



**2011 ANNUAL GENERAL MEETING  
OF ALESCO CORPORATION LIMITED**

**Wednesday 21 September 2011 at 2.30pm  
Museum of Sydney  
Chairman's Address**

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**Introduction**

Good afternoon ladies and gentlemen and welcome to Alesco's 100<sup>th</sup> Annual General Meeting. I would also like to welcome listeners through our webcast.

My name is Mark Luby and I am Chairman of your company.

I would like to introduce to you my fellow Directors.

From your left the Directors are Rob Aitken, Jim Hall, Bob McKinnon, Ern Pope, Jenny Tait, our Managing Director, Peter Boyd and Finance Director, Neil Thompson.

Also with us today is Luci Rafferty, our Company Secretary.

I would also like to welcome Phillip Napier and Anthony Jones, representatives from the Company's external auditors, KPMG. This is Phillip's last year as audit partner and I take this opportunity of acknowledging Phillip's work over the past five years and welcoming Anthony as KPMG's lead partner on the Alesco account.

Today I will provide some commentary on the performance of the Company for the 2011 financial year, our current trading environment and then ask our Managing Director Peter Boyd to discuss the 2011 financial year results in more detail and outline his plans for 2012.

I will take questions from the floor at the conclusion of Peter's presentation.

Following your questions, we will proceed to the more formal part of the meeting to consider, discuss and vote on the resolutions set out in the Notice of Meeting.

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

I confirm that the Company Secretary has advised me that a quorum is present in person or by proxy and, accordingly, I declare the meeting open.

In addition to those shareholders present at today's meeting, I can confirm that the holders of approximately 46 million ordinary shares or approximately 47% of the Company's shareholders are represented by proxies.

Alesco is a substantially different business to what it was twelve months ago.

At our meeting last year, I acknowledged that the Board and management had considerable work to do to deliver an improved financial performance for shareholders.

Over the past twelve months, despite challenging market conditions, we have reshaped our portfolio of businesses, strengthened our balance sheet and focussed on improving our operational and financial fitness. While we have made good progress, we still have more work to do to improve shareholder returns to an acceptable level.

The Board remains confident that under Peter Boyd's leadership we will deliver those improved shareholder returns. Today I would like to report on our progress under the first year of Peter's leadership of Alesco to achieve this objective and then comment on the trading environment facing Alesco.

In July last year, Peter commenced a detailed three year business improvement program – 'Project Restore' to drive improved operational performance across the group. Together with prudent capital investment we are starting to see fixed cost reductions and efficiencies from the Project Restore process improvement initiatives in our Garage Doors and Openers and Construction Products business units.

There is further work to be done in our Functional & Decorative Products (FDP) division, particularly the Parbury Decorative Surfaces business and Peter will talk in more detail about our challenges and plans for this business in his presentation.

During the year we also reshaped our portfolio of businesses, with the sales of the loss-making Water Products & Services division in February 2011 and the non-core Marathon Tyres business on 30 April 2011 for a combined sale price of \$42.1 million.

These sales were well considered decisions given the performance of both businesses and their ongoing strategic fit within the Alesco portfolio. Their divestment has considerably enhanced our financial fitness, strengthened our balance sheet and enabled Peter and his team to focus on delivering the benefits of Project Restore in our continuing businesses.

In recognition of these sales, Alesco paid a fully franked special dividend of 5.5 cents per share to shareholders earlier this month, in addition to a final dividend of 7.0 cents per share.

As a result of driving operational improvement and reshaping our portfolio through divestments, Alesco today is focussed on growing our business as a supplier of innovative building products to industrial and trade customers serving the building and construction markets in Australia and New Zealand.

### **FY11 Performance**

The FY11 results reflect the considerable efforts from all staff in a year of change, challenging market conditions and devastating natural disasters in Australia and in Christchurch, New Zealand.

Safety remained a key focus for the Group and I am very pleased to report we saw a 27% improvement on the Group's Lost Time Injury Frequency Rate from 8.9 in FY10 to 6.5 in FY11.

Our continuing businesses delivered an EBIT before significant items of \$36.5 million in FY11. This 9% EBIT improvement on the prior year was achieved despite a 3% fall in revenue reflecting the impact of the tangible results being achieved from Project Restore.

All businesses, other than the Parbury business, delivered a solid performance despite the uncertain and tough market conditions, particularly in the third quarter. Peter will talk in more detail about the performance of each division in his presentation shortly.

Net profit after tax was \$13.6 million for the year ended 31 May 2011, up from a net loss after tax of \$124.3 million in the previous year. Reported earnings per share for FY11 were 14.4 cents per share.

Alesco is in a strong financial position with the Group's net debt at the end of the financial year at \$78.1 million, down from \$128.9 million a year ago. Gearing (net debt/net debt plus book equity) stood at a prudent 15.3%, compared to 23.9% at 31 May 2010.

In May 2011, the Company refinanced \$40 million of its bank term debt facilities to 2014 and we expect to refinance the balance of the facilities before the close of the first-half.

The initiatives taken during FY11 have positioned Alesco to withstand the continued turbulent market environment Alesco is facing in the Australian and New Zealand building and construction markets.

## **Dividends**

In July the Board announced their intention to maintain an average full-year dividend payout ratio in the range of 60% – 80% of net profit after tax in future years.

In FY11 Alesco declared total dividends of 8.5 cents per share reflecting a 60% payout ratio of net profit after tax for FY11 financial year.

In addition, following the sales of the Water Products & Services division and Marathon Tyres during FY11, the Board also paid a special dividend of 5.5 cents per share to shareholders on 6 September 2011.

With the special dividend, the payout ratio for FY11 is approximately 100% of FY11 net profit after tax.

At the time the dividends were announced, the Board reported that it had applied for a ruling from the ATO confirming that these dividends would be treated as fully franked dividends for Australian tax purposes as the dividends were paid out of current year profits.

The ATO has confirmed that these dividends are franked distributions for the purposes of Australian tax law on the basis that Alesco undertakes a capital reduction no later than 31 January 2012.

Essentially, a capital reduction will have the effect of reducing share capital and reducing the retained loss position of Alesco to \$nil at the date of the reduction of capital so that the company's net assets exceed its share capital.

No shares will be cancelled as a result of this capital reduction.

## **Corporate Responsibility and Sustainability**

In July, the Federal Government announced its Clean Energy Plan, including the introduction of a carbon tax. The legislation and the proposed carbon tax are expected to commence on 1 July 2012. Given this is only a recent development and includes a complex compensation structure that is still to be passed through parliament, it is too early to comment on specifically how this legislation will impact Alesco directly or its suppliers and customers.

Over the coming 12 months we will continue to monitor developments to ensure Alesco is well placed to respond to the proposed legislative change as well as other developments in community standards and expectations

## Remuneration

At the formal part of today's meeting, shareholders will be asked to approve the Remuneration Report for the FY11 period and I will be happy to respond to any questions or comments at that time.

Over the past weeks I have received direct feedback from retail shareholders that given three out of the five resolutions to be considered at this meeting are about remuneration we appear to be more focused on remuneration for executives rather than the financial performance of the company. I can assure all shareholders that this is not the case. Governance and legislation requires us to bring these remuneration matters to shareholders and they form part of the annual business for shareholders to approve each year.

During FY11 there was no increase in non-executive directors' fees and all executive salaries have remained at June 2008 levels, other than for changes in position.

Last year at the annual general meeting, shareholders approved the introduction of the Performance Rights Plan. I would like to emphasise to shareholders that approval of the Performance Rights Plan did not result in the shares automatically vesting to employees. In order for employees to receive shares two performance hurdles need to be met over a three year period.

The first is an earnings per share (EPS) hurdle which is to be based on earning *after* significant items and amortisation - as distinct from previous plans which was *before* significant items and amortisation.

Last year, we did not disclose the EPS base for the FY11 plan due to its direct relationship with the FY11 budget. I assured shareholders that this hurdle would be a substantial step up from the FY10 EPS (pre-significant items) which was 13.2 cps. The EPS base for the FY11 plan was 19.2 cps. Therefore in FY13, the Company must achieve EPS of at least 19.2 cps for the long term incentive for executives to begin to receive rewards under the Plan. Executives will earn the maximum award under the Plan if EPS is 25.6 cps or better. In other words, EPS must grow at compound annual growth rate (CAGR) of 25% over a three year period for maximum award. The EPS achieved for the FY11 year was 14.4 cents per share.

Again I can assure shareholders that the EPS base for the FY12 year takes a stretch position on prior year performance and will be disclosed in the 2012 Remuneration Report.

The second hurdle is relative to Total Shareholder Return (TSR) which was not previously a trigger for vesting in the Alesco share plans.

The Board believes the Performance Rights Plan and the triggers for vesting align management incentives and reward with actual shareholder returns.

### **Directors and Board Succession**

Today we are asking shareholders to approve the re-election of two non-executive directors Bob McKinnon and me to the Board of Alesco for a further three year term. The Board unanimously recommends our re-election and Bob and I will address shareholders prior to the resolutions being put to shareholders.

In the recent months the Board has engaged an external consultancy firm to assist in the succession and refreshing of the Board. The Board has carefully considered the mix of skills and competencies required on the Board given the portfolio of business in the Group today. With Jim, Rob and Ern serving in their last terms, we expect to appoint a new director with the potential to be Chair of the Audit Committee and another with relevant industry knowledge in the months ahead.

The timing of these appointments and the retirement of existing directors will overlap to ensure the appropriate transfer of corporate knowledge and experience.

### **Current Trading Environment**

I would now like to turn to the current trading environment the Alesco portfolio of businesses is facing today.

Alesco's financial performance is strongly leveraged to the new housing and renovations markets and the non-residential construction markets in Australian and New Zealand. The most recent revised data shows detached housing completions in Australia are forecast to decline 10% from FY11 levels, the lowest levels since 2002.

When we released our results for the FY11 year, and having reviewed our June trading performance, the Board reported that trading conditions in Alesco's building products markets were expected to remain challenging in FY12 and that we remained cautious about the year ahead.

Since our results announcement we have seen a further marked decline in Australia's market conditions for building products during July and August.

The ongoing fallout from the global financial crisis, a sharp decline in consumer and business confidence, an increase in household savings and a weaker than expected recovery in the Queensland market from the floods have accelerated the decline in Australian housing and constructions markets in recent months.

Late last month, we provided an update to the market, noting that Alesco's first quarter revenues had declined at a faster rate than had been anticipated and that as a result, revenue is expected to be down 6% from the prior corresponding period in the quarter.

As a consequence, Alesco forecasts its net profit after tax for the first-half of FY12 to be in the range of \$6.2 million to \$7.5 million, down from \$10.2 million (before significant items) in FY11.

Trading into early September is consistent with our market update last month. However we remain cautious as traditionally the quarter leading up to Christmas is Alesco's strongest trading period of the year.

On a positive note, Alesco's balance sheet is in good shape and our businesses continue to generate good cash flows.

Our operational capabilities have improved over the past 12 months, particularly in two of our three divisions and progress is being made in the Functional & Decorative Products division.

Within this division, Parbury remains our major challenge with a strategic review underway to investigate options to improve the business.

Peter and his team remain strongly focused on delivering the Project Restore operational program to deliver improved outcomes for shareholders over the medium term.

Over the medium term, Alesco is well positioned to benefit from the capital investments made during FY11, sensible bolt-on acquisitions and other growth opportunities to deliver improved operational and financial performance.

I take this opportunity to thank my fellow Directors for their contribution over the past year.

I also thank Peter Boyd, the senior leadership team and all our employees for their achievements over the past 12 months.

Before handing over to Peter I would like to recognise Neil Thompson, Alesco's Finance Director. Earlier this month, Alesco announced that Neil will be leaving the company at the end of the year.

Neil joined Alesco in January 2006 as Chief Financial Officer and was appointed Finance Director in January 2007. Neil has made a substantial contribution to Alesco over the past six years. In particular, Neil played a critical leadership role during the global financial crisis in 2009 in securing the Group's balance sheet with the sale of the Scientific & Medical division and the refinancing of the Group's banking facilities and, more recently, with the sale of the Water Products & Services division and Marathon Tyres business.

Neil leaves Alesco with our thanks and best wishes for the future.

I will now ask Peter to address the meeting.

\* \* \* \* \*



Construction Products & Equipment



Functional & Decorative Products



Garage Doors & Openers



## Alesco Corporation Limited (ALS)

# ANNUAL GENERAL MEETING

Wednesday, 21 September 2011 at  
2.30pm



## Agenda

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- |                           |            |
|---------------------------|------------|
| + Welcome                 | Mark Luby  |
| + Chairman's address      | Mark Luby  |
| + CEO Presentation        | Peter Boyd |
| + Shareholder Questions   | Mark Luby  |
| + Business of the Meeting | Mark Luby  |

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**CHAIRMAN'S ADDRESS**

## Chairman's address

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- + FY11 performance and portfolio changes
- + Dividends
- + Corporate responsibility and sustainability
- + Remuneration
- + Board succession
- + Current trading environment

## Year in review

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- + Alesco is a substantially different business from 12 months ago:
  - + Reshaped our portfolio of businesses with the sale of Water Products & Services division and Marathon Tyres business
  - + Strengthened our balance sheet
  - + Focussed on improving our operational and financial fitness
- + Commenced Project Restore – our three year business improvement programme – starting to deliver fixed cost reductions and efficiencies
- + Increased dividend, including special dividend from sale of businesses

## Alesco today

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Alesco is a company supplying innovative branded products to trade and industrial customers serving the building products markets in Australia and New Zealand

## FY11 performance

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- + Challenging market conditions and natural disasters - floods in Australia and Christchurch earthquakes
- + Improved safety performance – up 27%
- + Improved earnings from ongoing businesses – up 9%
- + Net profit after tax was \$13.6 million – up from pcp
- + Alesco is a strong financial position with gearing at 15.3%

## Dividends

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- + Dividend policy based on current portfolio
  - annual full year dividend payout ratio of 60-80% of net profit after tax
- + Dividends of 8.5 cps, excluding the special dividend, reflecting a 60% payout ratio of FY11 NPAT
- + Special dividend of 5.5 cps with the sales of the Water Products & Services division and the Marathon Tyres business during FY11
- + Total payout ratio was approximately 100% of FY11 NPAT
  - + ATO ruling has confirmed frankable distributions for Australian tax purposes provided a capital reduction<sup>1</sup> is implemented by 31 January 2012

1. Capital reduction will be effected in accordance with section 258F of the Corporations Act 2001 prior to 31 January 2012. See slide 38 for further details and the announcement made by the company on 1 September 2011.

## Corporate responsibility and sustainability

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- + Clean Energy Plan to introduce a carbon tax
- + Carbon tax legislation expected to take effect on 1 July 2012
- + Continue to monitor developments, assess impact on Alesco and develop appropriate response

## Remuneration

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- + Directors fees and executive salaries (other than through a change in role) remain at 2008 levels
- + Performance Rights Plan – three year vesting profile
- + Two performance hurdles
  - Earnings per share *after* significant items and amortisation
  - Total shareholder return relative to the *Small Ordinaries Accumulation Index*

## Board succession

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- + The Board unanimously supports the re-election of Mark Luby and Bob McKinnon
- + Orderly Board succession renewal program to ensure corporate memory and experience is retained

## FY12 trading environment

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- + Financial performance leverage to the new housing, renovation and non-residential construction markets
- + Trading conditions more challenging in FY12
- + FY12 first quarter trading weak with revenue down approx 6%
  - New housing markets in Australia expected to further decline
  - Decline in consumer and business confidence
  - Increase in household savings
- + NPAT for H1 forecast to be in the range of \$6.2m - \$7.5m
- + Improved operational capabilities
- + Alesco well placed with a strengthened balance sheet and strong cash flows

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**PRESENTATION FROM THE MANAGING DIRECTOR**

## FY11 performance overview

	Group	Continuing Businesses <sup>2</sup>
Revenue	\$679.9m ↓ 12%	\$534.1m ↓ 3%
EBIT <sup>1</sup>	\$34.2m ↓ 5%	\$36.5m ↑ 9%
Net profit after tax	\$13.6m ↑	
Earnings per share	14.4cps ↑	
Dividends per share <sup>3,4</sup>	14.0cps ↑	

1. Before significant items
2. Excludes Water Products & Services division and Marathon Tyres which were sold during the year
3. Interim dividend 1.5cps; final dividend 7.0cps and special dividend 5.5cps
4. Refer slide 38 for further information

## Our balance sheet remains in good shape

<b>Gearing<sup>1</sup></b>	<b>15.3%</b>	<ul style="list-style-type: none"> <li>• Balance sheet remains strong</li> </ul>
<b>Operating Cash Flow<sup>2</sup></b>	<b>\$33.3m</b>	<ul style="list-style-type: none"> <li>• Continued focus on working capital reduction</li> <li>• Increased capital investment</li> </ul>
<b>Net Debt<sup>1</sup></b>	<b>\$78.1m</b>	<ul style="list-style-type: none"> <li>• Reduced from \$128.9m</li> </ul>
<b>Dividend</b>	<b>14.0 cps</b>	<ul style="list-style-type: none"> <li>• Interim dividend – 1.5 cps</li> <li>• Final dividend – 7.0 cps</li> <li>• Special dividend – 5.5 cps</li> </ul>

1. As at 31 May 2011

2. EBITDA less capital expenditure plus movements in working capital

## Trading conditions remained tough in FY11

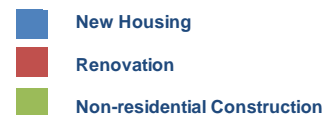
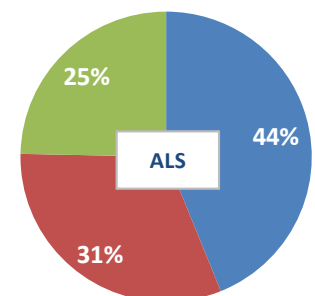
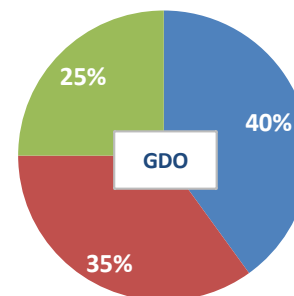
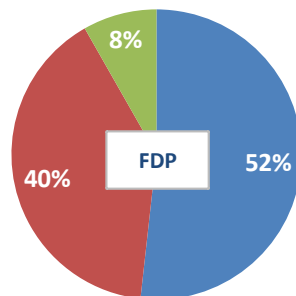
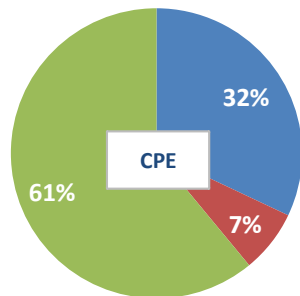
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- + Detached housing completions flat to negative
- + Approvals declined over the second half
- + Renovation activity remained subdued
- + Non-residential construction approvals improved, however work done remained flat
- + Difficult Q3 trading due to Queensland weather events
- + Impact of Christchurch earthquakes

## Portfolio focussed around residential housing, renovations and non-residential construction

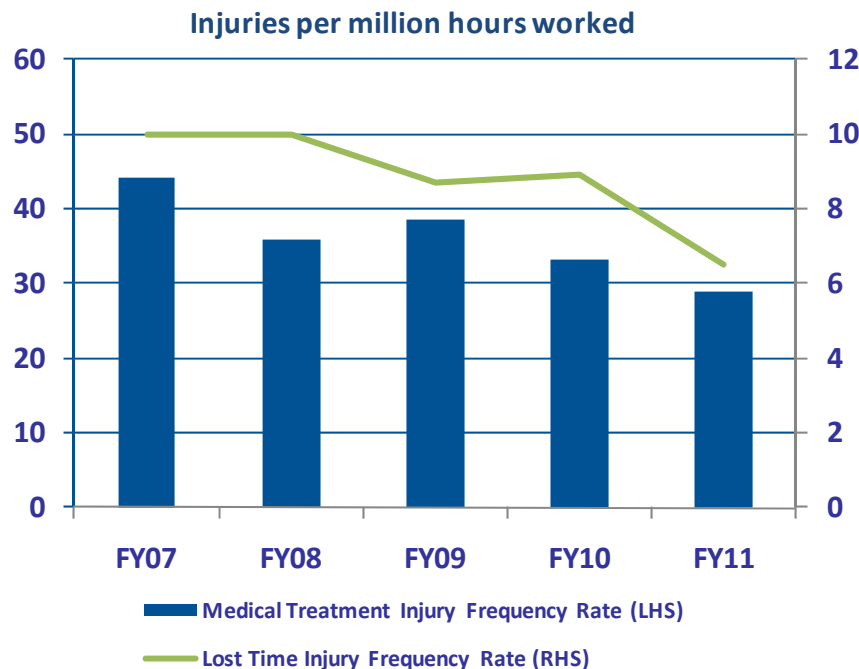
### Portfolio

- Sale of non-core businesses
  - Water Products & Services division for \$20m
  - Sale of Marathon Tyres business for \$23m
- Portfolio reshaped – focussing on building products based businesses



## Safety continues to be a core business focus

### Our target is Zero Harm



#### Key performance indicators:

- + Lost Time Injury Frequency Rate (LTIFR) at 6.5 – 27% improvement on prior full year
- + Medical Treatment Injury Frequency Rate (MTIFR) at 28.9 – 13% improvement on prior full year
- + “Leading with Safety” programme commenced to drive improved safety behaviour outcomes

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## DIVISIONAL PERFORMANCE

## Continuing businesses delivered 9% increase in EBIT<sup>1</sup>

\$m	Revenue			EBIT		
	12 months ended		% Chg	12 months ended		% Chg
	May-11	May-10		May-11	May-10	
Construction Products & Equipment	112.0	107.3	4%	8.3	8.1	3%
Functional & Decorative Products	250.4	270.4	-7%	9.0	12.2	-26%
Garage Doors & Openers	171.5	171.9	0%	22.1	17.9	23%
Other / Unallocated	0.1	0.5		-2.9	-4.9	
<b>Continuing businesses</b>	<b>534.1</b>	<b>550.1</b>	<b>-3%</b>	<b>36.5</b>	<b>33.3</b>	<b>9%</b>
Discontinued operations	145.8	223.1		-2.2	2.7	
<b>Total</b>	<b>679.9</b>	<b>773.2</b>	<b>-12%</b>	<b>34.2</b>	<b>36.0</b>	<b>-5%</b>

## Construction Products & Equipment

\$m	FY11	FY10
Revenue	112.0	107.3
EBIT	8.3 7.5%	8.1 7.6%
Return on Net Operating Assets	8.7%	8.6%
ATWC/Sales	22.5%	24.1%
Operating Cash Flow	-5.2	16.1

Trading	<ul style="list-style-type: none"> <li>+ Solid performance from Parchem Construction Supplies in Australia</li> <li>+ Slow recovery in New Zealand</li> <li>+ Capital expenditure of \$12.4m (pcp \$0.7m) included in operating cash flow</li> </ul>
Restore	<ul style="list-style-type: none"> <li>+ Wyong National Distribution Centre completed in March – site consolidation in H1 of FY12</li> <li>+ 10 Trade Stores now operating - delivering incremental sales and profit</li> <li>+ \$10m capital and ~\$1m expense in Wyong re-development and Trade Store rollout</li> </ul>



## Trade store rollout continues

- 2 stores in FY09 (Perth and Moorebank)
- 2 stores in FY10 (Adelaide and Tuggerah)
- 6 stores in FY11 (Narellan, Canberra, Thornton, Campbellfield, Coffs Harbour and Gladstone with Moorebank relocated to Wetherill Park)
- Further stores underway in FY12
- Expand channels to market and increase sales opportunities



Coffs Harbour



Gladstone



Narellan



Canberra



## Parchem national distribution and factory site - investing for the future

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- Consolidated three operations centres into one at Parchem's company-owned site at Wyong, NSW
- New warehouse built on site – 7,800 m<sup>2</sup>
- Exited two Sydney-based distribution centres and offices
- Annual benefits in lease, freight and headcount reduction and efficiency (reducing double handling) – benefits to be fully realised from FY13

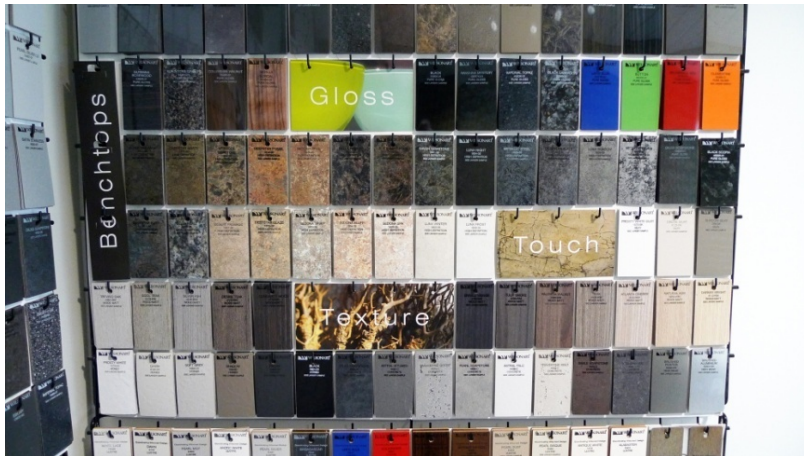
## Functional & Decorative Products

\$m	FY11	FY10
Revenue	250.4	270.4
EBIT	9.0	12.2
%age	3.6%	4.5%
Return on Net Operating Assets	5.7%	7.4%
ATWC/Sales	26.8%	25.9%
Operating Cash Flow	21.1	9.4



Trading	<ul style="list-style-type: none"> <li>+ Improved performance from Lincoln Sentry:               <ul style="list-style-type: none"> <li>• Benefit of higher A\$, partially offset by lower pricing</li> <li>• Overall growth in EBIT despite increased import competition</li> </ul> </li> <li>+ Trading loss from Parbury decorative surfaces:               <ul style="list-style-type: none"> <li>• Revenue decline from market share loss</li> <li>• Trading loss includes additional investment in new product range</li> </ul> </li> <li>+ Robinhood sales increased in Australia, but declined in soft NZ market               <ul style="list-style-type: none"> <li>• Improved margins from outsourcing</li> </ul> </li> <li>+ Impact of Q3 weather events</li> <li>+ Strong cash flow</li> </ul>
Restore	<ul style="list-style-type: none"> <li>+ Slower than anticipated to demonstrate improvement from Project Restore initiatives</li> </ul>

## Project Restore in FDP – our key challenge in FY12



New contemporary 'Global Design Collection' range under the Wilsonart and Panelart brands inspired by Wilsonart's Asian, European and American range of leading laminates.

Restore

### + Management

- + Restructure to provide greater focus at business unit level
  - New Parbury General Manager with strong sales experience (internal appointment – ex-B&D Sales & Marketing Manager)
  - Strengthened functional roles

### + Parbury Global Design Collection

- Launched in April 2011
- Merchandising well advanced
- Focus on Wilsonart/Panelart range of laminates

## Project Restore in FDP – our key challenge in FY12



Best Service. Best Value. Best Advice.



Restore

- + Customer service levels
  - Improve on-time delivery (DIFOT) through sales & operations planning
  - Shorten supply chain
- + Inventory management
  - Improve sales forecasting
  - Reduce excess stock
- + Investment in channel
  - Sydney showroom – expected to open Q3
  - Showcase major product lines
  - Broaden channel to specifiers, architects and consumers

## Garage Doors & Openers

\$m	FY11	FY10
Revenue	171.5	171.9
EBIT	22.1	17.9
%age	12.9%	10.4%
Return on Net Operating Assets	8.8%	7.0%
ATWC/Sales	19.4%	19.6%
Operating Cash Flow	21.8	27.8



**DOMINATOR**



automatic  
TECHNOLOGY

smart | simple | secure

Trading	<ul style="list-style-type: none"> <li>+ Strong performance despite flat markets               <ul style="list-style-type: none"> <li>• Slight increase in detached housing offset by weaker renovation and shed markets</li> </ul> </li> <li>+ Excellent customer service performance               <ul style="list-style-type: none"> <li>• Improved pricing</li> </ul> </li> <li>+ Sustained high level performance from Chinese opener manufacturing facility               <ul style="list-style-type: none"> <li>• Benefit from strong A\$</li> </ul> </li> <li>+ NZ business returned to profit despite difficult conditions in New Zealand</li> </ul>
Restore	<ul style="list-style-type: none"> <li>+ SAP IT rollout in Australia completed in first half</li> <li>+ New combined line installed in Qld plant</li> <li>+ New industrial openers launched</li> </ul>

## Leveraging strong brands and product ranges

### Strong brands – B&D Australia/New Zealand

- + B&D continues to be the most well-known garage door brand in Australia
- + Focussed marketing campaigns to cement brand strength through a variety of mediums
- + Tangible improvements in both leads and sales



**DOMINATOR®**

### New products – Industrial Openers

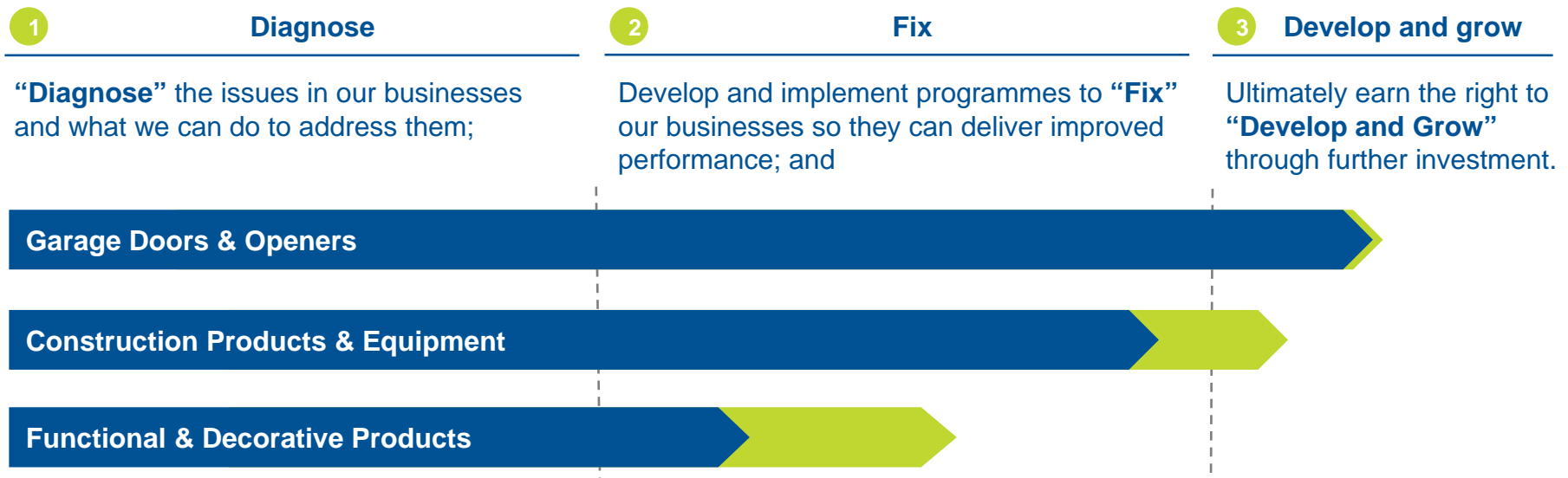
- + ATA released a new Industrial Openers range during FY11 – the Axess Pro
- + This product allows ATA to enter a previously untapped market segment



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## PROJECT RESTORE AND OUTLOOK

# Completed year 1 of three year Project Restore programme delivering operational benefits



- GDO looking to grow
- CPE broadly “on-track”
- FDP – slower than anticipated to demonstrate improvement from Project Restore initiatives

 May 2011 assessment  
 May 2011 Target

## Project Restore is gaining traction across the Group

### Project Restore - Scorecard

		Construction Products & Equipment	Functional & Decorative Products	Garage Doors & Openers
Optimise revenue and gross margin base	• Roll-out Pricing Margin Programs (PMP)	🟡	🟢	🟣
	• Improve Delivered in Full on Time (DIFOT) levels	🟡	🟢	🟣
	• Expand and revitalise product range	🟣	🟡	🟡
	• Optimise distribution network	🟡	🟢	🟡
Improve supply chain (including manufacturing)	• Implement Sales and Operations Planning (S&OP) methodologies	🟡	🟡	🟣
	• Optimise procurement processes	🟢	🟢	🟣
	• Reduce quality claims (improve process and contract controls)	🟡	🟢	🟣
	• Improve labour and overhead efficiency	🟡	🟢	🟣
Reduce overhead spending	• Optimise and flexible headcount	🟣	🟢	🟣
	• Manage discretionary spending tightly	🟣	🟡	🟣
Reduce capital employed	• Reduce inventory through implementation of S&OP methodologies	🟡	🟡	🟣
	• Improve returns on capital investment	🟢	🟢	🟡



“Zero Harm” is a core Alesco value

🟢 Commenced

🟡 In progress

🟣 Results delivered

## Market conditions outlook

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### + New housing (~44% of Alesco's revenue)

- Primary driver is detached housing
- FY12 forecast down around 10% on FY11 levels, particularly weak in Queensland

### + Renovations (~31% of Alesco's revenue)

- Key driver of FDP business
- Renovations are a discretionary spend
- Recent sharp fall in consumer confidence and renovation approvals

### + Non-residential construction (~25% of Alesco's revenue)

- Steady outlook for FY12

## Project Restore Year 2 plan

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- + FDP remains our key challenge
  - Parbury strategic review and turnaround
  - Continue to improve Lincoln Sentry
- + Step change in fixed overheads to recognise market conditions
  - Overheads to be reduced by around 80 positions (5% of workforce)
  - Building a flexible cost base
- + Continue to leverage through innovation, new products and brand strength
  - ATA industrial openers roll-out
  - Parchem trade store roll-out
  - FDP showroom initiative
- + Pursue attractive organic growth options in GDO and CPE

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## **BUSINESS OF THE MEETING**

## Business

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### Ordinary business

Financial Report

Resolution 1 - Remuneration Report

Resolution 2 - Re-election of Mark Bernard Luby

Resolution 3 - Re-election of Robert (Bob) Victor McKinnon

Resolution 4 – Grant of Rights to Managing Director

Put to shareholders a motion to withdraw of Resolution 5 – Grant of Rights to Finance Director

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**CLOSE OF MEETING**

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## APPENDIX

## FY 11 dividends

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- Alesco announced on 1 September 2011 that the ATO has granted a private ruling confirming that the FY11 interim, final and special dividends constitute frankable distributions for the purposes of Australian tax law.
- This clarification was required as a consequence of amendments to the *Corporations Act 2001* in 2010 impacting on the payment and franking of dividends, the Commissioner of Taxation has expressed a view in an ATO Draft Fact Sheet dated 21 June 2011 that where a company's net assets are less than its share capital and the company debits a dividend to an account such as accumulated losses, the dividend will be deemed to have been sourced indirectly from share capital and will be unfrankable.
- The ATO Draft Fact Sheet did not specifically address the circumstances where a company is paying a dividend from current period profits and Alesco considered this is an appropriate basis on which to distinguish the preliminary ATO view.
- The ATO ruling requires Alesco to undertake a capital reduction in accordance with s258F of the *Corporations Act 2001* prior to 31 January 2011. This will have the effect of reducing the share capital account by the amount of accumulated losses at the Company and Consolidated Entity level as at the date of the capital reduction so that the accumulated losses will be reduced zero and net assets will be greater than the reduced share capital amount. The reduction will be executed by way of resolution of the Board of Directors. The actual amount will be determined by the Alesco Board, in consultation with the auditors, at the time the capital reduction is effected. No shares will be cancelled as a result of the capital reduction.

## Disclaimer

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The numbers expressed in this presentation are based on the audited financial statement for the year ended 31 May 2011.

This presentation may also contain forward looking statements, including estimated company earnings and potential growth of the company. These statements relate to future events and expectations and involve unknown risks and uncertainties. Actual results may differ materially from this expressed or implied by these forward looking statements.

This presentation is not and does not form part of any offer, invitation or recommendation in respect of securities. Any decision to buy or sell Alesco shares should only be made after seeking appropriate financial advice.