

3 March 2008

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**Allco HIT Limited (ASX: AHI) – Release of Half-Year Investor Presentation and confirmation of key dates**

The Directors of Allco HIT Limited (AHI) are pleased to release a Half-Year Investor Presentation for the period ended 31 December 2007.

The announcement made by AHI on 29 February 2008 incorrectly stated that the record date for AHI's interim dividend is 11 March 2008. The correct record date (taking into account the Labour Day holiday in Victoria) for AHI's interim dividend is a day later on 12 March 2008. The dividend payment date is 27 March 2008.

Yours faithfully



Tom Lennox  
Company Secretary

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**About Allco HIT Limited**

Allco HIT Limited's strategy is to acquire and manage a diversified portfolio of lending and finance businesses primarily offering customised products to small and medium enterprises (SMEs) throughout Australasia. Our primary operational objective is to build varied revenue streams that will provide consistent earnings delivered through exposure to different geographies, asset classes and sectors, each within the financial services industry.

# ASX RELEASE

# Allco HIT Limited

Half Year Investor Presentation  
31 December 2007

3 March 2008

partnership / determination / ingenuity

**Allco HIT Limited**



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Net Profit After Tax (excluding Upside Sharing Arrangement): \$14.4m

- ▶ Solid performance by operating businesses and principal investments portfolio
- ▶ Principal investments portfolio remains fully invested and well-diversified

Net Loss After Tax: \$4.7m

- ▶ Offset by the Upside Sharing Arrangement with Allco Principals Trust (APT)
- ▶ Unrealised gain in Upside Sharing Arrangement now zero; AFG share price would need to materially increase for the Upside Sharing Arrangement to impact AHI

AHI has declared dividend of 6.7 cents per share

- ▶ Dividend payout based on 75% of net profit after tax of the operating businesses and principal investments portfolio
- ▶ No Australian franking credits. 100% New Zealand franking credits
- ▶ Record date 12 March 2008; Dividend paid 27 March 2008
- ▶ The Dividend Reinvestment Plan (DRP) with a 5% discount will apply. Last date for opting in to the DRP is Tuesday, 4 March 2008

## 2. Financial Results

The underlying performance of the operating businesses and principal investments portfolio was offset by the unrealised loss from the upside sharing arrangement

AHL Financial Results '000	Strategic Finance	AllCommercial Finance	Hybrid Investment Trust	Principal Investments	Corporate*	Total Before Upside Sharing Arrangement	Upside Sharing Arrangement	Total
<b>Revenue</b>								
Interest income	\$38,436	\$25,497	\$23,571	\$9,236	\$3,505	\$100,245	\$0	\$100,245
Interest expense	(21,702)	(21,940)	(19,164)	(5,975)	(1,392)	(70,173)	0	(70,173)
Net interest income	16,734	3,557	4,407	3,261	2,113	30,072	0	30,072
Other operating income	14,708	3,855	563	148	639	19,913	0	19,913
Operating expenses	(12,396)	(6,495)	(426)	(448)	(9,825)	(29,590)	0	(29,590)
<b>Net profit before tax and upside sharing arrangement</b>	<b>19,046</b>	<b>917</b>	<b>4,544</b>	<b>2,961</b>	<b>(7,073)</b>	<b>20,395</b>	<b>0</b>	<b>20,395</b>
Upside sharing arrangement	0	0	0	0	0	0	(17,701)	(17,701)
Net profit before tax	19,046	917	4,544	2,961	(7,073)	20,395	(17,701)	2,694
Income tax expense	(6,420)	(275)	(656)	(889)	2,221	(6,019)	(1,327)	(7,346)
<b>Profit after tax</b>	<b>\$12,626</b>	<b>\$642</b>	<b>\$3,888</b>	<b>\$2,072</b>	<b>(\$4,852)</b>	<b>\$14,376</b>	<b>(\$19,028)</b>	<b>(4,652)</b>
Basic Weighted Average Number of Shares						93,381		93,381
Basic Earnings Per Share: 31 December 2007						13.4c		(6.9c)
Basic Earnings Per Share: 31 December 2006						7.5c		84.5c
% Change						78.7%		(108.2%)

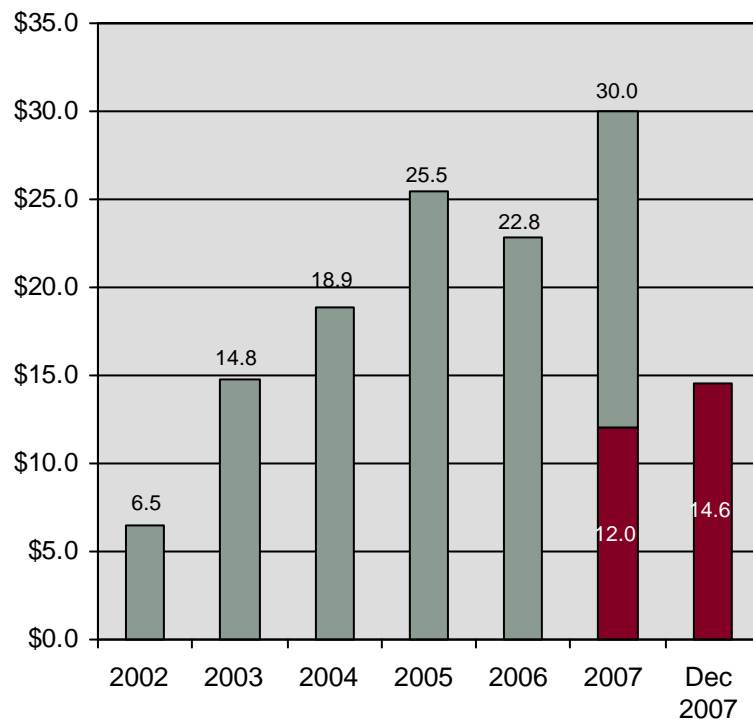
\* IMFML and Momentum are included in Corporate

## 3.1 Strategic Finance

### Solid result in a difficult market environment

#### Strategic Finance

Net Profit After Tax for Year Ending 30 June  
(NZ Millions)



- ▶ Strong half year result:
  - Increased Net Profit After Tax to NZ\$14.64m (up 21.5% on pcp)
  - Bad debts of NZ\$253,000 were written off and provisions substantially increased
  - Strategic noted as a winning finance company for profitability and growth<sup>1</sup>
- ▶ Turmoil in global financial markets and investor concerns over recent failures of finance companies have created a difficult market environment
- ▶ Full year forecast of NZ\$28.2m compared with previously announced expectation of NZ\$31.1m reflecting current market environment

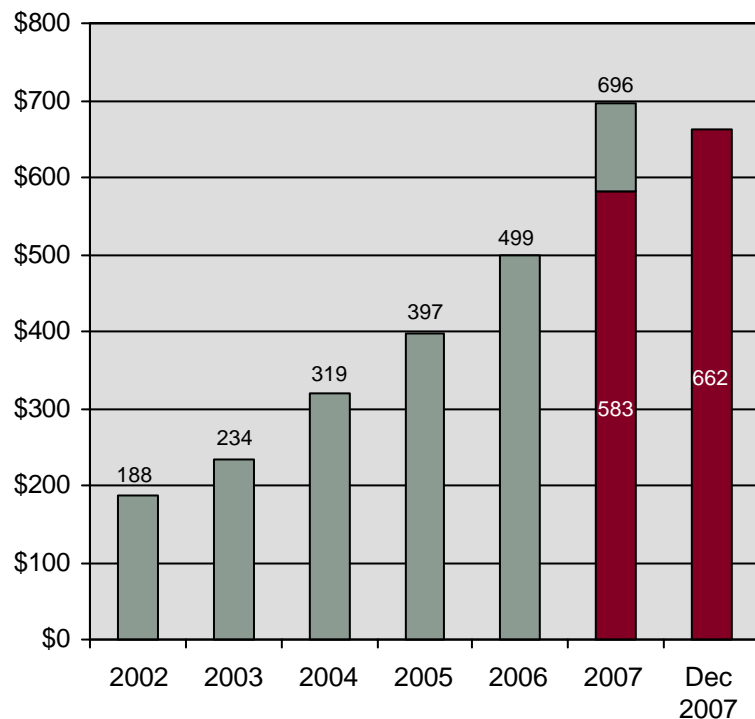
<sup>1</sup> 2007 National Business Review Banking and Finance Scorecard (NZ)

## 3.2 Strategic Finance

### Maintaining a prudent financial position

#### Strategic Finance

Total Assets As At 30 June  
(NZ Millions)



- ▶ In challenging market environment, Strategic is managing its business conservatively:
  - Strong liquidity with NZ\$101.79m available in cash
  - Prudent levels of provisioning
  - Shareholders' funds up by over 76% on pcip to NZ\$116.35m
- ▶ Total assets grew by 13% YOY. Now stand at NZ\$661.9m
- ▶ Lower reliance on debenture market with reinvestment rates at approximately 50%
- ▶ Prudent approach to lending and product development appropriate to environment
- ▶ Focus on robust processes and operational protocols

## 3.3 Other Operating Businesses

### AllCommerical

- ▶ Strong new business volumes ahead of budget but financial performance below budget due to inability to term out the warehouse
- ▶ The warehouse facility requires refreshing by mid April 2008. The facility is non-recourse to AHI. Negotiations are ongoing with lenders to extend warehouse funding until credit markets settle
  - Inability to refinance warehouse could lead to an impairment of goodwill

### Momentum & International Mezzanine Funds Management Limited

- ▶ Both remain in initial start-up phase and do not contribute materially to AHI's P&L
- ▶ Both businesses remain subject to on-going review
- ▶ IMFML performing strongly, albeit from a small base. Loan book stood at \$34.7m at 31 December 2007
- ▶ Momentum is breaking even and has a loan book of \$41.2m at 31 December 2007
  - Loan book is primarily funded via a 364 day warehouse (matures June 2008). Negotiations ongoing with lenders to extend funding until credit markets settle
  - Inability to refinance warehouses could lead to an impairment of goodwill

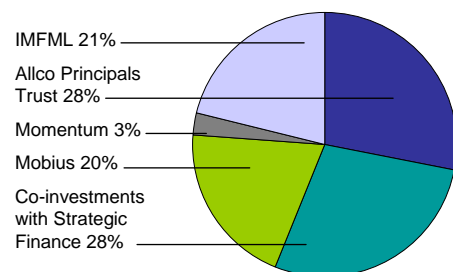


## 4. Principal Investments

### Principal Investments

#### By Investment\*

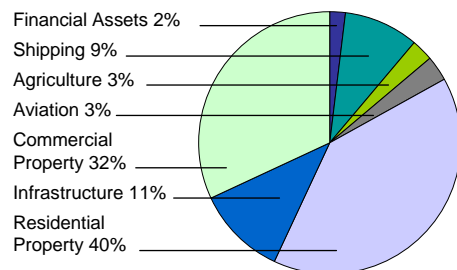
AUD 162 Million



### Principal Investments

#### By Asset Class\*

AUD 162 Million



- ▶ \$A162m portfolio remained fully invested and well-diversified
- ▶ Unlikely to grow until market liquidity improves
- ▶ Lower yielding investments redeployed to benefit from re-pricing of risk
- ▶ No exposure to the US sub-prime market. No losses have been experienced
- ▶ Key highlights during the period:
  - Portfolio yield of 14.4%; ahead of target yield of 11.50%
  - Net interest margin was approximately 4.4%
  - Portfolio term / duration of 2.2 years
- ▶ Loans to Mobius and APT have been reviewed and are not judged to be impaired at this point

\*As at 31 December 2007

### Qualified Audit Opinion

- ▶ The Hybrid Investment Trust (HIT) is a subsidiary of AHI
- ▶ Allco Managed Investment Funds Ltd (AMIFL) is the Responsible Entity of HIT however AHI must consolidate the results of HIT in its accounts
- ▶ HIT issued two Hybrid securities: Alleasing Hybrids (ASX:AHUG) in August 2004 and PoD Hybrids (ASX:AHUGA) in December 2004
- ▶ Both Hybrid issues represent limited recourse funding
- ▶ The complexity and uncertainty around the valuation of the investments in Alleasing Trust and Allco Principals Trust (APT) held by HIT led PwC to provide a “Disclaimer of Opinion” for HIT and a qualification of the audit opinion for HIT
  - This in turn has led to a qualification to the AHI accounts
  - However, as noted by KPMG, the auditor of AHI:

“the [preference unit] balances associated with APT and Alleasing are security for the limited recourse PoD Hybrids and Alleasing Hybrids and any impairment of the assets will be borne by the PoD Hybrid and Alleasing Hybrid holders with no financial impact to ordinary shareholders of Allco HIT Limited.”
- ▶ The qualified audit opinion for the consolidated group may trigger a review of the AHI senior banking facility but it should be noted that the borrower group excludes HIT

### Upside Sharing Arrangement

- ▶ HIT retains 20% of any net profit generated in APT from the date of Issue of the securities to their date of Conversion
- ▶ APT's primary asset is an investment in AFG shares
- ▶ Due to the significant falls in AFG's share price, HIT's net profit share entitlement at 31 December 2007 has been reduced to zero
  - This is a reversal of unrealised profits from prior periods
  - It has no cash impact on AHI
- ▶ Although the amount can vary between periods, the profit share entitlement can never result in an overall loss to AHI
  - The price of AFG would need to materially increase for the Upside Sharing Arrangement to impact HIT in the future
- ▶ If the PoD Hybrids were to mature at 30 June 2008, the Upside Sharing Arrangement would cease entirely

## 6. Corporate Liquidity

- ▶ AHI is tightly managing its liquidity position and is in regular contact with its current and prospective financiers
- ▶ AHI continues to explore alternate funding sources
- ▶ AHI's cash position remains at acceptable levels but has tightened:
  - Post December 2007, AHI reduced its senior debt facility from \$150m to \$100m
  - Post December 2007, AHI issued \$50m of convertible notes due in 2013. AHI had originally intended to issue \$100m as approved at the AHI AGM
  - Reduced reinvestment rate on the Strategic Finance retail debenture book to circa 50%
  - Delays in terming out the warehouse facilities that fund the AllCommercial and Momentum businesses
- ▶ Increased funding costs are largely passed onto AHI's borrowers

## 7. Debt Summary

<b>Recourse Debt</b> <i>\$149.4m</i>	<b>Senior Bank Facility</b> <i>\$99.2m</i>	<ul style="list-style-type: none"> <li>▶ \$150m senior secured multicurrency revolving facility with Bank of Scotland International (BOSI) maturing in April 2011 and priced at BBSW plus 2.0%</li> <li>▶ AHI has not met two conditions subsequent contained within the facility and has now agreed with BOSI a margin increase of 25 bp, a \$50m reduction in the facility (current drawn balance is \$100m) and a further review at 30 September 2008</li> </ul>
	<b>Unsecured MTNs</b> <i>\$50.2m</i>	<ul style="list-style-type: none"> <li>▶ AHI issued A\$50m subordinated convertible medium term notes in February 2008 pursuant to the terms outlined at AHI's AGM</li> <li>▶ The notes mature in February 2013. The quarterly coupon payable is 3M BBSW plus 5.00% p.a. The notes may be converted to shares in AHI at a 10% discount to the prevailing 10 day VWAP prior to maturity</li> </ul>
<b>Non / Limited Recourse Debt</b> <i>\$1,253.4m</i>	<b>Strategic</b> <i>\$470.2m</i>	<ul style="list-style-type: none"> <li>▶ AHI's operating businesses typically borrow at the subsidiary level to fund their lending activities and working capital requirements                             <ul style="list-style-type: none"> <li>▪ These debt facilities are non recourse to the AHI parent and are not cross collateralised across the group.</li> </ul> </li> <li>▶ The pricing, maturity and security varies across each facility (refer appendix). Funds are sourced from the banking, capital and retail debenture markets.</li> <li>▶ Refinancing of these facilities occurs as required                             <ul style="list-style-type: none"> <li>▪ As previously stated AllCommercial and Momentum face refinancing events in April 2008 and June 2008 respectively</li> </ul> </li> </ul>
	<b>AllCommercial</b> <i>\$605.1m</i>	
	<b>Momentum</b> <i>\$36.7m</i>	
	<b>HIT</b> <i>\$141.4m</i>	<ul style="list-style-type: none"> <li>▶ Hybrid securities are non recourse to the AHI parent and are not cross collateralised across the AHI group</li> <li>▶ Investors in the hybrids are exposed directly to the investments made by HIT pursuant to the original product disclosure statements for each security</li> </ul>

- ▶ Strategic continues to maintain prudent liquidity levels and protect its strong brand and core business
  - Potential slowing in NZ financial services sector should be partially mitigated by margin increases and opportunistic selection of finance deals
  - Strategic have revised their full year 2008 forecast to NZ\$ 28.2m from NZ\$ 31.1m reflecting the current market environment
- ▶ AllCommercial performing below plan and faces a significant refinancing event
- ▶ The remaining operating businesses, Momentum and IMFML, do not materially add to AHI's profit and loss and remain under review
- ▶ Principal Investments portfolio continues to yield at higher rates than forecast; growth unlikely until credit markets improve

- ▶ The unrealised gain in the Upside Sharing Arrangement is now zero and the share price of AFG would need to materially increase to impact AHI in the future. This arrangement may cease altogether if the PoD Hybrids mature at 30 June 2008.
- ▶ The impairment of the APT preference units will not have a material financial impact on AHI
- ▶ In response to AFG's recent announcements with regard to exiting Financial Assets, the board of AHI has initiated a strategic review of options for the business

# Appendix – Debt Maturity Profiles

Entity	Facility	Recourse to Allco HIT Limited	Principal Outstanding	Maturity	Interest Rate (pa)
AHI Parent	Senior Bank	Recourse	A\$99m	April 2011	BBSW + 2.25%
AHI Parent	Convertible Notes	Recourse	A\$50m	February 2013	BBSW + 5.00%
Strategic	Senior Bank	Non Recourse	NZ\$69m	June 2010	BKBM + 1.65%
Strategic	Senior Debentures	Non Recourse	NZ\$422m	December 2008 (Weighted Average)	8.80% p.a. (Weighted Average)
Strategic	Subordinated Notes	Non Recourse	NZ\$33m	April 2009 (Weighted Average)	9.96% p.a. (Weighted Average)
AllCommercial	Warehouse	Non Recourse	A\$598m	April 2008	BBSW + 1.97%
AllCommercial	Senior Acquisition	Non Recourse	A\$7m	December 2009	BBSW + 1.25%
Momentum	Warehouse	Non Recourse	A\$37m	June 2008	BBSW + 0.95%

Entity	Facility	Recourse to Allco HIT Limited	Redemption Amount	Maturity	Interest Rate (pa)
HIT	Alleasing Hybrids	Non Recourse	A\$137m	August 2009	BBSW + 3.50%

Entity	Facility	Recourse to Allco HIT Limited	Book Value	Maturity	Interest Rate (pa)
HIT	PoD Hybrids	Non Recourse	Nil*	December 2010	9.00% to June 2008 then BBSW + 3.5%

\* The directors have written down the liability for the PoD Hybrids at 31 December 2007 to nil.



The material that follows is a presentation of the half year financial results for Allco HIT Limited (ASX: AHI) for the period ending 31 December 2007. It is information given in summary form and does not purport to be complete.

This presentation is not an offer or invitation for subscription or purchase of or a recommendation of securities. It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered, with or without professional advice, when deciding if an investment is appropriate.

Information, including forecast financial information, in this presentation should not be considered as a recommendation in relation to holding, purchasing or selling shares, securities or other instruments in AHI. Due care and attention has been used in the preparation of forecast information. However, actual results may vary from forecasts and any variation may be materially positive or negative. Forecasts by their very nature, are subject to uncertainty and contingencies many of which are outside the control of AHI. Past performance is not a reliable indication of future performance.

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