



AGRICULTURAL FINANCE
CO-OPERATIVE LIMITED

ABN 23 048 434 035

ANNUAL REPORT

FOR THE YEAR ENDED

30 JUNE 2008

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DIRECTORS REPORT

The directors present their report on the co-operative for the financial year ended 30 June 2008.

1. Directors

Directors holding office during or since the year ended 30 June 2008 are:

	Period as Director
RC Yabsley	20 January 2006 to present
RK Hay	20 January 2006 to 10 March 2008
JD Tiver	20 January 2006 to present
RC Colwell	20 January 2006 to present

2. Review and Result of Operations

The net loss for the co-operative for the financial year amounted to \$18,639 (2007: \$56,957 loss).

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

3. Principal Activity

The principal activity of the co-operative during the financial year 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' businesses than is currently available through mainstream lenders.

4. Events subsequent to Balance Date

No matters or circumstances have arisen since the end of the financial year which significantly affected or may 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.

Likely developments in the operations of the co-operative and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the co-operative.

5. Regulation

The co-operative's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

6. Indemnities

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer of the co-operative.

DIRECTORS REPORT (Cont'd)**7. Auditor's Independence Declaration**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 3.

8. Meetings of Directors

There were 4 directors meetings held during the year. Attendances and qualifications for each current director are set out below:

RC Yabsley Farmer	4 attended
RK Hay Director	2 attended
JD Tiver Director	2 attended
RC Colwell Director	3 attended

Signed in accordance with a resolution of the Board of Directors:

Robert C Yabsley
Director



Robert Cowell
Director



Date 16th this day of *January* 2009.

AUDITOR'S INDEPENDENCE 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 2008 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



MICHAEL TRAYNOR

16TH JANUARY 2009

Level 5,
175 Eagle Street
Brisbane, Queensland 4000

INCOME STATEMENT
for the year ended 30 June 2008

	Note	2008 \$	2007 \$
Revenue from continuing operations	2	12,000	5,000
Other expenses		(27,053)	(61,502)
Provision for Doubtful Debts		(3,586)	
Net loss on sale of equipment		-	(455)
Expenses		(30,639)	(61,957)
Loss before income tax		(18,639)	(56,957)
Income tax expense		-	-
Net loss		(18,639)	(56,957)

The accompanying notes form part of these financial statements.

BALANCE SHEET

as at 30 June 2008

	Note	2008 \$	2007 \$
CURRENT ASSETS			
Cash and Cash Equivalents	4	6,785	292
Receivables	5	67	-
TOTAL CURRENT ASSETS		<u>6,852</u>	<u>292</u>
TOTAL ASSETS		<u>6,852</u>	<u>292</u>
CURRENT LIABILITIES			
Trade and other payables	6	248	7,049
TOTAL CURRENT LIABILITIES		<u>248</u>	<u>7,049</u>
NON-CURRENT LIABILITIES			
Subscribed capital	7	80,000	51,000
Capital applications not approved	7	3,000	-
TOTAL NON-CURRENT LIABILITIES		<u>83,000</u>	<u>51,000</u>
TOTAL LIABILITIES		<u>83,248</u>	<u>58,049</u>
DEFICIENCY IN NET ASSETS		<u>(76,396)</u>	<u>(57,757)</u>
EQUITY			
Accumulated Losses		<u>(76,396)</u>	<u>(57,757)</u>
DEFICIENCY IN TOTAL EQUITY		<u>(76,396)</u>	<u>(57,757)</u>

The accompanying notes form part of these financial statements.

CASH FLOW STATEMENT
for the year ended 30 June 2008

	Note	2008 \$	2007 \$
Cash flows from operating activities			
Receipts from operating activities		12,000	11,594
Payments to suppliers (inclusive of GST)		(37,507)	(61,502)
		<hr/>	<hr/>
Cash flows (used in)/provided by operating activities	10(b)	(25,507)	(49,908)
		<hr/>	<hr/>
Cash flows from financing activities			
Proceeds from share issue		32,000	20,000
		<hr/>	<hr/>
		32,000	20,000
		<hr/>	<hr/>
Net Increase/(Decrease) in cash and cash equivalents		6,493	(29,908)
Cash and cash equivalents at beginning of year		292	30,200
		<hr/>	<hr/>
Cash and cash equivalents at end of year	10(a)	6,785	292
		<hr/>	<hr/>

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2008

	Note	2008 \$	2007 \$
Retained Earnings at beginning of the Financial Year		(57,757)	(800)
Loss for the year		(18,639)	(56,957)
Retained Earnings at end of the Financial Year		(76,396)	(57,757)

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS**for the year ended 30 June 2008****Note 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 New South Wales 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

The co-operative earns revenue from annual membership subscriptions, recognised on an accruals basis when they fall due for payment.

(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 2008****Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)****(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.

(f) 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 2008

	2008	2007
	\$	\$
Note 2. REVENUE FROM CONTINUING OPERATIONS		
Other income – membership subscriptions	12,000	5,000
Note 3. EXPENSES		
Loss before income tax expense includes the following specific expenses:		
Administration Expenses	708	5,151
Commissions	1,960	2,625
Insurance	(43)	397
Marketing	7,500	11,715
Printing & Stationery	257	123
Telephone	1,788	1,679
Travel	1,848	1,057
Website	534	716
Wages & Salaries	-	32,455
Superannuation	-	2,441
Total Expenses	14,552	58,359
Note 4. CASH AND CASH EQUIVALENTS		
Cash at bank	6,785	292
Total Cash and Cash Equivalents	6,785	292
Note 5. RECEIVABLES		
Other Debtors	3,653	-
Provision for Doubtful Debts	(3,586)	-
Total Receivables	67	-
Note 6. PAYABLES		
Other trade payables	248	5,321
Loans by directors	-	1,728
Total Current Payables	248	7,049

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2008

	2008	2007
	\$	\$
Note 7. SHARE CAPITAL		
Ordinary Shares paid to \$1 each	80,000	51,000
Share Subscriptions paid but not yet approved	3,000	-
Total Share Capital	<u>83,000</u>	<u>51,000</u>
Movements in Ordinary Shares		
Balance at the beginning of the financial year	51,000	5,000
Ordinary shares issued	<u>29,000</u>	<u>46,000</u>
Balance at the end of the financial year	<u>80,000</u>	<u>51,000</u>

Note 8. EVENTS SUBSEQUENT TO REPORTING DATE

No events have arisen since the end of the financial year which significantly, or may 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.

Note 9. RELATED PARTY DISCLOSURES

Key management personnel include the directors. The directors in the office during the financial year were: RC Yabsley, RK Hay, JD Tiver, and RC Colwell.

No income was paid or payable to key management personnel during the year.

	2008	2007
	\$	\$
Note 10. CASH FLOW INFORMATION		
(a) Reconciliation of Cash		
Cash 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:		
Cash at Bank	<u>6,785</u>	<u>292</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2008

	2008 \$	2007 \$
Note 10. CASH FLOW INFORMATION (cont'd)		
(b) Reconciliation of Cash Flows (used in)/from operations with Loss		
Loss	(18,639)	(56,957)
Change in Assets and Liabilities		
(Increase) decrease in debtors	(3,653)	-
(Increase) decrease in provision for doubtful debt	3,586	
Increase (decrease) in creditors and accruals	(6,801)	7,049
Cash Flows (used in)/from Operations	<u>(25,507)</u>	<u>(49,908)</u>

Note 11. FINANCIAL RISK MANAGEMENT**(a) General objectives, policies and processes**

In common with all businesses, the co-operative is exposed to risks that arise from its use of financial instruments. This note describes the co-operative's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the co-operative's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The Board has overall responsibility for the determination of the co-operative's risk management objectives and policies. The co-operative's risk management policies and objectives are therefore designed to minimise the potential impacts of these risks on the results of the co-operative where such impacts may be material. The Board receives reports through which it reviews the effectiveness of the process put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible. Further details regarding these policies are set out below:

(b) Credit risk

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the co-operative incurring a financial loss. This usually occurs when debtors or counterparties to derivative contracts fail to settle their obligations owing to the co-operative. There is no concentration of credit risk with respect to receivables as there are many small debtors. As a result, the credit quality of financial assets that are neither past due nor impaired is good.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2008

Note 11. FINANCIAL RISK MANAGEMENT (cont'd)**(b) Credit risk (cont'd)**

The maximum exposure to credit risk at balance date is as follows:

	2008	2007
	\$	\$
Receivables	<u>3,653</u>	<u>-</u>

(c) Liquidity risk

Liquidity risk is the risk that the co-operative may encounter difficulties raising funds to meet commitments associated with financial instruments that is creditors. It is the policy of the Board of Directors that the co-operative maintains adequate funds.

Maturity Analysis

2008	Carrying Amount	Contractual Cash Flows	<6 months
	\$	\$	\$
Financial Liabilities			
Non-derivatives			
Current payables	<u>248</u>	<u>248</u>	<u>248</u>
Total financial liabilities at amortised cost	<u>248</u>	<u>248</u>	<u>248</u>
2007	Carrying Amount	Contractual Cash Flows	<6 months
	\$	\$	\$
Financial Liabilities			
Non-derivatives			
Current payables	<u>7,049</u>	<u>7,049</u>	<u>7,049</u>
Total financial liabilities at amortised cost	<u>7,049</u>	<u>7,049</u>	<u>7,049</u>

(d) Market risk

Market risk arises from the use of interest bearing financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rate (interest rate risk).

(e) Interest rate risk

The co-operative is constantly monitoring its exposure to trends and fluctuations in interest rates in order to manage interest rate risk.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2008

Note 11. FINANCIAL RISK MANAGEMENT (cont'd)**Sensitivity Analysis**

The following tables demonstrate the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the co-operative's surplus (through the impact on adjusted interest rate).

2008	Carrying Amount \$	+1% Interest Rate \$	-1% Interest Rate \$
Cash and cash equivalents	6,786	68	(68)
Increase/(decrease)		68	(68)

The above analysis assumes all other variables remain constant.
The same analysis was performed for the period ended 30 June 2007.

2007	Carrying Amount \$	+1% Interest Rate \$	-1% Interest Rate \$
Cash and cash equivalents	292	3	(3)
Increase/(decrease)		3	(3)

The above analysis assumes all other variables remain constant.

Note 12. CONTINGENT LIABILITIES

Agricultural Finance Co-operative Ltd receives legal services. Under the terms of its agreement with its lawyers, the costs for the legal services provided will only become payable when there are sufficient funds available in the co-operative. There is material uncertainty as to the ability of the co-operative to generate sufficient funds such that amounts for legal services will become due and payable. The co-operative has assessed that its ability to generate these funds is not yet probable and consequently no liability has been recognised in the accounts as at 30 June 2008 (2007: \$nil).

As at 30 June 2008 the unrecognised liability for legal services received was \$133,316 (2007: \$133,793). If these amounts were recognised they would increase liabilities and net liabilities as at 30 June 2008 by \$133,316 (2007: \$133,793).

	2008 \$	2007 \$
Note 13. AUDITOR'S REMUNERATION		
Remuneration of the Auditor – auditing and reviewing the financial report	2,200	1,320

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2008

Note 14. ADDITIONAL INFORMATION REQUIRED BY THE NEW SOUTH WALES CO-OPERATIVES ACT 1992**Co-operative name:** Agricultural Finance Co-operative Limited**ARBN (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: CO 0000013**Number of Directors:** Active member directors 3
Employee directors 0
Other independent directors 0**Exports:** Value of exports 0
% of total sales 0Total turnover (including ancillary income) 0
Cost of goods sold 0
Total interest paid or provided 0
Number of members 29
Number of employees 0Does 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
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 RC Yabsley.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2008

Note 14. ADDITIONAL INFORMATION REQUIRED BY THE NEW SOUTH WALES CO-OPERATIVES ACT 1992 (cont'd)

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 *New South Wales 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						

Note 15. EFFECTS OF ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following Australian Accounting Standards and Interpretations issued at the date of this report are applicable to the entity but are not yet effective and have not been adopted in preparation of the financial statements at reporting date:

AASB Standard	Nature of Change in Accounting Policy and Impact	Application Date of the Standard	Application Date for the Entity
AASB 101: <i>Presentation of Financial Statements</i> (revised standard)	No change, no impact	1 January 2009	1 July 2009
AASB 2007-8: <i>Amendments to Australian Accounting Standards</i> (due to revised AASB 101)	No change, no impact	1 January 2009	1 July 2009

All other pending Standards issued have no application to the entity.

DIRECTORS' DECLARATION

The directors of the co-operative declare that:

1. The financial statements and notes comprising the Income Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and Notes to the Financial Statements:
 - a. are in accordance with the New South Wales Co-operatives Act 1992 and comply with Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001; and
 - b. give a true and fair view of the financial position as at 30 June 2008 and of the performance for the year ended on that date of the co-operative.
2. In the directors' opinion 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.
3. This declaration is made in accordance with a resolution of the board of directors.

Robert C Yabsley
Director

Robert Cowell
Director



Date *16th* this day of *January* 2009.

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 2008, 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 4 to 17.

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:

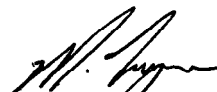
- (a) giving a true and fair view of the co-operative's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Co-operatives Regulations 2005;

Emphasis of Matter: Material Uncertainty Regarding Continuation as Going Concern

Without qualification to the opinion expressed above, we draw attention to the following matter. As disclosed in the income statement for the year ended 30 June 2008 the co-operative incurred net losses of \$18,639 (2007: \$56,957 loss) and its balance sheet as at 30 June 2008 had net liabilities of \$76,396 (2007: \$57,757 net liabilities). These conditions along with the matters set forth in Note 1(f) indicate the existence of a material uncertainty which may cast significant doubt as to whether Agricultural Finance Co-operative Ltd will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. Its ability to do so depends upon the continued support of the co-operative directors, increased member share capital and the receipt of active membership fees.



PILOT PARTNERS



MICHAEL TRAYNOR

16TH JANUARY 2009

Level 5,
175 Eagle Street
Brisbane, Queensland 4000