half year ended 30 November 2006. The consolidated entity comprises Alesco Corporation Limited ("the company") and the entities it controlled during that half year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted an independent review in order for the company to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements.

We performed procedures in order to state whether on the basis of the procedures described anything has come to our attention that would indicate the financial report does not present fairly, in accordance with the Corporations Act 2001, Australian Accounting Standard AASB 134 Interim Financial Reporting, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the consolidated entity's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our statement on the basis of the review procedures performed, which were limited primarily to:

- enquiries of company personnel; and
- analytical procedures applied to the financial data.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

The procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

A review cannot guarantee that all material misstatements have been detected.

(Continued overleaf)



INDEPENDENT REVIEW REPORT TO THE MEMBERS OF ALESCO CORPORATION LIMITED *(continued)*

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe the half year financial report of Alesco Corporation Limited is not in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 November 2006 and of its performance for the half year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting, and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.

KPMG

Phillip M Napier
Partner

Sydney, 31 January 2007



**LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION
307C OF THE CORPORATIONS ACT 2001**

TO THE DIRECTORS OF ALESCO CORPORATION LIMITED

I declare that, to the best of my knowledge and belief, in relation to the review for the half year ended 30 November 2006 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

A handwritten signature in black ink, appearing to read 'KPMG'.

KPMG

A handwritten signature in black ink, appearing to read 'Phillip M Napier'.

Phillip M Napier
Partner

Sydney, 31 January 2007