



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 Yabsley

Rule 62(a) of the Co-operative Rules provides that at the annual general meeting of the Co-operative two of the directors shall retire in each subsequent year. 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 (Bob) 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 operations of the group.

2.3 Election of director - Mr Raymond (Keith) Hay

Rule 63(c) of the Co-operative Rules provides that a vacant position shall be filled at the next annual general meeting of the Co-operative. Nominations for candidates to fill the vacant position were sought more than six weeks before the annual general meeting and to date one nomination was 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 Keith Hay as a director of the Co-operative.

Details of the experience and qualifications of Keith Hay follow.

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 three Co-operatives.

The Australian Lucerne Co-operative of which he held this position for two years. Keith was also a past Director of Herbs and Spices Australia Co-operative Limited which he held for six years. The main crop grown by this organisation was Coriander.

Keith was born into a farming family, their enterprises included: dairy, Lucerne, seed Lucerne, fat lambs, cereal crops and beef cattle. The property incorporated 1000 hectares of irrigation.

Keith was a founding director of AFCL and held this position for two years. Keith was also a local representative for Southern Riverina Irrigators (SRI) for five years. This organisation is a body representing local irrigators to NSW and federal governments as well as to their local water company, Murray Irrigators Limited (MIL).

Keith has left farming and now works for SunRice.

3 Directors Recommendation

The directors of the Co-operative are:

- Andrew Jackson McLaughlin
- Robert Charles Yabsley (Chairman)

The directors unanimously recommend that members approve the election of Robert Yabsley and Keith Hay and therefore recommend that members approve Ordinary Resolution 1 and Ordinary Resolution 2.