

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

FINANCIAL RESULTS FOR THE YEAR ENDED 31 MAY 2008

Date: 29 July 2008

Release: **29 July 2008**

SEVENTH SUCCESSIVE YEAR OF RECORD EARNINGS PER SHARE¹

Alesco is pleased to report to shareholders a seventh consecutive year of record earnings per share (before amortisation of intangibles and significant items) for the year ended 31 May 2008.

Annual revenue increased to more than \$1 billion for the first time, driven by organic growth and the impact of recent acquisitions. This revenue growth has combined with ongoing restructuring initiatives and improved operational effectiveness to produce a record result with net profit after tax of \$58.0 million (2007: \$44.0 million) and earnings per share of 67.2 cents per share (2007: 61.8 cents per share).

Continuing strength in the infrastructure markets in Australia and strong performances from the Scientific & Medical division, as well as the Lincoln Sentry business due to continuing growth in the housing renovation sector have cushioned the impact of continuing softness in the Australian and New Zealand new housing markets and the adverse weather on the east coast of Australia.

Highlights include:

- **Record earnings per share (before amortisation of intangibles and significant items) of 83.8 cents per share (cps), up 12.8% (2007: 74.3²cps).**
- **Net profit after tax before amortisation of intangibles and significant items, was a record \$72.3 million, up 36.9% on the previous year.**
- **Final dividend of 36cps (fully franked) resulting in an increase in the total dividend for the year to 67cps (fully franked) up 5.5% (2007: 63.5cps).**
- **Ten month contribution from the Total Eden McCracken’s business with strong performance in Western Australia offset by the impact of floods in Queensland and New South Wales.**
- **Full year contribution from Lincoln Sentry which was acquired in February 2007.**
- **Strong operating cash flow of \$84.4 million (2007: \$83.4 million).**
- **Functional & Decorative Products division amalgamating Lincoln Sentry, Parbury and Robinhood re-named to more appropriately reflect product and customer mix.**
- **Continuing improvement in operational effectiveness in Garage Doors & Openers division to counter difficult market environment.**

¹ Before amortisation and significant items

² Rights adjusted

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Alesco Corporation Limited ABN 23 008 666 064	Level 24, 207 Kent Street Sydney NSW 2000	T: 61 2 9248 2000 F: 61 2 9248 2099 E: investorrelations@alesco.com.au W: www.alesco.com.au

Trading conditions

Activity levels in Alesco's end markets have remained mixed during the past year.

During the year Alesco experienced strong demand for infrastructure products and services through its Construction Products & Equipment business and parts of its Water Products & Services division. This was enhanced by continuing strong demand for environmental products in the Scientific & Medical division.

An expanded presence in the growth states of Queensland (26% of Group revenues) and Western Australia (13% of Group revenues) through the acquisitions of Total Eden McCracken's and Lincoln Sentry has also driven organic revenue growth.

The Australian renovation market (approximately 23% of Group revenues) has continued to grow with the value of work completed growing 5.8% in the year to March 2008 up from 5.0% the previous year. However, the Australian new housing market (approximately 18% of Group revenues) remains mixed with a slight increase in overall commencements in the year to March 2008. Strong growth in Victoria (+10.8%) and Western Australia (+6.0%) was offset by a decline in New South Wales (-6.5%).

The New Zealand environment is less attractive with the level of new housing consents forecast to decline by 9% in the year to June 2008 and renovation work forecast to increase 4% over the same period. In this context, recent acquisitions have continued to reduce the proportion of group revenue being sourced in New Zealand (10% of Group revenues).

Key operating ratios for the year were:

	May 08	May 07
EBITA/Sales	11.5%	11.9%
Return on net operating assets (RNOA)	14.9%	15.7%
Return on equity (ROE)	13.6%	15.8%

(before amortisation & significant items)

EBITA/Sales has been maintained above the target level of 10% for the fourth consecutive year. Improved margins in the Construction Products & Equipment business and the Scientific & Medical division have been offset by a decline in the Garage Doors & Openers division and the Marathon Tyres business as well as the contribution from the Water Products & Services division.

The acquisition of Total Eden McCracken's and the capital raising undertaken to fund that acquisition, have both contributed to the decline in RNOA and ROE. Within the divisions, the superior returns generated from the Construction Products & Equipment business and the Lincoln Sentry business have also been offset by the lower returns from the Garage Doors & Openers division and the lower performance of the Marathon Tyres business, after a record year in 2007.

The increased equity from the capital raising has, however, resulted in a lower level of gearing down from 46.1% to a more conservative 35.0%. The Board believes this to have been a prudent response during a period of relative uncertainty in global debt and capital markets.

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Divisional Performance

Divisional results, before significant items, were as follows:

\$ million	Operating revenue		EBITA	
	2008	2007	2008	2007
Functional & Decorative Products	312.7	193.0	36.4	23.3
Construction & Mining	198.9	190.5	27.9	25.2
Garage Doors & Openers	207.7	205.3	26.5	30.2
Scientific & Medical	161.9	149.3	20.3	17.6
Water Products & Services	189.7	0.1	20.2	-
Corporate/Unallocated	0.2	-	(7.8)	(8.3)
Total	1,071.1	738.2	123.5	88.0

Functional & Decorative Products

The renamed Functional & Decorative Products division has achieved a record result during the year with revenues up by 62.0% and EBITA up by 55.9%. This division is now the largest division within Alesco and accounts for approximately 30% of Group revenue. This strong result includes a full 12 months contribution from Lincoln Sentry and ten months contribution from Joinery Products which was acquired in August 2007 and forms part of the Window, Door & Glazing business. Lincoln Sentry's exposure to the growing renovation and commercial sectors and the growing Queensland market has resulted in the trading result exceeding expectations for the year.

As previously announced, the Functional & Decorative Products division was restructured in Australia during the year resulting in a pre-tax significant item of \$2.2 million being incurred. This has reduced management overhead and provides a more cohesive platform from which to service customers. This restructure has culminated in the re-branding of the division's trading name to "Lincoln Group". More than 11,000 customers and 300 suppliers across Australia and New Zealand will be serviced under this trading banner.

The division continues to grow its revenue base through the introduction of new and innovative products into the Australian market, including the Panther Protect range of extruded aluminium sections used in the fabrication of security doors, a new range of vertical steel and glass balustrade systems and the new "Tip-On" door opening system and "Aventos" bi-fold lift systems from Blum.

During the year the Parbury decorative surfaces business successfully introduced its new high pressure laminates range which, for the first time, included colours developed for the Australian market by Parbury in conjunction with its US supplier, Wilsonart.

Robinhood has experienced difficult trading conditions with its exposure to the domestic New Zealand market. Despite these difficulties, the business continues to introduce new and innovative products, including the new imported Vetro range of curved glass island rangehoods and the Supertub Workstation.

Management are continuing to investigate opportunities to improve efficiencies, particularly in the more challenging markets of New Zealand.

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Construction and Mining

The Construction & Mining division has achieved a record performance for the year with revenue up 4.4% and EBITA up 10.8%. This performance was due to significant organic growth in the Parchem business and the full year impact of strategic acquisitions in the Construction Products & Equipment businesses.

The restructuring of the Construction Products & Equipment businesses in Australia has continued during the year with the rationalisation of distribution sites and the repositioning of the branch network, operating under the brand name "Parchem Construction Supplies". The business is well positioned for growth and will continue to promote company owned and/or manufactured brands such as Flextool, Fosroc and Cobblestone as well as source third party branded products to meet customers' needs. In addition, the benefits of restructuring activity carried out over the past year began to flow through with a number of facilities closed and relocated to other existing facilities.

During the year a number of newly designed and sourced products were successfully launched including the "Portapump", a hand-held water pump, the Profinish range of professional concreter's handtools and a range of specialised grouts for the mining industry.

The Marathon Tyres business experienced a decline in profit during the year after a record year in FY07. The decline was due to reduced demand for earthmoving tyres as a result of inclement weather in the Hunter Valley in New South Wales and the Bowen Basin in Queensland and infrastructure bottlenecks, particularly at the port of Newcastle. The reduced demand for earthmoving tyres has, to some extent, been offset by offering an expanded range of products that were introduced during the year including Earthmoving Wheel Rims and the Rubber Liner solid insert products that are now manufactured locally by Marathon Tyres.

Garage Doors & Openers

FY08 has been a year of restructure and consolidation for the Garage Doors & Openers division with revenue flat and EBITA down 12.3%. Despite this decline, it is pleasing to report that the second half result for the division not only exceeded the prior corresponding period but was also above first half result as the restructuring initiatives over the past two years have started to take effect.

The B&D business has experienced difficult trading conditions in Australia, especially in New South Wales where new housing starts continue to be at record low levels. However, the recent restructuring initiatives have provided a solid base for the future with improved IT systems, additional investment in manufacturing facilities and a strengthened management team improving overall customer service levels and operational performance. The business is now well positioned to benefit from any recovery in the new housing market. Following on from the price increase in October 2007, a further price increase was introduced in March 2008. In an environment of increasing input prices, including higher distribution costs, B&D Australia will seek to maintain margins through further operating efficiencies from restructuring and higher price yields. To this end a further round of price increases has been announced to the market since year end. Both door volumes and revenues were slightly higher than the previous year.

B&D New Zealand, which accounts for approximately 15% of the division's revenue, has also experienced difficult trading conditions particularly in the second half of the year. Significant price pressures exacerbated by increasing input prices resulted in declining margins. The decline in the New Zealand new housing market is forecast to continue throughout FY09 before a forecast recovery in FY10. After exiting the specialty door business and completing other restructuring initiatives in May 2008, further restructuring within the New Zealand business is likely to occur in FY09 to further reduce costs and improve operational performance.

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FY08 has been a landmark year for the garage door opener business – ATA. During the year the division began sourcing its entire garage door opener range internally. In a successful execution of substituting third party product, the ATA business launched a number of new and functionally improved products into the market and increased throughput at its Hong Kong facility by approximately 30%. This increase in volumes is also improving manufacturing efficiency.

As previously announced, further restructuring in both the Australian and New Zealand door businesses took place during the year resulting in a pre-tax significant item of \$8.0 million being incurred in FY08.

Scientific & Medical

The Scientific & Medical division enjoyed significant organic growth in the second half of FY08 after a flat first half resulting in another record year. Sales were up 8.4% and EBITA up 15.3%.

Organic growth has been achieved through the continuing expansion of the division’s analytical, environmental and laboratory equipment businesses in Australia, with a significant increase in the sale of capital items. The first full year’s ownership of App-Tek and EnviroEquip also contributed to the growth in the Australian environmental business.

In Australia the division is in the process of consolidating its Melbourne metropolitan distribution sites from five to one site in Scoresby with the relocation having commenced in July 2008. Further site consolidations in other major centres are planned with the three sites in Perth to be consolidated into one site early this financial year.

In New Zealand growth was also achieved, particularly in the second half, with significant growth in the smaller medical and environmental businesses. Profitability in the larger Lab Products business continues to improve and to further improve efficiency in the distribution part of the business, a new advanced warehouse management system is in the process of being rolled out at the main Auckland site. The system will be introduced into Australia during the course of FY09.

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. The Scientific & Medical division will continue to provide growth opportunities through an ongoing strategy of strategic bolt-on acquisitions in growth corridors, particularly in its emerging environmental and medical businesses.

Water Products & Services

The Water Products & Services division did not meet expectations for the year. Revenue for the ten months to May 2008 was \$189.7 million returning an EBITA of \$20.2 million. On an annualised basis revenues were approximately \$228 million, down 2% against the prior corresponding period.

Consistent with the comments at the half year, the Total Eden business in Western Australia continued to perform well with revenue up 17% in the year to May 2008 due to strong growth across its retail and commercial contracting businesses.

As foreshadowed at the half year, the McCracken’s businesses on the east coast of Australia suffered during the second half, due to flooding in parts of regional Queensland and northern New South Wales in the first

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few months of 2008. Whilst trading has since reverted to more normal levels in the outlets affected by the floods there was a short term dip in performance as contract work slowed due to the conditions. Increasing interest rates in the second half of the year have also dampened domestic demand for water tanks and grey water systems across the east coast retail network.

The integration of the east coast businesses is continuing with the majority of recently acquired business having been rebranded as McCracken's outlets. A new IT system has been successfully implemented in the wholesale part of the business and planning is well underway for the rollout of the Total Eden IT system across the McCracken's business. This roll-out should be substantially completed during the current financial year.

The recently announced internal appointments of Wayne Powell as Group General Manager of the division and Alan Fonseca as the General Manager, Finance will provide a solid framework for the integration initiatives currently underway.

Dividends

The Board has declared a fully franked final dividend of 36 cps, in line with the prior corresponding period. This brings the total dividend for the year to 67 cps, fully franked compared with 63.5 cps for the prior year – up 5.5%.

The dividend is payable in respect of shares registered as at 5:00pm on 18 August 2008 and will be paid on 1 September 2008. The dividend re-investment plan will continue to operate with a nil discount rate.

The Board has revised its dividend policy from a stated payout ratio (dependent upon earnings per share) to an annually progressive dividend policy.

Cash Flow and Gearing

The Group generated an operating cash flow of \$84.4 million for the year, up 1.2% 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 35.0%, below the target range of 40-50%. Interest cover (EBITDA (pre significant items)/net interest expense) for the period was 5.4 times.

At year end, Alesco had \$410 million in committed funding, none of which was current at balance date. During the year the Group successfully renegotiated \$80 million of facilities for a further three years.

Significant Items

Consistent with previous advice, a significant item of \$10.1 million pre-tax (\$7.5 million on a post-tax basis) has been incurred for the period. These costs relate to restructuring initiatives completed during the year in the Garage Doors & Openers and Functional & Decorative Products divisions.

As previously announced to the market, further restructuring was undertaken in the Garage Doors & Openers division in respect of both the Australian and New Zealand operations which has resulted in a reduced workforce and a reduction in the number of sites.

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As also previously announced, a restructure of the Functional & Decorative Products division in Australia took place during the year which resulted in the streamlining of the management of the division and the closure of the Parbury head office.

Outlook

The outlook for FY09 is challenging. A softening of consumer demand was noticeable towards the end of FY08 and this has continued into the first two months of FY09. Organic growth opportunities and continuing improvements in operating effectiveness will be pursued across all divisions, but are expected to be offset by increasing input costs and fuel prices and subdued demand patterns in some of our end markets as a result of higher interest rates.

In the absence of acquisitions, it will be challenging to match the record operating results achieved in FY08. The full year effect of the 2007 capital raising combined with higher interest costs driven by the tougher credit markets and an increased effective tax rate will, however, have an adverse effect on net profit after tax and earnings per share. An update will be provided at the Annual General Meeting.

Attached is a copy of the Appendix 4E Preliminary Final Report which is based on accounts which are in the process of being audited. Audited accounts will be available shortly.

For further information, please contact Alesco Corporation Limited:

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

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 2008

ASX code: ALS

APPENDIX 4E



Preliminary final report Year ended 31 May 2008

Alesco Corporation Limited ABN 23 008 666 064
Level 24, 207 Kent Street Sydney NSW 2000
PO Box 4268 Sydney NSW 2001
T: 61 2 9248 2000 F: 61 2 9248 2099
www.alesco.com.au

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Entity: Alesco Corporation Limited and its controlled entities
Reporting period: year ended 31 May 2008
Previous corresponding period: year ended 31 May 2007

					\$000
Revenue	up	45.1%	to		1,071,053
Profit after tax before significant items	up	36.3%	to		65,480
Net significant items (after tax)					(7,509)
Profit after tax attributable to members	up	31.8%	to		57,971

DIVIDENDS	CENTS PER SECURITY	% FRANKED PER SECURITY
CURRENT PERIOD		
Final dividend	36.0	100%
Interim dividend	31.0	100%
	67.0	
PREVIOUS PERIOD		
Final dividend	36.0	100%
Interim dividend	27.5	100%
	63.5	

Record date for determining entitlements to dividends 18 August 2008
DRP election notice date 18 August 2008
Dividend payment date 1 September 2008

Explanation of information reported

	CONSOLIDATED	
	2008	2007
	\$000	\$000
Profit after tax before significant items	65,480	48,049
Net significant items after tax	(7,509)	(4,075)
Profit after tax	57,971	43,974



Alesco Corporation Limited

Preliminary final report for the year ended 31 May 2008

INCOME STATEMENT

FOR THE YEAR ENDED 31 MAY 2008

	NOTE	CONSOLIDATED	
		2008 \$000	2007 \$000
Revenue from sale of goods		1,007,840	702,115
Revenue from rendering services		58,886	35,222
Other income		4,327	851
Total revenue	2	1,071,053	738,188
Cost of sales		(671,087)	(463,266)
Selling expenses		(100,930)	(60,352)
Marketing expenses		(19,518)	(16,155)
Customer service expenses		(22,516)	(17,191)
Purchasing and inventory management		(3,431)	(3,181)
Distribution expenses		(59,814)	(45,318)
Administration and general expenses		(77,125)	(49,556)
Restructuring expenses		(10,131)	(5,822)
Profit before financing costs		106,501	77,347
Financial income		2,200	1,397
Financial expenses		(28,205)	(17,424)
Net financing costs		(26,005)	(16,027)
Share of associates' equity accounted net profit		93	173
Profit before income tax		80,589	61,493
Income tax expense	4	(22,618)	(17,519)
Profit after income tax		57,971	43,974
Basic earnings per share	5	67.22¢	61.83¢ ¹
Diluted earnings per share	5	67.06¢	61.83¢ ¹

1 Prior year basic and diluted earnings per share have been adjusted for 7,916,286 ordinary shares issued under the rights issue during the 2008 year.

STATEMENT OF RECOGNISED INCOME AND EXPENSE

FOR THE YEAR ENDED 31 MAY 2008

	NOTE	CONSOLIDATED	
		2008 \$000	2007 \$000
Foreign exchange translation differences on translating foreign subsidiaries		(933)	676
Net unrealised gain from cash flow hedges taken to equity		1,724	21
Net realised loss from cash flow hedges transferred from equity to the income statement		883	275
Net income recognised directly in equity		1,674	972
Profit after income tax		57,971	43,974
Total recognised income and expense for the year	11	59,645	44,946

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 19.

BALANCE SHEET

AS AT 31 MAY 2008

	NOTE	CONSOLIDATED	
		2008 \$000	2007 \$000
Current Assets			
Cash and cash equivalents		1,910	8,334
Receivables		189,175	132,811
Inventories		154,989	128,947
Other		9,777	6,584
Total current assets		355,851	276,676
Non-Current Assets			
Receivables		3,984	1,288
Investments accounted for using the equity method	12	485	509
Other investments		89	89
Property, plant and equipment		89,855	82,413
Intangible assets		649,794	434,010
Deferred tax assets		18,729	20,192
Other		975	1,812
Total non-current assets		763,911	540,313
Total assets		1,119,762	816,989
Current Liabilities			
Payables		149,408	114,710
Interest-bearing loans and borrowings	8	453	20,366
Current tax liabilities		6,215	5,435
Provisions		40,155	39,493
Total current liabilities		196,231	180,004
Non-Current Liabilities			
Interest-bearing loans and borrowings	8	321,240	282,165
Provisions		8,659	10,366
Total non-current liabilities		329,899	292,531
Total liabilities		526,130	472,535
Net assets		593,632	344,454
Equity			
Issued capital		504,664	265,365
Reserves		9,772	4,276
Retained earnings		79,196	74,813
Total equity	11	593,632	344,454

The consolidated balance sheet is to be read in conjunction with the notes to the financial statements as set out on pages 7 to 19.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MAY 2008

	NOTE	CONSOLIDATED	
		2008 \$000	2007 \$000
Cash Flows from Operating Activities:			
Cash receipts in the course of operations		1,164,794	807,287
Cash payments in the course of operations		(1,063,382)	(709,815)
Income taxes paid		(17,051)	(14,112)
Net cash provided by operating activities	10	84,361	83,360
Cash Flows from Investing Activities:			
Proceeds from sale of property, plant and equipment		536	2,371
Payments for property, plant and equipment and capitalised expenditure		(20,117)	(26,636)
Payments for deferred consideration on acquisitions		(8,846)	(3,414)
Payments for assets on acquisition of businesses	9	(6,877)	(15,689)
Payments for controlled entities net of cash acquired	9	(115,526)	(93,154)
Payments for assumed debt on acquisition of controlled entities		(87,999)	-
Loans to employees		-	(3,050)
Net cash used in investing activities		(238,829)	(139,572)
Cash Flows from Financing Activities:			
Proceeds from issue of shares		199,641	620
Transaction costs from issue of shares		(6,397)	(18)
Dividends paid		(45,462)	(34,889)
Purchase of own shares for employee share plans		-	(543)
Finance lease payments		(499)	(1,090)
Net proceeds from borrowings		26,886	103,194
Interest received		2,200	1,397
Interest paid		(28,188)	(17,424)
Net cash provided by financing activities		148,181	51,247
Net increase/(decrease) in cash held		(6,287)	(4,965)
Cash and cash equivalents at the beginning of the financial year		8,334	13,132
Effects of exchange rate fluctuations on the balances of cash held in foreign currencies		(137)	167
Cash and cash equivalents at the end of the financial year		1,910	8,334

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 19.

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 2008 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. The report complies with International Financial Reporting Standards ("IFRSs") and interpretations adopted by the International Accounting Standards Board ("IASB").

(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 consistently applied to all periods presented in these financial statements.

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
Functional & Decorative 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
Water Products & Services	Water management products and services to agricultural, industrial, commercial, domestic and mining industries

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2: SEGMENT REPORTING (continued)

	DOORS & OPENERS		FUNCTIONAL & DECORATIVE PRODUCTS		CONSTRUCTION & MINING		SCIENTIFIC & MEDICAL		WATER PRODUCTS & SERVICES		UNALLOCATED & ELIMINATIONS		CONSOLIDATED	
PRIMARY REPORTING	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
BUSINESS SEGMENTS	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Revenue														
Revenue from sale of goods	193,809	193,346	312,051	192,829	184,269	174,831	152,370	141,109	165,341	–	–	–	1,007,840	702,115
Revenue from rendering of services	13,037	11,523	–	–	12,926	15,464	9,005	8,235	23,918	–	–	–	58,886	35,222
Other income	895	455	650	143	1,750	227	490	–	465	–	77	26	4,327	851
External segment revenue	207,741	205,324	312,701	192,972	198,945	190,522	161,865	149,344	189,724	–	77	26	1,071,053	738,188
Inter-segment revenue	–	323	–	–	63	–	606	996	–	–	(669)	(1,319)	–	–
Total revenue	207,741	205,647	312,701	192,972	199,008	190,522	162,471	150,340	189,724	–	(592)	(1,293)	1,071,053	738,188
Result														
EBITDA (pre-significant items and share of associates' net profit)	30,981	36,052	41,345	27,950	30,404	27,595	21,743	18,807	21,635	–	(6,990)	(7,766)	139,118	102,638
Share of associates' net profit	93	173	–	–	–	–	–	–	–	–	–	–	93	173
EBITDA (pre-significant items)	31,074	36,225	41,345	27,950	30,404	27,595	21,743	18,807	21,635	–	(6,990)	(7,766)	139,211	102,811
Depreciation	(4,577)	(6,013)	(4,981)	(4,629)	(2,476)	(2,384)	(1,458)	(1,209)	(1,408)	–	(783)	(580)	(15,683)	(14,815)
EBITA (pre-significant items)	26,497	30,212	36,364	23,321	27,928	25,211	20,285	17,598	20,227	–	(7,773)	(8,346)	123,528	87,996
Amortisation of identifiable intangibles	(3,516)	(3,472)	(2,398)	(1,289)	(442)	–	(391)	–	(56)	–	–	–	(6,803)	(4,761)
Significant items	(7,966)	–	(2,165)	(5,715)	–	–	–	–	–	–	–	–	(10,131)	(5,715)
EBIT	15,015	26,740	31,801	16,317	27,486	25,211	19,894	17,598	20,171	–	(7,773)	(8,346)	106,594	77,520
Net financing costs													(26,005)	(16,027)
Profit before income tax													80,589	61,493
Income tax expense													(22,618)	(17,519)
Profit after income tax													57,971	43,974

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3: SIGNIFICANT ITEMS

	CONSOLIDATED	
	2008	2007
	\$000	\$000
Business restructuring		
Rationalisation of business operations ¹	(10,131)	(5,822)
Related income tax expense	2,622	1,747
	(7,509)	(4,075)
Surplus lease space		
Provision for surplus lease space	-	1,251
Related income tax expense	-	(375)
	-	876
Occupational Health and Safety		
Provision for costs associated with OHS incidents	-	(1,144)
Related income tax expense	-	268
	-	(876)
Total significant items before income tax expense	(10,131)	(5,715)
Related income tax expense on significant items	2,622	1,640
	(7,509)	(4,075)
Total significant items after income tax expense	(7,509)	(4,075)

1 Includes \$1,393,000 of goodwill written-off as part of a sale of business.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4: INCOME TAX EXPENSE

RECOGNISED IN THE INCOME STATEMENT	CONSOLIDATED	
	2008 \$000	2007 \$000
Current tax expense		
Current year	18,116	17,191
Adjustments for prior year	(176)	(641)
	17,940	16,550
Deferred tax expense		
Origination and reversal of temporary differences	4,678	969
Total income tax expense	22,618	17,519
NUMERICAL RECONCILIATION BETWEEN TAX EXPENSE AND PRE-TAX NET PROFIT		
	2008 \$000	2007 \$000
Profit before tax	80,589	61,493
Prima facie income tax expense calculated at 30% (2007: 30%) on profit before tax	24,177	18,448
Increase / (decrease) in income tax expense due to:		
Amortisation of intangibles	1,797	1,183
Non-deductible expenses	152	91
Overseas tax rate differential	(88)	(254)
Research and development	(305)	(105)
Recovery of tax benefits not previously brought to account	(43)	(691)
Re-statement of deferred tax asset	113	(483)
Tax cost base adjustments	(3,465)	–
Non-deductible capital loss	418	–
Sundry items	38	(29)
Income tax expense on operating profit	22,794	18,160
Income tax over provided in prior year	(176)	(641)
Income tax expense attributable to pre-tax profit	22,618	17,519

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5: EARNINGS PER SHARE

	CONSOLIDATED	
	2008	2007
	\$000	\$000
Earnings reconciliation		
Net profit	57,971	43,974
Basic and diluted earnings	57,971	43,974
Significant items (net of tax)	7,509	4,075
Amortisation of intangibles	6,803	4,761
Net profit before significant items and amortisation of intangibles	72,283	52,810
	2008	2007
	NUMBER	NUMBER
Weighted average number of shares used as the denominator		
Number of shares for basic earnings per share	86,239,232	70,817,944
Estimate of shares to be issued under TEM vendor management offer	205,781	–
Number of shares for diluted earnings per share	86,445,013	70,817,944

An estimate of additional shares to be issued as consideration for the acquisition of the Total Eden McCracken Group have been classified as potential ordinary shares and included in diluted earnings per share. These shares may be issued subsequent to 31 May 2008.

NOTE 6: DIVIDENDS

	CENTS PER SHARE	TOTAL AMOUNT \$000	DATE OF PAYMENT	FRANKED/ UNFRANKED
Dividends recognised in the current year by the Company are:				
2008				
Interim 2008 ordinary	31.0	27,960	4 March 2008	Franked
Final 2007 ordinary	36.0	25,628	3 September 2007	Franked
Total amount		53,588		
2007				
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		

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 2008 ordinary	36.0	32,608	1 September 2008	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 2008 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 18 August 2008.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7: NTA BACKING

	CONSOLIDATED	
	2008	2007
	\$000	\$000
Net tangible asset backing per ordinary security ¹	(\$0.62)	(\$1.25)

1 Shares on issue at 31 May 2008: 90,577,876 (31 May 2007: 71,155,650).

NOTE 8: INTEREST BEARING LOANS AND BORROWINGS

	CONSOLIDATED	
	2008	2007
	\$000	\$000
Current		
Bank loans – unsecured	–	19,800
Finance lease liabilities	453	192
Other borrowings	–	374
	453	20,366
Non-current		
Bank loans – unsecured	320,549	281,112
Finance lease liabilities	345	221
Other borrowings	346	832
	321,240	282,165
Financing facilities		
Total facilities available:		
Bank overdrafts	3,000	3,000
Bank loans	410,000	380,000
Standby letters of credit	6,000	6,000
	419,000	389,000
Facilities utilised at reporting date:		
Bank overdrafts	1,787	635
Bank loans	320,549	300,912
Standby letters of credit	–	–
	322,336	301,547
Facilities not utilised at reporting date:		
Bank overdrafts	1,213	2,365
Bank loans	89,451	79,088
Standby letters of credit	6,000	6,000
	96,664	87,453

Loan facilities

Loan facilities are denominated in Australian and New Zealand dollars and mature as follows:

Within one year	–	80,000
Later than one year but not later than two years	150,000	–
Later than two years but not later than five years	260,000	300,000
	410,000	380,000

Security

The facilities provided to the Group by its principal bankers are unsecured but subject to certain financial covenants. The Group has complied with its financial covenants at all times during the year ended 31 May 2008.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9: CONTROLLED ENTITIES

(a) Particulars in relation to controlled entities

	NOTE	ORDINARY SHARE CONSOLIDATED EQUITY INTEREST	
		2008 %	2007 %
Parent entity			
Alesco Corporation Limited			
Controlled entities			
Alesco Finance Pty Limited		100	100
Alesco HK Limited	(i)	100	100
Finac Pty Limited		100	100
Alesco No. 2 Pty Limited		100	100
Alesco No. 1 Pty Limited		100	100
Marathon Tyres Pty Limited		100	100
Marathon Tyres (WA) Pty Limited		100	100
Pargone Pty Limited		100	100
Parbury Pty Limited		100	100
Dekorform Pty Limited		100	100
Parchem Construction Products Pty Limited		100	100
Robinhood Australia Pty Limited		100	100
Lincoln Sentry Group Pty Limited		100	100
Joinery Products Hardware Supplies Pty Limited	(ii)	100	—
Biolab (Aust) Pty Limited		100	100
Promedica Pty Limited		100	100
EnviroEquip Pty Limited		100	100
Technology Design Solutions Pty Limited	(iii)	100	100
App-Tek International Pty Limited		100	100
App-Tek Safety Pty Limited		100	100
App-Tek Victoria Pty Limited		100	100
Alesco Holdings Pty Limited		100	100
Total Eden Holdings Pty Limited	(iv)	100	—
Total Eden Watering Systems Pty Limited	(iv)	100	—
Elegant Landscapes Pty Limited	(iv)	100	—
Hydro Engineering Pty Limited	(iv)	100	—
Diamond Industrial Tools (WA) Pty Limited	(iv)	100	—
Capricorn Stockhorses Pty Limited	(iv)	100	—
McCracken's Water Services Pty Limited	(iv)	100	—
McCracken's Water Services (Townsville) Pty Limited	(iv)	100	—
McCracken's Water Services (East Gippsland) Pty Limited	(iv)	100	—
McCracken's Water Services (Melbourne) Pty Limited	(iv)	100	—
McCracken's Water Services (SEQ) Pty Limited	(iv)	100	—
McCracken's Water Services (Bomaderry) Pty Limited	(iv)	100	—
McCracken's Water Services (Cairns) Pty Limited	(iv)	100	—
McCracken's Water Services (Mareeba) Pty Limited	(iv)	100	—
J De Wit and Associates Pty Limited	(iv)	100	—
Pump N Power Pty Limited	(iv)	100	—
Central Air & Water Pty Limited	(iv)	100	—
Leewall Pty Limited	(iv)	100	—
PC & Ridgeway & Co Pty Limited	(iv)	100	—

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9: CONTROLLED ENTITIES (continued)

(a) Particulars in relation to controlled entities (continued)

	NOTE	ORDINARY SHARE CONSOLIDATED EQUITY INTEREST	
		2008 %	2007 %
Paludal Pty Limited	(iv)	100	—
PPS Properties Pty Limited	(iv)	100	—
Plastic Plumbing Supplies Pty Limited	(iv)	100	—
Plastic Pipe Australia Pty Limited	(iv)	100	—
B&D Australia Pty Limited		100	100
Automatic Technology (Australia) Pty Limited		100	100
ATA Garage Door Openers Limited	(v)	100	100
Counter mast Limited	(i)	100	100
Lux-a-Door Pty Limited	(vi)	50	50
Concrete Technologies Pty Ltd		100	100
ACN 115 087 191 Pty Limited		100	100
ACN 109 245 990 Pty Limited		100	100
ACN 105 525 380 Pty Limited		100	100
ACN 054 640 274 Pty Limited		100	100
ACN 060 126 025 Pty Limited		100	100
ACN 086 371 851 Pty Limited		100	100
ACN 061 800 548 Pty Limited		100	100
Flextool (Aust) Pty Limited		100	100
Alesco NZ Limited	(vii)	100	100
Alesco NZ Trustee Limited	(vii)	100	100
Biolab Limited	(vii)	100	100
Robinhood Limited	(vii)	100	100
Supertub Limited	(vii)	100	100
Easyiron Limited	(vii)	100	100
Parbury Buildings Products (NZ) Limited	(vii)	100	100
Concrete Plus Limited	(vii)	100	100
Lincoln Sentry Group NZ Limited	(vii), (viii)	100	100
B&D Doors (NZ) Limited	(vii)	100	100

- (i) Incorporated and carries on business in Hong Kong.
- (ii) Acquired on 3 August 2007.
- (iii) Technology Design Solutions Pty Limited previously known as App-Tek Pty Limited.
- (iv) Acquired on 1 August 2007.
- (v) Incorporated and carries on business in the United Kingdom.
- (vi) Incorporated and carries on business in South Africa.
- (vii) Incorporated and carries on business in New Zealand.
- (viii) Acquired by Alesco NZ Limited on 1 June 2007. Previously owned by Lincoln Sentry Group Pty Limited.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9: CONTROLLED ENTITIES (continued)

(b) Acquisition of controlled entities and businesses

Acquisition of Total Eden Holdings Pty Ltd

The consolidated entity acquired 100% of the voting shares of Total Eden Holdings Pty Ltd on 1 August 2007, for a purchase price of \$140,160,000 (excluding assumed debt of \$85,889,000). Total Eden Holdings Pty Ltd is the head entity of the Total Eden McCracken's group. Total Eden McCracken's is a leading provider of water management products and services to Australia's agricultural, commercial, industrial, domestic and mining industries. This acquisition forms the Water Products and Services segment.

During the period to 31 May 2008, the Total Eden McCracken's group contributed earnings before interest and tax of \$20,171,000. Alesco Corporation Limited has not disclosed the revenue and net profit as if the acquisition had occurred on 1 June 2007 due to dissimilar accounting policies and reporting periods of the acquired entities making it impractical to do so.

The acquisition of the Total Eden McCracken's group had the following effect on the consolidated entity's assets and liabilities:

	PRE- ACQUISITION CARRYING AMOUNTS	FAIR VALUE ADJUSTMENTS	RECOGNISED VALUES ON ACQUISITION
Cash and cash equivalents	1,764	–	1,764
Receivables	29,956	(2,402)	27,554
Inventories	24,652	(3,005)	21,647
Other assets	1,380	(170)	1,210
Property, plant and equipment	6,911	(1,360)	5,551
Deferred tax assets	1,450	2,918	4,368
Intangible assets	144	(144)	–
Payables	(26,487)	(2,410)	(28,897)
Current tax liabilities	(3,275)	114	(3,161)
Provisions	(4,567)	(551)	(5,118)
Interest-bearing loans and borrowings	(85,889)	–	(85,889)
Net identifiable assets and liabilities	(53,961)	(7,010)	(60,971)
Goodwill on acquisition			215,082
Deferred consideration			(13,951)
Equity consideration			(31,917)
Consideration paid, satisfied in cash			108,243
Cash acquired			(1,764)
Net cash outflow			106,479

The goodwill recognised on the acquisition of the Total Eden McCracken's group is mainly attributable to the skills and technical talent of the acquired business work force and strong market presence of the acquired business products and brands.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9: CONTROLLED ENTITIES (continued)

(b) Acquisition of controlled entities and businesses (continued)

Acquisitions of other entities / businesses

On 3 August 2007, the consolidated entity acquired 100% of the voting shares of Joinery Products Hardware Supplies Pty Ltd, a leading supplier of hardware accessories to door and window manufacturers for a purchase price of \$9,072,000 (excluding assumed debt of \$2,110,000).

The consolidated entity also acquired the business assets of BladeTec Tool Company Ltd on 31 July 2007, a specialist supplier of concrete cutting and grinding equipment and consumables in New Zealand, for a purchase price of \$1,331,000.

In addition, the consolidated entity acquired certain business assets from Hugall & Hoile (Aust) Pty Ltd and associated businesses on 7 August 2007, for a purchase price of \$1,675,000. The consolidated entity acquired certain business assets of KP Pumps & Irrigation Pty Ltd on 2 November 2007, for a purchase price of \$1,899,000. These businesses supply water management products and services in Australia.

The business assets of Nu-tech Australia Pty Limited were acquired by the consolidated entity on 1 February 2008, for a purchase price of \$1,372,000. This business distributes gas detection and other safety & environmental monitoring products in Australia.

On 8 April 2008, the consolidated entity acquired the right to distribute vertical wire & glass balustrade systems from Balustrades Australia Pty Limited, for a purchase price of \$601,000.

During the year ended 31 May 2008, acquisition of these controlled entities and businesses contributed earnings before interest and tax of approximately \$994,000. Alesco Corporation Limited has not disclosed the revenue and net profit as if these acquisitions had occurred on 1 June 2007 due to dissimilar accounting policies and reporting periods of the acquired entities making it impractical to do so.

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

	PRE- ACQUISITION CARRYING AMOUNTS	FAIR VALUE ADJUSTMENTS ¹	RECOGNISED VALUES ON ACQUISITION
Cash and cash equivalents	26	–	26
Receivables	3,413	12	3,425
Inventories	5,354	(75)	5,279
Other assets	68	–	68
Property, plant and equipment	1,047	(24)	1,023
Deferred tax assets	130	–	130
Intangible assets	2,757	–	2,757
Payables	(2,861)	38	(2,823)
Provisions	(488)	(62)	(550)
Interest-bearing loans and borrowings	(2,110)	–	(2,110)
Net identifiable assets and liabilities	7,336	(111)	7,225
Goodwill on acquisition			8,725
Consideration paid, satisfied in cash			15,950
Cash acquired			(26)
Net cash outflow			15,924

The goodwill recognised on the above acquisitions is mainly attributable to the skills and technical talent of the acquired business work force, strong market presence of the acquired businesses products and brands, and synergies expected to be achieved from integrating the companies into the consolidated entity's existing Functional & Decorative Products, Scientific & Medical, Water Products & Services and Construction & Mining segments.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9: CONTROLLED ENTITIES (continued)

(c) Disposal of business

On 30 May 2008 the Group disposed of its interest in the Ashtons speciality door business in New Zealand for consideration of \$123,000. Goodwill of \$1,393,000 associated with this business has been written off in the income statement and has been disclosed as a significant item.

NOTE 10: 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	
	2008	2007
	\$000	\$000
Cash and cash equivalents	1,910	8,334

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

	CONSOLIDATED	
	2008	2007
	\$000	\$000
Profit for the year	57,971	43,974
Add/(less) items classified as investing/financing activities:		
(Profit)/loss on sale of property, plant and equipment	475	(67)
Net financing costs	25,988	16,027
Add/(less) non-cash items:		
Depreciation and amortisation	22,486	19,576
Share of joint venture entities result	(93)	(173)
Unrealised foreign exchange loss	315	27
Goodwill written-off as part of business sale	1,393	–
Equity-settled share-based payment expenses	2,064	1,660
Net cash provided by operating activities before changes in assets and liabilities	110,599	81,024
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	(20,826)	(7,544)
Decrease/(increase) in inventories	(1,425)	(7,476)
Decrease/(increase) in other current assets	(3,801)	(1,732)
(Decrease)/increase in payables	3,829	27,021
Amounts (paid from) / set aside to provisions	(7,831)	(11,338)
Increase/(decrease) in current tax liabilities	(2,594)	3,057
Decrease/(increase) in deferred tax assets	6,410	348
Net cash provided by operating activities	84,361	83,360

NOTES TO THE FINANCIAL STATEMENTS

NOTE 11: 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 2007	265,365	2,766	607	903	74,813	344,454
Total recognised income and expense	–	(933)	2,607	–	57,971	59,645
Shares vested during the year	1,066	–	–	(1,066)	–	–
Shares issued – dividend reinvestment plan	8,127	–	–	–	–	8,127
Shares issued – employee equity based compensation	1,127	–	–	937	–	2,064
Shares issued – employees (net of transaction costs)	911	–	–	–	–	911
Shares issued – as part of institutional placement and entitlement offer (net of transaction costs)	194,153	–	–	–	–	194,153
Shares issued – TEM vendor management offer (net of transaction costs)	31,919	–	–	–	–	31,919
Shares issued – performance share plan	1,996	–	–	–	–	1,996
Deferred earn-out	–	–	–	3,951	–	3,951
Dividends paid to shareholders	–	–	–	–	(53,588)	(53,588)
Balance at 31 May 2008	504,664	1,833	3,214	4,725	79,196	593,632

NOTES TO THE FINANCIAL STATEMENTS

NOTE 12: EQUITY ACCOUNTED INVESTMENTS

	PRINCIPAL ACTIVITIES	REPORTING DATE	ORDINARY SHARE OWNERSHIP INTEREST		INVESTMENT CARRYING AMOUNT	
			2008 %	2007 %	2008 \$000	2007 \$000
Lux-a-Door Pty Ltd	manufacturing	30 June	50	50	485	509

NOTE 13: CONTINGENT ASSETS AND LIABILITIES

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

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

NOTE 14: SUBSEQUENT EVENTS

On 2 June 2008, the consolidated entity acquired certain business assets of Datataker Pty Limited for a purchase price of \$2.4 million. The business manufactures & supplies data logging, recording and data acquisition systems and is a bolt on acquisition for the Scientific & Medical segment.

On 2 June 2008, the consolidated entity acquired certain business assets of Brandos Industrial Supplies Pty Limited, for a purchase price of \$2.5 million. The business is involved in processing and distribution of industrial tapes and is a bolt on acquisition for the Functional & Decorative Products segment.