



AGRICULTURAL FINANCE
CO-OPERATIVE LIMITED

ABN 23 048 434 035

ANNUAL REPORT
FOR THE
YEAR ENDED 30 JUNE 2007

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DIRECTORS' REPORT

The directors present their report together with the financial report of the co-operative, for the year ended 30 June 2007 and the auditors' report thereon.

1 Directors

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

	Period of Directorship
R C Yabsley	25 January 2006 to present
R K Hay	25 January 2006 to present
J D Tiver	25 January 2006 to present
R C Colwell	25 January 2006 to present

2 Principal Activity

The principal activity of the co-operative during the year ended 30 June 2007 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 member's businesses than is currently available through mainstream lenders.

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

3 Review and Results of Operations

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

The net loss of the co-operative for the year ended 30 June 2007 after providing for income tax was \$56,957 (period 25 January 2006 to 30 June 2006: \$800)

4 State of Affairs

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

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. Additional membership and share capital has been received as well as registration in Victoria, Queensland and Northern Territory.

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.

DIRECTORS' REPORT
(Continued)


7 Lead Auditor's Independence Declaration


The lead auditor's independence declaration is set out on page 5 and forms part of the directors' report for the financial year ended 30 June 2007.

8 Meeting of Directors

	Number of meetings held during the financial year	Number of meetings attended by the directors during the financial year
R C Yabsley	7	7
R K Hay	7	7
J D Tiver	7	4
R C Colwell	7	7

Signed in accordance with a resolution of the directors:


Robert C Yabsley
Director


Robert Colwell
Director

Dated: 28 September 2007

AUDITOR INDEPENDENT DECLARATION

Under section 307C of the Corporations Act 2001

To the Directors of Agricultural Finance Co-operative Limited

I declare to the best of my knowledge and belief, during the year ended 30 June 2007

there have been:

1. No contraventions of the auditor independence requirements as set out in the Corporations Act in relation to the audit, and
2. no contraventions of any applicable code of professional conduct in relation to the audit.

Pilot Partners
PILOT PARTNERS

Murray McDonald
MURRAY MCDONALD

21 SEPTEMBER 2007

Level 5,
175 Eagle Street
Brisbane, Queensland 4000

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AGRICULTURAL FINANCE CO-OPERATIVE LIMITED

We have audited the accompanying financial report of Agricultural Finance Co-operative Limited, which comprises the balance sheet as at 30 June 2007, and the income statement and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration as set out on pages 8 to 19.

Directors' Responsibility for the Financial Report

The directors of the co-operative are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Co-operatives Act 1992. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Auditor's Opinion

In our opinion, the financial report of Agricultural Finance Co-operative Limited is in accordance with the Co-operatives Act 1992, including:

- (a) giving a true and fair view of the co-operative's financial position as at 30 June 2007 and of their performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Co-operatives Regulations 2005;

Inherent uncertainty

Without any qualification made to the above, attention is drawn to the following matter. With reference to note 1(g), The Agricultural Finance Co-operative Limited is reliant on increased shareholding and receipt of active membership fees to be able to continue as a going concern and therefore realise its assets and extinguish its liabilities in the normal course of business.

Pilot Partners
PILOT PARTNERS

Murray McDonald
MURRAY MCDONALD

SEPTEMBER 2007

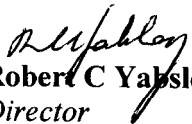
Level 5,
175 Eagle Street
Brisbane, Queensland 4000


DIRECTORS' DECLARATION

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

- a the financial statements and notes set out on pages 8 to 19 are in accordance with Co-operatives Act 1992, including:
 - i giving a true and fair view of the financial position of the co-operative as at 30 June 2007 and of its performance, as represented by the results of its operations and its cash flows, for the year ended 30 June 2007; and
 - ii complying with Australian 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:


Robert C Yabsley
Director


Robert Colwell
Director

Dated: *28* September 2007

AGRICULTURAL FINANCE CO-OPERATIVE LIMITED
ABN 23 048 434 035

**INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2007**

	Notes	2007 \$	2006 \$
Revenue from continuing	3	5,000	-
Other expenses	4	<u>(61,957)</u>	<u>(800)</u>
LOSS BEFORE INCOME TAX EXPENSE		(56,957)	(800)
Income tax expense	5	<u>-</u>	<u>-</u>
LOSS FOR THE YEAR	8	<u><u>(56,957)</u></u>	<u><u>(800)</u></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 2007

	Notes	2007 \$	2006 \$
CURRENT ASSETS			
Cash and cash equivalents	6	292	30,200
TOTAL CURRENT ASSETS		<u>292</u>	<u>30,200</u>
CURRENT LIABILITIES			
Trade and other payables		5,321	-
Loans by directors		1,728	-
TOTAL CURRENT LIABILITIES		<u>7,049</u>	
NON-CURRENT LIABILITIES			
Share Capital	7	51,000	31,000
TOTAL LIABILITIES		<u>58,049</u>	<u>31,000</u>
DEFICIENCY IN NET ASSETS			
Accumulated losses	8	<u>(57,757)</u>	<u>(800)</u>

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

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2007**

	Notes	2007 \$	2006 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		11,594	-
Cash paid to suppliers and employees		(61,502)	(800)
Net Cash Used in Operating Activities	9ii	(49,908)	(800)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issue		20,000	31,000
Net Cash Provided by Financing Activities		20,000	31,000
NET (DECREASE)/INCREASE IN CASH HELD		(29,908)	30,200
Cash and Cash Equivalents at the Beginning of the Financial Year		30,200	-
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	9i	292	30,200

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

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 Accounting Standards (AASBs) (including Australian interpretations) adopted by the Australian Accounting Standards Board, and the Co-operatives Act 1992.

Historical cost convention

These financial statements have been prepared under the historical cost convention.

Critical accounting estimates

The preparation of financial statements 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.

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 income tax rate 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.

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 Share Capital

The Co-operative changed its accounting policy for the financial year ended 30 June 2007 relating to Share Capital. Share capital represents the shareholdings in the Co-operative by members. Under AIFRS from 1 July 2006 these shareholdings have been reclassified from equity to debt and is in strict compliance with AASB 132 Financial Instruments: Presentation. Whilst ordinary shares have been subscribed for, share capital is presented as a liability so as to be available to reimburse members. Note: The Co-operative Rules state that there is to be a proportionate reduction in equity to be repaid should there be a loss or deficiency in funds. As a result, the Share Capital which was classified as equity in the previous year is now classified as a non-current liability. The net assets of \$30,200 as at 30 June 2006 which stated in the previous financial year report is now stated as net liability of \$800.

f Change in Comparative Figures

Comparatives have been amended to make the financial statements consistent with the current year.

g Going Concern

The financial statements have been prepared adopting the going concern assumption, which contemplates the orderly realisation of assets and payment of liabilities in the ordinary course of business. The appropriateness of this assumption is dependent upon the continued support of the co-operative directors, increased member share capital, receipt of active membership fees and the ability of the co-operative to trade profitably.

The Board is currently satisfied that these issues have been addressed and that there are reasonable grounds to assume that the co-operative will meet its future financial obligations as and when they fall due.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

2 FINANCIAL RISK MANAGEMENT

- i** 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. There are no amounts denominated in foreign 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 no interest bearing assets, therefore the co-operative's income and operating cash flows are subject to changes in market interest rates.

- ii** The carrying values of the co-operatives assets and liabilities approximate their fair value.
- iii** As there are no income earning financial assets and interest-bearing financial liabilities, there are no risks that would have had an impact on the loss.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

	2007	2006
	\$	\$
3 REVENUE FROM CONTINUING OPERATIONS		
Other income – members subscriptions	5,000	-
4 EXPENSES		
Loss before income tax expense includes the following specific expenses:		
Legal Fees	737	800
Net loss on sale of equipment	455	-
	1,192	800
5 INCOME TAX		
Numerical reconciliation of income tax expense		
Loss from continuing operations before income tax expense	(56,957)	(800)
Tax at the Australian tax rate of 30%	(17,087)	(240)
Increase/(decrease) in income tax expense due to: Tax losses not recognised	17,087	240
Income tax expense	-	-
6 CASH AND CASH EQUIVALENTS		
Current		
Cash at bank	292	30,200

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

7 SHARE CAPITAL

	2007	2006
	\$	\$
Ordinary shares paid to \$1 each	51,000	5,000
Share subscriptions in escrow	-	26,000
	51,000	31,000
Ordinary shares		
<i>Movements during the period</i>		
Balance at the beginning of the year	5,000	-
Ordinary shares issued	46,000	5,000
	51,000	5,000

8 ACCUMULATED LOSSES

	2007	2006
	\$	\$
Accumulated losses at the beginning of the year	(800)	-
Net loss	(56,957)	(800)
	(57,757)	(800)

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:

	2007	2006
	\$	\$
Cash at bank	292	30,200

ii Reconciliation of Net Loss to Net Cash Used in Operating Activities:

Net Loss	(56,957)	(800)
Increase in Current Liabilities	7,049	-
Net Cash Used in Operating Activities	(49,908)	(800)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

10 CONTINGENT LIABILITIES

Legal fees of \$133,793 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 7, 217 Clarence Street
SYDNEY NSW 2000

Co-operative No.: NSWC28345

Foreign Registrations: Queensland: FC 0294
Victoria: G0003443A
Northern Territory: C0 0000013

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

Exports: Value of exports 0
% of total sales 0

Total turnover (including ancillary income) 0
Cost of goods sold 0
Total interest paid or provided 0
Number of members 26
Number of employees 0

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

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? Yes

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.

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
Not applicable.						

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

12 AUDITORS REMUNERATION

	2007	2006
	\$	\$
Auditors of the co-operative – Pilot Partners		
Audit of the financial reports	2,406	-
	<hr/>	<hr/>

13 RELATED PARTY DISCLOSURES

The directors during the financial year were RC Yabaley, RK Hay, JD Tiver and RC Colwell.

	2007	2006
	\$	\$
Loans by directors – R Yabsley	1,728	-
These loans were interest free and unsecured	<hr/>	<hr/>