



Cotton Seed Distributors Limited

Report to members for the
12 months ending 31 March 2015

Leaders in the field

Introduction

Agenda	04
Chairman's Report	05
Managing Director's Report	06
Cotton Breeding Australia Report	09
Directors' Report	10
Auditor's Independence Declaration	13
Auditor's Independence Report	14
Directors' Declaration	15
Statement of Profit or Loss and Other Comprehensive Income	16
Statement of Financial Position	17
Statement of Changes in Equity	18
Statement of Cash Flows	19
Notes to and Forming Part of the Financial Statements	20

Agenda

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Cotton Seed Distributors Limited will be held on Tuesday 16th June, 2015 at 11.00am at the Crossing Theatre, Narrabri.

1. Present and Apologies.
2. To confirm the minutes of the Annual General Meeting held on 29th May 2014.
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 the year ended 31st March 2015 and the reports of the Directors and Auditors there on.
7. Election of Directors
 - Three Director positions are available in accordance with the provisions of the Constitution. Joanne Grainger, Matthew Norrie and Robert Tuck offer themselves for re-election. Scott Brimblecombe offers himself for election.
8. To consider and, if thought fit, pass the following resolutions that the Constitution of the company be amended by accepting the alterations shown in the mark up copy of the Constitution which has been posted on the company's website: www.csd.net.au/corporate_documents.
9. 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.
10. General Business. To transact any business which may be lawfully brought forward.

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

By Order of the Board



David Coleman
Company Secretary

Dated at Wee Waa 19th May 2015

Chairman's report

The 2014/15 year certainly delivered a very unpopular rainfall pattern. For CSD, the excessive rain just prior to the 2014 cotton harvest caused a disrupted seed intake and the subsequent lack of rain moisture for eleven months thereafter left us all with a much reduced crop size especially in rain grown areas. Peter and the management team of CSD managed an uncertain inventory requirement and the delivery of quality seed, trait and treatment packages very well.

The Board with Senior Management have maintained a focus on positioning CSD and our growers to be delivering well into our future, a higher yielding cotton crop while maintaining the terrific fibre quality we currently enjoy. In August 2014, CSD announced the results of our strategic planning. Primarily the goal is to assist every grower to raise their yields by two bales per hectare by 2020, effectively raising the three year industry average from 9.78 bales per hectare to 11.78 bales per hectare of irrigated cotton.

With growers spending more than the last decade effectively cutting costs, we believe it will now be easier to add yield than continue to reduce the costs of production. The continuing investment in Cotton Breeding Australia will assist this endeavor but will not complete it. Our core business of delivering sufficient quantity of high-quality seed with the best traits and seed treatments will remain the primary focus, however CSD now plans to invest in activities to deliver better management of cotton crops. We expect to work with our industry partners in delivering research from CRDC and others, better management techniques from our team and Cotton Australia, along with new technology coming out of trait suppliers and our distribution network. A second part of our planning is to expand the potential cotton industry area by 50,000 hectares by 2020, with a particular emphasis on the expansion of the rain grown area. We believe it will be important to build a more stable, larger industry to allow infrastructure capacity to grow, including CSD's own, and to maintain Australia's recognised position as a significant and reliable supplier of the highest quality cotton.

With respect to the capacity of CSD, we have commenced investing some of our earnings with a certainty of what will be required from CSD in the foreseeable future.

This year's purchase of a farm adjacent to "Little Mollee" will now give CSD a single farm with economic scale and capacity to deal with the regulated crops we need to produce with the ongoing introduction of new trait technologies past 2020.

The upgrading of seed storage, delinting, seed treatment and laboratory capacity to cater for the high throughput of low density varieties with new traits is well into the planning phase and will commence in construction this coming year.

CSD being a specialist business, in a regional location recognises the need to continue to invest in the development of the skills of the whole management team including the Board. At the Board level, this compliments the attention we have to the balance of skills around the table to drive CSD.

In September last year, Tom Keene resigned from his appointed Board position. Tom accepted his appointment four years earlier knowing that we sought the skills demonstrated by him as the CEO of Graincorp to assist CSD with developing a few specific Board tasks. Tom was a valuable contributor in assisting the reformation of some Board activities. Since the end of this reporting period, we have utilised an appointed Director position to gain the services of Doug Rathbone to the Board. Doug, with his Nufarm experiences, will be able to contribute both in the significant investment in the re-development of the CSD seed processing capacity cost effectively and more broadly in developing our activities to position CSD securely for the future commercial landscape. I very much anticipate a continuing cohesive Board with a single view to achieve for the benefit of the growers of our cotton industry.

I believe CSD is getting better at telling it as it is with respect to our activities. The communication in both directions is productive and I thank you for your constructive feedback to CSD over this past year. We hope, with you, for the moisture to provide full production for next year.



James Kahl
Director

Dated at Wee Waa 19th May 2015

Managing Director's report

The 2014-15 season started with significantly reduced water supplies for most regions and cotton prices around \$450/bale. Due to a lack of in-crop rainfall and an absence of river flows, the initial planted area of approximately 220,000ha, contracted to approximately 205,000ha at harvest. Only a limited area of rain grown cotton was planted this season.

The CSD Group delivered a surplus of \$8.95m for the 12 months ending 31 March 2015. Delivering high quality varieties, managing our costs and the growth in the use of biotechnology traits coupled with a clear emphasis on our goals, has continued to be our strong operational focus.

With safety being a core to everything we do at CSD, we are very proud to advise that the group recorded no Lost Time Injuries during the past 12 months.

The 2014 season saw CSD supply in excess of 2,800 tons of cotton planting seed. With the continued popularity of the variety Sicot 74BRF, more than 70% of the planted area contained this variety. Of the 14 commercial varieties offered by CSD this year, three varieties (Sicot 74BRF, Sicot 71BRF and Sicot 71RRF) accounted for over 94% of the total planted area. The popularity of these varieties is complimented by a strong portfolio of specialist varieties to meet growers demands such as Sicot 75BRF, Sicala 340BRF, Sicot 75RRF and Sicot 730.

In 2014-15 our key focus continued to be strongly aligned with the planned introduction of Monsanto's Bollgard® 3 technology. CSD has also advanced new families of germplasm containing the Roundup Ready Flex® technology and is hosting sites for the development of Roundup Ready® XtendFlex™ technology.

Low Density Varieties

The operational and plant stand establishment challenges encountered with the low density, high yield potential varieties such as Sicot 74BRF and Sicot 75BRF has continued to be a priority for all the teams within CSD and CSIRO, with improved results for growers being achieved this season.

As the popularity of these varieties is likely to remain for the foreseeable future, we continue to place strong importance in understanding how we can better manage the establishment of these varieties under all circumstances. Over the past five years the company has delivered a strong grower education program and in general, growers are having fewer problems with this germplasm than when we first released these extremely high yield potential varieties. CSD and CSIRO are working closely to generate knowledge and tools to assist growers manage that critical early stand establishment phase with the low density varieties.

I would like to compliment the CSD Extension and Development (E&D) team who continue to proactively work with industry to focus on these challenges.

CSD continues to offer the Sicot 71 family of varieties that are widely adapted, have high yield potential and provide an alternate option for growers where crop establishment conditions may be less than ideal.

Transparency

Throughout the year we have worked hard to continue to meet our commitment to be transparent in our communication. CSD has continued it's low-key shed meetings with small numbers of growers across the industry to listen and discuss issues from the paddock. We are finding this a slow but highly valuable process. We have also continued to work closely with the wider cotton industry, our partners and our staff to continue to develop deep and effective business relationships.

CSD Strategic plan

A highlight for CSD was the launch of the CSD Strategic Plan at the 2014 Australian Cotton Conference. The plan operates from 2014 to 2020 with a key goal of delivering an average increase in yield of two bales per hectare, establish 50,000ha of new cotton area and ensure 50% of the total summer crop plantings is planted to cotton. We recognise that CSD alone cannot achieve these ambitious goals, so we will be encouraging and assisting to develop and execute tactics with any of our partners or like-minded organisations to deliver our plan. The plan has given the company a very clear focus

for the next 6 years allowing prudent investment in the business to deliver against very significant goals.

CSIRO: Our critical partner

In July 2014 CSD and CSIRO extended the Cotton Breeding Australia (CBA) collaboration agreement for an additional two years to 30 June 2024. Since the CBA collaboration commenced in 2007, CSD and CSIRO have jointly and equally invested a total of \$58.7m in breeding and research. Through the terms of this extended agreement; by 2024 this investment will exceed \$141m in total.

CSD has maintained a very strong long-term relationship with CSIRO. In December 2014 representatives of CSD were invited to attend an interactive discussion in Canberra with the CSIRO Board and Senior Management. This was a great opportunity to meet the new CSIRO CEO Dr Larry Marshall and to reiterate the importance of the long-term interaction between the organisations. Dr Simon McKeon (Chair of CSIRO) acknowledged that the relationship with CSD was one of the most important CSIRO has, and it is through such relationships that CSIRO can effectively and efficiently deliver the benefits of science to a world leading Australian industry.

During the reporting period, the CBA joint venture has seen a further handover to CSD of elite lines containing the Bollgard® 3 technology for continued screening and development. Our investment of member funds into 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 in new and novel biotechnologies.

Investment in the Australian cotton industry's future

The seed production and research facilities, "Little Mollee" and "Westella" continue to be very important assets for our business. 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 the increase of germplasm transformed with biotechnology traits from our technology partners.

In December 2014 CSD signed a contract to purchase additional land and water adjacent to our current farming activities at "Little Mollee". With settlement scheduled to occur during the middle of this year, this acquisition will provide CSD an enhanced capacity for early generation screening and seed production for new germplasm and technology. The "Little Mollee" aggregation has and will continue to act as a research and demonstration site for many of the trials being undertaken by our E&D team.

In order to meet the future needs of expansion in the Australian Cotton Industry, we are addressing the processing capacity of our facilities at "Shenstone". Currently our facilities are at capacity and with the expansion of rain grown (dryland) cotton systems becoming more important in NSW and Queensland, our readiness to meet grower demand is being challenged. This is coupled with a growing market in southern NSW and in the Murray valley, where cotton is finding a great fit in those irrigated production systems. We are well advanced in analysing our capacities and our business model to serve a changing and dynamic market.

Succession planning and building human capacity including internal training at Board and staff level is a priority for CSD. We have worked diligently to highlight talent, build long-term retention and enhance the passion for the CSD business, ensuring the past success of the group will continue well into the future.

Extension, product support and partnerships

To achieve our 2020 goals, growers need to be in receipt of as much research based knowledge as possible. Our E&D team continue their strong presence with growers in the field, focussing on establishing our 'Ambassador' sites on farms to research and demonstrate the latest technologies and techniques.

In 2014-15 we furthered our commitment to the CottonInfo team joint venture with Cotton Australia and the Cotton Research and Development Corporation (CRDC). Through the reporting period, the six Regional Development Officers (RDOs), which CSD provides to the joint venture have continued to focus on integrating into the wider CottonInfo team and complimenting the work of the CSD E&D team to deliver research based outcomes to all Australian cotton growers. The CottonInfo initiative has now been operating for two years and the impact is providing a real benefit to the Australian Cotton Industry.

CSD has begun to work more closely with CRDC in the cotton research space. This is both through the inclusion of CRDC research leadership in the

Managing Directors' report continued

management structure of the CBA research program, as well as identifying potential future collaborative research aligned with both the CRDC and CSD strategic plans.

Commercial partners

CSD has been working with our commercial partners to ensure that future technologies are available to the Australian growers. As mentioned above, the development of Roundup Ready® XtendFlex™ technology and the introgression of it into CSIRO germplasm is well advanced, and along with other cotton technologies from the Monsanto R&D pipeline, is driving our re-investment in the business.

CSD and Syngenta announced a milestone in our long-standing relationship with the signing of a formal collaboration agreement to deliver FastStart Cotton® technology at the 2014 Australian Cotton Conference. Our goal is to deliver new and novel technology and management support tools to maximize the establishment, growth and development of cotton within the first 70 days from planting.

CSD's ability to support the Australian Cotton Industry is also made possible by the activities of our distribution partners who provide vital transactional, distribution and product support services directly with growers.

Cotton Seed International (CSI)

CSI has continued to contribute in meeting the diversification and strategic aims of the CSD Group. Our focused and 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 and South Africa with minimal risk while at the same time protecting the intellectual property inherent in the CSIRO cotton germplasm. CSI reported a profit of \$0.95m for the 12 months ending 31 March 2015.

CSD Grains (CSDG)

CSD Grains continues to undertake ongoing consideration to diversify into other crops. To date, no new attractive opportunities have been discovered. Cotton remains the focus of the CSD group in 2015 and for the foreseeable future.

Concluding remarks

While 2014-15 was in general a cooler season than last year, we are extremely pleased with the general performance of our varieties. This is a testament to the dedication of the entire CSD team as well as our colleagues at CSIRO. From primary breeding and selection through to the seed increase, production, processing, quality assurance and product support, CSD is proud to support the Australian Cotton Industry.

Without the support of our staff, Industry partners, technology partners, and pure seed grower partners, CSD cotton varieties would not be the world leaders that they are today.

Under the leadership of James Kahl, the Board of CSD and subsidiary companies continue to embrace the ever-changing business environment.

Finally, I thank the Executive Team and my fellow Board members for their support during the reporting period and look forward to the challenges 2015-16 will provide, especially as we work hard to deliver against our Strategic Plan.



Peter T Graham

Managing Director

Dated at Wee Waa 19th May 2015

Cotton Breeding Australia report

The Cotton Breeding Australia (CBA) joint venture continues to be a valuable partnership for the Australian cotton Industry, driving varietal development and cutting edge research to understand the genetic origins of fibre production and quality with a view to delivering value to Australia's cotton growers now and well into the future. In 2014, CSIRO and CSD committed to extending the CBA Joint Venture agreement to 2024, ensuring resourcing and certainty of the provision of elite varieties with best in class technologies to the Australian cotton industry well into the future. Actual and projected total investment by both CSIRO and CSD in CBA from 2007 to 2024 will be approximately \$141million.

Variety and technology pipelines

The foundation of most of the breeding program continues to operate at a non-transgenic level. CSIRO cotton breeders utilise germplasm from around the world to generate lines which contain a wide variety of attributes to meet the possible future challenges to production such as disease, fibre quality and importantly, yield. The elite lines that come from the non-transgenic program are crossed with germplasm containing best in class traits to be brought through as candidate lines for handover to CSD for commercialisation. In 2009, this process commenced with the introgression of the Bollgard® 3 Roundup Ready Flex® trait package into elite germplasm. Candidates from this work are on track for introduction this coming 2015/16 season, subject to regulatory approval. Similarly, introgression has recently commenced with Monsanto's XtendFlex™ herbicide technology for possible commercialisation in the future.

The largest challenge faced by the Joint Venture, given the lead times to provide technology-enabled varieties to the Australian market, is to identify what the future needs of the industry may be and ensure that as many potential challenges and market needs are covered as feasibly possible.

Research activities


Since the commencement of the CBA partnership in 2007, the partnership has been commissioning and operating research projects other than the breeding and quality assurance efforts. In 2014 the research program became fully subscribed, with all budgeted funds fully allocated to significant projects. This marks the transition of the research program to maturity where the focus has been moved further towards project management and research based outcomes for the Australian cotton industry.

The extensive portfolio of CBA research now broadly covers:

- Genetic identification of genes relating to disease tolerance to assist accelerated breeding
- Heat and moisture stress tolerance variation by variety
- Water use efficiency
- Genetic approaches to identifying, understanding and manipulation of the structure and initiation of the cotton fibre
- Unique approaches to producing more fibre per plant
- Conventionally bred tolerance to various insect pests

Management and Scientific committees

The CBA joint venture management structure continues to operate at both the Management and Scientific committee level. The current Management committee is made up of CSIRO members Dr John Manners, Dr Mark Peoples and Lionel Henderson and CSD members, John Stewart, Peter Graham and myself as the Chair. The Scientific committee who review the project proposals and monitor the project performance is currently made up of three people from CSIRO - Dr Danny Llewellyn, Dr Mark Peoples, Dr Warwick Stiller, three from CSD - Phil Steel, Stephen Ainsworth, Philip Armytage, one from CRDC - Allan Williams, and two appointed by Cotton Australia - Hamish McIntyre and Damien Erbacher.



James Kahl

Chairman, Cotton Breeding Australia Management Committee

Dated at Wee Waa 19th May 2015

Directors' report

The directors present their report together with the financial report of Cotton Seed Distributors Limited and controlled entities ("the group") for the 12 months ended 31 March 2015 and the Auditors' Report thereon.

1. DIRECTORS

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

	Period as Director
James Kahl	14 April 2003 to present
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 30 September 2014
John Stewart	18 May 2010 to present
Joanne Grainger	20 February 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; and

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

Managing Director of Merced Farming Pty Ltd, aged 64

Joined the Board in 2003 in a non executive capacity. James has over 40 years of experience in agricultural practices. He is Chair of Cotton Seed Distributors Limited, Cotton Seed International Pty Ltd and CSD Holdings Pty Limited. He is also a member and alternating Chair of Cotton Breeding Australia Management and Commercial Committees. He is a Chair of the Nomination and Remuneration Committee

Peter Graham BRurSc, UNE. Fellow AICD

Managing Director, aged 58

Joined the Board in 1990. Peter has 35 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, Chairman of the Australian Cotton Industry Council (ACIC) and a member of the Cotton Info Management Committee.

Paul McVeigh Member AICD

Cotton and Grain Producer in the Darling Downs Queensland, aged 59

Joined the Board in 2002 in a non-executive capacity. Paul has 43 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 and Nomination and Remuneration Committee.

Robert Tuck GAICD

Cotton producer in the Macquarie Valley, New South Wales, aged 49

Joined the Board in 2009 in a non-executive capacity. Rob has 27 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 and a member of the Board Farming Committee and Board Audit Committee.

Tom Keene BEc, UNE. Fellow AICD

Non-executive Director of Midway Limited and Non-executive Director of Australian Agricultural Company Limited, aged 67

Joined the Board in 2010 in a non-executive capacity. Tom 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.

John Stewart BRurSc, UNE. GAICD

Non-executive Director, aged 55

Joined the Board in 2010 in a non executive capacity. John is General Manager - Australia of PG Wrightson Seeds (Australia) Pty Limited 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. He is a member of the Nomination and Remuneration Committee.

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

Non-executive Director, aged 60

Joined the Board in 2012 in a non executive capacity. Joanne has 34 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 and president of the Queensland Farmers Federation. Mrs Grainger is a Director of CSD Holdings Pty Ltd.

Matthew Norrie Dip Cotton Production and Business Management, Emerald Ag College, GAICD

Non-executive Director, aged 33

Joined the Board in 2012 in a non-executive capacity. A cotton, grain and cattle producer in the Namoi Valley, Matt has over 12 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 Chair of the Board Farming Committee.

Juanita Hamparsum B.Bus, CA, GAICD, FPCT

Non-executive Director, aged 44

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 Chair of the Cotton Innovation Network, Chair of Great Artesian Basin Co-ordinating Committee and Deputy Chair of National Landcare Advisory Committee. A Director of CSD Holdings Pty Ltd and Chair of the Board Audit Committee.

4. MEETINGS OF DIRECTORS

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

Directors' Meetings

	Eligible to attend	Number attended
James Kahl	10	10
Peter Graham	10	10
Paul McVeigh	10	10
Robert Tuck	10	10
Tom Keene	7	4
John Stewart	10	10
Joanne Grainger	10	10
Matthew Norrie	10	10
Juanita Hamparsum	10	10

Directors' report continued

5. AUDITORS INDEPENDENCE DECLARATION

The lead auditors independence declaration for the 12 months ended 31 March 2015 has been received and can be found on page 13 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 2015 the collective liability was \$127,000 (2014: \$121,800).

Signed in accordance with a resolution of the Directors:



James Kahl

Director

Dated at Wee Waa 19th May 2015

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 March 2015, 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 and Co.
Chartered Accountants



Lester Wills
Partner

Dated at Sydney 19th May 2015

Sydney Office

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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 2015, 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.

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

Independence

In conducting our audit, we 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 2015 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 and Co.

Chartered Accountants



Lester Wills

Partner

Dated at Sydney 19th May 2015

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Directors' declaration

In the directors' opinion:

1. The financial statements and notes, as set out on pages 16 to 42, 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 2015 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 19th May 2015

Statement of profit or loss and other comprehensive income

for the 12 months ended 31 March 2015

	Notes	2015 (\$) (12 months)	2014 (\$) (3 months)	2013 (\$) (12 months)
Revenue from sale of goods	3A	29,530,071	272,145	52,438,879
Volume discounts	3A	-	-	(21,646,898)
Net revenue from sale of goods		29,530,071	272,145	30,791,981
Cost of goods sold		(26,735,789)	(360,816)	(30,502,091)
Gross profit		2,794,282	(88,671)	289,890
Other revenues	3B	14,542,271	-	21,421,863
Other income	4	388,713	236,151	545,876
On-farm investment rebate		-	-	(32,237,520)
Product development and testing expenses		(7,427,404)	(1,646,532)	(7,544,290)
Administrative expenses		(5,788,732)	(955,857)	(4,817,659)
		1,714,848	(2,366,238)	(22,631,730)
Finance income	5	4,453,001	1,129,849	5,701,531
Finance expense	5	-	-	-
Net finance income		4,453,001	1,129,849	5,701,531
Surplus/ (Deficit) before impairment and income tax		8,962,131	(1,325,060)	(16,640,309)
Income tax expense	7A	-	-	-
Surplus/ (Deficit) after tax		8,962,131	(1,325,060)	(16,640,309)
Other comprehensive income for the period, net of income tax		-	-	-
Total comprehensive income for the period		8,962,131	(1,325,060)	(16,640,309)
Surplus/ (Deficit) attributable to owners of the Company		8,962,131	(1,325,060)	(16,640,309)
Total comprehensive income attributable to owners of the Company		8,962,131	(1,325,060)	(16,640,309)

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

Statement of financial position

as at 31 March 2015

	Notes	2015 (\$) (12 months)	2014 (\$) (3 months)	2013 (\$) (12 months)
ASSETS				
Current assets				
Cash and cash equivalents	8	131,596,796	116,971,878	122,412,296
Trade and other receivables	9	22,677,820	22,192,884	22,644,453
Inventories	10	6,379,179	11,727,401	10,330,304
Held to maturity bonds	11	25,000	25,000	25,000
Other current asset	12	303,936	290,218	272,140
Total current assets		160,982,731	151,207,381	155,684,193
Non-current assets				
Held to maturity bonds	11	4,971,066	4,971,066	4,971,066
Property, plant and equipment	13	18,941,276	17,430,854	16,671,193
Intangibles	14	3,349,867	3,349,867	3,349,867
Total non-current assets		27,262,209	25,751,787	24,992,126
Total Assets		188,244,940	176,959,168	180,676,319
LIABILITIES				
Current liabilities				
Trade and other payables	15	13,267,028	10,960,340	13,313,992
Short-term provisions	16	452,194	427,562	470,267
Total current liabilities		13,719,222	11,387,902	13,784,259
Non-current liabilities				
Other long-term provisions	16	84,743	92,422	88,156
Total non-current liabilities		84,743	92,422	88,156
Total Liabilities		13,803,965	11,480,324	13,872,415
Net Assets		174,440,975	165,478,844	166,803,904
EQUITY				
Reserves	17	-	-	-
Retained surpluses		174,440,975	165,478,844	166,803,904
Total equity		174,440,975	165,478,844	166,803,904

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

Statement of changes in equity

as at 31 March 2015

Consolidated	Retained Earnings (\$)	Asset Revaluation Reserve (\$)	Total (\$)
Balance at 1 January 2013	183,444,213	969,090	184,413,303
Change in accounting policy	-	(969,090)	(969,090)
Balance at 1 January 2013 (restated)	183,444,213	-	183,444,213
Total comprehensive income for the year	(16,640,309)	-	(16,640,309)
Balance at 31 December 2013	166,803,904	0	166,803,904
Balance at 1 January 2014	166,803,904	-	166,803,904
Total comprehensive income for the year	(1,325,060)	-	(1,325,060)
Balance at 31 March 2014	165,478,844	0	165,478,844
Balance at 1 April 2014	165,478,844	-	165,478,844
Total comprehensive income for the year	8,962,131	-	9,619,787
Balance at 31 March 2015	174,440,975	0	175,098,631

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

Statement of cash flows

for the 12 months ended 31 March 2015

	Notes	2015 (\$) (12 months)	2014 (\$) (3 months)	2013 (\$) (12 months)
Cash from operating activities				
Receipts from customers		48,351,519	3,730,581	53,747,174
Payments to suppliers and employees		(34,438,909)	(9,184,416)	(81,470,340)
Interest received		4,081,825	1,129,849	5,701,531
Net cash flows from operating activities	18	17,994,435	(4,323,986)	(22,021,635)
Cash flows from investing activities				
Proceeds from sale of plant and equipment		68,531	-	(103,207)
Acquisition of investments		-	-	(4,996,066)
Acquisition of property, plant and equipment		(3,438,048)	(1,116,432)	(2,083,912)
Net cash flows from investing activities		(3,369,517)	(1,116,432)	(7,183,185)
Net change in cash and cash equivalents		14,624,918	(5,440,418)	(29,204,820)
Cash and cash equivalents at the beginning of the reporting period		116,971,878	122,412,296	151,617,116
Cash and cash equivalents at the end of the reporting period	8	131,596,796	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 12 months ended 31 March 2015

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 Group is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards.

The financial statements were authorised for issue by the Board of Directors on 19th May 2015. 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 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 except as follows:

Voluntary change in accounting policy

The financial report has been prepared on the basis of a retrospective application of a voluntary change in accounting policy relating to land and intangible assets.

The new accounting policy is to carry land and intangible assets (i.e. water licences) at historical cost less impairment. Refer to Note 1(f) and 1(g) for full details of the new accounting policy.

The previous accounting policy was to carry land and intangible assets (including water licences) at fair value.

It has been judged that the change in the accounting policy will result in the financial report providing more reliable information given the highly specialised nature of the Group's assets and the associated difficulty in obtaining accurate estimates of fair value.

The impact of the change in accounting policy on the Financial statements is set out below.

	Previously Disclosed 31/12/2012 (\$)	Adjustment (\$)	Revised 31/12/2012 (\$)
Statement of financial position			
Land	2,612,855	(969,090)	1,643,765
Intangibles	3,349,867	-	3,349,867
	5,962,722	(969,090)	4,993,632
Reserves	969,090	(969,090)	-
Retained surpluses	183,444,213	-	183,444,213
	184,413,303	(969,090)	183,444,213

Statement of profit or loss an other comprehensive income

Depreciation expense	-	-	-
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Notes to and forming part of the financial statements

Note 1: Statement of Significant Accounting Policies (continued)

	Previously Disclosed 31/12/2013 (\$)	Adjustment (\$)	Revised 31/12/2013 (\$)
Statement of financial position			
Land	2,749,802	(969,090)	1,780,712
Intangibles	3,349,867	-	3,349,867
	6,099,669	(969,090)	5,130,579
Reserves	969,090	(969,090)	-
Retained surpluses	166,803,904	-	166,803,904
	167,772,994	(969,090)	166,803,904

Statement of profit or loss an other comprehensive income

Depreciation expense	-	-	-
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	Previously Disclosed 31/03/2014 (\$)	Adjustment (\$)	Revised 31/03/2014 (\$)
Statement of financial position			
Land	2,749,802	(969,090)	1,780,712
Intangibles	3,349,867	-	3,349,867
	6,099,669	(969,090)	5,130,579
Reserves	969,090	(969,090)	-
Retained surpluses	165,478,844	-	165,478,844
	166,447,934	(969,090)	165,478,844

Statement of profit or loss an other comprehensive income

Depreciation expense	-	-	-
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(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.

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

(e) Financial instruments

(i) Non derivative financial instruments

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

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

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

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

Available for sale financial assets

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

Other

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

(ii) Derivative financial instruments

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

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

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

Notes to and forming part of the financial statements

Note 1: Statement of Significant Accounting Policies (continued)

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

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

- Fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (The Group does not currently have any fair value hedges).
- Cash flow hedges when they hedge the exposure to variability in cash flows that is attributable either to a particular risk associated with a recognised asset or liability or to a forecast transaction (The Group 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, 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 Statement of Profit or Loss and Other Comprehensive Income during the financial period in which they are incurred.

Decreases in the carrying amount of an asset that reverse previous increases of the same asset are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset; all other decreases are charged to the Statement of Profit or Loss or 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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each Statement of Financial Position date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

(g) Intangible assets

Water licence rights

Water licences are shown at historical cost less impairment.

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.

Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

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

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

(ii) Non-financial assets

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

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. A cash generating unit

Notes to and forming part of the financial statements

Note 1: Statement of Significant Accounting Policies (continued)

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

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

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

(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.

(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

CONSOLIDATED

NOTE 2: LEASES AND COMMITMENTS

2015 (\$)
(12 months)

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	38,745	87,167	87,167
- between 12 months and 5 years	4,940	37,636	63,048
	43,685	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	2,597,488	5,138,473	5,138,473
	2,597,488	5,138,473	5,138,473

(iii) Capital expenditure commitments

Property, plant and equipment purchases contracted for:

- not later than 12 months	3,610,000	563,608	1,190,687
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(iv) Cotton Breeding Australia commitments

(a) Capital expenditure commitments

Plant and equipment purchases contracted for but not provided for and payable:

- not later than 12 months	1,364,697	1,924,911	1,776,786
- between 12 months and 5 years	2,547,000	2,485,000	2,460,000
- greater than 5 years	2,967,750	2,194,375	2,347,500
	6,879,447	6,604,286	6,584,286

	CONSOLIDATED		
	2015 (\$) (12 months)	2014 (\$) (3 months)	2013 (\$) (12 months)
(b) Research expenditure commitments			
Future research commitments not provided for in the financial statements and payable:			
- not later than 12 months	3,483,557	4,261,377	4,223,017
- between 12 months and 5 years	14,766,143	14,332,166	14,207,166
- greater than 5 years	16,913,736	12,823,081	13,744,362
	35,163,436	31,416,624	32,174,545
Total of Cotton Breeding Australia commitments	42,042,883	38,020,910	38,758,831
Total leases and commitments	48,294,056	43,847,794	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 an agreement 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 in excess of \$5 million over the 5 year term.

Notes to and forming part of the financial statements

NOTE 3: REVENUE	CONSOLIDATED		
	2015 (\$) (12 months)	2014 (\$) (3 months)	2013 (\$) (12 months)
Note 3A: Sale of goods revenue			
Revenue from sale of goods	29,530,071	272,145	52,438,879
Volume discounts			(21,646,898)
Sale of goods revenue	29,530,071	272,145	30,791,981

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

Note 3A: On-farm investment rebate	292,840	0	(32,237,520)
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In 2013 a \$4.00 per kilogram rebate based on 2011 sales volumes was paid to cotton growers who applied. A number of applications were provided for in 2013, but were not paid to growers as they were incomplete. At the expiry of the completion deadline date, these applications were rejected and the funds provided for added back to the Group accounts.

Note 3B: Other revenue

Royalty revenue and seed access fees	30,901,196	-	48,378,944
Less: Seed access fees	(16,358,925)	-	(25,167,114)
Less: Station Costs	-	-	(1,789,967)
Net seed access fees and royalty revenue	14,542,271	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 2013 seed sales is included in seed access fee revenue in the 2014-15 financial year. The EPR in relation to 2014-15 seed sales will be included in seed access fee revenue in the 2015-16 financial year (refer to note 22 - Contingent Assets).

	CONSOLIDATED		
NOTE 4: OTHER INCOME	2015 (\$) (12 months)	2014 (\$) (3 months)	2013 (\$) (12 months)
Net gain on the disposal of property, plant and equipment	38,694	0	69,626
Other income	12,015	304,745	19,828
Net foreign exchange gain/ (loss)	338,004	(68,594)	456,422
Total other income	388,713	236,151	545,876

	CONSOLIDATED		
NOTE 5: NET FINANCE INCOME	2015 (\$) (12 months)	2014 (\$) (3 months)	2013 (\$) (12 months)
Finance income			
Interest - other parties	4,453,001	1,129,849	5,701,531
Net finance income	4,453,001	1,129,849	5,701,531

	CONSOLIDATED		
NOTE 6: EXPENSES	2015 (\$) (12 months)	2014 (\$) (3 months)	2013 (\$) (12 months)
Employee superannuation expense	468,453	114,864	423,557
Depreciation - property, plant and equipment	1,897,788	356,771	1,729,994
Bad debts written off	-	-	-
Loss on foreign exchange differences	-	-	-
Total rental expense relating to operating leases	87,167	21,703	86,810

Notes to and forming part of the financial statements

CONSOLIDATED

NOTE 7: INCOME TAX	2015 (\$) (12 months)	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	8,961,301	(1,325,060)	(16,640,309)
Tax at the Australian tax rate of 30%	2,688,390	(397,518)	(4,992,093)
Add tax effect of:			
Less tax effect of:			
- the Company being exempt from income tax	(2,688,390)	397,518	4,992,093
Effect of deferred tax assets not brought to account			
	0	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	3,639,251	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.

NOTE 8: CASH AND CASH EQUIVALENTS	CONSOLIDATED		
	2015 (\$) (12 months)	2014 (\$) (3 months)	2013 (\$) (12 months)
Cash on hand	2,018	1,992	3,144
Cash at bank	21,590,845	11,965,953	7,405,218
Short term deposits	14,000,000	9,000,000	19,000,000
Research reserve short term deposits	96,003,933	96,003,933	96,003,934
	131,596,796	116,971,878	122,412,296

The Group has an Investment Policy to assist in managing 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	131,596,796	116,971,878	122,412,296
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NOTE 9: TRADE AND OTHER RECEIVABLES	CONSOLIDATED		
	2015 (\$) (12 months)	2014 (\$) (3 months)	2013 (\$) (12 months)
Current			
Trade receivables	2,857,799	328,095	456,324
Provision for impairment of receivables	-	-	-
	2,857,799	328,095	456,324
Other debtors	19,658,383	21,385,049	20,606,634
Net GST receivable	161,638	479,740	1,581,495
Total current trade and other receivables (gross)	22,677,820	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

CONSOLIDATED

NOTE 10: INVENTORIES	2015 (\$) (12 months)	2014 (\$) (3 months)	2013 (\$) (12 months)
Current			
Raw materials and stores - at cost	2,529,874	4,974,637	4,463,745
Finished goods and work in progress - at net realisable value	3,849,305	6,752,764	5,866,559
	6,379,179	11,727,401	10,330,304

Write-downs of inventories to net realisable value recognised as an expense during the period ended 31 March 2015 amounted to \$5,114,511 (2014: \$195,901, 2013: \$1,658,464). The expense 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	2015 (\$) (12 months)	2014 (\$) (3 months)	2013 (\$) (12 months)
Current			
Held to maturity bonds	25,000	25,000	25,000
	25,000	25,000	25,000

Non- Current

Held to maturity bonds	4,971,066	4,971,066	4,971,066
	4,971,066	4,971,066	4,971,066

CONSOLIDATED

NOTE 12: OTHER CURRENT ASSETS	2015 (\$) (12 months)	2014 (\$) (3 months)	2013 (\$) (12 months)
Current			
Prepayments	303,936	290,218	272,140
	303,936	290,218	272,140

	CONSOLIDATED		
NOTE 13: PROPERTY, PLANT AND EQUIPMENT	2015 (\$) (12 months)	2014 (\$) (3 months)	2013 (\$) (12 months)
Note 13A: Land and buildings			
Freehold land			
At cost	1,892,243	1,780,712	1,780,712
Total freehold land	1,892,243	1,780,712	1,780,712
Buildings on freehold land			
At cost	12,215,736	11,852,676	11,903,524
Less accumulated depreciation	(4,288,407)	(4,000,186)	(3,997,774)
Total buildings on freehold land	7,927,329	7,852,490	7,905,750
Total land and buildings (non-current)	9,819,572	9,633,202	9,686,462
Note 13B: Plant and equipment			
Plant and equipment:			
At cost	17,074,099	13,154,552	12,855,683
Less accumulated depreciation	(8,331,374)	(6,721,108)	(6,417,598)
Total plant and equipment	8,742,725	6,433,444	6,438,085
Work in progress:			
At cost	378,979	1,364,208	546,646
Total work in progress	378,979	1,364,208	546,646
Total property, plant and equipment (non-current)	18,941,276	17,430,854	16,671,193

Notes to and forming part of the financial statements

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

	Notes	Land (\$)	Buildings (\$)	Plant and Equipment (\$)	Work in progress (\$)	Total (\$)
Prior year						
Balance at 1 January 2013	1(b)(v)	1,643,765	8,175,258	6,306,001	374,689	16,499,713
Additions		136,947	-	1,488,556	458,409	2,083,912
Disposals		-	-	(182,438)	-	(182,438)
Depreciation expense		-	(269,508)	(1,460,486)		(1,729,994)
Transfers		-	-	286,452	(286,452)	0
Carrying amount at 31 December 2013		1,780,712	7,905,750	6,438,085	546,646	16,671,193
Prior year						
Balance at 1 January 2014	1(b)(v)	1,780,712	7,905,750	6,438,085	546,646	16,671,193
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		1,780,712	7,852,490	6,433,444	1,364,208	17,430,854
Current year						
Balance at 1 April 2014	1(b)(v)	1,780,712	7,852,490	6,433,444	1,364,208	17,430,854
Additions		111,531	362,361	2,596,082	368,074	3,438,048
Disposals				(29,838)		(29,838)
Depreciation expense		-	(287,522)	(1,610,266)	-	(1,897,788)
Transfers				1,353,303	(1,353,303)	0
Carrying amount at 31 March 2015		1,892,243	7,927,329	8,742,725	378,979	18,941,276

NOTE 14: INTANGIBLE ASSETS	CONSOLIDATED		
	2015 (\$) (12 months)	2014 (\$) (3 months)	2013 (\$) (12 months)
Water licences			
Water licences at cost	3,349,867	3,349,867	3,349,867
Balance at beginning of year	3,349,867	3,349,867	2,994,000
Additions	-	-	355,867
Disposals	-	-	-
Total intangibles (non-current)	3,349,867	3,349,867	3,349,867

	\$ per Meg	Valuation \$
The Group had its water licences valued in October 2014. The values were:-		
- 1,458 Megalitres of General Security River Licences	1,800	2,624,400
- 388 Megalitres of Supplementary River Licences	500	194,000
- 765 Megalitres of Aquifer (Bore) Licences	1,500	1,147,500
		<u>3,965,900</u>

NOTE 15: TRADE AND OTHER PAYABLES	CONSOLIDATED		
	2015 (\$) (12 months)	2014 (\$) (3 months)	2013 (\$) (12 months)
Current			
Trade payables	553,351	7,101,016	4,460,036
Other creditors and accruals	12,713,677	3,859,324	8,853,956
Total supplier payables	13,267,028	10,960,340	13,313,992

Notes to and forming part of the financial statements

CONSOLIDATED

NOTE 16: PROVISIONS	2015 (\$) (12 months)	2014 (\$) (3 months)	2013 (\$) (12 months)
Employee entitlements			
Current	452,194	427,562	470,267
Non-current	84,743	92,422	88,156
Total employee provisions	536,937	519,984	558,423

NOTE 17: RESERVES

(a) Asset revaluation reserve

The asset revaluation reserve included the net revaluation increments and decrements arising from the revaluation of noncurrent assets measured at fair value in accordance with AASB 116 and AASB 138. Given the change in accounting policy as described in Note 1(b)(v), the asset revaluation reserve has a zero value.

CONSOLIDATED

NOTE 18: CASH FLOW RECONCILIATION	2015 (\$) (12 months)	2014 (\$) (3 months)	2013 (\$) (12 months)
(a) Reconciliation of operating result to net cash from operating activities:			
Profit/ (Loss) for the period	8,962,131	(1,325,060)	(16,640,309)
Non-cash flows in profit:			
Depreciation and amortisation	1,897,788	0	1,729,994
Net gain on disposal of property, plant and equipment	(38,694)	0	(69,626)
Changes in assets and liabilities			
Change in trade and other receivables	(484,936)	451,569	(5,410,522)
Change in inventories	5,348,222	(1,397,097)	(4,444,528)
Change in other current assets	(13,717)	(18,078)	21,565
Change in trade payables and other payables	2,306,688	(2,353,650)	2,836,445
Change in provisions	16,953	(38,439)	(44,654)
Net cash from/(used by) operating activities	17,994,435	(4,680,755)	(22,021,635)

(b) Finance facilities

The Group has no bank loan or guarantee facilities (2014: 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.

NOTE 19: RELATED PARTY TRANSACTIONS

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 on 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:

	CONSOLIDATED		
	2015 (\$) (12 months)	2014 (\$) (3 months)	2013 (\$) (12 months)
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	14,450	-	2,550
Rob Tuck - On-farm Investment Rebate	-	-	45,360
	14,450	0	272,206

	CONSOLIDATED		
NOTE 20: KEY MANAGEMENT PERSONNEL REMUNERATION	2015 (\$) (12 months)	2014 (\$) (3 months)	2013 (\$) (12 months)
Key management personnel remuneration			
Senior executives	1,553,679	331,538	1,370,967
Non-executive directors	356,753	80,576	327,544
	1,910,432	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

NOTE 20: KEY MANAGEMENT PERSONNEL REMUNERATION (CONTINUED)

Non-executive director remuneration

Non-executive director	Period	CSD director fees (\$)	Subsidiary and advisory board fees (\$)	Superannuation (\$)	Travel Expenses (\$)	Total (\$)
	2015 12m	66,819	10,944	6,634	1,562	85,959
James Kahl	2014 3m	13,750	2,500	1,503		17,753
	2013 12m	55,000	10,000	5,933		70,933
	2015 12m	34,783		3,283	346	38,412
Joanne Grainger	2014 3m	7,500		694		8,194
	2013 12m	30,000		2,738		32,738
	2015 12m	35,043	4,958	3,492	2,455	45,948
Juanita Hamparsum	2014 3m	9,961		694		10,655
	2013 12m	30,000		2,738		32,738
	2015 12m	17,391	992	1,722		20,105
Tom Keene	2014 3m	7,500	1,250	809		9,559
	2013 12m	30,000	5,833	3,269		39,102
	2015 12m	37,133		932		38,065
Paul McVeigh	2014 3m	7,500		694		8,194
	2013 12m	30,000	417	2,775		33,192
	2015 12m	34,783	5,950	3,844		44,577
Matthew Norrie	2014 3m	7,500		694		8,194
	2013 12m	30,000		2,738		32,738
	2015 12m	34,783	5,492	3,801		44,076
John Stewart	2014 3m	7,500	1,500	833		9,833
	2013 12m	30,000	6,417	3,323		39,740
	2015 12m	0				0
Philip Thompson	2014 3m	0				0
	2013 12m	12,500		1,125		13,625
	2015 12m	34,783		3,283	1,545	39,611
Robert Tuck	2014 3m	7,500		694		8,194
	2013 12m	30,000		2,738		32,738
	2015 12m	295,518	28,336	26,991	5,908	356,753
Total	2014 3m	68,711	5,250	6,615		80,576
	2013 12m	277,500	22,667	27,377		327,544

NOTE 21: CONTROLLED ENTITIES	Country of incorporation	Percentage owned 2015	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%	100%
CSD Grains Pty Limited	Australia	100%	100%	100%
CSD Holdings Pty Limited	Australia	100%	100%	100%
CSD Property Trust	Australia	100%	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 2015 in the range of \$nil to \$3 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.

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NOTE 23: PARENT ENTITY FINANCIAL INFORMATION

2015 (\$)
(12 months)

2014 (\$)
(3 months)

2013 (\$)
(12 months)

(a) Summary financial information

Statement of financial position

Current assets	156,569,962	146,313,326	140,729,274
Total assets	184,282,534	173,472,532	167,126,408
Current liabilities	13,205,217	9,913,360	1,993,947
Total liabilities	13,289,963	10,005,785	2,082,106
Net Assets	170,992,571	163,466,747	165,044,302

Equity

Reserves	0	969,090	969,090
Retained surpluses	170,992,571	162,497,657	164,075,212
Total equity	170,992,571	163,466,747	165,044,302

Profit/ (Loss) for the year	8,494,913	(1,577,557)	(17,279,877)
Total comprehensive income	8,494,913	(1,577,557)	(17,279,877)

(b) Guarantees entered into by the parent	-	-	-
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(c) Contingent liabilities of the parent	-	-	-
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(d) Contractual commitments for the acquisition of property, plant and equipment	3,610,000	563,608	1,190,687
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NOTE 24: 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.



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