



# AGRICULTURAL FINANCE

CO-OPERATIVE LIMITED

ABN 23 048 434 035

## **Explanatory Memorandum to Members**

### **1 Purpose of Explanatory Memorandum**

The purpose of this Explanatory Memorandum is to provide members of the Agricultural Finance Co-operative Limited (the “**Co-operative**”) with the information necessary to enable them to assess the merits of the resolutions to be proposed at the forthcoming annual general meeting of the Co-operative members.

### **2 Outline of Proposals and required resolutions**

#### **2.1 Accounts and Reports**

The Co-operatives Regulation 2005 (NSW) requires:

- The reports of the directors and auditors; and
- The annual financial report, including the financial statements of the Co-operative,

to be laid before the annual general meeting. Neither the Co-operatives Act nor the Co-operative Rules requires a vote of members on the reports or statements. However, members will be given ample opportunity to raise questions or comments on the reports and statements at the meeting.

#### **2.2 Re-election of director - Mr Robert Charles Colwell**

Rule 62(a) of the Co-operative Rules provides that at the first annual general meeting of the Co-operative one of the directors shall retire. Retiring directors are eligible for re-election.

Nominations for candidates to fill the vacant position were sought more than six weeks before the annual general meeting and to date no nominations have been received.

Robert Charles Colwell was elected as a Director in January 2006 and will retire in accordance with Rule 62(a). Rule 63(b) provides that Robert can offer himself for re-election as a Director. Accordingly a resolution will be put to the members to re-elect Mr Robert Charles Colwell as a director of the Co-operative.

Details of the experience and qualifications of Robert Charles Colwell follow.

Robert grew up and became part of the family farming business together with his parents, brother and two sisters south of Tamworth in New South Wales until 1976. In mid 1976 he commenced his own original farming business on a property near Coonamble in north-western New South Wales. His farming experience, which continues to this day on the Liverpool plains, covers wool, beef, fat lambs and grain production including irrigated cropping.

Robert completed the sheep and wool technology at Tamworth TAFE college, confirmed a Justice of the Peace in 1989 and held a security dealers license. Other activities include a practicing commercial pilot, company director, and real estate investment.

### **2.3 Appoint the Auditor, Pilot Partners as the Co-operative's Auditor.**

Rule 84 (b) of the Co-operative Rules provides that the Auditor appointed by the Directors shall hold office until the first annual general meeting of the Co-operative. Pilot Partners have given consent to act as the Co-operative's Auditors.

As this is the first annual general meeting of the Co-operative, a resolution will be put to the members to re-appoint Pilot Partner's to act as the auditors of the Agricultural Finance Co-operative Limited pursuant to section 327(7) of the Corporations Act 2001 as required by section 232 of the Co-operatives Act.

### **2.4 Amendment of Rule 15(b) – Active Membership Provision**

Section 124 of the NSW Co-operatives Act 1992 provides that any amendment to Rule 15 – Active Membership Provision of the Co-operatives Rules is to be approved by the NSW Registrar of Co-operatives prior to a special resolution being put to the annual general meeting.

Further, to ensure that the Co-operative does not need to seek a section 124 approval when it wants to change the conditions relating to annual subscription, the NSW Registrar of Co-operatives have allowed and approved the Co-operative to adopt a new rule, herein Rule 22A – *see 2.5 Adoption of Rule 22A for details.*

A special resolution will be put to the members for approval of Rule 15(b). If this resolution is approved by members, an application to register the rule alterations will be forwarded to the NSW Registrar of Co-operatives as per Annexure A – Amendment to the Co-operative Rules – Rule 15(b) Active Membership Provision.

### **2.5 Adoption of Rule 22A**

Per details in 2.4 above, the Co-operative is providing that it does not need to seek a section 124 approval when it wants to change the conditions relating to annual

subscription, therefore the NSW Registrar of Co-operatives have allowed and approved the Co-operative to adopt a new rule, herein Rule 22A.

The membership fee was originally set at \$1,000 per year to raise the capital required to achieve this Co-operative's aim as quickly as possible. However, following considerable feedback from members and our marketing representative and considering the worsening and continuing drought, directors now feel it in the interest of the Co-operative to reduce this fee, thereby allowing members the opportunity to support the Co-operative through increasing shareholding without the impost of the more substantive annual fee.

Directors have sort and received approval under section 124 of the NSW Co-operatives Act 1992 for the change from the NSW Registrar of Co-operatives and notice to members is hereby given under section 126 of the NSW Co-operatives Act 1992.

A special resolution will be put to the members for adoption of Rule 22A. If this resolution is approved by members, an application to register the rule alterations will be forwarded to the NSW Registrar of Co-operatives as per Annexure B – Adoption of Rule 22A.

### **3 Directors Recommendation**

The directors of the Co-operative are:

- Robert Charles Colwell
- Raymond (Keith) Hay
- John Darcy Tiver
- Robert Charles Yabsley (Chairman)

The directors (other than Robert Charles Colwell) unanimously recommend that members approve the re-election of Robert Charles Colwell.

The directors unanimously recommend that members approve the following:

1. Resolution to appointment of Pilot Partners as the Auditors of the Co-operative.
2. Special resolution to amend Rule 15(b) – Active Membership Provision.
3. Special resolution to adopt Rule 22A.

## **Annexure A – Amendment to the Co-operative Rules – Rule 15(b) Active Membership Provision**

Replace Rule 15 with the following:

15. In accordance with Part 6 of the Act:
  - (a) investigation of the legal and financial structure and regulatory requirements associated with the establishment of an organisation that will have as its objects to raise capital through share subscriptions from members and external sources to facilitate lending to service members' financial needs in a co-operative environment and on terms more aligned with the needs of members' businesses than is currently available through mainstream lenders is a primary activity of the co-operative; and
  - (b) a member shall pay the annual subscription in accordance with rule 22A in order to establish active membership of the co-operative.

**Annexure B – Amendment to the Co-operative Rules – Rule 22A**

Replace Rule 22 with the following:

- 22. Every Member shall hold at least 1,000 Shares on admission to membership.
- 22A. Members shall pay an annual subscription of \$500 on the 1<sup>st</sup> of July in every year.