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16 November 2012

ALESCO UPDATES SHAREHOLDERS ON STATUS OF ATO CLASS RULING APPLICATION

Alesco Corporation Limited ("**Alesco**") (ASX:ALS) today confirmed that it has received a favourable draft Class Ruling from the Australian Taxation Office ("**ATO**") in relation to the income tax implications of recent final and special dividends paid by Alesco as well as any additional dividends to be paid to Alesco Shareholders in connection with DuluxGroup Limited's ("**DuluxGroup**") (ASX:DLX) takeover offer ("**Offer**").

Overview and effect of the draft Class Ruling

Under the agreement reached between Alesco and DuluxGroup announced on 28 September 2012, it was agreed that Alesco may determine and pay additional fully franked dividends of up to $0.27 per Alesco Share ("**Additional Dividend**"). One of the conditions to payment of any Additional Dividend was the receipt of a favourable class ruling in relation to certain income tax implications of the dividend.

The draft Class Ruling states that Alesco Shareholders who were paid $0.15 per Alesco Share in FY12 final and special dividends on 7 September 2012 will be entitled to the franking credits attached to those dividends and associated tax offset provided Shareholders held the relevant Alesco shares (or interest in shares) at risk for a continuous period of at least 45 days (excluding the days of purchase or disposal of those Alesco Shares or interests). The same treatment will apply to any Additional Dividend determined and paid by Alesco. In this regard, the draft Class Ruling states that Alesco Shareholders who accept the Offer or who have their Alesco Shares compulsorily acquired by DuluxGroup will not cease to hold their Shares "at risk" under the Offer until the later of:

(i) the date DuluxGroup declares the Offer unconditional;

(ii) the date the Alesco Shareholder accepts the Offer; and

(iii) the date the Alesco Share is compulsorily acquired (if relevant).

The draft Class Ruling also states that the Commissioner of Taxation will not make a determination under the franking credit streaming provision (section 204-30(3)(c) of the Income Tax Assessment Act 1997) or under the franking benefit scheme provision (section 177EA(5)(b) of the Income Tax Assessment Act 1936) to deny any franking benefits on any dividends paid.

The draft Class Ruling is not binding on the ATO. The taxation consequences are expected to be confirmed upon release of a final ruling which will be issued after payment of any Additional Dividend. Alesco Shareholders are encouraged to seek tax advice from their own advisers.

Impact on DuluxGroup's Offer

Now that the favourable draft Class Ruling has been obtained, in order to permit Alesco to exercise its discretion to determine any Additional Dividend, DuluxGroup now needs to notify Alesco that it has acquired a relevant interest in Alesco Shares approaching 90%.[1] If determined, Alesco will pay the Additional Dividend, provided that DuluxGroup has acquired a relevant interest of at least 90% in Alesco Shares and declared the Offer unconditional.[2] There can be no guarantee that these conditions will be met or that any Additional Dividend will be paid.

As at 15 November 2012, DuluxGroup held an interest in Alesco Shares representing 80.6% of Alesco's issued share capital.

In view of the satisfaction of the condition regarding the favourable draft Class Ruling from the ATO, your Directors continue to unanimously recommend that Alesco Shareholders ACCEPT DuluxGroup's Offer or sell their Alesco Shares on market, in the absence of a superior proposal.

In circumstances where conditions for the payment of any Additional Dividend are not met, Alesco will provide Alesco Shareholders with an update on its recommendation.

Class Ruling as to capital proceeds

Alesco has not yet received a draft Class Ruling from the ATO on the impact of any dividend on the capital proceeds to be taken into account for the purpose of calculating a capital gain or capital loss (if relevant) on disposal of shares to DuluxGroup under the Offer or on compulsory acquisition. Further submissions are being made in relation to this question and it is expected that the ATO's response on this aspect of Alesco's Class Ruling application will be received within approximately 2 to 3 weeks.

Under the Takeover Implementation Agreement, the payment of any Additional Dividend is not conditional on receipt of a class ruling in relation to the capital gains tax consequences.

Further information

Alesco Shareholders should refer to the Third Supplementary Target's Statement for further information in relation to DuluxGroup's Offer and any Additional Dividend and in particular, refer to section 6 for a summary of tax considerations.

All company announcements and information on the DuluxGroup Offer and Alesco's response are available on the Alesco website at www.alesco.com.au. Shareholders can also receive information on the Offer by calling the Alesco Shareholder Information Line below.

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Alesco supplies innovative branded products to trade and industrial customers serving the building products markets in Australia and New Zealand. For more information on Alesco visit www.alesco.com.au.

Shareholders can also receive information on the Offer by calling the Alesco Shareholder Information Line:

Within Australia: 1800 828 558
Outside Australia: +61 2 8280 7215

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[1] For these purposes, "interest" includes the total of DuluxGroup's voting power in Alesco plus Alesco Shares subject to acceptance instructions under the DuluxGroup Institutional Acceptance Facility plus Alesco Shares held by index funds and certain other holdings which will automatically accept into the Offer once there is a change of control as agreed by DuluxGroup and Alesco.

[2] As always, the Alesco Board retains the discretion to pay additional dividends at any time, including where DuluxGroup holds an interest in Alesco that is materially below 90%. However, Alesco has previously stated that it cannot afford to wholly fund any material additional dividend within its existing banking facilities and covenants.