



Leaders in the field



Cotton Seed Distributors Limited

Report to members for the
15 months ending 31 March 2014

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AGENDA

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Cotton Seed Distributors Limited will be held on Thursday 29th May 2014 at 11.00am at the Wee Waa Bowling Club.

1. Present and Apologies
2. To confirm the minutes of the Annual General Meeting held on 21st May 2013
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 the financial statements of the Company for
 - (a) The year ended 31st December 2013 and the reports of the Directors and Auditors there on;
 - (b) The 3 months ended 31st March 2014 and the reports of the Directors and Auditors there on
7. Election of Directors
 - Two Director positions are available in accordance with the provisions of the Constitution. Paul McVeigh offers himself for re-election. Juanita Hamparsum offers herself for election.
8. To set Directors' remuneration
 - The Board of Directors has recommended that the current 'pool' of \$500,000 per annum for non-executive Director fees remain unchanged.
9. 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



David Coleman
Company Secretary

Dated at Wee Waa 6th May 2014

CHAIRMAN'S REPORT

In 2013/14 CSD through some impressive efforts by the team has again delivered what was required of it. Congratulations to CSD's Management and staff. For the third consecutive year CSD's capacity in most areas has been tested. With my growers hat on I can appreciate that, as this last season has certainly tested the capacity of our farming systems to deliver a high yielding and good quality crop.

In 2013 CSD delivered the 'On Farm Investment Rebate' to growers, which was based on 2011 cottonseed sales to the value of \$32m. This was concluded professionally with minimal anomalies, which in a large part was due to the assistance and co-operation of our distribution partners who we thank very much. Cotton seed sales in 2013 were also discounted significantly from the true value of seed and its treatments. Our current management strategy allows for seed discounts provided that the previous years sales deliver a surplus greater than that required to meet our current investments in research, breeding and business developments. Consequently, the discounting of seed can be expected to vary widely from year to year to the extent of not even being offered.

We have finalised the process of changing the CSD financial reporting year. With the previous year end in December it has become increasingly difficult to align the income for the year with the income producing activity as it relates predominately to royalty earnings from both Australian variety traits and international varieties. In moving to an end of March year end we can align every activity from seed intake through to finalising income into a single year to improve transparency of reporting. Good corporate governance requires that an AGM be conducted within three months of a year end with CSD traditionally holding its AGM at a time when the grower members were busy with harvest, however future AGM's will now be held in the June time frame. This change has created a fifteen month reporting period for CSD which has delivered another solid result. If it is considered that the on-farm investment rebate was delivered from capital surpluses created in 2011, then the 2013 operational surplus is \$15.6m. The additional three months of January-March 2014 dominated by maintenance activity is reporting a deficit of \$1.3m, so that the operational result for the fifteen months (01/01/2013 to 31/03/2014) is a surplus of \$14.3m.

The future strategic investments of CSD are front of mind for the CSD Board and Management. The research funds provided by CSD in the joint venture "Cotton Breeding Australia" with CSIRO are now fully utilised. While it would require additional commitment to funding, we continue to seek further research opportunities which will produce positive outcomes for growers of the cotton industry. New trait technologies as in Bollgard 3 and beyond continue to require more funding for regulatory procedures and early generation farming activity to bring these traits to market in a timely manner. Our cotton industry has clearly demonstrated how dependant it is on rain and stored water in recent years, particularly with the eager participation of the dryland sector to become a significant percentage of the area planted when the rain comes. CSD has a growing investment in the support of developing the dryland growers in all regions. During the long drought we questioned the future potential size of the Australian cotton industry with the last three years demonstrating the likely answers. Especially considering the extra effort required by the latest varieties and traits, all the areas of delinting, warehousing, laboratory testing and early generation farming capacities at CSD are now being reassessed. I expect that in the course of the next twelve months CSD will commence investment in and construction of facilities to allow the increased capacity that will be necessary for CSD to continue to provide the quality of seed, traits and treatments in the quantity required by the Australian cotton industry into the future.

It has been a productive year for CSD. The Board and Management have a clear view of the required medium term direction. I thank the Board for this consistent balance of skills brought to the table to put CSD in this position.



James Kahl
Chairman

Dated at Wee Waa 6th May 2014

MANAGING DIRECTOR'S REPORT

The 2013-14 season started with reasonable water supplies for most regions and cotton prices around \$450/bale at planting time. The total planted area at the beginning of the season was approximately 430,000ha, with only a limited planting of dryland cotton. Due to the fact that 2013-14 was one of the hottest and driest cotton seasons on record, the lack of in-crop rainfall and an absence of river flow events in most valleys, some growers fell short on their water budgets. As a result the final area at harvest may contract to approximately 390,000ha.

As mentioned in the Chairman's report, a rebate of \$32m was paid during the reporting period to cotton growers who grew cotton in the 2011 planting season. CSD also substantially discounted its 2013 planting seed price by \$3.80/kg. These two strategies resulted in a loss of \$16.6m after rebates and seed discounts, for the 12 months ended 31 December 2013 (2012: surplus of \$52m). For the 3 months ended 31 March 2014, (see Chairman's report referencing CSD changing its financial year end date from December to March) a loss of \$1.32m was incurred due to this being a maintenance period without any substantial income. Ongoing cost control, growth in the uptake of technology and a clear emphasis on our goals has continued to be a strong operational focus.

During 2013-14 we maintained our commitment to the Cotton Info team Joint Venture with Cotton Australia and the Cotton Research and Development Corporation. Through the reporting period, the six Regional Development Officers (RDOs) CSD provides to the joint venture have been focussing on integrating into the wider Cotton Info team and complimenting the work of our own E&D team to deliver research based outcomes to Australian growers.

Since the last AGM we have worked hard to meet our commitment to be more transparent and communicate more openly. Apart from our normal corporate communications, this has been delivered through a three pronged approach. CSD has begun a series of low-key shed meetings with small numbers of growers across the industry to hear and discuss issues from the paddock. This is a slow process, as the meetings are (and will be) conducted in many areas. The second approach has been through working with the wider industry and our partners to continue to develop deeper relationships. We are aiming to develop a detailed understanding of their needs, drivers and just how CSD relates to their operations. The third approach has been to closely engage with our staff and understand the drivers and issues of those who are so very important in delivering the quality planting seed to growers. We have worked diligently to highlight talent, build long term retention and enhance the passion for the CSD business.

Cotton Seed Distributors (CSD) Ltd

2013 saw the continued popularity of Sicot 74BRF with growers, in the end representing 75% of our sales. The operational and plant stand establishment challenges encountered with production of low density varieties such as Sicot 74BRF is a priority for all the teams within CSD and CSIRO, with improved results for growers achieved this season. It is of note that 3 of the 17 commercial varieties sold by CSD this year (Sicot 74BRF, Sicot 71BRF and Sicot 71RRF) accounted for 94% of the planted area. The popularity of these varieties and others in the portfolio including Sicot 75BRF, Sicala 340BRF, Sicot 75RRF and Sicot 730 is being driven by the yield, quality and disease tolerance demands of growers. CSD supplied in excess of 5,500MT of planting seed during 2013.

During 2013-14 the CBA (Cotton Breeding Australia) joint venture with CSIRO has seen the handover to CSD of the second generation of material which contains the Bollgard® III technology for continued screening and development. The annual investment of over \$4m of member funds into the CBA research has continued to be focussed on fibre yield and quality attributes, heat stress, host plant resistance, water use efficiency, genetic tools, quality assurance and new and novel biotechnologies.

The seed production and research facilities, "Little Mollee", "Westella" and "Shenstone" are very important assets for our early generation cotton planting seed operations. The key functions provided by these assets include the advanced screening and seed multiplication of new germplasm developed by the CSIRO Cotton Breeding Team as well as facilitating an accelerated seed increase of germplasm transformed with biotechnology traits from our technology partners. In 2013-14 our core focus continued to be strongly aligned with the proposed introduction of Monsanto's Bollgard III®, technology. CSD has also advanced new families of germplasm containing the Roundup Ready Flex® technology.

The rapid increase in the adoption of Sicot 74BRF is delivering an outstanding package of improved yield potential, consistent fibre quality and better tolerance to diseases such as fusarium wilt as required by the industry. However maximizing the benefits offered by Sicot 74BRF requires close attention to crop management and in particular crop establishment practices. I would like to compliment the CSD Extension and Development team who over the last 4 years have proactively worked with industry to address many of these challenges.

Cotton Seed International (CSI) Pty Ltd

CSI has continued to contribute in meeting the diversification and strategic aims of the CSD Group. Our joint efforts with partner Bayer CropScience has allowed the company to operate in and breed for markets in North, Central and South America as well as Europe with minimal risk but at the same time protect the intellectual property inherent in the CSIRO cotton germplasm. CSI reported a surplus of \$683k for the 12 months ended 31 December 2013 (2012: \$366k surplus). It has also recorded a surplus of \$215K for the 3 months ending 31 March 2014.

CSD Grains (CSDG) Pty Ltd.

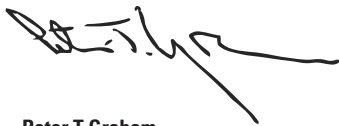
CSD Grains continues to undertake ongoing consideration to diversification options into other crops. To date, no new attractive opportunities have been discovered. Cotton remains the focus of the CSD group into 2014 and beyond.

Concluding remarks

While 2013-14 was a long and hot year after a cool start, we are pleased with the performance of our varieties this season. This is a testament to the dedication of the entire CSD team as well as our colleagues at CSIRO. From the initial crosses in glass houses through to the seed increase, production, processing, quality assurance and product support, CSD is proud to be able to support the Australian cotton industry. Without the support of our staff, technology partners, and pure seed growers, our varieties would not be the world leaders that they are.

Under the leadership of our Chairman, James Kahl, the Board of CSD and subsidiary companies continue to embrace the ever-changing business environment. On behalf of the staff I would like to place on record my sincere thanks to Phil Thompson who devoted 10 years of loyal service to CSD, initially via a consultancy role and then as a Director.

Finally, I thank my fellow Board members for their support during 2013-14 and look forward to the challenges 2014-15 will provide especially as we finish the season with far less water than we did this time last year.



Peter T Graham
Managing Director

Dated at Wee Wee 6th May 2014

COTTON BREEDING AUSTRALIA REPORT

The Cotton Breeding Australia (CBA) joint venture was initiated in 2007, in the midst of a significant drought. Subsequent to CSD and CSIRO management taking that bold decision, the two parties have worked diligently to ensure the success of the JV. Since 1 July 2007, the two parties have collectively invested \$53.7m in research directed at ensuring that the Australian cotton industry stays at the forefront of international cotton production.

Fibre Quality

One of the key attributes for the Australian cotton industry has been the focus on producing high quality fibre. Each new variety released has ensured that the quality has been improved. However to out compete the changes in synthetic fibres, a step change is needed. The CBA research program is focused on making this step change, and has projects directed at identifying fibre breakthroughs in four key areas:

- i. Fibre initiation - about 30% of fibre initials become fibres, so CBA is looking to identify the factors controlling fibre initiation;
- ii. Fibre elongation - a cotton fibre is one single cell that elongates - if CBA can identify the key factors controlling elongation, then longer fibres may be possible.
- iii. Cell wall deposition - the fibre is made up of mostly cellulose, so if we can manage that deposition, we will be able to enhance the fibre properties.
- iv. Novel fibre properties - the fibre, whilst mostly cellulose has a range of other components - the management of these factors may result in novel fibre properties that will add a premium to the value of our fibre.

Committee Members

The CSD membership of the Management Committee has remained constant through 2013, with James Kahl, Peter Graham and John Stewart representing CSD. For CSIRO, Dr Allan Green has replaced Dr Mark Peoples, joining Dr John Manners and Lionel Henderson.

There have been a number of changes to the Scientific Committee, with Philip Armytage replacing Bob Ford as CSD representative, Hamish McIntyre replacing Lyndon Mulligan as a Cotton Australia appointee, and Allan Williams replacing Bruce Pyke as the CRDC appointee. The CBA partners would like to especially thank Lyndon and Bruce for their input to the Scientific Committee, where the industry input into research direction is an essential component to CBA delivering value.

CAPEX

During 2013, CSD purchased capex items for the CBA JV, worth approximately \$420,000. The key items were a pot filler and seed counter for CSIRO Narrabri, which will assist the breeding team whilst reducing work health and safety issues, a backup power plant for CSIRO Narrabri, a number of new PCR machines for CSIRO Canberra, to process the testing of GM plants, and new growth cabinets for both sites.

Bollgard III

The CBA breeding program has handed over seed to CSD for the potential release of Bollgard III® in 2015. The release is still subject to regulatory approval, but CSD is building up seed under regulatory control to ensure that as soon as approval is given by the regulators, seed can be made available to growers. Bollgard III®, through the combination of three genes for insect control, will play a big part in the management of potential *Helicoverpa* spp resistance, and ensure the long term viability of the industry, and the continued minimal use of insecticides.



Dr John Manners

Chairman, Cotton Breeding Australia Management Committee

Dated at Wee Waa 6th May 2014



Report to members for the 12 months ending 31 December 2013



DIRECTORS' REPORT

The directors present their report together with the financial report of Cotton Seed Distributors Limited and controlled entities ("the group") for the year ended 31 December 2013 and the Auditor's 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
Philip Thompson	24 February 2003 to 15 May 2012, 1 July 2012 to 21 May 2013
Peter T Graham	6 September 1990 to present
Paul McVeigh	21 May 2002 to present
Robert Tuck	4 May 2009 to present
Tom Keene	18 May 2010 to present
John Stewart	18 May 2010 to present
Joanne Grainger	1 March 2012 to present
Matthew Norrie	15 May 2012 to present
Juanita Hamparsum	1 November 2012 to present

2. Objectives

The short and long term objectives of the group is to be the premier producer of commercial planting seed offering value and quality by incorporating leading germplasm and desirable traits bred to satisfy industry.

The strategy for achieving the above goals is to:-

1. Own, develop, test and license germplasm
2. Develop, license and commercialise traits - based on merit.
3. Being first to market to meet growers needs
4. Applying world's best practice in all operational processes

The group made progress in its key objective this year by:-

1. Continuing to improve the capacity and efficiency of its laboratory, production and early seed generation facilities
2. Strengthening the relationship with the company's germplasm and trait partners
3. Improving the company's risk mitigation framework and corporate governance processes.

The group measures its performance by measuring whether the customer take up of its products is at a level commensurate with the seasonal conditions and by the strength of its relationships with its germplasm and trait partners.

3. Directors Details

James Kahl B.Ec, UNE, Member AICD

Chairman, aged 64

Joined the Board in 2003 in a non executive capacity. James is Managing Director of Merced Farming Pty Ltd and has over 40 years of experience in agricultural practices. As well as Chairman of Cotton Seed Distributors Limited, he is also Chairman of Cotton Seed International Pty Ltd and CSD Holdings Pty Limited. He is also a member and alternating Chairman of Cotton Breeding Australia Management and Commercial Committees.

Peter Graham BRurSc, UNE, Fellow AICD

Managing Director, aged 57

Joined the Board in 1990. Peter has 34 years of experience in the Australian and international cotton industry. He is Managing Director of all wholly owned subsidiaries: Cotton Seed International Pty Ltd, CSD Grains Pty Ltd and CSD Holdings Pty Ltd. He is a member of the Cotton Breeding Australia Management and Commercial Committees and is Chairman of the Australian Cotton Industry Council (ACIC).

Joanne Grainger B.A. Dip Ed, UNE, Adv Dip Ag, Tocal College, Graduate AICD

Non-executive Director, aged 59

Joined the Board in 2011 in a non executive capacity. Joanne has 33 years experience in agriculture and has been involved in policy development and advocacy for the cotton industry at both federal and state levels. A Director of the Primary Industries Education Foundation. Joanne is a Director of CSD Holdings Pty Ltd.

Juanita Hamparsum B.Bus., CA, Graduate AICD, F PCT

Non-executive Director, aged 43

Joined the CSD Board in 2012 in a non-executive capacity. A cotton and grains producer on the Liverpool Plains, NSW and a Chartered Accountant. Juanita has 17 years' experience in agriculture, accounting and finance. She has been involved in policy development and advocacy for water and natural resource management. Currently Juanita is Chairman of the Cotton Innovation Network, Deputy Chair and Chair of Risk Audit Committee - Namoi Catchment Management Authority, Chair Great Artesian Basin Coordinating Committee. A Director of CSD Holdings Pty Ltd and a member of the Board Audit Committee.

DIRECTORS' REPORT

Tom Keene BEc, UNE, Fellow AICD

Non-executive Director, aged 66

Joined the Board in 2010 in a non-executive capacity. Tom is a Non-executive Director of Midway Limited and a Non-executive Director of Australian Agricultural Company Limited. He has extensive experience in the grain industry with broad knowledge across the whole sector from production to processing. He was Managing Director of Graincorp Limited from 1993 until his retirement in 2008. Awarded the NAB Agribusiness Leader of the year in 2007. He is Chairman of the board Audit committee and CSD Grains Pty Limited as well as a Director of CSD Holdings Pty Limited.

Paul McVeigh Graduate AICD

Non-executive Director, aged 58

Joined the Board in 2002 in a non-executive capacity. Paul is a cotton, grain and cattle producer in the Darling Downs, Queensland. He has 42 years experience in agriculture and is a graduate of the Australian Rural Leadership program. He is a Director of CSD Grains Pty Ltd and CSD Holdings Pty Ltd as well as a member of the Board Audit Committee.

Matthew Norrie Dip Cotton Production & Business Management, Emerald Ag College, Member AICD

Non-executive Director, aged 31

Joined the Board in 2012 in a non-executive capacity. A cotton, grain and cattle producer in the Namoi Valley, Matthew has over 11 years farming experience and holds several positions within the cotton industry. A graduate of the Cotton Future Leaders Course. A Director of CSD Holdings Pty Ltd and Chairman of the Board Farming Committee.

John Stewart BRurSc, UNE, Member AICD

Non-executive Director, aged 53

Joined the Board in 2010 in a non executive capacity. John was Chief Executive Officer of Prime Ag Australia Limited until 2011 and has worked in the seed and agricultural biotechnology sector for more than ten years in Europe, the USA and New Zealand. He is a member of the Cotton Breeding Australia Management and Commercial Committees as well as a Director of CSD Grains and CSD Holdings Pty Ltd.

Robert Tuck Graduate AICD

Non-executive Director, aged 48

Joined the Board in 2009 in a non-executive capacity. Rob is a cotton producer in the Macquarie Valley, New South Wales. He has 26 years experience in agriculture and has worked extensively with the industry and community holding various leadership roles. He is a Director of CSD Grains Pty Limited and CSD Holdings Pty Ltd as well as a member of the Board Farming Committee.

4. 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:

	Eligible to attend	Number attended
James Kahl	11	11
Peter Graham	11	11
Philip Thompson	5	4
Paul McVeigh	11	11
Robert Tuck	11	10
Tom Keene	11	10
John Stewart	11	11
Joanne Grainger	11	11
Matthew Norrie	11	11
Juanita Hamparsum	11	11

5. Auditors Independence Declaration

The auditor's independence declaration for the year ended 31 December 2013 has been received and can be found on page 12 of the financial report.

6. Members Liability

The group is incorporated under the *Corporations Act 2001* and is a company limited by guarantee. If the company is wound up, the constitution states that each member is required to contribute a maximum of \$200.00 each towards any outstanding obligations of the company. At 31 December 2013 the collective liability was \$121,400 (2012: \$119,800).

Signed in accordance with a resolution of the Directors:



James Kahl
Director

Dated at Wee Waa 6th May 2014

AUDITOR'S INDEPENDENCE DECLARATION

Auditor's Independence Declaration under Section 307C of the *Corporations Act 2001*

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Cotton Seed Distributors Limited.

As audit partner for the audit of the financial statements of Cotton Seed Distributors Limited for the financial year ended 31 December 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) any applicable code of professional conduct in relation to the audit.

Yours sincerely,

Nexia Court & Co

Nexia Court and Co
Chartered Accountants



Andrew Hoffmann
Partner

Dated at Sydney 6th May 2014

Sydney Office

Level 16, 1 Market Street, Sydney NSW 2000
PO Box H195, Australia Square NSW 1215
p +61 2 9251 4600, f +61 2 9251 7138
info@nxiacourt.com.au, www.nexia.com.au

Independent member of Nexia International



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INDEPENDENT AUDITORS' REPORT

Report on the Financial Report

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 2013, and the Statement of Profit or Loss and Other 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 consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's 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 of the financial report that gives a true and fair view 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.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* would be in the same terms if it had been given to the directors as at the time of this auditor's report.

Auditor's Opinion

In our opinion the financial report of Cotton Seed Distributors Limited is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

Nexia Court & Co

Nexia Court and Co
Chartered Accountants



Andrew Hoffmann
Partner

Dated at Sydney 6th May 2014

Sydney Office

Level 16, 1 Market Street, Sydney NSW 2000
PO Box H195, Australia Square NSW 1215
p +61 2 9251 4600, f +61 2 9251 7138
info@nxiacourt.com.au, www.nexia.com.au

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DIRECTORS' DECLARATION

In the directors' opinion:

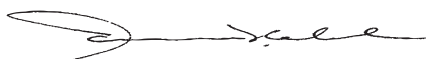
1. The financial statements and notes, as set out on pages 15 to 38, are in accordance with the *Corporations Act 2001* and:

(a) comply with Australian Accounting Standards Reduced Disclosure Requirements and the *Corporations Regulations 2001*; and

(b) give a true and fair view of the financial position as at 31 December 2013 and of the performance for the year ended on that date of the 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.

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



James Kahl
Director

Dated at Wee Waa 6th May 2014

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2013

		CONSOLIDATED	
	NOTES	2013 (\$)	2012 (\$)
Revenue from sale of goods	3A	51,549,679	57,011,284
Volume discounts	3A	(21,646,898)	(5,014,832)
Net revenue from sale of goods		29,902,781	51,996,452
Cost of goods sold		(29,612,891)	(28,282,192)
Gross Profit/(Loss)		289,890	23,714,260
Seed access fees and royalties	3B	21,421,863	34,061,116
Other income	4	545,876	306,562
On-farm investment rebate	3A	(32,237,520)	-
Product development and testing expenses		(7,544,290)	(6,570,012)
Administrative expenses		(4,817,659)	(4,364,645)
		(22,631,730)	23,433,021
Finance income	5	5,701,531	5,617,829
Finance expense	5	-	-
Net finance income		5,701,531	5,617,829
(Loss)/Profit before discontinued operations		(16,640,309)	52,765,110
Loss from discontinued operations	1r	-	(746,971)
(Loss)/Profit before income tax		(16,640,309)	52,018,139
Income tax expense	7A	-	-
(Loss)/Profit for the year		(16,640,309)	52,018,139
Other comprehensive income for the period, net of income tax		-	-
Total comprehensive income for the period		(16,640,309)	52,018,139
(Loss)/Profit attributable to owners of the Company		(16,640,309)	52,018,139
Total comprehensive income attributable to owners of the Company		(16,640,309)	52,018,139

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

STATEMENT OF FINANCIAL POSITION (CONTINUED)

as at 31 December 2013

		CONSOLIDATED	
ASSETS	NOTES	2013 (\$)	2012 (\$)
Current assets			
Cash and cash equivalents	8	122,412,296	151,617,116
Trade and other receivables	9	22,644,453	17,233,931
Inventories	10	10,330,304	5,885,776
Held to maturity bonds	11	25,000	0
Other current asset	12	272,140	293,705
Total current assets		155,684,193	175,030,528
Non-current assets			
Held to maturity bonds	11	4,971,066	0
Financial assets	13	0	596
Property, plant and equipment	14	17,640,283	17,468,803
Intangibles	15	3,349,867	2,994,000
Total non-current assets		25,961,216	20,463,399
Total Assets		181,645,409	195,493,927
LIABILITIES			
Current liabilities			
Trade and other payables	16	13,313,992	10,477,547
Short-term provisions	17	470,267	488,269
Total current liabilities		13,784,259	10,965,816
Non-current liabilities			
Other long-term provisions	17	88,156	114,808
Total non-current liabilities		88,156	114,808
Total Liabilities		13,872,415	11,080,624
Net Assets		167,772,994	184,413,303
EQUITY			
Reserves	18	969,090	969,090
Retained surpluses		166,803,904	183,444,213
Total equity		167,772,994	184,413,303

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

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2013

	CONSOLIDATED		
	RETAINED EARNINGS (\$)	ASSET REVALUATION RESERVE (\$)	TOTAL (\$)
Balance at 1 January 2012	131,426,074	1,049,250	132,475,324
Disposals		(80,160)	(80,160)
Total comprehensive income for the year	52,018,139	-	52,018,139
Balance at 31 December 2012	183,444,213	969,090	184,413,303
Balance at 1 January 2013	183,444,213	969,090	184,413,303
Total comprehensive income for the year	(16,640,309)	-	(16,640,309)
Balance at 31 December 2013	166,803,904	969,090	167,772,994

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

STATEMENT OF CASH FLOWS

for the year ended 31 December 2013

		CONSOLIDATED	
	NOTES	2013 (\$)	2012 (\$)
Cash from operating activities			
Receipts from customers		52,769,054	102,328,214
Payments to suppliers and employees (including on-farm investment rebate)		(80,492,220)	(50,639,851)
Interest received		5,701,531	5,618,363
Net cash flows (used by)/from operating activities	19	(22,021,635)	57,306,726
Cash flows from investing activities			
Proceeds from sale of investments		-	-
Proceeds from sale of plant and equipment		(103,207)	5,152,740
Acquisition of investment		(4,996,066)	-
Acquisition of property, plant and equipment		(2,083,912)	(2,917,921)
Net cash flows (used by)/from investing activities		(7,183,185)	2,234,819
Net change in cash and cash equivalents		(29,204,820)	59,541,545
Cash and cash equivalents at the beginning of the reporting period		151,617,116	92,075,571
Cash and cash equivalents at the end of the reporting period	8	122,412,296	151,617,116

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31 December 2013

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 ("The Group").

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 consolidated financial report of the Group are Tier 2 general purpose financial statements which have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements (AASB - RDRs) (including interpretations) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

The financial statements were authorised for issue by the Board of Directors on 6th May 2014. The directors have 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 Group's functional currency.

(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 9 trade and other receivables;
- Note 10 inventories;
- Note 14 property, plant and equipment;

- Note 23 contingent liabilities and contingent assets

(v) New Accounting Standards and Interpretations

The accounting policies adopted are consistent with those of the previous financial year.

(c) Principles of consolidation

A list of controlled entities is contained in Note 22 to the financial statements. All controlled entities have a December financial year end.

All intercompany balances and transactions between entities in the Group, 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 Group.

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 and other comprehensive income, 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 and other comprehensive income, 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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2013

Note 1: Statement of Significant Accounting Policies (continued)

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 and other comprehensive income.

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.

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 and other comprehensive income 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 does not currently have any cash flow hedges attributable to future inventory purchases).

The Group does not meet the criteria for hedge accounting.

(f) Property, plant and equipment

Land is shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers. All other property, plant and equipment is stated at historical cost less depreciation and impairment. 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 profit or loss and other comprehensive income during the financial period in which they are incurred.

Increases in the carrying amounts arising on revaluation of land are credited to reserves in members' funds. To the extent that the increase reverses a decrease previously recognised in profit or loss and other comprehensive income, the increase is first recognised in profit and loss and other comprehensive income. 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 profit or loss and other 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 and equipment	3 to 20 years

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2013

Note 1: Statement of Significant Accounting Policies (continued)

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 profit or loss and other comprehensive income as revenue.

(g) Intangible assets

Water licence rights

Water licences are shown at fair value based on periodic valuations with reference to the active market.

Water licences have an indefinite useful life and are thus not subject to amortisation but are tested for impairment by comparing their recoverable amount with their carrying amount. Water licences are tested for impairment annually or whenever there is an indication that the intangible asset may be impaired.

(h) 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.

(i) 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.

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 and other comprehensive income. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss and other comprehensive income.

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 and other comprehensive income. 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 and other comprehensive income. 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2013

Note 1: Statement of Significant Accounting Policies (continued)

(j) 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.

(k) 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 and seed access fees

Revenue from royalties and seed access fees is recognised when the entity is entitled to the receivable and the amount can be reasonably estimated. If a royalty and/or seed access fee cannot be reasonably estimated, it is recognised at time of receipt.

(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.

(v) Other revenue

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

(l) Leases

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

(m) 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.

(n) 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2013

Note 1: Statement of Significant Accounting Policies (continued)

(o) 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.

(p) 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.

(q) Parent entity financial information

The financial information for the parent entity, Cotton Seed Distributors Limited, disclosed in Note 24 has been prepared on the same basis as the consolidated financial statements.

(r) Discontinued operations

On 4 June 2012, the group sold the property, plant and equipment of its flour mill located in Toowoomba Queensland. The proceeds of the sale were slightly greater than the carrying value of the assets. The Group incurred trading losses from the flour mill's operation up until the sale.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2013

Note 1: Statement of Significant Accounting Policies (continued)

(r) Discontinued operations (continued)

Analysis of profit for the year from discontinued operations

	2013 (\$)	2012 (\$)
Loss for the year from discontinued operations		
Revenue from sale of goods	-	1,665,412
Cost of goods sold	-	(1,992,403)
Gross profit	0	(326,991)
Other income	-	600
Administrative expenses	-	(446,869)
Finance income	-	534
(Loss)/Profit before income tax	0	(772,726)
Income tax expense	-	-
	0	(772,726)
Gain on discontinuance	-	25,755
Income tax expense	-	-
	0	25,755
Loss for the year from discontinued operations (attributable to owners of the company)	0	(746,971)

Cash flows from discontinued operations

Net cash inflows from operating activities	-	362,383
Net cash inflows from investing activities	-	2,322,025
Net cash outflows from financing activities	-	(2,774,676)
Net cash inflows	0	(90,268)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2013

	CONSOLIDATED	
Note 2: Leases and commitments	2013 (\$)	2012 (\$)
(i) Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements and payable:		
- not later than 12 months	87,167	87,023
- between 12 months and 5 years	63,048	150,030
	150,215	237,053
The Group leases property, water and equipment under non-cancellable operating leases expiring within two to five years.		
(ii) Seed increase contract commitments		
Cotton seed purchases contracted but not provided for and payable:		
- not later than 12 months	5,138,473	4,914,412
	5,138,473	4,914,412
(iii) Capital expenditure commitments		
Plant and equipment purchases contracted for:		
- not later than 12 months	1,190,687	816,223
	1,190,687	816,223
(iv) Cotton Breeding Australia commitments		
<i>(a) Capital expenditure commitments</i>		
Plant and equipment purchases contracted for but not provided for and payable:		
- not later than 12 months	1,776,786	1,654,805
- between 12 months and 5 years	2,460,000	2,420,000
- greater than 5 years	2,347,500	3,007,500
	6,584,286	7,082,305

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2013

	CONSOLIDATED	
Note 2: Leases and commitments <small>(continued)</small>	2013 (\$)	2012 (\$)
<i>(b) Research expenditure commitments</i>		
Future research commitments not provided for in the financial statements and payable:		
- not later than 12 months	4,223,017	3,286,446
- between 12 months and 5 years	14,207,166	13,566,060
- greater than 5 years	13,744,362	18,845,779
	32,174,545	35,698,285
Total of Cotton Breeding Australia commitments	38,758,831	42,780,590
Total leases and commitments	45,238,206	48,748,278

The Group 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. As a result of this expenditure, the Group has a 50% ownership in current and future elite lines and varieties.

In addition to the above, the Group has a commitment with Cotton Australia Pty Limited and the Cotton Research and Development Corporation to co-deliver research and development extension. The Group is funding a team of regional development officers which will cost approximately \$5 million over the 5 year term.

	CONSOLIDATED	
Note 3: Revenue	2013 (\$)	2012 (\$)
Note 3A: Sale of goods revenue		
Revenue from sale of goods	51,549,679	57,011,284
Volume discounts	(21,646,898)	(5,014,832)
Sale of goods revenue	29,902,781	51,996,452

A \$3.80 per kilogram volume discount applied in 2013 (2012: \$0.80) which reduced the sales price of cotton planting seed.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2013

	CONSOLIDATED	
Note 3: Revenue	2013 (\$)	2012 (\$)
Note 3A: On-farm investment rebate	(32,237,520)	0

In 2013 a \$4.00 per kilogram on-farm investment rebate based on 2011 sales volumes was paid to cotton growers who applied.

Note 3B: Other revenue		
Seed access fees and royalty revenue	48,378,944	64,483,499
Less: Seed access fees	(25,167,114)	(28,793,420)
Less: Station Costs	(1,789,967)	(1,628,963)
Net seed access fees and royalty revenue	21,421,863	34,061,116

The group is entitled to an End Point Royalty (EPR). The amount of the EPR is dependent on a number of significant assumptions and cannot be estimated reliably at year end. Revenue can only be recognised when the amount can be reliably estimated. The EPR in relation to 2012 seed sales is included in Royalty revenue in the 2013 financial year. The EPR in relation to 2013 seed sales will be included in seed access fee revenue in the 2015 financial year (refer to note 23 - Contingent Assets).

	CONSOLIDATED	
Note 4: Other income	2013 (\$)	2012 (\$)
Net gain on the disposal of property, plant and equipment	69,626	75,130
Other income	19,828	345,755
Net foreign exchange gain	456,422	(114,323)
Total other income	545,876	306,562

	CONSOLIDATED	
Note 5: Net finance income	2013 (\$)	2012 (\$)
Finance income		
Interest - other parties	5,701,531	5,617,829
Net finance income	5,701,531	5,617,829

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2013

	CONSOLIDATED	
Note 6: Expenses	2013 (\$)	2012 (\$)
Employee superannuation expense	423,557	373,856
Depreciation - property, plant and equipment	1,729,994	1,779,051
Bad debts written off	-	-
Loss on foreign exchange differences	-	-
Total rental expense relating to operating leases	86,810	86,671

	CONSOLIDATED	
Note 7: Income tax	2013 (\$)	2012 (\$)
Note 7A: The prima facie tax on profit before income tax is reconciled to the income tax as follows:		
Profit before income tax expense	(16,640,309)	52,765,110
Tax at the Australian tax rate of 30%	(4,992,093)	15,829,533
Add tax effect of:		
Less tax effect of:		
- the Company being exempt from income tax	4,992,093	(15,829,533)
Effect of deferred tax assets not brought to account		
	0	0

Note 7B: 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	3,548,798	3,513,540
Foreign withholding tax credits expiring within:		
- One year	431,169	213,296
- Between one and five years	-	431,169

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)

for the year ended 31 December 2013

	CONSOLIDATED	
Note 8: Cash and cash equivalents	2013 (\$)	2012 (\$)
Cash on hand	3,144	2,091
Cash at bank	7,405,218	25,615,025
Short term deposits	19,000,000	78,000,000
Research reserve short term deposits	96,003,934	48,000,000
	122,412,296	151,617,116

The Group has an Investment Policy to assist manage its credit risk. The group also has a Reserves Policy which determines the level of the research reserve short term deposits. The Reserves Policy is reviewed annually.

Reconciliation of cash

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to items in the Statement of Financial Position as follows:

Total cash and cash equivalents	122,412,296	151,617,116
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	CONSOLIDATED	
Note 9: Trade and other receivables	2013 (\$)	2012 (\$)
Current		
Trade receivables	456,324	235,953
	456,324	235,953
Other debtors	20,606,634	16,997,978
Net GST receivable	1,581,495	0
Total current trade and other receivables (gross)	22,644,453	17,233,931

Included in other debtors is an estimate for royalties and seed access fees receivable. The estimate is a function of predictions on total cotton hectares planted, plough out rates and product mixes.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2013

	CONSOLIDATED	
Note 10: Inventories	2013 (\$)	2012 (\$)
Current		
Raw materials and stores - at cost	4,463,745	2,038,347
Finished goods and work in progress - at net realisable value	5,866,559	3,847,429
	10,330,304	5,885,776

Write-downs of inventories to net realisable value recognised as an expense during the year ended 31 December 2013 amounted to \$1,658,464 (2012: \$1,778,017). The expenses has been included in cost of goods sold in the Statement of Profit or Loss and Other Comprehensive Income.

	CONSOLIDATED	
Note 11: Held to maturity bonds	2013 (\$)	2012 (\$)
Current		
Corporate debt securities - bonds	25,000	-
	25,000	0
Non-current		
Corporate debt securities - bonds	4,971,066	-
	4,971,066	0

	CONSOLIDATED	
Note 12: Other current assets	2013 (\$)	2012 (\$)
Current		
Prepayments	272,140	293,705
	272,140	293,705

	CONSOLIDATED	
Note 13: Financial assets	2013 (\$)	2012 (\$)
Unlisted investments, at cost:		
- shares in other related parties	0	596
	0	596

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2013

	CONSOLIDATED	
Note 14: Property, plant and equipment	2013 (\$)	2012 (\$)
Note 14A: Land and buildings		
Freehold land		
At fair value	2,749,802	2,612,855
Total freehold land	2,749,802	2,612,855
Valuations of land		
An independent valuation of the group's land was performed to determine the fair value. The valuation was performed by a Certified Practising Valuer with reference to recent market transactions on arm's length terms and was effective from 31 August 2011.		
Buildings on freehold land		
At cost	11,903,524	12,160,586
Less accumulated depreciation	(3,997,774)	(3,985,328)
Total buildings on freehold land	7,905,750	8,175,258
Total land and buildings (non-current)	10,655,552	10,788,113
Note 14B: Plant and equipment		
Plant and equipment:		
At cost	12,855,683	12,734,110
Less accumulated depreciation	(6,417,598)	(6,428,109)
Total plant and equipment	6,438,085	6,306,001
Work in progress:		
At cost	546,646	374,689
Total work in progress	546,646	374,689
Total property, plant and equipment (non-current)	17,640,283	17,468,803

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2013

Note 14: Property, plant and equipment (continued)

Note 14C: Movements in carrying amounts

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

CONSOLIDATED	NOTES	LAND (\$)	BUILDINGS (\$)	PLANT AND EQUIPMENT (\$)	WORK IN PROGRESS (\$)	TOTAL (\$)
Prior year						
Balance at 1 January 2012	1(b)(v)	3,323,600	10,339,157	7,641,213	90,480	21,394,450
Additions		25,458	46,085	1,234,341	1,612,038	2,917,922
Disposals		(736,203)	(1,913,543)	(2,380,231)	(34,541)	(5,064,518)
Depreciation expense		-	(299,495)	(1,479,556)	-	(1,779,051)
Transfers		-	3,054	1,290,234	(1,293,288)	0
Carrying amount at 31 December 2012		2,612,855	8,175,258	6,306,001	374,689	17,468,803
Current year						
Balance at 1 January 2013	1(b)(v)	2,612,855	8,175,258	6,306,001	374,689	17,468,803
Additions		136,947	-	1,488,556	458,409	2,083,912
Disposals		-	-	(182,438)	-	(182,438)
Depreciation expense		-	(268,809)	(1,461,185)	-	(1,729,994)
Transfers		-	-	286,452	(286,452)	0
Carrying amount at 31 December 2013		2,749,802	7,906,449	6,437,386	546,646	17,640,283

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2013

	CONSOLIDATED	
Note 15: Intangible assets	2013 (\$)	2012 (\$)
Water licences		
Water licences at fair value	3,349,867	2,994,000
Balance at beginning of year	2,994,000	3,061,500
Additions	355,867	
Disposals		(67,500)
Total intangibles (non-current)	3,349,867	2,994,000

Valuations of water licences

An independent valuation of the group's water licences was performed to determine the fair value. The valuation was performed by a Certified Practising Valuer with reference to recent market transactions on arm's length terms and was effective from 31 August 2011.

	CONSOLIDATED	
Note 16: Trade and other payables	2013 (\$)	2012 (\$)
Current		
Trade payables	4,460,036	6,179,037
Other creditors and accruals	8,853,956	4,298,510
Total supplier payables	13,313,992	10,477,547

	CONSOLIDATED	
Note 17: Provisions	2013 (\$)	2012 (\$)
Employee entitlements		
Current	470,267	488,269
Non-current	88,156	114,808
Total employee provisions	558,423	603,077

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2013

Note 18: Reserves

(a) Asset revaluation reserve

The asset revaluation reserve includes the net revaluation increments and decrements arising from the revaluation of noncurrent assets measured at fair value in accordance with AASB 116 and ASAB138.

	CONSOLIDATED	
Note 19: Cash flow reconciliation	2013 (\$)	2012 (\$)
(a) Reconciliation of operating result to net cash from operating activities:		
(Loss)/Profit for the period	(16,640,309)	52,018,139
Non-cash flows in (loss)/profit:		
Depreciation and amortisation	1,729,994	1,779,051
Net gain on disposal of property, plant and equipment	(69,626)	(100,885)
Changes in assets and liabilities		
Change in trade and other receivables	(5,410,522)	5,961,046
Change in inventories	(4,444,528)	(880,855)
Change in other current assets	21,565	44,994
Change in trade payables and other payables	2,836,445	(1,430,113)
Change in provisions	(44,654)	(84,651)
Net cash (used by)/ from operating activities	(22,021,635)	57,306,726

(b) Finance facilities

The Group has no bank loan or guarantee facilities (2012: Nil).

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2013

CONSOLIDATED

Note 20: Related party transactions 2013 (\$) 2012 (\$)

A number of Directors, or their related parties, hold positions in other entities that result in them having control or significant influence over these companies.

A number of these companies transacted directly with the Group or via intermediary distributors during the year. The terms and conditions of these transactions were no more favourable than those available, or which might reasonably be expected to be available, in similar transactions with non-key management personnel related entities at an arm's length basis.

The aggregate value of transactions related to key management personnel and entities over which they have control or significant influence were as follows:

Key management personnel transactions

James Kahl - On-farm Investment Rebate	42,216	-
Joanne Grainger - On-farm Investment Rebate	70,960	-
Juanita Hamparsum - On-farm Investment Rebate	27,920	-
Paul McVeigh - On-farm Investment Rebate	69,120	-
Matthew Norrie - On-farm Investment Rebate	14,080	-
Matthew Norrie - Agricultural Products	2,550	-
Rob Tuck - On-farm Investment Rebate	45,360	-
	272,206	0

CONSOLIDATED

Note 21: Key management personnel remuneration 2013 (\$) 2012 (\$)

Key management personnel remuneration

Senior executives	1,370,967	1,193,289
Non-executive directors	327,544	336,355
	1,698,511	1,529,644

The key management personnel remuneration includes the Board of Directors and senior executives. Senior executive remuneration is determined after reference to independent advice and benchmarking.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2013

Note 21: Key management personnel remuneration (continued)

Non-executive director remuneration

NON-EXECUTIVE DIRECTOR	YEARS	CSD DIRECTOR FEES (\$)	SUBSIDIARY AND ADVISORY BOARD FEES (\$)	SUPERANNUATION (\$)	TOTAL (\$)
James Kahl	2013	55,000	10,000	5,933	70,933
	2012	55,000	10,000	5,850	70,850
Harvey Gaynor	2013				0
	2012	22,500		2,025	24,525
Joanne Grainger	2013	30,000		2,738	32,738
	2012	25,000		2,250	27,250
Juanita Hamparsum	2013	30,000		2,738	32,738
	2012	5,000		450	5,450
Tom Keene	2013	30,000	5,833	3,269	39,102
	2012	30,000	11,250	3,713	44,963
Paul McVeigh	2013	30,000	417	2,775	33,192
	2012	30,000	5,000	3,150	38,150
Matthew Norrie	2013	30,000		2,738	32,738
	2012	17,500		1,575	19,075
John Stewart	2013	30,000	6,417	3,323	39,740
	2012	30,000	6,500	3,285	39,785
Philip Thompson	2013	12,500		1,125	13,625
	2012	27,500	3,333	2,775	33,608
Robert Tuck	2013	30,000		2,738	32,738
	2012	30,000		2,700	32,700
Total	2013	277,500	22,667	27,377	327,544
	2012	272,500	36,083	27,772	336,355

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2013

Note 22: Controlled entities

	COUNTRY OF INCORPORATION	PERCENTAGE OWNED 2013	PERCENTAGE OWNED 2012
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%

Note 23: Contingent liabilities and contingent assets

The Group is entitled to a contingent asset in the form of an end point royalty which will be payable in 2014 in the range of \$nil to \$4 million.

A claim for breach of contract, breach of fiduciary duty and damages for misleading and deceptive conduct has been lodged against Cotton Seed Distributors Limited, CSD Grains Pty Limited and a Director of both companies. All defendants have disclaimed liability and are defending the action. Whilst liability is not admitted, if the defences against the action are totally unsuccessful (which is not contemplated), then the plaintiff's claim could amount to \$1.6m plus any legal costs ordered against the defendants.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2013

	CONSOLIDATED	
Note 24: Parent entity financial information	2013 (\$)	2012 (\$)
(a) Summary financial information		
Statement of financial position		
Current assets	150,960,995	172,398,434
Total assets	177,358,129	193,287,707
Current liabilities	12,225,668	10,845,718
Total liabilities	12,313,827	10,960,529
Net Assets	165,044,302	182,324,178
Equity		
Reserves	969,090	969,090
Retained surpluses	164,075,212	181,355,088
Total equity	165,044,302	182,324,178
(Loss)/Profit for the year	(17,279,877)	51,731,223
Total comprehensive income	(17,279,877)	51,731,223
(b) Guarantees entered into by the parent	-	-
(c) Contingent liabilities of the parent	-	-
(d) Contractual commitments for the acquisition of property, plant and equipment	1,190,687	816,223

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.



Report to members for the 3 months
ending 31 March 2014



DIRECTORS' REPORT

The directors present their report together with the financial report of Cotton Seed Distributors Limited and controlled entities ("the group") for the 3 months ended 31 March 2014 and the Auditor's Report thereon.

1. Directors

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

	Period as Director
James Kahl	14 April 2003 to present
Peter T Graham	6 September 1990 to present
Paul McVeigh	21 May 2002 to present
Robert Tuck	4 May 2009 to present
Tom Keene	18 May 2010 to present
John Stewart	18 May 2010 to present
Joanne Grainger	1 March 2012 to present
Matthew Norrie	15 May 2012 to present
Juanita Hamparsum	1 November 2012 to present

2. Objectives

The short and long term objectives of the group is to be the premier producer of commercial planting seed offering value and quality by incorporating leading germplasm and desirable traits bred to satisfy industry.

The strategy for achieving the above goals is to:-

1. Own, develop, test and license germplasm
2. Develop, license and commercialise traits - based on merit.
3. Being first to market to meet growers needs
4. Applying world's best practice in all operational processes

The group made progress in its key objective this period by:-

1. Continuing to improve the capacity and efficiency of its laboratory, production and early seed generation facilities
2. Strengthening the relationship with the company's germplasm and trait partners
3. Improving the company's risk mitigation framework and corporate governance processes.

The group measures its performance by measuring whether the customer take up of its products is at a level commensurate with the seasonal conditions and by the strength of its relationships with its germplasm and trait partners.

3. Directors Details

James Kahl B.Ec, UNE, Member AICD

Chairman, aged 64

Joined the Board in 2003 in a non executive capacity. James is Managing Director of Merced Farming Pty Ltd and has over 40 years of experience in agricultural practices. As well as Chairman of Cotton Seed Distributors Limited, he is also Chairman of Cotton Seed International Pty Ltd and CSD Holdings Pty Limited. He is also a member and alternating Chairman of Cotton Breeding Australia Management and Commercial Committees.

Peter Graham BRurSc, UNE, Fellow AICD

Managing Director, aged 57

Joined the Board in 1990. Peter has 34 years of experience in the Australian and international cotton industry. He is Managing Director of all wholly owned subsidiaries: Cotton Seed International Pty Ltd, CSD Grains Pty Ltd and CSD Holdings Pty Ltd. He is a member of the Cotton Breeding Australia Management and Commercial Committees and is Chairman of the Australian Cotton Industry Council (ACIC).

Joanne Grainger B.A. Dip Ed, UNE, Adv Dip Ag, Tocal College, Graduate AICD

Non-executive Director, aged 59

Joined the Board in 2011 in a non executive capacity. Joanne has 33 years experience in agriculture and has been involved in policy development and advocacy for the cotton industry at both federal and state levels. A Director of the Primary Industries Education Foundation. Joanne is a Director of CSD Holdings Pty Ltd.

Juanita Hamparsum B.Bus., CA, Graduate AICD, F PCT

Non-executive Director, aged 43

Joined the CSD Board in 2012 in a non-executive capacity. A cotton and grains producer on the Liverpool Plains, NSW and a Chartered Accountant. Juanita has 17 years' experience in agriculture, accounting and finance. She has been involved in policy development and advocacy for water and natural resource management. Currently Juanita is Chairman of the Cotton Innovation Network, Deputy Chair and Chair of Risk Audit Committee - Namoi Catchment Management Authority, Chair Great Artesian Basin Coordinating Committee. A Director of CSD Holdings Pty Ltd and a member of the Board Audit Committee.

DIRECTORS' REPORT

Tom Keene BEc, UNE. Fellow AICD

Non-executive Director, aged 66

Joined the Board in 2010 in a non-executive capacity. Tom is a Non-executive Director of Midway Limited and a Non-executive Director of Australian Agricultural Company Limited. He has extensive experience in the grain industry with broad knowledge across the whole sector from production to processing. He was Managing Director of Graincorp Limited from 1993 until his retirement in 2008. Awarded the NAB Agribusiness Leader of the year in 2007. He is Chairman of the board Audit committee and CSD Grains Pty Limited as well as a Director of CSD Holdings Pty Limited.

Paul McVeigh Graduate AICD

Non-executive Director, aged 58

Joined the Board in 2002 in a non-executive capacity. Paul is a cotton, grain and cattle producer in the Darling Downs, Queensland. He has 42 years experience in agriculture and is a graduate of the Australian Rural Leadership program. He is a Director of CSD Grains Pty Ltd and CSD Holdings Pty Ltd as well as a member of the Board Audit Committee.

Matthew Norrie Dip Cotton Production & Business Management, Emerald Ag College, Member AICD

Non-executive Director, aged 31

Joined the Board in 2012 in a non-executive capacity. A cotton, grain and cattle producer in the Namoi Valley, Matthew has over 11 years farming experience and holds several positions within the cotton industry. A graduate of the Cotton Future Leaders Course. A Director of CSD Holdings Pty Ltd and Chairman of the Board Farming Committee.

John Stewart BRurSc, UNE. Member AICD

Non-executive Director, aged 53

Joined the Board in 2010 in a non executive capacity. John was Chief Executive Officer of Prime Ag Australia Limited until 2011 and has worked in the seed and agricultural biotechnology sector for more than ten years in Europe, the USA and New Zealand. He is a member of the Cotton Breeding Australia Management and Commercial Committees as well as a Director of CSD Grains and CSD Holdings Pty Ltd.

Robert Tuck Graduate AICD

Non-executive Director, aged 48

Joined the Board in 2009 in a non-executive capacity. Rob is a cotton producer in the Macquarie Valley, New South Wales. He has 26 years experience in agriculture and has worked extensively with the industry and community holding various leadership roles. He is a Director of CSD Grains Pty Limited and CSD Holdings Pty Ltd as well as a member of the Board Farming Committee.

4. Meetings of Directors

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

	Eligible to attend	Number attended
James Kahl	2	2
Peter Graham	2	2
Paul McVeigh	2	2
Robert Tuck	2	2
Tom Keene	2	1
John Stewart	2	2
Joanne Grainger	2	2
Matthew Norrie	2	2
Juanita Hamparsum	2	2

5. Auditor's Independence Declaration

The auditor's independence declaration for the year ended 31 March 2014 has been received and can be found on page 42 of the financial report.

6. Members Liability

The group is incorporated under the *Corporations Act 2001* and is a company limited by guarantee. If the company is wound up, the constitution states that each member is required to contribute a maximum of \$200.00 each towards any outstanding obligations of the company. At 31 March 2014 the collective liability was \$121,800 (2013: \$121,400).

Signed in accordance with a resolution of the Directors:



James Kahl
Director

Dated at Wee Waa 6th May 2014

AUDITOR'S INDEPENDENCE DECLARATION

Auditor's Independence Declaration under Section 307C of the *Corporations Act 2001*

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Cotton Seed Distributors Limited.

As audit partner for the audit of the financial statements of Cotton Seed Distributors Limited for the financial 3 months ended 31 March 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) any applicable code of professional conduct in relation to the audit.

Yours sincerely,

Nexia Court & Co

Nexia Court and Co
Chartered Accountants



Andrew Hoffmann
Partner

Dated at Sydney 6th May 2014

Sydney Office

Level 16, 1 Market Street, Sydney NSW 2000
PO Box H195, Australia Square NSW 1215
p +61 2 9251 4600, f +61 2 9251 7138
info@nxiacourt.com.au, www.nexia.com.au

Independent member of Nexia International



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INDEPENDENT AUDITORS' REPORT

Report on the Financial Report

We have audited the accompanying financial report of Cotton Seed Distributors Limited ('the Company'), which comprises the Statement of Financial Position as at 31 March 2014, and the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the 3 month period ended on that date, a summary of significant accounting policies, other explanatory notes and the Directors' Declaration of the consolidated entity comprising the company and the entities it controlled at the period's end or from time to time during the financial period.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's 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 of the financial report that gives a true and fair view 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.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* would be in the same terms if it had been given to the directors as at the time of this auditor's report.

Auditor's Opinion

In our opinion the financial report of Cotton Seed Distributors Limited is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 March 2014 and of its performance for the 3 months ended on that date; and
- (b) complying with Australian Accounting Standards Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

Nexia Court & Co

Nexia Court and Co
Chartered Accountants



Andrew Hoffmann
Partner

Dated at Sydney 6th May 2014

Sydney Office

Level 16, 1 Market Street, Sydney NSW 2000
PO Box H195, Australia Square NSW 1215
p +61 2 9251 4600, f +61 2 9251 7138
info@nxiacourt.com.au, www.nexia.com.au

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DIRECTORS' DECLARATION

In the directors' opinion:

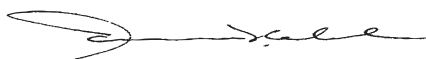
1. The financial statements and notes, as set out on pages 45 to 67, are in accordance with the *Corporations Act 2001* and:

(a) comply with Australian Accounting Standards Reduced Disclosure Requirements and the *Corporations Regulations 2001*; and

(b) give a true and fair view of the financial position as at 31 March 2014 and of the performance for the 3 months ended on that date of the 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.

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



James Kahl
Director

Dated at Wee Waa 6th May 2014

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the period ended 31 March 2014

				CONSOLIDATED	
	NOTES	2014 (\$) (3 months)	2013 (\$) (12 months)		
Revenue from sale of goods	3A	272,145	51,549,679		
Volume discounts	3A	-	(21,646,898)		
Net revenue from sale of goods		272,145	29,902,781		
Cost of goods sold		(360,816)	(29,612,891)		
Gross (Loss)/Profit		(88,671)	289,890		
Seed access fees and royalties	3B	-	21,421,863		
Other income	4	236,151	545,876		
On-farm investment rebate	3A	-	(32,237,520)		
Product development and testing expenses		(1,646,532)	(7,544,290)		
Administrative expenses		(955,857)	(4,817,659)		
		(2,366,238)	(22,631,730)		
Finance income	5	1,129,849	5,701,531		
Finance expense	5	-	-		
Net finance income		1,129,849	5,701,531		
(Loss)/Profit before income tax		(1,325,060)	(16,640,309)		
Income tax expense	7A	-	-		
(Loss)/Profit for the year		(1,325,060)	(16,640,309)		
Other comprehensive income for the period, net of income tax		-	-		
Total comprehensive income for the period		(1,325,060)	(16,640,309)		
(Loss)/Profit attributable to owners of the Company		(1,325,060)	(16,640,309)		
Total comprehensive income attributable to owners of the Company		(1,325,060)	(16,640,309)		

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

for the period ended 31 March 2014

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

STATEMENT OF CHANGES IN EQUITY

for the period ended 31 March 2014

	CONSOLIDATED		
	RETAINED EARNINGS (\$)	ASSET REVALUATION RESERVE (\$)	TOTAL (\$)
Balance at 1 January 2013	183,444,213	969,090	184,413,303
Total comprehensive income for the year	(16,640,309)	-	(16,640,309)
Balance at 31 December 2013	166,803,904	969,090	167,772,994
Balance at 1 January 2014	166,803,904	969,090	167,772,994
Total comprehensive income for the year	(1,325,060)	-	(1,325,060)
Balance at 31 March 2014	165,478,844	969,090	166,447,934

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

STATEMENT OF CASH FLOWS

for the period ended 31 March 2014

		CONSOLIDATED	
	NOTES	2014 (\$) (3 months)	2013 (\$) (12 months)
Cash from operating activities			
Receipts from customers		3,730,581	52,769,054
Payments to suppliers and employees (including on-farm investment rebate)		(9,184,416)	(80,492,220)
Interest received		1,129,849	5,701,531
Net cash flows (used by)/from operating activities	18	(4,323,986)	(22,021,635)
Cash flows from investing activities			
Proceeds from sale of investments		0	-
Proceeds from sale of plant and equipment		0	(103,207)
Acquisition of investment		0	(4,996,066)
Acquisition of property, plant and equipment		(1,116,432)	(2,083,912)
Net cash flows (used by)/from investing activities		(1,116,432)	(7,183,185)
Net change in cash and cash equivalents		(5,440,418)	(29,204,820)
Cash and cash equivalents at the beginning of the reporting period		122,412,296	151,617,116
Cash and cash equivalents at the end of the reporting period	8	116,971,878	122,412,296

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the period ended 31 March 2014

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 ("The Group").

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.

The Group has changed its financial year-end from 31 December to 31 March to better align the income for the year with income producing activity. In moving to an end of March year end the Group can align every activity from seed intake through to finalising income into a single year to improve transparency of reporting. The amounts presented in the financial statements are not entirely comparable as the periods differ.

(b) Basis of Preparation

(i) Statement of compliance

The consolidated financial report of the Group are Tier 2 general purpose financial statements which have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements (AASB - RDRs) (including interpretations) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

The financial statements were authorised for issue by the Board of Directors on 6th May 2014. The directors have 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 Group's functional currency.

(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 9 trade and other receivables;
- Note 10 inventories;
- Note 13 property, plant and equipment;
- Note 22 contingent liabilities and contingent assets

(v) New Accounting Standards and Interpretations

The accounting policies adopted are consistent with those of the previous financial year.

(c) Principles of consolidation

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

All intercompany balances and transactions between entities in the Group, 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 Group.

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 and other comprehensive income, 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

for the period ended 31 March 2014

Note 1: Statement of Significant Accounting Policies (continued)

Non derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss and other comprehensive income, 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 and other comprehensive income.

Other

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

(iii) 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.

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 and other comprehensive income for the period.

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 does not currently have any cash flow hedges attributable to future inventory purchases).

The Group does not meet the criteria for hedge accounting.

(f) Property, plant and equipment

Land is shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers. All other property, plant and equipment is stated at historical cost less depreciation and impairment. 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 profit or loss and other comprehensive income during the financial period in which they are incurred.

Increases in the carrying amounts arising on revaluation of land are credited to reserves in members' funds. To the extent that the increase reverses a decrease previously recognised in profit or loss and other comprehensive income, the increase is first recognised in profit or loss and other comprehensive income. 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 profit or loss and other 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:

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

for the period ended 31 March 2014

Note 1: Statement of Significant Accounting Policies (continued)

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

Class of fixed assets

Buildings	40 years
Plant and 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 profit or loss and other comprehensive income as revenue.

(g) Intangible assets

Water licence rights

Water licences are shown at fair value based on periodic valuations with reference to the active market.

Water licences have an indefinite useful life and are thus not subject to amortisation but are tested for impairment by comparing their recoverable amount with their carrying amount. Water licences are tested for impairment annually or whenever there is an indication that the intangible asset may be impaired.

(h) 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.

(i) 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.

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 and other comprehensive income. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss and other comprehensive income.

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 and other comprehensive income. 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 and other comprehensive income. 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

for the period ended 31 March 2014

Note 1: Statement of Significant Accounting Policies (continued)

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.

(j) 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.

(k) 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 and seed access fees

Revenue from royalties and seed access fees is recognised when the entity is entitled to the receivable and the amount can be reasonably estimated. If a royalty and/or seed access fee cannot be reasonably estimated, it is recognised at time of receipt.

(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.

(v) Other revenue

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

(l) Leases

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

(m) 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.

(n) 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

for the period ended 31 March 2014

Note 1: Statement of Significant Accounting Policies (continued)

(o) 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.

(p) 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.

(q) Parent entity financial information

The financial information for the parent entity, Cotton Seed Distributors Limited, disclosed in Note 23 has been prepared on the same basis as the consolidated financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

for the period ended 31 March 2014

	CONSOLIDATED	
Note 2: Leases and commitments	2014 (\$) (3 months)	2013 (\$) (12 months)
(i) Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements and payable:		
- not later than 12 months	87,167	87,167
- between 12 months and 5 years	37,636	63,048
	124,803	150,215
The Group leases property, water and equipment under non-cancellable operating leases expiring within two to five years.		
(ii) Seed increase contract commitments		
Cotton seed purchases contracted but not provided for and payable:		
- not later than 12 months	5,138,473	5,138,473
	5,138,473	5,138,473
(iii) Capital expenditure commitments		
Plant and equipment purchases contracted for:		
- not later than 12 months	563,608	1,190,687
	563,608	1,190,687
(iv) Cotton Breeding Australia commitments		
<i>(a) Capital expenditure commitments</i>		
Plant and equipment purchases contracted for but not provided for and payable:		
- not later than 12 months	1,924,911	1,776,786
- between 12 months and 5 years	2,485,000	2,460,000
- greater than 5 years	2,194,375	2,347,500
	6,604,286	6,584,286

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

for the period ended 31 March 2014

	CONSOLIDATED	
Note 2: Leases and commitments <small>(continued)</small>	2014 (\$) (3 months)	2013 (\$) (12 months)
<i>(b) Research expenditure commitments</i>		
Future research commitments not provided for in the financial statements and payable:		
- not later than 12 months	4,261,377	4,223,017
- between 12 months and 5 years	14,332,166	14,207,166
- greater than 5 years	12,823,081	13,744,362
	31,416,624	32,174,545
Total of Cotton Breeding Australia commitments	38,020,910	38,758,831
Total leases and commitments	43,847,793	45,238,206

The Group 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. As a result of this expenditure, the Group has a 50% ownership in current and future elite lines and varieties.

In addition to the above, the Group has a commitment with Cotton Australia Pty Limited and the Cotton Research and Development Corporation to co-deliver research and development extension. The Group is funding a team of regional development officers which will cost approximately \$5 million over the 5 year term.

	CONSOLIDATED	
Note 3: Revenue	2014 (\$) (3 months)	2013 (\$) (12 months)
Note 3A: Sale of goods revenue		
Revenue from sale of goods	272,145	51,549,679
Volume discounts	-	(21,646,898)
Sale of goods revenue	272,145	29,902,781

A \$3.80 per kilogram volume discount applied in 2013 which reduced the sales price of cotton planting seed.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

for the period ended 31 March 2014

	CONSOLIDATED	
Note 3: Revenue (continued)	2014 (\$) (3 months)	2013 (\$) (12 months)
Note 3A: On-farm investment rebate		
	0	(32,237,520)

In 2013 a \$4.00 per kilogram on-farm investment rebate based on 2011 sales volumes was paid to cotton growers who applied.

Note 3B: Other revenue		
Seed access fees and royalty revenue	-	48,378,944
Less: Seed access fees	-	(25,167,114)
Less: Station Costs	-	(1,789,967)
Net royalty revenue	0	21,421,863

The group is entitled to an End Point Royalty (EPR). The amount of the EPR is dependent on a number of significant assumptions and cannot be estimated reliably at year end. Revenue can only be recognised when the amount can be reliably estimated. The EPR in relation to 2012 seed sales is included in seed access fee revenue in the 2013 financial year. The EPR in relation to 2013 seed sales will be included in seed access fee revenue in the 2015 financial year (refer to note 22 - Contingent Assets).

	CONSOLIDATED	
Note 4: Other income	2014 (\$) (3 months)	2013 (\$) (12 months)
Net gain on the disposal of property, plant and equipment	-	69,626
Other income	304,745	19,828
Net foreign exchange (Loss)/gain	(68,594)	456,422
Total other income	236,151	545,876

	CONSOLIDATED	
Note 5: Net finance income	2014 (\$) (3 months)	2013 (\$) (12 months)
Finance income		
Interest - other parties	1,129,849	5,701,531
Net finance income	1,129,849	5,701,531

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

for the period ended 31 March 2014

	CONSOLIDATED	
Note 6: Expenses	2014 (\$) (3 months)	2013 (\$) (12 months)
Employee superannuation expense	114,864	423,557
Depreciation - property, plant and equipment	356,771	1,729,994
Bad debts written off	-	-
Loss on foreign exchange differences	-	-
Total rental expense relating to operating leases	21,703	86,810

	CONSOLIDATED	
Note 7: Income tax	2014 (\$) (3 months)	2013 (\$) (12 months)
Note 7A: The prima facie tax on profit before income tax is reconciled to the income tax as follows:		
Profit before income tax expense	(1,325,060)	(16,640,309)
Tax at the Australian tax rate of 30%	(397,518)	(4,992,093)
Add tax effect of:		
Less tax effect of:		
- the Company being exempt from income tax	397,518	4,992,093
Effect of deferred tax assets not brought to account		
	0	0

Note 7B: 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	3,568,048	3,548,798
Foreign withholding tax credits expiring within:		
- One year	-	431,169
- Between one and five years	-	-

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)

for the period ended 31 March 2014

	CONSOLIDATED	
Note 8: Cash and cash equivalents	2014 (\$) (3 months)	2013 (\$) (12 months)
Cash on hand	1,992	3,144
Cash at bank	11,965,953	7,405,218
Short term deposits	9,000,000	19,000,000
Research reserve short term deposits	96,003,933	96,003,934
	116,971,878	122,412,296

The Group has an Investment Policy to assist manage its credit risk. The group also has a Reserves Policy which determines the level of the research reserve short term deposits. The Reserves Policy is reviewed annually.

Reconciliation of cash

Cash at the end of the financial period as shown in the Statement of Cash Flows is reconciled to items in the Statement of Financial Position as follows:

Total cash and cash equivalents	116,971,878	122,412,296
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	CONSOLIDATED	
Note 9: Trade and other receivables	2014 (\$) (3 months)	2013 (\$) (12 months)
Current		
Trade receivables	328,095	456,324
	328,095	456,324
Other debtors	21,385,049	20,606,634
Net GST receivable	479,740	1,581,495
Total current trade and other receivables (gross)	22,192,884	22,644,453

Included in other debtors is an estimate for royalties and seed access fees receivable. The estimate is a function of predictions on total cotton hectares planted, plough out rates and product mixes.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

for the period ended 31 March 2014

	CONSOLIDATED	
Note 10: Inventories	2014 (\$) (3 months)	2013 (\$) (12 months)
Current		
Raw materials and stores - at cost	4,974,637	4,463,745
Finished goods and work in progress - at net realisable value	6,752,764	5,866,559
	11,727,401	10,330,304

Write-downs of inventories to net realisable value recognised as an expense during the period ended 31 March 2014 amounted to \$195,901 (2013: \$1,658,464). The expenses has been included in cost of goods sold in the Statement of Profit on Loss and Other Comprehensive Income.

	CONSOLIDATED	
Note 11: Held to maturity bonds	2014 (\$) (3 months)	2013 (\$) (12 months)
Current		
Corporate debt securities - bonds	25,000	25,000
	25,000	25,000
Non- Current		
Corporate debt securities - bonds	4,971,066	4,971,066
	4,971,066	4,971,066

	CONSOLIDATED	
Note 12: Other current assets	2014 (\$) (3 months)	2013 (\$) (12 months)
Current		
Prepayments	290,218	272,140
	290,218	272,140

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

for the period ended 31 March 2014

	CONSOLIDATED	
Note 13: Property, plant and equipment	2014 (\$) (3 months)	2013 (\$) (12 months)
Note 13A: Land and buildings		
Freehold land		
At fair value	2,749,802	2,749,802
Total freehold land	2,749,802	2,749,802
Valuations of land		
An independent valuation of the group's land was performed to determine the fair value. The valuation was performed by a Certified Practising Valuer with reference to recent market transactions on arm's length terms and was effective from 31 August 2011.		
Buildings on freehold land		
At cost	11,852,676	11,903,524
Less accumulated depreciation	(4,000,186)	(3,997,774)
Total buildings on freehold land	7,852,490	7,905,750
Total land and buildings (non-current)	10,602,292	10,655,552
Note 13B: Plant and equipment		
Plant and equipment:		
At cost	12,851,041	12,855,683
Less accumulated depreciation	(6,417,597)	(6,417,598)
Total plant and equipment	6,433,444	6,438,085
Work in progress:		
At cost	1,364,208	546,646
Total work in progress	1,364,208	546,646
Total property, plant and equipment (non-current)	18,399,944	17,640,283

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

for the period ended 31 March 2014

Note 13: Property, plant and equipment (continued)

Note 13C: Movements in carrying amounts

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

CONSOLIDATED	NOTES	LAND (\$)	BUILDINGS (\$)	PLANT AND EQUIPMENT (\$)	WORK IN PROGRESS (\$)	TOTAL (\$)
Prior year						
Balance at 1 January 2013	1(b)(v)	2,612,855	8,175,258	6,306,001	374,689	17,468,803
Additions		136,947	-	1,488,556	458,409	2,083,912
Disposals		-	-	(182,438)	-	(182,438)
Depreciation expense		-	(268,809)	(1,461,185)	-	(1,729,994)
Transfers		-	-	286,452	(286,452)	0
Carrying amount at 31 December 2013		2,749,802	7,906,449	6,437,386	546,646	17,640,283
Current period						
Balance at 1 January 2014	1(b)(v)	2,749,802	7,906,449	6,437,386	546,646	17,640,283
Additions		-	-	282,870	833,562	1,116,432
Disposals		-	-	-	-	0
Depreciation expense		-	(53,260)	(303,511)	-	(356,771)
Transfers		-	-	16,000	(16,000)	0
Carrying amount at 31 March 2014		2,749,802	7,853,189	6,432,745	1,364,208	18,399,944

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

for the period ended 31 March 2014

	CONSOLIDATED	
Note 14: Intangible assets	2014 (\$) (3 months)	2013 (\$) (12 months)
Water licences		
Water licences at fair value	3,349,867	3,349,867
Balance at beginning of period	3,349,867	2,994,000
Additions	-	355,867
Total intangibles (non-current)	3,349,867	3,349,867

Valuations of water licences

An independant valuation of the group's water licences was performed to determine the fair value. The valuation was performed by a Certified Practicing Valuer with reference to recent market transactions on arm's length terms and was effective from 31 August 2011.

	CONSOLIDATED	
Note 15: Trade and other payables	2014 (\$) (3 months)	2013 (\$) (12 months)
Current		
Trade payables	7,101,016	4,460,036
Other creditors and accruals	3,859,324	8,853,956
Total supplier payables	10,960,340	13,313,992

	CONSOLIDATED	
Note 16: Provisions	2014 (\$) (3 months)	2013 (\$) (12 months)
Employee entitlements		
Current	427,562	470,267
Non-current	92,422	88,156
Total employee provisions	519,984	558,423

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

for the period ended 31 March 2014

Note 17: Reserves

(a) Asset revaluation reserve

The asset revaluation reserve includes the net revaluation increments and decrements arising from the revaluation of noncurrent assets measured at fair value in accordance with AASB 116 and ASAB138.

	CONSOLIDATED	
Note 18: Cash flow reconciliation	2014 (\$) (3 months)	2013 (\$) (12 months)
(a) Reconciliation of operating result to net cash from operating activities:		
(Loss)/Profit for the period	(1,325,060)	(16,640,309)
Non-cash flows in (loss):		
Depreciation and amortisation	356,771	1,729,994
Net gain on disposal of property, plant and equipment	0	(69,626)
Changes in assets and liabilities		
Change in trade and other receivables	451,569	(5,410,522)
Change in inventories	(1,397,097)	(4,444,528)
Change in other current assets	(18,078)	21,565
Change in trade payables and other payables	(2,353,650)	2,836,445
Change in provisions	(38,439)	(44,654)
Net cash (used by)/ from operating activities	(4,323,986)	(22,021,635)

(b) Finance facilities

The Group has no bank or loan guarantee facilities (2013: Nil).

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

for the period ended 31 March 2014

CONSOLIDATED

Note 19: Related party transactions

2014 (\$)
(3 months)

2013 (\$)
(12 months)

A number of Directors, or their related parties, hold positions in other entities that result in them having control or significant influence over these companies.

A number of these companies transacted directly with the Group or via intermediary distributors during the year. The terms and conditions of these transactions were no more favourable than those available, or which might reasonably be expected to be available, in similar transactions with non-key management personnel related entities at an arm's length basis.

The aggregate value of transactions related to key management personnel and entities over which they have control or significant influence were as follows:

Key management personnel transactions

James Kahl - On-farm Investment Rebate	-	42,216
Joanne Grainger - On-farm Investment Rebate	-	70,960
Juanita Hamparsum - On-farm Investment Rebate	-	27,920
Paul McVeigh - On-farm Investment Rebate	-	69,120
Matthew Norrie - On-farm Investment Rebate	-	14,080
Matthew Norrie - Agricultural Products	-	2,550
Rob Tuck - On-farm Investment Rebate	-	45,360
	0	272,206

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Note 20: Key management personnel remuneration

2014 (\$)
(3 months)

2013 (\$)
(12 months)

Key management personnel remuneration

Senior executives	331,538	1,370,967
Non-executive directors	80,576	327,544
	412,114	1,698,511

The key management personnel remuneration includes the Board of Directors and senior executives. Senior executive remuneration is determined after reference to independent advice and benchmarking.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

for the period ended 31 March 2014

Note 20: Key management personnel remuneration (continued)

Non-executive director remuneration

NON-EXECUTIVE DIRECTOR	YEARS	CSD DIRECTOR FEES (\$)	SUBSIDIARY AND ADVISORY BOARD FEES (\$)	SUPERANNUATION (\$)	TOTAL (\$)
James Kahl	to March 2014	13,750	2,500	1,503	17,753
	2013 year	55,000	10,000	5,933	70,933
Joanne Grainger	to March 2014	7,500		694	8,194
	2013 year	30,000		2,738	32,738
Juanita Hamparsum	to March 2014	9,961		694	10,655
	2013 year	30,000		2,738	32,738
Tom Keene	to March 2014	7,500	1,250	809	9,559
	2013 year	30,000	5,833	3,269	39,102
Paul McVeigh	to March 2014	7,500		694	8,194
	2013 year	30,000	417	2,775	33,192
Matthew Norrie	to March 2014	7,500		694	8,194
	2013 year	30,000		2,738	32,738
John Stewart	to March 2014	7,500	1,500	833	9,833
	2013 year	30,000	6,417	3,323	39,740
Philip Thompson	to March 2014	0		0	0
	2013 year	12,500		1,125	13,625
Robert Tuck	to March 2014	7,500		694	8,194
	2013 year	30,000		2,738	32,738
Total	to March 2014	68,711	5,250	6,615	80,576
	2013 year	277,500	22,667	27,377	327,544

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

for the period ended 31 March 2014

Note 21: Controlled entities

	COUNTRY OF INCORPORATION	PERCENTAGE OWNED 2014	PERCENTAGE OWNED 2013
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%

Note 22: Contingent liabilities and contingent assets

The Group is entitled to a contingent asset in the form of an end point royalty which will be payable in 2014 in the range of \$nil to \$4 million.

A claim for breach of contract, breach of fiduciary duty and damages for misleading and deceptive conduct has been lodged against Cotton Seed Distributors Limited, CSD Grains Pty Limited and a Director of both companies. All defendants have disclaimed liability and are defending the action. Whilst liability is not admitted, if the defences against the action are totally unsuccessful (which is not contemplated), then the plaintiff's claim could amount to \$1.6m plus any legal costs ordered against the defendants.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

for the period ended 31 March 2014

	CONSOLIDATED	
Note 23: Parent entity financial information	2014 (\$) (3 months)	2013 (\$) (12 months)
(a) Summary financial information		
Statement of financial position		
Current assets	146,313,326	150,960,995
Total assets	173,472,532	177,358,129
Current liabilities	9,913,360	122,256,668
Total liabilities	10,005,785	12,313,827
Net Assets	163,466,747	165,044,302
Equity		
Reserves	969,090	969,090
Retained surpluses	162,497,657	164,075,212
Total equity	163,466,747	165,044,302
(Loss)/Profit for the period	(1,577,557)	(17,279,877)
Total comprehensive income	(1,577,557)	(17,279,877)
(b) Guarantees entered into by the parent	-	-
(c) Contingent liabilities of the parent	-	-
(d) Contractual commitments for the acquisition of property, plant and equipment	563,608	1,190,687

Note 24: Events subsequent to balance date

No other matters or circumstances have arisen since the end of the financial period 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.



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