



AGRICULTURAL FINANCE
CO-OPERATIVE LIMITED

ABN 23 048 434 035

ANNUAL REPORT

FOR THE PERIOD

25 JANUARY 2006 TO 30 JUNE 2006

AGRICULTURAL FINANCE CO-OPERATIVE LIMITED

ABN 23 048 434 035

ANNUAL REPORT FOR THE PERIOD 25 JANUARY 2006 TO 30 JUNE 2006

CONTENTS

	Page
Directors' Report	2
Independent Auditors' Report	4
Directors' Declaration	6
Financial Report	
Income Statement	7
Balance Sheet	8
Statement of Changes in Equity	9
Cash Flow Statement	10
Notes to the Financial Statements	11

The financial report covers Agricultural Finance Co-operative Limited as an individual entity. The financial report is presented in the Australian currency.

AGRICULTURAL FINANCE CO-OPERATIVE LIMITED

ABN 23 048 434 035

DIRECTORS' REPORT

The directors present their report together with the financial report of the co-operative, for the period 25 January 2006 to 30 June 2006 and the auditors' report thereon.

1 Directors

The directors of the co-operative at any time during or since the end of the financial period are:

	Period of Directorship
R C Yabsley	25 January to present
R K Hay	25 January to present
J D Tiver	25 January to present
R C Colwell	25 January to present

2 Principal Activity

The principal activity of the co-operative during the financial period 25 January 2006 to 30 June 2006 was the 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 and conditions more aligned with the needs of members' businesses than is currently available through mainstream lenders.

There was no significant change in the nature of this activity during the financial period.

3 Review and Results of Operations

The co-operative continued to engage in its principal activity during the financial period.

The net loss of the co-operative for the period 25 January 2006 to 30 June 2006 after providing for income tax was \$800.

4 State of Affairs

No significant changes in the state of affairs of the co-operative occurred during the financial period.

5 Events Subsequent to Balance Date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material or unusual nature likely, in the opinion of the directors of the co-operative to significantly affect the operations of the co-operative, the results of those operations, or the state of affairs of the co-operative in future financial years.

6 Likely Developments

The co-operative will continue to pursue its principal activity. It is not expected that the results in future years will be adversely affected by the continuation of these operations.

AGRICULTURAL FINANCE CO-OPERATIVE LIMITED

ABN 23 048 434 035

DIRECTORS' REPORT

7 Meeting of Directors

	Number of meetings held during the financial period	Number of meetings attended by the directors during the financial period
R C Yabsley	3	3
R K Hay	3	3
J D Tiver	3	3
R C Colwell	3	3

Signed in accordance with a resolution of the directors:

Director

R C Yabsley
12th February 2007

Director

R C Colwell

**INDEPENDENT AUDIT REPORT TO THE MEMBERS OF
AGRICULTURAL FINANCE CO-OPERATIVE LIMITED**

Scope

The financial report and directors' responsibility

The financial report, as set out on pages 6 to 16, comprises the income statement, balance sheet, statement of changes in equity, and the accompanying notes to the financial statements for Agricultural Finance Co-operative Limited (the co-operative), for the period ended 30 June 2006.

The directors of the co-operative are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Co-operatives Act 1992*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

We conducted an independent audit in order to express an opinion to the members of the co-operative. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report is presented fairly in accordance with the *Co-operatives Act 1992*, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, so as to present a view which is consistent with our understanding of the co-operative's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

**INDEPENDENT AUDIT REPORT TO THE MEMBERS OF
AGRICULTURAL FINANCE CO-OPERATIVE LIMITED**

Independence


In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Co-operatives Act 1992*.

Audit Opinion

In our opinion, the financial report of Agricultural Finance Co-operative Limited is in accordance with:

- (a) the *Co-operatives Act 1992* including:
 - (i) giving a true and fair view of the co-operative's financial position as at 30 June 2006 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the *Co-operatives Regulations 2005*; and
- (b) other mandatory financial reporting requirements in Australia.


PILOT PARTNERS


GARTH BARRETT

15 February 2007.
Level 5, 175 Eagle Street
Brisbane, Queensland 4000

AGRICULTURAL FINANCE CO-OPERATIVE LIMITED

ABN 23 048 434 035

DIRECTORS' DECLARATION

In the opinion of the directors of Agricultural Finance Co-operative Limited:

- a the financial statements and notes set out on pages 7 to 18 are in accordance with the Co-operatives Act 1992, including:
 - i giving a true and fair view of the financial position of the co-operative as at 30 June 2006 and of its performance, as represented by the results of its operations and its cash flows, for the period 25 January 2006 to 30 June 2006; and
 - ii complying with Accounting Standards; and
- b there are reasonable grounds to believe that the co-operative will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:

Director *Defably*
12th February 2007

R. Howell
Director

AGRICULTURAL FINANCE CO-OPERATIVE LIMITED

ABN 23 048 434 035

INCOME STATEMENT FOR THE PERIOD 25 JANUARY 2006 TO 30 JUNE 2006

	Notes	25.01.2006 to 30.06.2006 \$
Revenue from continuing operations	3	-
Other expenses	4	<u>(800)</u>
LOSS BEFORE INCOME TAX EXPENSE		(800)
Income tax expense	5	<u>-</u>
LOSS FOR THE PERIOD	8	<u>(800)</u>

**The above income statement should be read
in conjunction with the accompanying notes.**

AGRICULTURAL FINANCE CO-OPERATIVE LIMITED

ABN 23 048 434 035

**BALANCE SHEET
AS AT 30 JUNE 2006**

	Notes	2006 \$
CURRENT ASSETS		
Cash assets	6	<u>30,200</u>
TOTAL CURRENT ASSETS		<u>30,200</u>
NET ASSETS		<u>30,200</u>
SHAREHOLDERS' EQUITY		
Contributed Equity	7	31,000
Accumulated losses	8	<u>(800)</u>
TOTAL SHAREHOLDERS' EQUITY		<u>30,200</u>

**The above balance sheet should be read
in conjunction with the accompanying notes.**

AGRICULTURAL FINANCE CO-OPERATIVE LIMITED

ABN 23 048 434 035

**STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD 25 JANUARY 2006 TO 30 JUNE 2006**

	Note	2006 \$
TOTAL EQUITY AT THE BEGINNING OF THE FINANCIAL PERIOD		\$
Loss for the period	8	(800)
Contributions of equity net of transaction costs	7	<u>31,000</u>
TOTAL EQUITY AT THE END OF THE FINANCIAL PERIOD		<u>30,200</u>

**The above statement of changes in equity should be read
in conjunction with the accompanying notes.**

AGRICULTURAL FINANCE CO-OPERATIVE LIMITED

ABN 23 048 434 035

CASH FLOW STATEMENT FOR THE PERIOD 25 JANUARY 2006 TO 30 JUNE 2006

	Note	25.01.2006 to 30.06.2006 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers		-
Cash paid to suppliers and employees		<u>(800)</u>
Net Cash Used in Operating Activities	9ii	<u>(800)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from share issue		<u>31,000</u>
Net Cash Provided by Financing Activities		<u>31,000</u>
NET INCREASE IN CASH HELD		30,200
Cash and Cash Equivalents at the Beginning of the Financial Period		<u>-</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	9i	<u><u>30,200</u></u>

**The above cash flow statement should be read
in conjunction with the accompanying notes.**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 25 JANUARY 2006 TO 30 JUNE 2006**

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below.

a Basis of preparation

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Co-operatives Act 1992.

Compliance with IFRSs

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards. Compliance with AIFRSs ensures that the financial statements and notes of Agricultural Finance Co-operative Limited comply with International Financial Reporting Standards (IFRSs).

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and certain classes of property, plant and equipment.

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the co-operative's accounting policies.

b Revenue recognition

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST) payable to the taxation authority. Exchanges of goods or services of the same nature and value without any cash consideration are not recognised as revenues.

Other income

Income from other sources is recognised when the fee in respect of other products or services provided is receivable.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 25 JANUARY 2006 TO 30 JUNE 2006**

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Balance Sheet.

Cash flows are included in the Cash Flow Statement on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

d Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction.

The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

e Contributed equity

Ordinary shares are classified as equity.

AGRICULTURAL FINANCE CO-OPERATIVE LIMITED

ABN 23 048 434 035

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 25 JANUARY 2006 TO 30 JUNE 2006

2 FINANCIAL RISK MANAGEMENT

The co-operative's activities expose it to a variety of financial risks; market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow and fair value interest rate risk. The co-operative's overall risk management programme focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the financial performance of the co-operative.

a Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the co-operative's functional currency.

(ii) Fair value interest rate risk

Refer to (d) below.

b Credit risk

The co-operative has no significant concentrations of credit risk. The co-operative has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history.

c Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities.

d Cash flow and fair value interest rate risk

The co-operative has interest bearing assets, therefore the co-operative's income and operating cash flows are subject to changes in market interest rates.

	2006
	\$
3 REVENUE FROM CONTINUING OPERATIONS	
Other income	-
4 EXPENSES	
Loss before income tax expense includes the following specific expenses:	
Legal fees	800

AGRICULTURAL FINANCE CO-OPERATIVE LIMITED

ABN 23 048 434 035

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 25 JANUARY 2006 TO 30 JUNE 2006

	2006 \$
5 INCOME TAX	
Numerical reconciliation of income tax expense	
Loss from continuing operations before income tax expense	(800)
Tax at the Australian tax rate of 30%	(240)
Increase/(decrease) in income tax expense due to: Non-allowable expenses	240
Income tax expense	<u>-</u>
6 CASH ASSETS	
Current	
Cash at bank	<u>30,200</u>
7 CONTRIBUTED EQUITY	
Share Capital	
5,000 ordinary shares paid to \$1 each	5,000
Share subscriptions in escrow	<u>26,000</u>
	<u>31,000</u>
Ordinary shares	
<i>Movements during the period</i>	
Balance at the beginning of the period	-
5,000 ordinary shares issued	<u>5,000</u>
Balance at the end of the period	<u>5,000</u>
8 ACCUMULATED LOSSES	
Accumulated losses at the beginning of the period	-
Net loss	<u>(800)</u>
Accumulated losses at the end of the period	<u>(800)</u>

AGRICULTURAL FINANCE CO-OPERATIVE LIMITED

ABN 23 048 434 035

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 25 JANUARY 2006 TO 30 JUNE 2006

9 NOTES TO THE CASH FLOW STATEMENT

- i For the purpose of the Cash Flow Statement, Cash and cash equivalents includes cash at bank.

Cash and cash equivalents as at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:

	2006
	\$
Cash at bank	30,200
<hr/>	
ii Reconciliation of Net Loss to Net Cash Used in Operating Activities:	
Net Loss	(800)
Changes in Assets and Liabilities	-
	<hr/>
Net Cash Used in Operating Activities	(800)
	<hr/>

10 CONTINGENT LIABILITIES

Legal fees of \$110,803 will only be paid when funds are available to pay them.

11 ADDITIONAL INFORMATION REQUIRED BY THE CO-OPERATIVES ACT 1992

Co-operative name: Agricultural Finance Co-operative Limited

A.R.B.N. (if applicable): 119 286 305

Telephone: 07 4677 5105

Address of registered office: C/- Jackson Smith Solicitors
Level 3, 48 Hunter Street
SYDNEY NSW 2000

Co-operative No.: NSWC28345

Number of directors:	Active member directors	4
	Employee directors	0
	Other independent directors	0

Exports:	Value of exports	0
	% of total sales	0

AGRICULTURAL FINANCE CO-OPERATIVE LIMITED

ABN 23 048 434 035

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 25 JANUARY 2006 TO 30 JUNE 2006

Total turnover (including ancillary income)	0
Cost of goods sold	0
Total interest paid or provided	0
Number of members	5
Number of employees	0

Does the co-operative have an exemption from clause 13 of the *Co-operatives Regulation 2005*? No

Directors:

The directors of the co-operative as at the date of this annual report are:

Surname	Given names	Date of birth	Residential address	Office held	Date of appointment
Yabsley	Robert Charles	28.03.1939	"Mobandilla", Goondiwindi QLD 4390	Principal Executive Officer	25 January 2006
Hay	Raymond Keith	28.12.1955	247 Halfleur St, Deniliquin NSW 2710	Director	25 January 2006
Tiver	John Darcy	02.01.1948	161 Stanley St, North Adelaide SA 5006	Director	25 January 2006
Colwell	Robert Charles	27.05.1946	"Kidgery", Curlewis NSW 2381	Director	25 January 2006

The principal executive officer of the co-operative at the date of this annual report is R C Yabsley.

Has the address of the registered office changed? No

Declarations of interest by directors:

The declarations of interest listed below were made to the board of directors of the co-operative under section 234 of the *Co-operatives Act 1992* during the financial period 25 January 2006 to 30 June 2006.

Surname of director	Given names	Date of declaration	Contract or proposed contract referred to in declaration	Nature of interest	Whether contract entered into by co-operative	Nature, character and extent of conflict- eg office or property held
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Not Applicable