News Release **November 18 2009**

ALLIED FARMERS TO BULK UP ITS FINANCE AND RURAL BUSINESS WITH MAJOR ACQUISITION

Allied Farmers Ltd has launched a bid to buy the assets of Hanover Finance and United Finance in a deal worth approximately $400 million, as part of a new direction strategy which will see the rural services and finance group bulk up its size and acquisition ability.

Chairman Mr John Loughlin said today that Allied had been in negotiations in recent weeks with the interests associated with Hanover and United and had today concluded a conditional agreement where in a two-step process Allied Farmers Ltd will purchase the finance assets of Hanover and United in exchange for Allied Farmers Ltd shares to be issued to Hanover and United investors.

Mr Loughlin said one of the key advantages of the proposed transaction was that Allied Farmers finance subsidiary, Allied Nationwide Finance Ltd had an existing structure with which to manage the loans and assets, “we expect to be able to strip a lot of the cost out of the current Debt Restructure Plan (DRP) which Hanover and United has been working under, and in that way we expect to be able to maximise recoveries at least cost.

“Allied is taking advantage of its ability to issue shares to achieve a significant increase in the size of its balance sheet, in what represents a ‘quantum leap’ for our company.

“We are also leveraging our position as a listed NZX company, and taking advantage of the turmoil in the finance industry to offer the Hanover and United investors a form of securitisation for their interests”.

“This effectively hands them back their decision-making in that they can sell their interests once the acquisition is complete, or they can stay in for the longer haul.”

Mr Loughlin said that a key to the transaction was achieving a high level of understanding of the nature of the Hanover and United assets.

“Some of those assets have gained a degree of notoriety, but that shouldn’t detract from the fact that all property assets have a price at which investors will see the benefit of buying them.”

Mr Loughlin said his company, assisted by investment bankers, accountants and lawyers had carried out detailed due diligence on the Hanover and United assets and had built up a ‘clear picture’ of the risk and return profile associated with them.

Of the total assets acquired some 20 per cent were performing while the balance were non-performing.

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

All non-performing assets and the remainder of performing assets would be placed into a separate asset management group, to be headed in the interim by Managing Director Mr Rob Alloway.

“The effect of this is that Allied Nationwide Finance Ltd, and indeed Allied Farmers Ltd as the parent company, receive a significant injection of equity into their balance sheets and an elevation in size which will enable both entities to look at further acquisitions.

For Allied Nationwide, the benefits will be very immediate, with an anticipated increase in credit ratings and a consequent drop in funding costs.

Mr Loughlin said that investors would naturally be concerned at the price paid on acquisition for the assets in relation to their likely realisable value.

“We have been careful to ensure the fairness of the transaction to our existing and our new shareholders. In terms of our existing shareholders, the transaction includes an adjustment mechanism which will realign relative shareholding after June 2011 if the expected recoveries from the acquired assets do not meet expectations”.

“Asset realisations have the potential to flow significant cash into the Allied Farmers group providing us a strong cash position and making the acquisition of other entities in the rural and finance industry sectors a strong possibility”.

-Ends-

Issued on behalf of Allied Farmers Ltd.

For further information please contact:
John Loughlin **OR** Klaus Sorensen
(027) 542 2405 (09) 3071722
(029) 2322576