

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

**FINANCIAL RESULTS FOR THE YEAR ENDED 31 MAY 2007**

Date: 24 July 2007

Release: 24 July 2007

**ACQUISITIONS AND PORTFOLIO DIVERSITY DELIVERS SOLID EARNINGS GROWTH**

The Alesco Board is pleased to report to shareholders a sixth consecutive year of record earnings per share (before amortisation and significant items) for the year ended 31 May 2007. Alesco’s portfolio diversification and recent acquisitions have helped to deliver the continued strong financial results.

Softness in the Australian and New Zealand new housing markets has been more than offset by: ongoing buoyancy in the construction and mining markets; strong organic growth from the scientific and medical sectors; growing revenues from the Australasian housing renovation sector; and a number of debt funded bolt-on acquisitions.

Highlights include:

- **Record earnings per share (before amortisation and significant items) of 74.6 cents per share (cps), up 12.2% (2006: 66.5cps).**
- **Net profit after tax (before amortisation and significant items), was a record \$52.8 million, up 13.5% on the previous year.**
- **Final dividend of 36cps (fully franked) up from 31cps for the previous year. This brings the total dividend for the year to 63.5cps (fully franked) up 13.4% (2006: 56cps).**
- **Positive contribution of \$5.3m from acquisition program with cost of acquisitions totaling \$136 million for the year. Lincoln Sentry’s performance to date has exceeded our expectations.**
- **Successful transfer of Parbury’s kitchen hardware business into Lincoln Sentry to form Australia’s largest kitchen hardware distributor.**
- **Record cash flows with operating cash of \$67 million being generated (2006: \$52 million).**
- **Investment in capital expenditure of \$26 million to fund future organic growth (2006: \$18 million).**
- **Subsequent to balance date, Alesco announced the acquisition of Total Eden McCracken’s for approximately \$250 million, and a \$225 million capital raising (net of costs and including shares issued to management vendors).**

<b>asx release</b>		
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## Trading conditions

Alesco's results for the year have been achieved in a mixed trading environment. The Australian new housing market has remained soft, driven largely by the decline in New South Wales, although this has been partially offset by the continuing growth in Queensland and Western Australia. At the same time, the renovations market has been strengthening and strong demand is continuing in both the scientific/medical and the construction/mining sectors. The Australian dollar was strong against the US dollar and Euro throughout the year ended 31 May 2007 and particularly in the last quarter.

The key operating ratios for the year were:

	AIFRS			AGAAP	
	May 07	May 06	May 05	May 04	May 03
EBITA/Sales	<b>11.9%</b>	12.6%	10.5%	8.4%	6.9%
Return on average funds employed	<b>15.7%</b>	16.8%	15.2%	18.1%	15.3%
Return on equity	<b>15.8%</b>	14.5%	13.3%	15.5%	13.0%

(before amortisation & significant items)

The EBITA/sales ratio was affected by both the performance of the B&D Group and the lower margins from the Building Products division where Lincoln Sentry, as a pure distribution business, has a lower overall margin and Robinhood reported a decline in margin. Improved margins from the Construction & Mining and Scientific & Medical divisions mitigated the declines elsewhere in the portfolio.

Despite improved operating performance of the overall portfolio the return on average funds employed has decreased as a result of acquisition activity during the year. Debt funded acquisitions, combined with the stronger operating results, have resulted in an increase on return on equity above the target rate of 15%.

## Divisional Performance

Divisional results, pre significant items, were as follows:

\$ million	Operating revenue		EBITA*	
	2007	2006	2007	2006
Garage Doors & Openers	<b>205.7</b>	201.1	30.2	35.1
Building Products	<b>193.0</b>	144.0	23.3	19.3
Construction & Mining	<b>190.5</b>	157.2	25.2	17.9
Scientific & Medical	<b>150.3</b>	98.7	17.6	11.4
Corporate/Unallocated	<b>(1.3)</b>	(0.5)	(8.3)	(8.0)
<b>Total</b>	<b>738.2</b>	<b>600.5</b>	<b>88.0</b>	<b>75.7</b>

\*(before amortisation & significant items)

### Garage Doors & Openers

The Garage Doors & Openers division experienced difficult trading conditions and a number of structural challenges during the year to 31 May 2007. Under Project Icon a new IT platform (SAP) was introduced to B&D Australia. To date the rollout has covered both the New South Wales and Queensland operations and a

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number of systems related issues have been identified and are being addressed. These issues have caused some additional warranty costs and additional labour and freight costs to be borne by the business as it continues to meet its service delivery targets. In the meantime, the roll-out of the new system to other states is expected to be completed in 2008.

The remainder of Project Icon has been substantially completed and has resulted in cost savings during the 2007 year of approximately \$2 million. The Icon improvements will deliver close to \$4 million in savings during the 2008 financial year, predominantly in the area of reduced componentry costs due to offshore sourcing and the standardisation of processes across the business.

B&D New Zealand has also implemented a new IT system to replace the previous unsupported system and has faced similar challenges to B&D Australia as the implementation is bedded down. Both B&D Australia and B&D New Zealand will experience an increase in fixed cost base in FY08 resulting from their respective IT implementations.

Pleasingly, both the Australia and New Zealand businesses have recorded revenue growth during the year and upon finalisation of the new IT platforms will be well positioned to benefit from the forecast improved market conditions.

The garage door opener business (ATA) continued to perform well with a number of new products being introduced during the year. There was also further investment in the Hong Kong manufacturing facility to improve efficiency and expand capacity.

A series of significant management changes were made during the year with a number of senior appointments made to bolster the Australian and New Zealand B&D management teams, including the appointment of Mr Peter Boyd as the Group General Manager for the division in March 2007.

### Building Products

The Building Products division (comprising Lincoln Sentry, Parbury and Robinhood) delivered a strong result in a difficult trading environment, particularly in New South Wales and New Zealand. While new housing starts in these particular markets were weak, a strong renovations sector contributed to the overall performance of the division.

Lincoln Sentry has exceeded expectations since being acquired at the end of January 2007. The business' strong renovation focus and exposure to the growing northern-Queensland and Western Australian markets, as well as the successful integration of the Parbury kitchen hardware business at the end of March 2007, has seen the business deliver another record year.

Parbury has refocused efforts on its specialist decorative surfaces distribution business since the transfer of its kitchen hardware business to Lincoln Sentry in March. A cost reduction program is underway to ensure the cost-base more appropriately reflects business' ongoing needs. Parbury will also seek to grow its decorative surfaces business through the introduction of a new Wilsonart colour palette and other product releases.

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A number of exciting new products have been in the development pipeline at Robinhood during the past year, and these products are expected to be launched during the 2008 financial year.

### Construction and Mining

The Construction & Mining division has achieved a record performance for the year due to significant organic growth in both the Construction and Mining areas, and the impact of strategic acquisitions in the Construction business.

The acquisitions of both Corkjoint and Flextool New Zealand businesses during the second half combined with the full year impact of acquisitions in the 2006 year have had a significant positive impact on results.

In addition, the benefits of restructuring activity carried out as part of Project Foundation began to flow through with a number of facilities closed and relocated to other facilities. Additional benefits will be achieved from this restructuring during FY08.

The year has also seen the introduction of a number of combined trade outlets providing a “one-stop shop” to customers, including the new combined Flextool/Parchem site in Brunswick. The business also continues to provide innovation by way of new products, including the successful introduction of the Portavibe portable concrete vibrator product from Flextool.

The Marathon business has also had another record year. The continuing demand for large earthmoving tyres has, to some extent, been alleviated by increased global supply. However the Marathon business continues to develop both its customer base and product offering, including the manufacture of solid inserts for underground mining applications and the extension of its tyre customer base to the Australian port operators and the military. This diversity of product and customer base will insulate the performance of the Marathon business into the future.

### Scientific & Medical

The Scientific & Medical division has enjoyed a record sales and profit year through both organic growth and growth through acquisition.

Organic growth has been achieved through the continuing expansion of the division’s analytical, environmental and medical businesses in Australia with a significant increase in the sale of capital items. The medical business in Australia also benefited from the full year impact of the Promedica acquisition in June 2006. The acquisitions of App-Tek and EnviroEquip during the year also contributed to the growth in the Australian environmental business.

In New Zealand growth was less evident with no acquisition activity during the year and a more subdued market overall.

The division continues to promote its own branded products – most noticeably the Labserv and Pro-med brands – and to drive both sales and margin growth through both the expansion of its own product ranges and the sourcing of new agencies. Combined with an ongoing strategy of continuing to seek strategic bolt-on acquisitions in growth corridors, the Scientific & Medical division will continue to provide growth opportunities into the future, especially in its emerging environmental and medical divisions.

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## Dividends

The Board has declared a fully franked final dividend of 36 cps, compared with 31 cps for the prior year – up 16.1%. This brings the total dividend for the year to 63.5 cps, fully franked compared with 56 cps for the prior year.

The dividend is payable in respect of shares registered as at 5:00pm on 20 August 2007 and will be paid on 3 September 2007. The dividend re-investment plan will continue to operate with a nil discount rate.

## Cash Flow and Gearing

The Group generated a record operating cash flow of \$67.3 million for the year, up 28.8% on the previous corresponding period. This, supported by additional borrowings, was predominantly used to invest additional capital into the businesses and pay for the bolt on acquisitions made during the year. At year-end gearing (net debt / net debt plus equity) stood at 46.1%, within the target range of 40-50%. Interest cover (EBITA (pre significant items) / net interest expense) for the period was 5.5 times.

## Significant Items

Net significant items for the year was an after tax cost of \$4.1m. As foreshadowed in the half year results, Alesco's kitchen hardware business has been restructured to optimize the value of the Lincoln Sentry acquisition. This has been achieved by transferring the Parbury kitchen hardware business to Lincoln Sentry forming Australia's largest kitchen hardware distributor. As a result of this restructure the Group incurred one off costs associated with the physical transfer of stock, redundancy payments and surplus lease provisions.

## Subsequent Events – Acquisition of Total Eden McCracken's and Capital Raising

Alesco also announced today that it had entered into an agreement to acquire the Total Eden McCracken's water management business from AMP Capital Investors Limited and a number of other vendors, including management, for a consideration of approximately \$250 million.

The acquisition will be substantially funded through a capital raising of approximately \$225 million, with the balance of the purchase price funded through debt facilities. The capital raising comprises a non-renounceable, pro-rata 1 for 9 entitlement offer to existing Alesco shareholders to raise approximately \$95.3 million (net of costs) and a placement to institutional investors to raise approximately \$91.8 million (net of costs). In addition, Alesco intends to issue approximately 3.1 million shares to certain vendors and managers as part of the consideration paid for their shareholding in the group.

A prospectus relating to the capital raising will be lodged with ASIC and ASX and will be dispatched to shareholders on or about 31 July 2007. Any eligible shareholder who wishes to acquire shares will need to complete the application form that will be in or will accompany the prospectus. The vendors offers will be made pursuant to a separate prospectus.

For further information on the acquisition and capital raising see separate announcement which will be lodged with ASX shortly.

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## Outlook

The outlook is positive for Alesco's Australian businesses in FY08. A continuing strong economy and potential recovery in the new housing market, combined with continuing high levels of activity in the resource and construction sectors will provide ongoing growth opportunities. In New Zealand we expect the economy and the performances of our businesses to be more subdued.

The ongoing solid performance of our existing businesses, combined with the acquisition of Total Eden McCracken's and the associated capital raising will, we believe, result in growth in earnings per share (before amortisation and significant items) for FY08 year at a slightly higher rate than in FY07.

Post the acquisition of Total Eden McCracken's and the capital raising, Alesco will have a strong balance sheet with a gearing level of approximately 36%, which is below the target range of 40-50%. This will enable Alesco to take advantage of future acquisition opportunities as they present themselves.

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For further information, please contact Alesco Corporation Limited:

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**Mr. Neil Thompson**  
Finance Director  
Tel: 61 2 9248 2070

Alesco manages a portfolio of leading industrial brands.

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# Alesco Corporation Limited

ABN 23 008 666 064

Appendix 4E

Preliminary final report for the year ended 31 May 2007

ASX code: ALS

# APPENDIX 4E



## Preliminary final report Year ended 31 May 2007

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### RESULTS FOR ANNOUNCEMENT TO THE MARKET

**Entity:** Alesco Corporation Limited and its controlled entities  
**Reporting period:** year ended 31 May 2007  
**Previous corresponding period:** year ended 31 May 2006

					\$000
Revenue	up	22.9%	to		738,188
Profit after tax before significant items	up	14.0%	to		48,049
Net significant items (after tax)					(4,075)
Profit after tax attributable to members	up	2.6%	to		43,974
Net profit for the period attributable to members	up	2.6%	to		43,974

DIVIDENDS	CENTS PER SECURITY	% FRANKED PER SECURITY
CURRENT PERIOD		
Final dividend	36.0	100%
Interim dividend	27.5	100%
	63.5	
PREVIOUS PERIOD		
Final dividend	31.0	100%
Interim dividend	25.0	100%
	56.0	

**Record date for determining entitlements to dividends** 20 August 2007  
**DRP election notice date** 20 August 2007  
**Dividend payment date** 3 September 2007

### Explanation of information reported

	CONSOLIDATED	
	2007	2006
	\$000	\$000
Profit after tax before significant items	48,049	42,138
Net significant items after tax	(4,075)	703
<b>Profit after tax</b>	<b>43,974</b>	<b>42,841</b>



# **Alesco Corporation Limited**

**Preliminary final report for the year ended 31 May 2007**

## INCOME STATEMENT

FOR THE YEAR ENDED 31 MAY 2007

	CONSOLIDATED	
	2007 \$000	2006 \$000
Revenue from sale of goods	<b>702,115</b>	566,354
Revenue from rendering services	<b>36,073</b>	34,135
<b>Total revenue</b>	<b>738,188</b>	600,489
Other income	<b>635</b>	2,216
Cost of sales	<b>(463,266)</b>	(367,905)
Selling expenses	<b>(60,352)</b>	(48,013)
Marketing expenses	<b>(16,155)</b>	(17,174)
Customer service expenses	<b>(17,191)</b>	(14,646)
Purchasing and inventory management	<b>(3,181)</b>	(2,166)
Distribution expenses	<b>(45,318)</b>	(36,549)
Administration and general expenses	<b>(50,191)</b>	(47,086)
Restructuring expenses	<b>(5,822)</b>	(4,598)
<b>Profit before financing costs</b>	<b>77,347</b>	64,568
Financial income	<b>1,397</b>	406
Financial expenses	<b>(17,424)</b>	(11,501)
<b>Net financing costs</b>	<b>(16,027)</b>	(11,095)
Share of associates' equity accounted net profit	<b>173</b>	188
<b>Profit before income tax</b>	<b>61,493</b>	53,661
Income tax expense	<b>(17,519)</b>	(10,820)
<b>Profit for the year</b>	<b>43,974</b>	42,841
Basic earnings per share	<b>62.40¢</b>	61.60¢
Diluted earnings per share	<b>62.09¢</b>	61.24¢

## STATEMENT OF RECOGNISED INCOME AND EXPENSE

FOR THE YEAR ENDED 31 MAY 2007

	CONSOLIDATED	
	2007 \$000	2006 \$000
Foreign exchange translation differences on translating foreign subsidiaries	<b>676</b>	(3,052)
Net unrealised gain from cash flow hedges taken to equity	<b>21</b>	311
Net realised loss from cash flow hedges transferred from equity to the income statement	<b>275</b>	-
<b>Net income recognised directly in equity</b>	<b>972</b>	(2,741)
Profit for the year	<b>43,974</b>	42,841
<b>Total recognised income and expense for the year</b>	<b>44,946</b>	40,100

The consolidated income statement and consolidated statement of recognised income and expense are to be read in conjunction with the notes to the financial statements as set out on pages 7 to 16.

## BALANCE SHEET

AS AT 31 MAY 2007

	CONSOLIDATED	
	2007 \$000	2006 \$000
<b>Current Assets</b>		
Cash and cash equivalents	8,334	13,132
Receivables	132,811	94,536
Inventories	128,947	89,885
Other	6,584	3,184
<b>Total current assets</b>	<b>276,676</b>	200,737
<b>Non-Current Assets</b>		
Receivables	1,288	313
Investments accounted for using the equity method	509	480
Other investments	89	89
Property, plant and equipment	82,413	63,167
Intangible assets	434,010	340,058
Deferred tax assets	20,192	17,520
Other	1,812	-
<b>Total non-current assets</b>	<b>540,313</b>	421,627
<b>Total assets</b>	<b>816,989</b>	622,364
<b>Current Liabilities</b>		
Payables	114,710	67,796
Interest-bearing loans and borrowings	20,366	36,924
Current tax liabilities	5,435	1,805
Provisions	39,493	35,065
<b>Total current liabilities</b>	<b>180,004</b>	141,590
<b>Non-Current Liabilities</b>		
Interest-bearing loans and borrowings	282,165	131,025
Provisions	10,366	17,072
<b>Total non-current liabilities</b>	<b>292,531</b>	148,097
<b>Total liabilities</b>	<b>472,535</b>	289,687
<b>Net assets</b>	<b>344,454</b>	332,677
<b>Equity</b>		
Issued capital	265,365	256,736
Reserves	4,276	3,777
Retained earnings	74,813	72,164
<b>Total equity</b>	<b>344,454</b>	332,677

The consolidated balance sheet is to be read in conjunction with the notes to the financial statements as set out on pages 7 to 16.

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MAY 2007

	CONSOLIDATED	
	2007	2006
	\$000	\$000
<b>Cash Flows from Operating Activities:</b>		
Cash receipts in the course of operations	<b>807,287</b>	667,854
Cash payments in the course of operations	<b>(709,815)</b>	(583,343)
Income taxes paid	<b>(14,112)</b>	(21,145)
Interest received	<b>1,397</b>	406
Interest paid	<b>(17,424)</b>	(11,501)
<b>Net cash provided by operating activities</b>	<b>67,333</b>	52,271
<b>Cash Flows from Investing Activities:</b>		
Rent received	–	79
Proceeds from sale of property, plant and equipment	<b>2,371</b>	6,068
Payments for property, plant and equipment	<b>(26,393)</b>	(16,895)
Payments for intangible assets	<b>(3,657)</b>	(822)
Payments for assets on acquisition of businesses	<b>(15,689)</b>	(19,917)
Payments for controlled entities net of cash acquired	<b>(93,154)</b>	(51,131)
Loans to employees	<b>(3,050)</b>	-
<b>Net cash used in investing activities</b>	<b>(139,572)</b>	(82,618)
<b>Cash Flows from Financing Activities:</b>		
Proceeds from issue of shares	<b>620</b>	573
Transaction costs from issue of shares	<b>(18)</b>	(18)
Dividends paid	<b>(34,889)</b>	(28,704)
Purchase of own shares for employee share plans	<b>(543)</b>	-
Finance lease payments	<b>(1,090)</b>	(515)
Net proceeds from borrowings	<b>103,194</b>	60,368
<b>Net cash provided by financing activities</b>	<b>67,274</b>	31,704
<b>Net increase/(decrease) in cash held</b>	<b>(4,965)</b>	1,357
Cash and cash equivalents at the beginning of the financial year	<b>13,132</b>	12,279
Effects of exchange rate fluctuations on the balances of cash held in foreign currencies	<b>167</b>	(504)
<b>Cash and cash equivalents at the end of the financial year</b>	<b>8,334</b>	13,132

The consolidated statement of cash flows is to be read in conjunction with the notes to the financial statements as set out on pages 7 to 16.

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

#### (a) Statement of compliance

Alesco Corporation Limited (the "Company") is a company domiciled in Australia. The consolidated financial report of the Company for the year ended 31 May 2007 comprises the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

The financial report is a preliminary final report only which has been prepared in accordance with Australian Accounting Standards ("AASBs") (including Australian interpretations) adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. International Financial Reporting Standards ("IFRS") form the basis of Australian Accounting Standards adopted by the AASB, being Australian equivalents to IFRS ("AIFRS").

#### (b) Basis of preparation

The 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 year by the consolidated entity for purposes of this financial report. There are no significant changes when compared to those accounting policies disclosed in the Group's full financial report for the year ended 31 May 2006.

### NOTE 2: SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal 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 Group comprises the following main business segments, based on the Group's management reporting system:

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

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 2: SEGMENT REPORTING (continued)

PRIMARY REPORTING BUSINESS SEGMENTS	DOORS & OPENERS		BUILDING PRODUCTS		CONSTRUCTION & MINING		SCIENTIFIC & MEDICAL		UNALLOCATED & ELIMINATIONS		CONSOLIDATED	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Revenue</b>												
Revenue from sale of goods	<b>193,346</b>	189,554	<b>192,829</b>	144,047	<b>174,831</b>	140,637	<b>141,109</b>	92,116	–	–	<b>702,115</b>	566,354
Revenue from rendering of services	<b>11,978</b>	11,565	<b>143</b>	–	<b>15,691</b>	16,404	<b>8,235</b>	5,754	<b>26</b>	412	<b>36,073</b>	34,135
External segment revenue	<b>205,324</b>	201,119	<b>192,972</b>	144,047	<b>190,522</b>	157,041	<b>149,344</b>	97,870	<b>26</b>	412	<b>738,188</b>	600,489
Inter-segment revenue	<b>323</b>	–	–	–	–	117	<b>996</b>	795	<b>(1,319)</b>	(912)	–	–
<b>Total revenue</b>	<b>205,647</b>	201,119	<b>192,972</b>	144,047	<b>190,522</b>	157,158	<b>150,340</b>	98,665	<b>(1,293)</b>	(500)	<b>738,188</b>	600,489
<b>Result</b>												
EBITDA (pre significant items)	<b>36,052</b>	39,390	<b>27,950</b>	23,343	<b>27,595</b>	20,267	<b>18,807</b>	12,269	<b>(7,766)</b>	(7,280)	<b>102,638</b>	87,989
Share of associates' net profit	<b>173</b>	188	–	–	–	–	–	–	–	–	<b>173</b>	188
EBITDA (pre significant items)	<b>36,225</b>	39,578	<b>27,950</b>	23,343	<b>27,595</b>	20,267	<b>18,807</b>	12,269	<b>(7,766)</b>	(7,280)	<b>102,811</b>	88,177
Depreciation	<b>(6,013)</b>	(4,497)	<b>(4,629)</b>	(4,067)	<b>(2,384)</b>	(2,318)	<b>(1,209)</b>	(853)	<b>(580)</b>	(761)	<b>(14,815)</b>	(12,496)
<b>EBITA (pre significant items)</b>	<b>30,212</b>	35,081	<b>23,321</b>	19,276	<b>25,211</b>	17,949	<b>17,598</b>	11,416	<b>(8,346)</b>	(8,041)	<b>87,996</b>	75,681
Amortisation of identifiable intangibles	<b>(3,472)</b>	(3,493)	<b>(1,289)</b>	(901)	–	–	–	–	–	–	<b>(4,761)</b>	(4,394)
Significant items	–	–	<b>(5,715)</b>	(1,933)	–	(4,598)	–	–	–	–	<b>(5,715)</b>	(6,531)
<b>EBIT</b>	<b>26,740</b>	31,588	<b>16,317</b>	16,442	<b>25,211</b>	13,351	<b>17,598</b>	11,416	<b>(8,346)</b>	(8,041)	<b>77,520</b>	64,756
Net financing costs											<b>(16,027)</b>	(11,095)
<b>Profit before income taxes</b>											<b>61,493</b>	53,661
Income tax expense											<b>(17,519)</b>	(10,820)
<b>Profit for the year</b>											<b>43,974</b>	42,841

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 3: SIGNIFICANT ITEMS

	CONSOLIDATED	
	2007	2006
	\$000	\$000
<b>Business restructuring</b>		
Rationalisation of business operations	<b>(5,822)</b>	(4,598)
Related income tax expense	<b>1,747</b>	1,379
	<b>(4,075)</b>	(3,219)
<b>Surplus lease space</b>		
Provision for surplus lease space	<b>1,251</b>	(1,933)
Related income tax expense	<b>(375)</b>	580
	<b>876</b>	(1,353)
<b>Occupational Health and Safety</b>		
Provision for costs associated with OHS incidents	<b>(1,144)</b>	–
Related income tax expense	<b>268</b>	–
	<b>(876)</b>	–
Total significant items before income tax expense	<b>(5,715)</b>	(6,531)
Related income tax expense on significant items	<b>1,640</b>	1,959
	<b>(4,075)</b>	(4,572)
<b>Significant tax items</b>		
Tax benefit from capital losses not previously brought to account	–	4,369
Gain from tax consolidation	–	906
	–	5,275
Total significant items after income tax expense	<b>(4,075)</b>	703

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 4: INCOME TAX EXPENSE

RECOGNISED IN THE INCOME STATEMENT	CONSOLIDATED	
	2007	2006
	\$000	\$000
<b>Current tax expense</b>		
Current year	<b>17,191</b>	13,908
Adjustments for prior year	<b>(641)</b>	(423)
	<b>16,550</b>	13,485
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	<b>969</b>	1,704
Benefit of capital losses realised	<b>–</b>	(4,369)
	<b>969</b>	(2,665)
Total income tax expense	<b>17,519</b>	10,820
<b>NUMERICAL RECONCILIATION BETWEEN TAX EXPENSE AND PRE-TAX NET PROFIT</b>	<b>2007</b>	<b>2006</b>
	\$000	\$000
Profit before tax	<b>61,493</b>	53,661
Prima facie income tax expense calculated at 30% (2006: 30%) on profit before tax	<b>18,448</b>	16,098
Increase / (decrease) in income tax expense due to:		
Amortisation of intangibles	<b>1,183</b>	1,046
Non-deductible expenses	<b>91</b>	93
Overseas tax rate differential	<b>(254)</b>	133
Research and development	<b>(105)</b>	(301)
Recovery of tax benefits not previously brought to account	<b>(691)</b>	(448)
Re-statement of deferred tax asset	<b>(483)</b>	-
Sundry items	<b>(29)</b>	(103)
Income tax expense on operating profit	<b>18,160</b>	16,518
Income tax over provided in prior year	<b>(641)</b>	(423)
Significant tax items:		
Tax benefit from capital losses not previously brought to account	<b>–</b>	(4,369)
Gain from tax consolidation	<b>–</b>	(906)
Income tax expense attributable to pre-tax profit	<b>17,519</b>	10,820

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 5: EARNINGS PER SHARE

	CONSOLIDATED	
	2007 \$000	2006 \$000
<b>Earnings reconciliation</b>		
Net profit	<b>43,974</b>	42,841
Basic and diluted earnings	<b>43,974</b>	42,841
	2007 NUMBER	2006 NUMBER
<b>Weighted average number of shares used as the denominator</b>		
Number of shares for basic earnings per share	<b>70,465,845</b>	69,545,726
Effect of incentive shares issued under Management Share Plans, not yet vested	<b>352,099</b>	405,177
Number of shares for diluted earnings per share	<b>70,817,944</b>	69,950,903

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

### NOTE 6: DIVIDENDS

	CENTS PER SHARE	TOTAL AMOUNT \$000	DATE OF PAYMENT	FRANKED/ UNFRANKED
Dividends recognised in the current year by the Company are:				
<b>2007</b>				
Interim 2007 ordinary	27.5	19,499	2 March 2007	Franked
Final 2006 ordinary	31.0	21,826	31 August 2006	Franked
Total amount		41,325		
<b>2006</b>				
Interim 2006 ordinary	25.0	17,517	2 March 2006	Franked
Final 2005 ordinary	25.0	17,364	1 September 2005	Franked
Total amount		34,881		

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

#### Subsequent events

Since the end of the financial year, the directors declared the following dividend:

Final 2007 ordinary	36.0	25,628	3 September 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 year ended 31 May 2007 and will be recognised in subsequent financial reports. The declaration and subsequent payment of this dividend has no income tax consequences.

#### Dividend reinvestment plan

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 20 August 2007.

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 7: NTA BACKING

	CONSOLIDATED	
	2007	2006
	\$000	\$000
Net tangible asset backing per ordinary security	<b>(\$1.25)</b>	(\$0.11)

### NOTE 8: CONTROLLED ENTITIES

During the year the consolidated entity acquired the voting shares and/or business assets of the following entities:

- 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 \$23,403,000, with additional potential for a deferred consideration payment based on 2007 earnings.
- 100% of the voting shares of App-Tek Pty Limited, App-Tek International Pty Limited, App-Tek Safety Pty Limited and App-Tek Victoria Pty Limited on 31 August 2006, a specialist manufacturer and marketer of gas detection equipment, for a purchase price of \$3,941,000, with additional potential for a deferred consideration payment based on 2007 earnings.
- 100% of the voting shares of Lincoln Sentry Group Pty Limited on 31 January 2007, a distributor of kitchen hardware and components for a purchase price of \$61,418,000.
- 100% of the voting shares of EnviroEquip WA Pty Limited and the business assets of EnviroEquip Sales and Rentals Pty Limited, EnviroEquip WA Pty Limited and EnviroEquip Sales and Rentals Limited on 2 April 2007, for a purchase price of \$8,132,000, with additional potential for a deferred consideration payment based on 2007 earnings. The EnviroEquip group of companies are suppliers of environmental equipment and instrumentation in Australia and New Zealand.
- Business assets of Ashton Garage Doors Limited on 1 June 2006, distributors of garage doors in New Zealand, for a purchase price of \$1,607,000.
- Business assets of Corkjoint (VIC) Pty Ltd and Corkjoint (Aust) Pty Limited on 1 December 2006, distributors of concrete expansion jointing systems and materials, for a purchase price of \$8,896,000.
- Business assets of Ritsun Pty Limited (trading as Border Laminate Co) on 1 December 2006, distributors of decorative surfaces and kitchen and bathroom hardware, for a purchase price of \$1,025,000, with additional potential for deferred consideration payments based on the retention of key staff members.
- Business assets of Hanson Sales Limited, Conquip Limited and Concrete Plus Limited on 1 February 2007 for a purchase price of \$4,404,000. 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 23 May 2007, the following entities were liquidated and no longer form part of the consolidated entity from this date:

- Statewide Earthmover Tyre Repairs Pty Ltd
- Alan Fishers Earthmover Tyres Pty Ltd
- Pisani International Pty Ltd
- Jacobs Medical Australia Pty Ltd
- Sensor Technologies Pty Ltd
- B&D International Pty Ltd

Acquisitions of controlled entities and businesses contributed approximately \$5.7 million (2006: \$2.3 million) in profit after tax for the year ended 31 May 2007.

**NOTE 8: CONTROLLED ENTITIES (continued)**

Details of acquisitions during the current year are as follows:

	CONSOLIDATED	
	2007	2006
	\$000	\$000
Consideration	<b>119,723</b>	72,192
Deferred settlement consideration	<b>(6,897)</b>	–
Cash acquired	<b>(3,983)</b>	(1,144)
Outflow of cash	<b>108,843</b>	71,048
<b>Fair value of net assets of entities/businesses acquired:</b>		
Cash assets	<b>3,983</b>	1,144
Receivables	<b>30,762</b>	10,003
Inventories	<b>33,390</b>	10,914
Other assets	<b>1,269</b>	–
Property, plant and equipment	<b>7,601</b>	3,197
Other investments	–	–
Deferred tax assets	<b>2,696</b>	1,180
Intangibles	<b>9,330</b>	27,808
Interest bearing loans and borrowings	<b>(27,102)</b>	(299)
Payables	<b>(19,564)</b>	(6,902)
Provisions	<b>(9,879)</b>	(2,164)
Current tax liability	<b>(644)</b>	(92)
	<b>31,842</b>	44,789
Goodwill on acquisition	<b>87,881</b>	27,403
Consideration	<b>119,723</b>	72,192

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 9: NOTES TO THE STATEMENT OF CASH FLOWS

#### Reconciliation of cash

For the purposes of the statement of cash flows, cash includes cash on hand and at bank and short term deposits at call, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

	CONSOLIDATED	
	2007	2006
	\$000	\$000
Cash and cash equivalents	<b>8,334</b>	13,132

#### Reconciliation of profit after income tax to net cash provided by operating activities

	CONSOLIDATED	
	2007	2006
	\$000	\$000
Profit for the year	<b>43,974</b>	42,841
Add/(less) items classified as investing/financing activities:		
(Profit)/loss on sale of property, plant and equipment	<b>(67)</b>	(1,172)
Rent received	–	(79)
Add/(less) non-cash items:		
Depreciation and amortisation	<b>19,576</b>	16,890
Share of joint venture entities result	<b>(173)</b>	(188)
Unrealised foreign exchange (gain)/loss	<b>27</b>	(831)
Equity-settled share-based payment expenses	<b>1,660</b>	1,609
Net cash provided by operating activities before changes in assets and liabilities	<b>64,997</b>	59,070
Changes in assets and liabilities during the year adjusted for effects of purchase and disposal of controlled entities during the financial year:		
Decrease/(increase) in receivables	<b>(7,544)</b>	2,674
Decrease/(increase) in inventories	<b>(7,476)</b>	8,862
Decrease/(increase) in other current assets	<b>(1,732)</b>	1,759
(Decrease)/increase in payables	<b>27,021</b>	(11,285)
Amounts (paid from) / set aside to provisions	<b>(11,338)</b>	3,175
Increase/(decrease) in current tax liabilities	<b>3,057</b>	(11,089)
Decrease/(increase) in deferred tax assets	<b>348</b>	(895)
Net cash provided by operating activities	<b>67,333</b>	52,271

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 10: CAPITAL AND RESERVES

#### Reconciliation of movement in capital and reserves attributable to equity holders of the parent

CONSOLIDATED	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	–	676	296	–	43,974	44,946
Shares vested during the year	1,370	–	–	(1,370)	–	–
Shares issued – dividend reinvestment plan	6,437	–	–	–	–	6,437
Shares issued – employee equity based compensation	763	–	–	897	–	1,660
Shares issued – employees (net of transaction costs)	602	–	–	–	–	602
Shares acquired on-market by Employee Share Plan Trust (not vested)	(543)	–	–	–	–	(543)
Dividends paid to shareholders	–	–	–	–	(41,325)	(41,325)
<b>Balance at 31 May 2007</b>	<b>265,365</b>	<b>2,766</b>	<b>607</b>	<b>903</b>	<b>74,813</b>	<b>344,454</b>

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 11: EQUITY ACCOUNTED INVESTMENTS

	PRINCIPAL ACTIVITIES	REPORTING DATE	ORDINARY SHARE OWNERSHIP INTEREST		INVESTMENT CARRYING AMOUNT	
			2007 %	2006 %	2007 \$000	2006 \$000
Lux-a-Door Pty Ltd	manufacturing	30 June	50	50	509	480

### NOTE 12: 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 13: SUBSEQUENT EVENTS

On 4 July 2007 the Company announced that its Lincoln Sentry business has entered into an agreement to acquire the Joinery Products Hardware Supplies Pty Limited business for \$10.7 million. Settlement is subject to a number of conditions precedent with completion scheduled to occur on or about 31 July 2007.

On 24 July 2007 the Company announced the acquisition of the Total Eden McCracken's water management solutions business for a total consideration of approximately \$250 million. Total Eden McCracken's is Australia's leading provider of water management products and services and operates a national network of distribution and trade outlets. The Company also announced it will raise approximately \$225 million (net of costs and including shares issued to management vendors) via a capital raising to substantially fund the acquisition.