



Cotton Seed Distributors Limited
Report to members for the 12 months
ending 31 March 2018







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Agenda

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Cotton Seed Distributors Limited will be held on Tuesday 19 June 2018 at 9.00am

1. Present and Apologies
2. To confirm the minutes of the Annual General Meeting held on 20th June 2017
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 2018 and the reports of the directors and auditors thereon
7. Election of Directors

Three Director positions are available in accordance with the provisions of the Constitution. Joanne Grainger, Matthew Norrie and Robert Tuck are retiring by rotation. Joanne Grainger and Matthew Norrie offer themselves for re-election, Cleave Rogan offers himself for election.

8. To set Directors' remuneration

The Board of Directors are recommending that the current "pool" of \$700,000 per annum remain unchanged.

9. General Business. To transact any business which may be lawfully brought forward

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

By Order of the Board



David Coleman

Company Secretary

Dated at Wee Waa 22nd May 2018

Chairman's report

CSD kicked off this year with the 50th year celebrations in April 2017. During the year we continued to take the celebration including presentations to the grower regions throughout the cotton belt, where it and the opportunity for an update of activities were always well received.

The 6,000t of seed sales made in 2017/18 does not reflect the increasing interest in cotton production in evidence throughout the cotton belt of Australia, having been held back by another year of poor rainfall. The BG3 varieties are now more known performers. With the less onerous trait resistant management provisions, the crop management support activities developed by the cottonseed research and extension with other industry suppliers, CSD and growers have been preparing to turn up production when our weather returns to a wetter cycle.

That may be in the future. At CSD everything we do is preparing for the Australian cotton industry's future.

The Cotton Breeding Australia joint venture between CSIRO and CSD has continued by operating well this year with adequate funding for all projects. There is a great skill set of science working behind the two committees, developing genetic strategies to be delivering improved varieties over the next 10 to 15 years not only with better yields and quality but with resistance to disease, pests and stress.

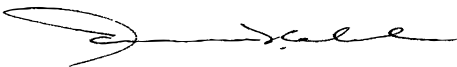
Supporting these opportunities of an expanding cotton industry has been the rapid construction of CSD's redevelopment project this year. After first reporting of the planning and approval stages in 2016, we are now well advanced with the installation of the delinting and treating plants, which are projected to provide for the needs of an industry of 1 million hectares, should that occur in the next 30 years. Taking advantage of the dry year, the project management, both CSD's internal team and the key project contractor have done a terrific job to have the development to this point of completion in this year.

In the financial reports this year, there are no surprises. The result of a surplus of \$35.7m is a good one for the level of sales. Like a farm, as quickly as the sales fall, so the surplus will diminish outside of our control. A major requirement of our reserve policy is to ensure that CSD will be in a position to provide the support for CBA, growers' choice of seed trait and treatment and the extension of research and crop management practices with or without a surplus in that year. We can however manage CSD's costs. 2017/18 delivered another year of minor cost movement per unit of finished goods. The management team's ability to deliver this level of cost control allows for better planning for future surpluses. It allows us to now develop opportunities to support cotton growers in the future to grow the industry mostly through dryland production towards 1 million hectares.

As seen in Peter's M.D. report, some of the management team have moved on during the year. These movements rarely cause disruption given the well considered succession plans for them, some for years in advance. A rewarding target is to achieve a succession by advancement of the current CSD team to then be supported by new trainees.

During last year's AGM, along with the re election of Juanita Hamparsum, Tony Quigley was elected to the board to fill the vacancy left by Paul McVeigh's retirement. Being a farmer with previous board experience, Tony has settled in well, already adding value to the Board Audit Committee. This year Rob Tuck will complete his 3rd term on the board of CSD and has chosen to retire. This has allowed the Board to focus on pursuing a worldwide research monitoring capacity to rebalance the skill set of our Board. Rob Tuck has been a real asset to CSD. He has been serving on both the Board Farming Committee and the Board Audit Committee never shying from the time and effort these both require. So, a big thanks to Rob, as to all of our Board for their consistent resolve to work for the benefit of CSD's members.

In speaking of members, we find an issue in that there are not enough of you! Every Cotton Grower has invested in their own business with a future plan. We think every Cotton Grower should have an investment in CSD [membership] to help protect that future and to better monitor our activity on their behalf in this year and beyond. In June we will be officially opening the new CSD complex at Wee Waa, with all current members invited to join us. It's on Tuesday 19th June, the same day as our AGM. I look forward to you being here.



James Kahl

Director

Dated at Wee Waa 22nd May 2018

Managing Director's report

The 2017-18 cotton season has been one of mixed fortunes for the Australian cotton industry, with climatic conditions proving challenging for both dryland and irrigated growers. However, interest and uptake of cotton production continues to increase every season and CSD is clearly focussed on delivering quality planting seed to meet any market demand. In the reporting period, we sold approximately 6,000 tonnes of planting seed and generated a group surplus of \$35.7 million.

Seed supply

Despite a dry winter and spring, demand for cotton planting seed was strong, with approximately 6,000 tonnes of cotton seed supplied to growers. This resulted in a planting of 383,000 hectares of irrigated cotton and 72,000 hectares of dryland cotton, industry-wide (a total of approximately 450,000 hectares). With the strong prices throughout the season, a larger dryland area would have been planted, if the rains came.

CSD Strategic Plan

A key focus for 2017 has been to manage the business well, particularly around the site redevelopment project and overall costs. We remain very focussed on our current strategic plan and this is top of mind in all we do at CSD.

CSD management

A new reporting structure was implemented and is working well, with Team Leaders providing clear guidance and support of the company's expectations to all staff. We have engaged a Business Consultant to provide development support to the Team Leaders, which has been reflected in improved staff engagement throughout the various departments. This support has also been rolled out to our up-and-coming leaders as we focus on talent development.

We held a successful CSD company conference in February 2018, where the results of an independent staff engagement survey were shared and discussed, and a number of staff were recognised for their years of service to the company.

Succession planning and staff development was a key focus this year, putting exit plans in place for staff planning to leave CSD in the near future. This has allowed for transparency and the minimisation of knowledge loss as experienced staff exit the business.

During the year we said goodbye to Philip Armytage, Geoff Hunter and Connor Duncan. Rob Eveleigh also left in April 2018 after more than 22 years with CSD. We also welcomed Craig McDonald, Jacob Booby, Larissa Holland, Lucy Burrows, John O'Neill and Jesse Nancarrow to the team.

We celebrated our 50th anniversary with a gala dinner at our 'Shenstone' facilities in April, with over 300 guests, including past and present growers, staff and industry partners. The anniversary celebration was an opportunity to thank the founders of CSD, our staff, members and our

customers - cotton growers. The result was a highly professional event, which achieved global coverage for the company.

Throughout the year, smaller functions were held in a number of key cotton growing regions to celebrate with growers and industry at a local level. These events were driven by the local E&D Agronomist and CottonInfo Regional Extension Officer and were well supported by the local industry.

CSD has worked hard to improve our relationships with industry, growers and agents, continuing to personally address any concerns from the introduction of the Grower Agreement in 2016-17 and the new way we are going to market with our products. A specific communications strategy was implemented to support both corporate and commercial activities, as well as the work of each department within the company. This has greatly improved our reputation and we thank those in the industry who were excellent sounding boards as we worked through the issues of the past. We have received good feedback from many parts of the industry applauding the company for the positive change to engagement. We are committed to remain focussed on communicating in a timely and effective manner.

We were pleased to once again support the Australian Cotton Collective in Griffith, and the CSD Researcher of the Year Award as part of the Australian Cotton Industry Awards. We would also like to recognise the CSD Farms team led by Mark Cathcart, who won the AgriRisk High Achiever Award for 2017. It is always very gratifying when staff are recognised by their peers and really builds camaraderie within teams and the organisation.

CSIRO: our critical partner

In August, we celebrated the 10th anniversary of the Cotton Breeding Australia (CBA) joint venture between CSD and CSIRO, noting that since the partnership was formalised in 2007, \$110 million has been invested in the research and breeding of future cotton varieties for Australian growers.



Commercial partners

We continued our excellent working relationship with our commercial partners - Bayer, Monsanto, Syngenta, the Cotton Research Development Corporation (CRDC) and Cotton Australia. In particular, we have developed a closer relationship with Syngenta for wider seed testing and better utilisation of laboratory staff, especially in the off-season.

A high level of activity with all industry bodies (Cotton Innovation Network, Australian Cotton Industry Forum and Crop Consultants Australia) was also maintained, as well as local Cotton Grower Associations (CGAs) and the local communities in which we operate.

In February 2018, we once again hosted representatives from each CGA for a two-day forum and tour of our facilities and farm. Feedback from this event was very positive, with growers really valuing the opportunity to learn more about the business and have their questions answered. This was the second time we have hosted the event and whilst ever there is strong interest we are prepared to support that interest.

“Shenstone” site redevelopment

CSD's redevelopment project has been extremely well planned and run by project managers Hill Lockart of Tamworth and CSD's project committee. The project has progressed as planned, with an excellent safety performance for the 2017 financial year.

The infrastructure component of the project was completed in late 2017 and the plant and equipment installation is currently well advanced with commissioning planned mid-year onwards. The old plant has been maintained as a risk management mitigation strategy to ensure timely production of finished product in the advent of any delays with the new plant. Staff began 2018 in the new administration building, and Quality

and Research Centre. In early 2018 the old facilities were demolished to create additional parking for large transport arriving and leaving the site.

These new facilities will enable CSD to supply cotton planting seed for up to one million hectares of irrigated and dryland cotton in any one season - an ambitious proposal, but one that is not out of the question in the coming decades.

Industry expansion

Irrigated plantings continued to increase, with the Murrumbidgee region planting 67,000 hectares of cotton, making it the largest cotton growing region this season. After a long history of uncertainty and variability in water allocations, irrigated cotton growers in the Lachlan Valley planted their largest cotton crop on record - approximately 18,000 hectares, with an increase in the number of growers trying cotton for the first time. The number of Victorian growers also increased, while first time growers at Dunedoo and Geurie in Central NSW achieved exceptional results of up to 14-15 bales per hectare.

Commercial cotton was also planted at Kununurra this season, the first time since 2011. Dryland cotton crops were also planted for the first time at Clifton and in a demonstration trial at Mundubbera in Queensland, and for the second year at Georgetown in North Queensland's Gulf Country. There is a lot of enthusiasm in the north and CSD is focussed on working with these growers to ensure the success of their vision to expand the area planted to cotton.

In total, we welcomed 100 new growers to the industry, as well as the return of 32 lapsed growers. Our industry expansion support program, Acres of Opportunity (in collaboration with Monsanto) launched in July 2017, with a dedicated website with resources specific for new growers.

Managing Director's report (continued)

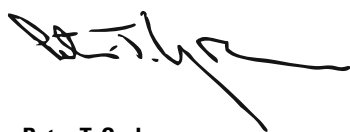
Extension, product support and partnerships

Just as the cotton growing area has expanded, so too has CSD's trial program, with more than 125 trials conducted by CSD's Extension & Development (E&D) Agronomists during the 2017-18 season. The trials program collates important crop data from across the industry and is used to assist growers and agronomists with cultivar selection for their local conditions. Additionally, findings from the Ambassador Network program will be reviewed by CSIRO before being presented with the trial data via the Cotton Management Tour in June and July 2018, as well as at the Cotton Conference in August.

The appointment of three Trainee Agronomists to the E&D team has ensured we have sufficient resources to undertake the extensive trials program, as well as developing future talent for CSD and the industry. The new staff have settled in well and have quickly become an important part of the team. CSD has remained very committed to the CottonInfo program, funding six regionally located Regional Extension Officers (REOs). The CSD E&D team (including the three trainee agronomists) and the REO team have been rolled into CSD Extension. The Management Committee for the CottonInfo team has spent considerable time during the reporting period developing the 2018-2023 strategic plan which we plan to launch with our joint venture partners Cotton Australia and CRDC around the 2018 Cotton Conference.

Concluding remarks

2017-18 has been a year of tremendous change for CSD with staff changes and the major redevelopment project. However, we all remained focused on delivering high quality planting seed to every grower in a timely manner, which resulted in a significant surplus for the company. As the industry expands we must not become complacent, but remain focussed on our core responsibility and at the same time look for the next opportunity. I thank all our staff and the Board for their total support throughout the 2017-18 reporting season, and look forward to a wet winter and good plantings next season.



Peter T. Graham

Managing Director

Dated at Wee Waa 22nd May 2018

Cotton Breeding Australia report

The last 12 months saw some momentous milestones for Cotton Breeding Australia (CBA) and its joint venture partners, Cotton Seed Distributors (CSD) and CSIRO. July 2017 marked a decade of partnership between CSD and CSIRO. The 10th anniversary of CBA came hot on the heels of CSD's 50th anniversary celebrations, and it was followed in early September by the 3rd Australian Cotton Research Conference in Canberra attended by more than 150 cotton scientists and industry participants where the latest findings from many CBA projects were highlighted. Late October also saw the relocation of the CSIRO cotton biotechnology team, who are key to the success of most CBA's research projects, into the new state-of-the-art 'Synergy' building in Canberra. The new laboratories and science facilities in Synergy will undoubtedly benefit the whole of CSIRO's cotton research effort.

Looking back at a decade-long partnership

Since CBA's formation in 2007 more than \$110 M has been invested on behalf of the Australian cotton industry. A total of 24 CBA projects have driven new varietal development and facilitated cutting-edge research to advance the understanding of the genetic regulation of cotton fibre production that underpins both yield and quality. A dozen post-doctoral cotton scientists have been trained as part of these CBA projects, and over 50 scientific papers based on CBA-supported research have been published in peer-reviewed journals.

CBA has developed a total of 18 new varieties for commercial release. Australian commercial yields are around three-fold greater than the global average and fibre quality continues to improve (proportion of the Australian crop in premium quality categories has risen from 23% in 2011 to 39% in 2017). The latest varieties containing Monsanto's Bollgard 3 insect control technology have opened up new planting window opportunities for further expansion of cotton beyond traditional growing areas, and helped de-risk dryland cotton in some geographic regions by allowing a significantly larger sowing window to avoid climatic extremes. The application of this new system to sow and harvest cotton much earlier in central Queensland than was possible in the past have contributed to record cotton yields in the 2017/18 growing season.

Looking to the future

The prospects for the future look exciting. The performance of our non-transgenic breeding lines (which represent more than half the 38,000 breeder plots evaluated during this last growing season) that form the basis of new varieties continue to improve. New GM traits from Monsanto for a broader spectrum of herbicide tolerance and tolerance to thrips and other sucking pests have entered the breeding pipeline and their value in Australian cotton production will be evaluated over the coming years. Over the last year CBA has spent more than \$13 M in research and breeding activities along with capital investment of over \$400,000 in new equipment to upgrade and improve research capacity to support the future expansion of CBA activities. New innovative CBA projects that explore genetic strategies to improve disease and pest resistance, and examine the basis of cotton tolerance to heat and water stress are also in the pipeline. CBA continues to make a small, but significant investment into longer term "blue-sky" research to explore ways of broadening the cotton fibre's physical and structural attributes using genetic and GM approaches that might generate novel differentiated products or applications for Australian cotton.

Scientific and Management Committees

The CBA joint venture management structure operates at both the Scientific and Management Committee level.

The Scientific Committee, which identifies and prioritises research opportunities, and monitors progress of CBA projects consists of three representatives from CSD: Hannah Hartnett, Phil Steel and Brett Ross; three from CSIRO: Dr Mark Peoples, Dr Danny Llewellyn, Dr Warwick Stiller; one from CRDC: Allan Williams; and two growers from Cotton Australia: Hamish McIntyre and Nigel Burnett.

The Management Committee, which oversees the operations of CBA is currently made up of three representatives from CSD: Peter Graham, Matt Norrie and James Kahl; and three from CSIRO: Dr John Manners, Dr Mark Peoples and Lionel Henderson (who has been replaced temporarily by Andrew Chalmers while Lionel is on secondment in Chicago for six months).

We would like to acknowledge the past contributions of Philip Armytage who left CSD to relocate to Toowoomba late in 2017. Philip's role on the CBA Scientific Committee has been replaced by Brett Ross.



John Manners

Chairman, Cotton Breeding Australia Management Committee

Dated at Wee Waa 22nd May 2018

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 2018 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
Robert Tuck	4 May 2009 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
Nigel Corish	21 June 2016 to present
Tony Quigley	20 June 2017 to present

2. Objectives

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

The strategy for achieving the above goals is to:-

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

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

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

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

trait partners.

The group has adopted ASX Corporate Governance Council Principles and Recommendations ("ASX Governance Standards") as its benchmark for group corporate governance practices. The group's website has a comparison of the group's corporate governance practices to the ASX Governance Standards with commentary on the level of compliance.

3. Directors Details

James Kahl *B.Ec, UNE. Member AICD*

Managing Director of Merced Farming Pty Ltd, aged 67

Joined the Board in 2003 in a non executive capacity. James has over 43 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 & Remuneration Committee

Peter Graham *BRurSc, UNE. Fellow AICD*

Managing Director, aged 61

Joined the Board in 1990. Peter has over 38 years of experience in the Australian and international cotton industry. A Director of Australian Grain Technologies Pty Ltd. 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 as well as a member of the Cotton Info Management Committee.

Robert Tuck *Graduate AICD*

Cotton producer in the Macquarie Valley, New South Wales, aged 52

Joined the Board in 2009 in a non-executive capacity. A cotton and grains producer in the Macquarie Valley, NSW. Rob has over 30 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.

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

Non-executive Director, aged 63

Joined the Board in 2011 in a non executive capacity. Joanne has over 37 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 Cotton Seed International Pty Ltd. Joanne is a member of the Board Audit Committee and Nomination and Remuneration Committee.



Matthew Norrie *Dip Cotton Production and Business Management, Emerald Ag College. MAICD*

Non-executive Director, aged 36

Joined the Board in 2012 in a non-executive capacity. A cotton, grain and cattle producer in the Namoi Valley, NSW. Matt has over 15 years farming experience & 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 47

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 over 22 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 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, Agbiotech Pty Limited, Delta Agribusiness Pty Limited and CANN Group Pty Limited, aged 72

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.

Nigel Corish *Assoc. Dip. B.App Science*

Non-executive Director, aged 35

Joined the CSD Board in 2016 in a non-executive capacity. A cotton and grains producer in the MacIntyre Valley, QLD. Nigel has over 16 years farming experience and is a Director of New Leag Ag Pty Limited, a family owned and operated mixed farming business in Condamine, QLD. Nigel is a General Committee member of Cotton Australia. His industry achievements include the 2012 Monsanto Cotton Grower of the Year award and a 2014 Nuffield Scholar. A Director of CSD Holdings Pty Limited as well as a member of the Board Farming Committee and Nomination and Remuneration Committee.

Tony Quigley *Assoc. Dip Farm M'tment (OAC)*

Non-executive Director, aged 56

Joined the CSD Board in 2017 in a non-executive capacity. A cotton and grains producer in the Macquarie Valley, NSW. Tony has over 35 years farming experience. A founding committee member of both the Macquarie River Food and Fibre (MRFF) and Macquarie Cotton Growers Association, a Director of the Trangie Nevertire Co-Operative's irrigation scheme. Tony is an alternate Off-River Schemes delegate to both the Macquarie Customer Service Committee of NSW Water and MRFF. A Director of CSD Holdings Pty Limited and a member of the Board Audit Committee.

Directors' report (continued)

4. Meetings of Directors

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

	Directors' Meetings		Board Audit Committee Meetings		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	7	7					1	1
Peter Graham	7	7						
Robert Tuck	7	7	3	3	2	2		
Doug Rathbone	7	6						
Joanne Grainger	7	7	3	2			1	1
Matthew Norrie	7	6			2	2		
Juanita Hamparsum	7	7	3	3				
Nigel Corish	7	6			2	2		
Tony Quigley	7	7	2	2				

5. Auditors Independence Declaration

The lead auditors independence declaration for the 12 months ended 31 March 2018 has been received and can be found on page 13 of the financial report.

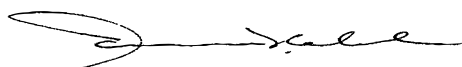
6. Changes in the Statement of Affairs of the company

The company registered under the Australian Charities and Not-For-Profits Act 2012 during the year.

7. 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 2018 the collective liability was \$103,800 (2017: \$101,000).

Signed in accordance with a resolution of the Directors:



James Kahl

Director

Dated at Wee Waa 22nd May 2018

Auditor's independence declaration



Auditor's Independence Declaration under Subdivision 60-40 of the Australian Charities and Not-For-Profits Commission Act 2012

In accordance with Subdivision 60-40 of the Australian Charities and Not-for-profits Commission Act 2012, I am pleased to provide the following declaration of independence to the directors of Cotton Seed Distributors Limited.

I declare that to the best of my knowledge and belief, during the year ended 31 March 2018 there have been no contraventions of the auditor independence requirements as set out in any applicable code of professional conduct in relation to the audit.

Yours sincerely,

Nexia Sydney Partnership

A handwritten signature in black ink, appearing to read 'Lester Wills', written over a light blue horizontal line.

Lester Wills

Partner

Dated at Sydney 22nd May 2018

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Independent auditor's report



Independent Auditor's Report to the Members of Cotton Seed Distributors Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Cotton Seed Distributors Limited (the Company and its subsidiaries (the Group)), which comprises the consolidated statement of financial position as at 31 March 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the Australian Charities and Not-for-profits Commission Act 2012, including:

- i) giving a true and fair view of the Group's financial position as at 31 March 2018 and of its financial performance for the year then ended; and
- ii) complying with Australian Accounting Standards - Reduced Disclosure Requirements and Division 60 of the Australian Charities and Not-for-profits Commission Regulation 2013.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the 'auditor's responsibilities for the audit of the financial report' section of our report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Other information

The directors are responsible for the other information. The other information comprises the information in Cotton Seed Distributors Limited's annual report for the year ended 31 March 2018, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information we are required to report that fact. We have nothing to report in this regard.

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Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the Australian Charities and Not-for-profits Commission Act 2012 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.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibility for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at The Australian Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_files/ar4.pdf. This description forms part of our auditor's report.

Nexia Sydney Partnership

A handwritten signature in black ink, appearing to read "Lester Wills", written over a light blue horizontal line.

Lester Wills

Partner

Dated at Sydney 22nd May 2018

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Nexia Sydney Partnership (ABN 71 502 156 733) is an independent firm of Chartered Accountants. It is affiliated with, but independent from Nexia Australia Pty Ltd, which is a member of Nexia International, a worldwide network of independent accounting and consulting firms. Neither Nexia International nor Nexia Australia Pty Ltd, deliver services in its own name or otherwise. Nexia International Limited and the member firms of the Nexia International network (including those members which trade under a name which includes NEXIA) are not part of a worldwide partnership.

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Directors' declaration

In the directors' opinion:

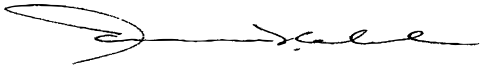
1. The financial statements and notes, as set out on pages 17 to 39, are in accordance with the Australian Charities and Not-for-profits Commission Act 2012 and:

(a) comply with Australian Accounting Standards - Reduced Disclosure Requirements and the Australian Charities and Not-for-profits Commission Regulation 2013; and

(b) give a true and fair view of the financial position as at 31 March 2018 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

Chairman

Dated at Wee Waa 22nd May 2018

Statement of profit or loss and other comprehensive income

for the 12 months ended 31 March 2018

	Notes	Consolidated	
		2018 (\$)	2017 (\$)
Revenue from sale of goods	3A	51,366,125	64,161,840
Cost of goods sold		(33,028,047)	(38,735,717)
Gross profit		18,338,077	25,426,123
Other revenues	3B	25,911,393	25,487,315
Other income	4	2,585,088	1,303,882
Product development and testing expenses		(8,815,991)	(8,310,568)
Administrative expenses		(5,764,963)	(6,089,892)
Surplus before finance income and tax		32,253,605	37,816,860
Net finance income	5	3,469,124	4,001,954
Surplus before income tax		35,722,728	41,818,814
Income tax expense	7A	-	-
Surplus for the period		35,722,728	41,818,814
Other comprehensive income for the period, net of income tax		-	-
Total comprehensive income for the period		35,722,728	41,818,814
Surplus attributable to members of the Company		35,722,728	41,818,814
Total comprehensive income attributable to members of the Company		35,722,728	41,818,814

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

Statement of financial position

as at 31 March 2018

	Notes	Consolidated	
		2018 (\$)	2017 (\$)
ASSETS			
Current assets			
Cash and cash equivalents	8	144,267,337	169,324,321
Trade and other receivables	9	47,126,262	45,506,371
Inventories	10	10,265,364	5,483,500
Biological Asset	11	1,177,757	1,277,616
Held to maturity bonds	12	532,660	2,653,201
Other current asset	13	1,396,074	937,787
Total current assets		204,765,454	225,182,796
Non-current assets			
Held to maturity bonds	12	4,479,959	2,357,021
Property, plant and equipment	14	88,686,351	32,528,926
Intangibles	15	5,404,190	5,404,190
Total non-current assets		98,570,500	40,290,137
Total Assets		303,335,954	265,472,933
LIABILITIES			
Current liabilities			
Trade and other payables	16	35,225,472	33,117,982
Short-term provisions	17	510,872	494,062
Total current liabilities		35,736,344	33,612,044
Non-current liabilities			
Other long-term provisions	17	131,903	115,910
Total non-current liabilities		131,903	115,910
Total Liabilities		35,868,247	33,727,954
Net Assets		267,467,707	231,744,979
EQUITY			
Retained surpluses		267,467,707	231,744,979
Total equity		267,467,707	231,744,979

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

Statement of changes in equity

as at 31 March 2018

		Consolidated
	Notes	Retained Earnings
Balance at 1 April 2016		189,926,165
Total comprehensive income for the year		41,818,814
Balance at 31 March 2017		231,744,979
Balance at 1 April 2017		231,744,979
Total comprehensive income for the year		35,722,728
Balance at 31 March 2018		267,467,707

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

Statement of cash flows

for the 12 months ended 31 March 2018

	Notes	Consolidated	
		2018 (\$)	2017 (\$)
Cash from operating activities			
Receipts from customers		84,152,540	74,630,468
Payments to suppliers & employees		(53,240,316)	(46,163,126)
Interest received		3,469,124	4,001,954
Net cash flows from operating activities	18	34,381,348	32,469,296
Cash flows from investing activities			
Proceeds from sale of plant and equipment		105,003	253,535
Acquisition of investments		(2,399)	-
Acquisition of property, plant and equipment		(59,540,938)	(8,993,833)
Acquisition of intangible assets		-	(218,621)
Net cash flows from investing activities		(59,438,334)	(8,958,919)
Net change in cash and cash equivalents		(25,056,984)	23,510,377
Cash and cash equivalents at the beginning of the year	8	169,324,321	145,813,944
Cash and cash equivalents at the end of the year		144,267,337	169,324,321

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 2018

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 Australian Charities and Not-for-profits Commission Act 2012.

The financial statements were authorised for issue by the Board of Directors on 22nd May 2018. 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 11 biological assets
- Note 14 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:

(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.

(d) 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.

(e) 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.

(f) 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.

Note 1: Statement of Significant Accounting Policies (continued)

(f) Intangible assets (continued)

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.

(g) Inventories

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

(h) Impairment

(i) Financial assets

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

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the

original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

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

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

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

(ii) Non-financial assets

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

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

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

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

(i) Employee Benefits

(i) Short-term benefits

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

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

(ii) Long-term benefits

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

(j) Revenue

(i) Sale of goods

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

(ii) Biological assets

Cotton lint and seed are measured at their fair value less estimated point of sale costs. The fair value is based on the market price of the estimated recoverable harvested crop, net of harvesting costs. The fair value includes management's estimate of the current stage of development and growth.

The fair value measurement of the biological assets is a level 3 measurement, as defined by AASB 13 - Fair Value Measurements hierarchy, as one or more of the significant inputs is not based on observable market data.

(iii) 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.

(iv) Interest revenue

Interest revenue is recognised on a proportional basis taking into account

the interest rates applicable to the financial assets.

(v) Dividend revenue

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

(vi) Other revenue

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

(k) Leases

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

(l) Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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

(m) Provisions

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

Note 1: Statement of Significant Accounting Policies (continued)

(n) Borrowing Costs

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

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

(o) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

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

(p) 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.

Note 2: Leases and commitments	Consolidated	
	2018 (\$)	2017 (\$)
(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	117,312
- between 12 months and 5 years	205,296	322,608
	322,608	439,920
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	1,179,250	4,787,549
	1,179,250	4,787,549
(iii) Capital expenditure commitments		
Property, plant & equipment purchases contracted for:		
- not later than 12 months	18,671,841	64,863,571
(iv) Research commitments (excluding Cotton Breeding Australia)	2,703,686	-
(v) Cotton Breeding Australia commitments		
<u>(a) Capital expenditure commitments</u>		
Plant and equipment purchases contracted for but not provided for and payable:		
- not later than 12 months	2,695,398	2,480,929
- between 12 months and 5 years	2,665,000	2,629,000
- greater than 5 years	4,643,125	1,582,875
	10,003,523	6,692,804

Note 2: Leases and commitments (continued)	Consolidated	
	2018 (\$)	2017 (\$)
(b) <u>Research expenditure commitments</u>		
Future research commitments not provided for in the financial statements and payable:		
- not later than 12 months	2,746,299	3,909,687
- between 12 months and 5 years	15,107,428	14,944,984
- greater than 5 years	26,754,397	9,000,454
	44,608,124	27,855,125
Total of Cotton Breeding Australia commitments	54,611,647	34,547,929
Total leases and commitments	74,785,346	104,638,969

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 rolling term.

Note 3: Revenue	Consolidated	
	2018 (\$)	2017 (\$)
Note 3A: Sale of goods revenue		
Revenue from sale of goods	51,366,125	64,161,840
Sale of goods revenue	51,366,125	64,161,840
Note 3B: Other revenue		
Royalty revenue and seed access fees	55,977,427	55,431,865
Less: Seed access fees	(30,066,033)	(29,944,550)
Net seed access fees and royalty revenue	25,911,393	25,487,315

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 2016-17 seed sales is included in seed access fee revenue in the 2017-18 financial year. The EPR in relation to 2017-18 seed sales will be included in seed access fee revenue in the 2018-19 financial year (refer to note 22 - Contingent Assets).

Note 4: Other income		Consolidated	
	Notes	2018 (\$)	2017 (\$)
Net gain on the disposal of property, plant and equipment		51,013	83,032
Other income		1,343,518	4,635
Gain from cotton crop	11	1,177,757	1,277,616
Net foreign exchange gain/ (loss)		12,800	(61,401)
Total other income		2,585,088	1,303,882

Other Income

During the year the Company registered under the Australian Charities and Not-For-Profits Act 2012. This registration resulted in the refund of previously paid payroll tax amounting to \$1,309,647.

Note 5: Net finance income	Consolidated	
	2018 (\$)	2017 (\$)
Finance income		
Interest - other parties	3,469,124	4,001,954
Net finance income	3,469,124	4,001,954

Note 6: Expenses	Consolidated	
	2018 (\$)	2017 (\$)
Employee superannuation expense	373,098	372,077
Depreciation - property, plant and equipment	2,110,220	2,193,535
Bad debts written off	-	-
Total rental expense relating to operating leases	103,870	117,312

Note 7: Income tax	Consolidated	
	2018 (\$)	2017 (\$)
Note 7A: The prima facie tax on profit before income tax is reconciled to the income tax as follows:		
Profit before income tax expense	35,722,728	41,818,814
Tax at the Australian tax rate of 30%	10,716,818	12,545,644
Add tax effect of:		
Less tax effect of:		
- the Company being exempt from income tax	(10,716,818)	(12,545,644)
Effect of deferred tax assets not brought to account		
	-	-
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	-	-

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	
	2018 (\$)	2017 (\$)
Cash on hand	2,911	1,195
Cash at bank	43,993,093	49,311,844
Short term deposits	100,271,333	120,011,282
	144,267,337	169,324,321
The Group has an Investment Policy to manage its credit risk. The Group also has a Reserves Policy which determines the level of the research reserve short term deposits. The Reserves Policy is reviewed annually.		
Reconciliation of cash		
Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to items in the Statement of Financial Position as follows:		
Total cash and cash equivalents	144,267,337	169,324,321

Note 9: Trade and other receivables	Consolidated	
	2018 (\$)	2017 (\$)
Current		
Trade receivables	2,246,260	1,944,046
Provision for impairment of receivables	-	-
	2,246,260	1,944,046
Other debtors	44,700,305	42,870,991
Net GST receivable	179,697	691,334
Total current trade and other receivables (gross)	47,126,262	45,506,371

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	
	2018 (\$)	2017 (\$)
Current		
Raw materials and stores - at cost	2,501,645	796,201
Finished goods and work in progress - at net realisable value	7,763,719	4,687,299
	10,265,364	5,483,500

Write-downs of inventories to net realisable value recognised as an expense during the period ended 31 March 2018 amounted to \$2,146,590 (2017: \$1,714,976). The expense has been included in cost of goods sold in the Statement of Profit or Loss and Other Comprehensive Income.

Note 11: Biological assets	Consolidated	
	2018 (\$)	2017 (\$)
Current		
Cotton crop	1,177,757	1,277,616
Carrying amount at beginning of the year	1,277,616	960,940
Gain/loss arising from changes in fair value less estimated point of sale costs	1,177,757	1,277,616
Decrease due to harvesting/picking	(1,277,616)	(960,940)
Carrying amount at end of the year	1,177,757	1,277,616

Cotton lint and seed are measured at their fair value less estimated point of sale costs. The fair value is based on the market price of the estimated recoverable harvested crop, net of harvesting costs. The fair value includes management's estimate of the current stage of development and growth.

The fair value measurement of the biological assets is a level 3 measurement, as defined by AASB13 - Fair Value Measurements hierarchy, as one or more of the significant inputs is not based on observable market data.

Note 12: Held to maturity bonds	Consolidated	
	2018 (\$)	2017 (\$)
Current		
Held to maturity bonds	532,660	2,653,201
	532,660	2,653,201
Non-current		
Held to maturity bonds	4,479,959	2,357,021
	4,479,959	2,357,021

Note 13: Other current assets	Consolidated	
	2018 (\$)	2017 (\$)
Current		
Prepayments	1,396,074	937,787
	1,396,074	937,787

Note 14: Property, plant and equipment	Consolidated	
	2018 (\$)	2017 (\$)
Note 14A: Land and buildings		
Freehold land		
At cost	5,081,164	4,631,409
Total freehold land	5,081,164	4,631,409
<u>Buildings on freehold land</u>		
At cost	48,951,351	14,133,160
Less accumulated depreciation	(5,485,636)	(4,980,989)
Total buildings on freehold land	43,465,715	9,152,171
Total land and buildings (non-current)	48,546,879	13,783,580

Note 14: Property, plant and equipment (continued)	Consolidated	
	2018 (\$)	2017 (\$)
Note 14B: Plant and equipment		
<u>Plant and equipment</u>		
At cost	24,819,669	18,686,830
Less accumulated depreciation	(11,535,027)	(9,929,454)
Total plant and equipment	13,284,642	8,757,376
<u>Work in progress</u>		
At cost	26,854,830	9,987,970
Total work in progress	26,854,830	9,987,970
Total property, plant and equipment (non-current)	88,686,351	32,528,926

Note 14C: Movements in carrying amounts

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

Consolidated	Land (\$)	Buildings (\$)	Plant and equipment (\$)	Work in progress (\$)	Total (\$)
Prior year					
Balance at 1 April 2016	3,960,676	7,491,385	7,983,373	2,740,044	22,175,478
Additions	55,865	2,341,308	324,801	9,995,512	12,717,486
Disposals	-	-	(170,503)	-	(170,503)
Depreciation expense	-	(680,522)	(1,513,013)	-	(2,193,535)
Transfers	614,868	-	2,132,718	(2,747,586)	0
Carrying amount at 31 March 2017	4,631,409	9,152,171	8,757,376	9,987,970	32,528,926
Current year					
Balance at 1 April 2017	4,631,409	9,152,171	8,757,376	9,987,970	32,528,926
Additions	475,000	35,647,899	5,331,876	16,866,860	58,321,635
Disposals	-	-	(53,990)	-	(53,990)
Depreciation expense	-	(504,646)	(1,605,574)	-	(2,110,220)
Transfers	(25,245)	(829,709)	854,954	-	0
Carrying amount at 31 March 2018	5,081,164	43,465,715	13,284,642	26,854,830	88,686,351

Note 15: Intangible assets	Consolidated	
	2018 (\$)	2017 (\$)
Water licences		
Water licences at cost	5,404,190	5,404,190
Balance at beginning of year	5,404,190	5,185,568
Additions	-	218,622
Disposals	-	-
Total intangibles (non-current)	5,404,190	5,404,190

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

Note 16: Trade and other payables	Consolidated	
	2018 (\$)	2017 (\$)
Current		
Trade payables	4,046,600	5,086,497
Other creditors and accruals	31,178,872	28,031,484
Total supplier payables	35,225,472	33,117,982

Note 17: Provisions	Consolidated	
	2018 (\$)	2017 (\$)
Employee entitlements		
Current	510,872	494,062
Non-current	131,903	115,910
Total employee provisions	642,775	609,972

Note 18: Cash flow reconciliation		Consolidated	
	Notes	2018 (\$)	2017 (\$)
(a) Reconciliation of operating result to net cash from operating activities			
Surplus for the period		35,722,728	41,818,814
<u>Non-cash flows in profit</u>			
Depreciation and amortisation	6 & 14	2,110,220	2,193,535
Change on fair value of biological assets		99,859	(316,676)
Net gain on disposal of property, plant and equipment	4	(51,013)	(83,032)
<u>Changes in assets and liabilities</u>			
Change in trade and other receivables		(1,619,891)	(22,156,335)
Change in inventories		(4,781,864)	(1,625,641)
Change in other current assets		(458,287)	(97,437)
Change in trade payables and other payables		3,326,793	12,715,995
Change in provisions		32,803	20,073
Net cash from operating activities		34,381,348	32,469,296
(b) Finance facilities			
The Group has no bank loan or guarantee facilities (2017: nil).			

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

Further, grower directors (James Kahl, Robert Tuck, Matthew Norrie, Juanita Hamparsum, Tony Quigley and Nigel Corish) purchased cotton seed from the Group during the year through Agents. The terms and conditions of these transactions were the same as all other grower customers of the Group.

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

	Consolidated	
	2018 (\$)	2017 (\$)
Key management personnel transactions		
Doug Rathbone - Site Re-development Consultancy	112,000	84,000
Doug Rathbone - Catering Beverages	2,043	-
Doug Rathbone - Conference Dinner	-	5,012
Doug Rathbone - Agent Survey	-	78,477
Jorian Milyard - Moisture Meter Service	-	456
Jamie-Lee Wilson - Seed Increase Premiums	39,746	31,923
	153,789	199,868

Note 20: Key management personnel remuneration	Consolidated	
	2018 (\$)	2017 (\$)
Key management personnel remuneration		
Senior executives	1,747,655	1,732,226
Non-executive directors	454,740	400,218
	2,202,395	2,132,444

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.

Senior Executives	Number of Senior Executives
<u>Annualised Remuneration (excluding bonuses)</u>	
\$125,000 to \$200,000	5
\$200,000 to \$525,000	2

Note 20: Key management personnel remuneration (continued)

Non-executive director	Period	CSD director fees (\$)	Subsidiary and advisory board fees (\$)	Superannuation (\$)	Total (\$)
James Kahl	2018	90,571	12,514	8,924	112,009
	2017	78,904	10,950	7,496	97,350
Joanne Grainger	2018	44,027		4,192	48,219
	2017	38,356		3,644	42,000
Nigel Corish	2018	44,027		4,192	48,219
	2017	31,963		3,036	34,999
Juanita Hamparsum	2018	44,027	6,814	4,830	55,671
	2017	38,356	5,936	4,208	48,500
Paul McVeigh	2018	-		-	-
	2017	30,017		2,852	32,869
Matthew Norrie	2018	44,027	6,814	4,830	55,671
	2017	38,356	5,936	4,208	48,500
Tony Quigley	2018	35,172		3,341	38,513
	2017	-		-	-
Doug Rathbone	2018	44,027		4,192	48,219
	2017	38,356		3,644	42,000
John Stewart	2018	-		-	-
	2017	9,589	1,370	1,041	12,000
Robert Tuck	2018	44,027		4,192	48,219
	2017	38,356		3,644	42,000
Total	2018	389,905	26,142	38,693	454,740
	2017	342,253	24,192	33,773	400,218

Note 21: Controlled entities	Country of incorporation	Percentage owned 2018	Percentage owned 2017
Parent and ultimate parent entity			
Cotton Seed Distributors Limited	Australia		
Subsidiaries of parent entity			
Cotton Seed International Pty Limited	Australia	100%	100%
CSD Holdings Pty Limited	Australia	100%	100%
CSD Property Trust	Australia	100%	100%

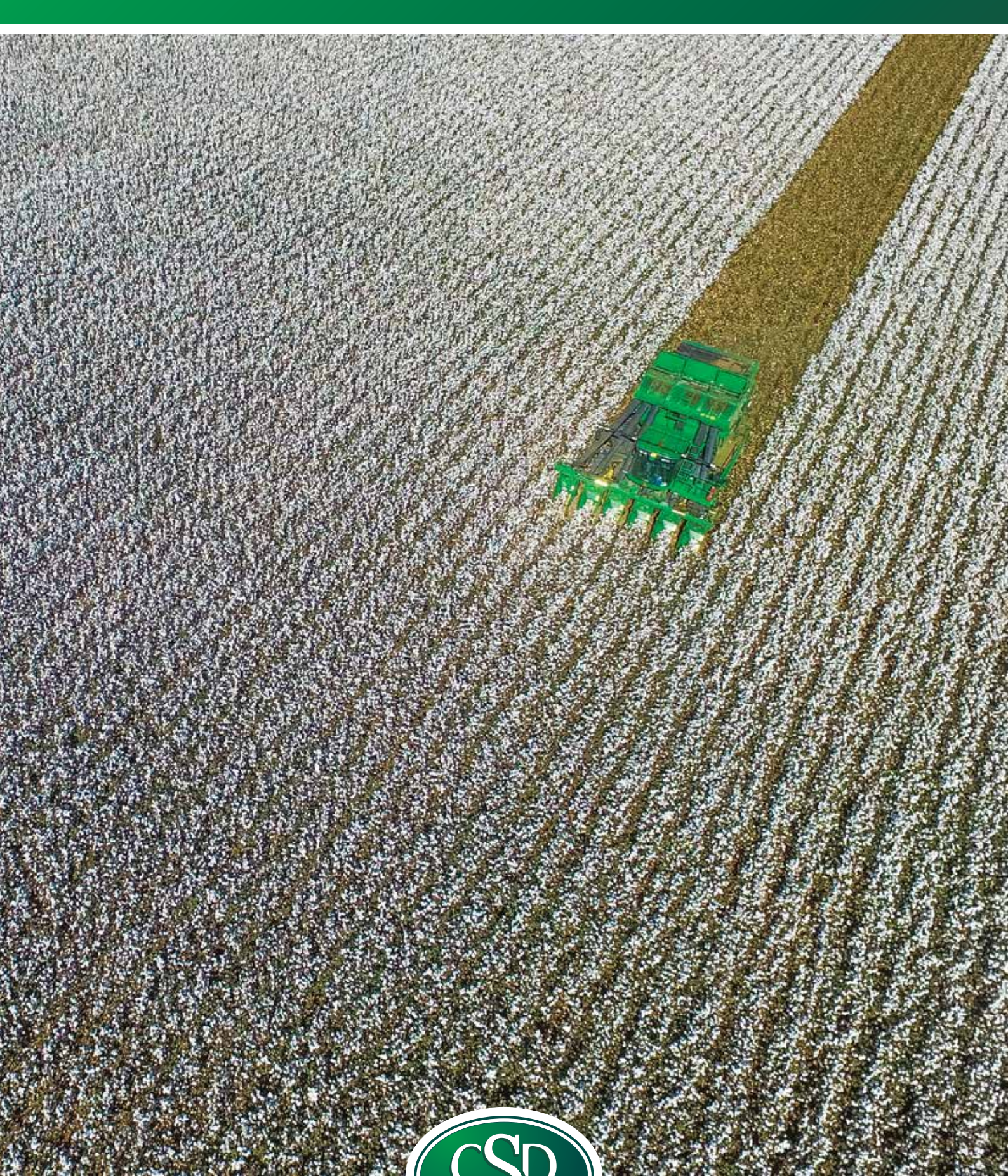
Note 22: Contingent liabilities and contingent assets

The Group is entitled to a contingent asset in the form of an end point royalty which will be payable in 2018-19 in the range of \$nil to \$10 million.

Note 23: Parent entity financial information	Consolidated	
	2018 (\$)	2017 (\$)
(a) Summary financial information		
<u>Statement of financial position</u>		
Current assets	199,484,896	219,437,067
Total assets	298,541,960	260,201,593
Current liabilities	35,730,966	33,593,378
Total liabilities	35,862,867	33,709,291
Net Assets	262,679,092	226,492,302
Equity		
Retained surpluses	262,679,092	226,492,302
Total equity	262,679,092	226,492,302
Surplus for the year	35,480,432	41,356,195
Total comprehensive income	35,480,432	41,356,195
(b) Guarantees entered into by the parent	-	-
(c) Contingent liabilities of the parent	-	-
(d) Contractual commitments for the acquisition of property, plant and equipment	18,671,841	104,638,969

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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