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Loan Enforcement

On 8 October 2012 Allied Farmers Limited (ALF) announced that it had received a request for payment of a \$500,000 loan due (“the Loan”). The Loan had been scheduled to be repaid to the Lender from the proceeds of an underlying asset due to ALF in November 2012 (“the Underlying Asset Proceeds”).

As stated in the 8 October 2012 announcement, Allied requested an extension of time from the Lender to coincide with the receipt of the Underlying Asset Proceeds. Despite the Lender being advised that the Underlying Asset Proceeds had not been received in November 2012, the request for an extension has continued to be discussed with the Lender since 8 October 2012, and ALF and the Lender have been working co-operatively in an attempt to reach a conclusion that is sensible for both ALF and the Lender.

However, the Lender has advised that it will today serve on ALF and its wholly owned subsidiary, Allied Farmers Investments Limited, a statutory demand for payment of the Loan plus interest (being a total of \$540,000), and has said it is unwilling to delay further in enforcing its rights to repayment of the Loan.

ALF is very surprised by the action of the Lender given that ALF has been working co-operatively with the Lender on a sensible timeline for repayment, and given that ALF has a first ranking secured lender.

The receipt of the statutory demand is an enforceable event of default under ALF’s secured loan facility. ALF’s secured lender has indicated that it reserves its rights in that regard. The statutory demand requires payment within 15 working days. ALF would be unable to meet that obligation without the support of its secured lender, who at this stage has not indicated its position.

ALF has been seeking information and assessing the position of a number of parties to determine the value of the Underlying Asset for the purpose of ALF’s half year financial statements. Whilst there is some way to go in this process and the Board has insufficient information with which to form a decision, it is likely that partly as a result of this potential action by the Lender the position of a number of parties may change, and the Underlying Asset may need to be substantially if not completely written down. The carrying value of the Underlying Asset is \$3.75 million.