



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 Raymond (Keith) Hay

Rule 62(a) of the Co-operative Rules provides that at the second annual general meeting of the Co-operative two 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.

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

Details of the experience and qualifications of Keith Hay follows.

Raymond “Keith” Hay was born at Deniliquin in New South Wales and graduated from the Deniliquin High School as School Captain. Keith completed a Diploma of Applied Science in Agriculture at the Wagga Ag College and has been a past Director of the Australian Lucerne Co-operative of which he held this position for two years.

Currently Keith is a Director of Herbs and Spices Australia Co-operative Limited and has held this position for six years. The main crop grown by this organisation is Corianda.

Keith has been farming since he was 18 in the following enterprises: dairy, lucerne, seed lucerne, fat lambs, cereal crops and beef cattle. His property size incorporates 1000 hectares of irrigation.

Keith is also the local representative for Southern Riverina Irrigators (SRI) and has been in this role for five years. This organisation is a body representing irrigators to NSW and federal governments as well as a local water company, Murray Irrigators Limited (MIL).

2.3 Re-election of director - Mr Robert Charles Yabsley

Rule 62(a) of the Co-operative Rules provides that at the second annual general meeting of the Co-operative two 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 Yabsley 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 Yabsley as a director of the Co-operative.

Bob has been involved in active management of rural business all his working life including:

- Two years as Overseer and Acting Manager to cattle operation for Levers Pacific Plantation in the Solomon Islands;
- Five years as General Manager of Synca Pastoral Company in northern NSW;
- Two years as Partner of Kingston Rural Management, agricultural consulting in the Maryborough and Gympie areas of Queensland.

He commenced his own rural business with the purchase of a property in the Warialda area of NSW in 1972. He purchased the property “Mobandilla” in 1983 and commenced irrigation development in 1987. He commenced the Mobandilla Cotton businesses in 1995, is the Managing Director and has overseen all development, production and business operation of the group.

2.4 Extension of Disclosure Statement

The current Investigate Co-operative Disclosure Statement ceases in March 2008. This needs to be extended to allow the Co-operative to continue marketing until it is resolved to change the Rules to a Finance Co-operative.

We have been advised, in the interests of costs, to seek the approval from members at this Annual General Member rather than have the need to call a special meeting early next year.

An ordinary resolution will be put to the members for approval to extend the Disclosure Statement to 48 months. If this resolution is approved by members, a new Disclosure Statement will be filed with the NSW Registrar of Co-operatives in March 2008.

2.5 Amendment to Rule 64(a) – Director’s Remuneration

Section 112 of the NSW Co-operatives Act 1992 provides that the Co-operative Rules may be altered by a Special Resolution approved by members or by a resolution of the board or as otherwise permitted by the Act.

The purpose of this amendment is to compensate directors for out-of-pocket expenses incurred by way of issue of shares in the Co-operative without expending Co-operative funds.

A special resolution will be put to the members for approval of Rule 64(a). 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 64(a) Director’s Remuneration.

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 Raymond (Keith) Hay and Robert Charles Yabsley) unanimously recommend that members approve the re-election of Raymond (Keith) Hay and Robert Charles Yabsley.

The directors unanimously recommend that members approve the following:

1. Ordinary resolutions 1, 2 and 3; and
2. Special Resolution 4 to amend Rule 64(a) – Director’s Remuneration.

Annexure A – Amendment to the Co-operative Rules – Rule 64(a) Director’s Remuneration

Replace Rule 64(a) with the following:

“64 (a) The Directors shall receive such remuneration for their services as shall be determined at a general meeting, and all necessary expenses incurred by them in the business of the co-operative shall be refunded to them but payment may be taken as additional shares in the Co-operative.”