

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2009

CORPORATE GOVERNANCE STATEMENT

The Board of directors of Alesco is responsible for the corporate governance of the Company and its controlled entities (the "Alesco Group") and to ensure that the Alesco Group is directed and managed appropriately. In this regard, the Board is committed to ensuring accountability and that control systems are commensurate with the risks involved to enable Alesco to create value and optimise its performance.

This statement summarises the corporate governance practices and policies in place at Alesco during the financial year ended 31 May 2009 in relation to the eight ASX Corporate Governance Principles. For ease of reference, this statement has been prepared and presented in a format consistent with the ASX publication.

The Board recognises that in a changing world these practices and policies should be reviewed from time to time to ensure they continue to reflect local and international developments and to assist Alesco in optimising its corporate performance and accountability.

In summary, there have been no substantial changes to Alesco's corporate governance practices and policies during the reporting period. Alesco has appointed a Group General Risk Manager to a newly created role to develop an overarching risk management and compliance framework, to coordinate the implementation of this framework, to assist divisional management to identify and manage material business risks and to further develop and review the division's internal control and risk management systems.

In addition, the Board has commissioned a board performance review to be facilitated by an external consultant and this review is currently taking place and is expected to be finalised by September 2009.

Alesco departs from the ASX Principles in one key area in that it has not established a separate Nominations Committee, opting for more flexible arrangements. Alesco has in place an Audit & Compliance Committee, Human Resources Committee and a Safety, Health & Environment Committee, the membership of which is discussed in this report. Details on the Committees membership are set out in Table 2 on page 23. Summaries of the key corporate governance practices and policies, including a checklist summarising Alesco's compliance with the ASX recommendations can be

found on Alesco's website at www.alesco.com.au under "Corporate Governance".

ASX Principle 1 – Lay solid foundations for management and oversight

Role of the Board

The Board has formalised its role and its relationship with management into a Board charter. The primary role of the Board is the protection and enhancement of long-term shareholder value. Its responsibilities include the overall strategic direction of the Alesco Group, establishing goals for management and monitoring the achievement of these goals. The functions and responsibilities of the Board and management are consistent with ASX Principle 1. A summary of the matters reserved for the Board can be found in the corporate governance section of the Alesco website.

The Board has delegated certain responsibilities to senior executives including the day-to-day operation and administration of the Company.

The Company has in place an induction program for its directors and senior executives to assist them to understand the Company's financial position, strategies, operations and policies and their respective rights, duties and responsibilities.

The Company has in place a process for evaluating the performance of senior executives. The Chief Executive reviews the performance of senior executives and presents to the Human Resources Committee on this review. The Committee considers this report and assesses the actual performance of the Group and the relevant segment and individual's performance overall and against the KPIs set at the beginning of the financial year.

A performance evaluation process for senior executives took place assessing the key executives against corporate, divisional and individual goals in accordance with this process.

ASX Principle 2 – Structure the Board to add value

Board structure

The Board presently has eight directors, six non-executive directors, including the Chairman and two executive directors, the Managing Director and Finance Director. The following Board changes occurred during the financial year. Robert (Bob) McKinnon was appointed to the Board on 1 July 2008 and Barry Jackson retired at the 2008 Annual General Meeting in September having served a seven year term.

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Each director brings a diverse range of skills and background to the Board. The skills, experience and expertise of the directors are set out in more detail at

pages 18 and 19 in the Annual Report. Other relevant details of the directors are set out in Table 2.

Table 2

NAME	DATE OF APPOINTMENT	COMMITTEE MEMBERSHIP	TERM IN OFFICE	RETIRING AT 2009 AGM	NEXT RETIREMENT DATE	INDEPENDENT
SP Wareing (Chairman)	1 Sep 2000	Human Resources	9 years	Yes ¹	n/a	Yes
RM Aitken	10 Mar 2003	Human Resources and Safety, Health & Environment	6 years	Yes ²	2009	Yes
JW Hall	1 Jul 2005	Audit & Compliance	4 years	No	2010	Yes
MB Luby	18 Dec 2007	Audit & Compliance and Safety, Health & Environment	2 years	No	2011	Yes
RV McKinnon ³	1 July 2008	Audit & Compliance	1 year	No	2011	Yes
EJ Pope	1 Dec 2004	Human Resources and Safety, Health & Environment	5 years	No	2010	Yes
JJ Ryan (CEO)	1 Oct 2005	n/a	4 years	n/a	n/a	No ⁴
NA Thompson (Finance Director)	31 Jan 2007	n/a	2 years	No	2010	No ⁴

¹ SP Wareing has served his permitted nine year term is retiring at the 2009 annual general meeting and is not seeking re-election.

² Retiring by rotation in accordance with the constitution and the ASX Listing Rules.

³ RV McKinnon joined the Board on 1 July 2008 and was appointed to the Audit & Compliance Committee on 28 July 2008.

⁴ By virtue of being an executive officer.

The composition of the Board is determined using the following principles:

- there should be at least five directors, with a broad range of expertise;
- the Chairman is to be an independent non-executive director;
- there must be a majority of non-executive directors, with at least half the Board being independent non-executive directors;
- there must be enough directors to serve on various committees without overburdening the directors or making it difficult for them to fully discharge their responsibilities;
- at a minimum, directors (other than the Managing Director) must face re-election every three years;
- the roles of Chairman and Chief Executive Officer should not be exercised by the same individual. In addition, a former Chief Executive Officer should not be appointed Chairman; and
- the size and composition should be conducive to allowing the Board to make appropriate decisions and that decision-making is not hindered.

To assist in its duties the Board has established three Committees: Audit & Compliance Committee, Human Resources Committee and the Safety Health & Environment Committee. The membership of these Committees was refreshed in February 2008 to ensure that the workload for each director was balanced in order for the directors to fully discharge their responsibilities. The Committee membership will be reviewed during the next financial year to take into account Mr Luby's increased responsibilities as Chairman and the retirement of the current Chairman. The current membership of these Committees is noted in Table 2.

Director independence

The Board supports the principle that a majority of the Board of Alesco should be independent and that each director should bring an independent judgment to bear in decision making.

In judging whether a director is independent for the purposes of serving on the Board of Alesco and any Board Committees, the Board has regard to the principle outlined in ASX Principle 2. In summary, an independent director is independent of management

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and free of any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered and independent judgment. Alesco has adopted AASB standard 1031 *Materiality* to determine levels of materiality when assessing independence.

The directors considered by the Board to be independent are identified in Table 2.

To enable the Board to assess the independence of each director, each director is required to provide all relevant information to Alesco on a regular basis. Details of director related entity transactions with the consolidated entity are set out in Note 34 of the Annual Report. There are no director related party transactions in place in relation to Alesco and its directors at the present time.

Conflicts of interest

Each director is required to act in the interests of Alesco as a whole and, at no time, allow any of the director's own interests to prevail over those of the members generally. If a matter is being considered in which a director has a material personal interest, that director must declare his interest and must not be present when the matter is being considered or vote on the matter, unless all of the other directors have passed a resolution to enable that director to do so or the matter comes within exceptions permitted by law.

Nomination and appointment of new directors

The Board has elected not to establish a formal Nominations Committee to oversee the appointment and induction process for directors in preference for more flexible arrangements as deemed appropriate in the circumstances. When the need arises to seek nominees or make changes to the Board composition, an ad-hoc committee is formed, comprising the Chairman, together with other independent Board members as deemed appropriate, to manage this process.

From time to time, the Board assesses the skill, knowledge, diversity and experience currently represented on the Board and will determine areas, if any, not adequately represented. Potential candidates identified are put forward to the Board for consideration. It is the Board's normal practice to involve external consultants to assist in the nomination process. The Board is responsible for the appointment of a suitable candidate as recommended by the Committee.

A non-executive director was appointed to the Board during the reporting period with the appointment of

Robert (Bob) McKinnon on 1 July 2008. This appointment was made having regard to the existing competencies and skills of existing Board members. Newly appointed directors or directors standing for re-election are expected to acknowledge to the Board that they have sufficient time to meet the Company's expectations of them. All directors have confirmed that they are able to meet the Company's expectations and workload associated with being a non-executive director.

Meetings of directors

The Board meets on a regular scheduled basis and on other occasions as required. Meetings may be held at divisional locations to allow visits to the various operational sites and for other purposes. Meetings may also be held in absence of senior management as deemed necessary and appropriate and, for these purposes, non-executive directors will meet prior to the Board meeting without the presence of executive directors and other senior management.

To assist it in its decision making, the Board or individual directors may seek independent professional advice at the expense of Alesco, subject to prior consultation with the Chairman.

Retirement and election of directors

The Constitution requires each director (other than the Managing Director) to retire at the third annual general meeting after their appointment or after three years, whichever is longer. Retiring directors are eligible for re-election (subject to their term of service). In addition, any new director appointed by the Board faces election at the next general meeting of the Company.

In order to ensure a periodical refreshing of membership and to avoid the potential for loss of objectivity over time, non-executive directors are expected to serve approximately three terms, which would ordinarily amount to a period of nine years. Thereafter, non-executive directors would be expected to retire at the next appropriate general meeting and to not seek re-election unless requested by the Board to do so.

Mr Wareing and Mr Aitken are subject to re-election at the 2009 annual general meeting. Mr Wareing who has served on the Board since 2000 will retire at the 2009 annual general meeting and has indicated that he will not be seeking re-election, having served his permitted nine year term.

Induction procedures including site visits and meetings with management are in place to allow Board appointees to participate fully and actively in Board decision making at the earliest opportunity.

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Mr McKinnon participated in an extensive induction program in his first three months as a director which involved a number of site visits as well as meeting with the divisional management teams and Alesco's management team.

Site visits are arranged from time to time and as required to allow directors to visit operational sites and meet with divisional management teams.

All directors have access to the resources of the company secretary. The Board is consulted regarding the appointment and removal of the company secretary.

As noted earlier, the Board has commissioned a board performance review facilitated by an external and independent consultant and this review is currently taking place and is expected to be finalised by September 2009. The review considers, among other things, the performance of the Board benchmarked against the ASX Corporate Governance Guidelines. The last Board performance review by an external party was conducted in the financial year ended 31 May 2006. In the intervening years, Board appraisals have been conducted by the Chairman. These appraisals consider not only the individual directors' performance but also the performance of the Board's three committees.

ASX Principle 3 - Promote ethical and responsible decision-making

In line with ASX Principle 3, the Board has established, among others, a Code of Conduct, Share Trading Policy and Whistleblowing Policy.

Code of Conduct

The purpose of the Code of Conduct is to guide all employees and directors as to:

- the practices necessary to maintain confidence in Alesco's honesty and integrity; and
- the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The overriding principle is that all business affairs of Alesco must be conducted legally, ethically and with strict observance of the highest standards of propriety and business ethics. If there are any doubts as to how to respond to a particular circumstance, directors and employees are encouraged to consult with the Chairman or Company Secretary and, if necessary, seek external professional advice. A copy of the Code of Conduct is posted on the Alesco website.

The Company has also established a whistleblowing program for all of its employees. This program enables employees to report in good faith a breach or suspected breach of the law or Company policy, including the Code of Conduct or a work-related event which involves questionable, dishonest or fraudulent activity.

Share trading policy

A share trading policy has been adopted and is binding on all directors, officers and employees of Alesco. This policy imposes trading restrictions on all directors, officers and employees of Alesco in possession of 'inside information'. Additional trading restrictions are imposed on designated officers, including directors, senior executives in each division and employees based in corporate head office for the period from 90 days prior to the release of Alesco's full-year and half-year results until two days after the results have been released to the market. In addition, in order to trade, directors and other designated officers must seek the approval from the Chairman of the Board or the Chief Executive Officer prior to any dealing and must confirm in writing that they do not hold any inside information. Any approvals to trade are for a period of up to 10 business days and will lapse immediately if the designated officer comes in possession of inside information. Designated officers are prohibited from entering into transactions which may operate to limit the economic risks of invested entitlements under any of the Company's long-term incentive plans. A copy of the Share Trading Policy is posted on the Alesco website.

Directors are required to comply with the requirements of the ASX Listing Rules and their letter of appointment and promptly advise Alesco of any dealing in Alesco shares to allow Alesco to make the necessary disclosures to the ASX.

All of the current Directors hold shares in Alesco, the details of which are set out on page 30 of this Annual Report.

ASX Principle 4 - Safeguard integrity in financial reporting

ASX Principle 4 requires Alesco to "have a structure to independently verify and safeguard the integrity of the Company's financial reporting". The Board believes its practices are in accordance with this principle.

Each division within Alesco reports monthly to the Board on its financial performance and other key business-related matters. Consistent with ASX Principle 4, each half-year following extensive

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consultation with the divisional management teams, the Chief Executive Officer and Chief Financial Officer provide written assurance to the Board as to the veracity of the financial conditions and operational results of the Alesco group and that they are in accordance with relevant accounting standards and the law.

Audit and compliance committee

To assist in the execution of its responsibilities, the Board has established an Audit & Compliance Committee. The structure of the Audit & Compliance Committee and its responsibilities reflect the requirements of ASX Principle 4. As part of its responsibilities, the Committee reviews the integrity of the Company's financial reporting, and recommends to the Board and shareholders the appointment of an external auditor, approves audit fees and ensures the independence of the external auditor. The responsibilities of the Committee are set out in its Charter, which is available on the Alesco website.

All three members of the Committee are independent non-executive directors. Membership of this Committee was refreshed in February 2008 and the current membership is noted in Table 2 on page 23. Mr Hall has been Chairman of this Committee from 23 September 2005. The qualifications of each director who is a member of this Committee are set out on pages 18 and 19 of the Annual Report. Details of the attendance at meetings can be found in Table 1 on page 21. Directors of the Board who are not members of the Committee are provided with copies of the Committee papers and entitled to attend Committee meetings. Alesco's auditors (internal and external), members of the senior executive team and other third parties are invited to attend Audit & Compliance Committee meetings at the discretion and invitation of the Committee. The Committee may meet with the auditors (both internal and external) without management's presence when required or thought appropriate. The Committee also has the right of access to management to seek explanations and additional information as considered necessary to discharge its duties.

During the year the Audit & Compliance Committee met on five occasions. Two of the meetings were held to coincide with the review of the half year and full year results. The other meetings focused, among other things, on internal audit, insurance, compliance and risk affecting the consolidated group.

Auditor and independence

The Company's external auditors are KPMG.

The Committee regularly assesses any non-audit services being performed by KPMG to ensure that the services are not of a kind that might impair the impartial judgment of the external auditor and that circumstances do not arise of actual or perceived loss of objectivity or independence. The Board, on the recommendation of the Committee, is satisfied that KPMG is independent.

Management is required to seek the prior consent of the Committee if it wishes to use KPMG for material projects in non-audit areas (other than taxation compliance services). During the year KPMG was used to undertake an IT risk review. Alesco also used other service providers for non-audit services such as due diligence transactional services.

To ensure KPMG's independence, it is a requirement of Alesco that an independence declaration is made by KPMG each half year and ensures that the signing partner on the audit does not perform this role for more than five full-year audits. Mr Phillip Napier is the lead audit partner for KPMG in relation to the audit of the Company and consolidated entity and commenced in this role for the financial year ended 31 May 2007. Mr Napier is scheduled to retire as lead audit partner after the conclusion of the Company's 2011 annual general meeting.

ASX Principle 5 - Make timely and balanced disclosure

Consistent with ASX Principle 5, the Board aims to ensure that all investors have equal and timely access to material information concerning the Company, that there is compliance with continuous disclosure requirements and that announcements made by the Company are factual and presented in a clear and balanced way.

The Company has adopted a Market Disclosure Policy reflecting the principles set out in ASX Principle 5. This policy has been placed on the Alesco website.

ASX Principle 6 - Respect the rights of shareholders

Alesco has adopted a number of different practices designed to promote effective communication with shareholders as recommended by ASX Principle 6. These practices include placing on the Alesco website relevant information, including ASX announcements, annual and half-year reports, copies of notices of meetings, analyst briefings and presentations given by the Chairman or Chief Executive Officer. Currently,

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annual and half-year reports are distributed to those shareholders who have specifically requested to receive these documents. These documents are also placed on the Alesco website for access. Alesco also uses audio recordings to give stakeholders access to any material presentations such as general meetings and key analyst briefings and webcasts its general meetings. These recordings are also made available through our website for a period of time. For those shareholders who have so elected, emails are used to update shareholders on key announcements.

A representative from the auditors of Alesco attends the annual general meeting and any other meeting as required by the Board and is available to answer shareholder questions about the conduct of the audit and preparation and content of the auditor's report. Consistent with our usual practice, the auditor attended last year's AGM and has been asked to attend this year's AGM in September 2009.

ASX Principle 7 - Recognise and manage risk

ASX Principle 7 recommends that a company "establish policies for the oversight and management of material business risks."

There are a number of material business risk factors that could potentially impact upon the future operating and financial performance of Alesco. These risks are both specific to Alesco and also relate to the general business and economic climate which are beyond the control of Alesco.

Calculated risk-taking is viewed as an essential part of the Company's approach to creating long-term shareholder value. In doing so, Alesco has in place limits and a range of policies and procedures to oversee and manage the risk in its activities. Some of the risk management controls in place across the business include:

- limits and delegated authorities for approval of capital expenditure and investments, entry into contracts and supply arrangements, purchasing, recruitment and expenses;
- policies and procedures for the management of financial risk and treasury operations, including exposures to foreign currency and movements in interest rates;
- annual budgeting and monthly reporting systems for all businesses, which include reporting on compliance and risk activities being conducted at the businesses;
- a formal and dynamic process to prepare three year strategic plans for each business;

- extensive questionnaires completed by management in connection with the year end and the half year financial reporting process.

These controls are periodically reviewed by the Board. To assist with this process, the Safety Health & Environment Committee is responsible for overseeing and reviewing the safety health & environment framework and policies of Alesco. In addition to its financial reporting obligations, the Audit & Compliance Committee is tasked with the responsibility for overseeing and reviewing the overarching risk management framework and policies of Alesco in detail. Both these committees report to the Board on a regular basis.

As part of this framework:

- the Audit & Compliance Committee receives periodic reports in relation to the Group's financial reporting, internal control structure and risk management systems from its internal auditors, senior management and external consultants;
- the Audit & Compliance Committee reviews the adequacy of the Group's insurance program;
- the Safety Health & Environment Committee reviews and reports to the Board on the performance and management of the Company's safety, health and environment program;
- the senior management team manages and reports to the Board on a monthly basis on the business, operational and financial risks and overall compliance performance.

Management is responsible for designing, implementing and reporting on the adequacy of the Company's risk management and internal control system to manage the division's material business risks. Management reports to the Audit & Compliance and Safety Health & Environment Committees on a regular basis on whether those risks are being managed effectively.

Given the changes to the Company and the external operating environment over the past 12 months, the Audit & Compliance Committee, in conjunction with senior management, is in the process of reviewing the Group's risk management framework and the associated policies and procedures developed by management. This review is likely to be completed towards the end of calendar year 2009.

As part of this review process, the following approach was taken to managing the Group's material business risks during the reporting period:

- a Group Risk Manager was appointed to a newly created role to develop an overarching risk

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management and compliance framework and to coordinate the implementation of this framework and to assist divisional management to identify and manage material business risks and to further develop and review the division's internal control and risk management systems;

- an Executive Risk Committee has been established to help drive and oversee the risk management framework across the Group;
- the Group Risk Policy is in the process of being reviewed and updated;
- a comprehensive IT risk review was conducted across each business to understand the inherent risks and to identify control improvements and enhancements to be implemented;
- the policies and procedures for the management of financial risk and treasury operations, including exposures to foreign currency and movements in interest rates were reviewed and updated;
- the framework for the ongoing management of a Group-wide risk register commenced to assist the divisions in this process.

During the next 12 months a number of actions have been identified to improve and formalise the Group's risk management processes and internal control systems, including the rollout of a uniform group wide risk program to monitor and report on risks and the controls in place to manage these risks.

Internal audit

Alesco has an established internal audit function. The internal audit function is independent of the external audit function and has direct access to the Chairman of the Audit & Compliance Committee. This Committee oversees the scope of the internal audit function and has access to the internal auditors without the presence of management. The scope of the internal audit function includes examining and evaluating the Group's internal control systems, compliance systems, financial reporting processes and the quality of performance in carrying out assigned responsibilities. The scope of work is based on an agreed plan which is prepared by the internal audit function in consultation with management and approved by the Audit & Compliance Committee.

Financial reporting

Alesco has adopted the policy requiring the Chief Executive Officer and Finance Director to confirm in writing that, to the best of their knowledge:

- the Company's financial report presents a true and fair view of the Company's financial condition and

operating results and is in accordance with applicable accounting standards;

- the Company's financial records for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001; and
- the integrity of the financial records and systems is founded on a sound system of risk management and internal compliance and control which operates efficiently and effectively in all material respects.

This assurance is provided following consultation with the divisional management teams as appropriate through detailed internal control questionnaires relating to financial and other matters reporting on a six monthly basis. The questionnaires are reviewed by the corporate team and Alesco's external auditors as part of its half-year and full-year reporting process. It is noted that the assurances provided by management can only be reasonable rather than absolute. This is due to such factors as the need for judgment and interpretation, the use of testing on a sample basis, the inherent limitations in internal control. The questionnaires are not designed to detect all weaknesses in control procedures and often identify areas of improvement which are then taken into consideration in the future planning for the businesses.

During the course of the year and as part of the strategic and budgeting processes, Alesco's senior management reports to the Board on the material business risks facing the business and the effectiveness of managing these risks.

The Board has also received the Chief Executive Officer and Finance Director assurances described above for this financial year.

ASX Principle 8 - Remunerate fairly and responsibly

Alesco has in place systems designed to fairly review and actively encourage enhanced Board and management effectiveness. The Chairman has the responsibility to review continually the performance of each director and the Board as a whole. The Chairman may hold discussions individually with directors to facilitate peer review. From time to time and, as considered appropriate, the Chairman will seek external assistance and advice to undertake these performance reviews. The Board last conducted a performance evaluation on the Board and its members through an external facilitator in the financial year ended 31 May 2006. This review considered, among other things, the performance of

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the Board benchmarked against the ASX Corporate Governance Guidelines. No internal deficiencies or material issues were identified through this process although some areas that were identified for further improvement or enhancement have now been addressed. Earlier this year, the Board commissioned a new externally facilitated review to be undertaken and this review is scheduled to be completed by September 2009. In the intervening years, Board appraisals have been conducted by the Chairman. These appraisals consider not only the individual directors' performance but also the performance of the Board's three committees.

The Board has in place a Human Resources Committee to assist the Board in relation to human resources issues affecting the Alesco Group. The structure of this Committee and its responsibilities reflect the requirements of ASX Principle 8. Membership of this Committee is noted in Table 2.

All three members of the Committee are independent directors. Details of the attendance at meetings can be found in Table 1. Directors of the Board who are not members of the Committee receive copies of the Committee's papers and are entitled to attend Committee meetings. In addition, the Chief Executive Officer and Finance Director as well as other senior executives, as appropriate, are invited to the meetings at the discretion of the Committee. The Committee also has the right of access to management to seek explanations and additional information as considered necessary to discharge its duties.

The Charter setting out the responsibilities of the Committee has been adopted and a summary of this Charter is posted on the Alesco website.

This Committee is responsible for ensuring that the recruitment and remuneration policies and practices of Alesco are consistent with its strategic goals and human resources objectives and are designed to enhance corporate and individual performance as well as meet the appropriate recruitment and succession planning needs.

To do this the Committee, among other things, is responsible for reviewing and monitoring executive performance, remuneration and incentive policies and the manner in which they should operate, the introduction and operation of share plans, executive succession planning and development programs to ensure that they are appropriate to the Group's needs and the remuneration framework for directors (as approved by shareholders). The Committee may

consult with remuneration advisers to Alesco to assist in its role. During the year the Committee appointed Egan Associates to undertake a review of the remuneration framework in place for key senior executives and while this review is not yet complete, details on the status of the review is set out in the Remuneration Report.

Details of the directors' and key senior executives' remuneration and the approach taken by the Board this year and a further discussion on the Company's remuneration framework is set out in the Remuneration Report starting at page 32.

Principal Activities

The principal activities of the Group during the course of the financial year were the sourcing and manufacturing of leading industrial brands to the building and renovations, scientific and medical, construction and mining and water management sectors.

On 30 April 2009 Alesco sold its Scientific and Medical division for \$175million. Other than this disposal, there was no significant change in the nature of the activities of the Group during the year.

Operating and Financial Review and Likely Developments

The consolidated income statement shows a consolidated net loss attributable to members of \$12,789,000 compared with a profit of \$57,971,000 in 2008.

The Chairman's Report and the Chief Executive Officer's Report review the operations of the Group and give an indication of likely developments and the expected results of the operations.

Further information about likely developments in the operations of the Group and the expected results of those operations in future financial years have not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

Events Subsequent to Balance Date

On 17 July 2009, new shares were issued under a placement to certain vendors of Total Eden Holdings Pty Ltd in relation to the Company's acquisition of Total Eden Holdings on 1 August 2007. 1,078,609 ordinary shares were issued to certain vendors in full and final settlement of the payment of the final purchase price. The calculation of the final purchase price was dependent on the determination of the audited pro-forma normalised Earnings Before Interest and Tax ("EBIT") for the 12 months to 30 June 2007 for Total Eden Holdings Pty Ltd and its

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controlled entities. Although this calculation has not yet been finally determined, the Company has reached agreement on the final payment to be paid to these vendors.

On 24 July 2009, Alesco Finance Pty Limited (a wholly owned subsidiary of Alesco Corporation Limited) entered into an unsecured syndicated facility with four banks, including Alesco's three current core lenders; ANZ, BNP Paribas, Commonwealth Bank of Australia and a new lender; National Australia Bank Limited. The Facility provides for a syndicated cash advance term facility of \$240 million over two equal tranches with maturity dates of July 2011 and July 2012. Drawdown of the facility is subject to a number of conditions precedent which are expected to be satisfied shortly. Proceeds from the facility will be used to repay Alesco's existing facilities, which at

24 July 2009 were drawn to the extent of \$175 million

Dividends

Dividends paid or declared by the Company to members since the end of the previous financial year are set out in Table 3. Franked dividends declared or paid during the year were franked at the tax rate of 30%.

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 2009 and will be recognised in subsequent financial reports.

Table 3

	CENTS PER SHARE	TOTAL AMOUNT \$000	DATE OF PAYMENT	FRANKED/unfrANKED
Declared and paid during the year				
Final 2008 ordinary	36.0	32,608	1 September 2008	Franked
Interim 2009 ordinary	Nil	Nil	n/a	Franked
Total amount		32,608		
Declared after end of year				
Final 2009 ordinary	7.0	6,524	1 September 2009	Franked
Total amount		6,524		

Directors' Interests

The relevant interest of each director in the share capital of the Company as notified by the directors to the Australian Stock Exchange in accordance with section 205G(1) of the *Corporations Act 2001* at the date of this report are set out in Table 4.

Table 4

	ORDINARY SHARES
SP Wareing	62,059
JJ Ryan	689,479
NA Thompson	119,925
RM Aitken	126,280
JW Hall	26,667
MB Luby	32,000
RV McKinnon	7,500
EJ Pope	45,163

Share Options

There were no options issued during the year. Neither at the date of this report nor any time during the year were there any unissued ordinary shares of the Company under option.

Indemnification and Insurance of Officers and Auditors

Indemnification

The Company has agreed to indemnify the current and former directors and secretaries of the Company and its controlled entities as well as the members of the Executive Committee and other key executives against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as officers of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

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Insurance premiums

Since the end of the previous financial year the Company has paid insurance premiums in respect of directors' and officers' liability and legal expenses insurance contracts, for current and former directors and officers of the Company and its controlled entities. The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability and legal expenses insurance contracts, as such disclosure is prohibited under the terms of the contract.

Non-audit services

During the year KPMG, the Company's auditor, has performed certain other services in addition to their statutory duties.

The Audit and Compliance Committee has reviewed and considered the non-audit services provided during the year by the auditor and in accordance with advice provided by the Audit and Compliance Committee the Board is satisfied that the provision of those non-audit services complies with the Company's corporate governance policies and is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001*.

Details of amounts paid to the auditor, KPMG, for services other than the statutory audit are set out in Table 5.

Table 5

	consolidated	
	2009	2008
NON-AUDIT SERVICES	\$	\$
Taxation compliance ¹	221,855	90,840
Taxation compliance ²	149,585	209,650
Other assurance services ¹	50,236	199,675
	421,676	500,165

¹ KPMG Australia.

² Overseas KPMG firms.

Rounding Off

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