

18 November 2009

### **Allied Farmers Signs Agreement with Hanover Finance & United Finance**

Allied Farmers advises that it has signed an agreement with Hanover Finance and United Finance, which subject to satisfaction of conditions, will result in Allied Farmers buying the finance assets of those companies in a deal worth approximately \$400 million.

This significant transaction is part of a new strategy, which will see Allied Farmers dramatically increase the size of its rural services and finance businesses.

The agreement is conditional upon both Allied Farmers shareholder approval and the approval of Hanover and United investors. The two-step process will result in Hanover and United investors receiving Allied Farmers ordinary shares, and Allied Farmers acquiring the finance assets of Hanover and United.

Allied Farmers, assisted by its external advisors, have carried out detailed due diligence on the Hanover and United assets and have built up an understanding of the risk and return profile associated with them.

The intention is that a large proportion of the performing assets will be transferred to Allied Nationwide Finance, increasing the size of the balance sheet and improving capital adequacy.

A new subsidiary of Allied Farmers will be established for holding and managing difficult assets. In the interim this subsidiary will be lead by Allied Farmers Managing Director, Mr Rob Alloway, until a permanent appointment is made.

Given the uncertain nature of these assets, Allied Farmers has been careful to ensure the fairness of the transaction to both our new and existing shareholders. For existing shareholders, the transaction includes an adjustment mechanism which will realign relative shareholding as at June 2011 if the expected recoveries from the acquired assets do not meet expectations.

Asset realisations post transaction have the potential to flow significant cash into Allied Farmers. This will strengthen the company's position medium term, and should provide the company many opportunities for growth in the rural and finance sectors.

A Notice of Meeting for a Special Meeting of Allied Farmers shareholders will be sent to all shareholders next week, with the meeting intended to be held early December and prior to the meeting of Hanover and United investors which is intended to be held in mid-December.

For and on behalf of the Board

John Loughlin  
Chairman

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