

26 September 2008

The Manager
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Allco Hybrid Investment Trust (ASX: AHU) – Sale of Alleasing Pty Ltd

In recent ASX announcements, Allco Managed Investment Funds Limited (**AMIFL**), the responsible entity of the Allco Hybrid Investment Trust (**HIT**) and the Alleasing Trust (**Alleasing Trust**), has advised that it has been participating in negotiations regarding the possible sale of the Alleasing business.

AMIFL as responsible entity of the Alleasing Trust and the CHAMP II Funds advised by CHAMP Private Equity (**CHAMP**) have today agreed to the sale and purchase of all the shares in Alleasing Pty Ltd (**Alleasing**) and the assignment of certain loans for a total consideration of approximately \$146 million ("**Transaction**"). The final consideration payable will be subject to certain post completion adjustments. These adjustments will be made on the basis of an agreed target position for net working capital, indebtedness and the residual value of leased assets of Alleasing as at completion of the Transaction. \$20 million of the purchase price (**Deferred Amount**) will be deferred until 18 months after completion, and payment will be subject to any warranty or other claims. The Transaction follows a competitive sale process that was conducted for the Alleasing business and advised by Deloitte Corporate Finance.

On completion of the Transaction, and subject to our estimate of both the post completion adjustments and balances payable at completion, the consideration will be paid (net of the Deferred Amount and estimated sale costs) as follows:

- payment in respect of all amounts owed under Alleasing's Senior Facilities;
- \$49.9m in respect of the amounts owed under Alleasing's Mezzanine Facilities, by the Alleasing Trust in responsible entity fees to AMIFL and to repurchase certain lease receivables of the Alleasing business co-owned by an associate of Allco Finance Group Limited (**AFG**); and
- \$54.6m to the Alleasing Trust in relation to the purchase of the shares in Alleasing Pty Limited and amounts outstanding under intercompany loans.

As disclosed in the HIT Preliminary Final Report for the year ended 30 June 2008, because of previous undertakings from AFG to provide financial support to Alleasing Trust and Alleasing, the directors of AMIFL as responsible entity of HIT had commenced negotiations with AFG for the allocation of an amount from the proceeds of any sale of Alleasing to the partial repayment of principal amounts on the preference units issued by the Alleasing Trust to HIT (**Preference Units**). The independent directors of AMIFL have considered proposals from AFG, taken independent advice and have reached an agreement on the allocation of the proceeds of the Transaction to be recommended to Alleasing Hybrid holders. The agreed allocation is for the first \$65 million of proceeds (after deducting sale costs and the costs and repayments to external lenders associated with Alleasing's

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Senior Facilities) to be applied to redeem the Alleasing Preference Units held by HIT. The total estimated payment to AFG in settlement of all exposure to Alleasing is \$59.4 million, subject to post completion adjustments and any warranty or other claim. The Deferred Amount, less any warranty or other claims deducted, will then be shared between AMIFL and AFG in the same proportion that the post completion proceeds are allocated between the parties.

HIT proposes to use those proceeds to redeem and repurchase the Alleasing Hybrid stapled securities (ASX: AHUG) prior to the scheduled maturity of those securities of 17 August 2009, for a total amount of approximately \$50 per Alleasing Hybrid (received in two instalments and subject to warranty or other claims).

The redemption and repurchase of the Alleasing Hybrids and completion of the Transaction is conditional upon Alleasing Hybrid holder approval. An Extraordinary General Meeting is intended to be held in November 2008 and will allow Alleasing Hybrid holders to consider the early redemption and repurchase of the Alleasing Hybrids for approximately \$50 per Alleasing Hybrid (received in two instalments and subject to warranty or other claims) and the release of guarantees and security granted by HIT, Alleasing Trust, Alleasing Pty Limited and certain of its subsidiaries in respect of the Alleasing Hybrids (**AHUG Proposal**).

Completion of the Transaction is subject to a number of additional conditions, some of which are outside of AMIFL's or CHAMP's control (including in relation to financing, regulatory approvals and consents for change of control). To the extent that any condition cannot be satisfied or waived, the transaction may not complete. More information in respect of the conditions will be contained in the Notice of Meeting to be sent to Alleasing Hybrid Holders.

If the Proposal is approved, and provided completion of the Transaction takes place, Alleasing Hybrid holders will receive payments in two instalments. The allocation between these instalments is subject to the post completion adjustments and balances payable at completion. We estimate that the two instalments will be:

- a first instalment of approximately \$41.97 per Alleasing Hybrid (which is anticipated to be paid within 2 months of completion of the Transaction); and
- a second instalment of approximately \$8.03 per Alleasing Hybrid after final payment of the Deferred Amount subject to any warranty or other claims.

AMIFL will circulate to Alleasing Hybrid holders a notice of meeting and explanatory memorandum shortly, which will provide further details about the Alleasing Hybrid Proposal.

Completion of the Transaction is currently scheduled to occur on 30 November 2008.

Yours sincerely,



Frank Tearle
On behalf of
Allco Managed Investment Funds Limited
As Responsible Entity for the Allco Hybrid Investment Trust

For more information on Alleasing Hybrids please contact:

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About Alleasing

In August 2004, the Allco Hybrid Investment Trust (HIT) issued the listed Alleasing Hybrid securities to Australian private investors. HIT primarily invested the proceeds of the issue in preference securities issued by the Alleasing Trust, an Australian commercial finance group.

Alleasing Pty Ltd is a leading independent provider of leasing solutions and vendor finance programs, in Australia and New Zealand. It specialises in leasing technology-based equipment to business customers and has financed assets in excess of \$3.2 billion. Alleasing has approximately 23,000 customers, including government departments, hospitals, universities, large corporations, professional firms, schools and SMEs.

About CHAMP Private Equity

CHAMP Private Equity was formed in 2000 by Australian Mezzanine Investments Pty Ltd. (AMI) of Sydney, and Castle Harlan Inc. of New York. CHAMP and AMI constitute Australia's longest established private equity investor, and funds advised by them have made some sixty seven investments since 1987 in companies operating in Australia and New Zealand. CHAMP (along with AMI) are well known pioneers in the private equity sector and for their track record in building strong companies by partnering closely with management to implement successful growth strategies. The combined worldwide funds of CHAMP and Castle Harlan exceed A\$5 billion.

CHAMP Funds have acquired and successfully exited from investments across a variety of sectors, in companies such as Austar Communications, Bradken Limited and Penrice Limited. Current CHAMP Private Equity investments include: Australian Discount Retail, International Energy Services, Manassen Foods, Health Care Australia, Study Group International, United Malt Holdings, Bluestar Print Group, Golding Contractors and LCR Lindores.