

Cotton Seed Distributors Limited

Report to members for the 12 months ending 31 March 2016



Leaders in the field



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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 at 10:00am on Tuesday 21 June 2016 at The Crossing Theatre, Narrabri NSW.

1. Present and Apologies
2. To confirm the minutes of the Annual General Meeting held on 16th June 2015
3. To receive the Chairman's Report
4. To receive the Managing Director's Report
5. To receive the Cotton Breeding Australia Report
6. To receive, consider and adopt the financial statements of the company for the year ended 31st March 2016 and the reports of the directors and auditors thereon
7. Election of Directors

Two Director positions are available in accordance with the provisions of the Constitution James Kahl offers himself for re-election and Nigel Corish offers himself 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 Dalby, 17 May 2016

Chairman's report

I don't need to report to grower members on another dry year gone by as most of us are all too well aware. I can tell you that at CSD, we spent the time making significant progress towards settling CSD into a position to contribute strongly to a growing industry, especially when the rains come. As set out in the CSD Strategic Plan to 2020, our investments in both time and funds continue to be focussed in four key areas.

The investment in our core business of delivering the highest yielding varieties in the world with consistently high qualities with the best traits for Australia will not be relaxed by CSD. Our joint venture with CSIRO, Cotton Breeding Australia, remains critical to the Australian Cotton Industry's ability to sell its entire crop each year. Australia's position in the world of cotton production was recognised four months ago by the launch of Bollgard 3 to the Australian grower before any other world market. With the cost of this and the new BG3 varieties still tracking well below the increasing cost of inflation, we will transition into a production era with a relaxed RMP, that collectively will place the Australian cotton grower in a more competitive position. CSD continues to look throughout the world, including within our own CBA research program, for the next best traits and will maintain our ability to deliver them regardless of their source.

CSD's investment towards our farming capacity took another sizable step this year. With the increasing demand for dealing with regulated products, screening and selection of advanced lines, the security of these activities is important to our development of new varieties. We have taken a third neighbouring farm and moulded them into one fully integrated irrigation operation. The design and construction of the developments have created a cost efficient water collection, storage and delivery system across the whole farm which will provide vastly improved water security.

It has been apparent that our existing capacity to store, delint, treat and dispatch seed will need investment to cater for industry growth particularly with the popular smaller seed varieties and their associated greater loss given our stringent quality standards. In this past year we have commenced to plan for site-redevelopment of the 'Shenstone' Wee Waa site and have committed to an investment that will construct the infrastructure to provide CSD with the ability to supply a cotton industry with anticipated growth for decades to come. The first expenditure on construction has been the recladding of fuzzy seed sheds, now completed. Given the necessary approvals, the project is

expected to rapidly expand for the rest of this year with a target of completion for processing planting seed in the 2018 season.

We recognise the value and the growing investment in the CSD team. Without the extension, development and information transfer involvement by the CSD team, we couldn't have supported the recent rapid growth of the southern NSW cotton production other than by processing and delivery of enough quality varieties. Through activities like the CSD Ambassador program and our joint venture with CRDC and Cotton Australia in the CottonInfo team, CSD has evolved from a seed company to investing as an active participant in creating growth in our cotton industry. I particularly congratulate Peter and the CSD team on their transition to embrace this change in the CSD culture and finding new value for growers.

I regularly see the benefits of a well skilled, cohesive Board at CSD which has been maintained through a healthy rate of succession. John Stewart, who was eligible to stand for re-election this year, has chosen to retire from his position. John first joined the Board as an elected grower member but was encouraged to do so because of the knowledge and skills he has developed through his activities in breeding seed companies around the world and the obvious benefit that could bring to CSD. He has not let CSD down. While on our Board, John was active in the development of partner agreements and was a member of the CBA Management Committee. I can thank John, and the whole of the Board, for the manner in which they both recognise the industry responsibility they carry and serve the business of your seed company.

I look forward to your participation in this year's Annual General Meeting in June when we can further discuss the encouraging prospects for CSD, the Australian Cotton Industry and the breaking of this extended drought.



James Kahl

Chairman

Dated at Dalby, 17th May 2016

Managing Director's report

The 2015-16 season started with significantly less water supplies for most regions than the prior year, and cotton prices of around \$500/bale. Due to widespread falls of rain during November a large area of dryland cotton was planted. Approximately 270,000Ha of cotton was planted in total, made up of 200,000Ha of irrigated/partly irrigated and 70,000Ha of dryland. Thanks to timely rainfall events during December/January and reasonably mild weather the crops flourished, however the impact of phenoxy drift due to the favourable seasonal conditions did damage to much of the crop with some crops actually being ploughed out. During February and March the crop experienced extended periods of hot and very dry conditions resulting in an earlier pick than was initially expected.

The CSD Group delivered a surplus of \$12.3m for the 12 months ending 31 March 2016. Delivering high quality cultivars, 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 continued our pro-active program of "safety conversations" to ensure that safety awareness and actions is embedded in all CSD work processes. "Safety conversations" involve employees discussing safety observations with senior management after reviewing work processes and identifying workplace risks. Unfortunately, our zero Lost Time Injury (LTI) statistic of 2014-15 was not repeated this year. A single LTI of 28 days was experienced during the reporting period.

The 2015 season saw CSD supply in excess of 3,400 tons of cotton planting seed. With the continued popularity of the cultivar Sicot 74BRF, more than 68% of the planted area contained this cultivar. Of the 13 commercial cultivars offered by CSD this year, three cultivars (Sicot 74BRF, Sicot 71BRF and Sicot 71RRF) accounted for over 86% of the total planted area. The popularity of these cultivars is complimented by a strong portfolio of specialist cultivars to meet growers demands such as Sicot 75BRF, Sicala 340BRF, Sicot 75RRF and Sicot 730. Over 88% of the market planted cultivars containing the Bollgard II® and Roundup Ready Flex® (BRF) technologies and 7% the Bollgard® 3 Roundup Ready Flex (B3F) technology, giving a total stacked market of 95% of the area planted. Roundup Ready Flex® (RRF) technology accounted for 4.3% of the planted area and the balance of the market (0.7%) was conventional or contained the Liberty Link technology.

In 2015-16 our key focus continued to be strongly aligned with the introduction of Monsanto's Bollgard® 3 technology. Four new B3F cultivars were launched for large scale stewarded evaluation and seed production along with 2 new RRF cultivars. CSD hosted sites to assist the development of Roundup XtendFlex™ technology (which conveys over the top tolerance to glyphosate, dicamba and glufosinate herbicide formulations) and looks forward to accessing further new traits as Monsanto develops them. During the reporting period the company executed a commercial Xtend Flex Licence Agreement providing certainty around launching the product in the Australian market later this decade.

Low Density Cultivars

The operational and plant stand establishment challenges encountered with the low density, high yield potential cultivars 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 again this season. We expect the popularity of this germplasm to remain high for the foreseeable future, hence we are continuing to place strong emphasis in understanding how we can better manage the establishment of these cultivars under all environmental circumstances. This work is being confirmed by the performance of new low-density cultivars such as Sicot 746B3F and Sicot 748B3F. Over the past five years the company has continued to deliver a strong grower education program and overwhelmingly, growers are having fewer problems today with this germplasm than when we first released these extremely high yield potential cultivars. CSD and CSIRO are working closely to generate knowledge and tools to assist growers manage that critical early stand establishment. During the year we appointed Mrs Hannah Hartnett to the newly created position of CSD Scientific Officer. One of Hannah's many roles is to continue working on the issues low density cultivars create for both CSD and for the Industry.

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

CSD continues to offer a range of other cultivars including the material from the Sicot 71 family. These cultivars 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 continued to work hard to meet our commitment to be transparent in all our communication. We have found the low-key shed meetings with small numbers of growers across the industry are an ideal way 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 develop deep and effective business relationships.

CSD Strategic plan

The current 2014-2020 CSD Strategic Plan guides the way the company operates. The key goals of delivering an average increase in yield of two bales per hectare, the establishment of 50,000ha of new cotton area and ensuring 50% of the total summer crop plantings are planted to cotton cannot be achieved by CSD alone as we need the support of our partners and like-minded organisations to deliver the outcome of our plan. The plan has given the company a very clear focus for the next 5 years requiring prudent investment in the business to deliver against very significant goals. Some of these investments are covered further in my report.

CSIRO: Our critical partner

The current Cotton Breeding Australia (CBA) collaboration agreement is in place until 30 June 2024. Since the CBA collaboration commenced in 2007, CSD and CSIRO have jointly and equally invested a total of \$70.84m in breeding and research. By 2024 this investment will be approximately \$141m in total.

CSD continues to maintain the very strong long-term relationship with CSIRO at all levels of Management. The relationship with CSD is regularly held up as an excellent example of CSIRO working with Australian Industry for the benefit of the nation as a whole. 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, now known as "CSD Farms" continues to be a very important asset for our business. The key function provided by this asset includes the advanced screening and seed multiplication of new germplasm developed by the CSIRO Cotton Breeding Team, the increase of germplasm

transformed with biotechnology traits from our technology partners, new chemistry evaluation, general research and commercial demonstration work for our EandD Team.

CSD has purchased additional land and water adjacent to our current farming activities at 'Little Mollee' and 'Westella'. Settlement for ownership of "Wild Willows" took place in early July 2015 and during the reporting period a significant development program was commenced to fully integrate the water assets and infrastructure of the three farms.

In order to meet the future needs of expansion in the Australian Cotton Industry, we have analysed the capacity restraints we have on our existing seed storage and processing infrastructure at Shenstone and what is required for the future.

Building human capacity and succession planning through internal training at both Board and staff level is an ongoing priority for CSD to ensure we have the right culture and talent to drive the business into the future. 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. To assist CSD in this aspect of our business we have retained the services of HFL Consultants from Melbourne.

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 EandD team continue their strong presence with growers in the field, focussing on establishing the 'CSD Ambassador Network' on farms to provide the basis for extension of research and to demonstrate the latest regionally specific technologies and management techniques. In February we appointed an additional E and D agronomist based in Dalby to better service the needs of Queensland. The inaugural CSD Ambassador Network Conference was held in August 2015 and based on its success, these events will be a potential ongoing core extension activity for CSD. In 2015-16 we furthered our commitment to the CottonInfo 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 employs and provides to the joint venture, have continued to focus on integrating into the wider CottonInfo effort. The RDO's work has been focussed on complimenting the work of the CSD EandD team to deliver research-based outcomes to all Australian cotton growers. The CottonInfo initiative has now been operating for almost four years and the impact is providing a real benefit to the Australian Cotton Industry. While the current agreement for the CottonInfo Joint Venture expires 30 June 2018,

Managing Director's report continued...

CSD remains committed to the JV and is working closely with CRDC and Cotton Australia on an extension for a further three year period beyond 2018.

CSD continues to work closely with CRDC in cotton research. CRDC Leadership is included as part of the CBA management team, as well as being involved in identifying potential future collaborative research aligned to both organisation's strategic plans. An example of this collaboration is the joint funding of the CSIRO project "Northern Australia Cotton Development and Coordination Leader". Further, CSD is also collaborating with Cotton Australia and it is pleasing to report that CSD Farms are now BMP accredited and fully registered for the BCI program.

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 XtendFlex™ technology and the introgression into CSIRO germplasm is well advanced, along with other cotton technologies from the rich Monsanto RandD pipeline. These activities are driving our re-investment in the business.

The CSD and Syngenta collaboration to deliver FastStart Cotton® technology is progressing well. Our goal is to deliver new and novel technology and management support tools to maximise 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. As part of our 2020 Strategic plan of adding an additional 2 bales per hectare, CSD identified that we need to have closer relationships with the grower to facilitate even better communication. Commencing the 2016 season, CSD has migrated to an agency based service model, where our distribution partners have transitioned to become CSD Agents and therefore able to more directly assist us with providing technology, techniques and information to help growers improve their productivity.

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 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 \$0.1m for the 12 months ending 31 March 2016.

CSD Grains (CSDG)

CSD Grains has resolved the litigation which was mentioned in the notes to the 2014-15 accounts. In January 2016 CSD Grains was wound up. The CSD group continues to undertake ongoing consideration to diversify into other crops but to date, no new attractive opportunities have presented themselves. Cotton remains the focus of the CSD group now and well into the foreseeable future.

Concluding remarks

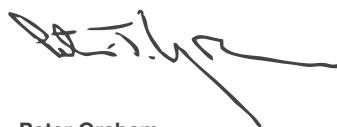
While 2015-16 was in general a lot harder season than last year, we are extremely pleased with the general performance of our cultivars. This is a testament to the dedication of the entire CSD team as well as our colleagues at CSIRO. From primary breeding and selection through seed increase, production, 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 cultivars would not be the world leaders that they are today.

After 13 years of excellent service, Belinda Steigrad, my personal assistant resigned to pursue her personal goals. I would like to place on record my sincere thanks for her dedication and total commitment to CSD.

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 2016-17 will provide, especially as we continue to deliver against our Strategic Plan.



Peter Graham

Managing Director

Dated at Dalby, 17th May 2016

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 important agronomic GM traits to be brought through as candidate lines for handover to CSD for commercialisation. A recent example of this process was the introgression of the Bollgard® 3 Roundup Ready Flex® trait package into elite germplasm which commenced in 2009. The close working relationship between Monsanto, CSD and CSIRO saw Australia become the first country in the world to launch Bollgard 3 cotton in February 2016, and the first varieties from this work will be commercially available for planting in this coming 2016/2017 growing season. Monsanto's XtendFlex™ herbicide technology is currently progressing through the CSIRO breeding program 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 the future needs of the industry to ensure that as many potential challenges and market needs as possible can be feasibly covered.

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:

- Evaluation of new genetic approaches and high-throughput screening methodologies to accelerate breeding
- Genetic identification of sources of disease tolerance
- Conventionally bred tolerance to various insect pests
- Heat and water stress tolerance of cotton germplasm
- Improvement in the understanding of the genetic control of the initiation, development, structure and functionality of the cotton fibre

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 James Kahl. The Scientific Committee who review the project proposals and monitor the project performance is currently made up of three representatives from CSIRO - Dr Danny Llewellyn, Dr Mark Peoples, Dr Warwick Stiller, three from CSD - Phil Steel, Hannah Hartnett, Philip Armytage, one from CRDC - Allan Williams, and two appointed by Cotton Australia - Hamish McIntyre and Nigel Burnett.

We would like to acknowledge the input of Stephen Ainsworth and Damien Erbacher, who both stepped down from the Scientific Committee in the last year, being replaced by Hannah Hartnett and Nigel Burnett; respectively.



John Manners

Chairman, Cotton Breeding Australia Management Committee

Dated at Canberra, 17th May 2016

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 2016 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 Graham	6 September 1990 to present
Paul McVeigh	21 May 2002 to present
Robert Tuck	4 May 2009 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
Doug Rathbone	1 May 2015 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.
4. Strengthening our involvement and commitment to extension and development of research outcomes and best management practices of cotton production.

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 the 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 65

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 Chair of the Nomination and Remuneration Committee

Peter Graham BRurSc, UNE. Fellow AICD

Managing Director, aged 59

Joined the Board in 1990. Peter has 36 years of experience in the Australian and international cotton industry. He is Managing Director of all wholly owned subsidiaries: Cotton Seed International 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 Forum (ACIF) and a Chair of the Industry Cotton Info Management Committee.

Paul McVeigh Member AICD

Cotton, Grain and cattle producer in the Darling Downs Queensland, aged 60

Joined the Board in 2002 in a non-executive capacity. Paul has 44 years experience in agriculture and is a graduate of the Australian Rural Leadership program. He is a Director of CSD Holdings Pty Ltd as well as a member of the Board Farming Committee and Nomination and Remuneration Committee.

Robert Tuck Graduate AICD

Cotton producer in the Macquarie Valley, New South Wales, aged 50

Joined the Board in 2009 in a non-executive capacity. Rob has 28 years experience in agriculture and has worked extensively with the industry and community holding various leadership roles. He is a Director of CSD Holdings Pty Ltd and a member of the Board Farming Committee and Board Audit Committee.

John Stewart BRurSc, UNE. Member AICD
Non-executive Director, aged 55

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 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. Graduate AICD
Non-executive Director, aged 61

Joined the Board in 2011 in a non executive capacity. Joanne has 35 years experience in agriculture and has been involved in policy development and advocacy for the cotton industry at both federal and state levels. Mrs Grainger is a Director of CSD Holdings Pty Ltd and a member of the Board Audit Committee.

Matthew Norrie Dip Cotton Production and Business Management, Emerald Ag College
Non-executive Director, aged 34

Joined the Board in 2012 in a non-executive capacity. A cotton, grain and cattle producer in the Namoi Valley, Matt has over 13

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
Non-executive Director, aged 45

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

Doug Rathbone AM, Dip. (Chem Eng), B.Com
Non-executive Director of Rathbone Wine Group Pty Limited, Agbitech Pty Limited and CANN Group Pty Limited, aged 70

Joined the Board in 2015 in a non-executive capacity. Doug has extensive experience in agriculture with broad knowledge across the whole sector from production to processing. He was Managing Director of Nufarm Limited from 1987 until his retirement in 2015.

4. Meetings of Directors

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

	Directors' Meetings		Board Audit Committee		Board Farming Committee		Nomination and Remuneration Committee	
	Eligible to attend	Number attended	Eligible to attend	Number attended	Eligible to attend	Number attended	Eligible to attend	Number attended
James Kahl	8	8					3	3
Peter Graham	8	8						
Paul McVeigh	8	8	1	1	2	2	3	3
Robert Tuck	8	8	3	3	2	2		
John Stewart	8	8					3	3
Joanne Grainger	8	7	2	2				
Matthew Norrie	8	8			2	2		
Juanita Hamparsum	8	8	3	3				
Doug Rathbone	7	7						

Director's report continued...

5. Auditors Independence Declaration

The lead auditors independence declaration for the 12 months ended 31 March 2016 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 2016 the collective liability was \$98,800 (2015: \$127,000).

Signed in accordance with a resolution of the Directors:



James Kahl

Director

Dated at Dalby, 17th May 2016

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 2016, 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, 17th May 2016

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 2016, 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 2016 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, 17th May 2016

Sydney Office

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Directors' Declaration

In the directors' opinion:

1. The financial statements and notes, as set out on pages 16 to 40, 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 2016 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 Dalby, 17th May 2016

Statement of profit or loss and other comprehensive income

for the 12 months ended 31 March 2016

	Notes	Consolidated	
		2016 (\$)	2015 (\$)
Revenue from sale of goods	3A	33,133,844	29,530,071
Cost of goods sold		(25,619,149)	(26,735,789)
Gross profit		7,514,695	2,794,282
Other revenues	3B	12,985,407	14,542,271
Other income	4	(29,749)	388,713
Product development and testing expenses		(7,557,831)	(7,427,404)
Administrative expenses		(5,101,379)	(5,788,732)
Net income before finance income		296,448	1,714,848
Finance income	5	4,495,179	4,453,001
Finance expense	5	-	-
Net finance income		4,495,179	4,453,001
Surplus before income tax		12,306,322	8,962,131
Income tax expense	7A	-	-
Surplus for the period		12,306,322	8,962,131
Other comprehensive income for the period, net of income tax		-	-
Total comprehensive income for the period		12,306,322	8,962,131
Surplus attributable to members of the Company		12,306,322	8,962,131
Total comprehensive income attributable to members of the Company		12,306,322	8,962,131

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

Statement of financial position

for the 12 months ended 31 March 2016

	Notes	Consolidated	
		2016 (\$)	2015 (\$)
Assets			
Current assets			
Cash and cash equivalents	8	145,813,945	131,596,796
Trade and other receivables	9	18,914,179	22,677,820
Inventories	10	3,857,859	6,379,179
Held to maturity bonds	11	753,248	25,000
Other current asset	12	840,350	303,936
Total current assets		170,179,581	160,982,731
Non-current assets			
Held to maturity bonds	11	4,256,974	4,971,066
Property, plant and equipment	13	22,175,478	18,941,276
Intangibles	14	5,185,568	3,349,867
Total non-current assets		31,618,020	27,262,209
Total Assets		201,797,601	188,244,940
Liabilities			
Current liabilities			
Trade and other payables	15	14,460,405	13,267,028
Short-term provisions	16	491,546	452,194
Total current liabilities		14,951,951	13,719,222
Non-current liabilities			
Other long-term provisions	16	98,353	84,743
Total non-current liabilities		98,353	84,743
Total Liabilities		15,050,304	13,803,965
Net Assets		186,747,297	174,440,975
Equity			
Retained surpluses		186,747,297	174,440,975
Total equity		186,747,297	174,440,975

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

Statement of changes in equity

as at 31 March 2016

Consolidated	Notes	Retained Earnings (\$)
Balance at 1 April 2014		165,478,844
Total comprehensive income for the year		8,962,131
Balance at 31 March 2015		174,440,975
Balance at 1 April 2015		174,440,975
Total comprehensive income for the year		12,306,322
Balance at 31 March 2016		186,747,297

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

Statement of cash flows

for the 12 months ended 31 March 2016

	Notes	Consolidated	
		2016 (\$)	2015 (\$)
Cash from operating activities			
Receipts from customers		53,778,543	48,351,519
Payments to suppliers and employees		(37,657,326)	(34,438,909)
Interest received		5,130,515	4,081,825
Net cash flows from operating activities	17	21,251,732	17,994,435
Cash flows from investing activities			
Proceeds from sale of plant and equipment		145,397	68,531
Acquisition of investments		(14,155)	-
Acquisition of property, plant and equipment		(5,330,124)	(3,438,048)
Acquisition of intangible assets		(1,835,701)	-
Net cash flows from investing activities		(7,034,583)	(3,369,517)
Net change in cash and cash equivalents		14,217,149	14,624,918
Cash and cash equivalents at the beginning of the year		131,596,796	116,971,878
Cash and cash equivalents at the end of the year	8	145,813,945	131,596,796

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

For the 12 months ended 31 March 2016

Notes to and forming part of the financial statements



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 17th May 2016. 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 21 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:

(c) Principles of consolidation

A list of controlled entities is contained in Note 20 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.

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 the Statement of Profit or Loss and Other Comprehensive Income as revenue.

(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 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 22 has been prepared on the same basis as the consolidated financial statements.

Note 2: Leases and commitments	Consolidated	
	2016 (\$)	2015 (\$)
(i) Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements and payable:		
• not later than 12 months	117,312	38,745
• between 12 months and 5 years	439,920	4,940
	557,232	43,685
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	2,238,508	2,597,488
	2,238,508	2,597,488
(iii) Capital expenditure commitments		
Property, plant and equipment purchases contracted for:		
• not later than 12 months	217,500	3,610,000
(iv) Cotton Breeding Australia commitments		
(a) <u>Capital expenditure commitments</u>		
Plant and equipment purchases contracted for but not provided for and payable:		
• not later than 12 months	2,339,286	1,364,697
• between 12 months and 5 years	2,587,000	2,547,000
• greater than 5 years	2,277,250	2,967,750
	7,203,536	6,879,447

	Consolidated	
	2016 (\$)	2015 (\$)
(b) <u>Research expenditure commitments</u>		
Future research commitments not provided for in the financial statements and payable:		
• not later than 12 months	3,067,154	3,483,557
• between 12 months and 5 years	14,440,976	14,766,143
• greater than 5 years	12,572,601	16,913,736
	30,080,731	35,163,436
Total of Cotton Breeding Australia commitments	37,284,267	42,042,883
Total leases and commitments	40,297,507	48,294,056

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.

Note 3: Revenue	Consolidated	
	2016 (\$)	2015 (\$)
Note 3A: Sale of goods revenue		
Revenue from sale of goods	33,133,844	29,530,071
Sale of goods revenue	33,133,844	29,530,071
Note 3A: On-farm investment rebate	0	292,840
Note 3B: Other revenue		
Royalty revenue and seed access fees	28,045,523	30,901,196
Less: Seed access fees	(15,060,116)	(16,358,925)
	12,985,407	14,542,271

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 2014-15 seed sales is included in seed access fee revenue in the 2015-16 financial year. The EPR in relation to 2015-16 seed sales will be included in seed access fee revenue in the 2016-17 financial year (refer to note 21 - Contingent Assets).

Note 4: Other income	Consolidated	
	2016 (\$)	2015 (\$)
Net gain on the disposal of property, plant and equipment	83,498	38,694
Other income	16,750	12,015
Net foreign exchange gain / (loss)	(129,997)	338,004
Total other income	(29,749)	388,713

Note 5: Net finance income	Consolidated	
	2016 (\$)	2015 (\$)
Finance income		
Interest - other parties	4,495,179	4,453,001
Net finance income	4,495,179	4,453,001

Note 6: Expenses	Consolidated	
	2016 (\$)	2015 (\$)
Employee superannuation expense	478,674	468,453
Depreciation - property, plant and equipment	2,034,023	1,897,788
Bad debts written off	-	-
Loss on foreign exchange differences	-	-
Total rental expense relating to operating leases	103,870	87,167

Note 7: Income tax	Consolidated	
	2016 (\$)	2015 (\$)
Note 7A: The prima facie tax on profit before income tax is reconciled to the income tax as follows:		
Profit before income tax expense	12,306,323	8,962,131
Tax at the Australian tax rate of 30%	3,691,897	2,688,639
Add tax effect of:		
Less tax effect of:		
• the Company being exempt from income tax	(3,691,897)	(2,688,639)
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	-	3,639,251

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	
	2016 (\$)	2015 (\$)
Cash on hand	2,823	2,018
Cash at bank	45,773,712	21,590,845
Short term deposits	100,037,410	110,003,933
	145,813,945	131,596,796
The Group has an Investment Policy to assist manage its credit risk. The Group also has a Reserves Policy which determines the level of 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	145,813,945	131,596,796

Note 9: Trade and other receivables	Consolidated	
	2016 (\$)	2015 (\$)
Current		
Trade receivables	1,031,053	2,857,799
Provision for impairment of receivables	-	-
	1,031,053	2,857,799
Other debtors	17,601,620	19,658,383
Net GST receivable	281,506	161,638
Total current trade and other receivables (gross)	18,914,179	22,677,820

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.

Note 10: Inventories	Consolidated	
	2016 (\$)	2015 (\$)
Current		
Raw materials and stores - at cost	1,302,230	2,529,874
Finished goods and work in progress - at net realisable value	2,555,629	3,849,305
	3,857,859	6,379,179

Write-downs of inventories to net realisable value recognised as an expense during the period ended 31 March 2016 amounted to \$3,321,764 (2015: \$5,114,511). The expense has been included in cost of goods sold in the Statement of Profit or Loss and Other Comprehensive Income.

Note 11: Held to maturity bonds	Consolidated	
	2016 (\$)	2015 (\$)
Current		
Held to maturity bonds	753,248	25,000
	753,248	25,000
Non- Current		
Held to maturity bonds	4,256,974	4,971,066
	4,256,974	4,971,066

Note 12: Other current assets	Consolidated	
	2016 (\$)	2015 (\$)
Current		
Prepayments	840,350	303,936
	840,350	303,936

Note 13: Property, plant and equipment	Consolidated	
	2016 (\$)	2015 (\$)
Note 13A: Land and buildings		
Freehold land		
At cost	3,960,676	1,892,243
Total freehold land	3,960,676	1,892,243
Buildings on freehold land		
At cost	11,791,853	12,215,736
Less accumulated depreciation	(4,300,467)	(4,288,407)
Total buildings on freehold land	7,491,386	7,927,329
Total land and buildings (non-current)	11,452,062	9,819,572
Note 13B: Plant and equipment		
Plant and equipment		
At cost	17,912,826	17,074,099
Less accumulated depreciation	(9,929,453)	(8,331,374)
Total plant and equipment	7,983,373	8,742,725
Work in progress		
At cost	2,740,043	378,979
Total work in progress	2,740,043	378,979
Total property, plant and equipment (non-current)	22,175,478	18,941,276

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 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
Current year						
Balance at 1 April 2015	1(b)(v)	1,892,243	7,927,329	8,742,725	378,979	18,941,276
Additions		1,779,164		816,897	2,734,063	5,330,124
Disposals				(43,047)	(18,852)	(61,899)
Depreciation expense		-	(435,944)	(1,598,079)	-	(2,034,023)
Transfers		289,269		64,877	(354,146)	0
Carrying amount at 31 March 2016		3,960,676	7,491,385	7,983,373	2,740,044	22,175,478

Note 14: Intangible assets	Consolidated	
	2016 (\$)	2015 (\$)
Water licences		
Water licences at cost	5,185,568	3,349,867
Balance at beginning of year	3,349,867	3,349,867
Additions	1,835,701	-
Disposals	-	-
Total intangibles (non-current)	5,185,568	3,349,867

The Group periodically undertakes independent valuation of water assets to ensure no impairment.

Note 15: Trade and other payables	Consolidated	
	2016 (\$)	2015 (\$)
Current		
Trade payables	1,438,907	553,351
Other creditors and accruals	13,021,497	12,713,677
Total supplier payables	14,460,405	13,267,028

Note 16: Provisions	Consolidated	
	2016 (\$)	2015 (\$)
Employee entitlements		
Current	491,546	452,194
Non-current	98,353	84,743
Total employee provisions	589,899	536,937

Note 17: Cash flow reconciliation	Notes	Consolidated	
		2016 (\$)	2015 (\$)
(a) Reconciliation of operating result to net cash from operating activities:			
Surplus for the period		12,306,322	8,962,131
Non-cash flows in profit:			
Depreciation and amortisation	6 and 13	2,034,023	1,897,788
Net gain on disposal of property, plant and equipment	4	(83,498)	(38,694)
Changes in assets and liabilities			
Change in trade and other receivables		3,763,640	(484,936)
Change in inventories		2,521,320	5,348,222
Change in other current assets		(536,414)	(13,717)
Change in trade payables and other payables		1,193,377	2,306,688
Change in provisions		52,962	16,953
Net cash from operating activities		21,251,732	17,994,435
(b) Finance facilities			
The Group has no bank loan or guarantee facilities (2015: 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 18: 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	
	2016 (\$)	2015 (\$)
Key management personnel transactions		
Matthew Norrie - Agricultural contract farming	11,349	14,450
Doug Rathbone - Consultancy for site re-development	77,000	-
Doug Rathbone - Employee hampers	5,267	-
Josh Smith - Photographic art for CSD Trial Awards	2,250	-
	95,866	14,450

Note 19: Key management personnel remuneration	Consolidated	
	2016 (\$)	2015 (\$)
Key management personnel remuneration		
Senior executives	1,591,875	1,553,679
Non-executive directors	409,531	356,753
	2,001,406	1,910,432

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.

Note 19: 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 (\$)
James Kahl	2016	78,904	10,950	7,496		97,350
	2015	66,819	10,944	6,634	1,562	85,959
Joanne Grainger	2016	38,356		3,644		42,000
	2015	34,783		3,283	346	38,412
Juanita Hamparsum	2016	38,356	5,936	4,208	3,894	52,394
	2015	34,783	4,958	3,752	2,455	45,948
Tom Keene	2016	0	0	0		0
	2015	17,391	992	1,722		20,105
Paul McVeigh	2016	38,356		3,644		42,000
	2015	34,783		3,282		38,065
Matthew Norrie	2016	38,356	5,936	4,208		48,500
	2015	34,783	5,950	3,844		44,577
John Stewart	2016	38,356	5,479	4,165		48,000
	2015	34,783	5,492	3,801		44,076
Doug Rathbone	2016	31,963		3,037		35,000
	2015	0		0		0
Robert Tuck	2016	38,356		3,644	2,287	44,287
	2015	34,783		3,283	1,545	39,611
Total	2016	341,003	28,301	34,046	6,181	409,531
	2015	295,518	28,336	26,991	5,908	356,753

Note 20: Controlled entities	Country of incorporation	Percentage owned 2016	Percentage owned 2015
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	0%	100%
CSD Holdings Pty Limited	Australia	100%	100%
CSD Property Trust	Australia	100%	100%

CSD Grains Pty Limited was de-registered on 13 January 2016.

Note 21: 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 2016-17 in the range of \$nil to \$4 million.

Note 22: Parent entity financial information	Consolidated	
	2016 (\$)	2015 (\$)
(a) Summary financial information		
<u>Statement of financial position</u>		
Current assets	165,613,501	156,569,962
Total assets	197,693,846	184,282,534
Current liabilities	14,931,895	13,205,217
Total liabilities	15,030,251	13,289,963
Net Assets	182,663,595	170,992,571
Equity		
Retained surpluses	182,663,595	170,992,571
Total equity	182,663,595	170,992,571
Surplus for the year	11,671,023	8,494,913
Total comprehensive income	11,671,023	8,494,913
(b) Guarantees entered into by the parent	-	-
(c) Contingent liabilities of the parent	-	-
(d) Contractual commitments for the acquisition of property, plant and equipment	217,500	3,610,000

Note 23: 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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Notes



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