

44th Annual Report

Cotton Seed Distributors Ltd.

for the year ended 31 December 2009

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The financial report covers Cotton Seed Distributors Limited as an individual entity and the group consisting of Cotton Seed Distributors Limited and its subsidiaries. The financial report is presented in the Australian currency.

The financial report was authorised for issue by the Directors on 14th April 2010. The company has the power to amend and reissue the financial report.

Agenda



Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Cotton Seed Distributors Ltd. will be held on **Tuesday, 18th May 2010 at 10am.**

1. Present and Apologies
2. To confirm the Minutes of the Annual General Meeting held on 19th May 2009
3. To receive the Chairman's Report
4. To receive the Managing Director's Report
5. To receive the Cotton Breeding Australia Report
6. To receive, consider and adopt the financial statements of the company for the year ended 31st December, 2009 and the reports of the directors and auditors thereon
7. Election of Directors:

Two Director positions are available in accordance with the provisions of the Constitution and James Kahl offers himself for re-election

8. To set Directors' remuneration
9. To appoint Auditors for the forthcoming year
10. General Business: To transact any business which may be lawfully brought forward

A member is entitled to appoint a proxy to vote for and on behalf of the member at the meeting, in accordance with Part 6 of the Constitution. A proxy holder must be a member of the Company. Instruments of proxy must comply with the requirements in the Constitution, and must be received by the Company at least 24 hours before the time for holding the meeting.

By Order of the Board.

A handwritten signature in black ink, appearing to read 'Phil Thompson'.

Phil Thompson

Company Secretary

Dated at Wee Waa, 14th April 2010

Chairman's Report



In my first year as Chairman, 2009 has been a busy one with mixed results. The cotton seed business increased in both acreage and seed sales from 2008 and delivered a positive result. The milling activity in CSD Grains (CSDG) performed very poorly and soybean seed sales were reduced with a lower acreage planted in 2009.

Now in our third year, CSD's more direct involvement in the Cotton Breeding Program through Cotton Breeding Australia (CBA) is settling into a good working relationship after a transition that saw no loss of momentum in the core breeding program. Our international business through CSI saw reduced plantings offset by increased market share across all markets to result in steady growth overall. In 2009 we have continued a focus on Board succession to maintain the positive diversity of skills which exist at CSD.

The primary objective of CSD remains unchanged, to be positioned with the capacity to deliver the highest quality planting seed in the best varieties and traits to the Australian cotton growers. This priority will not diminish with the loss of competition and indeed will be heightened with the apparent easing of the drought conditions creating a return to higher production levels and a broader demand for varieties and traits. As a result of the drought, lower sales has helped to sharpen a cost sensitive culture across the CSD Group that management has driven very well again this year. It is a credit to management and staff that a strong result in a low production year was achieved in the core business of CSD.

In CSDG, the milling business without sufficient throughput of profitable production delivered a result that is receiving urgent attention from your Board and Management. The operating loss and the impairment of inventory has been compounded by the subsequent appropriate impairments to the value of the business and the premises on which the plant is established. A strategy to reverse these results to positive earnings is in place involving several options all of which are reviewed at least monthly and are amongst senior management's highest priorities. The impairment values were calculated by the Board with advice from CSD's auditors that these reported levels were appropriate for full disclosure, given the performance of the business. Any significant change in the business performance may allow for a review of the valuations in the future. The primary objective of the wholly owned subsidiary CSDG is to create a seed business in selected grain industries to compliment the cotton seed business at CSD. This development is progressing with soybean seed varieties being the first business to enter.

The relationship between CSIRO and CSD through Cotton Breeding Australia, the cotton breeding program is building positively towards a strong future. Access to a flow of the best new varieties has always put the Australian growers at the forefront. Now that the Australian growers, through their company CSD have a fifty percent stake in all of the output of the breeding program, CBA takes on even more importance. It is fitting that from this year, the Chairman of the CBA Management Committee will deliver comments updating CBA activities for inclusion in the CSD Annual Report.

The CSI international business with Bayer CropScience is now delivering more varieties derived from the joint breeding program to an increasing market share with anticipated increased plantings this year. The steady growth in royalty income from these varieties and the traits they carry adds significant support to CSD's investments in breeding and research through CBA. As this business matures it is also less demanding on our management becoming largely a monitoring role for CSI.

2009 has seen John Grellman step down from the Chairman position after serving twelve years in that role. He continues as a Director adding valuable continuity, with less ancillary positions allowing for succession within the current Board. Rob Tuck, a grower from the Macquarie Valley joined the Board after the AGM in May, following Paolo Cavazzini's retirement. In taking up the CSD Chairman's position I stood down as Chairman of CSDG with this role being taken up by Paul McVeigh. Harvey Gaynor is now Vice Chairman of CSD. The Board of CSI has been downsized to two Directors, being myself and Peter Graham. The Finance & Audit Committee continues to be lead by Phil Thompson. It has been the Board's view that succession would be aimed at addressing skills and experience in areas not currently fully met. One of these areas covers management and governance of significant non farm business and experience in broader agricultural industries. To this end I can confirm that we have filled the vacant appointed position on the CSD Board. Tom Keene has accepted the position and commenced his duties as a Director in March 2010. Tom is widely known as the founding Managing Director of Graincorp Ltd, a position he held for fifteen years. We welcome Tom to the Board of CSD Ltd and believe his broad experience will be valuable now and in the future. Of value in the past and present has been the consistent contribution to the CSD Board made by John Blood, who has chosen to retire. John Blood has filled the other appointed position on the CSD Board for the past nine years. Prior to that, he served the cotton industry on the CRDC Board. With his background in the cotton textiles industry and his attentive financial skills, John has contributed substantially to CSD and its position in the industry today.

In the time I have been on the Board, CSD has worked constantly at developing the Company's future for the five to fifteen years ahead as well as operating from year to year and I am keen to continue this development. The Board is very functional and I thank all my fellow Directors for their efforts in a year that wasn't easy.

James Kahl
Chairman CSD Ltd.

Managing Director's Report



Dear Member,

Summary:

The area planted to cotton in Australia was up from 150,000ha's last year to just over 180,000ha's this year. The 2009 financial result for both the CSD Group and CSD Ltd has been impacted by the poor performance of the wholly owned subsidiary, CSD Grains (CSDG). This has resulted in a 2009 year end loss of \$2.493m for the Group.

Cotton Seed Distributors (CSD) Ltd:

CSD Ltd produced a surplus before impairments of \$5.579m for the 2009 trading year. Several impairments relating to CSDG has led to the year end loss for the Group. These impairments were:-

- The CSDG trading loss, a writedown of CSDG inventory of \$1.914m and an impairment of CSDG plant and equipment of \$2.255m led to a recoverable amount calculation being undertaken on the loan CSD has provided to CSDG. This resulted in an impairment to the CSDG loan of \$8.505m.
- A write-down in the value of the CSDG land and building led to the impairment of CSD's investment in CSD Holdings (the owner of CSDG's land and building) of \$0.991m.
- The identification of some obsolete varieties of cotton seed in CSD's inventory led to a \$0.193m impairment of CSD inventory.

During 2009 CSD maintained its commitment to Cotton Breeding Australia of over \$3.6m, the Cotton, Catchments & Communities CRC and the sponsorship of the CSD Researcher of the Year Award.

The seed production and research farms, "Little Mollee" and "Shenstone" remain very important for both the cotton and soybean markets. The key functions they provide include the advanced screening and seed multiplication of new material coming from CSIRO as well as facilitating an accelerated seed increase of germplasm transformed with Monsanto's Bollgard II®, Roundup Ready Flex® technologies and with Bayer CropScience's Liberty Link® technology.

In 2009 CSD saw a further increase in the uptake of Bollgard II® technology. Varieties which incorporate this technology equated to about 84% of the area planted across all production areas. The use of herbicide tolerant technologies continues to play an important role in the industry. Varieties containing either Roundup Ready® or Roundup Ready Flex® technology were grown on about 95% of the area. There has been a strong uptake of Roundup Ready Flex® which has become the major herbicide tolerance trait planted by growers. The Sicot 60, 70, 71 and 80 families are the key varieties which underpin the increased use of these technologies.

Conventional cotton is still very important to CSD and the industry. Sicot 71 and 75 are industry leading conventional varieties.

The use of Liberty Link® technology has continued to generate grower interest and during 2009 CSD released its first variety containing Bollgard II® stacked with Liberty Link® technology.

CSD was planning on a big dryland cotton plant based on the interest from growers and consultants at the pre season meetings held in NSW and QLD. However the planting rains did not come.

CSD has a large scale variety trial site near Ayr with local grower support and also planted a variety trial in the Ord Irrigation Area.

It is a credit to the CSIRO Plant Breeding Team who develop these new varieties helping growers meet and exceed the challenges of the continually moving yield and fibre quality targets.

The supply of new varieties and traits from CSD to the industry is not possible without the support of our seed increase growers, trial co-operators and their staff. Their assistance is greatly appreciated.

Cotton Seed International (CSI) Pty Ltd:

CSI has again contributed positively to the overall performance of the CSD Group. The strong global market share developed by its partner Bayer CropScience in the cotton seed and trait business has maintained earnings despite the significant reduction in planted acres in the US.

CSD Grains (CSDG) Pty Ltd:

CSDG is a wholly owned subsidiary of CSD Ltd and was formed to mirror what CSD Ltd does in cotton with other crops that have a potential fit in its member's farming systems. The initial crop that CSDG had an interest in was soybean. CSDG has maintained its involvement in "Soy Australia" with Peter Rozendaal serving as a Director.

The processing plant at Westbrook, just outside Toowoomba was a strategic decision to move into value adding in the food ingredient industry and whole bean market for the soybeans grown by its members. This strategy and investment has proven very challenging. During December 2009 CSDG bought the grain grading plant from a third party tenant that was leasing space from CSDH on the Westbrook site. This acquisition was always part of the strategic plan and was contemplated in the original lease agreements with the tenant. The Westbrook facility now includes the grain grading plant, the processing mill, and 60ha of arable land with a bore licence.

During 2009 the processing mill concentrated on producing stock feed to prove its operational efficiency. Also in 2009 inroads were made in entering the food ingredient and whole bean market – part of the strategy of CSDG. These markets have proven to be slow and difficult to enter, however CSDG is now recognised as a reliable supplier and, with its distribution partners, is at the table each time a tender for ingredient

products is released. CSDG has been active in the domestic whole bean market with a good customer base developing in the east coast capital cities.

The slow start to the mill business and the low acceptance of the CSDG "brand" in the market place has had a serious financial impact on the company. The business has been adversely affected by the weak global soybean price and the very dry conditions at the time of planting the 2009 crop. The result of these factors means CSDG has an inventory of soybeans that has a carrying cost higher than the net realisable value of the beans. As a consequence, a write-down to the carrying value of the inventory was required. Further, a recoverable amount calculation was performed on CSDG's business which resulted in an impairment to the value of CSDG's plant and equipment.

CSDG's entry into the soybean planting seed market in 2008 was very successful, however the dry conditions and significant reduction in plantings in 2009 resulted in a 75% reduction in planting seed sales.

The focus for CSD Grains continues to concentrate on the development of a seed business and the processing of higher value alternative crops, which in the longer term will add both diversification and benefits to CSD and its members.

CSD Holdings (CSDH) Pty Ltd:

CSDH is a wholly owned subsidiary of CSD. Its assets are the land and buildings at Westbrook and the Dalby office and warehouse. Recent independent valuations of the Westbrook site have valued the land and buildings at less than the costs to acquire the land and construct the buildings. As such, an impairment loss has been recognized in the statement of comprehensive income of the Group to reduce the carrying amount of the land and buildings of the Westbrook site.

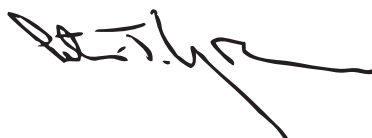
Concluding remarks:

I place on record my sincere thanks to all our staff at CSD who have worked diligently not only to bring future products through the pipeline but also to produce high quality planting seed for our industry in a timely manner and who are prepared to work right across the group of companies in many capacities.

Under the strong and dedicated leadership of our Chairman, James Kahl, the Board of CSD has continued to embrace the ever-changing business environment.

I would like to make special mention of our past Chairman John Grellman who stepped down as Chairman after the last AGM. John has been a great friend and mentor, and I thank him sincerely.

Finally, I thank my fellow Board members for their support during 2009 and look forward to the challenges 2010 will provide.



Peter T Graham
Managing Director

Dated at Wee Waa, 14th April 2010

Cotton Breeding Australia Report



Annual Report to CSD Members

1. Outline of CBA:

CBA was established in July 2007, to formalise the collaboration between CSD and CSIRO, to deliver additional breeding and research outcomes for the Australian cotton industry. The collaboration is based on CSD and CSIRO contributing \$2m each per annum to research, with CSD also co-funding the current CSIRO breeding program, and additional capital expenditure to enhance the research efforts.

2. Structure of CBA:

The activities of CBA are governed by a Management Committee, made up of 3 representatives each from CSIRO (J Burdon, L Henderson and J Manners) and CSD (J Kahl, H Gaynor and P Graham). The Management Committee is guided in the scientific area by a Scientific Committee, which is comprised of CSD (P Steel, S Ainsworth and R Eveleigh) and CSIRO representatives (G Constable, F Gubler and G Rebetzke), as well as grower representation nominated by Cotton Australia (L Mulligan and A Parkes) and a CRDC representative (B Pyke) to give industry input. Both committees meet quarterly to review research and breeding progress, as well as to manage the commercialisation and release of new varieties and traits.

3. Project Areas and Outcomes:

The highlights for CBA have been:

(a) Breeding

The full release of Sicot 71 BRF has been a highlight for the breeding program in 2009/10, with the outstanding level of uptake by growers giving the variety, and the breeders a high level of approval. However, the focus on varietal improvement continues, with over 90ha of trials planted in 2009. Two key potential varieties of the future have been identified – one with up to 2% yield increase over Sicot 71BRF, with equivalent fibre quality, and an enhanced extra long staple variety with a premium fibre package and a smaller yield penalty than Sicala 350B.

(b) Research

The research program has 10 active projects, covering a broad range of priority areas, including fibre quality and initiation, heat and water stress, and pest and disease resistance. The research is aimed at providing either breeding technologies, or traits that can be incorporated into the breeding program, to further enhance the CSIRO/CSD varieties into the future.

(c) Capital Expenditure

To help CSIRO meet the research and breeding outcomes, CSD has provided capital to purchase a number of key pieces of equipment over the last year, including a new glasshouse for the Bollgard III breeding program. Also on the list of capital items has been a new HVI machine for testing fibre quality (in conjunction with CRDC) and new PCR equipment for improved biotechnology research.

The Management Committee of CBA would like to note the success of the collaboration and looks forward to the current initiatives coming to fruition.

Dr Jeremy Burdon

Chair CBA Management Committee - 2009

Chief of the Division Plant Industry, CSIRO

Director's Report



The Directors present their report together with the financial report of Cotton Seed Distributors Limited ("the company") and of the consolidated entity, being the company and its controlled entities, for the year ended 31 December 2009 and the Auditors' Report thereon.

1. Directors

The names of the Directors in office at any time during, or since the end of the financial year are:

	Period as Director
James Kahl	14 April 2003 to present
Harvey Gaynor	14 April 2003 to present
Philip Thompson	24 February 2003 to present
John P Grellman	11 September 1974 to present
Peter T Graham	6 September 1990 to present
John W Blood	15 May 2001 to present
Paul McVeigh	1 June 2002 to present
Robert Tuck	4 May 2009 to present
Paolo Cavazzini	15 May 2001 to 4 May 2009

2. Company Secretaries

Mr Philip Thompson was appointed to the position of Company Secretary on 24 February 2003 and Mr David Coleman on 17 November 2009. Mr Peter Rozendaal resigned as Secretary on 17 November 2009.

Mr. Philip Thompson is a member of the Institute of Chartered Accountants Australia and fellow of the Australian Institute of Company Directors.

Mr David Coleman is a Certified Practising Accountant (CPA) and Group CFO.

3. Principal Activities

The principal activities of the consolidated entity during the course of the financial year were the promotion and development of agriculture in Australia, and promotion of Australian bred intellectual property and agricultural research in the international markets.

There were no significant changes in the nature of activities of the consolidated entity during the financial year.

4. Review and results of operations

The net loss of the consolidated entity for the year ended 31 December 2009 was \$2,493,118; (2008: Profit \$407,031).

5. Dividends

The company is a company limited by guarantee with a specific provision in the Company's Constitution to prohibit the payment of dividends to its members. As such, no dividends have been paid or provided for.

6. Directors Details

James Kahl

Chairman CSD Ltd, Managing Director of Merced Farming Pty Ltd, aged 59

Joined the Board in 2003 in a non executive capacity. Mr J Kahl has 41 years of experience in agricultural practices, holds a Bachelor of Economics from University of New England and is a member of the Australian Institute of Company Directors. He is Chairman of Cotton Seed International Pty Ltd, CSD Holdings Pty Ltd and is Vice Chairman of CSD Grains Pty Ltd.

Harvey Gaynor

General Manager of Auscott Pty Ltd (farming, processing and marketing business) based in the Gwydir Valley, aged 46

Joined the Board in 2003 in a non executive capacity. Mr H Gaynor is a member of the Australian Institute of Company Directors, is a graduate of the Australian Rural Leadership program and has a Bachelor of Agricultural Science. He is Vice Chairman of CSD Ltd and is a Director of CSD Holdings Pty Ltd

Philip Thompson

Chartered Accountant and joint Company Secretary since 2003, aged 47

Joined the Board in 2003 in a non executive capacity. Mr P Thompson is a fellow of the Australian Institute of Company Directors. He is a Director of CSD Holdings Pty Ltd and is Chairman of the Finance & Audit Committee.

John P Grellman

Non executive Director, aged 76

Joined the Board in 1974 in a non executive position. Mr J P Grellman has 41 years experience in cotton production. He is a Director of CSD Holdings Pty Ltd.

Peter T Graham

Managing Director, aged 53

Joined the Board in 1990. Mr P T Graham has 30 years of experience in the cotton industry, holds a Bachelor of Rural Science from University of New England, is a fellow of the Australian Institute of Company Directors (AICD) and completed the AICD 'Mastering the Boardroom' advanced course in 2006. He is a member of the Finance & Audit Committee and Managing Director of all wholly owned subsidiaries: Cotton Seed International Pty Ltd, CSD Grains Pty Ltd and CSD Holdings Pty Ltd.

John W Blood

Non executive Chairman of the Gazal Group, aged 75

Appointed to the Board in 2001 in a non executive capacity. Director of Canning Vale Weaving Mills and Macquarie Textiles Group Ltd. Mr J W Blood has had widespread experience in the textile and garment industry. He is a Director of CSD Holdings Pty Ltd and a member of the Finance & Audit Committee.

Director's Report

continued

Paul McVeigh

Cotton, Grain & cattle producer in the Darling Downs Queensland, aged 54

Joined the Board in 2002 in a non executive position. Mr P McVeigh has 37 years experience in agriculture, is a member of the Australian Institute of Company Directors and is a graduate of the Australian Rural Leadership program. He is Chairman of CSD Grains Pty Ltd, is a Director of CSD Holdings Pty Ltd and is a member of the Finance & Audit Committee.

Robert Tuck

Cotton producer in the Macquarie Valley, New South Wales, aged 43

Joined the Board in 2009 in a non executive capacity. Mr R Tuck has 25 years experience in agriculture. He is a Director of CSD Holdings Pty Ltd.

7. Meetings of Directors

During the financial year, eleven meetings of directors of the company were held. Attendances by each director during the year were as follows:

	Directors' Meetings		Finance & Audit Committee Meetings (other than during regular Board Meetings)	
	Eligible to attend	Number attended	Eligible to attend	Number attended
James Kahl	11	11	-	-
Harvey Gaynor	11	10	-	-
Philip Thompson	11	11	3	2
John P Grellman	11	10	3	3
Peter T Graham	11	11	3	3
John W Blood	11	11	3	3
Paul McVeigh	11	11	-	-
Robert Tuck	8	8	-	-
Paolo Cavazzini	3	3	3	3

8. Significant Changes in State of Affairs

No significant changes in the Group's state of affairs occurred during the financial year.

9. Events subsequent to balance date

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

10. Auditors Independence Declaration

The lead auditors independence declaration for the year ended 31 December 2009 has been received and can be found on page 9 of the financial report.

11. Likely development

Likely developments in the operations of the Group 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 Group.

12. Environmental issues

The Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

13. Indemnifying Officers

The Company has paid premiums to insure each of the directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the Company, other than conduct involving a wilful breach of duty in relation to the Company, details of which are to remain confidential under the terms of the policy.

Signed in accordance with a resolution of the Directors:



James Kahl

Director

Dated at Wee Waa, 14th April 2010

Independent auditors' report

Auditors Independence Declaration under Section 307C of the Corporations Act 2001

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2009 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Nexia Court & Co

Nexia Court & Co.
Chartered Accountants

I. A. Stone

Ian Stone
Partner

Dated at Sydney, 14th April 2010

To the members of Cotton Seed Distributors Limited

Scope

The financial report and the directors' responsibility

We have audited the accompanying financial report of Cotton Seed Distributors Limited (the 'company') which comprises the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes, and the directors' declaration of the group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

The directors of the company 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 Corporations Act 2001. 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. In note 1(b)(i), the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Audit Approach

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 auditors' judgement, 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent auditors' report

continued

Independence

In conducting our audit, we followed the applicable independence requirements of Australian Professional Ethical Pronouncements and the Corporations Act 2001.

Audit Opinion

In our opinion, the financial report of Cotton Seed Distributors Limited is in accordance with:

(a) the Corporations Act 2001, including:

(i) giving a true and fair view of the Company's and consolidated entity's financial position as at 31 December 2009 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) the financial report of the group and company also comply with International Financial Reporting Standards as disclosed in note 1(b)(i).



Nexia Court & Co.

Chartered Accountants



Ian Stone

Partner

Dated at Sydney 14th April 2010

Directors' Declaration

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 11 to 39, are in accordance with the Corporations Act 2001 and:

(a) comply with Accounting Standards and the Corporations Regulations 2001; and

(b) give a true and fair view of the financial position as at 31 December 2009 and of the performance for the year ended on that date of the Company and consolidated group.

2. In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

3. The financial report also complies with International Financial Reporting Standards as disclosed in note 1(b)(i).

This declaration is made in accordance with a resolution of Directors.



James Kahl

Director

Dated at Wee Waa, 14th April 2010

Statement of comprehensive income

for the year ended 31 December 2009

	Notes	CONSOLIDATED		THE COMPANY	
		2009 \$	2008 \$	2009 \$	2008 \$
Revenue from sale of goods	2A	27,032,612	19,713,707	20,418,555	16,086,332
Cost of goods sold		(21,755,737)	(15,082,344)	(13,724,027)	(11,937,856)
Gross profit		5,276,875	4,631,363	6,694,528	4,148,476
Other revenues	2B	6,838,395	5,289,156	6,435,973	4,852,890
Other income	3	1,084,540	1,218,635	993,943	634,901
Product development and testing expenses		(6,387,854)	(7,045,898)	(6,387,854)	(7,045,898)
Administrative expenses		(4,056,775)	(3,985,438)	(2,972,258)	(2,824,417)
Other expenses		(69,041)	(12,763)	(166)	0
		(2,590,735)	(4,536,308)	(1,930,362)	(4,382,524)
Finance income	4	174,489	314,017	815,823	938,623
Finance expense	4	(1,062)	(2,041)	(383)	(2,041)
Net finance income		173,427	311,976	815,440	936,582
Profit before impairment and income tax		2,859,567	407,031	5,579,606	702,534
Impairment loss	7	(5,352,685)	0	(9,688,978)	0
(Loss)/Profit before income tax		(2,493,118)	407,031	(4,109,372)	702,534
Income tax expense	8A	0	0	0	0
(Loss)/Profit for the year		(2,493,118)	407,031	(4,109,372)	702,534
Other comprehensive income for the period, net of income tax		-	-	-	-
Total comprehensive income for the period		(2,493,118)	407,031	(4,109,372)	702,534
(Loss)/Profit attributable to owners of the Company		(2,493,118)	407,031	(4,109,372)	702,534
Total comprehensive income attributable to owners of the Company		(2,493,118)	407,031	(4,109,372)	702,534

The above financial statement should be read with the accompanying notes.

Statement of financial position

as at 31 December 2009

	Notes	CONSOLIDATED		THE COMPANY	
		2009 \$	2008 \$	2009 \$	2008 \$
Assets					
Current assets					
Cash and cash equivalents	9	7,450,919	10,138,221	3,010,530	6,175,891
Derivative financial instruments	10	4,344	0	0	0
Trade and other receivables	11	10,738,718	9,473,494	9,385,878	19,725,138
Inventories	12	10,176,982	9,570,597	5,026,363	5,423,220
Other current asset	13	378,959	301,382	309,678	262,507
Total current assets		28,749,922	29,483,694	17,732,449	31,586,756
Non-current assets					
Trade and other receivables	11	0	0	9,906,692	0
Financial assets	14	596	596	3,668,737	4,659,236
Property, plant and equipment	15	32,299,361	34,606,162	26,069,431	26,482,419
Total non-current assets		32,299,957	34,606,758	39,644,860	31,141,655
Total Assets		61,049,879	64,090,452	57,377,309	62,728,411
Liabilities					
Current liabilities					
Trade and other payables	16	8,470,033	9,123,745	5,698,285	7,005,827
Short-term provisions	17	404,426	327,166	367,546	314,811
Total current liabilities		8,874,459	9,450,911	6,065,831	7,320,638
Non-current liabilities					
Other long-term provisions	17	197,609	168,612	181,689	168,612
Total non-current liabilities		197,609	168,612	181,689	168,612
Total Liabilities		9,072,068	9,619,523	6,247,520	7,489,250
Net Assets		51,977,811	54,470,929	51,129,789	55,239,161
Equity					
Reserves	18	12,831,280	12,831,280	12,831,280	12,831,280
Retained surpluses		39,146,531	41,639,649	38,298,509	42,407,881
Total Equity		51,977,811	54,470,929	51,129,789	55,239,161

The above financial statement should be read with the accompanying notes.

Statement of changes in equity

as at 31 December 2009

The Company	Retained Earnings \$	Capital Profits Reserve \$	Asset Revaluation Reserve \$	Total \$
Balance at 1 January 2009	42,407,881	3,069,723	9,761,557	55,239,161
Profit for the year	(4,109,372)			(4,109,372)
Balance at 31 December 2009	38,298,509	3,069,723	9,761,557	51,129,789
Balance at 1 January 2008	41,705,347	3,069,723	9,761,557	54,536,627
Profit for the year	702,534			702,534
Balance at 31 December 2008	42,407,881	3,069,723	9,761,557	55,239,161

Consolidated	Retained Earnings \$	Capital Profits Reserve \$	Asset Revaluation Reserve \$	Total \$
Balance at 1 January 2009	41,639,649	3,069,723	9,761,557	54,470,929
Profit for the year	(2,493,118)			(2,493,118)
Balance at 31 December 2009	39,146,531	3,069,723	9,761,557	51,977,811
Balance at 1 January 2008	41,232,618	3,069,723	9,761,557	54,063,898
Profit for the year	407,031			407,031
Balance at 31 December 2008	41,639,649	3,069,723	9,761,557	54,470,929

The above financial statement should be read with the accompanying notes.

Statement of cash flows

for the year ended 31 December 2009

	Notes	CONSOLIDATED		THE COMPANY	
		2009 \$	2008 \$	2009 \$	2008 \$
Cash from operating activities					
Receipts from customers		37,099,683	30,409,947	27,514,758	26,008,808
Payments to suppliers & employees		(36,902,859)	(31,695,626)	(25,613,778)	(22,977,111)
Interest received		174,489	349,465	815,823	800,662
Interest paid		(1,062)	0	(383)	(2,041)
Net cash flows from operating activities	19	370,251	(936,214)	2,716,420	3,830,318
Cash flows from investing activities					
Proceeds from sale of plant & equipment		98,488	147,599	91,488	147,599
Acquisition of property, plant and equipment		(3,156,041)	(1,090,934)	(1,363,435)	(825,326)
Net cash flows from investing activities		(3,057,553)	(943,335)	(1,271,947)	(677,727)
Cash flows from financing activities					
Loans - related parties		0	0	(4,609,834)	(6,048,805)
Net cash flows from financing activities		0	0	(4,609,834)	(6,048,805)
Net change in cash & cash equivalents		(2,687,302)	(1,879,549)	(3,165,361)	(2,896,214)
Cash at the beginning of the reporting period		10,138,221	12,017,770	6,175,891	9,072,105
Cash at the end of the reporting period	19	7,450,919	10,138,221	3,010,530	6,175,891

The above financial statement should be read with the accompanying notes.

Notes to and forming part of the financial statements

for the period ended 31 December 2009

Note 1: Statement of Significant Accounting Policies

(a) Reporting entity

The financial report covers the consolidated group of Cotton Seed Distributors Limited and controlled entities, and Cotton Seed Distributors Limited as an individual parent entity. Cotton Seed Distributors Limited is a public company limited by guarantee, incorporated and domiciled in Australia. The address of the Company's registered office is 'Shenstone', 2952 Culgoora Road Wee Waa NSW 2388. The consolidated entity primarily is involved in the promotion and development of agriculture in Australia, and promotion of Australian bred intellectual property and agricultural research in the international markets.

The following is a summary of the material accounting policies adopted by the Group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(b) Basis of Preparation

(i) Statement of compliance

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The consolidated financial report of the Group and the financial report of the Company comply with International Financial Reporting Standards ('IFRSs') and interpretations adopted by the International Accounting Standards Board ('IASB').

The financial statements were approved by the Board of Directors on 14th April 2010. The Company has the power to amend and reissue the financial report.

(ii) Basis of measurement

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

(iii) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the company's functional currency and the functional currency of the Group.

(iv) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported

amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 7 impairment;
- Note 11 trade and other receivables;
- Note 12 inventories;
- Note 14 financial assets;
- Note 15 property, plant and equipment;
- Note 17 employee provisions

(v) New Accounting Standards and Interpretations

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 January 2009 that is deemed to have an impact on the financial statements or performance of the Group, its impact is described below:

- *AASB 7 Financial Instruments: Disclosures effective 1 January 2009*

The amended Standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to all financial instruments recognised and measured at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement and liquidity risk disclosures are not significantly impacted by the amendments.

- *AASB 101 Presentation of Financial Statements (revised 2007) effective 1 January 2009*

The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity and included in the new statement of comprehensive income. The statement of comprehensive income presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present one statement.

Notes to and forming part of the financial statements

for the period ended 31 December 2009

• AASB 123 *Borrowing Costs (revised 2007)* effective 1 January 2009

The revised AASB 123 requires capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. The Group's previous policy was to expense borrowing costs as they were incurred. In accordance with the transitional provisions of the amended AASB 123, the Group has adopted the Standard on a prospective basis. Therefore, borrowing costs are capitalised on qualifying assets with a commencement date on or after 1 January 2009. The Group did not capitalise any borrowing costs in the current year.

(c) Principles of consolidation

A list of controlled entities is contained in Note 21 to the financial statements. All controlled entities have a December financial year end.

All intercompany balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the Company.

A controlled entity is an entity that Cotton Seed Distributors Limited has the power to control the financial and operating policies of an entity so as to obtain benefits from its activities.

(d) Foreign currency transactions and balances

Transactions in foreign currencies are translated to the respective functional currencies of group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments.

(e) Financial instruments

(i) Non derivative financial instruments

Non derivative financial instruments comprise investments in equity, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition non derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

Available-for-sale financial assets

The Group's investments in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign exchange gains and losses on available-for-sale monetary items, are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

(ii) Derivative financial instruments

The Group uses derivative financial instruments (including forward currency contracts and forward commodity contracts) to hedge its risks associated with foreign currency and commodity prices. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value.

Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative

Derivative assets and liabilities are classified as non-current when the remaining maturity is more than 12 months, or current when the remaining maturity is less than 12 months.

Notes to and forming part of the financial statements

continued

The fair values of forward currency contracts are calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of commodity contracts are also determined using a discounted cash flow valuation technique using cash flow estimates based on observable and unobservable forward prices for the commodity. Any gains or losses arising from changes in the fair value of derivatives, except for those that qualify as cash flow hedges, are taken directly to profit or loss for the year.

For the purposes of hedge accounting, hedges are classified as:

- Fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (The Group does not currently have any fair value hedges).
- Cash flow hedges when they hedge the exposure to variability in cash flows that is attributable either to a particular risk associated with a recognised asset or liability or to a forecast transaction (The Group currently has cash flow hedges attributable to future inventory purchases).

The Group does not meet the criteria for hedge accounting.

(iii) Share capital

Ordinary shares

Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any related income tax benefit.

(f) Property, plant and equipment

Land and buildings are shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

Increases in the carrying amounts arising on revaluation of land and buildings are credited to reserves in members' funds. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit and loss. Decreases that reverse previous increases of the same asset are first charged against revaluation reserves directly in equity to the extent of the remaining reserve

attributable to the asset; all other decreases are charged to the Statement of Comprehensive income.

Depreciation

Land is not depreciated. Depreciation on other assets is calculated using either the straight line or diminishing value methods to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

The estimated useful lives used for each class of depreciable assets are:

Class of fixed assets	
Buildings	40 years
Plant & equipment	3 to 20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each Statement of Financial Position date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Net gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Statement of Comprehensive Income as revenue.

(g) Inventories

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(h) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Notes to and forming part of the financial statements

continued

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. A cash generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) Employee Benefits

(i) Short-term benefits

Liabilities for employee benefits for wages, salaries, annual leave and sick leave represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related oncosts, such as workers compensation insurance and payroll tax. Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the Group as the benefits are taken by the employees.

A provision is recognised for the amount expected to be paid under short-term cash bonus plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Long-term benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value.

(j) Revenue

(i) Sale of goods

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(ii) Royalty revenue

Revenue from royalties is recognised when the entity is entitled to the receivable.

(iii) Interest revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

(iv) Dividend revenue

Dividend revenue is recognised when the right to receive a dividend has been established.

Notes to and forming part of the financial statements

continued

(v) Other revenue

Revenue from the rendering of services is recognised upon the delivery of the service to the customers.

(k) Leases

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charges as expenses in the periods in which they are incurred.

(l) 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. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

(m) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(n) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

(o) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. 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 in the Statement of Financial Position are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(p) New standards and interpretations not yet adopted

There are numerous standards, amendments to standards and interpretations that have been issued but are not yet effective. None have been identified that may significantly impact the Group in the period of initial application. They have not been applied in preparing these consolidated financial statements.

Notes to and forming part of the financial statements

continued

	CONSOLIDATED		THE COMPANY	
	2009 \$	2008 \$	2009 \$	2008 \$
Note 2: Revenue				
Note 2A: Sale of goods revenue	27,032,612	19,713,707	20,418,555	16,086,332
Note 2B: Other revenue				
Royalty revenue	20,780,856	16,405,327	18,713,531	13,815,449
Less: Seed access fees	(12,277,558)	(8,962,559)	(12,277,558)	(8,962,559)
Less: Station costs	(1,664,903)	(2,153,612)		
Net royalty revenue	6,838,395	5,289,156	6,435,973	4,852,890
Note 3: Other income				
Net gain on the disposal of property, plant & equipment	89,919	122,192	89,860	122,192
Rent income	81,810	102,673	0	
Other income	912,811	719,889	904,083	512,637
Net foreign exchange gain	0	273,881	0	72
Total other income	1,084,540	1,218,635	993,943	634,901
Note 4: Net finance income				
Finance expense				
Interest - external parties	(1,062)	(2,041)	(383)	(2,041)
Finance income				
Interest - other parties	174,489	314,017	110,559	267,661
Interest - related parties	0	0	705,264	495,513
Trust distribution - related parties	0	0	0	175,449
Net finance income	173,427	311,976	815,440	936,582

Notes to and forming part of the financial statements

continued

	CONSOLIDATED		THE COMPANY	
	2009 \$	2008 \$	2009 \$	2008 \$
Note 5: Expenses				
Employee benefits expense	4,586,677	5,440,555	3,470,293	4,917,145
Depreciation - property, plant & equipment	2,209,040	2,097,783	1,774,794	1,870,926
Bad debts written off	0	0	0	0
Loss on foreign exchange differences	69,041	12,763	166	0
Note 6: Auditors' remuneration				
Remuneration of Nexia Court & Co. for:				
Audit of the financial report	71,000	57,745	47,709	57,745
Taxation compliance & advice	4,000	11,298	4,000	0
Assurance related services	5,000	9,100	5,000	9,100
Note 7: Impairment				
Impairment of inventory	2,107,452	0	192,974	0
Impairment of land & buildings	990,599	0	0	0
Impairment of plant & equipment	2,254,634	0	0	0
Impairment of investments	0	0	990,599	0
Impairment of loans	0	0	8,505,405	0
	5,352,685	0	9,688,978	0

Notes to and forming part of the financial statements

continued

CSD Holdings Pty Limited

CSD Holdings Pty Limited owns an industrial building and adjacent farmland at Westbrook, near Toowoomba QLD. The whole complex is rented to CSD Grains Pty Limited. Recent independent valuations have valued the land and buildings at less than the costs to acquire the land and construct the buildings. Fair value was determined by reference to recent market transactions on arms length terms for land and buildings comparable in size and location to those held by the Group, and to market based yields for comparable properties. The independent valuation was performed by Certified Practising Valuers on 15th April 2009 and adopted by the Directors effective from 31 December 2009. The independent valuation of the Westbrook site is \$2.475 million. The written down value of the Westbrook site is \$3.466 million. As such, a \$0.991 million impairment loss has been recognised in the Statement of Comprehensive Income of the Group to reduce the carrying amount of the land and buildings of the Westbrook site. The land and buildings had not been previously revalued.

CSD Grains Pty Limited (CSD Grains)

CSD Grains is a business that grades and mills grain products for the human consumption and animal feed markets. The business has been adversely affected by a weak global price for soybeans and a shortage of supply of domestic soybeans. The Mill's productivity has been reduced. The effect of these factors is that CSD Grains Pty Limited has inventories of soybeans that have a carrying amount higher than the net realisable value of the soybeans and value in use calculations require impairment of the company's plant and equipment.

Inventory write-down to net realisable value

To determine the net realisable value of the inventory of CSD Grains, CSD Grains estimated the sales value of the inventory considering the sales price, mix of products, sales quantity and sales period to dispose of all the inventory on hand as at 31 December 2009. Costs of production of the various products at the reduced productivity rate of the factory were deducted from the sales value to determine the net realisable value of the inventory. The result of the above calculation is an impairment to the carrying value of inventory of \$1.914 million.

Plant and equipment impairment

A recoverable amount calculation based on the value in use was undertaken to determine whether there is any impairment to the carrying value of the plant and equipment assets in CSD Grains. The discount rate used in the current estimate was 20%.

The recoverable amount calculations are most sensitive to changes in the following assumptions:-

- the international market price for soybeans compared to the domestic market price for soybeans during the budget period
- market share during the budget period
- growth rate used to extrapolate cash flows beyond the budget period

The international and domestic price of soybeans have been assumed at \$500 per tonne over the budget period. This is based on current market forecasts.

Market share and growth rate has been estimated at 2010 sales forecasts with a 10% improvement for each subsequent year. 10% variation to the sales forecast volume results in a \$390k variation to the group result.

Gross margins during the budget period for CSD Grains are estimated on the above inventory impairment calculation for soybeans and the average sale prices for products achieved in the period immediately before the start of the budget period less costs of production at the reduced productivity level of the grading facility and mill. Gross margins for subsequent years have been estimated by calculating sales prices given a \$500 soybean price.

The result of the recoverable amount calculation is an impairment to the plant and equipment of CSD Grains of \$2.255m.

Cotton Seed Distributors Limited

Loan impairment

The above recoverable amount calculation that was undertaken to determine whether there is any impairment to the plant and equipment of CSD Grains was also used to determine whether there is any impairment to the carrying value of the loan CSD Grains owes to Cotton Seed Distributors Limited.

The result of the recoverable amount calculation is an impairment to the loan CSD Grains Pty Limited owes Cotton Seed Distributors Limited of \$8.505m.

Inventory write-down to net realisable value

A review of inventory was conducted which resulted in the identification of product which is unlikely to have a customer demand. This resulted in a write-down to net realisable value of \$0.193m.

Notes to and forming part of the financial statements

continued

	CONSOLIDATED		THE COMPANY	
	2009 \$	2008 \$	2009 \$	2008 \$
Note 8: Income tax				
Note 8A: The prima facie tax on profit before income tax is reconciled to the income tax as follows:				
Profit (Loss) before income tax expense	(2,493,118)	407,031	(4,109,372)	702,534
Tax at the Australian tax rate of 30%	(727,507)	122,109	(1,232,812)	210,760
Add tax effect of:				
Less tax effect of:				
- the Company being exempt from income tax	(727,507)	210,760	(1,232,812)	210,760
Effect of deferred tax assets not brought to account		(88,651)		
	0	0	0	0
Note 8B: Deferred tax assets not brought to account				
Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits there from.				
Tax losses	1,322,015	358,367		
Foreign withholding tax credits expiring within:				
- One year				
- Between one and five years	1,637,123	1,490,686		

The potential deferred tax asset will only be obtained if:

- 1) the relevant company derives future assessable income of a nature and amount sufficient to enable the benefit to be realised;
- 2) the company continues to comply with the conditions for deductibility imposed by the law; and
- 3) no changes in tax legislation adversely affect the company in realising the benefit.

Notes to and forming part of the financial statements

continued

	CONSOLIDATED		THE COMPANY	
	2009 \$	2008 \$	2009 \$	2008 \$
Note 9: Cash and cash equivalents				
Cash on hand	3,561	2,849	2,004	1,484
Cash at bank	5,446,317	4,104,912	1,007,485	1,143,947
Deposits on call	2,001,041	6,030,460	2,001,041	5,030,460
	7,450,919	10,138,221	3,010,530	6,175,891
Reconciliation of cash				
Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:				
Total cash and cash equivalents	7,450,919	10,138,221	3,010,530	6,175,891
Note 10: Derivative financial instruments				
Current				
Put options - cash flow hedges	4,344	0	0	0
	4,344	0	0	0

(a) Instruments used by the Group

Derivative financial instruments are used by the Group in the normal course of business in order to hedge exposure to fluctuations in foreign currency rates and commodity price movements.

(i) Forward currency contracts - cash flow hedges

The Group sells product, receives royalties and has commitments overseas. In order to protect against exchange rate movements, the Group has entered into forward currency contracts from time to time to sell US dollars. These contracts are hedging highly probable forecasted purchases and they are timed to mature when payments are scheduled to be made.

As at 31 December 2009, the Group had no forward currency contracts outstanding.

(ii) Put options - cash flow hedges

The Group purchase commodities for resale from time to time. In order to protect against falling commodity prices the Group has entered into put options under which it has a right to sell commodities at the price of the put option. Put options cover approximately 6% (2008: 0%) of the soybean inventory held by the Group as at 31 December 2009.

Notes to and forming part of the financial statements

continued

At 31 December 2009, the notional principal amounts and period of expiry of the put options are as follows:

	CONSOLIDATED		THE COMPANY	
	2009 \$	2008 \$	2009 \$	2008 \$
4 March 2010 CBOT Soybean Put Options @ USD9.80 per bushell	4,344	0	0	0
	4,344	0	0	0
Note 11: Trade and other receivables				
Current				
Trade receivables	2,030,222	3,320,891	491,387	178,695
Provision for impairment of receivables	0	0	0	0
	2,030,222	3,320,891	491,387	178,695
Other debtors	8,487,767	6,058,454	8,487,766	6,055,264
Net GST receivable	220,729	94,149	220,399	110,376
Amounts receivable from wholly owned subsidiaries				
- Cotton Seed International Pty Limited	0	0	154,087	1,151,550
- CSD Grains Pty Limited	0	0	32,239	12,052,156
- CSD Property Trust	0	0	0	177,097
Total current trade and other receivables (gross)	10,738,718	9,473,494	9,385,878	19,725,138
Non-Current				
Amounts receivable from wholly owned subsidiaries				
- CSD Grains Pty Limited	0	0	18,402,206	0
Less : Provision for impairment	0	0	(8,505,405)	0
	0	0	9,896,801	0
- CSD Property Trust	0	0	9,891	0
Total non-current trade and other receivables (gross)	0	0	9,906,692	0

Notes to and forming part of the financial statements

continued

	CONSOLIDATED		THE COMPANY	
	2009 \$	2008 \$	2009 \$	2008 \$
Note 12: Inventories				
Current				
Raw materials & stores - at cost	5,775,160	6,077,334	1,689,524	2,525,434
Finished goods and work in progress - at net realisable value	4,401,822	3,476,013	3,336,839	2,880,536
Cattle & Wheat - at cost	0	17,250	0	17,250
	10,176,982	9,570,597	5,026,363	5,423,220

In 2009 the total writedown of inventories to net realisable value amounted to \$2.107m (2008: \$nil). This amount is included in note 7.

Due to changes in technology, the consolidated entity tested the related product lines for impairment and wrote down the related inventories to their net realisable value, which resulted in a loss of \$0.193m (2008: \$nil). Due to changes in market price the consolidated entity tested the product lines and wrote down the related inventories to their net realisable value, which resulted in a loss of \$1.914m.

	CONSOLIDATED		THE COMPANY	
	2009 \$	2008 \$	2009 \$	2008 \$
Note 13: Other current assets				
Current				
Prepayments	378,959	301,382	309,678	262,507
	378,959	301,382	309,678	262,507
Note 14: Financial assets				
Unlisted investments, at cost:				
- share & units in controlled entities	0	0	4,659,336	4,659,236
- less accumulated impairment	0	0	(990,599)	0
	0	0	3,668,737	4,659,236
- shares in other related parties	596	596	0	0
	596	596	3,668,737	4,659,236

Notes to and forming part of the financial statements

continued

	CONSOLIDATED		THE COMPANY	
	2009 \$	2008 \$	2009 \$	2008 \$
Note 15: Property, plant and equipment				
Note 15A: Land and buildings				
Freehold land				
At Directors' valuation	3,919,464	3,915,038	3,094,624	3,090,198
Total freehold land	3,919,464	3,915,038	3,094,624	3,090,198
Buildings on freehold land				
At Directors' valuation	21,043,240	20,702,885	17,708,703	17,368,345
Less accumulated depreciation	(2,880,450)	(1,385,051)	(1,749,804)	(1,328,895)
Total buildings on freehold land	18,162,790	19,317,834	15,958,899	16,039,450
Total land and buildings (non-current)	22,082,254	23,232,872	19,053,523	19,129,648
Note 15B: Plant and equipment				
Plant & equipment:				
At Directors' valuation	26,476,339	24,227,908	20,458,914	19,946,960
Less accumulated depreciation	(16,590,492)	(13,163,941)	(13,734,535)	(12,902,004)
Total plant & equipment	9,885,847	11,063,967	6,724,379	7,044,956
Work in progress:				
At cost	331,260	309,323	291,529	307,815
Total work in progress	331,260	309,323	291,529	307,815
Total property, plant and equipment (non-current)	32,299,361	34,606,162	26,069,431	26,482,419

Freehold land, buildings, and plant & equipment are carried at Director's valuation. The value reflected in the financial statements is at fair value, based on an Independent valuation carried out as at 31st December 2007, 14 April 2009 and recent additions.

Notes to and forming part of the financial statements

continued

Note 15C: Movements in carrying amounts

Table A: Reconciliation of the opening and closing balances of property, plant and equipment (2009)

Consolidated	Land \$	Buildings \$	Plant & equipment \$	Work in progress \$	Total \$
Current year					
Balance at the beginning of year	3,915,038	19,317,834	11,063,967	309,323	34,606,162
Additions	4,426	340,359	1,781,254	1,030,002	3,156,041
Disposals			(8,569)		(8,569)
Transfers			1,008,065	(1,008,065)	0
Impairment loss (Note 7)		(990,599)	(2,254,634)		(3,245,233)
Depreciation expense		(504,804)	(1,704,236)		(2,209,040)
Carrying amount at the end of year	3,919,464	18,162,790	9,885,847	331,260	32,299,361
Prior year					
Balance at the beginning of year	3,915,038	19,702,382	7,821,611	4,199,387	35,638,418
Additions		77,369	614,758	398,807	1,090,934
Disposals			(25,407)		(25,407)
Transfers			4,288,871	(4,288,871)	0
Depreciation expense		(461,917)	(1,635,866)		(2,097,783)
Carrying amount at the end of year	3,915,038	19,317,834	11,063,967	309,323	34,606,162

Notes to and forming part of the financial statements

continued

Note 15C: Movements in carrying amounts (Continued)

Table A: Reconciliation of the opening and closing balances of property, plant and equipment (2009)

Company	Land \$	Buildings \$	Plant & equipment \$	Work in progress \$	Total \$
Current year					
Balance at the beginning of year	3,090,198	16,039,450	7,044,956	307,815	26,482,419
Additions	4,426	340,359	55,046	963,604	1,363,435
Disposals			(1,628)		(1,628)
Transfers			979,890	(979,890)	0
Depreciation expense		(420,910)	(1,353,885)		(1,774,795)
Carrying amount at the end of year	3,094,624	15,958,899	6,724,379	291,529	26,069,431
Prior year					
Balance at the beginning of year	3,090,198	16,453,279	7,972,173	37,776	27,553,426
Additions			483,245	342,081	825,326
Disposals			(25,407)		(25,407)
Transfers			72,042	(72,042)	0
Depreciation expense		(413,829)	(1,457,097)		(1,870,926)
Carrying amount at the end of year	3,090,198	16,039,450	7,044,956	307,815	26,482,419

Notes to and forming part of the financial statements

continued

	CONSOLIDATED		THE COMPANY	
	2009 \$	2008 \$	2009 \$	2008 \$
Note 16: Trade and other payables				
Current				
Unsecured liabilities		0		0
Trade payables	1,074,624	3,821,606	875,358	3,566,729
Other creditors and accruals	7,395,409	5,302,139	4,215,040	3,439,098
Total supplier payables	8,470,033	9,123,745	5,090,398	7,005,827
Amounts payable to wholly owned subsidiaries				
- Cotton Seed International Pty Limited	0	0	607,887	0
	8,470,033	9,123,745	5,698,285	7,005,827
Note 17: Provisions				
Employee entitlements				
Current	404,426	327,166	367,546	314,811
Non-current	197,609	168,612	181,689	168,612
Total employee provisions	602,035	495,778	549,235	483,423

Note 18: Reserves

(a) Asset revaluation reserve

The asset revaluation reserve includes the net revaluation increments and decrements arising from the revaluation of non-current assets measured at fair value in accordance with AASB 116.

(b) Capital reserve

The capital reserve includes prior net revaluation increments and decrements arising from the revaluation of non-current assets, that have been subsequently disposed and those recognised under previous Australian Accounting Standards.

Notes to and forming part of the financial statements

continued

	CONSOLIDATED		THE COMPANY	
	2009 \$	2008 \$	2009 \$	2008 \$
Note 19: Cash flow reconciliation				
(a) Reconciliation of cash and cash equivalents as per Balance Sheet to Cash Flow Statement				
Report cash and cash equivalents as per:				
Cash Flow Statement	7,450,919	10,138,221	3,010,530	6,175,891
Balance Sheet	7,450,919	10,138,221	3,010,530	6,175,891
Difference	0	0	0	0
Reconciliation of operating result to net cash from operating activities:				
(Loss)/Profit for the period	(2,493,118)	407,031	(4,109,372)	702,534
Non-cash flows in profit:				
Depreciation and amortisation	2,209,040	2,097,783	1,774,795	1,870,926
Impairment loss	5,352,685	0	9,688,978	0
Net gain on disposal of property, plant and equipment	(89,919)	(122,192)	(89,860)	(122,192)
Changes in assets and liabilities				
(Increase)/decrease in trade and other receivables	(1,265,224)	(6,079,306)	(2,855,216)	(3,453,470)
(Increase)/decrease in derivative instruments	(4,344)	0	0	0
(Increase)/decrease in inventories	(2,713,837)	(1,312,238)	203,883	1,170,263
(Increase)/decrease in other current assets	(77,577)	5,320	(47,171)	30,999
(decrease)/Increase in trade payables & other payables	(653,712)	3,993,081	(1,915,429)	3,558,502
Increase in provisions	106,257	74,307	65,812	72,756
Net cash from/(used by) operating activities	370,251	(936,214)	2,716,420	3,830,318

Notes to and forming part of the financial statements

continued

(b) Finance facilities

The Company has a bank overdraft facility amounting to \$3,000,000 (2008: \$250,000) and a Business Development Loan facility of \$nil (2008: 6,750,000). The Business Development facility expired in 2009 and the overdraft facility expires in 2010. At 31 December 2009, no amount of these facilities were used (2008: \$nil). Interest rates are variable.

The Group has executed, in favour of their bankers, interlocking guarantees (unlimited as to amount) supported by first ranking equitable mortgages, as fixed and floating charges over the whole of their assets and undertakings to secure all advances, bank overdraft accommodation and bank loan facilities which may be granted from time to time to companies within the Group.

The parent entity and its controlled entities have executed, in favour of their bankers, interlocking guarantees (unlimited as to amount) supported by first ranking equitable mortgages, as fixed and floating charges over the whole of their assets and undertakings to secure all advances, bank overdraft accommodation and bank loan facilities which may be granted from time to time to companies within the Group. The Company had taken up a bank guarantee of \$750,000 (2008: \$750,000). \$374,000 of the guarantee reduces by 10% per annum over 10 years in favour of Ergon Energy. \$116,000 of the Guarantee is in favour of the Toowoomba Regional Council for a building application.

Note 20: Related party transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transaction with related parties:

(a) Key management personnel remuneration

	Short-term benefits \$	Post employment benefits \$	Other long-term benefits \$	Termination benefits \$	Share based payments \$	Total \$
2009 total compensation	1,295,105	68,174	53,031	0	0	1,416,310
2008 total compensation	1,169,549	92,974	0	0	0	1,262,523

(b) Key management personnel transactions

	CONSOLIDATED		THE COMPANY	
	2009 \$	2008 \$	2009 \$	2008 \$
S. Ainsworth - Fuzzy cotton seed	1,171	0	1,171	0
J Grellman (Sandhurst Pastoral Company Pty Ltd) - Area and seed premium	28,061	11,430	28,061	11,430
J. Kahl (Merced Farming) - Soy beans and storage	254,217	356,779	0	(675)
P. McVeigh (Loch Eaton Enterprises) - Soy beans	227,235	185,835	0	0
P. McVeigh (ACGRA) - Secretariat fees	0	23,333	0	0

Notes to and forming part of the financial statements

continued

Note 21: Controlled entities

	Country of incorporation	Percentage owned 2009	Percentage owned 2008
Parent and ultimate parent entity:			
Cotton Seed Distributors Limited	Australia		
Subsidiaries of parent entity:			
Cotton Seed International Pty Limited	Australia	100%	100%
CSD Grains Pty Limited	Australia	100%	100%
CSD Holdings Pty Limited	Australia	100%	100%
CSD Property Trust	Australia	100%	100%

	CONSOLIDATED		THE COMPANY	
	2009 \$	2008 \$	2009 \$	2008 \$
Note 22: Leases and commitments				
(a) Operating lease commitments				
Non-cancellable operating leases contracted for but not capitalised in the financial statements and payable:				
- not later than 12 months	49,020	122,973	86,173	160,840
- between 12 months and 5 years	15,693	46,685	0	31,867
	64,713	169,658	86,173	192,707
The Group leases property and equipment under non-cancellable operating leases expiring within two to five years.				
(b) Operating leases as lessor				
Entities within the Group leased part of the buildings to a third party. The lease was terminated during the year.				
- not later than 12 months	0	103,074	0	0
- between 12 months and 5 years	0	161,436	0	0
	0	264,510	0	0

Notes to and forming part of the financial statements

continued

	CONSOLIDATED		THE COMPANY	
	2009 \$	2008 \$	2009 \$	2008 \$
(c) Capital expenditure commitments				
Plant and equipment purchases contracted for but not provided for and payable:				
- not later than 12 months	510,512	849,987	510,512	849,987
- between 12 months and 5 years	2,223,693	2,000,000	2,223,693	2,000,000
- greater than 5 years	1,550,680	2,000,000	1,550,680	2,000,000
	4,284,885	4,849,987	4,284,885	4,849,987
(d) Research expenditure commitments				
Future research commitments not provided for in the financial statements and payable:				
- not later than 12 months	3,474,688	3,375,000	3,474,688	3,375,000
- between 12 months and 5 years	12,765,507	11,125,000	12,765,507	11,125,000
- greater than 5 years	8,448,468	8,500,000	8,448,468	8,500,000
	24,688,663	23,000,000	24,688,663	23,000,000

The Company has established a long term agreement with the CSIRO to establish a suitable framework to provide long term funding for the breeding by CSIRO of new and improved cotton varieties for Australia and other markets as well as developing technologies which can be incorporated into the Breeding program and/or management practices associated with new varieties for the benefit of the Australian cotton industry ensuring a long term pipeline of quality varieties for exploitation by CSD.

Note 23: Contingent liabilities

No contingent liabilities exist at balance date nor have arisen subsequent to year-end.

Notes to and forming part of the financial statements

continued

Note 24: Financial Instruments

Financial risk management

The Company and Group have exposure to the following risks from their use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

This note presents information about the Company's and Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included where applicable.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Risk management policies are established to identify and analyse the risks faced by the Company and Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's and Group's activities.

(a) Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers. For the Company it also arises from receivables due from subsidiaries.

Trade and other receivables

The Board of Directors have established a credit policy under which each new customer is analysed individually for credit worthiness before the Group's standard payment and delivery terms and conditions are offered. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from the Chief Financial Officer; these limits are reviewed regularly. Customers that fail to meet the Group's benchmark credit worthiness may transact with the Group only on a prepayment basis. The Group does not require collateral in respect of trade and other receivables.

The majority of the Group's customers have been transacting with the Group for numerous years, and losses have incurred infrequently.

Cash and cash equivalents

Investments are allowed only in liquid securities and only with counterparties that have a credit rating equal to or better than the Group. The Group does not expect any counterparty to fail to meet its obligations.

Exposure to credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the Statement of Financial Position and notes to the financial statements.

	Notes	CONSOLIDATED		THE COMPANY	
		2009 \$	2008 \$	2009 \$	2008 \$
Cash and cash equivalents	9	7,450,919	10,138,221	3,010,530	6,175,891
Derivative financial instruments	10	4,344	0	0	0
Trade and other receivables - current	11	10,738,718	9,473,494	9,385,878	19,725,138
Trade and other receivables - non-current	11	0	0	9,906,692	0
		18,193,981	19,611,715	22,303,100	25,901,029

Notes to and forming part of the financial statements

continued

Significant concentrations of credit risk

\$8,485,930 (2008: \$6,040,813) of the Group's and Company's trade and other receivable balance is receivable from a key business partner to the Group. Subsidiaries account for \$10,093,019 (2008: \$13,380,803) of the Company's trade and other receivables. An impairment loss of \$8,505,405 has been recognised in the period on loans provided to the subsidiary CSD Grains Pty Limited - refer to Note 7.

At the reporting date, the group held \$7,438,830 (2008: \$5,023,892) in cash and cash equivalents with Westpac Banking Corporation.

Impairment

The aging of the Group's trade receivables at the reporting date was:

Consolidated	2009 Gross \$	2009 Impairments \$	2008 Gross \$	2008 Impairments \$
Not past due	10,655,895		8,954,089	
Past due 30 - 60 days	82,823		519,405	
	10,738,718	0	9,473,494	0

The Company	2009 Gross \$	2009 Impairments \$	2008 Gross \$	2008 Impairments \$
Not past due	27,793,896	(8,505,405)	19,662,863	
Past due 30 - 60 days	4,079		62,275	
	27,797,975	(8,505,405)	19,725,138	0

\$Nil (2008: \$Nil) in bad debts has been recognised in the financial year for the Group. \$8,505,405 was recognised for the Company in relation to loans receivable from the subsidiary CSD Grains Pty Limited. Refer to Note 7.

Based on historic default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables not past due or past due by up to 60 days as the amounts relate to customers that have a good credit history with the Group.

Notes to and forming part of the financial statements

continued

(b) Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

In addition, the Group maintains the following lines of credit:

- \$3,000,000 overdraft facility that is secured. Interest would be payable at the bank's current rate.

The parent entity and its controlled entities have executed, in favour of their bankers, interlocking guarantees (unlimited as to amount) supported by first ranking equitable mortgages, as fixed and floating charges over the whole of their assets and undertakings to secure all advances, bank overdraft accommodation and bank loan facilities which may be granted from time to time to companies within the Group.

Exposure to liquidity risk

The contractual maturities of financial liabilities (trade

and other payables) for the Group and the Company are all within 12 months of the end of the financial year. The contractual cash flows equate to the carrying amount of the liabilities.

(c) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency Risk

The Group is exposed to currency risk on sales, purchases and financial instruments that are denominated in a currency other than the respective functional currencies of Group entities, being the Australian dollar (AUD). The currency in which these transactions primarily are denominated is U.S. Dollars (USD). The Group does hedge against adverse currency risk.

Exposure to Currency Risk

The Group's exposure to foreign currency risk at balance date was as follows, based on notional amounts:

Consolidated	2009 AUD \$	2009 USD \$	2008 AUD \$	2008 USD \$
Cash and cash equivalents	3,851,335	3,230,626	7,878,191	1,581,745
Trade and other payables	(5,134,100)	(2,994,500)	(6,975,715)	(1,233,051)

The Company	2009 AUD \$	2009 USD \$	2008 AUD \$	2008 USD \$
Cash and cash equivalents	3,010,530	0	6,175,891	
Trade and other payables	(5,698,285)	0	(7,005,827)	

The following significant exchange rates applied during the year:	2009 Avg Rate \$	2008 Avg Rate \$	2009 Spot Rate \$	2008 Spot Rate \$
Cash and cash equivalents	0.79	0.85	0.90	0.69

Notes to and forming part of the financial statements

continued

Sensitivity Analysis:

A 10 percent strengthening of the Australian dollar against the following currencies at year end would have increased/ (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2008.

	CONSOLIDATED		THE COMPANY	
	Equity \$	Profit (Loss) \$	Equity \$	Profit (Loss) \$
2009 USD	(29,233)	(29,233)	0	0
2008 USD	(45,285)	(45,285)	0	0

A 10 percent weakening of the Australian dollar against the above currencies at year end would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

Profile

At reporting date the interest rate profile of the Company's and the Group's interest bearing financial instruments was:

	CONSOLIDATED		THE COMPANY	
	2009 \$	2008 \$	2009 \$	2008 \$
Variable rate instruments				
Cash and cash equivalents	7,450,919	10,135,372	3,010,530	6,174,407
Trade and other receivables	0	0	9,906,692	12,731,780
	7,450,919	10,135,372	12,917,222	18,906,187

Sensitivity Analysis:

An increase of 1% in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2008.

	CONSOLIDATED		THE COMPANY	
	Equity \$	Profit (Loss) \$	Equity \$	Profit (Loss) \$
2009 Variable rate instruments	74,509	74,509	129,172	129,172
2008 Variable rate instruments	101,354	101,354	189,062	189,062

Notes to and forming part of the financial statements

continued

d) Capital Management

The Board's policy is to maintain a strong capital base so as to maintain member, creditor and market confidence and to sustain future development of the business. There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

e) Net Fair Value

All financial instruments recognised in the balance sheet, whether they are carried at cost or at fair value, are recognised at amounts that represents a reasonable approximation of fair value.

Note 25: Events subsequent to balance date

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

Notes



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